

Resourcing Strategy



RESTORE & THRIVE

ARMIDALE
Regional Council

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1. Strategy Background

Section 403 of the *Local Government Act 1993* (the Act) requires Council to have a long-term strategy called a Resourcing Strategy. The resourcing strategy is to include long-term financial planning, workforce management planning and asset management planning.

The Resourcing Strategy is part of a set of plans and strategies established under section 406 of the Act known as Integrated Planning and Reporting (IP&R) guidelines.

The IP&R framework is built on a quadruple bottom line, that is, the pillars of sustainability of economy, social, environmental and civic leadership. The plans reinforce the imperative of the integration of sustainability into Council’s core business.

The framework is summarised in the following diagram:



While the Community Strategic Plan “*Advancing our Region Community Plan 2022-2032*” provides a vehicle for expressing long-term community aspirations, these goals and objectives cannot be

achieved without sufficient resources (time, money, people and assets) to carry them out. Some strategies identified in the Community Strategic Plan are the responsibility of Council, while others are the responsibility of other levels of government and others rely on input from community groups or individuals. The Resourcing Strategy addresses the strategies that are the responsibility of Council.

2. Armidale Regional Council Profile

The Armidale Regional Council (ARC) area is located in the New England region of New South Wales, about halfway between Sydney and Brisbane.

Some of the key economic indicators available for the region are:

| | |
|---------------------------------------|--|
| Population | 29,704 persons |
| Average Annual Population Growth Rate | Approx. 0.9% |
| Land Area | 7,807km ² |
| Population Density | 3.8 persons per hectare |
| Gross Regional Product | \$1.63 m |
| Largest Industries | Education and Training Agriculture, Forestry and Fishing Health Care and Social Assistance |

ARC was formed by the amalgamation of Armidale Dumaresq Council and Guyra Shire Council on 12 May 2016. The former councils were found to be financially unsustainable under the “fit for the future” framework established by the NSW Government. The resulting council was left with the responsibility of a large rural road network and the same level of services spread over a ratepayer base of approximately 13,000 rateable assessments.

Merging two entities identified as financially unsustainable does not immediately improve the long term financial outlook for the new entity. As the new entity, ARC must develop the required strategies to achieve a financially sustainable outlook.

ARC’s relatively low population density means that it has a lower rate base than city-based regions from which to raise revenues to maintain infrastructure and provide services. Underpinning this challenge is the NSW local government environment of rate capping, which limits the amount of taxation-based revenue that can be raised as well as the restrictions placed on types of charges that can be raised and setting of amounts for statutory fees and charges.

3. Strategy Overview

The Resourcing Strategy provides Council with an agreed roadmap for managing its financial resources and is aligned with the objectives and priorities of the *Delivery Program 2022-2026* and *2022-23 Operational Plan and Budget*.

Council's Resourcing Strategy consists of three sections:

1. Asset management planning;
2. Workforce management plan; and
3. Long term financial plan.

3.1 Asset Management Planning

Asset management is a critical function in local government as most councils manage a vast base of infrastructure assets. Within the ARC local government area, there are 651 kilometres of sealed roads, 1,077 kilometres of unsealed roads and 122 kilometres of regional roads, all of which are maintained by Council. Council is responsible for managing \$1.2 billion in infrastructure assets (roads, bridges, stormwater, footpaths, buildings, water, sewer and airport) and total assets of \$1.3 billion (including land, landfills, plant & equipment).

The Asset Management Strategy articulates to the community how Council manages its assets and details an Asset Management Improvement Plan. The main objective of the Asset Management Improvement Plan is to ensure that Council is underway with the development of a framework to identify how Council should be managing its assets.

The Asset Management Strategy has also been prepared to achieve the following:

- To show how the asset portfolio is performing to meet the service delivery needs of the community,
- To enable Council's asset management practices to be improved in a coordinated manner,
- To allow Council to develop a framework for how we should be managing assets, and
- To demonstrate a corporate approach to the management of Council's assets.

Council's corporate approach to the management of assets has resulted in infrastructure assets being classified as:

- Transport
- Buildings
- Stormwater
- Parks, Recreation and Other
- Water
- Sewer
- Waste
- Airport

A critical issue of local government areas is remaining financially sustainable whilst managing ageing assets that could require renewal and replacement. To minimise this obstacle, each asset class will be supported by individual Asset Management Plans.

In regional NSW, the majority of these infrastructure assets are under the management and control of the local council. Council has a responsibility to continue to provide services to our community through the utilisation of these assets. This responsibility requires considering how best to allocate funds for the operation, maintenance, renewal, replacement and upgrade of assets.

3.2 Workforce Management Plan 2022-2026

Council’s workforce planning addresses the people, with what capabilities, experience and expertise are required to implement Council’s four-year Delivery Program and ultimately the Community Strategy Plan. Due to its close alignment with Council’s four-year Delivery Program the Workforce Management plan spans four years.

The plan includes:

- Analysis of current workforce requirements based on the commitments in the Community Strategic Plan; and
- A program of actions to develop an appropriate workforce culture and structure to meet those objectives.

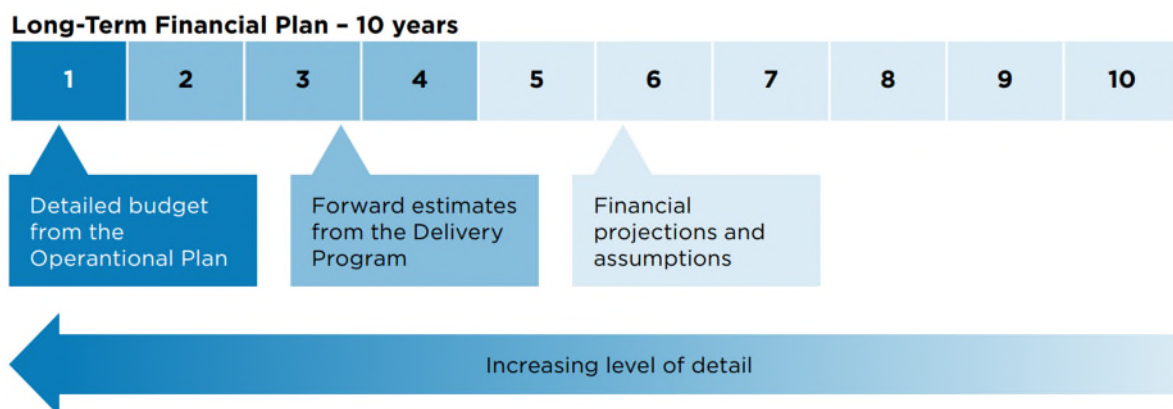
3.3 Long Term Financial Plan

The Long Term Financial Plan is a decision making tool that allows various assumptions and sensitivity analysis to be carried out that will indicate the ability of Council to deliver cost-effective services to our community into the future, within a framework of financial sustainability.

The Plan includes:

- The projected financial position over a ten year timeframe (2022-23 to 2031-2032);
- Key assumptions used to develop forecasts;
- Sensitivity analysis and financial modelling of different forecast scenarios; and
- Key performance indicator results.

It is within this plan that the long term aspirations and goals of our community are tested against financial reality.



Source: Office of Local Government. (2021). *Integrated Planning and Reporting Handbook for Local Councils in NSW*, 37.

3.3.1 Financial Sustainability

Financial sustainability for local governments is critical as they are responsible for directly providing the community with a wide range of public services and community infrastructure and facilities. This requires local governments to hold and maintain a significant base of infrastructure assets, which necessitates not only substantial initial investments but also continued expenditure to maintain and renew assets over the course of their respective useful lives.

There are many definitions of financial sustainability with the definition developed by NSW Treasury Corporation being:

A local government will be financially sustainable over the long term when it is able to generate sufficient funds to provide the levels of service and infrastructure agreed with its community.

Council has recognised that financial sustainability requires the following:

- Council must achieve a fully funded operating position,
- Council must maintain sufficient cash reserves,
- Council must have an appropriate funded capital program,
- Council must maintain its asset base, and
- And expenditure on assets should be driven by asset management plans.

As with many local governments, a major challenge for Council is the management of ageing assets in need of renewal and replacement. Infrastructure assets such as roads, bridges, pathways, kerbs, stormwater drains and public buildings present particular challenges as their condition and longevity can be difficult to determine. The creation of new assets also presents challenges in terms of funding for initial construction and ongoing service costs.

Council has recognised that ARC faces significant financial sustainability challenges in the General Fund. These challenges focus on the shortfall of funding available for the capital program to fully address asset renewal funding requirements and a shortfall of funding to maintain operational services. In the 2022-23 financial year Council intends to implement financial improvement strategies with the aim of closing these funding gaps within a reasonable timeframe.

Asset Management Strategy



RESTORE & THRIVE

ARMIDALE
Regional Council

| QUALITY CONTROL | | |
|----------------------|---|---------------|
| OUR PURPOSE | Together, proud to deliver to the highest possible standards for ARC in all we do | |
| KEY DIRECTION | Strong Region (Engagement and Responsibility) | |
| GOAL | S2 - Strong governance and leadership that supports our region to grow and prosper | |
| STRATEGY | S2.2 - Ensure that strategic directions are informed by, and with, the community and stakeholders and are delivered effectively, and in consideration of available resources | |
| RESPONSIBLE OFFICER | Coordinator Strategic Infrastructure Planning | |
| REVIEW DATE | 2024 | |
| DATE | ACTION | RESOLUTION No |
| 10/03/2022 | Coordinator - Draft finalised | N/A |
| 14/03/2022 | Chief Officer – Strategy endorsement | N/A |
| 11/05/2022 | Council - Public Exhibition | 98/22 |
| 29/06/2022 | Council - Adoption | |
| NOTES | Nil | |
| ASSOCIATED DOCUMENTS | <ul style="list-style-type: none"> • Asset Management Policy • Resourcing Strategy (Long-term Financial Plan and Workforce Management Plan) • Asset Management Plans • Community Strategic Plan • Delivery Program • Operational Plan • Procurement Policy • Risk Management Policy • Plan of Management Policies • Council’s Code of Conduct • Local Strategic Planning Statement • Other adopted strategic plans/ documents related to assets | |

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1. What is the Asset Management Strategy?

Asset management is the process for whole-of-life asset management from planning, acquisition/upgrade, operation, maintenance, renewal and disposal of assets. It encompasses the integration of asset and service delivery outcomes.

To deliver on the key business outcome of asset management capability, Council will need a functioning asset management framework. The asset management framework comprises people policies and strategies, processes, information systems and other resources required to deliver asset management. Asset management requires an organisation-wide commitment to provide an appropriate level of support to underpin Council's asset management obligations.

This Interim Strategy has been prepared to articulate to the community how Council manages its assets and detail an Asset Management Improvement Plan. The main objective of the Asset Management Improvement Plan is to ensure that Council is underway with the development of a framework to identify how Council should be managing its assets.

The Asset Management Strategy has also been prepared to achieve the following:

- To show how the asset portfolio is performing to meet the service delivery needs of the community
- To enable Council's asset management practices to be improved in a coordinated manner
- To allow Council to develop a framework for how we should be managing assets
- To demonstrate a corporate approach to the management of Council's assets

Council's corporate approach to the management of assets has resulted in infrastructure assets being classified as:

- Transport
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A critical issue of local government areas is remaining financially sustainable whilst managing ageing assets that could require renewal and replacement. To minimise this obstacle, each asset class will be supported by individual Asset Management Plans.

In regional NSW, the majority of these infrastructure assets are under the management and control of the local council. Council has a responsibility to continue to provide services to our community through the utilisation of these assets. This responsibility requires considering how best to allocate funds for the operation, maintenance, renewal, replacement and upgrade of assets.

In conjunction with the Long Term Financial Plan and the Workforce Management Plan, the Asset Management Strategy forms part of the Resourcing Strategy, which is a set of plans and strategies established under section 406 of the Act known as Integrated Planning and Reporting (IP&R) guidelines.

Council's workforce planning addresses the people, with what capabilities, experience and expertise are required to implement Council's four-year Delivery Program and ultimately the Community Strategy Plan. The plan includes analysis of current workforce requirements based on the commitments in the Community Strategic Plan and a program of actions to develop an appropriate workforce culture and structure to meet those objectives.

The Long-Term Financial Plan is a decision making tool that allows various assumptions and sensitivity analysis to be carried out that will indicate the ability of Council to deliver cost-effective services to our community into the future, within a framework of financial sustainability. The plan includes the 2022-23 budget, the projected financial position over a ten year timeframe (2022-23 to 2031-2032), key assumptions used to develop forecasts, sensitivity analysis and financial modelling of different forecast scenarios and key performance indicator results.



2. What are our asset management principles?

The Asset Management Policy and accompanying Asset Management Strategy will establish the principles and direction for managing Council's assets. The purpose of the Asset Management Strategy is to ensure that the management of Council's assets is planned, delivered and operated in line with the objectives in the Community Strategic Plan and provides the best possible value for the community.

To guide the sustainable management of Council's assets, the Asset Management Policy provides the principles outlined below. No principle should be applied to the detriment of another, they must be collectively considered and utilised to the reasonable and practicable extent in the circumstances.

In summary, the Asset Management Policy demonstrated **why** we need to manage our assets and the governance required around managing assets; the Asset Management Strategy outlines **how** we are planning to do that; and the Asset Management Plans details **what** needs to be done in each of the asset classes in order to align the levels of services that community expects and the serviceability of assets.

2.1 Legislative requirements

- The application of asset management will conform to legislative requirements and seek to achieve best practice in the industry
- Relevant legislative requirements and political, social and economic environments are to be taken into account in asset management decision making

2.2 Communication and engagement with the community

- Consultation and engagement with the community will be undertaken on key issues affecting the delivery of services and infrastructure assets
- When determining service and intervention levels through community and key stakeholder consultations, financial efficiency, utilisation, function and the condition of the assets will be the key performance measures considered

2.3 Planning, process, practices and continuous improvement

- Decisions on asset renewal, disposal, upgrade or new asset provision will be carried out in accordance with asset management information that includes demonstrated need, life cycle costing, alternative modes of delivery, sustainability, equitable distribution of resources and social equity, financial performance, utilisation, function and the condition of the assets
- Council will better understand its assets, their criticality and consequences associated with poor planning and management of assets
- Council will plan, create, operate, maintain, renew and dispose of assets in accordance with community and Council's priorities for service delivery
- Asset management process, documents and practices will be reviewed at appropriate intervals
- Key issues with asset management practices and process will be identified and Council will continuously work towards improvement

- An Asset Management Strategy will be developed, reviewed and adopted every four years by Council
- An Asset Management Framework aligned with the requirements of ISO 55001 will be prepared, implemented, monitored and continually improved
- Asset Management Plans should be considered as the baseline for future capital planning, and it will be guided by relevant Council plans and strategies, will include demand forecasts and community consultation

2.4 Financial capacity and value for money for the community

- Council will apply this policy to inform, plan and guide decisions about assets in order to deliver the optimum balance of services and risks within its financial capacity
- Effective planning around budget and operations will be undertaken to provide value for money solutions for community
- Council will identify funding to support and maintain Council infrastructure
- Asset Management Plans and the Long Term Financial Plan will be aligned to identify any funding gaps that will need to be addressed by balancing risk, lifecycle cost and service levels

2.5 Resources

- Council will allocate sufficient resources for the development of asset strategies, asset management plans and service level documents and the identified asset maintenance and renewal activities from those strategies and plans
- Council is working towards ensuring that all employees are appropriately trained in asset management principles, practices and processes in order to effectively deliver asset management objectives and create and sustain an asset management awareness throughout the organisation

2.6 Back to basics/ Focus on maintenance and renewal of existing assets

- Council will ensure that the asset management of existing assets will not be compromised by the creation of new assets
- Maintenance and renewal expenditure will be planned and prioritised in order to keep useful assets in an acceptable condition and minimise increase in renewal backlog
- By applying an optimised level of maintenance and renewal, Council will reduce future life cycle costs
- Council will only acquire new assets where there is demonstrable benefit to the community for the service and the lifecycle costs of the asset can be funded by Council
- An inspection regime will be used as part of the asset management to ensure service levels are maintained and to identify asset renewal priorities
- Asset management working groups will ensure coordinated approach to asset management across Council

2.7 Life-cycle approach

- Council will develop a life cycle approach in managing assets, which will allow Council to perform better financial planning
- Decisions to accept, acquire or construct new assets will consider the full life cycle costs (operation, maintenance and the need to renew the asset at the end of its useful life) with this information to be included in Council reports and to be subsequently allocated in Council's Long Term Financial plan and Asset Management Plans
- All asset renewal, upgrade or new projects are to include full lifecycle costs including maintenance as part of the project planning phase
- By using full life cycle methods, Council will identify and prioritise the lowest cost life cycle options in decision-making



3. Background

3.1. Post amalgamation to date

The Armidale Regional Council (ARC) was formed on 13 May 2016 as a result of the amalgamation of the former Armidale Dumaresq Council (ADC) and Guyra Shire Council (GSC). The Council governance structure operated under an Administrator until Sept 2017 and an elected Council until June 2020, when an Administrator was again appointed.

Council was also placed under a Performance Improvement Order from 9 December 2020, requiring a large body of work to improve compliance and its financial position. This work remains ongoing.

Additionally, Council has experienced high staff turnover and has been operating on skeleton staff levels in many areas, and has faced unforeseen events such as large scale natural disaster events.

Like many local government entities, Armidale Regional Council is challenged by the level of ongoing funding compared with an extensive infrastructure portfolio and delivery of a wide range of services in a complex and highly regulated environment.

Staff skills in some areas are very limited, and growing capability and capacity will be a crucial objective moving forward. The vast number of areas requiring improvement creates difficulties in conducting business as usual service delivery and significant business improvement. Council will need to maintain a “back to basics” approach to achieve its stated goals over the following years.

Council does not have a sufficient level of funding to deliver the required service levels from an asset maintenance perspective and renewal perspective. Council’s ratios are unable to be improved without additional funding being sought including through a special rate variation (SRV) process. There is a large asset-based valued at over \$1 billion in infrastructure, and the projection for key ratios for infrastructure are currently at unacceptable levels in the LTFP without additional investment in asset renewal on an ongoing basis.

3.2. 2022 and the new Council

An Asset Management Framework (AMF) includes an Asset Management (AM) Policy, an Asset Management (AM) Strategy, Asset Management Plans (AMPs) as well as supporting work practices. The Strategy forms part of the IP&R Framework as one part of Council’s Resourcing Strategy.

In recent years Council’s internal ability to provide asset management functions have been poorly supported, and currently, no Asset Management Framework exists. To date, there has been little or poor coordination across Council with little or no formally trained staff to support the framework and very poor asset data maturity.

As part of the Asset Management Improve Plan included in this Strategy, Council will start developing an Asset Management Framework, which has commenced with the development and adoption of the AM Policy in June 2021 and the current development of this Interim AM Strategy. Without an AMF and internal capability in the area, Council is prone to significant inefficiencies and will struggle to improve its financial performance and effectively manage its infrastructure needs.



4. Our assets

Asset management is a critical function in local government as most councils manage a vast base of infrastructure assets. Within the Armidale Regional Council local government area, there are 651 kilometres of sealed roads, 1,077 kilometres of unsealed roads and 122 kilometres of regional roads, all of which are maintained by Council. Council is responsible for managing \$1.2 billion in infrastructure assets (roads, bridges, stormwater, footpaths, buildings, water, sewer and airport) and total assets of \$1.3 billion (including land, landfills, plant & equipment).

With such a large and diverse range of assets, Council requires a system and processes to manage assets utilising quality data and strong technical expertise.

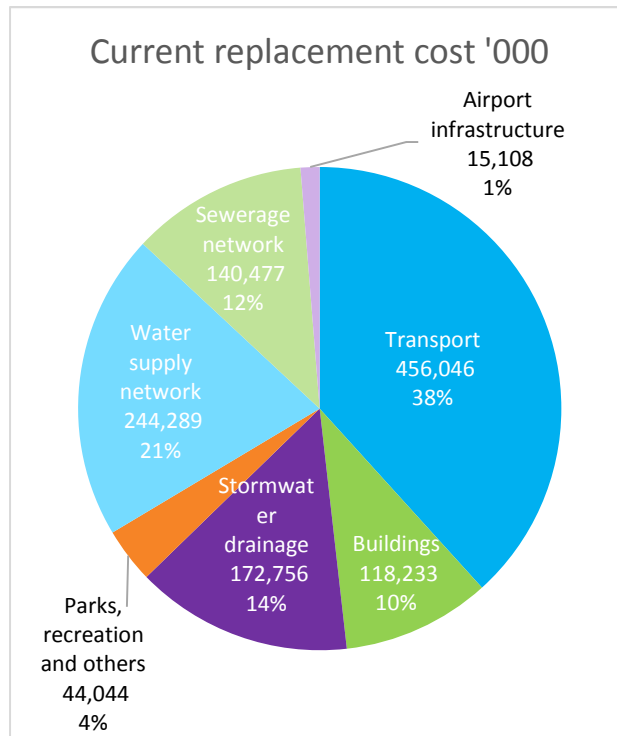
Council is currently developing the Asset Management Framework, and this is an area for improvement and will remain a focus from 2022 onwards. Until there is a robust implementation of the Asset Management Framework across Council, this will remain a critical risk.

Council's total asset portfolio comprises of:

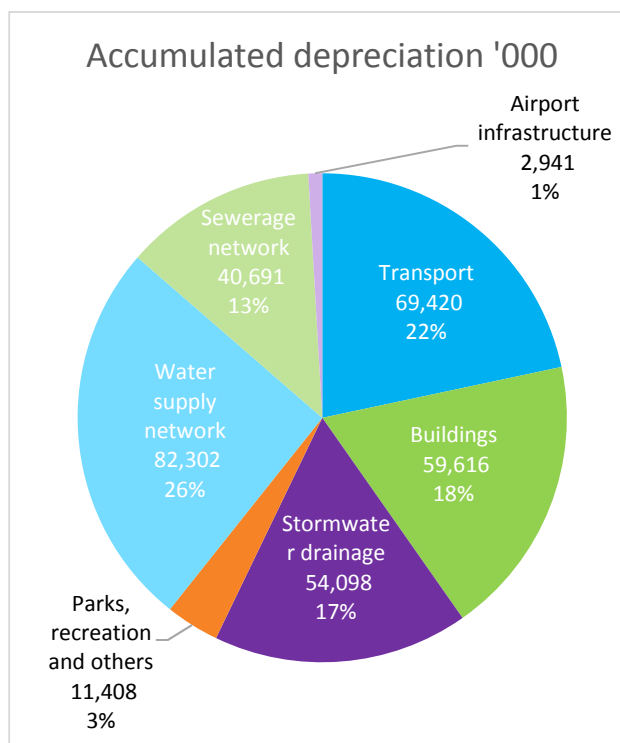
| # | ASSET | UN |
|----|-------------------|----------------|
| 1 | Sealed roads | 651km |
| 2 | Unsealed roads | 1,077km |
| 3 | Regional roads | 122km |
| 4 | Bridges | 112 assets |
| 5 | Footpaths | 130km |
| 6 | Kerb & gutter | 271km |
| 7 | Water network | 30,627 assets |
| 8 | Sewer network | 22,159 assets |
| 9 | Stormwater | 119km |
| 10 | Land | 342 properties |
| 11 | Buildings | 264 assets |
| 12 | Other structures | 300 assets |
| 13 | Plant & equipment | 480 assets |

The best available estimate of the total value of infrastructure assets are shown below. This position is based on poor level of asset maturity in many areas, registers, systems, resources, processes, etc. Confidence should increase in the short to medium term as Council completes actions on its Asset Management Improvement Plan.

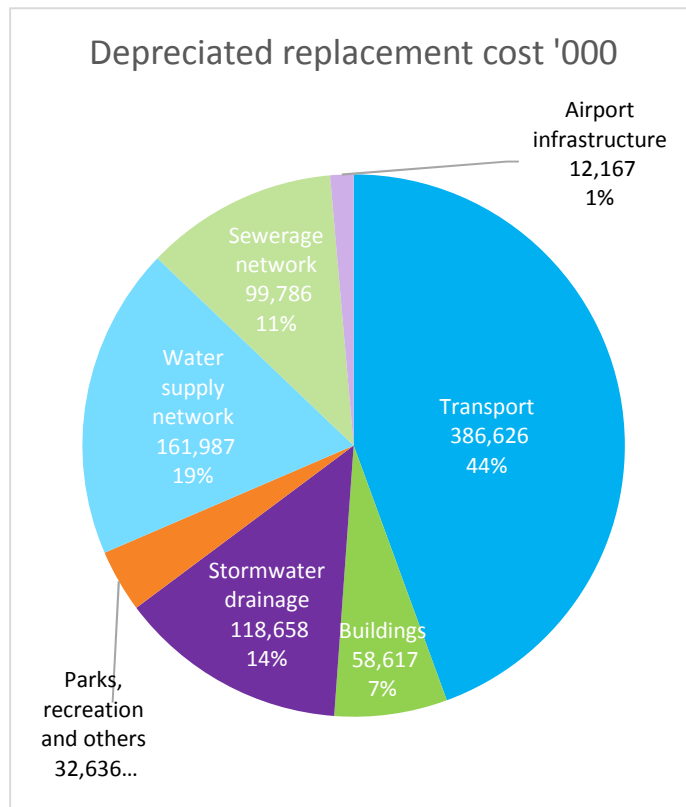
- Current Replacement Cost: \$1,190,953,000



- Accumulated Depreciation: \$320,476,000



- Depreciated Replacement Cost: \$870,477,000



Without additional funding being made available, the Long Term Financial Plan (LTFP) forecasts an asset renewal average ratio for the general fund over the next ten years of 58%. With an industry benchmark of 100% or greater being required and \$1.2 billion of infrastructure assets under Council's control and management, the outlook for infrastructure ratios for the General Fund is not sustainable over the long term.

As a result, Council is considering the need for a Special Rate Variation (SRV) to assist with closing the asset renewal funding gap. A funding gap of this magnitude is significant and requires immediate action, the longer that the investment in asset renewal remains under the required level, the more costly it will be in the long run to bring assets back to a satisfactory condition.

5. How do we manage our assets?

5.1 Overview

The determination of levels of service is critical in determining if sufficient funds are available for sustainable asset service delivery. Service levels are ordinarily determined by defining the outcomes as agreed with the community, identifying the services required to meet those outcomes and the infrastructure required to support those services. The determination of service levels has been identified as a key action within the Asset Management Improvement Plan contained within this Asset Management Strategy.

Review of community expectations and service levels Council's 2021 Special Rate Variation application was made based on maintaining service levels to the community in the short term. It was noted in the application that the option applied for would: "result in current levels of service maintained in the short term; however, the asset renewal backlog will increase. This will increase costs in the medium to long term, placing a financial burden on future generations, therefore will have limited options to fund new assets as the region grows."

Council still has work to do in evaluating service levels and aligning this with community expectations within the funding available. Lacking a focus on creating and aligning strategies for utilities, assets and services, and experiencing challenges in uniting staff in common service delivery has meant that Armidale Regional Council has struggled to define appropriate levels of service, plan around these and deliver efficiently to the community expectations since amalgamation. Not having strategic business plans supported by a robust governance framework has fostered a number of operational challenges that have yet to be addressed.

In the absence of a clear strategy guiding service delivery, reactionary approaches to changing priorities have shifted work into non-traditional roles and temporary appointments, further challenging consistent service delivery. Some staff have traditionally separate portfolios such as grants and asset management or facilities management and project management. The workloads are hard to manage due to their disparate nature and make work prioritisation very difficult for the staff in those roles.

Council is currently rolling out changes to many strategies to help define and plan to deliver consistent levels of service to create a sustainable organisation for the benefit of the community. These changes are being brought about through various projects, including an Integrated Water Cycle Management Plan, a Transport Infrastructure Service Plan, an Asset Management Framework, and Councils Delivery Program. Together, these initiatives and projects will slowly improve Council's service delivery to the levels expected by the community.

5.2 Condition rating

Condition rating assessments on individual assets are not undertaken on a regular basis. Ideally, inspections would be done depending on the type of asset, its age, previous condition assessments, and criticality. Moving forward, as part of the development of asset management plans, Council will start moving toward a more proactive approach rather than a reactive approach.

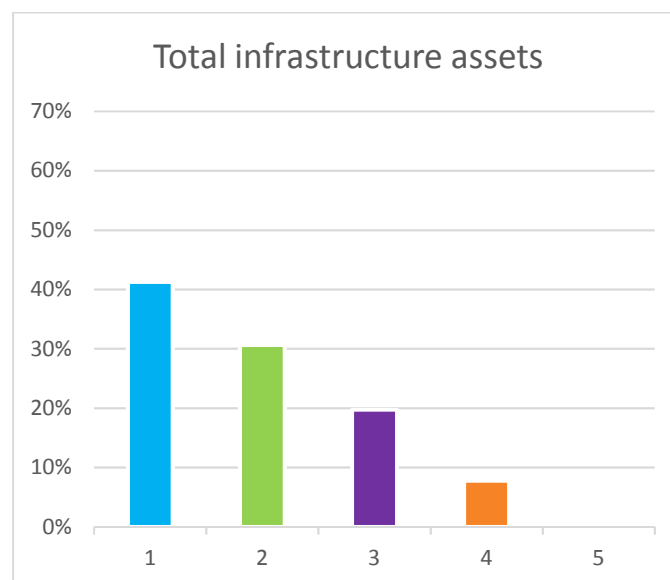
Currently, condition is monitored informally, and inspections are not done regularly for all asset classes. It is important to note that there is low data confidence in asset condition and condition data is not available for all the assets.

Asset condition is rated 1-5 and based on the International Infrastructure Management Manual (IIMM) and are described as per below:

1. Excellent/ very good – only normal maintenance required
2. Good – minor maintenance required
3. Satisfactory – Maintenance to enable an asset to provide an acceptable level of service
Note: below condition 3 – agreed intervention level
4. Poor – significant renewal/ upgrade required
5. Very poor – urgent renewal/ upgrade required

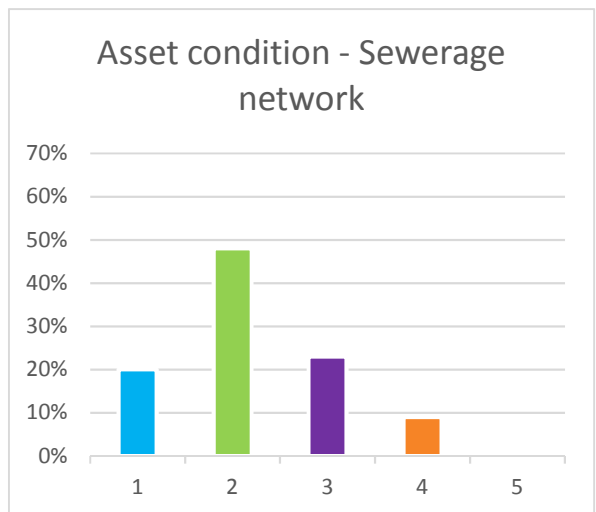
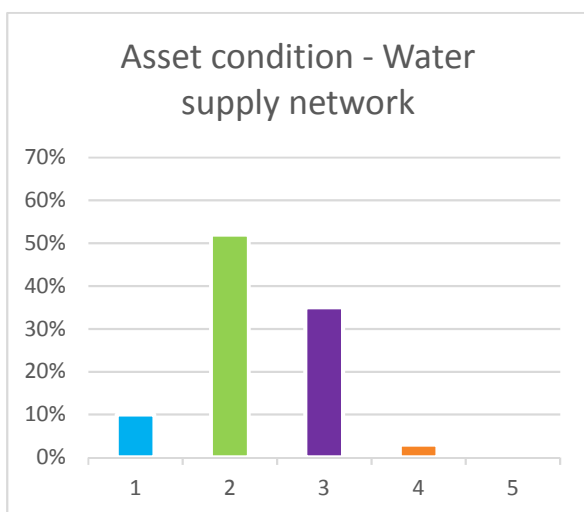
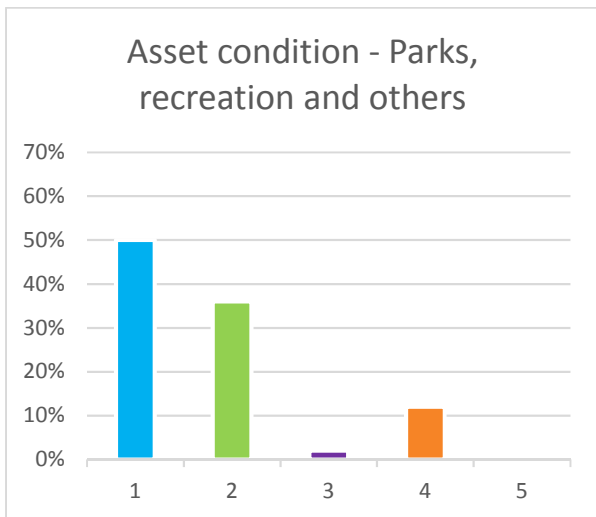
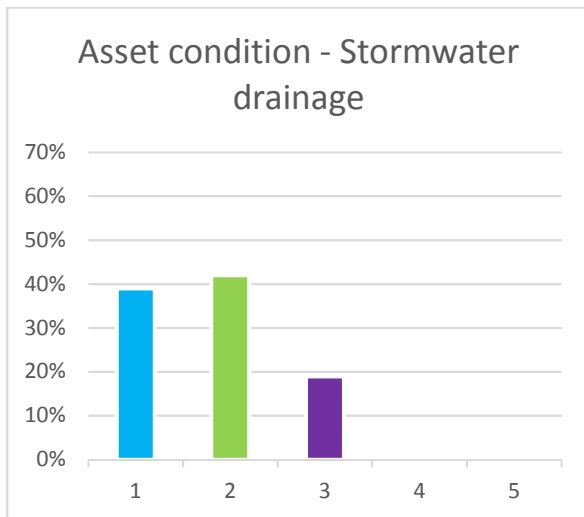
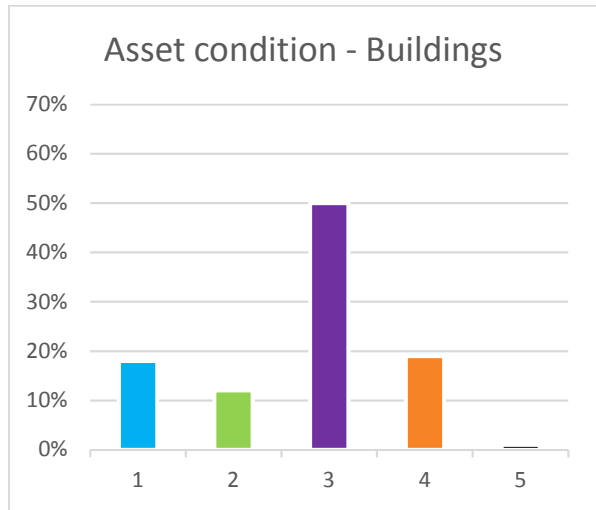
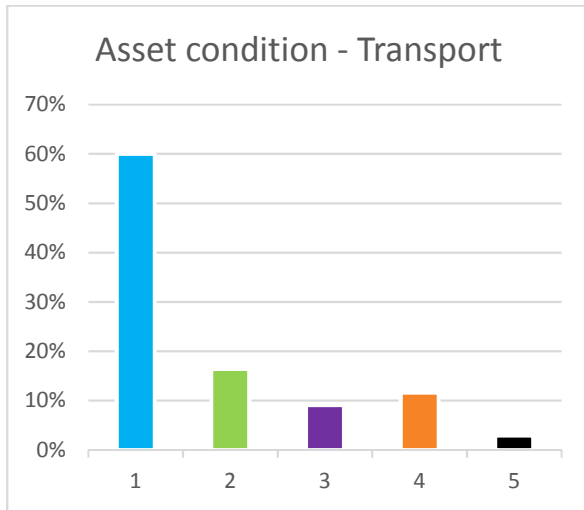
5.2.1 Overall Council's infrastructure assets condition

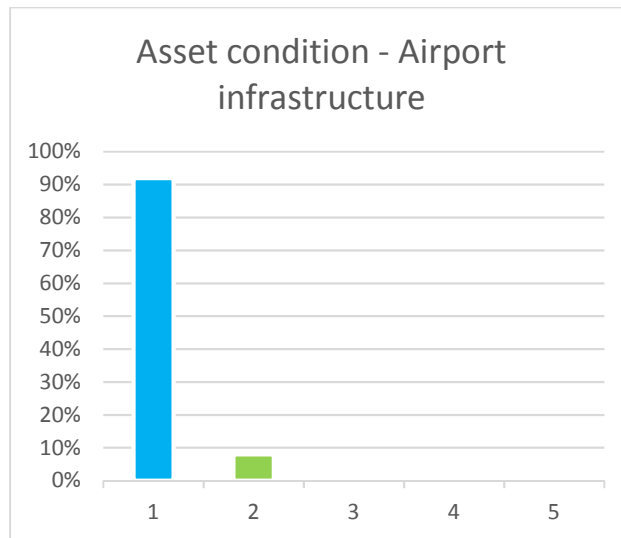
Best available data on overall Council's infrastructure assets condition as at 30 June 2021:



5.2.2 Council's infrastructure assets condition per asset class

Best available data on asset condition per asset class as at 30 June 2021:





Note: the condition data on infrastructure assets will change once data confidence increases as Council completes actions on its Asset Management Improvement Plan.

5.3 Levels of service

Asset condition helps identify asset trends and clearly defines levels of service. Asset management decision making is directly linked to asset condition; this determines what condition the asset should be in before an asset management intervention.

Current and future condition assessments intend to:

- Provide a robust and repeatable process for carrying out condition assessments on council's assets
- Use condition assessments to develop programs for intervention with regards to further inspection, monitoring, maintenance and renewals
- Correlate the levels of service that the community expects and the serviceability of assets to meet that

Levels of Service are considered in terms of:

- Condition: How good is the service? What is the condition or quality of the service?
- Function: Is it suitable for its intended purpose? Is it the right service?
- Capacity/Use: Is the service over or under used? Do we need more or less of these assets?

5.4 Useful life

An asset's 'useful life' is the period from when it is constructed until it reaches its agreed intervention level. It is directly related to condition/ serviceability and impacts depreciation.

As a result of the amalgamation of the former Armidale Dumaresq Council (ADC) and Guyra Shire Council (GSC), a considerable part of the data containing information of year built has been lost. Modelling will be undertaken based on the information available, which is a 'best estimate', with the actual life dependent on numerous factors that influence the rate of deterioration of the asset (e.g. construction methods, materials, weather and usage). Once Council is able to reassess asset conditions and the expected remaining life of assets, better quality information and modelling will be provided.

5.5 Demand management

Drivers affecting demand include circumstances such as job creation, population change, climatic conditions, climate change, regulations, consumer preferences and expectations, technological changes, economic factors, agricultural practices, environmental awareness, etc.

Work has commenced on determining the impact of growth on the provision of Council services. At this stage, the growth implications are being reviewed in broad terms regarding the increased operation, maintenance and renewal costs, and the potential of new and upgraded assets being required. Demand for new services will be managed through a combination of managing existing assets, upgrading of existing assets and the provision of new assets to meet demand and demand management.



5.6 Asset inspection

Armidale Regional Council is working to have a coordinated approach to asset inspections. The lack of staff to carry out adequate levels of inspections, maintenance and renewals across all asset classes will be addressed as part of the Workforce Management Plan (WMP), accounting for work areas needs and accommodating future demands.

It is noted that maintenance is fundamental for the ongoing management of assets and considered an investment that directly influences the potential assets to reach their intended useful life. The ongoing development of asset knowledge through asset inspections, improved maintenance activities, subsequent defect monitoring and repairs are fundamental in developing sustainable intervention levels for renewal and replacement of assets.

5.7 Lifecycle cost

The lifecycle cost of assets is determined based on each asset's total cost of ownership, including acquisition/ upgrades, operations, maintenance, renewal, and disposal costs. Lifecycle costs are a crucial consideration when determining whether to invest in new assets as the ongoing costs of operation, maintenance and renewal are often greater than the initial construction cost of the asset.

As part of the development of asset management plans for each asset class, operational documents will be prepared to detail how Council plan to manage and operate the assets at the future developed agreed levels of service while managing life cycle costs.

5.8 Capital upgrades and new assets

Upgrades enhance an existing asset to provide a higher level of service, for example, widening an existing sealed road. New assets are those created to meet an additional service level requirement or increase the size of a network, and may be required as a result of growth, social or environmental needs. It is important to note that new assets and upgrades add to future liabilities.

Capital upgrades and new assets commits Council to fund ongoing budget liabilities for operations, maintenance, renewal and depreciation for the asset's life.

New assets and upgrades of existing assets are identified from various sources such as Councillors, community requests, proposals included in strategic plans or partnerships with other organisations.

Providing sustainable services will require matching projected asset renewal and replacement expenditure to meet agreed service levels with the corresponding capital works program accommodated in the long-term financial plan. Budget forecasts will continue to be developed as information is captured and reported; however, the current confidence levels in data are low.

Council has adopted an extremely conservative fiscal position, placing pressure on Council's ability to fund works. This results from historical events and unprecedented pressures on Council's finances ranging from natural disasters to governance issues.

This Council has a challenge and an opportunity to set the goalposts and consistently align the various strategies within the organisation towards those goalposts. This sets a stable foundation from which our community can grow, and our Council can use it to become more efficient in service delivery.



6. Risk management and critical assets

Council is committed to a structured and systematic approach to managing risk and has committed resources to the implementation of a Project Management framework/program and a Risk Management program within the Project Management Office and Governance areas. Those programs aim to embed the principles of risk management in all aspects of Council's operations, which will ultimately:

- Increase the likelihood of Council achieving its objectives
- Create an environment where all employees have a crucial role in managing risk
- Encourage proactive management
- Improve the identification of opportunities and threats
- Improve stakeholder confidence and trust
- Improve financial stability and minimise loss
- Improve organisational performance

For assets with potentially long lives, risks associated with changing economic conditions, varying levels of demand for services, operations and maintenance and disposal requirements, are to be analysed and managed to ensure the investment is justified. Those should be identified when developing the asset management plans.

One of the risk assessment outcomes in each asset management plan will be the determination of critical assets. Critical assets are specific assets with a high consequence of failure but not necessarily a high likelihood of failure. By identifying critical assets and critical failure modes, Council can appropriately target and refine inspection regimes, maintenance plans and capital expenditure plans.

Operations and maintenance activities may also be targeted to mitigate critical assets failure and maintain service levels. These activities may include increased inspection frequency and higher maintenance intervention levels. By identifying critical assets and failure modes, investigative activities, condition inspection programs, maintenance and capital expenditure plans can be targeted at the critical areas.

7. Asset Management Improvement Program

7.1 Asset management objectives

This Strategy has identified a number of individual asset management objectives which have been utilised to prepare an Asset Management Improvement Plan for the overall consideration and management of Council's assets and are as follow:

- Ensure that infrastructure is managed to deliver the requirements of Council's Asset Management Policy and Community Strategic Plan
- Ensure Council's asset management is undertaken on a corporate basis
- Ensure that assets are maintained in a safe and functional condition to encourage and support economic and social development
- Consistent asset management data is in place
- Responsibility for asset management is defined
- Council's asset management data is correct and consistent
- Reporting on Council's asset management capability is consistent and accurate
- Reporting, identifying, assessing and appropriately controlling risks
- Continue to improve the management of the impact of growth through demand management and infrastructure investment
- Council's asset management system to be put in place so accurately inform the Long Term Financial Plan to monitor Council's financial sustainability
- Service levels are determined, agreed and documented, providing a defined level of service and monitoring performance
- Service delivery is matched to service level specifications and costs are captured accurately, in the most cost effective manner for present and future consumers
- A lifecycle approach is imbedded within Council so cost-effective management strategies for the long-term that meet the defined level of service

7.2 Asset management improvement plan

This Strategy has identified a number of actions to be put in place so Council can start improving how it manages assets more efficiently. The Asset Management Improvement Plan actions are listed below.

| # | ACTIONS | YEAR NEXT REVIEW/ COMPLETION | REQUIRED BUDGET |
|----|---|------------------------------|--------------------|
| | I. ASSET MANAGEMENT FRAMEWORK | | |
| 1 | Update every two years of the Asset Management Strategy | 2024 | internal resources |
| 2 | Update every four years of the Asset Management Policy | 2022 | internal resources |
| 3 | Develop Asset Management Plans (AMPs) for all asset classes. Once plans are developed, update and review to be done every two years | 2024 | internal resources |
| 4 | Asset maturity audit to be undertaken so improvement plan can be revised to reflect what areas will need to be prioritise | 2022 | internal resources |
| | I.I ASSET MANAGEMENT PLANS | | |
| 5 | Review unit rates and useful lives | 2024 | internal resources |
| 6 | Review and update asset registers to capture missing asset components and agree on a single point of truth for asset information | 2024 | internal resources |
| 7 | Update condition assessments and review financial modelling to ensure LTFP is revised and use accurate information | 2024 | 270,000 |
| 8 | Identify critical assets to ensure risks and costs associated with those are reduced | 2024 | internal resources |
| 9 | Review levels of service every 4 years to ensure they are fully identified, documented and appropriate for the current available resources and are sustainable in the long term | 2024 | internal resources |
| 10 | Develop an inspection schedule, ensuring that it also incorporates condition rating inspections | 2024 | internal resources |
| 11 | Develop a performance reporting system for service levels to report asset performance | 2024 | internal resources |
| 12 | Review proposed work schedules and identify any funding gaps | 2024 | internal resources |
| 13 | Review the process for recording, monitoring and actioning maintenance works | 2024 | internal resources |
| 14 | Undertake a review of the infrastructure backlogs and determine the critical and financial implications associated with that | 2024 | internal resources |

| | | | |
|----|--|---------|--------------------|
| 15 | Implement process to write off assets due to strategic decisions | 2024 | internal resources |
| 16 | Continue to develop the integration between our strategic plans, asset plans and long term financial plans | ongoing | internal resources |
| | II. DATA & SYSTEMS | | |
| 17 | Investigate the introduction of a single corporate asset management information system | 2024 | 200,000 |
| 18 | Develop a project plan to investigate, review and analyse potential asset software systems which include the ability to generate maintenance and renewal program together with a LTFP | 2024 | included above |
| 19 | Develop a process and required documentation for the capitalisation of Council constructed assets to ensure integrity between assets and finance registers | 2022 | internal resources |
| 20 | Review information contained in the asset registers x finance registers x GIS to ensure data accuracy and single point of truth | 2025 | internal resources |
| | III. SKILLS & PROCESSES | | |
| 21 | Create an asset management function matrix with clear roles and responsibility | 2022 | internal resources |
| 22 | Ensure responsibilities for asset management are identified and incorporated into staff position descriptions with responsibility for asset management being well defined and incorporated in employee performance reviews | 2022 | internal resources |
| 23 | Organise training for key personnel and Councillors on asset management fundamentals | 2022 | 30,000 |
| | IV. GOVERNANCE & MANAGEMENT | | |
| 24 | Review current team structure and analyse what roles are required for the area to be fully functioning and able to have a AM framework in place | 2022 | internal resources |
| 25 | Implement Asset Management Working Groups | 2022 | internal resources |
| 26 | Implement the Asset Management Reference Group | 2022 | internal resources |
| 27 | Create an environment where Council employees take part in the overall management of Council's assets by developing asset management awareness and capability throughout Council (Project Management Framework, Asset Management Framework, process, procedures, business as usual work, etc.) | ongoing | internal resources |
| 28 | Process mapping of asset management activities and standardisation across Council on AM practices in accordance with IIMM | 2023 | internal resources |

| | | | |
|----|---|------|--------------------|
| | V. EVALUATION AND REVIEW | | |
| 29 | Report to the ELT on the development and implementation of the Asset Management Framework six monthly | 2022 | internal resources |
| 30 | Development of the State of Assets report once a year | 2022 | internal resources |
| 31 | Report to Council on asset backlog once a year | 2022 | internal resources |
| 32 | Report on infrastructure requirements/ increase due to population/ job increase once a year | 2022 | internal resources |



ARMIDALE
Regional Council

Workforce Management Plan



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1. Introduction

Armidale Regional Council is committed to proactively delivering against the expectations of our Community and being an active participant in driving change across the broader community and Local Government industry.

We acknowledge that one of our most important assets are our people. Having the right people, with the right skills, at the right time, undertaking the right jobs.

The Workforce management planning ensures that we are well positioned to do this, supporting the achievement of goals detailed in Council's Delivery Program which is informed by the Community Strategic Plan.

The Workforce Management Plan is about making sure we have a plan in place to build the culture, capability and capacity in our workforce to meet the commitments we've made to our community through our Delivery Program. It is part of our Resourcing Strategy and aligns with our Community Strategic Plan, Delivery Program and Operational Plan.

Council, the Executive Leadership Team and all staff are committed to the initiatives as outlined in this document to ensure we continue to strive for excellence in our service delivery and throughout our Council organisation.

Acknowledgement of Country

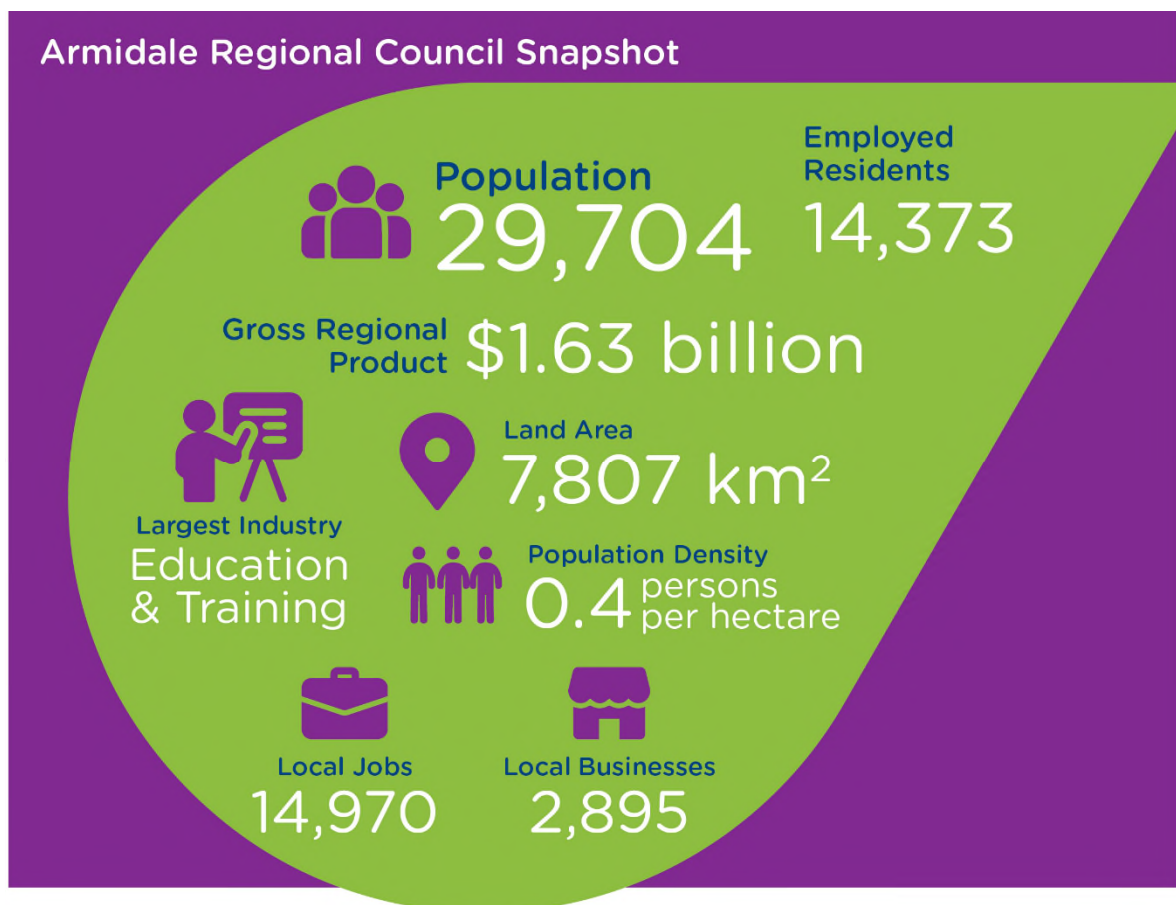
We acknowledge the traditional custodians of this land and pay our respects to elders past and present. The Armidale regional community pays tribute to their love of land, love of people, and love of culture. We all share the beauty of this land, the richness of its soil and the uniqueness of its wildlife. Let us walk together in the footsteps of love and understanding. While valuing diversity, let us share the same hope for a better future.

2. About Us

2.1 Our community

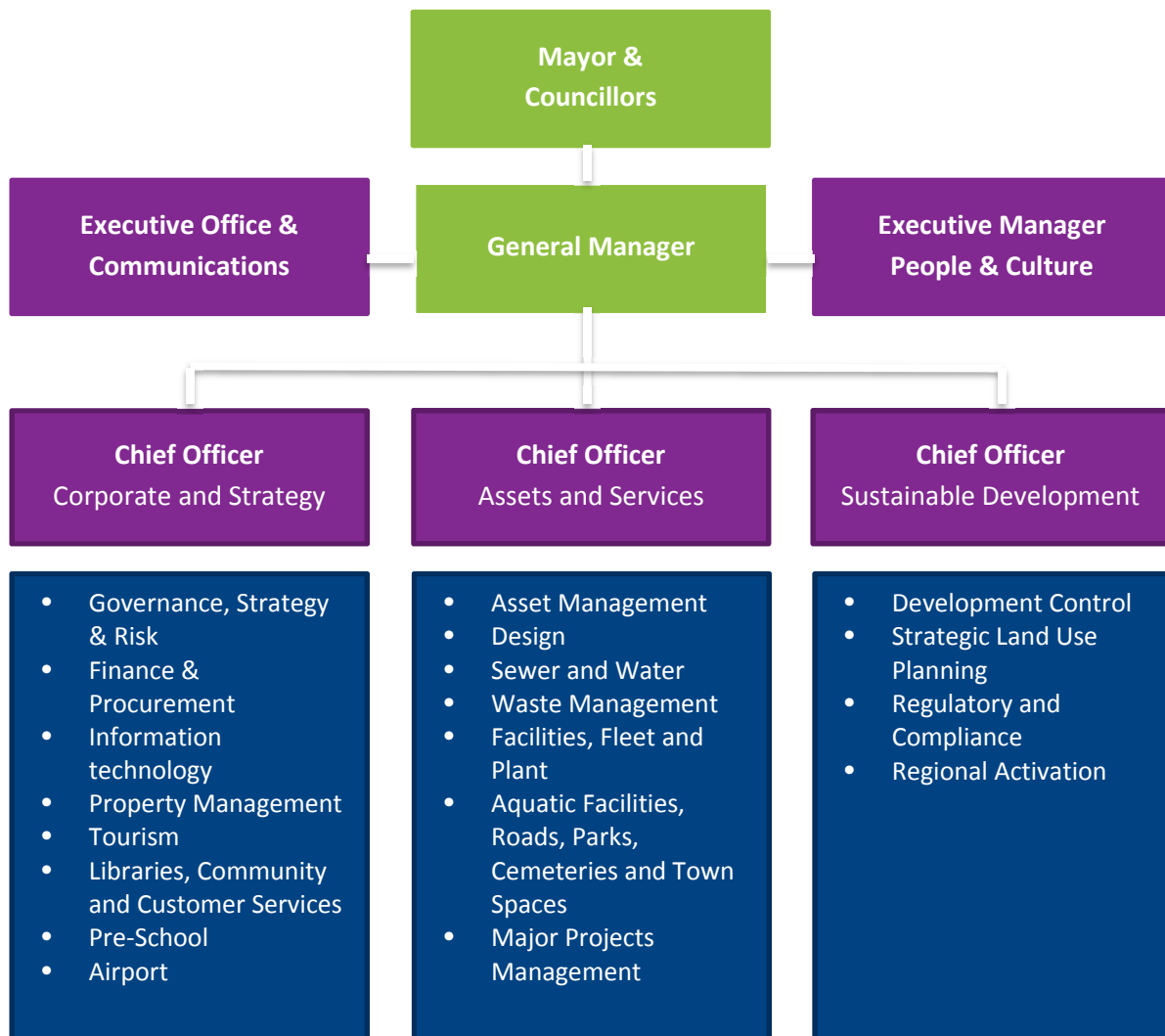
Armidale Regional Council is located in NSW in the picturesque New England High Country region and boasts spectacular waterfalls, World Heritage listed national parks, a fascinating and diverse cultural heritage, and a thriving arts scene. Armidale – Australia’s highest city, is centrally located between Brisbane and Sydney.

With a cosmopolitan culture, it is a university city that prides itself on being dynamic, progressive and innovative. It enjoys great natural beauty, with vast and productive agricultural land, cohesive local towns and villages, and a progressive Armidale city that provides many essential services to the region.



3. Our Organisation

Our organisation is built in a way to ensure that we are well positioned to deliver a range of diverse services to meet the needs of our community. Our services are currently operating in the following way:



4. Our Values

Council is committed to creating a workplace where staff hold the below values at the core of our behaviour and conduct.

Inclusion



- Having positive interactions with other staff and valuing all staff for who they are. Valuing diversity and allowing for real opportunities for all staff to have meaningful relationships.

Wellbeing



- What is ultimately good for staff, what is in the self-interest of staff to ensure they are comfortable, healthy and happy in the workplace

Transparency



- Conducting your duties in a way that creates openness between managers and staff by sharing information freely in an effort to benefit Council, staff and the Community.

Commitment



- Taking ownership of your work and being an ambassador for Council through a willingness to get involved.

5. Restore & Thrive - Building a lasting Culture

A back-to-basics turnaround strategy driven by the General Manager in collaboration with all staff and Councillors is a key focus for Council as the organisation sets a path to 'Restore and Thrive'.

A significant step in Council's roadmap to 'restore and thrive' has been to address the poor culture within the organisation. A 'culture audit' with a 90 percent staff (and Councillors) participation rate in the audit debrief was conducted by the Dattner Group. In summary the challenges identified by staff and councillors included:

- financial constraints;
- an organisational structure that doesn't make sense;
- issues related to the loss, shortage and turnover of staff;
- instability at the top including management and councillors;
- poor community reputation;
- lack of strategic direction;
- low morale and job satisfaction and
- a lack of unity.

The audit also highlighted some key strengths of the organisation including good people passionate about serving the community and the potential and current improvements already seeing positive change.

A team made up of leaders from all levels of the organisation and referenced as OPARC (Operation: Planet ARC) developed a draft turnaround strategy and roadmap as part of the back to basics approach that focuses on vision, purpose, values, supporting and unsupportive behaviours, as part of a focused strategy.

The final endorsed OPARC Strategy Map and Values and Behaviours document was built on feedback from all staff and Councillors through a World Cafe event. These documents, are now the centrepiece by which Council staff hold each other to account over the nominated timeframe for our 'Turnaround Strategy'.

Along the way, we will reassess our progress against the strategy map and seek to take the next step in our journey.

“During my involvement in OPARC I found that my contribution did matter. The things I learnt from OPARC have really changed my leadership style in so many ways. I have seen positive changes across all sections of council, with all staff feeling proud to be part of the ARC team. We all feel like we are on the same level and we all play a part in the way ARC progresses into the future - delivering the highest possible standards for the community in all we do.”

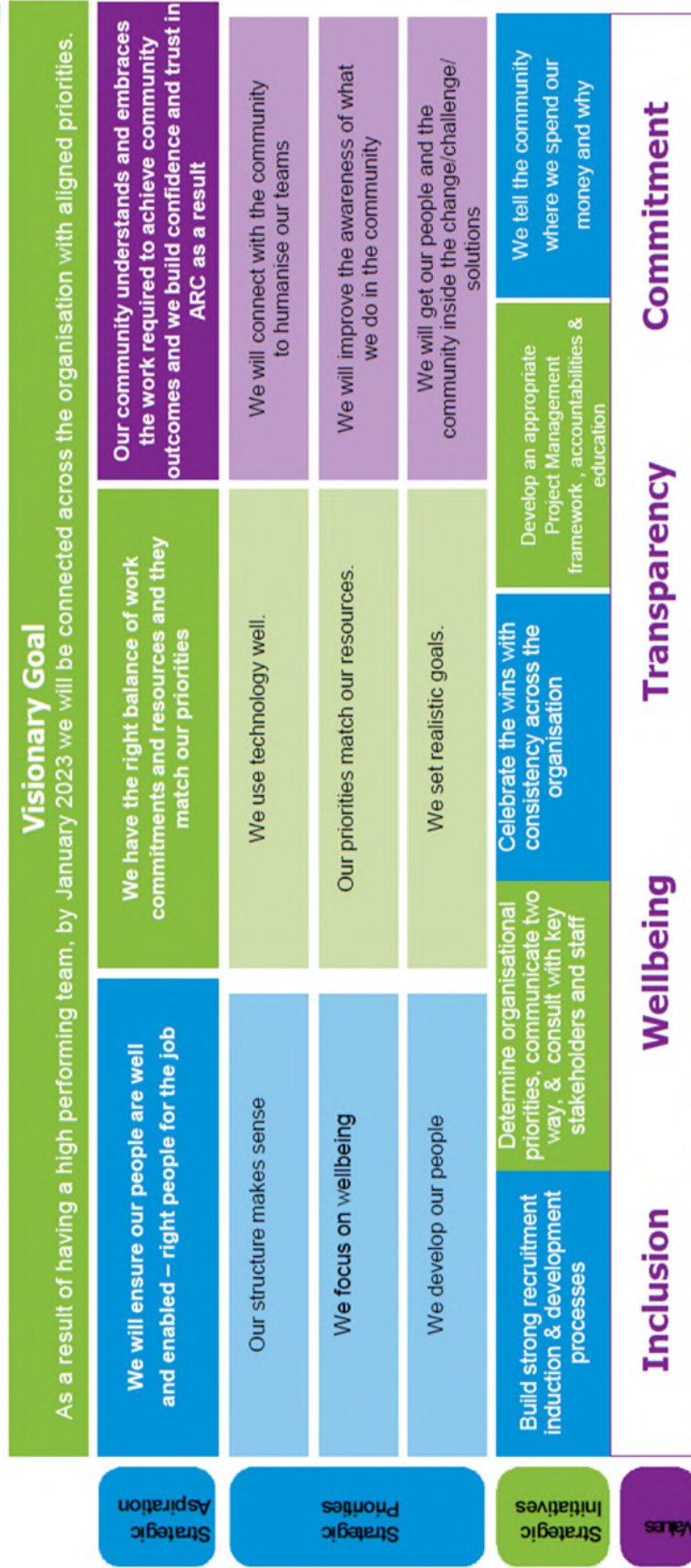
Billy Hyde - Acting Supervisor Parks and Open Spaces



Restore & Thrive - Strategy Map

PURPOSE

Together, proud to deliver to the highest possible standards for ARC in all we do



6. The future Workforce – the Armidale Regional Council vision

The future workforce at Armidale Regional Council is **capable, engaged, courageous, agile and resilient**.

Our workforce utilisation **meets the needs of the community**, we are on track with project delivery, we have a sustainable organisation structure which is financially responsible and aligned and fully integrated with the Community Strategic plan and delivery program.

Armidale Regional Council will have invested in the professionalism and expertise of people and leaders. We have adopted a strategic approach to work which has improved our ability to attract, recruit and develop our team.

Our team are well supported with quality learning and development opportunities which extend beyond baseline capability and competency requirements.

Our culture energises our people to be at their best and is based on our values of inclusion, wellbeing, transparency and commitment. The culture is well understood and embedded in our everyday operations. We have **safety at the front of mind** with all of our work and safeguarding the health and safety of our team, workers and visitors is paramount, and Council takes its responsibility seriously by providing and maintaining a safe working environment.

We **easily embrace new capabilities and mindsets**, with strong foundational capabilities, driven by a learning culture well supported by career pathways. We provide an attractive employment option, for local people, for tree-changes seeking a life style change, and local government professionals.

The **community has complete confidence** in our ability, and we do as well. Council has a respectful leadership that makes **open and transparent decisions**, well informed by stakeholders, leading practices, systems and technologies.

“ We want to be a high performing organisation that sets the standard for how a business should operate.”

James Roncon - General Manager

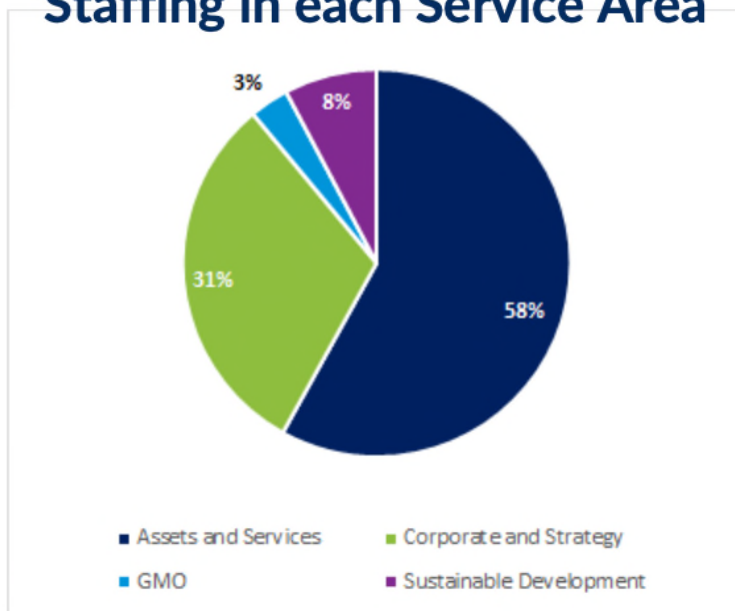
7. Our team

Gender
67% male
33% female



Average Age of Staff
44

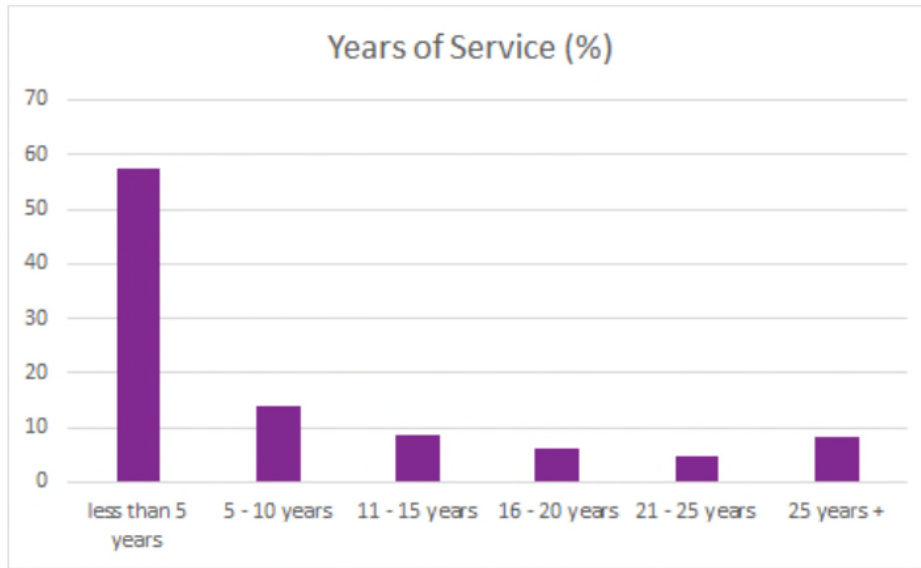
Staffing in each Service Area



73%
Fulltime

15%
Part time

12%
**Casual/
Seasonal**



Av. Length of Service - 7.8 years

Employee Costs



ARC = 32%

NSW councils median = 37% #

Regional councils median = 35%



“ **People represent the largest expenditure area and the most productive asset of council.** ”

The Australasian LG Performance Excellence Program FY17



8. Meeting the needs of the future

The road map to the future workforce at Armidale Regional Council has grass root foundations. It acknowledges where we are in the journey, and in doing so will enable us to set a realistic strategic direction. One that is achievable and set strong foundations for the future.

This is a back to basics strategy.

Key objectives have been identified that act as a filter for effective workforce planning providing a flexible, integrated and structured way to develop workforce strategies that meet both strategic and business needs.

These objectives support and underpin development of the Workforce Management Strategy:



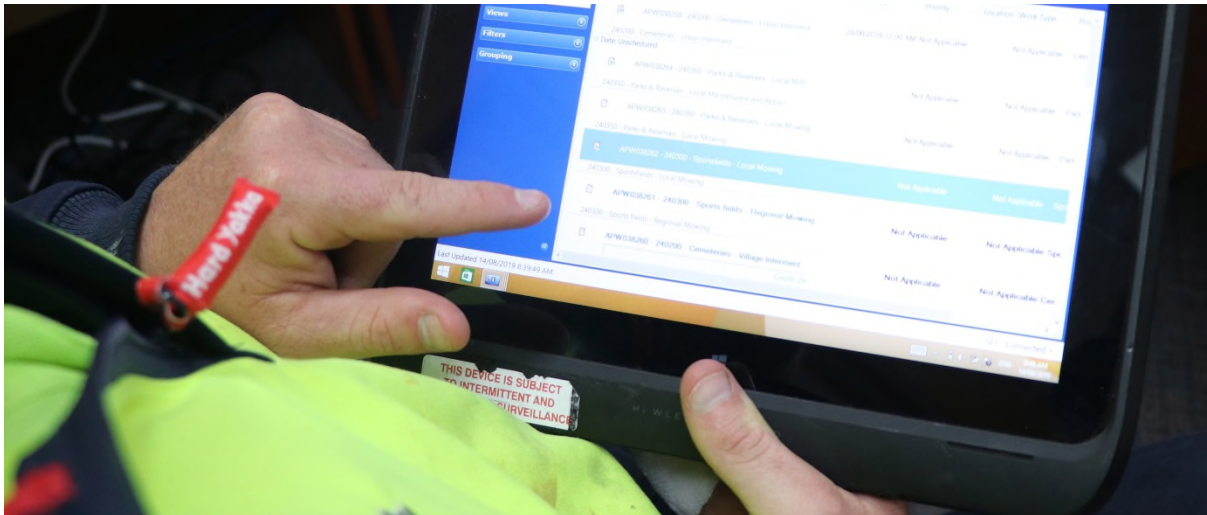
8.1 Revive

We have robust and well considered system of workforce foundations which enable Council to build and deliver to the community.

Actions

- Implement an appropriate Human Resource Information System software (HRIS) which integrates with existing Council systems
- Undertake a technology skills gap analysis within the current workforce and address gaps as required
- Continue investment in the culture journey, delivering on the strategic aspirations outlined in the Restore and Thrive Strategy Map
- Build and deliver a salary system which is fair, transparent and robust that offers our teams a competitive salary
- Embed a Performance Capability Framework into the HR life-cycle functions, including position descriptions, recruitment, performance management and development
- Review and streamline our People & Culture systems and processes to increase efficiencies





8.2 Future proof

We have an agile and adaptive workplace, which embraces data and digital transformation to deploy skills, expertise and talent to where it is needed, to deliver the outcomes that the community expect.

Actions

- Increase investment in development and training to develop highly skilled, accountable and innovative staff
- Develop and implement a structured Developing Leaders Program – developing internal leadership and managerial skills within our workforce
- Integrate and implement recommendations within ICT Strategic Plan to promote a digital workforce
- Demonstrate high performance and embrace technology developments that drive more efficient work practices, and work more innovatively and efficiently in a digital world
- Develop and implement solutions to support new ways of working
- Develop new employment brand and remarket ARC as a great place to work
- We are focused on a culture of continuous improvement, where personal growth builds individual and collective performance

8.3 Safe and healthy

Keeping our teams safe is our number one priority. We foster a culture of safety and well-being for our teams.

Actions

- Build WHS Capability across the Council
- Develop a Safety and Wellbeing Strategy which prioritises staff health and wellbeing programs aimed at increasing safety, functional capacity and wellbeing
- Implement new safety management system
- Develop a Health and Well-being program with a strong focus on our people
- Improve safety culture at ARC through the implementation of appropriate initiatives
- Define verification process for determining operator competencies
- Establish a process to review contractor management across the organisation and develop a contractor safety compliance strategy
- Implement injury management initiatives to assist in managing workers compensation premiums.





8.4 Thriving

Building a strong workforce, with capability and opportunity.

Actions

- Investigate the opportunity to work with Joint Organisation members to broaden experience and enhance regional relationships
- Provide greater support for management hard to fill and business critical roles including the development and implementation of a Succession Planning program which addresses corporate knowledge transfer and skill retention
- Develop and implement a holistic Transition to Retirement Program
- Develop and implement an Employer Branding Strategic to promote local government and ARC as an employer of choice
- Implement initiatives to support our team to enjoy a sustainable approach to work life balance, where leave balances and overtime is managed
- Promote the benefits of living and working in the region to support regional workforce growth and Council employment
- Develop and implement a Youth Employment Strategy which provides increased career development opportunities to youth through targeted Apprenticeship, Traineeship and Cadetship Arrangements at Council

9. Our current environment

Like most organisations across NSW, Armidale Regional Council faces a number of current and future workforce challenges that require careful management and planning.

The workforce

Council has an ageing workforce with a reactive approach to workforce planning that is limited by a prescriptive industrial environment. The quality and consistency of leadership across operations is evolving and is supported by the current Culture and Values program (OPARC) which is seeing some tangible improvements in culture across Council. However, there is an increasing need to provide robust development opportunities for staff which has been lacking in recent years due to financial constraints.

The reputation of Council has impacted on the ability to recruit strong talent to the organisation, and whilst this is improving, we will continue to work on an attractive value proposition for future and current staff.

Our WHS culture and systems are developing, having not been prioritised and experiencing high staff turnover in the team for a number of years. Currently safety is not well understood or accepted as a core part of operational responsibility.

The Organisation

Addressing Council's renewals gap will require a strategic growth in both our indoor and outdoor workforce. The current identified gap is significant enough that a range of skills will be required to effectively address including program development and project management and on site delivery. It is anticipated that the growth will result in new jobs for both Council and the region, however finding skilled labour can be challenging.

It is important to acknowledge the extended periods of dysfunction and administration that Council has experienced, a lack of investment in systems and technology, the loss of employee talent and experience, and the absence of robust, considered, deliberate strategy and performance frameworks have all conspired to place Council in a position of having to play catch-up in terms of organisational capability.

It is critical to the effective and efficient delivery of Council services that the quality and performance of our operations improve significantly in the short and medium term so as not to hinder the delivery of Council's many and varied external services. The ability to make any real change will be largely dependent on the provision of adequate resources and skills in order to deliver both the core business of Council.

“ By implementing the strategies outlined in this plan, Council's team will have the required capability, skills and competencies to deliver our services and programs into the future. ”

We face many of the same challenges as other Council's across NSW in developing our workforce for the future.

Key challenges include:

- An ageing workforce
- Leadership capability and capacity
- Attracting and retaining the right people who are the best fit for critical roles
- Shortages of qualified staff

Long Term Financial Plan



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1. Foreward

2022-23 is an important year for Council and the community. The 2022-23 budget and Long Term Financial Plan (LTFP) has been prepared in response to the direction set by the new Council elected in December 2021, who have a vision to grow jobs in the Armidale local government area by 4,000 by 2040. The long-term vision of Council is to retain future generations in the region and attract new residents to the region. This will in turn generate population growth, which will achieve the critical mass necessary to generate infrastructure investment from all levels of government.

However, it has been well documented and known for many years that Council's financial position and outlook is poor with Council not able to meet the benchmarks for the Fit for the Future indicators determined by the Office of Local Government. Therefore, Armidale Regional Council is not financially sustainable. One of the key underlying strengths necessary to deliver on the vision set by Council is that it must have a strong financial position. Currently, this is not the case.

Unfortunately, it is not possible for Council to 'do nothing' at this juncture and a range of difficult decisions are needed to address the poor financial outlook for the General Fund. This is critically important because the General Fund contains provision for all Council services apart from water and sewerage and the funding available supports the maintenance of critical assets such as roads, bridges, pathways, kerbs, stormwater drains and public buildings.

Council has considered this issue and has determined that it will pursue a path with the goal of increasing funding available to the budget, including by way of a Special Rate Variation (SRV). It is cognisant of the potential impact of an SRV on ratepayers but, conversely, the negative impacts to the community of not taking action now will be significant.

Failure to address the unsustainable financial position places Council in contravention of S.8b of the *Local Government Act 1993* (the Act) and will compel Council to cut and/or reduce services to ease the unfavourable gap between income and expenditure.

There is a large structural deficit inherent in the existing General Fund budget, and the following issues exist and need to be addressed:

- Ongoing low unrestricted cash position,
- Insufficient funding for operational service levels,
- Insufficient funding for the maintenance and renewal of assets,
- Inability to take on additional borrowings without creating further financial stress, and
- High reliance on grant funding for core asset renewal programs.

Given Council's position of looking to resolve the above issues through additional funding sources, the 2022-23 budget and LTFP has been determined taking the following areas into account:

- The current financial outlook.
- The activities contained in the *Delivery Program 2022-2026*, which provides for the community aspirations for Regional Activation and Growth.
- Asset renewal funding requirements identified in the Ten Year Capital Works program.

It has been determined that Council will not cut service levels and will look instead to:

- Implement activities to achieve financial improvement, such as seeking to fully recover costs for some services and commencement of a service review process, and
- Commence a SRV process with a view to make an application to IPART by February 2023.

As such, while the 2022-23 projection for the General Fund is a significant operating deficit, Council intends to implement a financial improvement plan that seeks to return the General Fund to a surplus position, fully addresses the asset renewal funding requirement and also provide for the ability to build financial capacity to invest in growth and activation initiatives.

2. Introduction

2.1 Key points of the plan

The LTFP is a ten year rolling plan that informs decision-making and demonstrates how the objectives of the Community Strategic Plan and commitments of the Delivery Program and Operational Plan will be resourced and funded.

The LTFP captures financial implications of asset management and workforce planning. For example, by identifying how additional assets will be funded, or existing assets renewed or upgraded and what provisions are made for changes to service levels.

The LTFP is a tool to aid decision making, priority setting and problem solving. It is a guide for future action, to be reviewed and updated annually, and addresses the following:

- how council will survive future financial pressures,
- opportunities for future income and economic growth,
- whether council can afford what the community requests, and
- how council can achieve outcomes agreed with the community.

The LTFP must include:

- projected income and expenditure, balance sheet and cash flow statement,
- planning assumptions,
- sensitivity analysis, highlighting factors and assumptions most likely to impact the LTFP,
- financial modelling for different scenarios,
- methods of monitoring financial performance, and
- major capital and operational expenditure implications.

In accordance with S.8b of the Act, the LTFP must give due regard to:

- the progressive elimination of operating deficits,
- the establishment of a clear revenue path for all categories of rates linked to specific expenditure proposals,

- ensuring that any proposed increase in services and assets is within the financial means of Council,
- ensuring the adequate funding of infrastructure maintenance and renewal,
- the use of borrowing, where appropriate and financially responsible, and
- the fair and equitable distribution of the rate burden across all categories of rate payers.

2.2 Purpose of the LTFP and its place in the IP&R process

Long-term financial planning is a key component of the Resourcing Strategy and the LTFP must be used to inform decision making during the preparation and finalisation of the Community Strategic Plan and the development of the Delivery Program.

In developing the LTFP the following principles of sound financial management apply:

- Council spending should be responsible and sustainable, aligning general revenue and expenses.
- Councils should invest in responsible and sustainable infrastructure for the benefit of the local community.
- Councils should have effective financial and asset management, including sound policies and processes for the following:
 - performance management and reporting
 - asset maintenance and enhancement
 - funding decisions
 - risk management practices
- Councils should have regard to achieving intergenerational equity, including ensuring the following:
 - policy decisions are made after considering their financial effects on future generations
 - the current generation funds the cost of its services

The LTFP must be publicly exhibited for at least 28 days and submissions received by the council in that period must be accepted and considered before the final LTFP is adopted by the Council.

2.3 Review cycle

In 2022-23 the LTFP has been updated and included in the Resourcing Strategy, as this has been updated in line with the development of the *Delivery Program 2022-2026*. The LTFP will be reviewed annually and updated in line with the development of the Operational Plan.

3. Context

3.1 Key budget drivers

Armidale Regional Council was formed by the amalgamation of Armidale Dumaresq Council and Guyra Shire Council on 12 May 2016. The former councils were found to be financially unsustainable under the “fit for the future” framework established by the NSW Government. The resulting council was left with the responsibility of a large rural road network and the same level of services spread over a ratepayer base of approximately 13,000 rateable assessments.

Merging two entities identified as financially unsustainable does not immediately improve the long term financial outlook for the new entity. As the new entity, Council must develop the required strategies to achieve a financially sustainable outlook.

Council’s relatively low population density means that it has a lower rate base than city-based regions from which to raise revenues to maintain infrastructure and provide services. Underpinning this challenge is the NSW local government environment of rate capping, which limits the amount of taxation-based revenue that can be raised as well as the restrictions placed on types of charges that can be raised and setting of amounts for statutory fees and charges.

Some of the key economic indicators available for the region are:

| | |
|------------------------|--|
| Population | 29,704 persons |
| Land Area | 7,807km ² |
| Population Density | 3.8 persons per square km |
| Gross Regional Product | \$1.63 billion |
| Largest Industries | Education and Training Agriculture, Forestry and Fishing Health Care and Social Assistance |

3.2 Local Government assets and services and role of Council

Statutory and Regulatory Functions

Local government authorities fulfil a range of responsibilities under various Acts and in response to community service obligations. Some of the major functions Armidale Regional Council is responsible for includes:

- Facilitate the role of Council as required by the Act,
- Facilitate the collection, management and spending of public funding on community services (regulatory and non-regulatory),
- Carry out functions in a way that facilitates a local community that is strong, healthy and prosperous (including principles of sound financial management),
- Prepare strategic and operational plans,
- Advocate on behalf of the community to other levels of government,
- Planning and Regulatory Authority in the local government area,
- Water Supply Authority,
- Roads Authority,
- Manager of Public (Community) and Crown Land, and
- Regulatory Waste functions.

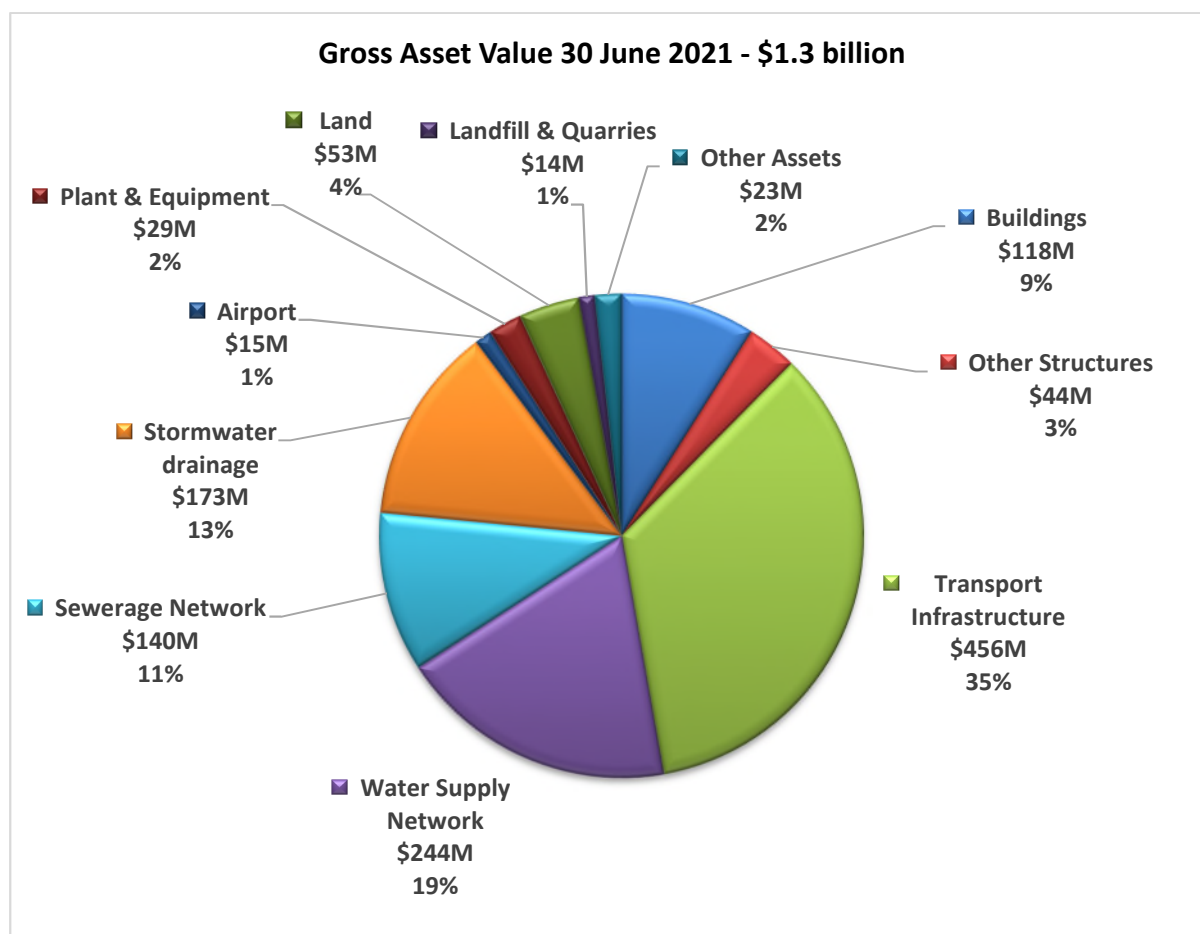
Council is required by the Act to account for and show the budget separately for:

- Water Fund
- Sewerage Fund
- General Fund (everything else)

A consolidated result is also reported. Assets and liabilities for each of the three funds above is required to be accounted for separately and, in particular, Council must only use cash reserves pertaining to each fund to support that fund’s activities.

Assets

Council is also responsible for a wide range of assets, including infrastructure, as follows:

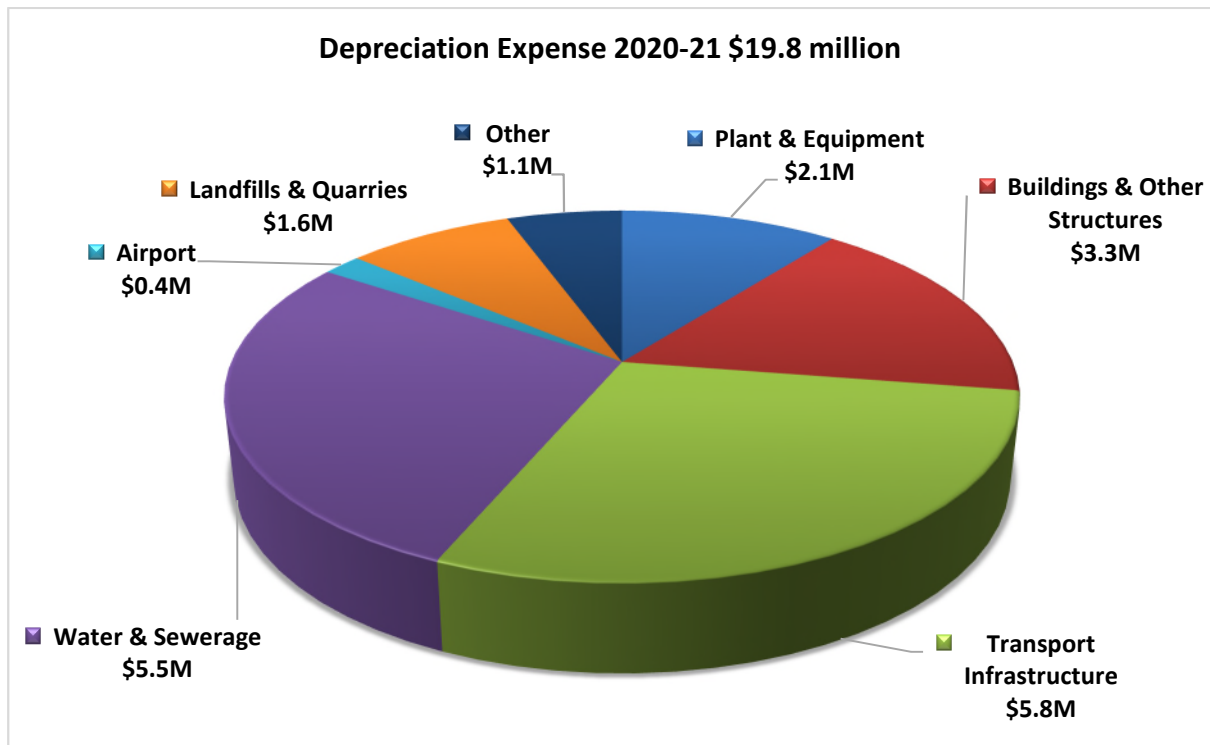


Asset Volumes

| | | | |
|-----------------|---------------|-------------------|----------------|
| Roads | 1,858km | Stormwater | 119km |
| Bridges | 112 | Land | 342 properties |
| Footpaths | 130km | Buildings | 264 |
| Kerb and Gutter | 271km | Other Structures | 300 |
| Water Network | 30,627 assets | Plant & Equipment | 480 assets |
| Sewer Network | 22,159 assets | | |

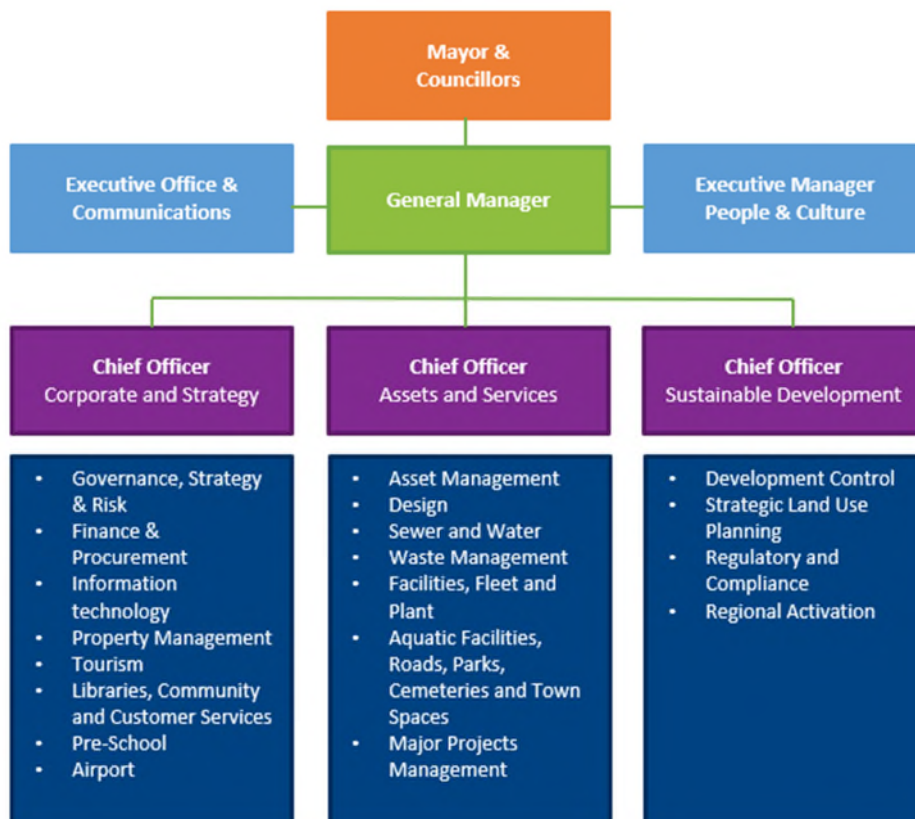
Depreciation

Depreciation on the above assets totalled \$19.8 million in the 2020-21 financial year as follows:



Services

Council operates a broad range of services under the following areas:



3.3 Financial Sustainability

Financial sustainability for local governments is critical as they are responsible for directly providing the community with a wide range of public services and community infrastructure and facilities. This requires local governments to hold and maintain a significant base of infrastructure assets, which necessitates not only substantial initial investments but also continued expenditure to maintain and renew assets over the course of their respective useful lives.

There are many definitions of financial sustainability with the definition developed by NSW Treasury Corporation being:

A local government will be financially sustainable over the long term when it is able to generate sufficient funds to provide the levels of service and infrastructure agreed with its community.

Council has recognised that financial sustainability requires the following:

- Council must achieve a fully funded operating position,
- Council must maintain sufficient cash reserves,
- Council must have an appropriately funded capital program,
- Council must maintain its asset base, and
- And expenditure on assets should be driven by asset management plans.

3.4 Financial Challenges

Asset Renewal

As with many local governments, a major challenge for Council is the management of ageing assets in need of renewal and replacement. Infrastructure assets such as roads, bridges, pathways, kerbs, stormwater drains and public buildings present particular challenges as their condition and longevity can be difficult to determine. The creation of new assets also presents challenges in terms of funding for initial construction and ongoing service costs.

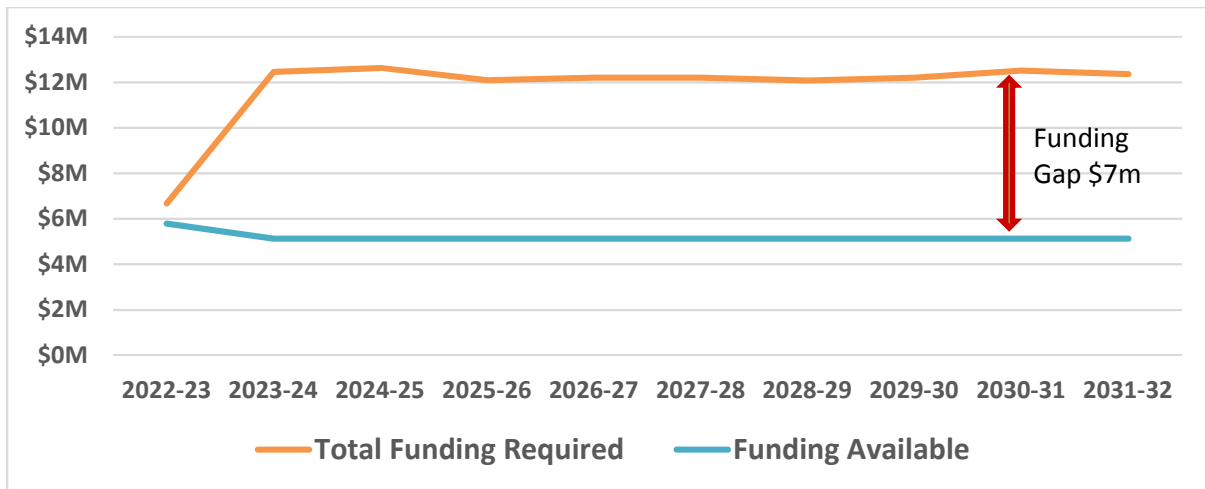
The size of Council's base of infrastructure assets means that regular investment is needed every year to ensure that assets such as roads are maintained in a fit for purpose condition.

As such, Council needs to make ongoing regular investment in programs such as:

- Unsealed road gravel resheeting
- Resealing asphalt roads
- Road rehabilitation
- Renewal or replacement of kerb and gutter, footpaths and stormwater

Where possible, Council will seek external funding for these activities; however, the funding requirement for asset renewal cannot be met by grants alone and, in the General Fund, this is not currently being met by other funding sources. This has been identified as Council's greatest financial challenge.

The graph below shows the total funding required to fully fund the asset renewal requirement identified in the General Fund Ten Year Capital Works Program against the level of funding available.



As can be seen from the above graph, a gap of approximately \$7 million per annum exists in available funding as compared to funding required each year.

This represents a major problem as without the funding gap being closed, the condition of assets will deteriorate and the infrastructure backlog will increase.

Council’s proposal for a SRV will be predominantly due to this issue. In the absence of an increase in funding, Council will need to make difficult decisions to cut and/or reduce services so that funding can be redirected to asset renewal.

The Water and Sewerage Funds do not face this issue as they are not under the same capped revenue constraints as the General Fund.

Operating Performance

In 2022-23 Council’s General Fund Operating Result is forecast to be a \$3.2 million deficit. The required benchmark for the Operating Performance Ratio is greater than 0% meaning that an operating surplus should be achieved.

Where an operating deficit is forecast, a requirement of the Act is that in developing the LTFP, due regard must be given to promoting the financial sustainability of Council through the progressive elimination of operating deficits.

This can only be achieved through an increase of operating revenue or reduction of operating expenditure. A major reduction of operating expenditure is only possible through a reduction of service levels.

Council’s LTFP should forecast an operating surplus for all funds individually as well as on a consolidated basis. While this may not be possible in the short term, the Financial Improvement Plan that accompanies the LTFP will contain strategies to achieve this.

External Environmental Impacts

Council has been responding to some impactful environmental and social challenges over the past few years including drought, bushfires and COVID-19. These challenges have had an enormous bearing on the resources of Council and the delivery of services, both in the short and long-term.

Total cumulative impacts from COVID-19 are estimated to be \$3.6 million from reduced revenue from the airport, property leases and parking fines.

The dramatic decline in the cash rate and the loss of income from interest on investments has also significantly impacted the budget. It is estimated that this source of income has declined by around \$3.5 million since 2018-19 as measured on a cumulative basis across all funds.

While most of these areas are forecast to return to closer to pre-COVID levels in 2022-23 there are still some areas not yet showing a full return being the airport and interest income from investments.

Cash Position

Council's cash position has been the subject of public scrutiny while under Administration and in the 2017-18 financial year Council's reported unrestricted current ratio was only just above the minimum benchmark of 1.5 times.

With unrestricted cash being Council's main buffer against unexpected events, this was a precarious position and Council took steps through the budget process to improve this. A range of cost reductions and project deferrals occurred in order to assist with improving the level of unrestricted and internal reserves.

At 30 June 2021 there had been a marked improvement in the cash position compared to 30 June 2018; however, it is still considered low in the context of the level of liabilities and provisions Council has and the \$1.3 billion in assets under management.

Given the scope and scale of Council's responsibilities, it should have the financial capacity to be able to build cash reserves; however, at this time any improvement in cash reserves comes at the expense of maintaining and renewing assets and this position is not sustainable.

4. Strategic Alignment

The LTFP has been developed in line with the outcomes identified in the *Advancing our Region Community Plan 2022-2032* and *Delivery Program 2022-2026*.

It has also been aligned with the *2022-23 Operational Plan and Budget* with the first year of the LTFP being the 2022-23 budget.

The Asset Management Strategy has produced a ten year capital works program that has been fully funded in the LTFP scenario. The focus of the ten year capital works program has been on renewal of assets and addressing the infrastructure backlog. While some provision has been made for infrastructure upgrades or new assets in later years of the forecast, the period covering the *Delivery Program 2022-2026* is primarily focused on increasing the funding available for asset renewal to the required level.

The LTFP has been aligned with the Workforce Management Plan in terms of provision for the level of human resources required to deliver the outcomes identified in the *Delivery Program 2022-2026*.

5. LTFP Assumptions

As with all forecasts, it must be acknowledged that things change over time and that long term forecasts are useful as a guidance tool which can identify financial issues in advance and enable a strategy or plan to be developed to deal with them. The LTFP has been developed with the overriding assumption that Council will prioritise projects in accordance with available funding and will maintain current service levels. Service levels can affect operating costs and income as well as asset maintenance costs.

The LTFP uses a range of assumptions to project future years beyond 2022-23. These are outlined below.

Financial Improvement Plan

| Item | Comment |
|---------------------------------------|---|
| Efficiency/ Productivity Target | In the General Fund LTFP an efficiency target has been assumed of \$1 million per annum by 2025/26. This could take the form of reduced expenditure or increased cost recovery for some services. Council is currently reviewing a range of areas for consideration and is also commencing a service review process from 2022-23, which will also inform this target. |

Operating Revenue Assumptions

| Item | Comment | | | |
|---|---|----------------------|-----------------|------------------|
| Rate Peg | The rate peg amount is closely related to local government CPI rates as determined by IPART. The rate peg has been determined at 0.7% for 2022-23 for Armidale Regional Council. Council has been able to apply for a maximum 2.5% rate peg by way of an Additional Special Variation process in 2022-23 and this has occurred. The outcome of the application will be known in June but this has been assumed in the 2022-23 budget. IPART recommends use of 2.5% for financial modelling and this has been used for years beyond 2022-23. | | | |
| Special Rate Variation (SRV) | There are 2 LTFP scenarios included for General Fund: | | | |
| | <table border="1"> <thead> <tr> <th>Scenario 1: Baseline</th> <th>Scenario 2: SRV</th> </tr> </thead> <tbody> <tr> <td>No SRV proposed.</td> <td>Proposes that Council seek a permanent SRV of 50% over three years, which would result in a cumulative 58.81% SRV including the rate peg. The SRV would take effect from 2023-24.</td> </tr> </tbody> </table> | Scenario 1: Baseline | Scenario 2: SRV | No SRV proposed. |
| Scenario 1: Baseline | Scenario 2: SRV | | | |
| No SRV proposed. | Proposes that Council seek a permanent SRV of 50% over three years, which would result in a cumulative 58.81% SRV including the rate peg. The SRV would take effect from 2023-24. | | | |
| Annual Charges – Waste & Drainage | Increased in line with estimated CPI increase of 2.5%. | | | |
| Annual & User Charges – Water & Sewer | The increase has been set to generate a sufficient level of funding for the water and sewerage capital programs. Revenue in the Water and Sewerage Funds is assumed to increase by 5% per annum and this could be achieved through a combination of access charge increases, growth in property numbers and increased water consumption. | | | |

| Item | Comment |
|-------------------------------------|---|
| User Charges & Fees – Non Statutory | Increased in line with estimated CPI increase of 2.5% based on the assumption that service levels will be maintained. Council is committed to all opportunities to increase user fees where possible. <u>RMCC Program</u> Council provides contracting services to the NSW Government under the Roads Maintenance Council Contracts (RMCC) program. This program is currently at an unusually high level and is expected to remain so in 2022-23. However, beyond this the program is expected to drop back to historical levels and a reduction in user charges and fees of \$7.2 million has been assumed due to this from 2023-24 onwards. This is offset with a reduction in expenditure associated with the program in employee costs and materials and contracts. |
| User Charges & Fees - Statutory | Increases for these fees are not set by Council and an assumption of a 2.0% increase has been assumed. |
| Interest & Investment Revenues | Recalculated based on forecast cash levels with an interest rate of between 1%-2%. |
| Other Revenues | Increased in line with estimated CPI increase of 2.5%. |
| Operating Grants & Contributions | Indexation has been applied to operating grants at 2.0% where it is expected that the grant will be indexed as not all grants received increase. |

Operating Expenditure Assumptions

| Item | Comment | |
|-----------------------|---|--|
| | Scenario 1: Baseline | Scenario 2: SRV |
| Employee Costs | This scenario assumes a reduction in operational service levels of \$2 million per annum from 2023-24 onwards. The reduction of expenditure is shown against employee costs and materials and contracts. | Based on estimated award increases, increment increases and includes an allowance for staffing numbers growth. Movement in employee costs is determined through industry wide award negotiations and market forces. Impacts affecting wages volatility include internal and external factors, such as skills shortages, staff turnover, attraction and retention of skilled and experienced staff, increases in superannuation, award increase and changes in service levels. |
| Materials & Contracts | | These costs generally increase in line with CPI and an increase of 2.5% has been assumed. Additional costs have been included in election years to cover election costs. <u>Roads Maintenance</u> An increase in roads maintenance expenditure is assumed in 2025-26 and 2026-27 in order to meet the asset maintenance ratio of 100%. |

| Item | Comment |
|-----------------|---|
| Borrowing Costs | Included as per loan borrowings schedule. No new loans are proposed in the LTFP for any fund. |
| Depreciation | The 2020-21 depreciation rates for each class of assets are assumed to continue over the life of the LTFP for all funds. In accordance with accounting standard requirements, all classes of assets will continue to be revalued in the future. |
| Other Expenses | These costs now consist of only donations, contributions and subsidies and these have been increased in line with estimated CPI increase of 2.5%. |

Capital Assumptions

| Item | Comment | |
|-------------------------------------|---|---|
| Capital Grants & Contributions | An assumption is made that Council will continue to receive capital grants and contributions from Federal and State sources, at a level that is consistent with previous years. | |
| Capital Expenditure – New Assets | Scenario 1: Baseline | Scenario 2: SRV |
| | This scenario does not fully fund the ten year capital works program resulting in average \$6 million per year shortfall in asset renewal funding. | Included as per the ten year capital works program. Ongoing new capital projects have been assumed to be completed but beyond 2022-23 new capital spend consists mainly of expenditure at the landfills on new waste cell construction and rehabilitation and an allocation for minor transport infrastructure upgrades. From 2028-29 an allocation has been made in the General Fund LTFP for expenditure on new or upgraded community facilities as financial capacity improves. |
| Capital Expenditure – Asset Renewal | Included as per the ten year capital works program. | |
| Loan Repayments | Repayments on the present loan are forecast in accordance with the borrowings schedule. No new loans are proposed in the LTFP for any fund. | |
| Fixed Asset Values | The value of fixed assets is based on the current value of infrastructure, property, plant and equipment adjusted for budgeted purchases and disposals. | |
| Proceeds from Asset Sales | Provision has been made for the trade in or disposal of plant and fleet in line with the replacement program. A low level of asset sales has been assumed for land disposals. | |

| Item | Comment |
|-------------------|---|
| Cash Reserves | <p>Cash reserves are established either through legislative provisions or by way of Council resolving to establish reserves. Reserves that are statutory are referred to as externally restricted reserves whereas reserves that are established by way of Council's own funding determinations are referred to as internally restricted reserves. Water and Sewerage cash reserves are 100% externally restricted.</p> <p>Council has established external reserves for a range of statutory purposes and has assumed required cash transfers to and from those reserves in the LTFPs. A range of internal reserves exists in the General Fund and the main transfers assumed for those reserves are transfers to and from the waste management reserve, a newly established election reserve and transfers to the Kolora M&R reserve in line with Council resolution.</p> <p>In the first two years of the General Fund LTFP, it is necessary to draw down on internal reserves to fund the budget and the net draw down is approximately \$2.5 million per year.</p> |
| Unrestricted Cash | <p>Unrestricted cash is the balancing item between cash funding and cash expenditure to either be held as a buffer against unexpected events or to be used in a future financial year.</p> <p>While Council was operating under a Performance Improvement Order, the cash position was reviewed and it was recommended that Council hold at least \$4 million in unrestricted cash.</p> |

6. Council's current financial position

General Fund

The projections on the following pages are the LTFP scenarios for two General Fund scenarios.

1. Baseline Scenario

This LTFP assumes that no SRV funding is available beyond 2022-23 and a drop in both operational and capital expenditure is needed from 2023-24 to compensate for this.

Operational service levels are assumed to drop by \$2 million per annum and this would require **significant reductions and/or removal of services**. Core maintenance service levels remain **underfunded**.

Capital service levels are **not funded** to the extent of approximately \$6 million per annum and this is reflected against the funding requirement for asset renewal. The condition of infrastructure will deteriorate, the infrastructure backlog will increase and it will cost more in the long run to return assets to the agreed service level.

2. SRV Scenario

This LTFP includes the assumption of a permanent SRV of 50% over three years, which would result in a cumulative 58.81% SRV including the rate peg. The SRV is assumed take effect from 2023-24.

The additional funding by way of the SRV resolves the financial problems evident in the baseline scenario and allows Council to:

- maintain existing service levels,
- improve core maintenance service levels to meet the asset maintenance ratio,
- fully fund the capital program, and
- over time, build financial capacity that could be used to improve services, invest in infrastructure upgrades and allow for the build up of internal reserves.

Water and Sewerage Fund

As the Water and Sewerage Funds are not impacted by the SRV there is only one LTFP position for these funds.

Scenario 1: Baseline (No SRV)

Key Performance Indicators

| | Bench- mark | | Actual | Revised Budget | Projected Years | | | | | | | | | |
|---|----------------|--------------|---------|-------------------|-----------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | | | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 | 2031-32 |
| Operating Performance Ratio | >0% | General Fund | 7.3% | 4.0% | -4.8% | -4.4% | -4.3% | -3.1% | -3.0% | -2.9% | -3.5% | -2.8% | -2.7% | -2.7% |
| | | Water Fund | 2.0% | 10.5% | 9.9% | 12.2% | 14.5% | 16.7% | 18.8% | 20.9% | 22.9% | 24.8% | 26.7% | 28.5% |
| | | Sewer Fund | 11.1% | 4.0% | 9.5% | 11.0% | 12.5% | 13.9% | 15.4% | 16.8% | 18.3% | 19.7% | 21.1% | 22.5% |
| | | Consolidated | 6.9% | 5.0% | -0.9% | 0.4% | 1.1% | 2.6% | 3.3% | 4.0% | 4.3% | 5.4% | 6.2% | 6.8% |
| Own Source Operating Revenue | >60% | General Fund | 63% | 59% | 38% | 77% | 77% | 77% | 77% | 77% | 77% | 78% | 78% | 78% |
| | | Water Fund | 84% | 76% | 73% | 58% | 42% | 43% | 51% | 100% | 100% | 100% | 100% | 100% |
| | | Sewer Fund | 93% | 97% | 100% | 78% | 51% | 68% | 100% | 100% | 100% | 100% | 100% | 100% |
| | | Consolidated | 68% | 64% | 45% | 72% | 62% | 65% | 72% | 84% | 85% | 85% | 85% | 85% |
| Unrestricted Current Ratio | >1.5x | Consolidated | 2.4 | 3.8 | 3.5 | 3.4 | 3.3 | 4.2 | 4.5 | 5.0 | 5.6 | 6.5 | 7.2 | 8.0 |
| Debt Service Cover Ratio | >2x | General Fund | 5.2 | 4.4 | 3.7 | 3.9 | 4.3 | 5.2 | 14.0 | 16.9 | 20.7 | 28.0 | 75.4 | 92.4 |
| | | Water Fund | 7.0 | 8.8 | 5.4 | 5.8 | 6.3 | 6.8 | 8.4 | 9.0 | 9.7 | 11.0 | 14.0 | 15.0 |
| | | Sewer Fund | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| | | Consolidated | 6.1 | 5.6 | 4.8 | 5.1 | 5.6 | 6.6 | 13.6 | 15.6 | 17.8 | 21.8 | 35.4 | 38.6 |
| Cash Expense Cover Ratio (including restricted cash) | >3 months | General Fund | 8.8 | 9.9 | 9.1 | 9.4 | 9.3 | 8.9 | 10.0 | 11.1 | 12.2 | 13.6 | 15.1 | 16.6 |
| | | Water Fund | 44.7 | 42.6 | 34.8 | 19.2 | 13.0 | 12.0 | 14.8 | 18.3 | 24.4 | 29.4 | 36.9 | 44.4 |
| | | Sewer Fund | 53.9 | 41.5 | 42.5 | 37.6 | 21.1 | 14.5 | 16.0 | 19.9 | 23.8 | 27.7 | 31.9 | 36.5 |
| | | Consolidated | 15.5 | 16.8 | 15.5 | 13.9 | 11.1 | 10.0 | 11.4 | 13.2 | 15.4 | 17.6 | 20.3 | 23.0 |
| Buildings & Infrastructure Renewals Ratio | >100% | General Fund | 43% | 80% | 105% | 87% | 78% | 73% | 72% | 71% | 70% | 69% | 68% | 67% |
| | | Water Fund | 0% | 82% | 38% | 167% | 103% | 143% | 64% | 58% | 57% | 57% | 62% | 61% |
| | | Sewer Fund | 0.0% | 98% | 65% | 80% | 70% | 70% | 93% | 68% | 67% | 64% | 64% | 63% |
| | | Consolidated | 27% | 83% | 86% | 103% | 82% | 87% | 73% | 68% | 67% | 66% | 66% | 66% |

| | Bench- mark | | Actual | Revised Budget | Projected Years | | | | | | | | | |
|--|----------------|--------------|---------|-------------------|-----------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | | | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 | 2031-32 |
| Infrastructure Backlog Ratio | <2% | General Fund | 2.0% | 2.0% | 2.0% | 2.0% | 2.1% | 2.2% | 2.4% | 2.5% | 2.6% | 2.7% | 2.9% | 3.0% |
| | | Water Fund | 0.9% | 0.9% | 1.2% | 0.9% | 0.9% | 0.7% | 0.9% | 1.1% | 1.2% | 1.4% | 1.6% | 1.8% |
| | | Sewer Fund | 2.3% | 2.5% | 2.6% | 2.7% | 2.8% | 2.9% | 3.0% | 3.2% | 3.4% | 3.5% | 3.8% | 2.4% |
| | | Consolidated | 1.8% | 1.8% | 1.9% | 1.9% | 2.0% | 2.0% | 2.1% | 2.3% | 2.4% | 2.6% | 2.7% | 2.9% |
| Asset Maintenance Ratio | >100% | General Fund | 67% | 75% | 75% | 75% | 75% | 75% | 75% | 75% | 75% | 75% | 75% | 75% |
| | | Water Fund | 80% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| | | Sewer Fund | 91% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| | | Consolidated | 72% | 82% | 82% | 82% | 82% | 82% | 82% | 82% | 82% | 82% | 82% | 82% |
| Real Operating Expenditure per capita | N/A | General Fund | \$2,045 | \$2,013 | \$2,102 | \$1,808 | \$1,786 | \$1,745 | \$1,769 | \$1,751 | \$1,744 | \$1,715 | \$1,699 | \$1,682 |
| | | Water Fund | \$345 | \$362 | \$373 | \$368 | \$363 | \$359 | \$363 | \$359 | \$354 | \$350 | \$346 | \$342 |
| | | Sewer Fund | \$219 | \$275 | \$277 | \$275 | \$272 | \$269 | \$274 | \$271 | \$269 | \$266 | \$263 | \$268 |
| | | Consolidated | \$2,622 | \$2,663 | \$2,766 | \$2,463 | \$2,434 | \$2,385 | \$2,418 | \$2,393 | \$2,379 | \$2,343 | \$2,319 | \$2,355 |

Scenario 2: SRV 50% Over 3 Years

Key Performance Indicators

| | Bench- mark | | Actual | Revised Budget | Projected Years | | | | | | | | | |
|-------------------------------------|----------------|--------------|---------|-------------------|-----------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | | | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 | 2031-32 |
| Operating Performance Ratio | >0% | General Fund | 7.3% | 4.0% | -5.1% | -2.7% | 2.3% | 7.6% | 6.4% | 6.5% | 6.0% | 6.7% | 6.8% | 6.8% |
| | | Water Fund | 2.0% | 10.5% | 9.9% | 12.2% | 14.5% | 16.7% | 18.8% | 20.9% | 22.9% | 24.8% | 26.7% | 28.5% |
| | | Sewer Fund | 11.1% | 4.0% | 9.5% | 11.0% | 12.5% | 13.9% | 15.4% | 16.8% | 18.3% | 19.7% | 21.1% | 22.5% |
| | | Consolidated | 6.9% | 5.0% | -1.2% | 1.4% | 5.5% | 9.8% | 9.5% | 10.1% | 10.3% | 11.3% | 11.9% | 12.5% |
| Own Source Operating Revenue | >60% | General Fund | 63% | 59% | 38% | 78% | 79% | 80% | 81% | 81% | 81% | 81% | 81% | 81% |
| | | Water Fund | 84% | 76% | 73% | 58% | 42% | 43% | 51% | 100% | 100% | 100% | 100% | 100% |
| | | Sewer Fund | 93% | 97% | 100% | 78% | 51% | 68% | 100% | 100% | 100% | 100% | 100% | 100% |
| | | Consolidated | 68% | 64% | 45% | 73% | 64% | 68% | 75% | 86% | 86% | 86% | 87% | 87% |

| | Bench- mark | | Actual | Revised Budget | Projected Years | | | | | | | | | |
|---|----------------|--------------|---------|-------------------|-----------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | | | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 | 2031-32 |
| Unrestricted Current Ratio | >1.5x | Consolidated | 2.4 | 3.8 | 3.5 | 3.3 | 3.4 | 4.4 | 4.8 | 5.4 | 5.9 | 6.7 | 7.3 | 8.0 |
| Debt Service Cover Ratio | >2x | General Fund | 5.2 | 4.4 | 3.7 | 4.2 | 5.5 | 7.6 | 19.5 | 23.7 | 29.2 | 39.3 | 105.8 | 129.8 |
| | | Water Fund | 7.0 | 8.8 | 5.4 | 5.8 | 6.3 | 6.8 | 8.4 | 9.0 | 9.7 | 11.0 | 14.0 | 15.0 |
| | | Sewer Fund | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| | | Consolidated | 6.1 | 5.6 | 4.7 | 5.3 | 6.5 | 8.3 | 16.7 | 19.1 | 21.8 | 26.5 | 43.0 | 46.8 |
| Cash Expense Cover Ratio (including restricted cash) | >3 months | General Fund | 8.8 | 9.9 | 9.0 | 8.8 | 8.9 | 8.6 | 9.4 | 10.5 | 11.5 | 12.6 | 13.8 | 14.9 |
| | | Water Fund | 44.7 | 42.6 | 34.8 | 19.2 | 13.0 | 12.0 | 14.8 | 18.3 | 24.4 | 29.4 | 36.9 | 44.4 |
| | | Sewer Fund | 53.9 | 41.5 | 42.5 | 37.6 | 21.1 | 14.5 | 16.0 | 19.9 | 23.8 | 27.7 | 31.9 | 36.5 |
| | | Consolidated | 15.5 | 16.8 | 15.4 | 13.3 | 10.8 | 9.7 | 10.9 | 12.6 | 14.6 | 16.6 | 18.9 | 21.4 |
| Buildings & Infrastructure Renewals Ratio | >100% | General Fund | 43% | 80% | 105% | 99% | 100% | 124% | 122% | 119% | 115% | 114% | 114% | 111% |
| | | Water Fund | 0% | 82% | 38% | 167% | 103% | 143% | 64% | 58% | 57% | 57% | 62% | 61% |
| | | Sewer Fund | 0% | 98% | 65% | 80% | 70% | 70% | 93% | 68% | 67% | 64% | 64% | 63% |
| | | Consolidated | 27% | 83% | 86% | 111% | 97% | 121% | 106% | 100% | 98% | 97% | 98% | 95% |
| Infrastructure Backlog Ratio | <2% | General Fund | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 1.9% | 1.8% | 1.7% | 1.7% | 1.6% | 1.6% | 1.5% |
| | | Water Fund | 0.9% | 0.9% | 1.2% | 0.9% | 0.9% | 0.7% | 0.9% | 1.1% | 1.2% | 1.4% | 1.6% | 1.8% |
| | | Sewer Fund | 2.3% | 2.5% | 2.6% | 2.7% | 2.8% | 2.9% | 3.0% | 3.2% | 3.4% | 3.5% | 3.8% | 2.4% |
| | | Consolidated | 1.8% | 1.8% | 1.9% | 1.9% | 1.9% | 1.8% | 1.8% | 1.8% | 1.8% | 1.8% | 1.8% | 1.8% |
| Asset Maintenance Ratio | >100% | General Fund | 67% | 75% | 88% | 88% | 88% | 93% | 100% | 100% | 100% | 100% | 100% | 100% |
| | | Water Fund | 80% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| | | Sewer Fund | 91% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| | | Consolidated | 72% | 77% | 91% | 91% | 91% | 95% | 100% | 100% | 100% | 100% | 100% | 100% |
| Real Operating Expenditure per capita | N/A | General Fund | \$2,045 | \$2,013 | \$2,108 | \$1,869 | \$1,857 | \$1,839 | \$1,894 | \$1,874 | \$1,866 | \$1,837 | \$1,819 | \$1,801 |
| | | Water Fund | \$345 | \$362 | \$373 | \$368 | \$363 | \$359 | \$363 | \$359 | \$354 | \$350 | \$346 | \$342 |
| | | Sewer Fund | \$219 | \$275 | \$277 | \$275 | \$272 | \$269 | \$274 | \$271 | \$269 | \$266 | \$263 | \$268 |
| | | Consolidated | \$2,622 | \$2,663 | \$2,773 | \$2,525 | \$2,505 | \$2,480 | \$2,544 | \$2,517 | \$2,502 | \$2,465 | \$2,440 | \$2,478 |

General Fund Scenario Comparison

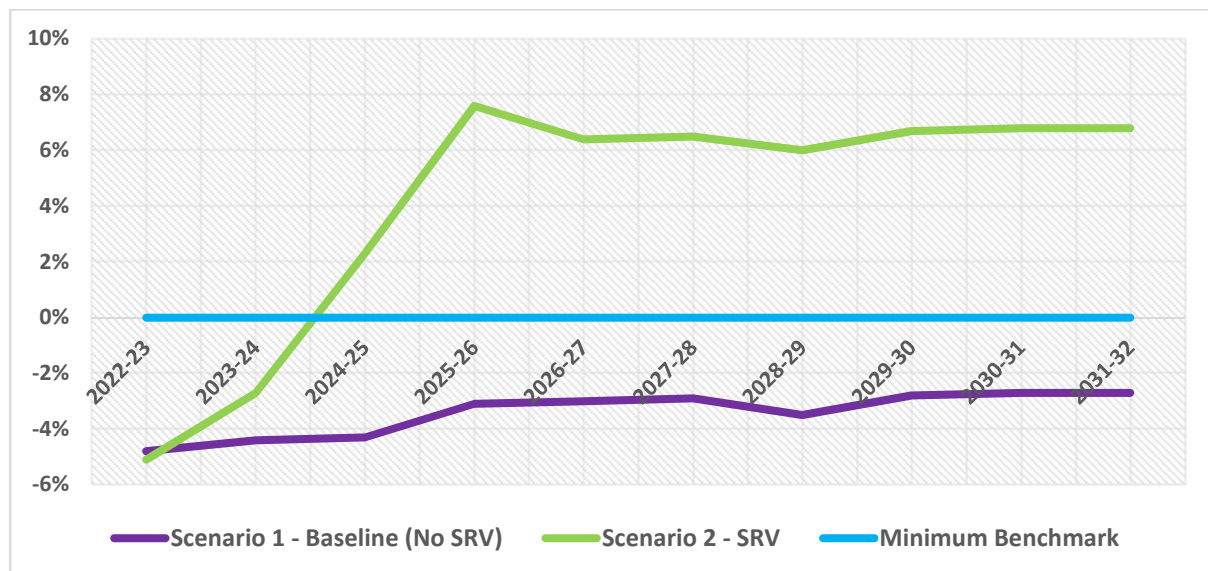
The comparisons below demonstrate the impact that an SRV would have on the General Fund financial position over time. The comparisons demonstrate that without additional funding, such as an SRV as proposed, key financial indicators cannot meet the required benchmarks.

Under the Baseline (No SRV) Scenario:

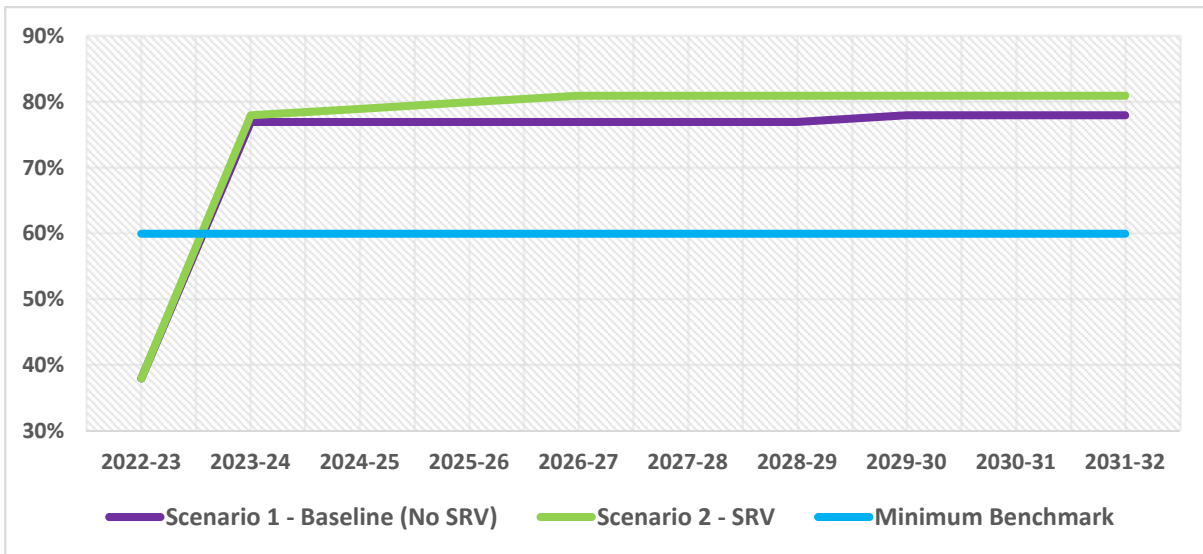
- The operating performance ratio is approximately -3.4% over the term of the LTFP and the benchmark for this KPI is greater than 0%. This result also assumes a \$2 million drop in ongoing operating expenditure from a reduction in service levels.
- The cash position as evidenced by the unrestricted current ratio and cash expense cover ratio remains above the minimum benchmarks but is dependent on a reduction in operating expenditure of \$2 million from 2023-24 and asset renewal is under funded to the extent of \$6 million per annum. Unrestricted cash is low over the term of the LTFP and remains a risk in light of the level of underfunding of asset renewal.
- The debt service ratio remains above the minimum benchmark.
- The building and infrastructure renewal ratio is an average of 76% over the term of the LTFP and shows a declining trend to 67% by 2031-32.
- The infrastructure backlog ratio is above the maximum benchmark of 2% and increases to 3% by 2031-32.
- The asset maintenance ratio remains under the minimum benchmark of 100%.

Conversely, the SRV Scenario would allow all key KPIs to meet the benchmarks by 2024-25.

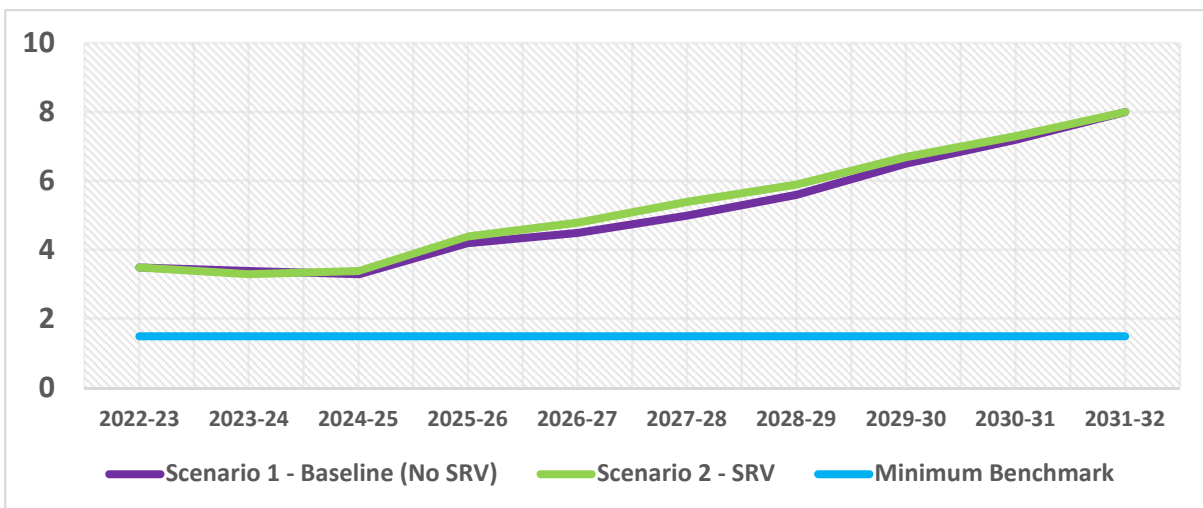
Operating Performance Ratio



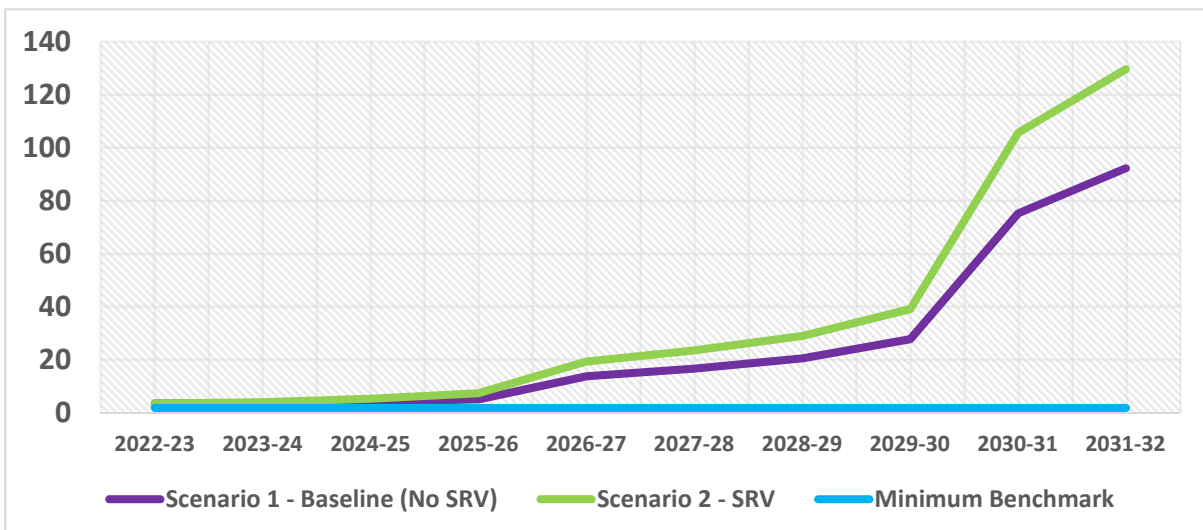
Own Source Operating Revenue



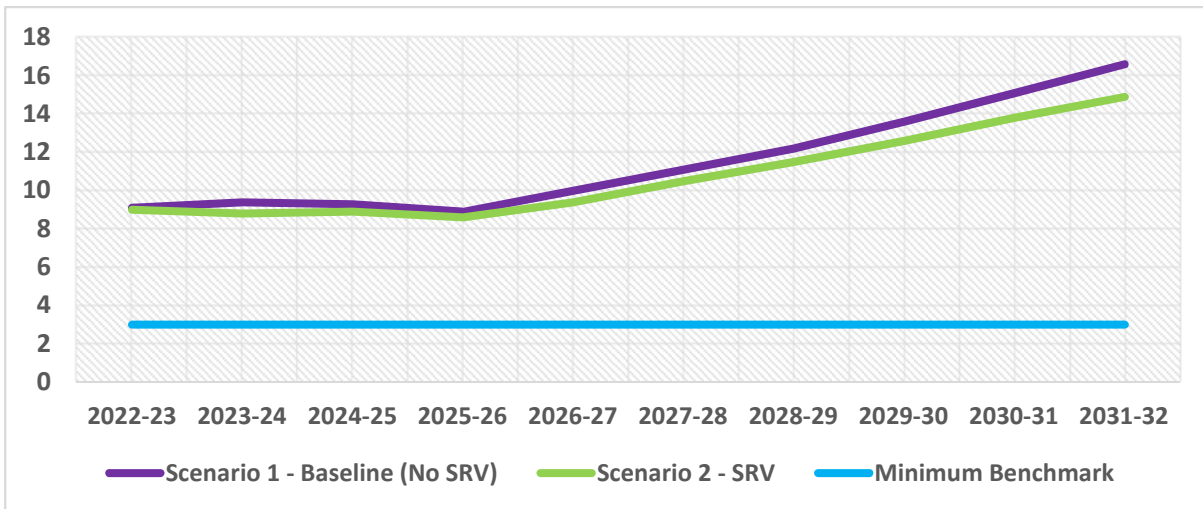
Unrestricted Current Ratio



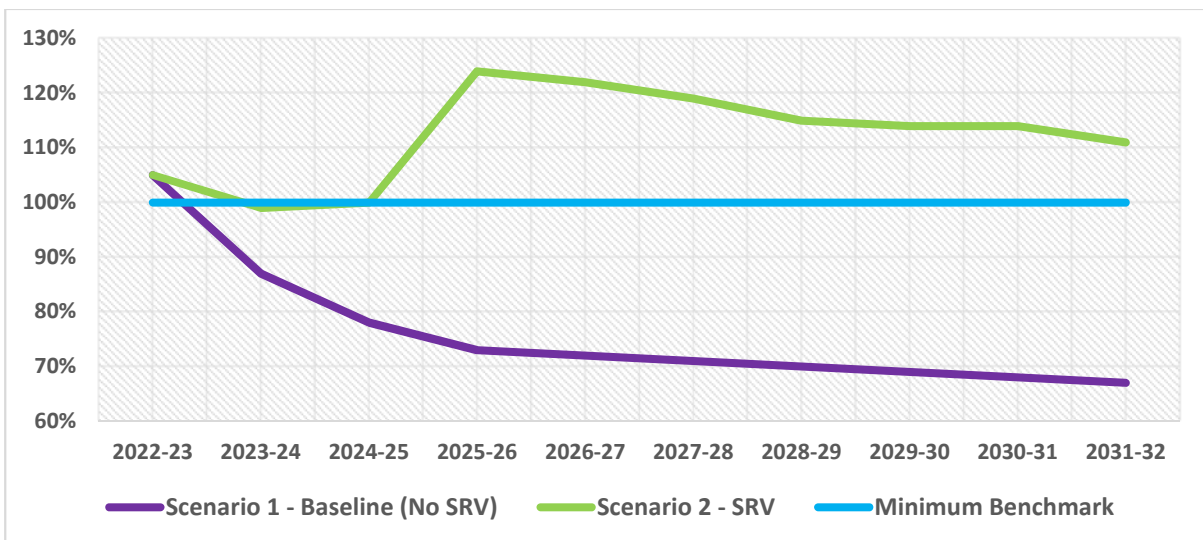
Debt Service Cover Ratio



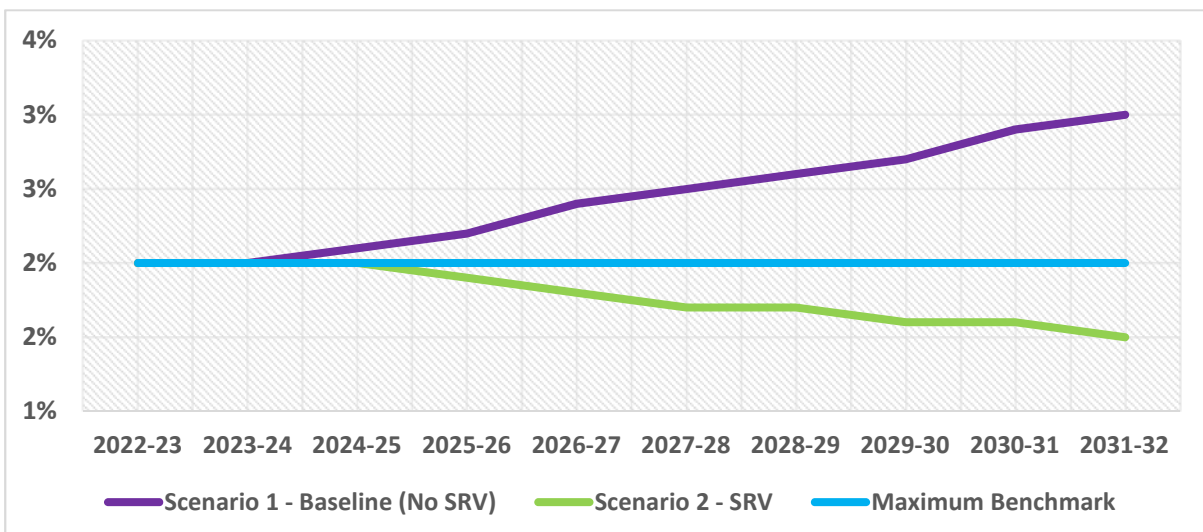
Cash Expense Cover Ratio



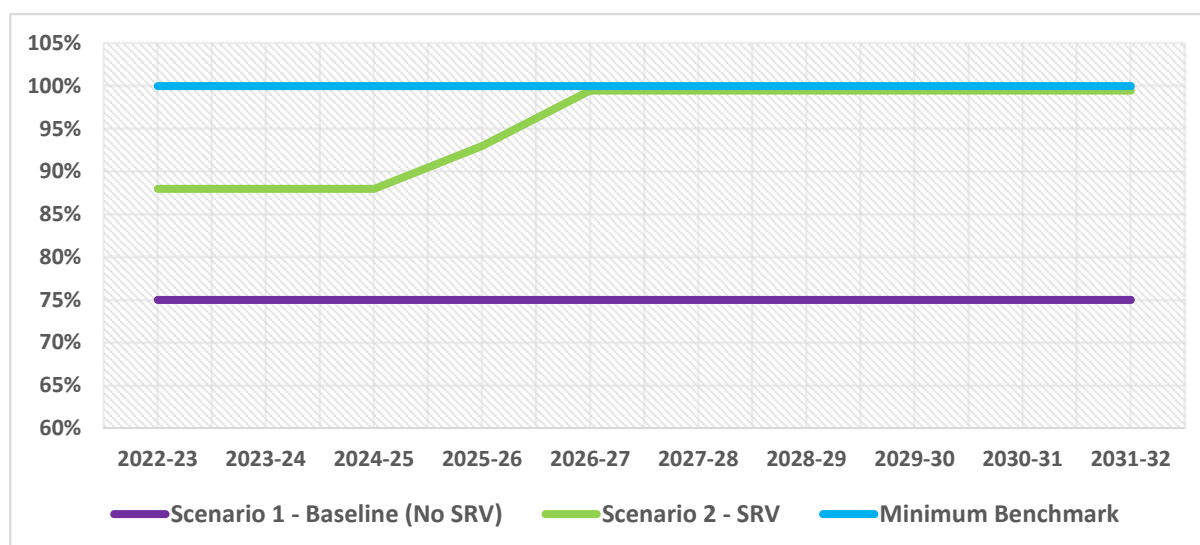
Building & Infrastructure Renewals Ratio



Infrastructure Backlog Ratio



Asset Maintenance Ratio



6.1 Budgeted financial statements

Budgeted Income Statement

This statement outlines:

- All sources of revenue (income).
- All operating expenditure. These expenses relate to operations and do not include capital expenditure although depreciation of assets is included.

The Net Result for the year is a measure of Council's financial performance. This figure is determined by deducting total operating expenditure from total revenue.

The Operating Result shows if the income received is sufficient to pay for both operating expenses and asset renewal (as reflected in depreciation costs). This result is considered the most relevant measure of financial sustainability as it excludes revenue that can only be used for the acquisition of new assets.

Budgeted Balance Sheet

This statement outlines what Council owns (assets) and what it owes (liabilities) at a point in time. Council's net worth is determined by deducting total liabilities from total assets – the larger the net equity, the stronger the financial position.

Budgeted Cashflow Statement

This statement summarises the actual flows of cash for a period and explains the change in the cash balance held from the start of the period through to the end of the reporting period. The Cashflow Statement shows the receipt and payment of all operating, investing and financing transactions, and the impact of this on cash balances and the forecast level of unrestricted cash at the end of each reporting period.

Scenario 1: Baseline Scenario (No SRV)

Income Statement – General Fund

| \$'000 | Actual | Revised Budget | Projected Years | | | | | | | | | |
|------------------------------------|---------------|----------------|-----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 | 2031-32 |
| Revenue | | | | | | | | | | | | |
| Rates & Annual Charges | 26,862 | 27,957 | 28,677 | 29,394 | 30,129 | 30,882 | 31,654 | 32,445 | 33,256 | 34,088 | 34,940 | 35,814 |
| User Charges & Fees | 17,000 | 17,286 | 18,868 | 11,902 | 12,194 | 12,492 | 12,798 | 13,111 | 13,432 | 13,761 | 14,097 | 14,442 |
| Interest & Investment Revenue | 191 | 159 | 787 | 584 | 593 | 566 | 638 | 738 | 848 | 962 | 1,099 | 1,239 |
| Other Revenues | 2,616 | 2,547 | 2,348 | 2,406 | 2,467 | 2,528 | 2,621 | 2,687 | 2,754 | 2,823 | 2,894 | 2,966 |
| Operating Grants & Contributions | 15,648 | 15,498 | 12,102 | 11,785 | 11,993 | 12,206 | 12,424 | 12,646 | 12,872 | 13,103 | 13,340 | 13,581 |
| Capital Grants & Contributions | 11,514 | 18,503 | 70,906 | 1,602 | 1,602 | 1,602 | 1,602 | 1,602 | 1,602 | 1,602 | 1,602 | 1,602 |
| Total Revenue | 73,831 | 81,950 | 133,688 | 57,673 | 58,977 | 60,277 | 61,736 | 63,229 | 64,764 | 66,338 | 67,971 | 69,644 |
| Operating Expenses | | | | | | | | | | | | |
| Employee Costs | 21,338 | 24,397 | 25,815 | 24,150 | 24,753 | 25,372 | 26,007 | 26,657 | 27,323 | 28,006 | 28,706 | 29,424 |
| Borrowing Costs | 1,249 | 966 | 845 | 691 | 536 | 383 | 282 | 238 | 200 | 165 | 144 | 140 |
| Materials & Contracts | 18,476 | 20,834 | 21,443 | 15,589 | 16,003 | 15,728 | 16,121 | 16,524 | 17,337 | 17,361 | 17,795 | 18,240 |
| Depreciation | 14,119 | 12,757 | 15,835 | 16,231 | 16,637 | 17,053 | 17,479 | 17,916 | 18,364 | 18,823 | 19,294 | 19,776 |
| Other Expenses | 2,602 | 1,930 | 1,836 | 1,882 | 1,929 | 1,977 | 2,027 | 2,077 | 2,129 | 2,182 | 2,237 | 2,293 |
| Losses on Disposal of Assets | 1,731 | | | | | | | | | | | |
| Revaluation/impairment | 2,312 | | | | | | | | | | | |
| Total Operating Expenses | 61,827 | 60,883 | 65,775 | 58,543 | 59,859 | 60,513 | 61,915 | 63,412 | 65,354 | 66,537 | 68,176 | 69,872 |
| Net Surplus/(Deficit) | 12,004 | 21,067 | 67,913 | (870) | (881) | (237) | (179) | (183) | (590) | (199) | (205) | (229) |
| Operating Surplus/(Deficit) | 490 | 2,564 | (2,993) | (2,472) | (2,483) | (1,839) | (1,781) | (1,785) | (2,192) | (1,801) | (1,807) | (1,831) |

Balance Sheet – General Fund

| \$'000 | Actual | Revised Budget | Projected Years | | | | | | | | | |
|--|----------------|----------------|-----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 | 2031-32 |
| ASSETS | | | | | | | | | | | | |
| Current Assets | | | | | | | | | | | | |
| Cash & Cash Equivalents | 21,927 | 25,306 | 23,324 | 18,902 | 19,014 | 17,436 | 20,932 | 26,033 | 31,687 | 37,697 | 44,976 | 52,534 |
| Investments | 16,622 | 16,622 | 16,622 | 16,622 | 16,622 | 16,622 | 16,622 | 16,622 | 16,622 | 16,622 | 16,622 | 16,622 |
| Receivables | 8,650 | 8,650 | 8,650 | 8,765 | 8,813 | 8,862 | 8,913 | 8,964 | 9,017 | 9,071 | 9,127 | 9,184 |
| Inventories | 1,632 | 1,632 | 1,632 | 1,632 | 1,632 | 1,632 | 1,632 | 1,632 | 1,632 | 1,632 | 1,632 | 1,632 |
| Contract assets | 3,028 | 3,028 | 3,028 | 3,028 | 3,028 | 3,028 | 3,028 | 3,028 | 3,028 | 3,028 | 3,028 | 3,028 |
| Other | 697 | 697 | 697 | 697 | 697 | 697 | 697 | 697 | 697 | 697 | 697 | 697 |
| Total Current Assets | 52,556 | 55,935 | 53,953 | 49,646 | 49,806 | 48,278 | 51,824 | 56,976 | 62,683 | 68,748 | 76,082 | 83,697 |
| Non-Current Assets | | | | | | | | | | | | |
| Receivables | 284 | 284 | 284 | 284 | 284 | 284 | 284 | 284 | 284 | 284 | 284 | 284 |
| Inventories | 1,013 | 1,013 | 1,013 | 1,013 | 1,013 | 1,013 | 1,013 | 1,013 | 1,013 | 1,013 | 1,013 | 1,013 |
| Infrastructure, Property, Plant & Equipment | 682,659 | 697,764 | 764,959 | 765,546 | 761,782 | 760,582 | 756,120 | 750,180 | 743,419 | 736,832 | 729,328 | 721,554 |
| Right of use assets | 240 | 240 | 240 | 240 | 240 | 240 | 240 | 240 | 240 | 240 | 240 | 240 |
| Non-current assets classified as "held for sale" | 612 | 612 | 612 | 612 | 612 | 612 | 612 | 612 | 612 | 612 | 612 | 612 |
| Total Non-Current Assets | 684,808 | 699,913 | 767,108 | 767,695 | 763,931 | 762,731 | 758,269 | 752,329 | 745,568 | 738,981 | 731,477 | 723,703 |
| TOTAL ASSETS | 737,364 | 755,848 | 821,061 | 817,342 | 813,738 | 811,009 | 810,093 | 809,306 | 808,251 | 807,729 | 807,560 | 807,400 |
| LIABILITIES | | | | | | | | | | | | |
| Current Liabilities | | | | | | | | | | | | |
| Payables | 8,841 | 8,841 | 8,841 | 8,841 | 8,841 | 8,841 | 8,841 | 8,841 | 8,841 | 8,841 | 8,841 | 8,841 |
| Contract liabilities | 6,852 | 6,852 | 6,852 | 6,852 | 6,852 | 6,852 | 6,852 | 6,852 | 6,852 | 6,852 | 6,852 | 6,852 |
| Lease liabilities | 27 | 10 | 5 | 2 | 2 | 2 | 3 | 3 | 4 | 4 | 5 | 5 |
| Borrowings | 2,707 | 2,815 | 2,970 | 2,846 | 2,615 | 860 | 726 | 586 | 445 | 85 | 51 | - |
| Provisions | 7,153 | 7,185 | 7,185 | 7,185 | 7,185 | 7,185 | 7,185 | 7,185 | 7,185 | 7,185 | 7,185 | 7,185 |
| Total Current Liabilities | 25,580 | 25,704 | 25,852 | 25,725 | 25,495 | 23,740 | 23,607 | 23,467 | 23,327 | 22,967 | 22,934 | 22,882 |

| \$'000 | Actual | Revised Budget | Projected Years | | | | | | | | | |
|--------------------------------------|----------------|----------------|-----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 | 2031-32 |
| Non-Current Liabilities | | | | | | | | | | | | |
| Lease liabilities | 241 | 258 | 253 | 251 | 249 | 247 | 244 | 241 | 237 | 232 | 227 | 223 |
| Borrowings | 13,999 | 11,183 | 8,213 | 5,368 | 2,753 | 1,893 | 1,167 | 581 | 136 | 51 | - | - |
| Provisions | 14,645 | 14,738 | 14,863 | 14,988 | 15,113 | 15,238 | 15,363 | 15,488 | 15,613 | 15,738 | 15,863 | 15,988 |
| Total Non-Current Liabilities | 28,885 | 26,179 | 23,330 | 20,607 | 18,115 | 17,378 | 16,774 | 16,310 | 15,986 | 16,021 | 16,090 | 16,211 |
| TOTAL LIABILITIES | 54,465 | 51,883 | 49,182 | 46,332 | 43,610 | 41,118 | 40,381 | 39,777 | 39,312 | 38,989 | 39,024 | 39,093 |
| Net Assets | 682,899 | 703,966 | 771,879 | 771,009 | 770,128 | 769,891 | 769,712 | 769,529 | 768,939 | 768,740 | 768,535 | 768,307 |
| EQUITY | | | | | | | | | | | | |
| Retained Earnings | 592,331 | 613,398 | 681,311 | 680,441 | 679,560 | 679,323 | 679,144 | 678,961 | 678,371 | 678,172 | 677,967 | 677,739 |
| Revaluation Reserves | 90,568 | 90,568 | 90,568 | 90,568 | 90,568 | 90,568 | 90,568 | 90,568 | 90,568 | 90,568 | 90,568 | 90,568 |
| Total Equity | 682,899 | 703,966 | 771,879 | 771,009 | 770,128 | 769,891 | 769,712 | 769,529 | 768,939 | 768,740 | 768,535 | 768,307 |

Cashflow Statement – General Fund

| \$'000 | Actual | Revised | Projected Years | | | | | | | | | |
|--|---------|-------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 2020-21 | Budget 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 | 2031-32 |
| Cash Flows from Operating Activities | | | | | | | | | | | | |
| Receipts: | | | | | | | | | | | | |
| Rates & Annual Charges | | 27,957 | 28,677 | 29,415 | 30,088 | 30,840 | 31,611 | 32,402 | 33,212 | 34,042 | 34,893 | 35,765 |
| User Charges & Fees | | 17,286 | 18,868 | 11,902 | 12,194 | 12,492 | 12,798 | 13,111 | 13,432 | 13,761 | 14,097 | 14,442 |
| Interest & Investment Revenue Received | | 159 | 787 | 447 | 586 | 559 | 630 | 730 | 839 | 953 | 1,090 | 1,230 |
| Grants & Contributions | | 34,000 | 83,009 | 13,387 | 13,595 | 13,808 | 14,026 | 14,247 | 14,474 | 14,705 | 14,941 | 15,183 |
| Other | | 2,547 | 2,348 | 2,406 | 2,467 | 2,528 | 2,621 | 2,687 | 2,754 | 2,823 | 2,894 | 2,966 |
| Payments: | | | | | | | | | | | | |
| Employee Costs | | (24,397) | (25,815) | (24,150) | (24,753) | (25,372) | (26,007) | (26,657) | (27,323) | (28,006) | (28,706) | (29,424) |
| Materials & Contracts | | (20,834) | (21,443) | (15,589) | (16,003) | (15,728) | (16,121) | (16,524) | (17,337) | (17,361) | (17,795) | (18,240) |
| Borrowing Costs | | (841) | (720) | (566) | (411) | (258) | (157) | (113) | (75) | (40) | (19) | (15) |
| Other | | (1,930) | (1,836) | (1,882) | (1,929) | (1,977) | (2,027) | (2,077) | (2,129) | (2,182) | (2,237) | (2,293) |
| Net Cash provided (or used in) Operating Activities | | 33,949 | 83,874 | 15,371 | 15,833 | 16,892 | 17,375 | 17,807 | 17,846 | 18,695 | 19,158 | 19,616 |
| Cash Flows from Investing Activities | | | | | | | | | | | | |
| Receipts: | | | | | | | | | | | | |
| Sale of Investment Securities | | - | - | - | - | - | - | - | - | - | - | - |
| Sale of Property, Plant & Equipment (PPE) | | 1,508 | 1,215 | 1,590 | 1,578 | 1,544 | 1,432 | 1,420 | 1,434 | 1,519 | 1,774 | 1,581 |
| Payments: | | | | | | | | | | | | |
| Purchase of Investment Securities | | - | - | - | - | - | - | - | - | - | - | - |
| Purchase of Infrastructure & PPE | | (29,370) | (84,245) | (18,408) | (14,451) | (17,397) | (14,449) | (13,397) | (13,037) | (13,755) | (13,564) | (13,583) |
| Net Cash provided (or used in) Investing Activities | | (27,862) | (83,030) | (16,818) | (12,873) | (15,853) | (13,017) | (11,977) | (11,603) | (12,236) | (11,790) | (12,002) |

| \$'000 | Actual | Revised Budget | Projected Years | | | | | | | | | |
|--|---------------|----------------|-----------------|----------------|----------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 | 2031-32 |
| Cash Flows from Financing Activities | | | | | | | | | | | | |
| Receipts: | | | | | | | | | | | | |
| Proceeds from Borrowings | | - | - | - | - | - | - | - | - | - | - | - |
| Payments: | | | | | | | | | | | | |
| Repayment of Borrowings | | (2,707) | (2,815) | (2,970) | (2,846) | (2,615) | (860) | (726) | (586) | (445) | (85) | (51) |
| Repayment of lease liabilities | | - | (10) | (5) | (2) | (2) | (2) | (3) | (3) | (4) | (4) | (5) |
| Net Cash Flow provided (used in) Financing Activities | | (2,707) | (2,826) | (2,975) | (2,847) | (2,617) | (862) | (729) | (589) | (449) | (89) | (56) |
| Net Increase/(Decrease) in Cash | | 3,379 | (1,982) | (4,422) | 112 | (1,578) | 3,496 | 5,101 | 5,654 | 6,010 | 7,279 | 7,557 |
| plus: Cash & Investments - beginning of year | | 21,927 | 25,306 | 23,324 | 18,902 | 19,014 | 17,436 | 20,932 | 26,033 | 31,687 | 37,697 | 44,976 |
| Cash - end of year | 21,927 | 25,306 | 23,324 | 18,902 | 19,014 | 17,436 | 20,932 | 26,033 | 31,687 | 37,697 | 44,976 | 52,534 |
| Investments - end of year | 16,622 | 16,622 | 16,622 | 16,622 | 16,622 | 16,622 | 16,622 | 16,622 | 16,622 | 16,622 | 16,622 | 16,622 |
| Cash & Investments - end of the year | 38,549 | 41,928 | 39,946 | 35,524 | 35,636 | 34,058 | 37,554 | 42,655 | 48,309 | 54,319 | 61,598 | 69,156 |
| Representing: | | | | | | | | | | | | |
| - External Restrictions | 18,329 | 17,706 | 18,180 | 15,854 | 17,000 | 14,481 | 15,871 | 17,789 | 19,752 | 21,912 | 24,120 | 26,376 |
| - Internal Restrictions | 16,813 | 20,928 | 18,408 | 16,010 | 15,764 | 17,401 | 19,319 | 22,373 | 25,114 | 28,696 | 32,604 | 36,606 |
| - Unrestricted | 3,407 | 3,293 | 3,358 | 3,660 | 2,872 | 2,176 | 2,365 | 2,493 | 3,442 | 3,711 | 4,875 | 6,174 |
| Total | 38,549 | 41,928 | 39,946 | 35,524 | 35,636 | 34,058 | 37,554 | 42,655 | 48,309 | 54,319 | 61,598 | 69,156 |

Scenario 2: SRV 50% Over 3 Years

Income Statement – General Fund

| \$'000 | Actual | Revised Budget | Projected Years | | | | | | | | | |
|------------------------------------|---------------|----------------|-----------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 | 2031-32 |
| Revenue | | | | | | | | | | | | |
| Rates & Annual Charges | 26,862 | 27,957 | 28,677 | 32,265 | 36,429 | 41,251 | 42,282 | 43,339 | 44,423 | 45,533 | 46,672 | 47,839 |
| User Charges & Fees | 17,000 | 17,286 | 18,868 | 11,902 | 12,194 | 12,492 | 12,798 | 13,111 | 13,432 | 13,761 | 14,097 | 14,442 |
| Interest & Investment Revenue | 191 | 159 | 787 | 568 | 586 | 590 | 687 | 818 | 964 | 1,115 | 1,287 | 1,469 |
| Other Revenues | 2,616 | 2,547 | 2,348 | 2,406 | 2,467 | 2,528 | 2,621 | 2,687 | 2,754 | 2,823 | 2,894 | 2,966 |
| Operating Grants & Contributions | 15,648 | 15,498 | 12,102 | 11,785 | 11,993 | 12,206 | 12,424 | 12,646 | 12,872 | 13,103 | 13,340 | 13,581 |
| Capital Grants & Contributions | 11,514 | 18,503 | 70,906 | 1,602 | 1,602 | 1,602 | 1,602 | 1,602 | 1,602 | 1,602 | 1,602 | 1,602 |
| Total Revenue | 73,831 | 81,950 | 133,688 | 60,528 | 65,271 | 70,670 | 72,414 | 74,203 | 76,046 | 77,937 | 79,891 | 81,899 |
| Operating Expenses | | | | | | | | | | | | |
| Employee Costs | 21,338 | 24,397 | 25,815 | 25,150 | 25,778 | 26,423 | 27,083 | 27,761 | 28,455 | 29,166 | 29,895 | 30,642 |
| Borrowing Costs | 1,249 | 966 | 845 | 691 | 536 | 383 | 282 | 238 | 200 | 165 | 144 | 140 |
| Materials & Contracts | 18,476 | 20,834 | 21,643 | 16,589 | 17,353 | 17,962 | 19,411 | 19,896 | 20,793 | 20,903 | 21,426 | 21,962 |
| Depreciation | 14,119 | 12,757 | 15,835 | 16,231 | 16,637 | 17,053 | 17,479 | 17,916 | 18,364 | 18,823 | 19,294 | 19,776 |
| Other Expenses | 2,602 | 1,930 | 1,836 | 1,882 | 1,929 | 1,977 | 2,027 | 2,077 | 2,129 | 2,182 | 2,237 | 2,293 |
| Losses on Disposal of Assets | 1,731 | | | | | | | | | | | |
| Revaluation/impairment | 2,312 | | | | | | | | | | | |
| Total Operating Expenses | 61,827 | 60,883 | 65,975 | 60,543 | 62,234 | 63,798 | 66,282 | 67,888 | 69,941 | 71,239 | 72,996 | 74,813 |
| Net Surplus/(Deficit) | 12,004 | 21,067 | 67,713 | (14) | 3,037 | 6,872 | 6,132 | 6,315 | 6,105 | 6,698 | 6,895 | 7,086 |
| Operating Surplus/(Deficit) | 490 | 2,564 | (3,193) | (1,616) | 1,435 | 5,270 | 4,530 | 4,713 | 4,503 | 5,096 | 5,293 | 5,484 |

Balance Sheet – General Fund

| \$'000 | Actual | Revised Budget | Projected Years | | | | | | | | | |
|--|----------------|----------------|-----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 | 2031-32 |
| ASSETS | | | | | | | | | | | | |
| Current Assets | | | | | | | | | | | | |
| Cash & Cash Equivalents | 21,927 | 25,306 | 23,124 | 18,020 | 19,307 | 18,602 | 22,323 | 27,834 | 33,091 | 38,764 | 44,985 | 51,848 |
| Investments | 16,622 | 16,622 | 16,622 | 16,622 | 16,622 | 16,622 | 16,622 | 16,622 | 16,622 | 16,622 | 16,622 | 16,622 |
| Receivables | 8,650 | 8,650 | 8,650 | 8,953 | 9,224 | 9,539 | 9,606 | 9,675 | 9,746 | 9,818 | 9,892 | 9,968 |
| Inventories | 1,632 | 1,632 | 1,632 | 1,632 | 1,632 | 1,632 | 1,632 | 1,632 | 1,632 | 1,632 | 1,632 | 1,632 |
| Contract assets | 3,028 | 3,028 | 3,028 | 3,028 | 3,028 | 3,028 | 3,028 | 3,028 | 3,028 | 3,028 | 3,028 | 3,028 |
| Other | 697 | 697 | 697 | 697 | 697 | 697 | 697 | 697 | 697 | 697 | 697 | 697 |
| Total Current Assets | 52,556 | 55,935 | 53,753 | 48,952 | 50,510 | 50,120 | 53,908 | 59,488 | 64,815 | 70,561 | 76,856 | 83,795 |
| Non-Current Assets | | | | | | | | | | | | |
| Receivables | 284 | 284 | 284 | 284 | 284 | 284 | 284 | 284 | 284 | 284 | 284 | 284 |
| Inventories | 1,013 | 1,013 | 1,013 | 1,013 | 1,013 | 1,013 | 1,013 | 1,013 | 1,013 | 1,013 | 1,013 | 1,013 |
| Infrastructure, Property, Plant & Equipment | 682,659 | 697,764 | 764,959 | 766,896 | 765,652 | 770,422 | 772,030 | 772,160 | 772,474 | 773,102 | 773,738 | 773,954 |
| Right of use assets | 240 | 240 | 240 | 240 | 240 | 240 | 240 | 240 | 240 | 240 | 240 | 240 |
| Non-current assets classified as "held for sale" | 612 | 612 | 612 | 612 | 612 | 612 | 612 | 612 | 612 | 612 | 612 | 612 |
| Total Non-Current Assets | 684,808 | 699,913 | 767,108 | 769,045 | 767,801 | 772,571 | 774,179 | 774,309 | 774,623 | 775,251 | 775,887 | 776,103 |
| TOTAL ASSETS | 737,364 | 755,848 | 820,861 | 817,997 | 818,312 | 822,691 | 828,086 | 833,797 | 839,438 | 845,812 | 852,743 | 859,898 |
| LIABILITIES | | | | | | | | | | | | |
| Current Liabilities | | | | | | | | | | | | |
| Payables | 8,841 | 8,841 | 8,841 | 8,841 | 8,841 | 8,841 | 8,841 | 8,841 | 8,841 | 8,841 | 8,841 | 8,841 |
| Contract liabilities | 6,852 | 6,852 | 6,852 | 6,852 | 6,852 | 6,852 | 6,852 | 6,852 | 6,852 | 6,852 | 6,852 | 6,852 |
| Lease liabilities | 27 | 10 | 5 | 2 | 2 | 2 | 3 | 3 | 4 | 4 | 5 | 5 |
| Borrowings | 2,707 | 2,815 | 2,970 | 2,846 | 2,615 | 860 | 726 | 586 | 445 | 85 | 51 | - |
| Provisions | 7,153 | 7,185 | 7,185 | 7,185 | 7,185 | 7,185 | 7,185 | 7,185 | 7,185 | 7,185 | 7,185 | 7,185 |
| Total Current Liabilities | 25,580 | 25,704 | 25,852 | 25,725 | 25,495 | 23,740 | 23,607 | 23,467 | 23,327 | 22,967 | 22,934 | 22,882 |

| \$'000 | Actual | Revised Budget | Projected Years | | | | | | | | | |
|--------------------------------------|----------------|----------------|-----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 | 2031-32 |
| Non-Current Liabilities | | | | | | | | | | | | |
| Lease liabilities | 241 | 258 | 253 | 251 | 249 | 247 | 244 | 241 | 237 | 232 | 227 | 223 |
| Borrowings | 13,999 | 11,183 | 8,213 | 5,368 | 2,753 | 1,893 | 1,167 | 581 | 136 | 51 | - | - |
| Provisions | 14,645 | 14,738 | 14,863 | 14,988 | 15,113 | 15,238 | 15,363 | 15,488 | 15,613 | 15,738 | 15,863 | 15,988 |
| Total Non-Current Liabilities | 28,885 | 26,179 | 23,330 | 20,607 | 18,115 | 17,378 | 16,774 | 16,310 | 15,986 | 16,021 | 16,090 | 16,211 |
| TOTAL LIABILITIES | 54,465 | 51,883 | 49,182 | 46,332 | 43,610 | 41,118 | 40,381 | 39,777 | 39,312 | 38,989 | 39,024 | 39,093 |
| Net Assets | 682,899 | 703,966 | 771,679 | 771,664 | 774,702 | 781,573 | 787,706 | 794,020 | 800,126 | 806,824 | 813,719 | 820,805 |
| EQUITY | | | | | | | | | | | | |
| Retained Earnings | 592,331 | 613,398 | 681,111 | 681,096 | 684,134 | 691,005 | 697,138 | 703,452 | 709,558 | 716,256 | 723,151 | 730,237 |
| Revaluation Reserves | 90,568 | 90,568 | 90,568 | 90,568 | 90,568 | 90,568 | 90,568 | 90,568 | 90,568 | 90,568 | 90,568 | 90,568 |
| Total Equity | 682,899 | 703,966 | 771,679 | 771,664 | 774,702 | 781,573 | 787,706 | 794,020 | 800,126 | 806,824 | 813,719 | 820,805 |

Cashflow Statement – General Fund

| \$'000 | Actual | Revised | Projected Years | | | | | | | | | |
|--|---------|-------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 2020-21 | Budget 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 | 2031-32 |
| Cash Flows from Operating Activities | | | | | | | | | | | | |
| Receipts: | | | | | | | | | | | | |
| Rates & Annual Charges | | 27,957 | 28,677 | 32,128 | 36,200 | 40,986 | 42,226 | 43,281 | 44,363 | 45,472 | 46,609 | 47,774 |
| User Charges & Fees | | 17,286 | 18,868 | 11,902 | 12,194 | 12,492 | 12,798 | 13,111 | 13,432 | 13,761 | 14,097 | 14,442 |
| Interest & Investment Revenue Received | | 159 | 787 | 402 | 544 | 541 | 677 | 807 | 953 | 1,104 | 1,276 | 1,457 |
| Grants & Contributions | | 34,000 | 83,009 | 13,387 | 13,595 | 13,808 | 14,026 | 14,247 | 14,474 | 14,705 | 14,941 | 15,183 |
| Other | | 2,547 | 2,348 | 2,406 | 2,467 | 2,528 | 2,621 | 2,687 | 2,754 | 2,823 | 2,894 | 2,966 |
| Payments: | | | | | | | | | | | | |
| Employee Costs | | (24,397) | (25,815) | (25,150) | (25,778) | (26,423) | (27,083) | (27,761) | (28,455) | (29,166) | (29,895) | (30,642) |
| Materials & Contracts | | (20,834) | (21,643) | (16,589) | (17,353) | (17,962) | (19,411) | (19,896) | (20,793) | (20,903) | (21,426) | (21,962) |
| Borrowing Costs | | (841) | (720) | (566) | (411) | (258) | (157) | (113) | (75) | (40) | (19) | (15) |
| Other | | (1,930) | (1,836) | (1,882) | (1,929) | (1,977) | (2,027) | (2,077) | (2,129) | (2,182) | (2,237) | (2,293) |
| Net Cash provided (or used in) Operating Activities | | 33,949 | 83,674 | 16,039 | 19,528 | 23,735 | 23,669 | 24,287 | 24,524 | 25,574 | 26,240 | 26,911 |
| Cash Flows from Investing Activities | | | | | | | | | | | | |
| Receipts: | | | | | | | | | | | | |
| Sale of Investment Securities | | - | - | - | - | - | - | - | - | - | - | - |
| Sale of Property, Plant & Equipment (PPE) | | 1,508 | 1,215 | 1,590 | 1,578 | 1,544 | 1,432 | 1,420 | 1,434 | 1,519 | 1,774 | 1,581 |
| Payments: | | | | | | | | | | | | |
| Purchase of Investment Securities | | - | - | - | - | - | - | - | - | - | - | - |
| Purchase of Infrastructure & PPE | | (29,370) | (84,245) | (19,758) | (16,971) | (23,367) | (20,519) | (19,467) | (20,112) | (20,970) | (21,704) | (21,573) |
| Net Cash provided (or used in) Investing Activities | | (27,862) | (83,030) | (18,168) | (15,393) | (21,823) | (19,087) | (18,047) | (18,678) | (19,451) | (19,930) | (19,992) |

| \$'000 | Actual 2020-21 | Revised Budget 2021-22 | Projected Years | | | | | | | | | |
|--|-------------------|------------------------------|-----------------|----------------|----------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | | | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 | 2031-32 |
| Cash Flows from Financing Activities | | | | | | | | | | | | |
| Receipts: | | | | | | | | | | | | |
| Proceeds from Borrowings | | - | - | - | - | - | - | - | - | - | - | - |
| Payments: | | | | | | | | | | | | |
| Repayment of Borrowings | | (2,707) | (2,815) | (2,970) | (2,846) | (2,615) | (860) | (726) | (586) | (445) | (85) | (51) |
| Repayment of lease liabilities | | - | (10) | (5) | (2) | (2) | (2) | (3) | (3) | (4) | (4) | (5) |
| Net Cash Flow provided (used in) Financing Activities | | (2,707) | (2,826) | (2,975) | (2,847) | (2,617) | (862) | (729) | (589) | (449) | (89) | (56) |
| Net Increase/(Decrease) in Cash | | 3,379 | (2,182) | (5,104) | 1,287 | (705) | 3,720 | 5,511 | 5,256 | 5,674 | 6,221 | 6,863 |
| plus: Cash & Investments - beginning of year | | 21,927 | 25,306 | 23,124 | 18,020 | 19,307 | 18,602 | 22,323 | 27,834 | 33,091 | 38,764 | 44,985 |
| Cash - end of year | 21,927 | 25,306 | 23,124 | 18,020 | 19,307 | 18,602 | 22,323 | 27,834 | 33,091 | 38,764 | 44,985 | 51,848 |
| Investments - end of year | 16,622 | 16,622 | 16,622 | 16,622 | 16,622 | 16,622 | 16,622 | 16,622 | 16,622 | 16,622 | 16,622 | 16,622 |
| Cash & Investments - end of the year | 38,549 | 41,928 | 39,746 | 34,642 | 35,929 | 35,224 | 38,945 | 44,456 | 49,713 | 55,386 | 61,607 | 68,470 |
| Representing: | | | | | | | | | | | | |
| - External Restrictions | 18,329 | 17,706 | 18,180 | 15,854 | 17,000 | 14,481 | 15,871 | 17,789 | 19,752 | 21,912 | 24,120 | 26,376 |
| - Internal Restrictions | 16,813 | 20,928 | 18,408 | 16,010 | 15,764 | 17,401 | 19,319 | 22,373 | 25,114 | 28,696 | 32,604 | 36,606 |
| - Unrestricted | 3,407 | 3,293 | 3,158 | 2,778 | 3,165 | 3,342 | 3,755 | 4,294 | 4,846 | 4,778 | 4,883 | 5,488 |
| Total | 38,549 | 41,928 | 39,746 | 34,642 | 35,929 | 35,224 | 38,945 | 44,456 | 49,713 | 55,386 | 61,607 | 68,470 |

Scenario: Water Fund

Income Statement – Water Fund

| \$'000 | Actual | Revised Budget | Projected Years | | | | | | | | | |
|------------------------------------|---------------|----------------|-----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 | 2031-32 |
| Revenue | | | | | | | | | | | | |
| Rates & Annual Charges | 2,502 | 3,041 | 3,192 | 3,352 | 3,520 | 3,696 | 3,880 | 4,074 | 4,278 | 4,492 | 4,717 | 4,952 |
| User Charges & Fees | 7,787 | 8,932 | 9,357 | 9,821 | 10,308 | 10,819 | 11,356 | 11,920 | 12,512 | 13,133 | 13,785 | 14,470 |
| Interest & Investment Revenue | 253 | 137 | 374 | 374 | 374 | 374 | 374 | 374 | 374 | 374 | 374 | 374 |
| Other Revenues | 36 | 38 | 39 | 40 | 41 | 42 | 43 | 44 | 45 | 46 | 47 | 48 |
| Operating Grants & Contributions | 77 | 67 | - | - | - | - | - | - | - | - | - | - |
| Capital Grants & Contributions | 1,972 | 3,765 | 4,888 | 10,000 | 20,000 | 20,000 | 15,000 | - | - | - | - | - |
| Total Revenue | 12,627 | 15,979 | 17,850 | 23,587 | 34,242 | 34,931 | 30,653 | 16,412 | 17,209 | 18,045 | 18,923 | 19,844 |
| Operating Expenses | | | | | | | | | | | | |
| Employee Costs | 1,980 | 1,640 | 1,715 | 1,758 | 1,802 | 1,847 | 1,893 | 1,940 | 1,989 | 2,038 | 2,089 | 2,141 |
| Borrowing Costs | 313 | 293 | 539 | 510 | 480 | 447 | 414 | 387 | 357 | 327 | 299 | 276 |
| Materials & Contracts | 4,610 | 5,484 | 5,722 | 5,865 | 6,011 | 6,162 | 6,316 | 6,474 | 6,635 | 6,801 | 6,971 | 7,146 |
| Depreciation | 3,517 | 3,493 | 3,679 | 3,771 | 3,865 | 3,962 | 4,061 | 4,163 | 4,267 | 4,373 | 4,483 | 4,595 |
| Other Expenses | 21 | 22 | 23 | 23 | 24 | 24 | 25 | 25 | 26 | 27 | 27 | 28 |
| Total Operating Expenses | 10,441 | 10,932 | 11,677 | 11,927 | 12,181 | 12,441 | 12,709 | 12,988 | 13,274 | 13,566 | 13,870 | 14,186 |
| Net Surplus/(Deficit) | 2,186 | 5,047 | 6,173 | 11,660 | 22,061 | 22,489 | 17,945 | 3,424 | 3,935 | 4,479 | 5,053 | 5,659 |
| Operating Surplus/(Deficit) | 214 | 1,282 | 1,285 | 1,660 | 2,061 | 2,489 | 2,945 | 3,424 | 3,935 | 4,479 | 5,053 | 5,659 |

Balance Sheet – Water Fund

| \$'000 | Actual 2020-21 | Revised Budget 2021-22 | Projected Years | | | | | | | | | |
|---|-------------------|------------------------------|-----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | | | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 | 2031-32 |
| ASSETS | | | | | | | | | | | | |
| Current Assets | | | | | | | | | | | | |
| Cash & Cash Equivalents | - | 4,133 | 1,378 | - | - | - | 2,186 | 5,124 | 10,348 | 14,739 | 21,023 | 28,001 |
| Investments | 23,246 | 23,246 | 23,246 | 13,895 | 9,631 | 9,059 | 9,059 | 9,059 | 9,059 | 9,059 | 9,059 | 9,059 |
| Receivables | 2,321 | 2,321 | 2,321 | 2,321 | 2,321 | 2,321 | 2,321 | 2,321 | 2,321 | 2,321 | 2,321 | 2,321 |
| Contract assets | 310 | 310 | 310 | 310 | 310 | 310 | 310 | 310 | 310 | 310 | 310 | 310 |
| Total Current Assets | 25,877 | 30,010 | 27,255 | 16,526 | 12,262 | 11,690 | 13,875 | 16,814 | 22,038 | 26,428 | 32,713 | 39,691 |
| Non-Current Assets | | | | | | | | | | | | |
| Infrastructure, Property, Plant & Equipment | 178,265 | 184,668 | 193,115 | 214,994 | 240,778 | 263,266 | 278,555 | 278,543 | 276,726 | 276,303 | 274,670 | 272,926 |
| Total Non-Current Assets | 178,265 | 184,668 | 193,115 | 214,994 | 240,778 | 263,266 | 278,555 | 278,543 | 276,726 | 276,303 | 274,670 | 272,926 |
| TOTAL ASSETS | 204,142 | 214,678 | 220,370 | 231,520 | 253,040 | 274,956 | 292,431 | 295,357 | 298,764 | 302,731 | 307,383 | 312,617 |
| LIABILITIES | | | | | | | | | | | | |
| Current Liabilities | | | | | | | | | | | | |
| Payables | 197 | 197 | 197 | 197 | 197 | 197 | 197 | 197 | 197 | 197 | 197 | 197 |
| Borrowings | 281 | 481 | 510 | 541 | 573 | 470 | 498 | 527 | 511 | 402 | 425 | 449 |
| Total Current Liabilities | 478 | 678 | 707 | 738 | 770 | 667 | 695 | 724 | 708 | 599 | 622 | 646 |
| Non-Current Liabilities | | | | | | | | | | | | |
| Borrowings | 3,945 | 9,234 | 8,724 | 8,183 | 7,610 | 7,140 | 6,642 | 6,114 | 5,603 | 5,201 | 4,776 | 4,327 |
| Total Non-Current Liabilities | 3,945 | 9,234 | 8,724 | 8,183 | 7,610 | 7,140 | 6,642 | 6,114 | 5,603 | 5,201 | 4,776 | 4,327 |
| TOTAL LIABILITIES | 4,423 | 9,912 | 9,431 | 8,921 | 8,380 | 7,807 | 7,337 | 6,839 | 6,311 | 5,800 | 5,398 | 4,973 |
| Net Assets | 199,719 | 204,766 | 210,939 | 222,599 | 244,660 | 267,150 | 285,094 | 288,518 | 292,453 | 296,931 | 301,985 | 307,643 |
| EQUITY | | | | | | | | | | | | |
| Retained Earnings | 189,824 | 194,871 | 201,044 | 212,704 | 234,765 | 257,255 | 275,199 | 278,623 | 282,558 | 287,036 | 292,090 | 297,748 |
| Revaluation Reserves | 9,895 | 9,895 | 9,895 | 9,895 | 9,895 | 9,895 | 9,895 | 9,895 | 9,895 | 9,895 | 9,895 | 9,895 |
| Total Equity | 199,719 | 204,766 | 210,939 | 222,599 | 244,660 | 267,150 | 285,094 | 288,518 | 292,453 | 296,931 | 301,985 | 307,643 |

Cashflow Statement – Water Fund

| \$'000 | Actual | Projected Years | | | | | | | | | | |
|--|---------|---------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------|----------------|----------------|----------------|----------------|
| | 2020-21 | Revised Budget 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 | 2031-32 |
| Cash Flows from Operating Activities | | | | | | | | | | | | |
| Receipts: | | | | | | | | | | | | |
| Rates & Annual Charges | | 3,041 | 3,192 | 3,352 | 3,520 | 3,696 | 3,880 | 4,074 | 4,278 | 4,492 | 4,717 | 4,952 |
| User Charges & Fees | | 8,932 | 9,357 | 9,821 | 10,308 | 10,819 | 11,356 | 11,920 | 12,512 | 13,133 | 13,785 | 14,470 |
| Interest & Investment Revenue Received | | 137 | 374 | 374 | 374 | 374 | 374 | 374 | 374 | 374 | 374 | 374 |
| Grants & Contributions | | 3,832 | 4,888 | 10,000 | 20,000 | 20,000 | 15,000 | - | - | - | - | - |
| Other | | 38 | 39 | 40 | 41 | 42 | 43 | 44 | 45 | 46 | 47 | 48 |
| Payments: | | | | | | | | | | | | |
| Employee Costs | | (1,640) | (1,715) | (1,758) | (1,802) | (1,847) | (1,893) | (1,940) | (1,989) | (2,038) | (2,089) | (2,141) |
| Materials & Contracts | | (5,484) | (5,722) | (5,865) | (6,011) | (6,162) | (6,316) | (6,474) | (6,635) | (6,801) | (6,971) | (7,146) |
| Borrowing Costs | | (293) | (539) | (510) | (480) | (447) | (414) | (387) | (357) | (327) | (299) | (276) |
| Other | | (25) | (23) | (23) | (24) | (24) | (25) | (25) | (26) | (27) | (27) | (28) |
| Net Cash provided (or used in) Operating Activities | | 8,540 | 9,852 | 15,431 | 25,926 | 26,451 | 22,006 | 7,586 | 8,201 | 8,852 | 9,536 | 10,253 |
| Cash Flows from Investing Activities | | | | | | | | | | | | |
| Receipts: | | | | | | | | | | | | |
| Sale of Investment Securities | | - | - | 9,351 | 4,264 | 572 | - | - | - | - | - | - |
| Payments: | | | | | | | | | | | | |
| Purchase of Investment Securities | | - | - | - | - | - | - | - | - | - | - | - |
| Purchase of Infrastructure & PPE | | (9,896) | (12,126) | (25,650) | (29,650) | (26,450) | (19,350) | (4,150) | (2,450) | (3,950) | (2,850) | (2,850) |
| Net Cash provided (or used in) Investing Activities | | (9,896) | (12,126) | (16,299) | (25,386) | (25,878) | (19,350) | (4,150) | (2,450) | (3,950) | (2,850) | (2,850) |

| \$'000 | Actual | Revised Budget | Projected Years | | | | | | | | | |
|--|---------------|----------------|-----------------|----------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 | 2031-32 |
| Cash Flows from Financing Activities | | | | | | | | | | | | |
| Receipts: | | | | | | | | | | | | |
| Proceeds from Borrowings | | 5,770 | - | - | - | - | - | - | - | - | - | - |
| Payments: | | | | | | | | | | | | |
| Repayment of Borrowings | | (281) | (481) | (510) | (541) | (573) | (470) | (498) | (527) | (511) | (402) | (425) |
| Net Cash Flow provided (used in) Financing Activities | | 5,489 | (481) | (510) | (541) | (573) | (470) | (498) | (527) | (511) | (402) | (425) |
| Net Increase/(Decrease) in Cash | | 4,133 | (2,755) | (1,378) | - | - | 2,186 | 2,938 | 5,224 | 4,391 | 6,284 | 6,979 |
| plus: Cash & Investments - beginning of year | | - | 4,133 | 1,378 | - | - | - | 2,186 | 5,124 | 10,348 | 14,739 | 21,023 |
| Cash - end of year | - | 4,133 | 1,378 | - | - | - | 2,186 | 5,124 | 10,348 | 14,739 | 21,023 | 28,001 |
| Investments - end of year | 23,246 | 23,246 | 23,246 | 13,895 | 9,631 | 9,059 | 9,059 | 9,059 | 9,059 | 9,059 | 9,059 | 9,059 |
| Cash & Investments - end of the year | 23,246 | 27,379 | 24,624 | 13,895 | 9,631 | 9,059 | 11,244 | 14,183 | 19,407 | 23,797 | 30,082 | 37,060 |
| Representing: | | | | | | | | | | | | |
| - External Restrictions | 23,246 | 27,379 | 24,624 | 13,895 | 9,631 | 9,059 | 11,244 | 14,183 | 19,407 | 23,797 | 30,082 | 37,060 |
| - Internal Restrictions | - | - | - | - | - | - | - | - | - | - | - | - |
| - Unrestricted | - | - | - | - | - | - | - | - | - | - | - | - |
| Total | 23,246 | 27,379 | 24,624 | 13,895 | 9,631 | 9,059 | 11,244 | 14,183 | 19,407 | 23,797 | 30,082 | 37,060 |

Scenario: Sewerage Fund

Income Statement – Sewerage Fund

| \$'000 | Actual | Revised Budget | Projected Years | | | | | | | | | |
|------------------------------------|--------------|----------------|-----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 | 2031-32 |
| Revenue | | | | | | | | | | | | |
| Rates & Annual Charges | 5,753 | 6,604 | 6,935 | 7,282 | 7,646 | 8,028 | 8,430 | 8,851 | 9,294 | 9,758 | 10,246 | 10,758 |
| User Charges & Fees | 204 | 230 | 260 | 266 | 273 | 280 | 287 | 294 | 301 | 309 | 316 | 324 |
| Interest & Investment Revenue | 184 | 110 | 373 | 373 | 373 | 373 | 373 | 373 | 373 | 373 | 373 | 373 |
| Other Revenues | 1,255 | 1,706 | 2,022 | 2,072 | 2,124 | 2,177 | 2,232 | 2,288 | 2,345 | 2,403 | 2,463 | 2,525 |
| Operating Grants & Contributions | 55 | - | - | - | - | - | - | - | - | - | - | - |
| Capital Grants & Contributions | 498 | 225 | - | 2,900 | 10,000 | 5,000 | - | - | - | - | - | - |
| Total Revenue | 7,949 | 8,874 | 9,589 | 12,893 | 20,416 | 15,858 | 11,321 | 11,805 | 12,312 | 12,843 | 13,399 | 13,981 |
| Operating Expenses | | | | | | | | | | | | |
| Employee Costs | 1,231 | 1,537 | 1,316 | 1,349 | 1,382 | 1,417 | 1,452 | 1,489 | 1,526 | 1,564 | 1,603 | 1,643 |
| Borrowing Costs | - | - | - | - | - | - | - | - | - | - | - | - |
| Materials & Contracts | 3,191 | 4,545 | 5,087 | 5,214 | 5,345 | 5,478 | 5,615 | 5,756 | 5,900 | 6,047 | 6,198 | 6,353 |
| Depreciation | 2,199 | 2,222 | 2,275 | 2,331 | 2,390 | 2,449 | 2,511 | 2,574 | 2,638 | 2,704 | 2,771 | 2,841 |
| Other Expenses | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Operating Expenses | 6,621 | 8,303 | 8,677 | 8,894 | 9,117 | 9,345 | 9,578 | 9,818 | 10,063 | 10,315 | 10,573 | 10,837 |
| Net Surplus/(Deficit) | 1,328 | 571 | 912 | 3,999 | 11,299 | 6,513 | 1,743 | 1,988 | 2,249 | 2,528 | 2,826 | 3,144 |
| Operating Surplus/(Deficit) | 830 | 346 | 912 | 1,099 | 1,299 | 1,513 | 1,743 | 1,988 | 2,249 | 2,528 | 2,826 | 3,144 |

Balance Sheet – Sewerage Fund

| \$'000 | Actual 2020-21 | Revised Budget 2021-22 | Projected Years | | | | | | | | | |
|---|-------------------|------------------------------|-----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | | | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 | 2031-32 |
| ASSETS | | | | | | | | | | | | |
| Current Assets | | | | | | | | | | | | |
| Cash & Cash Equivalents | - | 1,530 | 3,166 | 1,077 | - | - | 1,093 | 3,694 | 6,421 | 9,244 | 12,431 | 16,006 |
| Investments | 19,511 | 19,511 | 19,511 | 19,511 | 11,817 | 8,320 | 8,320 | 8,320 | 8,320 | 8,320 | 8,320 | 8,320 |
| Receivables | 229 | 229 | 229 | 229 | 229 | 229 | 229 | 229 | 229 | 229 | 229 | 229 |
| Inventories | 603 | 603 | 603 | 603 | 603 | 603 | 603 | 603 | 603 | 603 | 603 | 603 |
| Total Current Assets | 20,343 | 21,873 | 23,509 | 21,420 | 12,649 | 9,152 | 10,245 | 12,846 | 15,573 | 18,395 | 21,583 | 25,157 |
| Non-Current Assets | | | | | | | | | | | | |
| Infrastructure, Property, Plant & Equipment | 104,828 | 103,869 | 103,144 | 109,233 | 129,303 | 139,314 | 139,963 | 139,349 | 138,872 | 138,578 | 138,216 | 137,786 |
| Total Non-Current Assets | 104,828 | 103,869 | 103,144 | 109,233 | 129,303 | 139,314 | 139,963 | 139,349 | 138,872 | 138,578 | 138,216 | 137,786 |
| TOTAL ASSETS | 125,171 | 125,742 | 126,654 | 130,653 | 141,952 | 148,465 | 150,208 | 152,195 | 154,444 | 156,973 | 159,799 | 162,943 |
| LIABILITIES | | | | | | | | | | | | |
| Current Liabilities | | | | | | | | | | | | |
| Borrowings | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Current Liabilities | - | - | - | - | - | - | - | - | - | - | - | - |
| Non-Current Liabilities | | | | | | | | | | | | |
| Borrowings | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Non-Current Liabilities | - | - | - | - | - | - | - | - | - | - | - | - |
| TOTAL LIABILITIES | - | - | - | - | - | - | - | - | - | - | - | - |
| Net Assets | 125,171 | 125,742 | 126,654 | 130,653 | 141,952 | 148,465 | 150,208 | 152,195 | 154,444 | 156,973 | 159,799 | 162,943 |
| EQUITY | | | | | | | | | | | | |
| Retained Earnings | 118,844 | 119,415 | 120,327 | 124,326 | 135,625 | 142,138 | 143,881 | 145,868 | 148,117 | 150,646 | 153,472 | 156,616 |
| Revaluation Reserves | 6,327 | 6,327 | 6,327 | 6,327 | 6,327 | 6,327 | 6,327 | 6,327 | 6,327 | 6,327 | 6,327 | 6,327 |
| Total Equity | 125,171 | 125,742 | 126,654 | 130,653 | 141,952 | 148,465 | 150,208 | 152,195 | 154,444 | 156,973 | 159,799 | 162,943 |

Cashflow Statement – Sewerage Fund

| \$'000 | Actual | Revised | Projected Years | | | | | | | | | |
|--|---------|-------------------|-----------------|----------------|-----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2020-21 | Budget 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 | 2031-32 |
| Cash Flows from Operating Activities | | | | | | | | | | | | |
| Receipts: | | | | | | | | | | | | |
| Rates & Annual Charges | | 6,604 | 6,935 | 7,282 | 7,646 | 8,028 | 8,430 | 8,851 | 9,294 | 9,758 | 10,246 | 10,758 |
| User Charges & Fees | | 230 | 260 | 266 | 273 | 280 | 287 | 294 | 301 | 309 | 316 | 324 |
| Interest & Investment Revenue Received | | 110 | 373 | 373 | 373 | 373 | 373 | 373 | 373 | 373 | 373 | 373 |
| Grants & Contributions | | 225 | - | 2,900 | 10,000 | 5,000 | - | - | - | - | - | - |
| Other | | 1,706 | 2,022 | 2,072 | 2,124 | 2,177 | 2,232 | 2,288 | 2,345 | 2,403 | 2,463 | 2,525 |
| Payments: | | | | | | | | | | | | |
| Employee Costs | | (1,537) | (1,316) | (1,349) | (1,382) | (1,417) | (1,452) | (1,489) | (1,526) | (1,564) | (1,603) | (1,643) |
| Materials & Contracts | | (4,545) | (5,087) | (5,214) | (5,345) | (5,478) | (5,615) | (5,756) | (5,900) | (6,047) | (6,198) | (6,353) |
| Net Cash provided (or used in) Operating Activities | | 2,793 | 3,187 | 6,330 | 13,689 | 8,963 | 4,253 | 4,561 | 4,887 | 5,232 | 5,598 | 5,984 |
| Cash Flows from Investing Activities | | | | | | | | | | | | |
| Receipts: | | | | | | | | | | | | |
| Sale of Investment Securities | | - | - | - | 7,694 | 3,497 | - | - | - | - | - | - |
| Payments: | | | | | | | | | | | | |
| Purchase of Investment Securities | | - | - | - | - | - | - | - | - | - | - | - |
| Purchase of Infrastructure & PPE | | (1,263) | (1,550) | (8,420) | (22,460) | (12,460) | (3,160) | (1,960) | (2,160) | (2,410) | (2,410) | (2,410) |
| Net Cash provided (or used in) Investing Activities | | (1,263) | (1,550) | (8,420) | (14,766) | (8,963) | (3,160) | (1,960) | (2,160) | (2,410) | (2,410) | (2,410) |

| \$'000 | Actual | Revised Budget | Projected Years | | | | | | | | | |
|--|---------------|----------------|-----------------|---------------|---------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|
| | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 | 2031-32 |
| Cash Flows from Financing Activities | | | | | | | | | | | | |
| Receipts: | | | | | | | | | | | | |
| Proceeds from Borrowings | | - | - | - | - | - | - | - | - | - | - | - |
| Payments: | | | | | | | | | | | | |
| Repayment of Borrowings | | - | - | - | - | - | - | - | - | - | - | - |
| Net Cash Flow provided (used in) Financing Activities | | - | - | - | - | - | - | - | - | - | - | - |
| Net Increase/(Decrease) in Cash | | 1,530 | 1,637 | (2,090) | (1,077) | - | 1,093 | 2,601 | 2,727 | 2,822 | 3,188 | 3,574 |
| plus: Cash & Investments - beginning of year | | - | 1,530 | 3,166 | 1,077 | - | - | 1,093 | 3,694 | 6,421 | 9,244 | 12,431 |
| Cash - end of year | - | 1,530 | 3,166 | 1,077 | - | - | 1,093 | 3,694 | 6,421 | 9,244 | 12,431 | 16,006 |
| Investments - end of year | 19,511 | 19,511 | 19,511 | 19,511 | 11,817 | 8,320 | 8,320 | 8,320 | 8,320 | 8,320 | 8,320 | 8,320 |
| Cash & Investments - end of the year | 19,511 | 21,041 | 22,677 | 20,588 | 11,817 | 8,320 | 9,413 | 12,014 | 14,741 | 17,563 | 20,751 | 24,325 |
| Representing: | | | | | | | | | | | | |
| - External Restrictions | 19,511 | 21,041 | 22,677 | 20,588 | 11,817 | 8,320 | 9,413 | 12,014 | 14,741 | 17,563 | 20,751 | 24,325 |
| - Internal Restrictions | - | - | - | - | - | - | - | - | - | - | - | - |
| - Unrestricted | - | - | - | - | - | - | - | - | - | - | - | - |
| Total | 19,511 | 21,041 | 22,677 | 20,588 | 11,817 | 8,320 | 9,413 | 12,014 | 14,741 | 17,563 | 20,751 | 24,325 |

7. Risk and sensitivity analysis

Council has undertaken a basic sensitivity analysis to determine factors likely to be sensitive to variables and known major risks. These are listed and described below.

Inflation

If the current high inflation rate in Australia impacted Council and increased the cost of materials and contracts in the General Fund operating budget by 5% this would add approximately \$530,000 to overall costs and would likely have a compounding effect. It would be expected that such impacts would be taken into account when determining the rate peg, however, this is unknown and presents an area of risk. While inflation risk also exists for the Water and Sewerage Funds the ability to amend charging levels to offset the impact of increased costs exists in those funds unlike the General Fund.

Financial Assistance Grants

The NSW Government from time to time reviews the grant methodology in line with NSW policy to direct the general purpose component of the grant to councils with greatest relative need. Council receives approximately \$7 million in financial assistance grants and any change to the allocation of these grants or a change in government policy that affects the value and timing of when these grants are paid would have a significant impact.

If, for example, Council experienced a 10% reduction in the level of these grants then it would immediately result in an operating deficit of over \$700,000 and would also impact unrestricted cash.

Unexpected Events

While a range of possible scenarios can be modelled, Council's largest risk is from the impact of unexpected events, particularly where they have a financial impact within the year they are identified. Such risks included:

- Project cost overruns due to unforeseen factors,
- Changes to government funding policies (e.g. removal of advance payment of financial assistance grants or reduction in grant funding sources),
- Severe weather events (not declared disaster events) causing significant damage to road infrastructure (e.g. landslips, blocked stormwater drains, potholes),
- Unexpected shifting of costs from other levels of government, and
- Downturn in the economy resulting in lower revenues from user charges and fees (e.g. landfill fees and development approval fees).

As most of these impacts would significantly affect the General Fund, it has been identified as an important strategy to increase the level of unrestricted cash to act as a buffer against these types of events.

8. Performance monitoring

Council monitors performance against the budget and LTFP by way of Key Performance Indicators (KPIs) through the following methods:

- Actual audited KPI results as at 30 June each year,
- Estimated KPI results through development of the annual Operational Plan and update of the LTFP; and
- Updated estimated KPIs through the quarterly budget review process.