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CABONNE COUNCIL

LONG TERM FINANCIAL PLAN

2021/22 - 2030/31

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1. Executive Summary

This Long Term Financial Plan (LTFP) has been developed to support the conversation amongst councillors, staff and the community about 'our story':

- **where we are now and where we're headed** (current and emerging risks and opportunities)
- **where we want to be and how we'll get there** (desired future and key actions to realise this)
- **how we'll know we're on the right track** (performance measures and indicators as well as specific objectives).

It highlights some major challenges that Cabonne Council needs to overcome over the next decade. Most of these relate to Council's infrastructure – particularly roads, water supply and sewerage assets – so it is vital that accompanying it is a Strategic Asset Management Plan (SAMP).

The LTFP and SAMP, together with a Workforce Management Plan, form Council's Resourcing Strategy. This is a key element of the Integrated Planning and Reporting (IP&R) Framework alongside the Community Strategic Plan and Delivery Program.

The new Council elected in September 2021 needs to prepare a new suite of IP&R documents before July 2022. However, this LTFP and the SAMP accompanying it have been prepared ahead of this to support the conversation or 'story' above.

In summary, the 'story' this LTFP tells in section 4, in relation to the general fund (covering all functions except water and sewer) is that Council can afford to continue its normal operational activities over the next 4 to 5 years, as well as delivering priority capital works (asset renewals, matching grants – details are in the SAMP), and maintain its cash reserves.

But it also shows that beyond 5 years, Council will 'eat into' its reserves if it isn't careful. This reinforces the importance of keeping forecasts of 'where we are headed' financially in this LTFP up-to-date annually, and of ongoing efforts to keep Council 'on the right track', particularly in the management of its assets (guided by the SAMP). Financial sustainability objectives in section 3 are intended as 'guard rails' to ensure Council *is* on the right track.

The 'story' this LTFP tells in sections 5 and 6 (in relation to water and sewer funds) is that Council needs to increase charges considerably if it is to cover its normal operating expenses (which have increased in recent years as Council has recognised that it needs to allocate additional resources to manage these functions effectively) as well as to fund priority capital works that are critical to providing these essential services into the future.

The key points in terms of Council's strategic direction are:

- the current challenges Council now faces haven't arisen in the short term, and there is no quick and easy solution to solve them
- the immediate priorities for the new Council are building a high-performing organisation, investing wisely in infrastructure and maximising opportunities from grants
- at the same time, Council needs to be conscious of the path its finances are forecast to head in the longer term, and to continue to pursue opportunities to improve it.

2. Structure of this Document

Section 3 establishes Council's seven objectives for sound financial management and discusses the key issues that need to be considered in establishing these.

Sections 4, 5 and 6 then consider each of the three funds that councils must account for separately under the NSW Local Government Act:

- water supply,
- sewerage, and
- general fund.

The focus is analysing the key areas of operating revenue and expenses, as well as the forecast capital works programs (investment in infrastructure), and assumptions relating to these in future, and how this impacts the financial performance and position of each fund.

The previous 5 years actual historical results are also included, which helps put the current situation and forecast performance into the future in context.

Section 7 then discusses the sensitivity of financial forecasts to changes in key areas such as higher employee, depreciation or borrowing costs, etc.

Section 8 then outlines three scenarios (alternatives to the 'base case' in sections 4, 5 and 6) that explore the implications of three key issues: an 'austerity' scenario (exploring reductions in funding from other levels of government), a 'premium levels of service from roads' scenario and a 'maintain status quo for water charges' scenario.

The centrepiece of this LTFP is the three primary financial statements in Appendix 1:

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

Each includes actual historic figures to put the future forecasts into context.

3. Council's Objectives: Sound Financial Management

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

a) Council **spending** should be responsible and sustainable, aligning general revenue and expenses

b) Councils should invest in responsible and sustainable **infrastructure** for the benefit of the local community

c) Councils should have effective **financial and asset management**, including sound policies and processes for the following:
   (i) performance management and reporting,
   (ii) asset maintenance and enhancement,
   (iii) funding decisions,
   (iv) risk management practices.

d) Councils should have regard to achieving **intergenerational equity**, including ensuring the following:
   (i) policy decisions are made after considering their financial effects on future generations,
   (ii) the current generation funds the cost of its services.

It is critical that Council starts its journey to implementing these principles off on the right foot. This shouldn't be with point (a) and proceed from there (Council shouldn't start by cutting expenses to align these with general revenues). Rather, **Council should start with effective financial and asset management**, point (c), which charts the journey to be taken.

Cabonne Council has recognised it needs to improve the effectiveness of its financial and asset management. This **LTFP** and the **Strategic Asset Management Plan (SAMP)** that accompanies it are evidence of Council's commitment to doing so, and progress thus far.

Council also recognises *the financial challenges it faces haven't arisen overnight… and won't be solved overnight*. A longer-term approach is needed: the **Cabonne Transformation 2025 Program**. This program requires investment over the next few years – which will increase operating expenses – if Council is to realise longer-term benefits and be more sustainable.

As well as investing in the Program itself, the asset management improvement work undertaken within it has identified the *need for investment in assets to address risks*. The key priorities in each asset class are identified in the **SAMP**. This includes both increased operational costs (e.g. clearing road side table drains) and capital works (asset renewals).

Council also recognises that the current environment of substantial **grant funding** is unlikely to continue indefinitely, and so it needs to *maximise grant opportunities* to deliver on community priorities while they exist (so long as Council can afford these longer term). This has resulted in Council using up some of its reserves in the last few years to match grants and so it cannot continue indefinitely, but it is important not to miss opportunities, too.

The journey that the new Council takes beyond the September 2021 elections – and beyond that, the later elections in 2024 and 2028 – will be up to the Councils elected at that time. There will no doubt be new challenges and opportunities arise along the way.

But this LTFP sets out a path for subsequent Councils to follow, and even more importantly *to refine over time,* should they wish. This 'path' is summarised in the table below.

Term	Current Council 2016 to 2021	New Council 2021 to 2024	Subsequent Council 2024 to 2028
Priorities	Establish Cabonne Transformation 2025 Program, including this LTFP and SAMP. Deliver major grant-funded projects. First year of increases in water and sewer charges.	Complete Cabonne Transformation 2025 Program. Progress priorities in SAMP, improved asset management. Deliver grant-funded projects. Pursue opportunities to improve finances (power, workers comp., etc.) Increase water and sewer charges to sustainable levels.	Building on the foundation of better financial and asset information and a review of challenges, determine a sustainable way forward in consultation with the community.
Forecast performance in LTFP (finances) and SAMP (assets)	Deficit associated with increased investment. Draw down of reserves because of deficit and matching grants for projects.	Potential surplus associated with grant funded projects. Cash reserves largely maintained. Incremental improvements in assets as investment targeted.	Potential return to deficits and draw down of cash reserves unless other action taken &/or grants secured. Further improvement in assets.

Table 1: potential priorities and forecast performance for future Councils

Council has identified seven financial sustainability objectives (below) that are intended to serve as 'guard rails' to help keep Council 'on track' on this journey.

The new Council (elected in September) will need to adopt their own objectives as part of the new LTFP developed with the new suite of documents under the Integrated Planning and Reporting Framework, in particular a new Delivery Program which sets the course Council will follow over its term. But these will provide food for thought in this process.

Council may actually decide to formalise these in a **Financial Sustainability Policy** or similar.

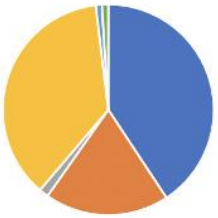
Cabonne Council Financial Sustainability Objectives (July 2021)

	Objective	Details
1	Responsible and sustainable infrastructure investment	Allocate funding to infrastructure in accordance with the recommendations in Council's SAMP, with a focus on risk management and renewal of existing assets. New or upgraded assets should not receive priority over renewal needs.
2	Cabonne Transformation 2025	Improve the capability and capacity of Council's organisation by investing in the Cabonne Transformation 2025 Program, while avoiding permanent increases in operating costs (e.g. by adding to the number of Full Time Equivalent Employee numbers) unless there is a specific business case to do so.
3	Increase water supply and sewerage charges	Increase charges over 4 years to the level required to ensure the financial viability of these funds, particularly given the need for significant investments as detailed in the SAMP. *NOTE: sections 5 and 6 forecast significant increases are required in both water supply and sewerage. Comparisons with other water utilities are provided to put these into context.*
4	Maximise grant opportunities for priority projects	Pursue grants to help fund priority projects, so long as this does not significantly reduce funding for renewals and other priorities, and so long as Council can afford to maintain these new/upgraded assets over the long term. Where possible, incorporate asset renewals as part of these projects.
5	Minimising operating deficits	Pursue savings in operating expenses and/or increases in operating revenues, with the aim of keeping deficits in general fund to less than 5% of revenues averaged over 3 years. *NOTE: currently, the base case is forecasting that this will be achieved, but actual results depend on future decisions.*
6	Maintain cash reserves and capacity to borrow	Maintain an appropriate level of cash reserves by minimising operating deficits and limiting capital programs to priority projects. Limit borrowings to specific projects supported by a business case and use internal reserves ahead of borrowing where possible. *NOTE: currently, the base case in this LTFP is forecasting that Council will basically maintain its reserves in general fund over the next 10 years. However, reserves in water and sewer funds need further consideration as part of asset and financial planning. Council is currently undertaking a review of its reserves, which will inform decisions about setting a target of a specific dollar amount to be kept in reserves.*
7	Road Maintenance Council Contracts	Continue to focus on delivering the RMCC contract well (with Transport for NSW, for work on state roads).

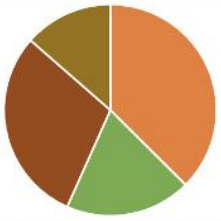
Table 2: Cabonne Council financial sustainability objectives

4. General Fund

The chart below summarises the main operating revenues and expenses in the Income Statement for Council's 2021/22 budget, including the projected deficit of $3.8M (largely driven by higher than 'normal' expenses in employee costs and materials and contracts). This excludes $8.7M forecast to be received for capital grants and contributions.



Rates & annual charges	12,610,998	41%
User charges & fees	5,900,275	19%
Other revenues	450,462	1%
Grants & contributions (operating)	11,418,937	37%
Interest and investment revenue	292,509	1%
Net gains from asset disposals	300,000	1%
Total income from continuing operations	**30,973,181**	



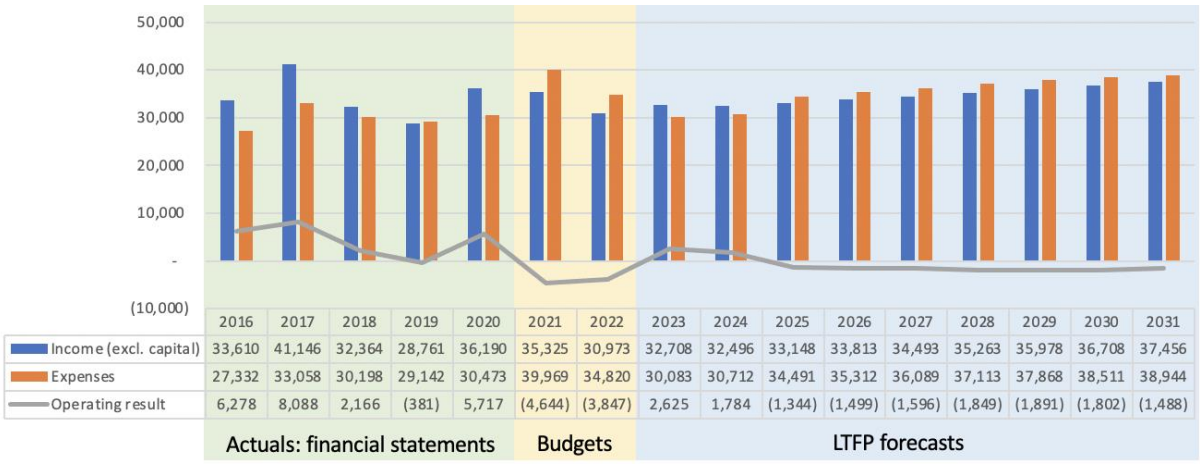
Employee benefits & oncosts	13,059,643	38%
Borrowing costs	869	0%
Materials & contracts	6,670,497	19%
Depreciation & amortization	10,383,486	30%
Other expenses	4,705,389	14%
Total expenses from continuing operations	**34,819,884**	
Operating Result - Surplus/(Deficit)	**(3,846,703)**	

Figure 1: key income and expense items in 2021/22 general fund budget

A deficit of this scale (12% of operating revenues) would be of concern if it continued long term as Council is 'spending more than it earns' – which is unsustainable – but over the short term Council considers it acceptable as there are good reasons for these investments.

A longer-term view puts this deficit in perspective. The figure below shows:

- actual results from Council's financial statements over the past 5 years
- current year budget (as at 3rd quarterly budget review) and next year's budget
- the forecast results in this LTFP over the next 10 years.



	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Income (excl. capital)	33,610	41,146	32,364	28,761	36,190	35,325	30,973	32,708	32,496	33,148	33,813	34,493	35,263	35,978	36,708	37,456
Expenses	27,332	33,058	30,198	29,142	30,473	39,969	34,820	30,083	30,712	34,491	35,312	36,089	37,113	37,868	38,511	38,944
Operating result	6,278	8,088	2,166	(381)	5,717	(4,644)	(3,847)	2,625	1,784	(1,344)	(1,499)	(1,596)	(1,849)	(1,891)	(1,802)	(1,488)

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

NOTE: financial years in charts throughout this LTFP are year ending so e.g. 2022 = 2021/22.

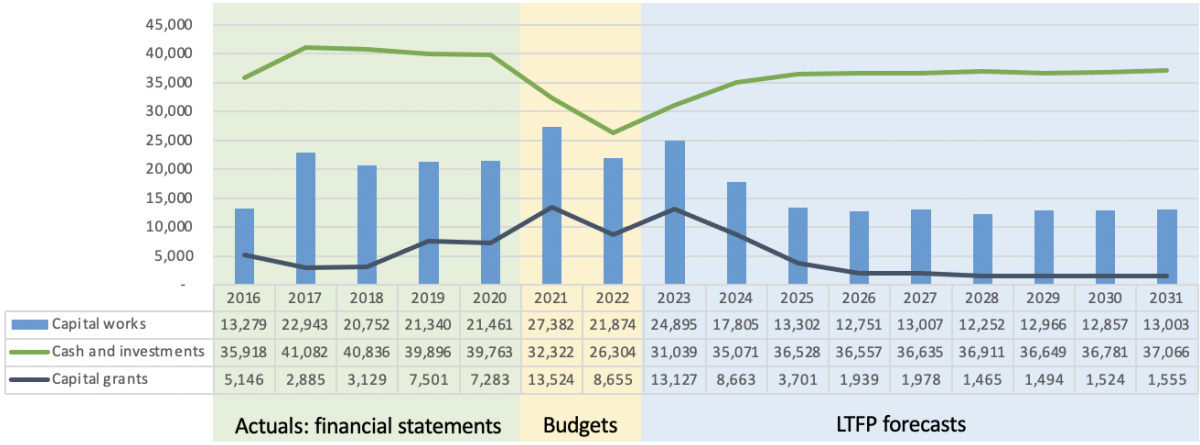
It is worth noting that the average *surplus* over the previous 5 years ($4.4M) is higher than the average *deficit* as currently budgeted ($4.2M between 2021 and 2022) and that forecast into the future. But the deficit is forecast to be consistently around $1.8M p.a. in later years, which is 5% of the $36-$37M p.a. in normal operating revenues (i.e., this would meet Council's financial sustainability objective to minimise deficits, in section 3).

But given that Council has historically recorded operating *surpluses* and is now budgeting for and generally forecasting *deficits* it begs the question: what has changed?

Sections 4.1 and 4.2 analyse each of the key items of **revenue and expense** in Figure 1 (user charges, employee costs, materials and contracts, etc.), discussing issues that have impacted (positively or negatively) on the current deficit and the likely changes in these items over the longer term.

Section 4.3 then discusses Council's forecast **investment in capital works** (renewal, new and upgraded assets), from the SAMP. This doesn't directly impact the operating result (above), but it does impact **cash reserves**. Again, a longer-term view in Figure 3 below helps put this in perspective:

- Council has undertaken significant capital works (blue columns below) over the past 4-5 years, and plans to continue to do so for the next 2-3 years
- While some of these works are funded by capital grants (dark blue line), Council has also been drawing on its cash reserves (green line), which will have decreased by $13M (a third) between 2020 and 2022
- Cash reserves are forecast to rebuild and then stabilise, despite ongoing operating deficits (Figure 2) and despite the fact that Council is forecasting to invest appropriately in infrastructure (blue columns) guided by the SAMP.



	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Capital works	13,279	22,943	20,752	21,340	21,461	27,382	21,874	24,895	17,805	13,302	12,751	13,007	12,252	12,966	12,857	13,003
Cash and investments	35,918	41,082	40,836	39,896	39,763	32,322	26,304	31,039	35,071	36,528	36,557	36,635	36,911	36,649	36,781	37,066
Capital grants	5,146	2,885	3,129	7,501	7,283	13,524	8,655	13,127	8,663	3,701	1,939	1,978	1,465	1,494	1,524	1,555

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

Appendix 2 provides a summary of Council's reserves for general fund including the current balance (as at April 2021) and purpose. As noted in section 3, Council is currently reviewing the way it manages such reserves and intends to simplify this in future as far as possible, as well as to establish targets for the minimum amount to be retained.

4.1 Revenues

Rates, levies and annual charges

The majority of these revenues ($10.8M) come from ordinary (land) rates, including a Special Rate applying only to residential and business land in Canowindra (and only to be spent in that area) that generates $240k p.a. Domestic waste charges ($1.3M p.a.) make up most of the rest, with a small amount ($75k p.a.) coming from the urban stormwater levy.

Forecast increases are limited to 'rate pegging' which is forecast to be 2% p.a.

User charges and fees

The majority of these revenues comes from the road maintenance council contract for works on state roads with Transport for NSW. Historically, revenues have varied from as low as $3.4M to as high as $9.1M. Future revenues have been forecast at $3.5M p.a., considerably less than the $5.7M average for the past 5 years. Actual revenues will depend on decisions about investments by NSW Government.

Other major ongoing user charges and fees include:

- $1M for children's services (family day care and after school care), which basically cover the expenses of running these programs
- $0.7M for non-domestic waste and landfill disposal charges, which are intended to cover the cost of these services, not Council's operations generally
- $0.4M for regulatory services associated with planning, health and building services (development assessment, building approvals, food safety, etc.), which are generally set by NSW government (i.e. Council cannot simply increase these)

Other sources include caravan parks ($140-180k p.a.) and cemeteries ($60-80k p.a.).

The loss of income from the Molong Limestone Quarry ($250k p.a.) has contributed to the current operating deficit. It is forecast that $300k p.a. will again be generated from this from 2023 onwards, once a new lease is established.

Interest and investments

As can be seen in Figure 3 above, Council's reserves peaked at around $41M in 2017 and 2018 but are forecast to drop to $26M in 2022 as Council continues to invest in capital works and spend reserves on matching grants. This, together with a drop in the interest *rate* means that Council's revenues from interest and investments has decreased four fold in recent years (from a peak of $1.2M in 2016 down to $0.3M in 2022). This is another major contributor to the current operating deficit.

It is forecast that cash reserves will rebuild up to 2025, and then stabilise over the next 10 years. The reduction in interest due to lower reserves is partially offset because it is forecast that interest rates will increase from 2.2% (currently) to 5.5% (in 10 years).

Other income

Council's reported financial performance is impacted by its one-third interest in Central Tablelands Water (CTW). A $4M increase in its equity was recognised in 2020, which directly increased Council's operating result by this amount.

There is little opportunity to influence this (it depends on the operations of CTW) or other elements of 'other income' which mainly includes legal fees recovered as well as rebates.

Grants and contributions

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

Source	$000's p.a. 2021	Forecasts and comments
Financial Assistance Grants	5,177	Forecast to continue, but could drop or not be indexed (see 'unsustainable' scenario section 8)
Roads to Recovery	2,202	Forecast to continue.
Regional Rd Block Grant	1,643	Forecast to continue.
Community services operating grants & contributions	842	Includes grants and contributions from users for community transport, HACC, family day care, after school care, libraries, etc. Limited opportunity to increase. Basically used to fund service delivery, so if grants and contributions ceased, so would expenditure on delivery (unless Council funded this internally).
Environmental weeds	140	Utilised for program delivery (inspect & spray). Will continue, but may decrease over time
Environmental protection	175	Voluntary purchase of flood affected properties.
Operating contributions to roads	125	Cadia mine – voluntary planning agreement, contribution to road maintenance. Continues.
Other	1,000	
TOTAL (approx.)	11,300	

Table 3: summary of ongoing operating grants for general fund

Council often receives various 'one off' grants for specific operational projects. These vary considerably. Historically, total operating grants hit a high of $15.5M in 2017, and a low of $8.6M in 2019. While these are more difficult to predict, they are also generally associated with specific expenses, so the net impact on Council's financial performance is negligible.

Grants and contributions for capital purposes are discussed in section 4.3.

4.2 Expenses

Employee benefits and oncosts

Employee benefits and oncosts make up large portion of overall expenses. This includes wages/salaries, leave entitlements, superannuation, worker's compensation insurance, personal protective equipment, and training.

Factors that will impact these expenses over time include:

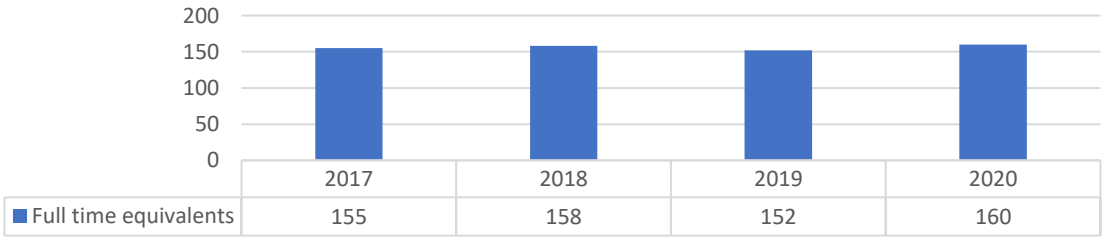
- State Award increases (+2% p.a. in July 2021 and again in 2022)
- Superannuation guarantee levy increases (0.5% p.a. 2021 to 2025, i.e. 2% p.a. total)
- Employees progressing through salary steps
- Re-evaluation of positions (changing pay rates)
- Changes in employee numbers overall (additional positions)
- Redundancy and termination payments
- Pay out of leave entitlements
- Training programs
- Investment in safety programs and
- Workers' compensation performance (number and severity of injuries, and rehabilitation), which impacts insurance premiums.

As can be seen in the details in the income statement in Appendix 1, employee costs have been considerably higher for the past year ($13M+, as opposed to the 'baseline' of $11M+) and are budgeted to stay higher in 2021/22.

Key reasons for this include redundancy and termination payments associated with the restructure (as well as temporary staff backfilling vacant positions), temporary staff associated with the Cabonne Transformation 2025 Program, additional payments for pay out of leave entitlements (to reduce Council's leave liability overall) and training.

These additional costs are essential investments in the future performance and sustainability of the organisation, but it is important that Council doesn't 'build these costs in' indefinitely. It is forecast that additional costs associated with the Cabonne Transformation 2025 Program ($160k p.a.) will finish in 2025.

An important measure to monitor over time is the number of full-time equivalent employees (FTEs). This has been reported in financial statements since 2017, shown below. It is important to note that FTE numbers were lower in past years due to vacancies. The number of FTEs has not actually increased over this time.



In the forecasts, employee costs are forecast to increase by 2.5% p.a. over the next 5 years (accounting for the 2% p.a. award increase and 0.5% additionally for the superannuation guarantee contribution). Over the following 5 years, it is forecast that costs will only increase by 2% p.a. Neither of these figures allow for a growth in staff or pay rates, so it will be important that Council monitors this closely, to determine if this is achievable.

Workers' compensation performance is another element of employee costs (along with investment in the Transformation Program) that is contributing to the current operating deficit. Premiums are currently $800k p.a. (higher than they were historically due to a number of large claims), but it is forecast they will drop to $500k p.a. from 2023, as Council's claims performance improves (claims impact premiums for 3 years) and will stay lower with a continued focus on managing the issue.

A final issue in relation to employee costs that needs monitoring is the number of staff whose time is 'capitalised' (spent on capital works, rather than operations). This has been around $1.4M p.a. in recent years but will be refined in conjunction with planning for capital works in the SAMP. A further benefit is also gained from the higher capital works in earlier years, as this generates oncosts for administration and reduces employee costs.

The amount of oncosts generated by capital works (which come back into operations and have the effect of reducing employee costs) is something to consider in the modelling, but the net effect should be zero.

Materials and contracts

This includes expenses such as fuel for plant operations; contractors for pools, cleaning, road maintenance; consulting services and legal expenses.

Along with employee costs, materials and contracts is the main area that Council has an opportunity to influence in order to reduce the deficit over time. This might be through savings in procurement (joint purchasing, changes to methods), by doing more in-house (without increasing employee costs) and/or by varying service levels (doing less overall).

As can be seen in the details in the historic income statement in Appendix 1, materials and contracts vary considerably from year to year, from $4.5M in 2019 to $11.7M in 2020.

This is not only a result of variations in the actual spend on materials and contracts, but also capital works undertaken as oncosts and overheads are recouped on these and accounted for against the materials and contracts area (reducing the expenses overall), and higher plant usage also increases (internal) revenues for this area.

The impacts of this issue can be seen in the income statement in Appendix 1, which forecasts that materials and contracts will drop to $3.4M in 2024 (when capital works are at a peak) before climbing to double this amount in later years (as capital works drop off).

Budgeting for future expenses is more difficult than for employee costs (which are directly related to employee numbers) due to the variability in activities undertaken, so it is an area that needs ongoing monitoring to refine forecasts. At present, the 'baseline' expenses are

forecast to increase by 2% p.a. over the entire 10 years of the LTFP but both the amount of that 'baseline' (excluding 'one off' projects) and the increases over time need monitoring.

Depreciation and amortisation

While depreciation isn't a 'cash' expense, it is an important measure in terms of 'sound financial management' as it represents the 'cost of asset consumption' and so is a good benchmark to compare actual renewal expenditure to long-term asset renewal needs. This issue is discussed further in section 4.3.

Council has invested in many new infrastructure assets in recent years, often funded by grants, which has resulted in an increase in depreciation, but significant increases have been associated with asset revaluations (increasing estimates of asset renewal costs and/or reducing estimates of service lives). This is a strong argument for refining Council's asset management systems, and also for investing in activities to prolong the life of existing assets (e.g. clearing of roadside table drains, resealing of sealed roads).

As can be seen in the details in the historic figures in the income statements in Appendix 1, depreciation expenses have increased from $8.5M in 2016 to $10.3M in 2020, an increase of 20% in total (effectively 4% p.a.), which is higher than key components of Council income. This alone has contributed around $0.5M p.a. to Council's operating deficit over this period.

At this stage, depreciation is estimated to increase by 2.5% p.a. over the next 3 years (allowing for increases associated with new or upgraded assets) before dropping back to 2% p.a. for the remainder of the 10 year timeframe of this LTFP. Given that depreciation has increased considerably more than this over the past 5 years, this needs monitoring.

Other expenses

This includes expenses such as insurance, rates on Council properties, electricity, donations and assistance to community groups, contributions to other levels of government (RFS and fire brigade levies), memberships, telephone and communications and councillor expenses.

These are generally forecast to increase by 2% p.a. over the next 10 years, although there are some items that could increase more than this. A good example is the increase in the Emergency Services Levy, which increased by $200k in 2021 (as a result of a change in policy by NSW Government). This effectively consumed the entire $200k generated by the annual 'rate cap' increase of 2%. A 2018 report commissioned by LGNSW[1] found that cost shifting has had a $1.5M p.a. impact on Cabonne Council's finances.

The renewable energy initiative (an investment to be considered by Council in future, and if it is to be included in the next revision of this LTFP) is understood to have the potential to decrease electricity expenses by $250k p.a. although this will be offset by the costs of maintenance ($50k p.a.) and depreciation ($150k p.a.). A further $50k p.a. is expected to be generated in sales of power back into the grid.

[1] https://www.lgnsw.org.au/common/Uploaded%20files/PDF/Cost_Shifting_Report_FINAL.pdf

Interest on loans

Council currently has no borrowings in general fund and does not plan to borrow.

4.3 Infrastructure Investment

As noted in section 3, one of Council's key financial management objectives is investing sustainably and responsibly in its infrastructure. Council has developed a Strategic Asset Management Plan (SAMP) to guide such investment.

The SAMP identifies the key concerns in each asset class and recommends a 10 year capital works program (in section 3.1) that has informed the numbers in this LTFP (shown in 'purchase of infrastructure, property, plant and equipment' in the cashflow statement). Further work is required to better align the numbers between the SAMP and this LTFP, but the amount estimated to be allocated to renewals over the 10 years (i.e. excluding major grant funded projects) is $115M including CPI. This is exactly the same as the forecast for depreciation expenses over the 10 years (in the Income Statement in Appendix 1).

While such simple comparisons of renewal expenditure against depreciation needs to be approached with caution (the actual amount required depends on the condition of existing assets i.e. the actual renewal needs), the fact that funding matches depreciation over the 10 years should provide some added reassurance, in addition to the analysis of renewal needs in the SAMP.

The table below summarises the key assumptions in the LTFP regarding capital grants.

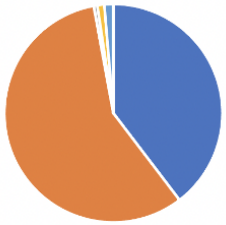
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	TOTAL
Cabonne Community Centre	3,500										3,500
Resources for Regions	1,300		1,800	1,800							4,900
Peak Hill Road		5,000	5,000								10,000
BBRF - Round 1	855										855
BBFR/Resources for Regions CBD		4,000									4,000
Resources for Regions - Pools		2,800									2,800
BBRF Age of Fishes		500									500
Local Road Grants e.g. LRCI/FCR	1,411	2,700	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,111
Bridges Renewal Grant	911	500	500	500	500	500					3,411
Other (balance capex grants Inc. Stmt.)	678	2,127	363	401	439	478	465	494	524	555	**6,524**
TOTAL	**8,655**	**17,627**	**8,663**	**3,701**	**1,939**	**1,978**	**1,465**	**1,494**	**1,524**	**1,555**	**48,601**

Table 5: Forecast capital grants over 10 years

5. Water Fund

The water fund only relates to the system servicing Molong, Cumnock and Yeoval. Canowindra, Cudal, Eugowra and Manildra are serviced by Central Tablelands Water (of which Council is a third owner along with Blayney and Weddin Shire Councils). Council also operates a small water supply system servicing Delgany and Mullion Creek, but this is accounted for as part of general fund.

The chart below summarises Council's main operating revenues and expenses for the water fund, based on the 2021/22 budget.

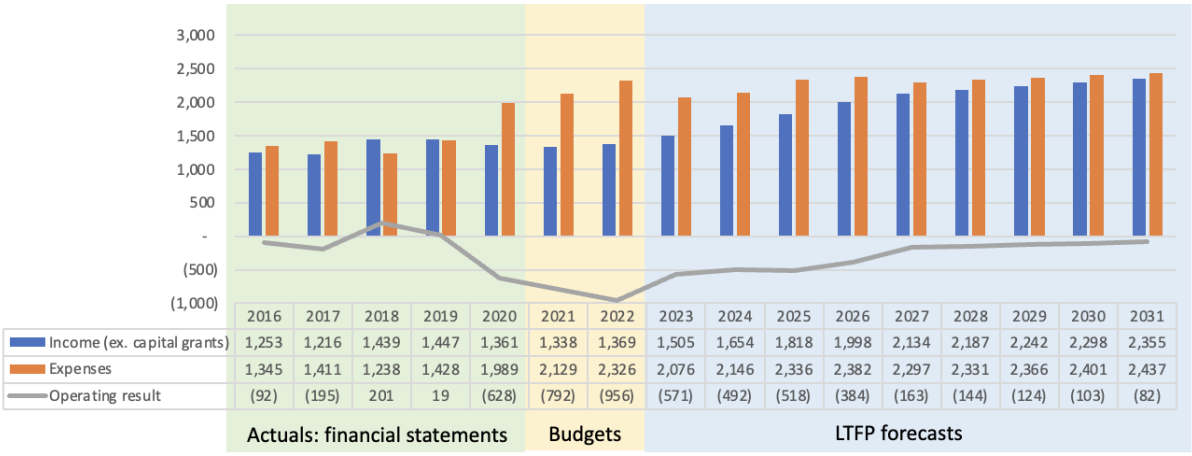


Rates & annual charges	542,661	40%
User charges & fees	786,963	57%
Other revenues	7,347	1%
Grants & contributions (operating)	13,953	1%
Interest and investment revenue	18,312	1%
Net gains from asset disposals	0	0%
Total income from continuing operations	**1,369,236**	
Employee benefits & oncosts	684,644	29%
Borrowing costs	11,173	0%
Materials & contracts	545,937	23%
Depreciation & amortization	654,994	28%
Other expenses	428,985	18%
Total expenses from continuing operations	**2,325,733**	
Operating Result - Surplus/(Deficit)	**(956,497)**	

Figure 4: key income and expense items in 2021/22 water fund budget

A deficit of this scale (69% of operating revenues, far higher than the 12% in general fund) is of serious concern. Council is 'spending far more than it earns', which is unsustainable.

As with general fund, it is helpful to take a longer-term view (in Figure 5 below) to put this in perspective, both in terms of contributing factors to the issue and the options Council has available to address it.



	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Income (ex. capital grants)	1,253	1,216	1,439	1,447	1,361	1,338	1,369	1,505	1,654	1,818	1,998	2,134	2,187	2,242	2,298	2,355
Expenses	1,345	1,411	1,238	1,428	1,989	2,129	2,326	2,076	2,146	2,336	2,382	2,297	2,331	2,366	2,401	2,437
Operating result	(92)	(195)	201	19	(628)	(792)	(956)	(571)	(492)	(518)	(384)	(163)	(144)	(124)	(103)	(82)

Figure 5: trends in income, expenses and operating result in water fund

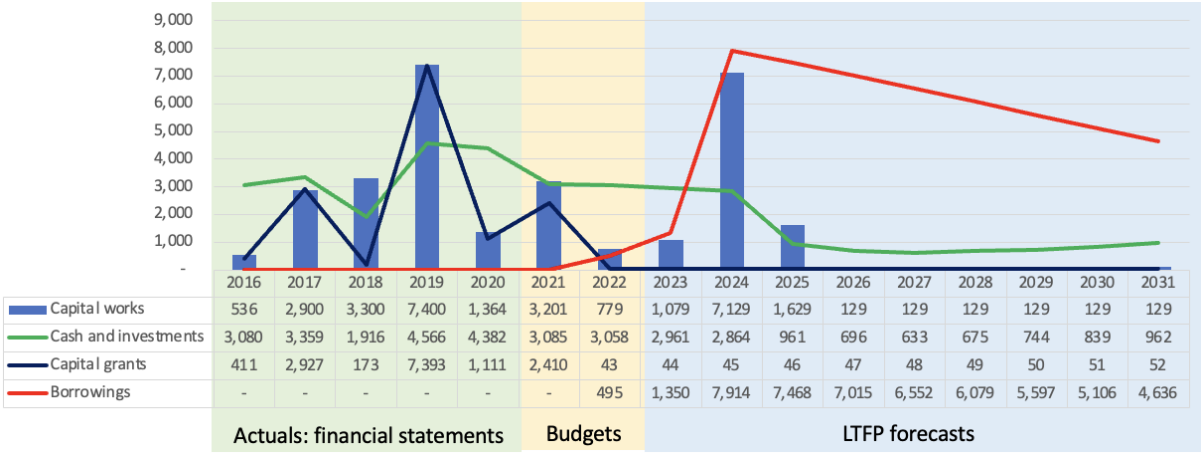
The first point of note is the **significant jump in expenses** (orange columns) in 2020, which is forecast to drop back to a degree in 2023 but will largely continue in future. As discussed in section 5.2, the main increases to date are employees and materials and contracts, which increased because Council has recognised it needs to properly manage its water supply infrastructure (the same issue applies to sewerage, as discussed in section 6). Depreciation also increased. In future, the main additional increase on top of these is interest, which goes up with the borrowings to fund priority capital works projects (as discussed below).

The second point of note is the **steady increase in revenues** (blue columns) between 2022 and 2027, before levelling off. As discussed in section 5.1, this is due to a forecast increase in water supply charges (gradually introduced over several years to lessen the impact).

It is important to note that **any decisions about increased charges will rest with the elected Council of that time.** Such decisions will be informed by conversations with affected communities as part of preparation of the suite of documents under the Integrated Planning and Reporting (IP&R) Framework, to be adopted by the new Council by June 2022. At this stage, in this LTFP, the purpose is simply to explain why such increases are needed.

The first way to explain the need to increase revenues is to consider the capital works program, reserves and borrowings shown in Figure 6 below.[2] As can be seen:

- Almost all capital works undertaken (blue columns) to renew and/or upgrade water supply infrastructure in recent years has been funded by grants (dark blue line)
- Council is forecasting the need for significantly more capital works over the next four years (blue columns to 2025) on several priority projects discussed in the SAMP (noted: a further $1M is needed in 2032 – see Figure 10, section 5.3)
- In order to pay for these projects, Council will need to use up the majority of its reserves (green line) and also borrow $8M (red line) as it doesn't expect to get further grants for these works (dark blue line)



	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Capital works	536	2,900	3,300	7,400	1,364	3,201	779	1,079	7,129	1,629	129	129	129	129	129	129
Cash and investments	3,080	3,359	1,916	4,566	4,382	3,085	3,058	2,961	2,864	961	696	633	675	744	839	962
Capital grants	411	2,927	173	7,393	1,111	2,410	43	44	45	46	47	48	49	50	51	52
Borrowings	-	-	-	-	-	-	495	1,350	7,914	7,468	7,015	6,552	6,079	5,597	5,106	4,636

Actuals: financial statements | Budgets | LTFP forecasts

Figure 6: trends in capital works, grants, cash and investments (reserves) and borrowings in water fund

It may be that Council actually needs to borrow more than $8M or increase charges further than what has been forecast, since it is forecast that its reserves will dip down quite low (green line) from 2025 to 2030 and it is forecast that capital works will be low from 2026 until 2031. As discussed in section 3, it is anticipated that in future, Council will nominate a

[2] Note: actuals from financial statements include estimates of capital expenditure including work in progress.

specific minimum amount it wants in reserve in each fund in its financial sustainability objectives.

Another way to explain the need to increase revenues is to consider what is left over – after covering normal operating costs – to pay for capital works projects. This is explained below.

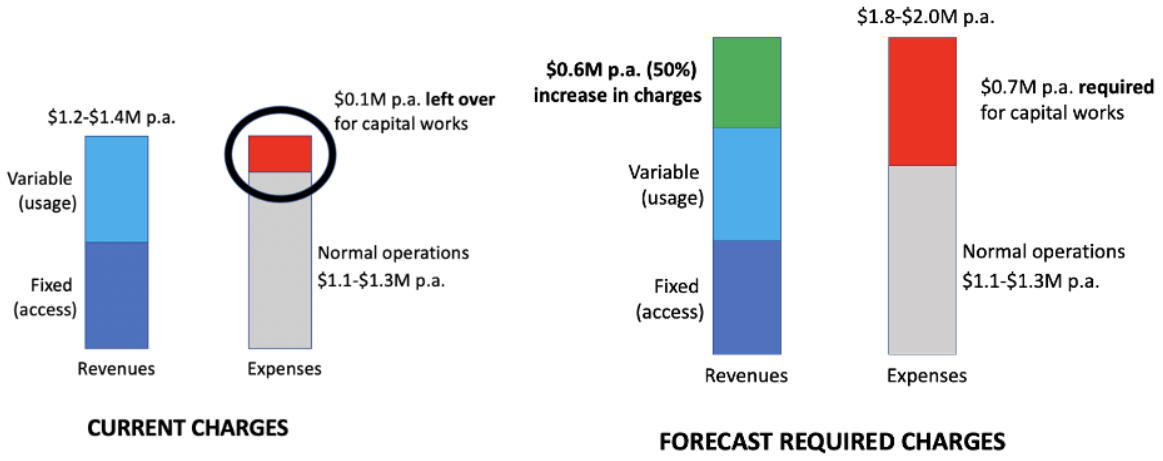


Figure 7: Current and forecast required water supply charges

On the left, it can be seen that Council currently generates $1.2-$1.4M p.a. from water charges (it varies depending on usage) but after paying normal operating costs, it only has around $0.1M p.a. left over to pay for capital works.

So, on the right, Council is forecasting the need to increase charges to increase revenues by around $0.6M p.a. (a 50% increase) so there is at least $0.7M p.a. generated for capital works.

It is worth noting that this $0.7M p.a. is still only 60% of the average $1.14M p.a. required over the medium term (Council needs to spend around $11.4M on capital works in the next 10 years). It is forecast that Council will need to borrow $8M to cover the difference, but it obviously needs to be able to repay this debt (and cover the additional interest expenses).

While the $0.7M p.a. is closer to what is estimated to be required over the long term (the 30 year plan discussed in section 5.3), it is still less: the estimate is $22.4M or $750k p.a. It is also worth noting that the $0.7M is about equal to the $655k in depreciation expenses (which represent the theoretical long term cost over the life of all assets).

A final way to explain this is to consider the *cash result* for 2022. Council is budgeting for an operating deficit of $956k (Figure 4). After subtracting $655k of 'non-cash' depreciation expenses, Council is spending $300k more cash than it earns on operations. But it is then budgeting to spend $779k on capital works, which means it is using up $1,079k of cash just in 2022. Given it only has around $3M cash reserves, this is obviously unsustainable.

Council is pursuing grants to bridge the gap (as can be seen in Figure 6, over $10M has been secured in the last 3 years) but these are generally not available for the type of works required in future: as discussed in the SAMP, the largest project in the $11.4M total is replacement of the pipeline between Molong Creek Dam and the water treatment plant (valued at $7M). This is simply renewing an existing asset, which is generally not something

that satisfies grant criteria (priorities for grants are generally addressing water security and quality issues, such as the grant obtained for the emergency pipeline from Orange).

5.1 Revenues

As noted in Figures 4 and 7, revenues for the water fund are made up almost entirely of user charges, including:

- Fixed annual access charges (for the provision of the service) and
- Variable consumption charges (based on the volume of water used).

As discussed below, current charges are already higher than neighbouring utilities, but Council needs to increase them considerably more ($600k p.a. or 50%) in order to cover normal operating costs *and* pay for priority capital works.

The following information is intended to put the key issues in context by comparing Council's situation with other utilities. It is drawn from the NSW Government local water utility benchmarking website[3].

Firstly, Council has only 1,150 connected properties, making it the 8th *smallest* water supply utility in NSW (out of 82) and just 24% of the size of the median (middle size) water supply utility, which has 4,800 properties. This means Council suffers from a lack of economies of scale. In comparison, Council is the 49th smallest general purpose council (out of 128) with a population of 13,600 which is 56% of the median, which has a population of 24,150.

Secondly, the current replacement cost of Council's water supply assets is $36,542 per assessment, which is the 7th *highest* of any water supply utility in NSW. This is more than double the median of $18,500 per assessment. This means Council owns a lot of assets (dams, pipelines, water treatment plant) for the number of people it is serving.

Thirdly, the cost of operating this infrastructure is $1,078/property, which is the 13th *highest* in NSW and 57% more than the median (at $687/property). This is in part a reflection of the lack of economies of scale, but also the value of infrastructure.

Finally, the typical residential bill is reported in the benchmarking figures as $815 in 2019/20, which is the 19th *highest* in NSW, 14% higher than the median (at $718).

However, this typical bill and Council's position relative to other utilities in terms of this needs to be taken cautiously at this stage. Bills vary considerably with consumption (more usage = higher bills). Also, it appears that the figures on the Department's website may not take account of the higher steps for usage (Council's 2019/20 charges in 3 steps based on usage: $2.4/kL up to 75kL, $5.8/kL up to 125kL and $7.7/kL for usage over 125kL).

As an indication, the typical residential bill in 2017/18 (when usage was higher) was $1,035 (this is based on total revenues from residential properties and number of connections) but dropped to $790 in 2019/20 (due to lower usage associated with water restrictions). At this stage, it is estimated – based on a year when usage is typical, without major restrictions –

[3] Refer https://www.industry.nsw.gov.au/water/water-utilities/lwu-performance-monitoring-data note that figure for Parkes are based on their 2018/19 figures as their 2019/20 figures aren't on the website.

that the typical bill is $1,000 and if Council were to increases charges by 50% as forecast, this will bring the typical residential bill up to around $1,500. This would be among the highest in NSW (the highest in 2019/20 was Bogan at $1,346 but in 2018/19 it was Hay at $1,936 – Hay didn't report in 2019/20 but Bogan was $1,517).

In summary, Council's water supply function is smaller, has more assets and higher operating costs than most other utilities in the state. The typical residential bill isn't 'out of step' with other utilities at present, but the forecast increases of 50% would put the typical residential bill among the highest in NSW. Figure 8 presents this graphically and includes figures from some neighbouring utilities for the 2019/20 year.

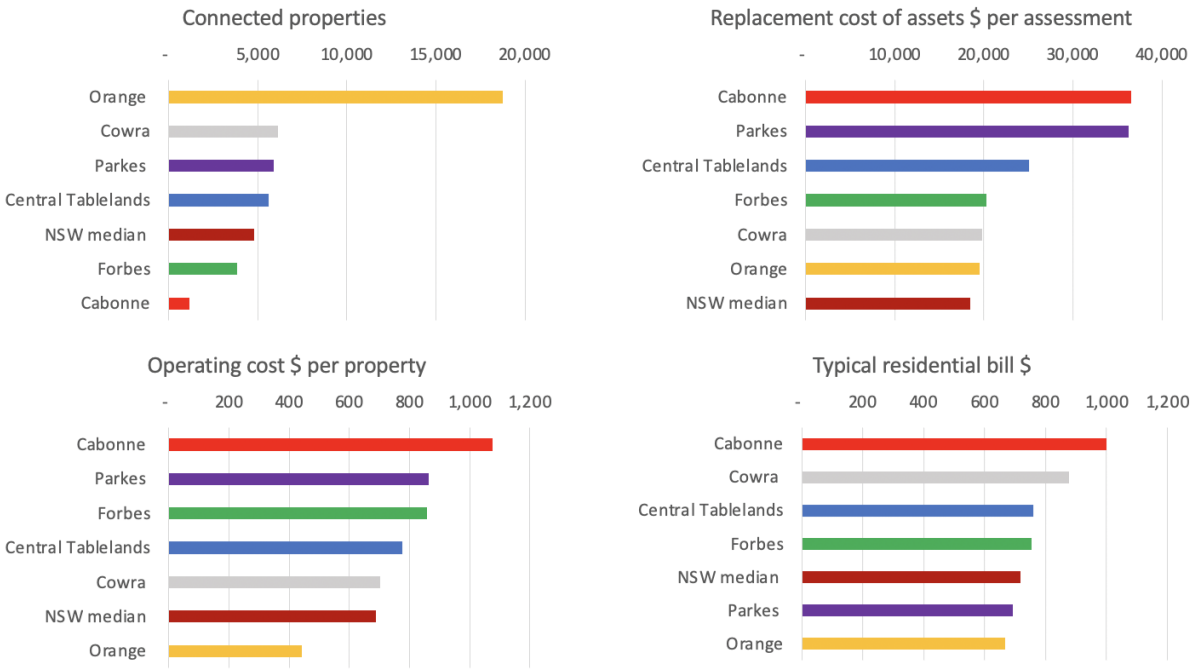


Figure 8: Comparisons with neighbouring water supply utilities and NSW median

The figure below considers the issue of water usage (which impacts the bill). It appears that water *usage* is lower in Cabonne supply areas than in neighbouring areas although 2019/20 was particularly low due to drought restrictions. Even in previous years, though, it appears that usage is still lower than Orange or Central Tablelands. Further investigation is required, but it appears it may be due to the number of bores and tanks in use in Molong.

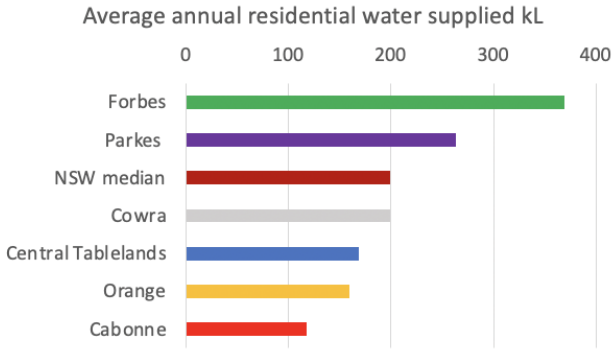


Figure 9: Comparisons with neighbouring water supply utilities and NSW median for water supplied

As a consequence, Council's usage charges – which are already higher than neighbours (in $/kL) – need to be higher still because there is less water being used overall.

While 'best practice' is for local water utilities to promote water saving initiatives, this works against efforts to improve financial sustainability because it reduces revenues. One way to encourage water saving is price signals: for small utilities under 4,000 connected properties like Cabonne, the target is to raise 50% of revenues from usage charges (Council meets this).

There is obviously more work to be done on pricing both in terms of assumptions about typical usage (considering variability due to restrictions), the split between fixed and variable charges, and the charges at each step (and number of steps) for usage.

At this stage, as the analysis earlier in this section shows, Council clearly needs to increase charges. In 2021/22, Council has increased fixed (access) charges by 10%, but only increased variable (usage) charges by CPI (2%). Further increases will need to be considered by the new Council after the elections, in conversation with the affected communities during preparation of its new suite of Integrated Planning and Reporting Framework.

The table below summarises the increases forecast as being required for planning purposes in this LTFP. Assuming CPI at 2% alongside the 10% increases over 5 years (i.e. 8% net increase over CPI p.a.) the cumulative increase (allowing for the increases to compound each year) works out to an effective increase of 50% in charges over and above CPI.

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Access charges	10%	10%	10%	10%	10%	2.5%	2.5%	2.5%	2.5%	2.5%
Usage charges	2%	10%	10%	10%	10%	10%	2.5%	2.5%	2.5%	2.5%

Table 6: Forecast increases required in water charges

5.2 Expenses

The 'standard' assumptions about operating expenses (such as indexation over time for CPI) in the water fund are comparable to those in the general fund, and so the same assumptions (i.e. those detailed in section 4.2) still apply generally.

As noted above, though, the biggest drivers of the significant jump in expenses in 2020 were increased employee costs and materials and contracts.

This was, initially, driven by the emergency works associated with the drought, but these expenses have mostly been 'built in' to the budget in future because Council has recognised that it needs to properly manage its water supply infrastructure in order to manage the considerable risks associated with it, including both system reliability as well as regulatory compliance. There will also be some 'knock on' effects of moving Cumnock and Yeoval to a potable (drinking water quality) supply and away from the previous non-potable supply. However, expenses have been adjusted down by $120,000 p.a. from 2027 on to account for the fact that it is expected that needs will drop off, at least to some extent, in future.

The work currently being undertaken to increase Council's asset management capability (in section 4 of the SAMP) will position Council well to manage these assets as efficiently and

effectively as possible. But it is not envisaged that expenses will decrease significantly over time. As explained in section 5.1, operating costs are at the high end relative to neighbouring utilities but this, at least in part, reflects Cabonne's lack of economies of scale (it is 9th smallest in NSW) and also asset value (it is 7th highest in terms of asset value).

The final point in relation to expenses is the $8M in loans to fund capital works will increase operating expenses (due to interest) in future by a variable amount, around $150k p.a. This assumes an interest rate of 2%, and a loan term of 20 years. As discussed in section 7, if interest rates were to double (to 4%) this would significantly impact Council's ability to achieve its objectives.

5.3 Infrastructure Investment

The SAMP identifies the key concerns in relation to water supply infrastructure and recommends a capital works program (in section 3.1 of the SAMP) that has informed the numbers in this LTFP (shown in 'purchase of infrastructure, property, plant and equipment' in the cashflow statement).

As noted above, the total capital works program for water is around $11.4M over 10 years. The actual timing of projects may vary (e.g. replacement of the pipeline from Molong Creek Dam, estimated at $7M, may be delayed so it is informed by the Regional Water Supply Strategy), but it is not anticipated the total value will be much lower than is estimated. In fact, a further $1M in capital works – renewal of mechanical and electrical equipment at Molong Water Treatment Plant – is forecast as required in 2032 (shown at 2031 below).

The cost is unlikely to decrease, but what may change is the grants received, although as noted above the projects Council needs to undertake (mostly renewal of ageing assets) are generally not eligible for grants. It is worth noting that the best way for Council to support its case for grant assistance is undertaking detailed asset and financial planning (i.e. the SAMP and this LTFP) and preparing an Integrated Water Cycle Management Strategy (which is being done in collaboration with Central Tablelands Water and Orange City Council).

In addition to providing estimates for future capital expenditure, the SAMP also includes a long term (30 year) asset and financial plan, summarised below.

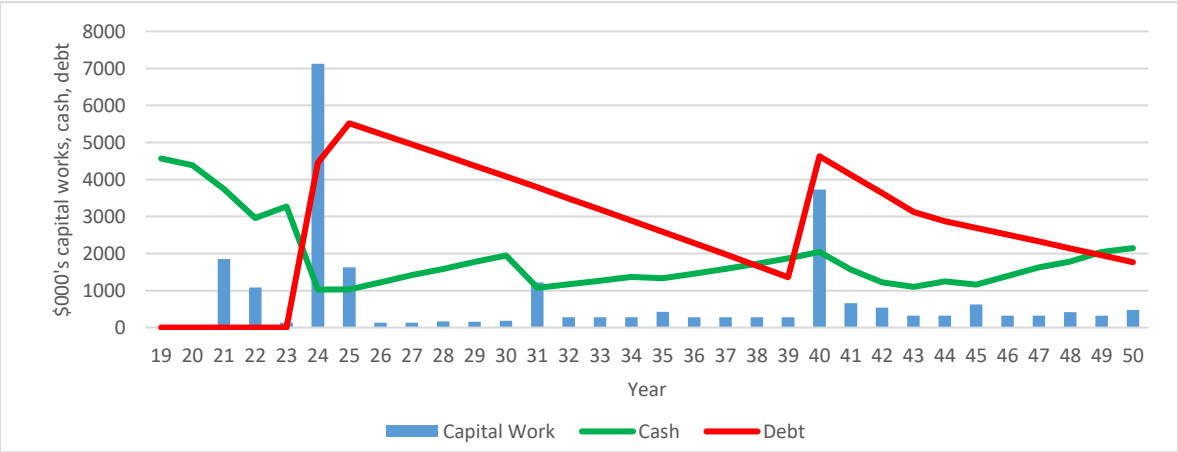


Figure 10: 30 year asset and financial plan for water supply

The numbers in this ‘long term’ (30 year) plan should align with those in this ‘medium term’ (10 year) LTFP (Figure 9 above should be the same as Figure 6), but this is still a work in progress. The 30 year plan was produced some time ago, prior to the latest work on this LTFP, and is done in a different computer program in a different way (in current year dollars, no CPI). Alignment will improve over time as the SAMP and this LTFP are refined.

The key issue to note is the importance of the long term view: as can be seen above, the ‘peaks and troughs’ in capital works (blue columns) required over the next 30 years are massive. These determine the financial strategy (borrowings required and sustainable long term pricing) in addition to any changes in operating expenses.

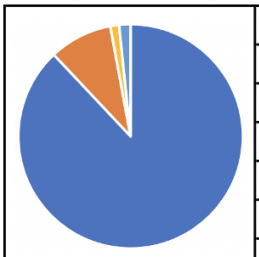
6. Sewer Fund

The sewer fund covers all systems in the Cabonne LGA. Historically, Council operated two separate sub-funds within this:

- 'Cabonne sewer' for the older systems of Canowindra, Eugowra and Molong
- 'Small towns sewer' for the newer systems of Cudal, Cumnock, Manildra and Yeoval.

Upon completion of the 20 year period over which the 'small towns sewer' system was paid for by residents of these villages, there is no longer a need to maintain this distinction and so the funds can be combined, but this will be a decision for the incoming Council as part of the preparation of the suite of IP&R documents.

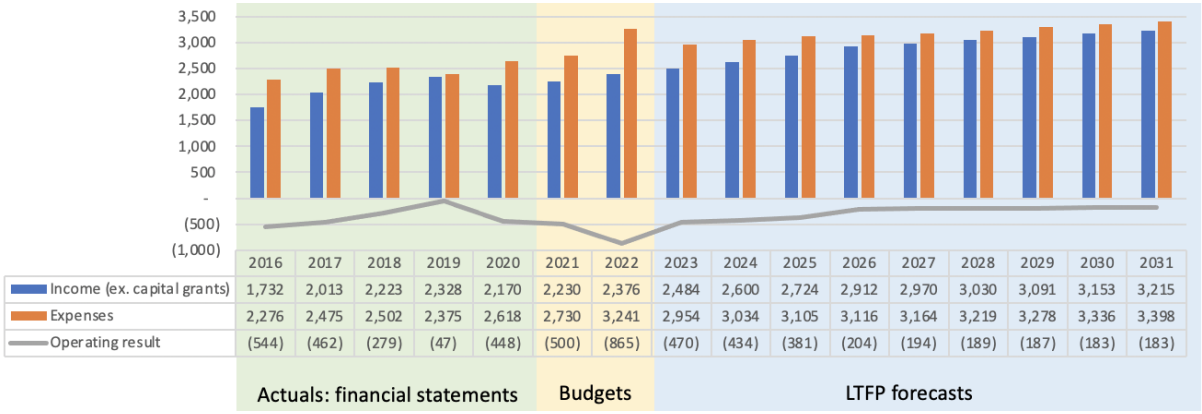
The figure below summarises Council's main operating revenues and expenses for the sewer fund, based on the 2021/22 budget.



Rates & annual charges	2,090,248	88%
User charges & fees	216,160	9%
Other revenues	0	0%
Grants & contributions (operating)	29,692	1%
Interest and investment revenue	39,195	2%
Net gains from asset disposals	0	0%
Total income from continuing operations	**2,375,295**	
Employee benefits & oncosts	851,436	26%
Borrowing costs	103,638	3%
Materials & contracts	815,245	25%
Depreciation & amortization	929,481	29%
Other expenses	541,170	17%
Total expenses from continuing operations	**3,240,970**	
Operating Result - Surplus/(Deficit)	**(865,675)**	

Figure 11: key income and expense items in 2021/22 sewer fund budget

While this deficit (36% of operating revenues) is less than the water fund in percentage terms, it is again of serious concern. Figure 5 provides the longer term view of the situation.



	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Income (ex. capital grants)	1,732	2,013	2,223	2,328	2,170	2,230	2,376	2,484	2,600	2,724	2,912	2,970	3,030	3,091	3,153	3,215
Expenses	2,276	2,475	2,502	2,375	2,618	2,730	3,241	2,954	3,034	3,105	3,116	3,164	3,219	3,278	3,336	3,398
Operating result	(544)	(462)	(279)	(47)	(448)	(500)	(865)	(470)	(434)	(381)	(204)	(194)	(189)	(187)	(183)	(183)

Figure 12: trends in income, expenses and operating result in sewer fund

The situation is very similar to the water fund in terms of both contributing factors and options available to Council to address it.

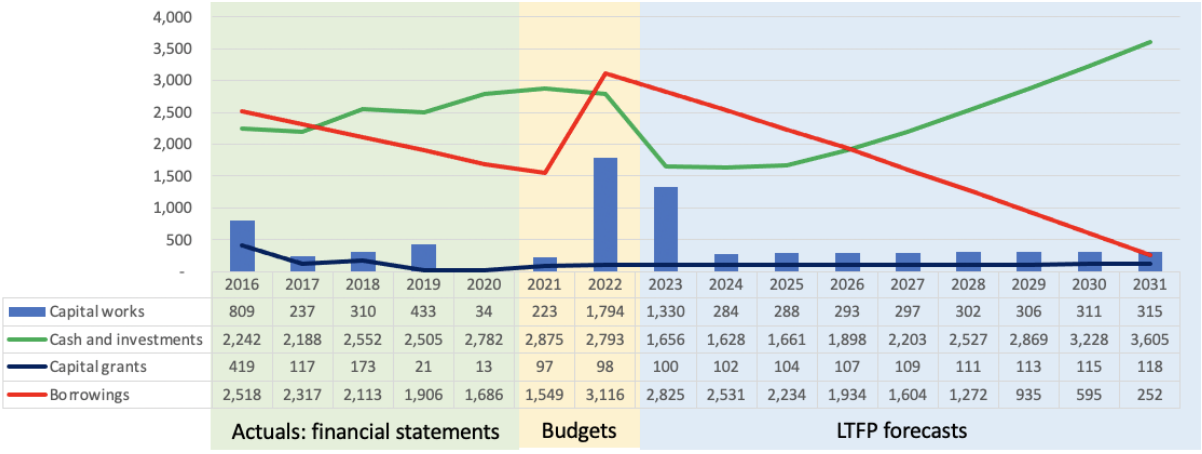
There has been less of a pronounced jump in **expenses** (orange columns) in recent years than with water – the increase has been more gradual, other than the works planned in 2021/22 – but again it is associated with increases in employee costs and materials and contracts, as Council has devoted resources to properly managing its sewerage infrastructure. Further discussion is in section 6.2.

There is a similar steady increase in **revenues** (blue columns) associated with the forecast increases in charges between 2022 and 2027. It is important to note that because of the significant differences in the current charges between towns, the increases will not impact all communities in the same way. Further discussion is in section 6.1.

Again, it is important to note that **any decisions about increased charges will rest with the elected Council of that time.** Such decisions will be informed by conversations with affected communities as part of preparation of the suite of documents under the Integrated Planning and Reporting (IP&R) Framework, to be adopted by the new Council by June 2022. At this stage, in this LTFP, the purpose is simply to explain why such increases are needed.

The need for increases in sewerage charges will be explained in the same manner as water, but even a quick comparison between Figure 13 (below) and the corresponding Figure 6 (for water) shows there is quite a different story to be told. As can be seen:

- Council has spent a little more in previous years on capital works (blue columns) for sewerage than it has for water supply
- Council plans to spend a considerable amount (over $3M) in the next two years on priority capital works discussed in the SAMP
- In order to retain sufficient cash reserves (green line), Council intends to fund some of these works with $1.8M in new borrowings (red line)
- It intends to pay these borrowings off within 10 years, during which time it will also build up its reserves considerably (to around $3.6M).



	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Capital works	809	237	310	433	34	223	1,794	1,330	284	288	293	297	302	306	311	315
Cash and investments	2,242	2,188	2,552	2,505	2,782	2,875	2,793	1,656	1,628	1,661	1,898	2,203	2,527	2,869	3,228	3,605
Capital grants	419	117	173	21	13	97	98	100	102	104	107	109	111	113	115	118
Borrowings	2,518	2,317	2,113	1,906	1,686	1,549	3,116	2,825	2,531	2,234	1,934	1,604	1,272	935	595	252
	Actuals: financial statements					Budgets		LTFP forecasts								

Figure 13: trends in capital works, grants, cash and investments (reserves) and borrowings in sewer fund

As with water, this needs review in conjunction with Council nominating a specific minimum amount it wants in reserve in each fund in its financial sustainability objectives. Here, it may be possible to borrow less and use more of its reserves.

As with water, another way to explain the need to increase revenues is to consider what is left over – after covering normal operating costs – to pay for capital works projects. This is explained below.

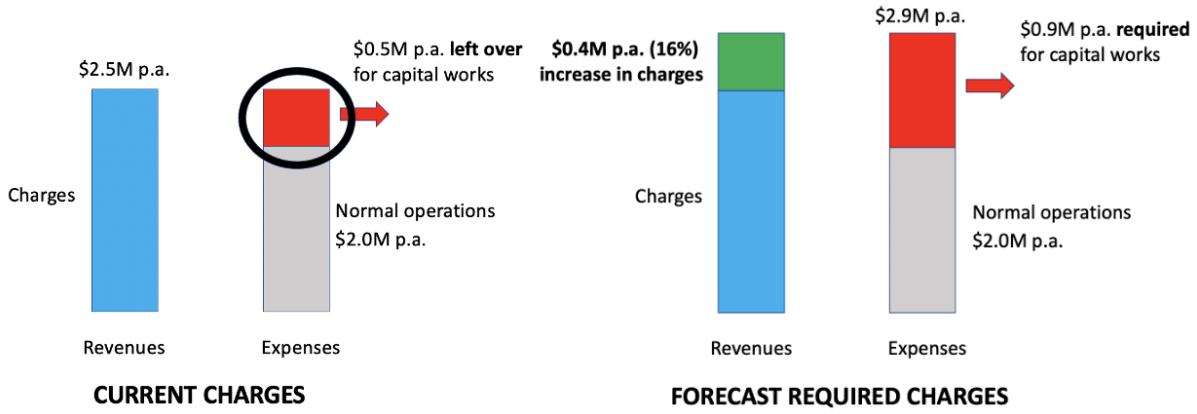


Figure 14: Current and forecast required sewerage charges

On the left, it can be seen that Council currently generates $2.5M p.a. from sewerage charges (only non-residential charges include a usage component, so there is far less variation from year to year) but after paying normal operating costs, it only has around $0.5M p.a. left over to pay for capital works.

So, on the right, Council is proposing to increase charges to increase revenues by around $0.4M p.a. (a 16% increase) so there is at least $0.9M p.a. generated for capital works.

Council is only forecasting that it will need to spend $5.5M on capital work over the medium term (10 year time horizon in this LTFP). This means it will be building up its reserves (as could be seen in the green line in Figure 13).

But as can be seen in Figure 17 in section 6.3, Council is forecasting that it will spend all of these reserves (down to the minimum amount it is comfortable with) when it replaces Canowindra Sewage Treatment Plant in about 15 years' time and the Molong Sewage Treatment Plant in about 25 years' time *and* fund the remainder of these projects with borrowings. The capital works required over 30 years is estimated at $29.5M, which works out to an average of $0.98M p.a. (more than the $0.9M p.a. that will be generated based on what is shown in Figure 14).

It is also worth noting the $0.9M is close to the $929k in depreciation expenses (which represents the theoretical long term cost over the life of all assets).

As with water, Council will of course pursue grants to reduce the need to fund major projects. The first step in this process is the strategic planning regarding options for the replacement and necessary upgrades (to meet modern environmental requirements) to the Canowindra Sewage Treatment Plant. As noted in the SAMP, this will be undertaken as part of the preparation of the new Integrated Water Cycle Management Strategy.

6.1 Revenues

As noted in Figures 11 and 14, revenues for the sewer fund are made up almost entirely of user charges. These are primarily fixed annual access charges (for the provision of the service), but also include variable consumption charges (based on the volume of water used, as this is an indication of what goes down the sewer) for non-residential properties.

As with water, it is useful to put the key issues in context by comparing Council's situation with other utilities. It is drawn from the NSW Government local water utility benchmarking website[4]. This information is also presented graphically in Figure 16.

Firstly, Council has 2,209 connected properties, which is more than water because it covers the entire local government area, making it the 33th *smallest* water supply utility in NSW (out of 87) and bringing it closer (65% of) the median (middle size) utility which has 3,394 connected properties. This means Council suffers from some lack of economies of scale, but nowhere near as much as it does in relation to water supply.

Secondly, the current replacement cost of Council's water supply assets is $17,221 per assessment, which is the 32th *highest* of any water supply utility in NSW. This is close to the median of $16,354 per assessment.

Thirdly, the cost of operating this infrastructure is $754/property, which is the 9th *highest* in NSW and 40% more than the median (at $539/property). This is largely a reflection of the fact that Council has seven separate systems to operate and maintain. Unfortunately, the number of sewage treatment plans per utility isn't reported as part of the water utility monitoring data, but this is certainly among the most systems operated by any NSW council.

Finally, the typical residential bill is reported in the benchmarking figures as $706 in 2019/20, which is the 40th *highest* in NSW, only $1 higher than the median.

However, this typical bill and Council's position relative to other utilities in terms of this again needs to be taken cautiously, but for different reasons than water. As can be seen in Figure 15 below, charges vary considerably between towns. Villages in the '4 towns' scheme pays the same amount, which is $10 (1%) less than what is paid in Canowindra, but Eugowra pays $87 (10%) less Molong pays $267 (30%) less than Canowindra.

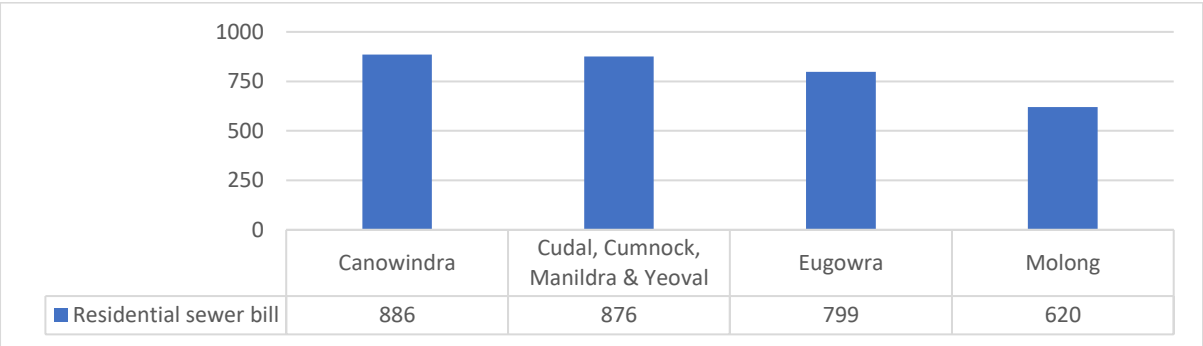


Figure 15: Sewerage charges in each town (for 2020/21)

[4] Refer https://www.industry.nsw.gov.au/water/water-utilities/lwu-performance-monitoring-data note that figure for Parkes are based on their 2018/19 figures as their 2019/20 figures aren't on the website.

This means that while current charges for the Cabonne local government area as a whole are in the middle of the range compared to neighbouring utilities and NSW as a whole, they are not all the same amount.

Council has identified the need to increase its revenues to cover its operating costs and fund priority capital works identified in the SAMP over the long term. It makes sense – given the service provided in each town is basically the same – to generate the increase in revenues required, firstly, from harmonising charges (bringing all towns up to the same level as Canowindra). The majority of the extra revenues will come from Molong (charges here are far lower and there are more customers). A final increase to all towns is forecast to be required once charges are harmonised to bring revenues up to a sustainable level. The increases forecast as being required in this LTFP are summarised below.

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Molong	11.25%	11.25%	11.25%	11.25%	7%	2%	2%	2%	2%	2%
Eugowra	2%	4%	4%	3%	7%	2%	2%	2%	2%	2%
4 towns	2%	2%	2%	3%	7%	2%	2%	2%	2%	2%
Canowindra	2%	2%	2%	2%	7%	2%	2%	2%	2%	2%

Table 7: Forecast required increases in sewerage charges

Assuming CPI of 2% p.a., the effective increase over current charges in Canowindra is 5%. To compare this 'apples with apples' against the 2019/20 benchmarking data, the increase in 2020/21 (2%) needs to be subtracted. This means the typical bill across Cabonne would be $913, which would place Council 16th *highest* in NSW, 30% higher than the $705 median.

In summary, Council's sewerage function is small, but not as small as its water supply. The value of its assets are 'mid range', but the cost of operating them is 40% higher than the median, largely due to the fact that Council has to operate seven separate systems. The forecast 5% increase in charges will mean Council's bill is 30% higher than the median.

Figure 16: Comparisons with neighbouring sewerage utilities and NSW median

6.2 Expenses

The 'standard' assumptions about operating expenses (such as indexation over time for CPI) in the sewer fund are comparable to those in the general fund, and so the same assumptions (i.e. those detailed in section 4.2) still apply generally.

As noted above, though, the biggest drivers of increased expenses in recent years were increased employee costs and materials and contracts. The majority of these expenses have been 'built in' to the budget in future because Council has recognised that it needs to properly manage its sewerage infrastructure in order to manage the considerable risks associated with it, including both system reliability as well as regulatory compliance.

The work currently being undertaken to increase Council's asset management capability (in section 4 of the SAMP) will position Council well to manage these assets as efficiently and effectively as possible. But it is not envisaged that expenses will decrease significantly over time. As explained in section 6.1, operating costs are at the high end relative to neighbouring utilities but this, at least in part, reflects the fact that Council has to operate and maintain seven separate sewerage systems.

One issue that is raised in the SAMP and is worth mentioning here is the high cost of maintaining the grinder pumps in the 4 towns system: this is costing $200k+ p.a. and is expected to do so into the future.

6.3 Infrastructure Investment

The SAMP identifies the key concerns in relation to sewerage infrastructure and recommends a capital works program (in section 3.1 of the SAMP) that has informed the numbers in this LTFP (shown in 'purchase of infrastructure, property, plant and equipment' in the cashflow statement).

As noted above, the total capital works program for sewer is only $5.5M over 10 years (average $550k p.a.) but is estimated at $29.5M over 30 years (average $980k p.a.), the main projects being the renewal of Canowindra and Molong Sewage Treatment Plants, which is forecast to occur in 15 and 25 years' time.

The estimates for these works may change significantly. This is why it is important to undertake the strategic planning necessary to consider and evaluate the options, and to identify the best way forward in a new Integrated Water Cycle Management Strategy.

Undertaking the strategic planning work will also help with grant applications for support in funding these projects. Unlike water (which was focused on renewals) the projects here do involve a considerable degree of upgrades to the assets (the new plants will need to meet strict environmental requirements) and so the likelihood of securing grants is far greater. However, given the timing of the forecast works is longer term, Council cannot assume that it will be able to secure grant assistance at that time.

While there are certainly a number of unknowns in the sewer area, the forecast required approach (raising charges in Molong, and to a lesser extent Eugowra, gradually over the

next 4 years) will give time to firm up the asset and financial planning considerably. This will then be available to the elected Council at that time to help them making informed decisions about increasing charges to a sustainable level.

The long term (30 year) asset and financial plan from the SAMP is summarised below.

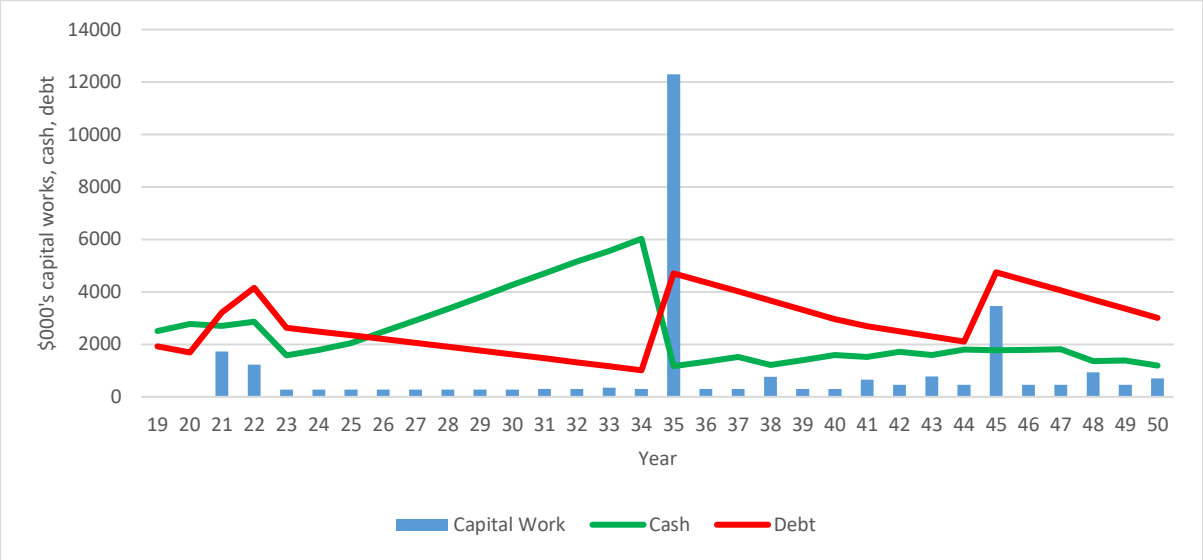


Figure 17: 30 year asset and financial plan for sewerage

As with water, the numbers in this 'long term' (30 year) plan should align with those in this 'medium term' (10 year) LTFP (Figure 17 above should be the same as Figure 13), but this is still a work in progress. The 30 year plan was produced some time ago, prior to the latest work on this LTFP, and is done in a different computer program in a different way (in current year dollars, no CPI). Alignment will improve over time as the SAMP and this LTFP are refined.

The key issue to note is the importance of the long term view: as can be seen above, the 'peaks and troughs' in capital works (blue columns) required over the next 30 years are massive. These determine the financial strategy (borrowings required and sustainable long term pricing) in addition to any changes in operating costs.

It explains why Council is proposing to build up considerable reserves in its sewer fund over the next 10 years, and to increase charges to do so.

7. Sensitivity Analysis

The table below provides an indication of the impacts of key parameters on Council's ability to achieve its financial sustainability objectives (in section 3), particularly the minimising operating deficits and maintaining cash reserves, over the next 10 years.

This section should perhaps be called 'risk' not 'sensitivity' analysis, because the issues explored here are the ones considered most likely to present a risk to Council's objectives.

The key reason for highlighting them is to reinforce the need for ongoing monitoring. The format of this LTFP (showing 5 years of actuals as well as forecast results) is intended to help with these monitoring efforts.

Parameter (and change)	**10 year impact on Financial Sustainability Objectives (operating deficit and maintaining cash reserves)**
Higher employee costs (an additional 0.5% p.a. increase over 10 years)	An extra 0.5% p.a. increase in employee costs on the $12M or so 'baseline' would only add $60k to Council's operating expenses in a single year. But compounded over 10 years it would add $0.5M p.a., which pushes the operating deficit beyond the 5% target. The increased costs, year on year, would reduce Council's cash reserves by $2.7M in 10 years. As discussed in section 4.2, it is forecast that Council's worker's compensation performance will improve once the impact of previous claims (which runs for 3 years) is past. But the impact of *not* improving performance is significant: an additional $200k to $300k p.a. operating deficit, which equates to $2M to $3M less cash reserves in 10 years.
Higher depreciation expenses (additional 0.5% p.a. increase over 10 years)	A similar increase on the $10.3M baseline for depreciation over and above what is forecast would increase Council's operating deficit in 10 years by a similar amount (around $0.5M p.a. but because it isn't a cash expense, it wouldn't impact the cash reserves. The key implication, though, is that higher depreciation suggests capital works needs will be higher over the longer term. The NSW Roads and Transport Directorate produce construction cost forecasts for roadworks (Council's largest area of spend in general fund) which can provide insights into the issue (the average increase over 10 years was forecast at 2.1% p.a. in the latest publication in 2020), but it is not known what the impact of the pandemic is on these. As noted in section 4.2, depreciation expenses have actually increased by 4% p.a. over the 4 years to 2020, which itself added $0.5M p.a. to the operating deficit.

Higher materials and contracts	The impacts of higher year on year increases here would be similar to that for employees, but the 'baseline' is about half the size ($6M rather than $12M). As discussed in section 4.2, the amount of capital works undertaken significantly impacts materials and contracts, too, because it generates overheads that offset costs.
Higher borrowing costs for water supply and sewerage (4% interest not 2%)	The water fund is most sensitive to changes in interest rates because forecast borrowings are higher (peaking at almost $8M in 2024. As discussed in section 5.2, an interest rate of 2% has been forecast, but if it doubled to 4%, the additional interest charges would double, adding around $150k p.a. to the operating deficit in early years when the outstanding loan amount is higher. Over a 20 year loan, the impact of higher interest on Council's cash reserves would be around $1.5M.
Higher electricity	Council spends around $400k p.a. on electricity, so higher costs would have some impacts. The renewable energy initiative is intended to reduce Council's risks here, and in fact to create a new revenue stream to reduce the deficit.
Cost shifting from other levels of government	Council's expenditure is increased by 'cost shifting' from other levels of government. The example given in section 4.2 was the recent $200k p.a. increase in the Emergency Services Levy which basically consumed the entire 'rate cap' increase, but there are a range of other issues that could result in increased expenses for Council.
Austerity approach by NSW and Australian governments	This issue is largely explored in section 8.1 (the 'austerity scenario') but is considered here more broadly. As noted in Figure 1, operating grants and contributions totalled $11.4M (37%) of Council's operating revenues in the 2021/22 budget. If Council was to lose a significant portion of this income (either through a 'one-off' change or through gradual decreases over time, it would have a significant impact on its operating deficit). As discussed in section 4.3, Council has also forecast it will continue to secure considerable grants for capital works including specific grants for road and bridge projects and the Resources for Regions program (these are summarised in Table 5). Without these grants, Council would need to fund these works by drawing on its own cash reserves. As discussed in the SAMP, the road and bridge projects nominated need to be done (they are 'have to haves') and so Council's reserves would potentially decrease by over $10M. As discussed in section 4.2, the majority of user fees and charges are also derived from NSW government for works on state roads as well as support for children's services. While, without the grants funding the activities, Council would simply cease these operations, it would lose the economies of scale they create and so reduce its financial sustainability overall.

Table 8: Key parameters for sensitivity or 'risk' analysis

8. Alternative Scenarios

Three alternatives to the 'base case' scenario discussed in sections 4, 5 and 6 (and presented as actual financial statements in Appendix 1) are considered in this section:

- an 'austerity' scenario, which explores the impact of reductions in grants from higher levels of government
- a 'premium levels of service for roads' scenario, which explores the impact of increasing the level of investment in maintenance and capital works on roads to address what are considered to be some of the main areas of concern, and
- a 'maintain status quo water charges' scenario, which explores the impact of maintaining current charges rather than increasing them, as is forecast in section 5

Future revisions of this LTFP (and the SAMP that accompanies it) will need to update and reconsider these scenarios. Further scenarios for Council's water and sewer funds will also need exploring such as:

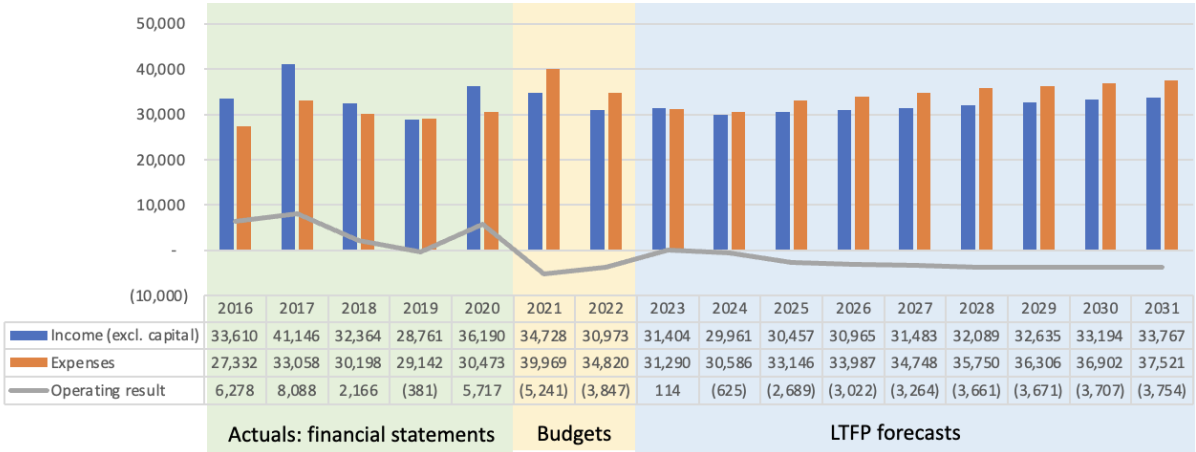
- changes in water usage and consequent impacts on revenues
- changes in capital cost of projects as well as trends in operating expenses
- increases in grants to support the delivery of major projects.

8.1 Austerity Scenario

Items in this scenario that differ from those in the base case are:

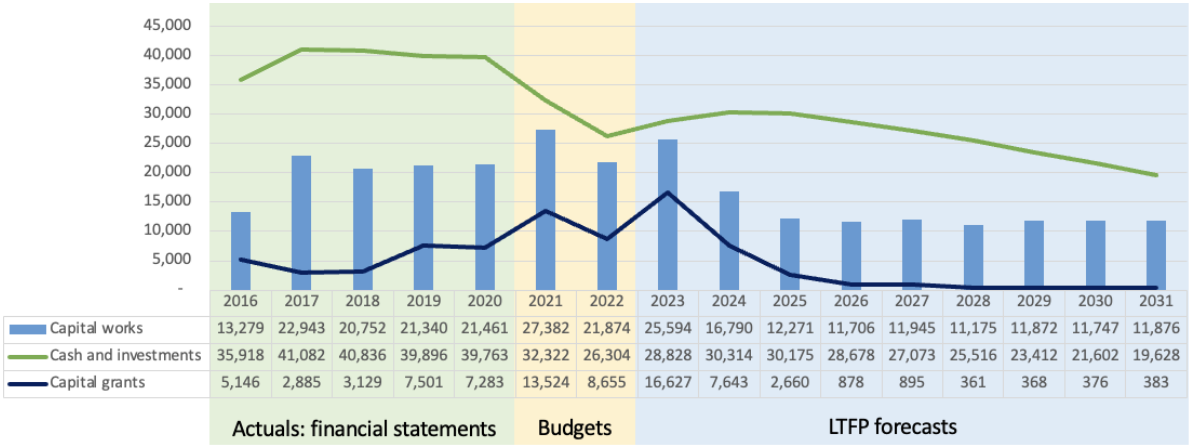
- No indexation of Financial Assistance Grants (FAGs) to account for CPI
- No local roads grants beyond 2023 (see Table 5: this means the $1M p.a. x 8 years for 'local roads grants' needs to be funded from cash reserves; note that the bridge grants are still forecast to be received)
- Reduction in work on state roads (from $3.5M to $2.4M p.a.).

Figures 18 and 19 highlight the impact of this scenario on Council's operating deficit and cash reserves over 10 years (refer to Figures 2 and 3 for the base case versions of these).



	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Income (excl. capital)	33,610	41,146	32,364	28,761	36,190	34,728	30,973	31,404	29,961	30,457	30,965	31,483	32,089	32,635	33,194	33,767
Expenses	27,332	33,058	30,198	29,142	30,473	39,969	34,820	31,290	30,586	33,146	33,987	34,748	35,750	36,306	36,902	37,521
Operating result	6,278	8,088	2,166	(381)	5,717	(5,241)	(3,847)	114	(625)	(2,689)	(3,022)	(3,264)	(3,661)	(3,671)	(3,707)	(3,754)

Figure 18: trends in income, expenses and operating result in general fund – Austerity Scenario



	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Capital works	13,279	22,943	20,752	21,340	21,461	27,382	21,874	25,594	16,790	12,271	11,706	11,945	11,175	11,872	11,747	11,876
Cash and investments	35,918	41,082	40,836	39,896	39,763	32,322	26,304	28,828	30,314	30,175	28,678	27,073	25,516	23,412	21,602	19,628
Capital grants	5,146	2,885	3,129	7,501	7,283	13,524	8,655	16,627	7,643	2,660	878	895	361	368	376	383

Figure 19: trends in capital, grants and cash and investments (reserves) in general fund – Austerity Scenario

As can be seen, if these revenues were to cease, Council's financial performance (operating deficit) and financial position (level of cash reserves) would deteriorate significantly. This reinforces how critical they are, and how reliant Council is on these for its sustainability.

8.2 Premium Levels of Service for Roads Scenario

The SAMP includes an overview of key issues with Council's road network now and in future. In summary, it proposes that Council focus on *maintaining existing assets* (in particular, clearing table drains, resealing sealed roads and prioritising resources for unsealed roads on those carrying more traffic) *not upgrading or building new assets*.

However, this Scenario has been prepared to explore the financial implications of Council pursuing a program to deliver 'premium' levels of service from its road network.

Key activities in this Scenario that differ from the base case are summarised in Table 9 below.

Activity	Current level of service in Base Case	Higher level of service in Scenario
Increasing maintenance grading of unsealed (gravel) roads in rural areas	Council currently spends $1.5M to $1.8M p.a. on grading to maintain its 1,000km of unsealed rural roads. The SAMP recommends Council review the length it maintains, and define affordable levels of service, prioritised based on road hierarchy (traffic, school bus routes, etc.). At present, most roads are graded at least once a year (some more), but the focus is only the pavement (running surface). The SAMP recommends focusing on clearing table drains and improving the formation shape, even if that means less ground can be covered. The LTFP includes an additional $0.5M p.a. to pay for this (as well as $0.2M p.a. for vegetation/tree clearing).	If Council increased the maintenance budget by a further **$0.5M p.a.** (on top of the $0.5M + $0.2M p.a. in the LTFP), it could – for example – avoid reducing the length of roads it maintains or increase service levels on other roads (number of grades per year). The first priority (in early years) would still be clearing table drains and improving the formation shape. It is highly likely Council will need to add extra gravel (extra re-sheeting) at the same time, too.

Increasing gravel re-sheeting of unsealed roads	Council currently spends around $1M p.a. on gravel re-sheeting, which (at $3,000/km) is enough to re-sheet 33km p.a. This isn't enough to keep up with gravel loss across the network (which is the key reason the SAMP recommends Council review the length it maintains).	If Council allocated an additional **$0.5M p.a.** to the gravel re-sheeting budget, it would be able to re-sheet another 16km of roads p.a. (160km over 10 years). This would mean Council has a better chance of keeping up with gravel loss across the network, but priorities will still be based on traffic, etc.
Extending the sealed road network	Council has historically devoted significant funds to extending the sealed road network (sealing unsealed roads). The SAMP proposes to limit this considerably, only sealing where there is a business case to do so (e.g. a road carrying high volumes of heavy traffic and/or that a school bus route and/or a road safety issue).	If Council was to continue the practice of sealing of unsealed roads, the most efficient way to do so would be to seal roads after they have been gravel re-sheeted. If Council aimed to seal 10km of unsealed roads p.a. (100km over 10 years), this cost would cost around $50,000/km so a budget of **$0.5M p.a.** would be required.
Widening high priority sealed roads	Council has historically devoted significant funds (grants + Council money) to widening its sealed road network, much of which is very narrow (less than 6m wide). Widening improves road safety and increases agricultural productivity (it opens up the network to higher mass limit vehicles, B-doubles). The SAMP proposes to limit these upgrades because Council needs to focus first on maintaining what it has: a $17M program, that will take 7+ years to complete, is required just for the higher traffic rural roads (spending very little on lower traffic roads or urban roads).	If Council wanted to widen high priority sealed rural roads, the most cost effective way to do so would be to widen them at the same time they are repaired (heavy patching and resealing works undertaken). Of the 400km of higher traffic rural roads, 316km are earmarked for repairs (heavy patching and/or reseals) over the next 7 years. Of this, 268km are 6m wide or less. Not all would be 'high priority', but if Council aimed to widen say 20km p.a. (200km over 10 years), this would cost say $150,000/km (note: some roads would be far more). A budget of **$3M p.a.** would be required, noting $/km budgets will vary.

Table 9: Key elements of the 'higher level of service for roads' scenario

For the purposes of this Scenario, it is forecast that this program would cease after 10 years, at which time Council would consider progress to date and the need to continue it into the future. As noted above, this would potentially deliver around 160km of extra gravel re-sheeting, 100km of gravel roads sealed and 200km of sealed roads widened.

It is important to recognise that although the annual spend is $4.5M, the work is a mix of operations (maintenance grading) and capital works (other activities) and so the impact on Council's finances is more complex than simply needing to find $45M ($4.5M x 10 years).

It is assumed, firstly, that whatever funding is required, it will need to come from Council's own resources, as all grant opportunities are already being taken up as they arise.

It is also assumed that Council can draw on $12M of its reserves, since the $37M forecast to be available in 10 years (Figure 3) is likely to be more than the minimum target Council defines in its financial sustainability objectives (section 3). This will leave $25M in reserve.

Drawing $12M from reserves will reduce interest revenues by around $0.6M p.a. (increasing the operating deficit beyond the 5% target). Raising a (say) $15M loan over 20 years early on in the program will add another (say) $0.5M in interest to be covered in the early years.

In total, these effects are forecast to require **$1M p.a.** in revenues to offset them. While the interest on loans will decrease over time, Council is already forecasting an operating deficit of around $1.5M p.a. in 10 years, so these funds could close that gap in future.

Depreciation costs of the new assets created will (by the end of 10 years, when complete) be around **$1.5M p.a.** and net increase in maintenance costs perhaps another **$150k p.a.**

Together with the **$0.5M p.a.** for additional maintenance grading, the total additional revenues required is in the order of **$3.15M p.a.** or $31.5M over 10 years (note that this, plus the $12M from reserves, is around the total amount actually being spent, $45M but the way it is accounted for isn't that simple).

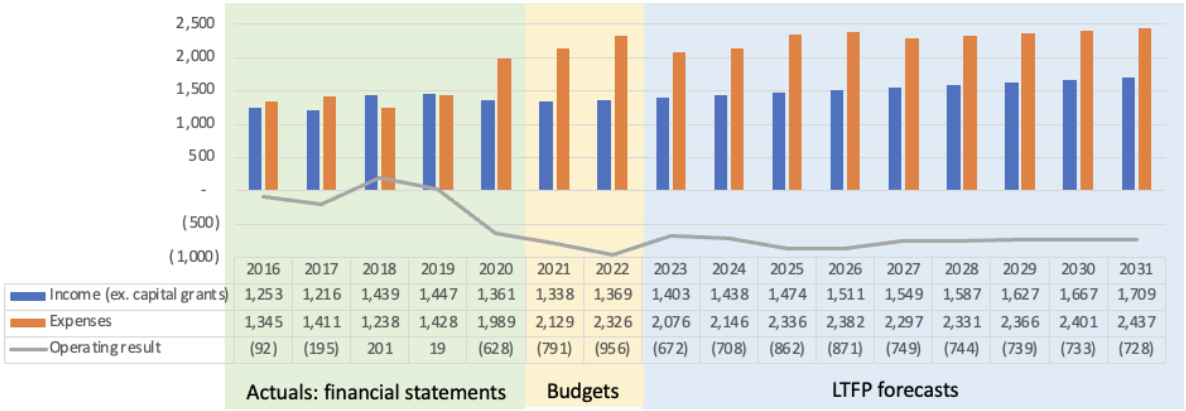
Currently, Council generates $10.8M p.a. in ordinary rates (section 4.2), so **in order to generate an additional $3.15M p.a., a special rate variation of say 29% would be required.**

This scenario helps put in perspective the scale of the issues Council is grappling with across its road network, some potential priorities for higher service levels, the outcomes that could potentially be achieved via a longer term program and the potential budgets and additional revenues that would be required (most likely via rate increases) to do so.

8.3 Maintain Status Quo for Water Rates Scenario

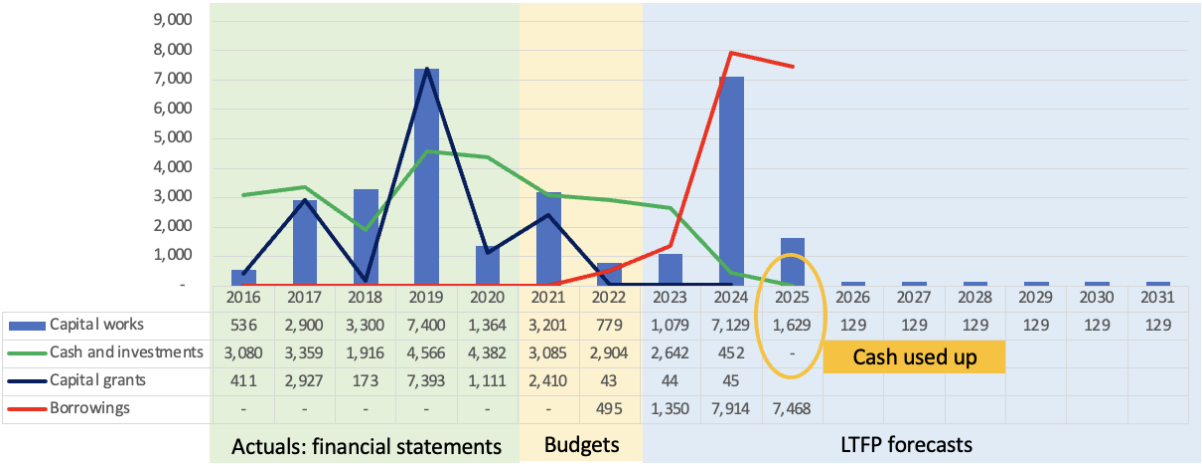
As discussed in section 5, it is forecast that Council will need to increase its water charges by 50% to fund increased operational expenses and priority capital works.

This scenario explores the implications of not increasing charges, presenting the same information as in Figures 5 and 6, but with the lower revenues.



	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Income (ex. capital grants)	1,253	1,216	1,439	1,447	1,361	1,338	1,369	1,403	1,438	1,474	1,511	1,549	1,587	1,627	1,667	1,709
Expenses	1,345	1,411	1,238	1,428	1,989	2,129	2,326	2,076	2,146	2,336	2,382	2,297	2,331	2,366	2,401	2,437
Operating result	(92)	(195)	201	19	(628)	(791)	(956)	(672)	(708)	(862)	(871)	(749)	(744)	(739)	(733)	(728)

Figure 20: trends in income, expenses and operating result – Maintain Status Quo Water Charges Scenario



	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Capital works	536	2,900	3,300	7,400	1,364	3,201	779	1,079	7,129	1,629	129	129	129	129	129	129
Cash and investments	3,080	3,359	1,916	4,566	4,382	3,085	2,904	2,642	452	-						
Capital grants	411	2,927	173	7,393	1,111	2,410	43	44	45							
Borrowings	-	-	-	-	-	-	495	1,350	7,914	7,468						

Figure 21: trends in capital, grants and cash reserves – Maintain Status Quo Water Charges Scenario

Basically, the forecast is that Council would 'run out of money' (exhaust its cash reserves) as soon as it undertook the major capital works required (the big one being the $7M renewal of the pipeline from Molong Creek Dam). Even if Council was to increase its borrowings (to preserve its cash reserves), the reserves would be 'eaten up' by higher interest charges.

Appendix 1: Financial Statements for BASE CASE

Notes:

- All figures in $000's
- Historic actual figures in income statement and balance sheet (statement of financial position) are taken from annual financial statements (historic cashflows are not included as this isn't reported separately by fund in statements)
- "Total Capital Works" line at bottom of page:
    - Historic from Note 9 or equivalent in financial statements (doesn't include works in progress)
    - Budget/forecast from cashflow statement

	Historic Actuals					Budget		Forecast								
GENERAL FUND INCOME STATEMENT	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**
Rates & Annual Charges	10,762	11,009	11,316	11,686	11,797	12,354	12,611	12,863	13,120	13,383	13,651	13,924	14,202	14,486	14,776	15,071
User Charges & Fees	9,961	12,206	7,636	6,388	6,649	6,709	5,748	6,562	6,694	6,828	6,964	7,103	7,245	7,390	7,538	7,689
Other Revenues	523	565	576	415	621	436	450	459	469	478	488	497	507	517	528	538
Grants & Contributions: Operating	10,387	15,517	11,162	8,597	11,142	14,294	11,419	11,762	11,131	11,354	11,581	11,812	12,048	12,289	12,535	12,786
Grants & Contributions: Capital Purposes	*5,146*	*2,885*	*3,129*	*7,501*	*7,283*	*13,307*	*8,655*	*17,627*	*8,663*	*3,701*	*1,939*	*1,978*	*1,465*	*1,494*	*1,524*	*1,555*
Interest and investment revenue	1,242	1,120	1,017	1,076	782	473	293	299	306	313	322	332	419	436	456	479
Net Gains Asset Disposals	558	729	478	242	833	300	300	306	312	318	325	331	338	345	351	359
Rental income (in user chgs til 2020)					377	161	153	456	465	474	484	493	503	513	524	534
Joint Ventures & Associated Entitites - Gain	177	-	179	357	3,989											
Total Income from Continuing Operations	**38,756**	**44,031**	**35,493**	**36,262**	**43,473**	**48,035**	**39,628**	**50,335**	**41,160**	**36,848**	**35,752**	**36,471**	**36,728**	**37,472**	**38,232**	**39,011**
TOTAL INCOME (ex. Capital)	**33,610**	**41,146**	**32,364**	**28,761**	**36,190**	**34,728**	**30,973**	**32,708**	**32,496**	**33,148**	**33,813**	**34,493**	**35,263**	**35,978**	**36,708**	**37,456**
Employee Benefits & On-Costs	11,807	11,085	10,652	10,700	11,111	13,079	13,060	11,232	11,562	12,576	12,757	13,007	13,402	13,657	13,931	14,207
Borrowing Costs	25	25	9	16	1	26	1	1	1	1	1	1	1	1	1	1
Materials & Contracts	2,413	8,288	6,099	4,479	5,336	11,240	6,670	3,494	3,409	5,781	6,018	6,131	6,506	6,748	6,854	6,746
Depreciation & Amortisation	8,545	8,855	9,110	9,421	9,730	10,319	10,383	10,643	10,909	11,182	11,461	11,748	11,924	12,103	12,285	12,469
Other expenses	4,542	4,805	4,328	4,526	4,295	4,330	4,705	4,713	4,830	4,951	5,075	5,202	5,280	5,359	5,440	5,521
TOTAL EXPENSES: Continuing Operations	**27,332**	**33,058**	**30,198**	**29,142**	**30,473**	**38,994**	**34,820**	**30,083**	**30,712**	**34,491**	**35,312**	**36,089**	**37,113**	**37,868**	**38,511**	**38,944**
Net Operating Result for the Year	**11,424**	**10,973**	**5,295**	**7,120**	**13,000**	**9,041**	**4,808**	**20,252**	**10,447**	**2,357**	**440**	**382**	**(384)**	**(396)**	**(278)**	**67**
OPERATING SURPLUS/DEFICIT exc. Capital	**6,278**	**8,088**	**2,166**	**(381)**	**5,717**	**(4,266)**	**(3,847)**	**2,625**	**1,784**	**(1,344)**	**(1,499)**	**(1,596)**	**(1,849)**	**(1,891)**	**(1,802)**	**(1,488)**

GENERAL FUND BALANCE SHEET	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**
Cash & Cash Equivalents	14,565	5,082	1,336	1,235	2,763	2,000	2,000	6,736	7,500	7,500	7,500	7,500	7,500	7,238	7,370	7,500
Investments	25,000	36,000	39,500	38,500	37,000	30,290	24,279	24,279	27,542	28,997	29,027	29,105	29,380	29,380	29,380	29,535
Receivables	2,867	2,382	3,808	4,111	1,492	1,802	1,597	1,842	1,747	1,710	1,713	1,743	1,766	1,795	1,827	1,861
Inventories	1,326	941	936	973	987	1,264	955	740	734	895	911	918	944	960	967	960
Contract assets					3,078	3,078	3,078	3,078	3,078	3,078	3,078	3,078	3,078	3,078	3,078	3,078
Other	61	108	115	104	86	155	113	82	82	107	110	113	117	120	122	122
Total Current Assets	**43,819**	**44,513**	**45,695**	**44,923**	**45,406**	**38,590**	**32,022**	**36,755**	**40,682**	**42,287**	**42,339**	**42,457**	**42,786**	**42,573**	**42,745**	**43,056**
Investments	-	-	-	161	-	32	25	25	29	30	30	30	31	31	31	31
Receivables	699	783	1,149	1,056	864	1,223	1,232	1,242	1,252	1,262	1,273	1,283	1,294	1,305	1,316	1,328
Inventories	371	215	41	41	41	67	67	67	67	67	67	67	67	67	67	67
Infrastructure, Property, Plant & Equipment	459,966	473,916	485,647	491,774	487,611	504,372	514,329	529,253	535,040	536,069	536,287	536,463	535,697	535,453	534,907	534,809
Intangible Assets	153	74	139	99	137	137	137	137	137	137	137	137	137	137	137	137
Investments Accounted using equity method	20,324	20,324	24,213	24,761	29,113	29,113	29,113	29,113	29,113	29,113	29,113	29,113	29,113	29,113	29,113	29,113
Other	282	282	282	282	282	282	282	282	282	282	282	282	282	282	282	282
Total Non-Current Assets	**481,795**	**495,594**	**511,471**	**518,174**	**518,048**	**535,225**	**545,185**	**560,120**	**565,920**	**566,961**	**567,189**	**567,376**	**566,620**	**566,387**	**565,852**	**565,767**
TOTAL ASSETS	**525,614**	**540,107**	**557,166**	**563,097**	**563,454**	**573,815**	**577,207**	**596,875**	**606,602**	**609,248**	**609,528**	**609,832**	**609,406**	**608,960**	**608,597**	**608,823**
Payables	3,365	2,913	4,670	3,399	5,291	6,019	4,844	3,908	3,950	4,712	4,834	4,930	5,091	5,210	5,291	5,314
Income received in advance	3	274	291	297												
Contract liabilities					1,086	1,627	1,183	1,732	1,167	887	797	813	797	812	829	845
Provisions	3,902	3,919	3,950	3,655	3,157	3,217	3,417	3,220	3,022	2,827	2,635	2,445	2,257	2,071	1,888	2,007
Total Current Liabilities	**7,270**	**7,106**	**8,911**	**7,351**	**9,534**	**10,862**	**9,444**	**8,860**	**8,139**	**8,426**	**8,266**	**8,187**	**8,144**	**8,093**	**8,008**	**8,166**
Payables	46	50	55	58	58	24	24	24	24	24	24	24	24	24	24	24
Borrowings	-	-	-	(1)	-	-	-	-	-	-	-	-	-	-	-	-
Provisions	1,594	1,617	1,626	1,631	1,632	1,658	1,659	1,660	1,661	1,662	1,663	1,663	1,664	1,665	1,666	1,667
Total Non-Current Liabilities	**1,640**	**1,667**	**1,681**	**1,688**	**1,690**	**1,682**	**1,683**	**1,684**	**1,684**	**1,685**	**1,686**	**1,687**	**1,688**	**1,689**	**1,690**	**1,691**
TOTAL LIABILITIES	**8,910**	**8,773**	**10,592**	**9,039**	**11,224**	**12,544**	**11,127**	**10,544**	**9,823**	**10,111**	**9,952**	**9,875**	**9,832**	**9,783**	**9,698**	**9,857**
Net Assets	**516,704**	**531,334**	**546,574**	**554,058**	**552,230**	**561,271**	**566,079**	**586,332**	**596,779**	**599,136**	**599,576**	**599,958**	**599,574**	**599,177**	**598,899**	**598,966**
Retained Earnings	292,833	301,936	310,941	318,252	330,923	339,964	344,772	365,025	375,472	377,829	378,269	378,651	378,267	377,870	377,592	377,659
Revaluation Reserves	223,871	229,398	235,633	235,806	221,307	221,307	221,307	221,307	221,307	221,307	221,307	221,307	221,307	221,307	221,307	221,307
Total Equity	**516,704**	**531,334**	**546,574**	**554,058**	**552,230**	**561,271**	**566,079**	**586,332**	**596,779**	**599,136**	**599,576**	**599,958**	**599,574**	**599,177**	**598,899**	**598,966**

TOTAL CAPITAL WORKS	**13,279**	**22,943**	**20,752**	**21,340**	**21,461**	**27,382**	**21,874**	**26,594**	**17,805**	**13,302**	**12,751**	**13,007**	**12,252**	**12,966**	**12,857**	**13,003**

	Budget		Forecast								
GENERAL FUND CASHFLOW STATEMENT	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**
Cash Flows from Operating Activities											
Receipts:											
Rates & Annual Charges	12,273	12,607	12,859	13,117	13,379	13,647	13,919	14,198	14,482	14,771	15,067
User Charges & Fees	6,698	5,736	6,572	6,695	6,829	6,966	7,105	7,247	7,392	7,540	7,691
Investment & Interest Revenue Received	328	333	261	277	299	317	327	413	433	450	472
Grants & Contributions	28,014	19,721	29,825	19,345	14,832	13,447	13,802	13,501	13,796	14,072	14,354
Other	196	690	813	941	945	955	969	990	1,008	1,028	1,049
Payments:	-	-	-	-	-	-	-	-	-	-	-
Employee Benefits & On-Costs	(13,063)	(12,854)	(11,424)	(11,749)	(12,759)	(12,944)	(13,188)	(13,580)	(13,833)	(14,105)	(14,078)
Materials & Contracts	(11,309)	(7,345)	(4,023)	(3,396)	(5,357)	(5,949)	(6,082)	(6,425)	(6,689)	(6,817)	(6,745)
Borrowing Costs	(3)	-	-	-	-	-	-	-	-	-	-
Other	(3,795)	(4,866)	(4,885)	(4,816)	(4,818)	(5,053)	(5,182)	(5,247)	(5,337)	(5,422)	(5,511)
Net Cash from Operating Activities	**19,339**	**14,022**	**29,997**	**20,414**	**13,350**	**11,385**	**11,670**	**11,096**	**11,253**	**11,518**	**12,298**
Cash Flows from Investing Activities	-	-	-	-	-	-	-	-	-	-	-
Receipts:	-	-	-	-	-	-	-	-	-	-	-
Sale of Investment Securities	6,678	6,018	-	-	-	-	-	-	-	-	-
Sale of Infrastructure, Property, Plant & Equipment	603	1,833	1,333	1,421	1,409	1,396	1,414	1,432	1,451	1,470	990
Payments:	-	-	-	-	-	-	-	-	-	-	-
Purchase of Investment Securities	-	-	-	(3,267)	(1,457)	(30)	(78)	(276)	-	-	(155)
Purchase of Infrastructure, Property, Plant & Equipment	(27,382)	(21,874)	(26,594)	(17,805)	(13,302)	(12,751)	(13,007)	(12,252)	(12,966)	(12,857)	(13,003)
Net Cash from Investing Activities	**(20,102)**	**(14,022)**	**(25,262)**	**(19,650)**	**(13,350)**	**(11,385)**	**(11,670)**	**(11,096)**	**(11,515)**	**(11,387)**	**(12,168)**
Cash Flows from Financing Activities											
Receipts:											
Proceeds from Borrowings & Advances		-	-	-	-	-	-	-	-	-	-
Payments:											
Repayment of Borrowings & Advances		-	-	-	-	-	-	-	-	-	-
Net Cash from Financing Activities		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net Increase/(Decrease) in Cash & Cash Equivalents	**(763)**	**-**	**4,736**	**764**	**-**	**-**	**-**	**-**	**(262)**	**131**	**130**
Plus: Cash & Cash equivalents - beginning of year	2,763	2,000	2,000	6,736	7,500	7,500	7,500	7,500	7,500	7,238	7,370
Cash & Cash Equivalents - end of the year	**2,000**	**2,000**	**6,736**	**7,500**	**7,500**	**7,500**	**7,500**	**7,500**	**7,238**	**7,370**	**7,500**
Investments - end of the year	30,322	24,304	24,304	27,571	29,028	29,057	29,135	29,411	29,411	29,411	29,566
Total Cash at End of Year	**32,322**	**26,304**	**31,039**	**35,071**	**36,528**	**36,557**	**36,635**	**36,911**	**36,649**	**36,781**	**37,066**
Representing:	-	-	-	-	-	-	-	-	-	-	-
- External Restrictions	12,069	10,922	9,341	9,399	9,457	9,514	9,572	9,630	9,687	9,745	9,802
- Internal Restricitons	17,579	13,848	19,665	23,458	24,251	23,395	23,426	23,458	23,509	23,561	23,612
- Unrestricted	2,675	1,535	2,033	2,213	2,820	3,648	3,637	3,824	3,453	3,475	3,652
TOTAL CASH	**32,322**	**26,304**	**31,039**	**35,071**	**36,528**	**36,557**	**36,635**	**36,911**	**36,649**	**36,781**	**37,066**

	Historic Actuals					Budget		Forecast								
WATER FUND INCOME STATEMENT	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**
Rates & Annual Charges	395	435	465	513	505	487	543	599	661	729	804	824	845	866	888	911
User Charges & Fees	762	695	886	856	674	772	787	865	952	1,047	1,151	1,266	1,297	1,330	1,363	1,397
Other Revenues	6	4	4	4	5	7	7	7	8	8	8	8	8	8	9	9
Grants & Contributions: Operating	12	12	63	6	118	14	14	14	15	15	15	15	16	16	16	17
Grants & Contributions: Capital Purposes	*411*	*2,927*	*3,286*	*7,393*	*1,111*	2,410	*43*	*44*	*45*	*46*	*47*	*48*	*49*	*50*	*51*	*52*
Interest and investment revenue	79	71	72	68	59	59	18	19	19	19	20	20	21	21	21	22
Net Gains Asset Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Income from Continuing Operations	**1,665**	**4,144**	**4,776**	**8,840**	**2,472**	**3,748**	**1,412**	**1,549**	**1,699**	**1,864**	**2,045**	**2,182**	**2,236**	**2,291**	**2,348**	**2,407**
TOTAL INCOME (ex. Capital)	**1,254**	**1,217**	**1,490**	**1,447**	**1,361**	**1,338**	**1,369**	**1,505**	**1,654**	**1,818**	**1,998**	**2,134**	**2,187**	**2,242**	**2,298**	**2,355**
Employee Benefits & On-Costs	234	206	298	342	527	626	685	702	719	737	756	771	786	802	818	834
Borrowing Costs	-	-	-	-	-	-	11	11	30	167	158	149	140	131	121	112
Materials & Contracts	475	578	307	319	673	743	546	560	574	588	603	495	505	515	525	535
Depreciation & Amortisation	515	530	537	648	661	649	655	671	688	705	723	737	752	767	783	798
Other expenses	121	97	96	119	128	112	429	132	136	139	142	145	148	151	154	157
TOTAL EXPENSES: Continuing Operations	**1,345**	**1,411**	**1,238**	**1,428**	**1,989**	**2,129**	**2,326**	**2,076**	**2,146**	**2,336**	**2,382**	**2,297**	**2,331**	**2,366**	**2,401**	**2,437**
Net Operating Result for the Year	**320**	**2,733**	**3,538**	**7,412**	**483**	**1,618**	**(913)**	**(527)**	**(447)**	**(473)**	**(337)**	**(116)**	**(95)**	**(74)**	**(53)**	**(30)**
OPERATING SURPLUS/DEFICIT exc. Capital	**(91)**	**(194)**	**252**	**19**	**(628)**	**(791)**	**(956)**	**(571)**	**(492)**	**(518)**	**(384)**	**(163)**	**(144)**	**(124)**	**(103)**	**(82)**

WATER FUND BALANCE SHEET	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**
Cash & Cash Equivalents	3,080	3,359	1,916	4,566	4,382	3,085	3,058	2,961	2,864	961	696	633	675	744	839	962
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Receivables	602	628	2,739	566	595	999	554	607	664	728	797	871	892	914	937	960
Inventories	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contract assets	-	-	-	-	11	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	8		-	4	5	3	4	4	4	3	3	3	3	3
Total Current Assets	**3,682**	**3,987**	**4,663**	**5,132**	**4,988**	**4,088**	**3,617**	**3,571**	**3,531**	**1,692**	**1,497**	**1,507**	**1,571**	**1,661**	**1,779**	**1,926**
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Receivables	77	54	49	69	77	75	78	86	95	105	115	124	127	130	134	137
Inventories	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure, Property, Plant & Equipment	26,197	28,642	30,837	35,927	36,780	39,331	39,456	39,864	46,305	47,229	46,635	46,026	45,403	44,765	44,112	43,443
Intangible Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments Accounted using equity method	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-Current Assets	**26,274**	**28,696**	**30,886**	**35,996**	**36,857**	**39,407**	**39,534**	**39,950**	**46,400**	**47,333**	**46,750**	**46,151**	**45,531**	**44,896**	**44,246**	**43,580**
TOTAL ASSETS	**29,956**	**32,683**	**35,549**	**41,128**	**41,845**	**43,494**	**43,151**	**43,521**	**49,931**	**49,025**	**48,246**	**47,658**	**47,102**	**46,557**	**46,025**	**45,506**
Payables	365	173	2,212	63	112	154	175	125	128	131	134	115	117	120	122	125
Income received in advance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contract liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	53	145	436	445	454	463	472	482	491	469
Provisions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Current Liabilities	**365**	**173**	**2,212**	**63**	**112**	**154**	**229**	**270**	**564**	**576**	**588**	**578**	**590**	**602**	**614**	**594**
Payables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	496	1,350	7,914	7,469	7,015	6,552	6,079	5,597	5,106	4,636
Provisions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-Current Liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**496**	**1,350**	**7,914**	**7,469**	**7,015**	**6,552**	**6,079**	**5,597**	**5,106**	**4,636**
TOTAL LIABILITIES	**365**	**173**	**2,212**	**63**	**112**	**154**	**724**	**1,620**	**8,478**	**8,045**	**7,603**	**7,130**	**6,669**	**6,199**	**5,720**	**5,231**
Net Assets	**29,591**	**32,510**	**33,337**	**41,065**	**41,733**	**43,340**	**42,427**	**41,900**	**41,453**	**40,980**	**40,643**	**40,528**	**40,432**	**40,358**	**40,305**	**40,275**
Retained Earnings	11,667	14,310	17,848	25,260	25,743	27,361	26,448	25,921	25,474	25,001	24,664	24,549	24,453	24,379	24,326	24,296
Revaluation Reserves	17,924	18,200	15,489	15,805	15,990	15,990	15,990	15,990	15,990	15,990	15,990	15,990	15,990	15,990	15,990	15,990
Total Equity	**29,591**	**32,510**	**33,337**	**41,065**	**41,733**	**43,351**	**42,438**	**41,911**	**41,464**	**40,991**	**40,654**	**40,539**	**40,443**	**40,369**	**40,316**	**40,286**

TOTAL CAPITAL WORKS	**536**	**35**	**115**	**115**	**148**	**3,201**	**779**	**1,079**	**7,129**	**1,629**	**129**	**129**	**129**	**129**	**129**	**129**

	Budget		Forecast								
WATER FUND CASHFLOW STATEMENT	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**
Cash Flows from Operating Activities											
Receipts:											
Rates & Annual Charges	473	538	594	655	723	797	823	843	864	886	909
User Charges & Fees	734	782	841	924	1,016	1,118	1,229	1,287	1,319	1,352	1,386
Investment & Interest Revenue Received	59	18	19	19	19	20	20	21	21	21	22
Grants & Contributions	2,064	515	58	59	60	62	63	64	65	67	68
Other	16	1	(23)	(25)	(29)	(32)	(36)	(4)	(4)	(5)	(5)
Payments:											
Employee Benefits & On-Costs	(626)	(685)	(702)	(719)	(737)	(756)	(771)	(786)	(802)	(818)	(834)
Materials & Contracts	(705)	(525)	(609)	(571)	(585)	(599)	(513)	(502)	(512)	(523)	(533)
Borrowing Costs	-	(11)	(11)	(30)	(167)	(158)	(149)	(140)	(131)	(121)	(112)
Other	(112)	(429)	(132)	(136)	(139)	(142)	(145)	(148)	(151)	(154)	(157)
Net Cash from Operating Activities	**1,903**	**204**	**35**	**177**	**163**	**309**	**521**	**634**	**670**	**706**	**744**
Cash Flows from Investing Activities											
Receipts:											
Sale of Investment Securities	-	-	-	-	-	-	-	-	-	-	-
Sale of Infrastructure, Property, Plant & Equipment	-	-	-	-	-	-	-	-	-	-	-
Payments:											
Purchase of Investment Securities	-	-	-	-	-	-	-	-	-	-	-
Purchase of Infrastructure, Property, Plant & Equipment	(3,201)	(779)	(1,079)	(7,129)	(1,629)	(129)	(129)	(129)	(129)	(129)	(129)
Net Cash from Investing Activities	**(3,201)**	**(779)**	**(1,079)**	**(7,129)**	**(1,629)**	**(129)**	**(129)**	**(129)**	**(129)**	**(129)**	**(129)**
Cash Flows from Financing Activities											
Receipts:											
Proceeds from Borrowings & Advances	-	575	1,000	7,000	-	-	-	-	-	-	-
Payments:											
Repayment of Borrowings & Advances	-	(26)	(53)	(145)	(436)	(445)	(454)	(463)	(472)	(482)	(491)
Net Cash from Financing Activities	**-**	**549**	**947**	**6,855**	**(436)**	**(445)**	**(454)**	**(463)**	**(472)**	**(482)**	**(491)**
Net Increase/(Decrease) in Cash & Cash Equivalents	**(1,297)**	**(27)**	**(98)**	**(97)**	**(1,903)**	**(265)**	**(62)**	**42**	**68**	**95**	**123**
Plus: Cash & Cash equivalents - beginning of year	4,382	3,085	3,058	2,961	2,864	961	696	633	675	744	839
Cash & Cash Equivalents - end of the year	**3,085**	**3,058**	**2,961**	**2,864**	**961**	**696**	**633**	**675**	**744**	**839**	**962**

	Historic Actuals					Budget		Forecast								
SEWER FUND INCOME STATEMENT	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**
Rates & Annual Charges	1,415	1,739	1,850	2,083	1,993	1,910	2,090	2,180	2,277	2,378	2,548	2,599	2,651	2,704	2,758	2,813
User Charges & Fees	132	99	144	85	100	212	216	233	252	272	290	296	302	308	314	320
Other Revenues	-	-	13	7	-	-	-	-	-	-	-	-	-	-	-	-
Grants & Contributions: Operating	116	111	151	77	30	29	30	30	31	32	32	33	33	34	35	35
Grants & Contributions: Capital Purposes	*419*	*117*	*173*	*21*	*13*	*97*	*98*	*100*	*102*	*104*	*107*	*109*	*111*	*113*	*115*	*118*
Interest and investment revenue	69	64	65	76	47	80	39	40	41	42	42	43	44	45	46	47
Net Gains Asset Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Income from Continuing Operations	**2,151**	**2,130**	**2,396**	**2,349**	**2,183**	**2,327**	**2,474**	**2,584**	**2,702**	**2,828**	**3,019**	**3,079**	**3,141**	**3,204**	**3,268**	**3,333**
TOTAL INCOME (ex. Capital)	**1,732**	**2,013**	**2,223**	**2,328**	**2,170**	**2,231**	**2,375**	**2,483**	**2,600**	**2,723**	**2,912**	**2,971**	**3,030**	**3,091**	**3,152**	**3,215**
Employee Benefits & On-Costs	301	301	448	433	548	651	851	873	895	917	940	959	978	997	1,017	1,038
Borrowing Costs	157	145	133	119	107	94	104	46	53	49	48	35	27	21	15	10
Materials & Contracts	765	727	629	521	673	677	815	836	857	878	836	853	870	888	905	923
Depreciation & Amortisation	749	955	999	904	896	921	929	953	977	1,001	1,026	1,046	1,067	1,089	1,111	1,133
Other expenses	304	347	293	398	394	387	541	247	253	260	266	272	277	283	288	294
TOTAL EXPENSES: Continuing Operations	**2,276**	**2,475**	**2,502**	**2,375**	**2,618**	**2,730**	**3,241**	**2,954**	**3,034**	**3,105**	**3,116**	**3,164**	**3,219**	**3,278**	**3,336**	**3,398**
Net Operating Result for the Year	**(125)**	**(345)**	**(106)**	**(26)**	**(435)**	**(402)**	**(767)**	**(371)**	**(331)**	**(277)**	**(98)**	**(85)**	**(78)**	**(74)**	**(68)**	**(65)**
OPERATING SURPLUS/DEFICIT exc. Capital	**(544)**	**(462)**	**(279)**	**(47)**	**(448)**	**(499)**	**(866)**	**(471)**	**(434)**	**(381)**	**(204)**	**(194)**	**(189)**	**(187)**	**(184)**	**(182)**

SEWER FUND BALANCE SHEET	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**
Cash & Cash Equivalents	2,242	2,188	2,552	2,505	2,782	2,875	2,793	1,656	1,628	1,661	1,898	2,203	2,527	2,869	3,228	3,605
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Receivables	612	702	733	955	885	1,002	1,027	1,104	1,190	1,283	1,369	1,396	1,424	1,452	1,482	1,511
Total Current Assets	**2,854**	**2,890**	**3,285**	**3,460**	**3,667**	**3,876**	**3,820**	**2,761**	**2,817**	**2,944**	**3,267**	**3,600**	**3,951**	**4,321**	**4,710**	**5,116**
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Receivables	160	171	161	172	187	129	132	142	153	166	177	180	184	188	191	195
Inventories	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure, Property, Plant & Equipment	45,178	45,447	40,497	40,572	40,027	39,329	40,194	40,571	39,879	39,166	38,433	37,684	36,918	36,135	35,336	34,518
Total Non-Current Assets	**45,338**	**45,618**	**40,658**	**40,744**	**40,214**	**39,458**	**40,325**	**40,713**	**40,032**	**39,332**	**38,610**	**37,864**	**37,102**	**36,323**	**35,527**	**34,713**
TOTAL ASSETS	**48,192**	**48,508**	**43,943**	**44,204**	**43,881**	**43,335**	**44,146**	**43,474**	**42,849**	**42,276**	**41,877**	**41,464**	**41,053**	**40,644**	**40,237**	**39,829**
Payables	63	41	48	18	48	41	52	42	43	44	43	44	44	45	46	47
Borrowings	201	204	207	219	137	146	291	294	297	301	329	333	336	340	344	252
Total Current Liabilities	**264**	**245**	**255**	**237**	**185**	**187**	**343**	**336**	**340**	**345**	**372**	**376**	**381**	**385**	**390**	**299**
Borrowings	2,317	2,113	1,906	1,687	1,549	1,403	2,825	2,531	2,234	1,934	1,604	1,272	935	595	252	-
Provisions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-Current Liabilities	**2,317**	**2,113**	**1,906**	**1,687**	**1,549**	**1,403**	**2,825**	**2,531**	**2,234**	**1,934**	**1,604**	**1,272**	**935**	**595**	**252**	**-**
TOTAL LIABILITIES	**2,581**	**2,358**	**2,161**	**1,924**	**1,734**	**1,590**	**3,168**	**2,867**	**2,574**	**2,278**	**1,976**	**1,648**	**1,316**	**981**	**642**	**299**
Net Assets	**45,611**	**46,150**	**41,782**	**42,280**	**42,147**	**41,745**	**40,977**	**40,607**	**40,275**	**39,998**	**39,901**	**39,816**	**39,737**	**39,663**	**39,595**	**39,530**
Retained Earnings	25,257	24,912	24,806	24,780	24,345	23,943	23,175	22,805	22,473	22,196	22,099	22,014	21,935	21,861	21,793	21,728
Revaluation Reserves	20,354	21,238	16,976	17,500	17,802	17,802	17,802	17,802	17,802	17,802	17,802	17,802	17,802	17,802	17,802	17,802
Total Equity	**45,611**	**46,150**	**41,782**	**42,280**	**42,147**	**41,745**	**40,977**	**40,607**	**40,275**	**39,998**	**39,901**	**39,816**	**39,737**	**39,663**	**39,595**	**39,530**

TOTAL CAPITAL WORKS	**809**	**237**	**310**	**433**	**34**	**223**	**1,794**	**1,330**	**284**	**288**	**293**	**297**	**302**	**306**	**311**	**315**

	Budget		Forecast								
SEWER FUND CASHFLOW STATEMENT	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**
Cash Flows from Operating Activities											
Receipts:											
Rates & Annual Charges	1,899	2,084	2,177	2,273	2,375	2,541	2,597	2,649	2,702	2,756	2,811
User Charges & Fees	163	195	149	159	170	200	267	272	278	283	289
Investment & Interest Revenue Received	80	39	40	41	42	42	43	44	45	46	47
Grants & Contributions	126	128	131	133	136	139	141	144	147	150	153
Other	-	-	-	-	-	-	-	-	-	-	-
Payments:											
Employee Benefits & On-Costs	(651)	(851)	(873)	(895)	(917)	(940)	(959)	(978)	(997)	(1,017)	(1,038)
Materials & Contracts	(683)	(804)	(846)	(855)	(877)	(838)	(852)	(869)	(887)	(904)	(923)
Borrowing Costs	(94)	(104)	(46)	(53)	(49)	(48)	(35)	(27)	(21)	(15)	(10)
Other	(387)	(541)	(247)	(253)	(260)	(266)	(272)	(277)	(283)	(288)	(294)
Net Cash from Operating Activities	**453**	**146**	**484**	**550**	**619**	**830**	**931**	**958**	**984**	**1,010**	**1,036**
Cash Flows from Investing Activities											
Receipts:											
Sale of Investment Securities	-	-	-	-	-	-	-	-	-	-	-
Sale of Infrastructure, Property, Plant & Equipment	-	-	-	-	-	-	-	-	-	-	-
Payments:											
Purchase of Investment Securities	-	-	-	-	-	-	-	-	-	-	-
Purchase of Infrastructure, Property, Plant & Equipment	(223)	(1,794)	(1,330)	(284)	(288)	(293)	(297)	(302)	(306)	(311)	(315)
Net Cash from Investing Activities	**(223)**	**(1,794)**	**(1,330)**	**(284)**	**(288)**	**(293)**	**(297)**	**(302)**	**(306)**	**(311)**	**(315)**
Cash Flows from Financing Activities											
Receipts:											
Proceeds from Borrowings & Advances	-	1,794	-	-	-	-	-	-	-	-	-
Payments:											
Repayment of Borrowings & Advances	(137)	(227)	(291)	(294)	(297)	(301)	(329)	(333)	(336)	(340)	(344)
Net Cash from Financing Activities	**(137)**	**1,567**	**(291)**	**(294)**	**(297)**	**(301)**	**(329)**	**(333)**	**(336)**	**(340)**	**(344)**
Net Increase/(Decrease) in Cash & Cash Equivalents	**93**	**(82)**	**(1,137)**	**(28)**	**33**	**237**	**305**	**324**	**341**	**360**	**376**
Plus: Cash & Cash equivalents - beginning of year	2,782	2,875	2,793	1,656	1,628	1,661	1,898	2,203	2,527	2,869	3,228
Cash & Cash Equivalents - end of the year	**2,875**	**2,793**	**1,656**	**1,628**	**1,661**	**1,898**	**2,203**	**2,527**	**2,869**	**3,228**	**3,605**

Appendix 2: Council Reserves Listing

Note: future revisions of this LTFP will – following the review of Council's reserves – include further details of reserve purpose, etc.

Internally Restricted Reserves	Estimated reserve balance 30th June 2021	MOVEMENT	Estimated balance 2022
Plant & Vehicle Replacement	518,090	256,457	774,547
Infrastructure Replacement	1,273,654	(265,000)	1,008,654
Employees Leave Entitlement	1,644,515	(620,000)	1,024,515
Budget Contingency	330,851	(0)	330,851
Capital Works	1,786,325	(140,013)	1,646,312
Community Services	692,821	91,838	784,659
Environment	126,200	0	126,200
Environmental Sustainability	16,961	0	16,961
Gravel Pit Restoration	463,546	76,408	539,954
Housing	137,070	0	137,070
Limestone Quarry	1,445,697	0	1,445,697
Office Equipment	143,122	(64,350)	78,772
Recreation & Culture	1,607	0	1,607
RoadWorks	4,408,374	(2,192,034)	2,216,340
Sewerage	16,791	0	16,791
Village Enhancement	425,013	(304,950)	120,063
Insurance Provision	137,000	30,000	167,000
Future innovation	652,492	(501,628)	150,864
Canowindra Retirement Village	1,083,343	0	1,083,343
Overhead realisation reserve	1,358,463	816,103	2,174,566
Carry forward expenditure reserve	-	2,999	2,999
Age of Fishes Reserve	-	29,206	29,206
	16,661,936	(2,784,965)	13,876,971

Externally Restricted Reserves	Estimated reserve balance 30th June 2021	MOVEMENT	Estimated balance 2022
Canowindra Town Improvements	1,441,990	232,492	1,674,482
Canowindra Sports Trust	18,232	(5,000)	13,232
Developer Contributions	1,044,885	(700,000)	344,885
RMS Contributions	1,368,995	(1,368,995)	0
Block Grant	20,159	0	20,159
Specific Purpose	4,535,469	(1,455,406)	3,080,063
Water Supplies	4,171,040	(1,337,387)	2,833,653
Water Pipeline Project	210,996	0	210,996
Sewerage Supplies	917,714	(316,988)	600,726
Small Town Sewerage Supplies	2,020,910	138,739	2,159,649
Domestic Waste	3,937,243	(24,677)	3,912,566
Storm Water Levy	403,030	76,012	479,042
	20,090,664	(4,761,211)	15,329,453
TOTAL RESERVES	**36,752,600**	(7,546,176)	**29,206,424**