

# DELIVERING QUALITY FOR CABONNE

LONG TERM FINANCIAL PLAN  
2024-25 - 2033-34



CABONNE COUNCIL

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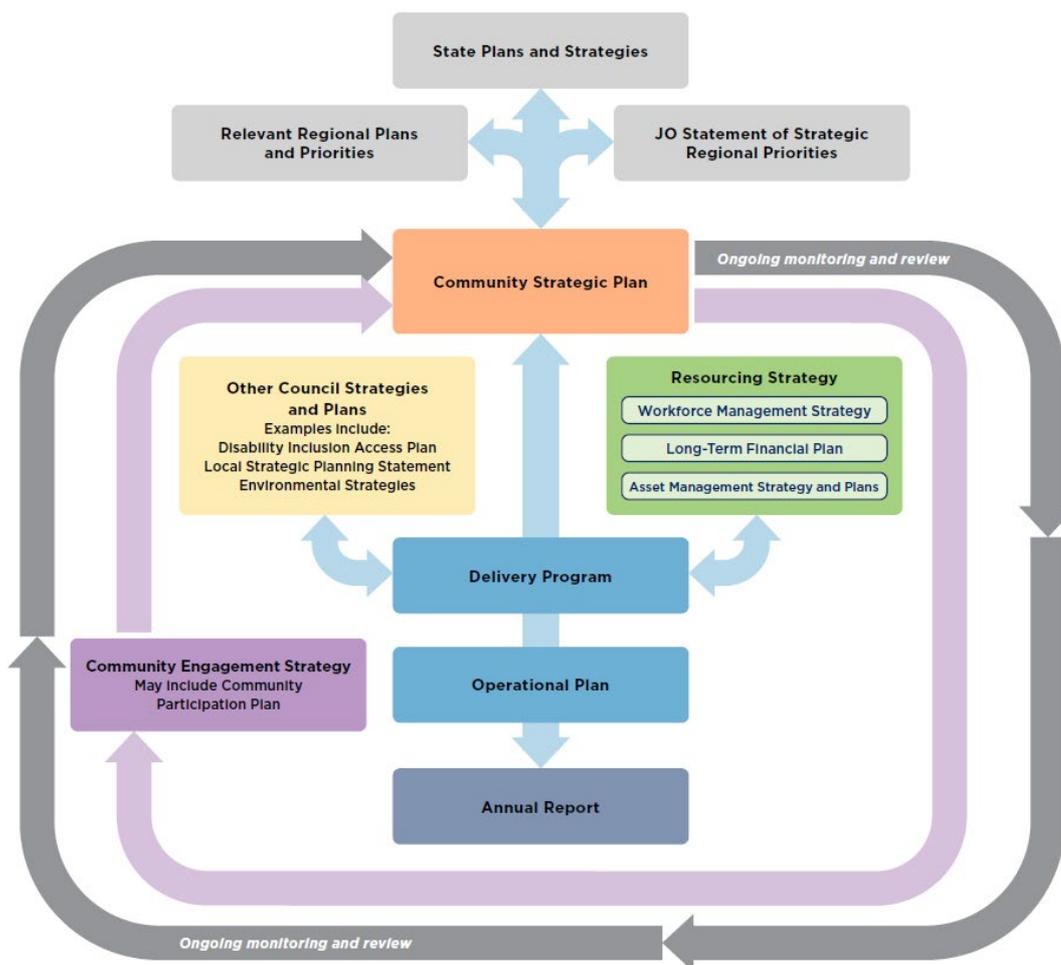
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## 1. Executive Summary and Introduction

In planning for Cabonne's future and Council's contribution to the Cabonne Community Plan, Council considers resourcing capability and future resourcing needs. Council has developed an overarching Resourcing Strategy which demonstrates how Council will be resourced for the next ten years. The Resourcing Strategy supports the integration between our finance, workforce, assets and technology.

Key components of Council's resourcing capability are its assets, its financial position and outlook, existing and potential technologies and human resourcing. While we have separately documented how each of the key resourcing components will contribute to our resourcing, Council considers each component simultaneously in its overarching Resourcing Strategy as part of our long term planning.

The Integrated Planning and Reporting (IP&R) framework encourages and supports the review of each of Council's resourcing strategies aligned with the review of the Community Strategic Plan and at other times as required.



The Long Term Financial Plan (LTFP) can be read in conjunction with Council's suite of resourcing strategies. This suite includes:

- ▶ **The Long Term Financial Plan**
- ▶ **The Strategic Workforce Plan**
- ▶ **The Asset Management Strategy**

The LTFP is a decision-making and problem solving tool. It is intended as a guide for future action. It is an important part of Council's strategic planning process, and it is the point where long term community aspirations and goals are tested against financial realities.

The strategies from the LTFP will guide the delivery of actions by Council to achieve the following outcomes of the Council Plan.

- ▶ Council has a long-term vision based on financial sustainability;
- ▶ Council has the ability to maintain existing facilities and infrastructure to afford what the community wants through sound financial planning, proactive asset management and continuous improvement.

This LTFP has been prepared in the context of three separate natural disaster flood events in 2021 and 2022 which have had a devastating impact on the Cabonne community including loss of life and widespread damage to housing, roads, buildings and other community infrastructure. The recovery from these events is taking place and is expected to continue over the next two financial years.

The natural disaster events have also impacted on Council's short term financial position as cash reserves set aside for asset replacement and longer term strategic goals have been utilised to fund damaged infrastructure. Council is receiving assistance from the NSW Government, and it is expected that these cash reserves will be replenished as the claims for restoration work are assessed and reimbursed to Council.

### How do we define Long Term Financial Sustainability?

A financially sustainable Council is one that has the ability to fund ongoing service delivery, and the renewal and replacement of assets without imposing excessive debt or rate increases on future generations. This definition has been translated into four key financial sustainability principles:

- ▶ Council must achieve a fully funded operating position reflecting that Council collects enough revenue to fund operational expenditure, repayment of debt and depreciation,
- ▶ Council must maintain sufficient cash reserves to ensure that it can meet its short term working capital requirements,
- ▶ Council must have a fully funded capital program, where the source of funding is identified and secured for both capital renewal and new capital works,
- ▶ Council must maintain its asset base, by renewing ageing infrastructure, which is identified, and by ensuring cash reserves are set aside for those works which are yet to be identified.

It is important to note that while these principles represent financial sustainability, in the current environment, most councils will find it difficult to obtain this level of sustainability as major ongoing challenge for all NSW councils is the need to provide adequate levels of for the maintenance and renewal of existing infrastructure.

This has been previously highlighted in a number of studies such as the 2006 Local Government and Shires Association's Independent Inquiry into the Financial Sustainability of NSW Local Government and more recently the 2013 report released by NSW Treasury Corporation (TCorp) in regard to financial sustainability of all NSW councils.

The TCorp review identified an infrastructure renewal backlog of \$7.2 billion across all NSW councils. These studies have identified the need for NSW councils to significantly increase funding for the renewal of existing infrastructure. They have further identified that if funding is not increased in the immediate term, then the infrastructure renewal backlog will continue to increase at a level which may become too great to address without serious ramifications on service delivery.

The backlog in asset renewal is a direct result of councils in NSW not being able to cash fund depreciation. Depreciation represents the average loss of service potential for the asset over its economic life. Current asset renewal funding is based on the actual renewals program, and this is often modified to fit within budgetary restraints. This means that as assets are consumed funds are not being put aside to replace the asset at the end of its useful life.

This is not a result of poor management; councils simply cannot afford to fund depreciation without compromising existing levels of service. As rates are pegged to a basket of CPI indexes by IPART many councils struggle to keep up with their asset renewal requirements and other cost increases progressively erode the funding base.

Deferring asset renewals compounds the asset renewal problem, as the older assets get, the more they cost a council to maintain. This in part is being addressed through the implementation of Integrated Planning and Reporting, moving a council's focus away from simply maintaining assets to managing an assets life cycle. This framework allows councils to clearly demonstrate to the community the long term financial ramifications of not renewing assets.

### How is Long Term Financial Sustainability Measured?

A review undertaken by the Independent Pricing and Regulatory Tribunal (IPART) into the Revenue Framework for Local Government identified a number of performance indicators which measure the financial performance and position of NSW councils. The indicators measure both recurrent operations and capital sustainability.

Council will review its LTFP against these indicators as part of assessing the long term financial health of the organisation and its capacity to fund the proposed Delivery Program.

### This Long Term Financial Plan

The NSW Local Government Act (section 409) and National Competition Policy require councils to account for their water supply and sewerage functions as distinct businesses, separate from the 'general fund' (which covers all other functions).

Sections 2, 3 and 4 of this LTFP outline Council's historic, current and forecast financial *performance* and *position* for general, water and sewer funds respectively. The assumptions behind the forecasts are included in each section.

The 'raw numbers' behind this analysis are in the Income Statement (sometimes referred to as a profit and loss statement), Statement of Financial Position (balance sheet) and Cashflow Statement for each fund in Appendix 1.

Section 5 of this LTFP considers the sensitivity of the forecasts to changes in key assumptions (e.g. trends in employee costs or the availability of government grants).

Section 6 of this LTFP considers several scenarios to help Council understand the implications of its decisions (e.g. not increasing water charges) and potential changes that are not directly under its control (e.g. new residential development in Molong).

With reference to Council's financial sustainability objectives and measures:

- *financial performance* relates to Council's spending in its Income Statement (operating performance, surplus or deficit) and part of the Cashflow Statement; and
- *financial position* relates Council's assets and liabilities in its Statement of Financial Position (its cash reserves, infrastructure and debt) which is impacted by movements in the Cashflow Statement (e.g. purchase of assets, taking on and repayment of debt); it also relates to the state of its assets as detailed the Strategic Asset Management Plan.

# Financial Assessment

## Current situation

The table below summarises Council's 'baseline' performance (in the 2024/25 budget) against each measure for each financial sustainability (FS) objective by fund.

Financial Sustainability Objective	Measure/s	Current Performance by Fund (2024/25 Budget)		
		General	Water	Sewer
Council achieves a <b>fully funded operating position</b> reflecting that Council generates sufficient revenue to fund operational expenditure, and depreciation.	Operating Performance Ratio greater than zero -	Not achieved –	Not achieved.	Achieved.
Council must <b>maintain sufficient cash reserves</b> to ensure it can meet its short term working capital requirements	Unrestricted Current Ratio > 1.0 times	Achieved.	Achieved	Achieved
Council must have a <b>fully funded capital program</b> where the source of funding is identified and secured for both capital renewal and new capital works.	Capital Budget detailing the funding source for each item.	Achieved	Achieved	Achieved
Council must <b>maintain its asset base</b> by renewing ageing infrastructure, which is identified, and by ensuring cash reserves are set aside for those works which are yet to be identified.	A minimum 85% of Council's infrastructure assets are rated as being at a satisfactory level or higher.	Not achieved (impact of natural disasters)	Not achieved	Achieved

## General Fund

### Overview

The table above and the financial forecasts presented in this plan demonstrate that Council needs to take corrective action in order to achieve financial sustainability. This is highlighted in the Income Statement for the General Fund below which forecasts a net operating loss of \$5.1M before capital grants and contributions in 2024/25 which extends out to \$8.1M in 2034/34.

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
Rates & Annual Charges	14,243	14,725	15,228	15,748	16,286	16,842	17,418	18,013	18,629	19,266
User Charges & Fees	7,174	7,461	7,759	8,070	8,393	8,728	9,077	9,440	9,818	10,211
Other Revenues	502	975	1,001	1,026	1,052	1,079	1,107	1,133	1,162	1,191
Grants & Contributions - Operating	13,463	12,329	12,722	13,128	13,549	13,984	14,435	14,901	15,384	15,883
Grants & Contributions - Capital	41,050	31,900	4,889	5,039	5,194	5,354	5,519	5,690	5,867	6,051
Interest and Investment Revenue	945	949	936	921	898	1,225	1,210	1,190	1,165	1,132
Profit on disposal of Assets	300									
Other Income	193	187	191	194	198	202	206	210	214	218
<b>Total Income</b>	<b>77,869</b>	<b>68,527</b>	<b>42,726</b>	<b>44,126</b>	<b>45,569</b>	<b>47,415</b>	<b>48,971</b>	<b>50,578</b>	<b>52,238</b>	<b>53,951</b>
Employee Costs	16,709	17,294	17,813	18,347	18,898	19,465	20,048	20,650	21,269	21,907
Materials & Services	11,492	10,213	10,621	11,339	11,488	11,947	12,814	12,922	13,439	14,494
Borrowing Costs	-	174	168	162	156	150	143	136	128	120
Depreciation	13,112	13,636	14,182	14,749	15,339	15,953	16,591	17,254	17,945	18,662
Other Expenses	627	652	679	706	734	763	794	826	859	893
	<b>41,940</b>	<b>41,969</b>	<b>43,462</b>	<b>45,303</b>	<b>46,614</b>	<b>48,278</b>	<b>50,390</b>	<b>51,788</b>	<b>53,640</b>	<b>56,077</b>
<b>Net Operating Result</b>	<b>35,929</b>	<b>26,558</b>	<b>(737)</b>	<b>(1,177)</b>	<b>(1,045)</b>	<b>(863)</b>	<b>(1,419)</b>	<b>(1,210)</b>	<b>(1,402)</b>	<b>(2,126)</b>
<b>Net Operating Result before capital grants &amp; contributions</b>	<b>(5,121)</b>	<b>(5,342)</b>	<b>(5,625)</b>	<b>(6,216)</b>	<b>(6,238)</b>	<b>(6,217)</b>	<b>(6,939)</b>	<b>(6,900)</b>	<b>(7,269)</b>	<b>(8,177)</b>

**Figure 1: Net Operating Result Forecast - 2024/25 to 2033/34.**

Council's budget has faced significant pressures including:

- ▶ The impact of natural disaster events (which exceeded any previous 1 in 100 year projections) has directed resources away from Council's 'normal' operations and reduced overall financial capacity. This is reflected in the Unrestricted Current ratio at 30 June 2023(7.74 times down from 34.67)
- ▶ Whilst the depleted cash reserves are expected to be replenished over the next two financial years, there is still uncertainty around the level of recovery funding that will be received from the NSW Government. If the amount of funding is less than the actual cost of reinstating damaged assets, Council will be forced to defer works which will add to the existing backlog of works and deterioration in asset condition. It is likely that Council will receive additional community complaints on the unsatisfactory condition of some assets.
- ▶ Increases in the cost of procuring goods and services and employee costs have been consistently higher than rate pegging increases as determined by IPART.
- ▶ Putting the natural disaster funding aside Council is spending less on infrastructure renewal than the cost of depreciation.

In preparing the 2024-2034 LTFP, the following underpinning principles have been used:

- ▶ Reinstating and repair work to assets that were damaged by the flooding events in 2022;
- ▶ Following the completion of the repairs and reinstatement of damaged assets, budgets will aim to maintain assets to at least the same condition as they were at the start of each financial year;
- ▶ Management will continually look for ways to structurally realign resources and / or increase income opportunities without changes to service standards;
- ▶ Council will replenish its cash reserves as the claims for natural disaster relief are settled;
- ▶ Council will continue to improve its capacity to fund its recurrent operations and renew critical infrastructure through sustainable decision making.

The options considered in this plan for an improved financial forecast are summarised in the table below as follows:

Option	Detail	Impact on sustainability
1 – Identify cost savings	A number of service reviews are being undertaken or included in Councils planning. These include the Age of Fishes Museum, swimming pool facilities, the Community Services department and town presentation.	Any reduction in the cost of services will improve sustainability.
2 – Seek additional grant funding for asset replacement	Council is proactive in applying for grant funding to deliver projects which align with the Cabonne Community Plan. This includes funding for new assets and may also include funding for the replacement or enhancement of existing infrastructure and for disaster recovery costs.  Council should generally prioritise its funding applications towards projects which fund the replacement and betterment of existing assets as this reduces the requirement for funding from ordinary rates revenue and does not add to the existing cost for depreciation.	The measures for sustainability include grant funding received for asset replacement. An increase in grant funding for asset replacements will improve Council's net operating result.
3 – Seek a special rating	This process will require an extensive period of community consultation	An increase in revenue from



Despite the improved forecasts the Water Fund is still not sustainable in the longer term and requires further changes to achieve a sustainable position. The balance of the Water Fund Reserve (cash) at 30/6/2023 was \$4.1M and this is projected to drop below \$0.7M by 2028/29 before increasing to \$2M by 2033/34.

A typical residential property in Molong consuming 200kl of water per annum currently pays \$1,062. The proposed increases will increase this amount to \$1415 by 2026/27.

The seriousness of the current financial situation (which can be seen most clearly in the 58% operating deficit in the 2025 budget) and Council's lack of capacity to address the challenges on its own (due to the already high costs and very small number of customers) supports Council's advocacy regarding need for, and urgency of, assistance from NSW Government.

NSW Government is already supporting production of the Sub-Regional Water Supply Strategy (Council is undertaking this in collaboration with Orange City Council and Central Tablelands Water), but the analysis in this LTFP highlights Council will need significant further assistance to overcome its challenges. As highlighted in section 4, even after increasing charges), Council is *still* forecasting an operating deficit of 42% in 10 years. This is unsustainable.

Section 6.2 explores an alternate scenario to the 10% increase by setting a course for even higher level increases in charges of 30% in 2024/25, and 20% in 2025/26 to improve the sustainability of the Water Fund.

## Sewerage Business

### Overview

Section 4 proposes to continue the process of harmonising charges for customers of Cabonne's sewerage businesses to bring all towns up to the level at Canowindra.

Assumed increases in residential charges in each town are detailed in section 4, but in summary:

- charges in Canowindra (now \$969) are proposed to increase by CPI only (4%)
- Cudal, Cumnock, Manildra and Yeoval now pay \$958, proposed increases are 0.5-1.5% over CPI after that to harmonise with Canowindra.
- Eugowra pays \$928 now, an increase of 2% is proposed for the next year, then 5-7% including CPI for 5 years after that to harmonise with Canowindra.
- Molong pays \$814 now, increases of 10% and 10.6%p.a. including CPI are proposed over the next 2 years to harmonise with Canowindra.

These increases are sufficient to achieve a small (3%) operating surplus by 2025/26, suggesting that Council's sewerage business will be sustainable once charges are harmonised, however there are some significant uncertainties to be addressed.

The biggest issue is the cost of, and funding for, replacement of the Molong and Canowindra Sewage Treatment Plants. Molong earmarked for 2029 and a 50% subsidy is assumed, even though Council is ineligible for funding under the Safe and Secure Water Program (which is the most likely source of funding for such works). Canowindra is expected to need replacement just outside the 10 year horizon of this LTFP. Funding for its replacement is also not guaranteed, and the project itself needs scoping to understand the potential cost. Each of these projects will also result in significant increases in operational costs (modern plants use more power, chemicals and take more labour to operate) and depreciation.

## 2. General Fund

### 2.1 Analysis

The chart below summarises the main operating income and expenses in the Income Statement for Council's 2024/25 budget, including the projected deficit of \$5.1M. This excludes \$41M forecast for capital grants and contributions.



Figure 3: key income and expense items in 2024/5 general fund budget.

A deficit of this scale (14% of operating revenues) is of concern if it continues long term.

The longer-term view in Figure 3 puts this year's deficit in perspective. It shows:

- actual results from Council's financial statements 2022-2023
- current year 2024 budget, as per the September Quarterly Budget Review
- forecast performance to 2034: an underlying (ongoing) deficit of 13-14%

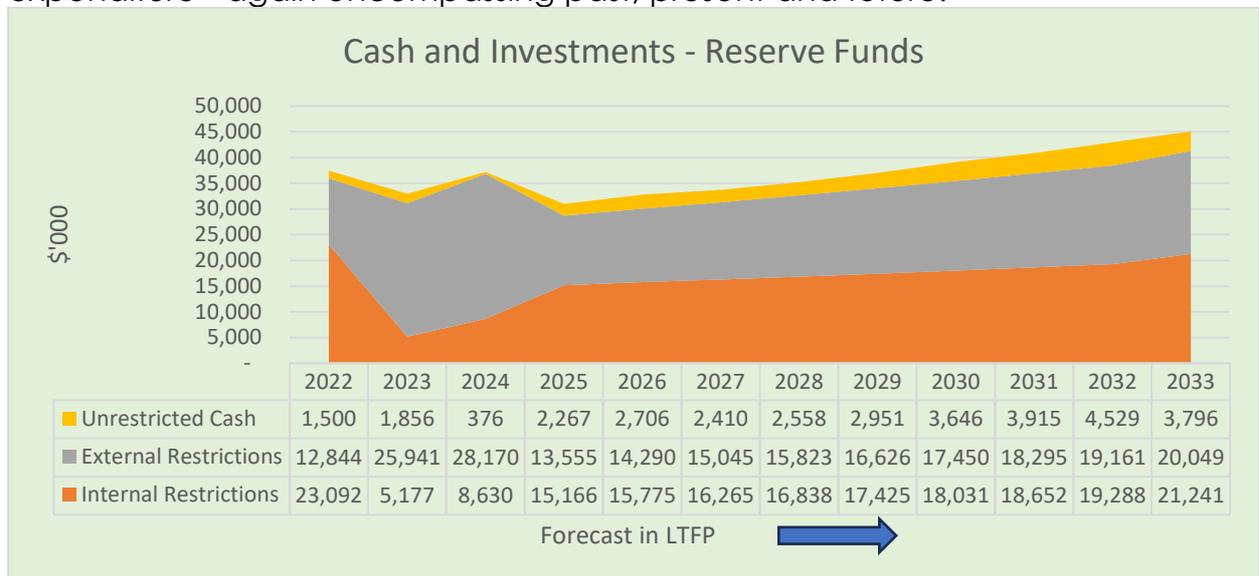


Figure 4: trends in income, expenses and operating result in general fund

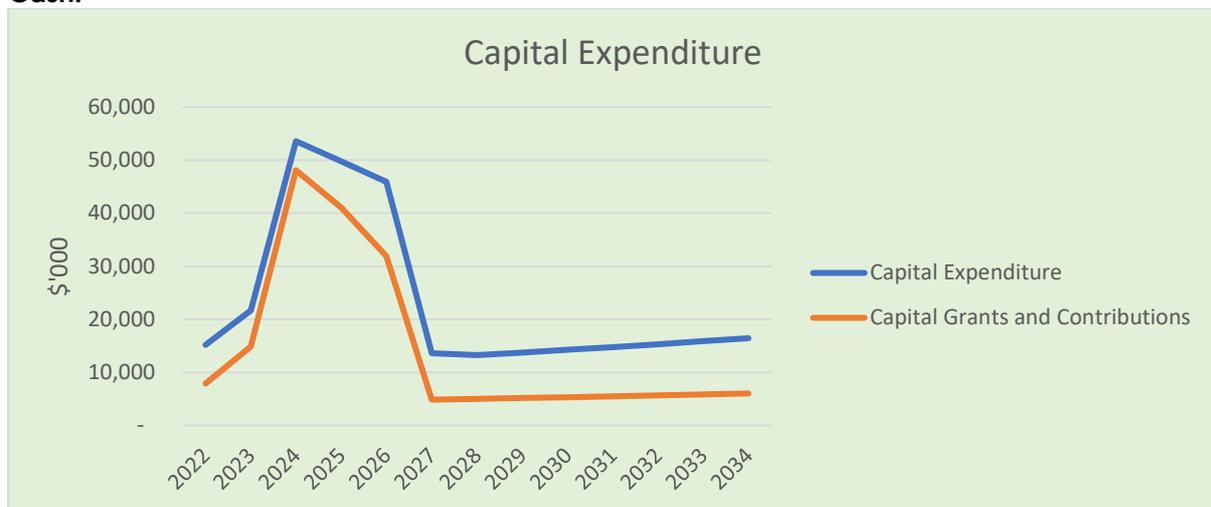
Key points to note in relation to Figure 3 (for details, refer Tables 2 and 3):

- operating income **[blue columns]**
  - increase in 2023 relates to grants for natural disaster recovery and restoration.
  - operating income excludes capital grants and contributions.
- operating expenses **[orange columns]**
  - increase in 2023 is largely flood recovery work.
  - figures from 2025 on are basically the 'business as usual' amount.
- operating result **[grey line]**
  - operating result is forecast to be relatively stable in future years reflecting the 'underlying operating deficit' (ongoing shortfall in revenues compared to expenses; around \$5-8M p.a. or 14-17% of operating revenues excluding capital grants)

Figure 5 tells the 'other half' of the story – council's cash position and capital expenditure - again encompassing past, present and future:



**Figure 5: Cash & Investments split by Internal Reserves, External Restrictions and Unrestricted Cash.**



**Figure 6: Capital Expenditure and portion funded by grants and contributions.**

Key points to note in relation to Figures 5 and 6.

- capital works and capital grants.
  - budget for 2023/24 includes \$21M in projects carried over from prior years.
  - forecasts for 2024/25 and 2025/26 includes estimates for remediation of local roads (\$21.4M each year), Community Assistance Program \$8M (\$4M each year) and the betterment of flood damaged roads under the Regional Transport Repair Fund (\$4M each year). These amounts remain subject to funding confirmation and for this reason have not been included in the draft budget for 2024/25. They are included in the LTFP forecasts given their significance and fundamental importance to the flood recovery.
  - budget for 2024/25 includes borrowings of \$3.5M for the mid-scale solar project. No further borrowings are proposed.
  - Proposed increase in recurrent expenditure on infrastructure renewal from 2025/26 of \$3M pa.
  - Provision for 33% contribution towards grant funded asset renewal projects up to \$1.25M.
  - from 2026/27 on, works are limited to what Council can afford to spend without drawing cash reserves below \$15M.
- cash reserves.
  - Internal reserves were utilised extensively in 2022/23 to support flood recovery actions.
  - Internal reserves are being replenished as flood recovery claims are assessed and paid. After falling to \$5M in 2022/23 they are forecast to increase to \$8.6M in 2023/24 and \$15M in 2024/25.

**Section 5 analyses the implications of changes in some key assumptions made in sections 2.1 and 2.2.**

**Section 6.1 considers a scenario where Council applies for a Special Rate Variation to increase rates above the rate peg to eliminate the operating deficit and generate additional funds to invest in capital works.**

## 2.2 Future Revenue Assumptions

The base year figures that have been used for operating revenues are those contained within the 2022/23 financial statements and the 2023/24 forecast budget.

The potential impact of one-off or extraordinary items have been excluded from the LTFP along with Council's share of the associate interest in Central Tablelands Water.

The mix of operating revenues for the 2024/25 year are shown in the chart below:



**Figure 7: Operating Revenue Sources**

#### Rates & annual charges

Council's ability to align rating revenues with the increased cost of providing local government services has been restrained for a number of years by rate pegging (since 1977), a legislative instrument whereby the maximum increase in rating revenues is set by the Independent Pricing and Regulatory Tribunal (IPART) NSW.

For the rating year commencing 1st July 2024, IPART has determined that the rate pegging limit will be 4.5%. In announcing the rate pegging limit, IPART have advised that the 4.5% limit for 2024/25 includes a catch-up adjustment of 0.4% to capture the increase in the superannuation guarantee rate.

IPART have not provided any guidance to Council on the expected rate pegging limit for the subsequent years included in this LTFP. The assumption included is an annual increase of 3.5%.

The LTFP also includes consideration of options for a Special Rating Variation to apply from 2028/29 in order for Council to improve its financial sustainability. The options considered include:

- Increase of 8.25% per year for 4 years commencing from 2028/29.
- Increase of 12% per year for 4 years commencing from 2028/29.
- Increase of 14% per year for 4 years commencing from 2028/29.

These options are inclusive of the rate pegging limit and are listed as a separate scenario from the base-case financial forecast and there is no formal endorsement of this strategy by Council or community consultation at this point in time.

The number of properties subject to rating in 2024/25 for each rating category and the income yield for 2024/25 is as follows:

Category	# of Properties	Rating Yield \$'000	Average Rate p.a. excluding Special Rate Variations
Farmland	1,952	\$6,244	\$3,199
Residential	4,003	\$3,059	\$764
Residential - Canowindra	701	\$503	\$717
Business	397	\$240	\$605
Business - Canowindra	84	\$64	\$759
Mining	6	\$2,088	\$348,061
<b>Total</b>	<b>7,143</b>	<b>\$12,198</b>	

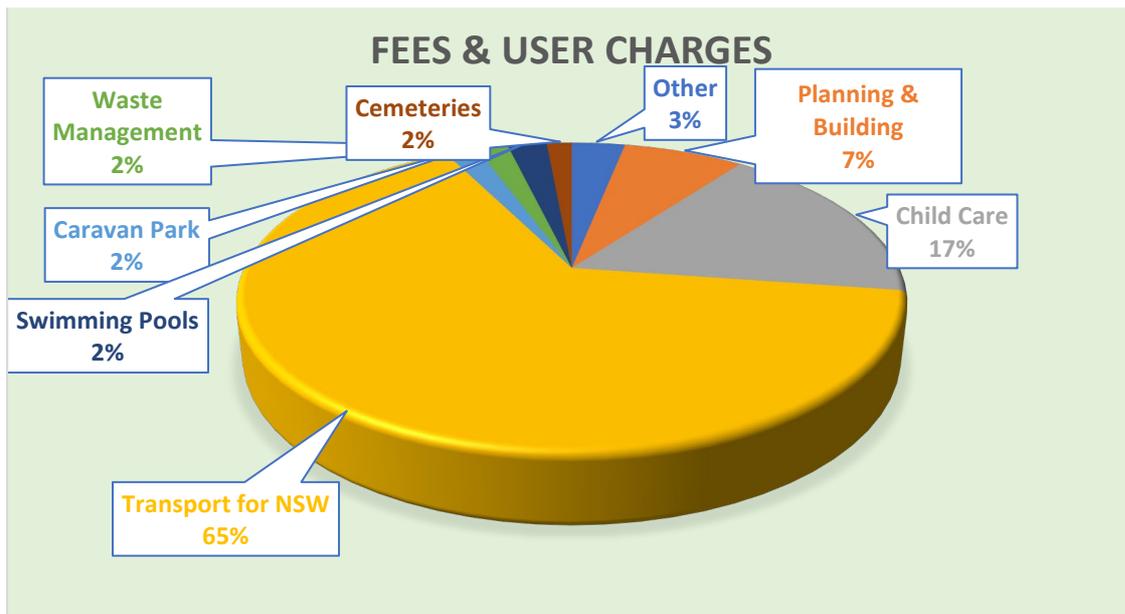
A summary of the key assumptions for increases in Rates & Annual Charges are as follows;

Rate/Annual Charge	2024 %	2025 %	2026 %	2027 %	2028 %	2029 %	2030 %	2031 %	2032 %	2033 %	2034 %
Ordinary Rates	4.1	4.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Domestic Waste and Other Waste Management	2.5	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0

### User fees and charges

Council receives 22% of its annual operating revenue through user fees and charges, set under S610D of the Local Government Act 1993.

The majority of this revenue (approx. \$4.7M) is generated from a service contract with Transport for NSW for work performed on NSW State Highways (65%) and through fees and charges applied through areas of Council including child care (17%) and planning and building (7%).



**Figure 8: Fees and User Charges by Type.**

The assumption is that the contract with Transport for NSW will be ongoing at the level contained in the 2023/24 budget and with annual increases of 4%.

Other user fees and charges are expected to generally increase in line with CPI (4%).

### Operating grants

Council has demonstrated a moderate degree of reliance on external funding sources such as grants and contributions. There has been no inclusion of any additional grants or contributions in the plan with only those non-speculative, existing and recurring grants being included.

The largest grant received on a recurrent basis is the Financial Assistance Grant which is an untied grant funded by the Commonwealth and distributed to Councils in NSW via the NSW Grants Commission. Cabonne's allocation for 2023/24 is \$6.35M which represents approximately 60% of total operating grants. It is the current practice of the NSW Grants Commission to pay a portion of the grant in advance which must be recognised and reported as income from the date of receipt. This can create a temporary distortion in reported income, cash balances and the overall assessment of sustainability. This plan has eliminated the impact of any grants paid in advance.

The assumption is that the Financial Assistance Grant will increase by 4% on a recurrent basis. The remainder of operating grants are expected to increase in the range of 1-3% per annum.

### Capital grants.

Various grants are received by Council throughout financial years for capital projects. These grants are predominantly for road construction and the number and value are determined by State or Federal Government programs. Due to the nature of their unpredictability capital grants contained in the plan are limited to existing funding agreements and confirmed funding announcements.

The capital program for 2023/4 and 2024/25 includes assumptions of funding for the reinstatement of local and regional roads and bridges at an estimated cost of \$42M; \$8M from the Community Assistance Program and \$8M from the Regional Transport Repair Fund -Infrastructure Betterment Program. These funding amounts are not yet confirmed.

#### Gains from disposals of assets

Gains from the sale of Council's plant and fleet assets of \$0.3M are included in the 2024/25 budget but not included for subsequent years of the LTFP. These assets are disposed in accordance with Council's Plant Replacement Strategy with the underlying assumption that the sale price will approximate the depreciated value of the asset.

#### Other revenue

Other revenue includes commissions and agency fees, diesel fuel rebate, sales of inventories, sale of recyclables and sales of renewable energy certificates. These items are expected to increase by 3% each year.

#### Net share of interests in joint ventures – Central Tablelands Water

Council recognises in the financial statements its share (33%) in the movement in equity of Central Tablelands Water which is a County Council providing water supply to towns within Cabonne, Weddin and Blayney shires.

The LTFP has not included any allowances for profits or losses from Central Tablelands Water. The operations of Central Tablelands Water are conducted independently from Cabonne and do not directly impact on the financial sustainability of Cabonne Shire Council.

## 2.3 Future Expenditure Assumptions

The base year figures that have been used for operating expenditure in this plan are those contained within the 2022/23 financial statements and/or the forecast 2023/24 budget.

### Employee costs

Employee costs are forecast to increase by 3.5% each year using the staff establishment as at 31 December 2023 as the basis for this calculation.

The estimate provides for 90% of the existing staff establishment noting that there were 25 vacant positions at 30/6/2023.

The employee cost estimate includes the superannuation guarantee which will increase from 11% to 11.5% in 2024/25 and 12% in 2025/26.

A portion of employee costs are allocated each year to capital projects. This plan allows for \$300K of employee costs to be capitalised each year which is comparable to the amounts capitalised in 2022/23(\$307K) and 2021/22 (\$482K).

### Materials and contracts

Material and contracts are forecast to increase by 4% per annum.

This rate is above the RBA forecast for inflation which they are attempting to control within the range of 2% to 3%. Over the twelve months to December 2023, the CPI rose by 4.1%.

The overall forecast includes a conservative estimate of \$4.75M in service contracts with Transport for NSW for work performed on State Roads.

### Borrowing costs

The plan provides for new borrowings of \$3.5M for the proposed solar project at Eugowra. The interest rate modelled in this plan is 5.65% across a twenty year term.

There are no further borrowings proposed in this plan.

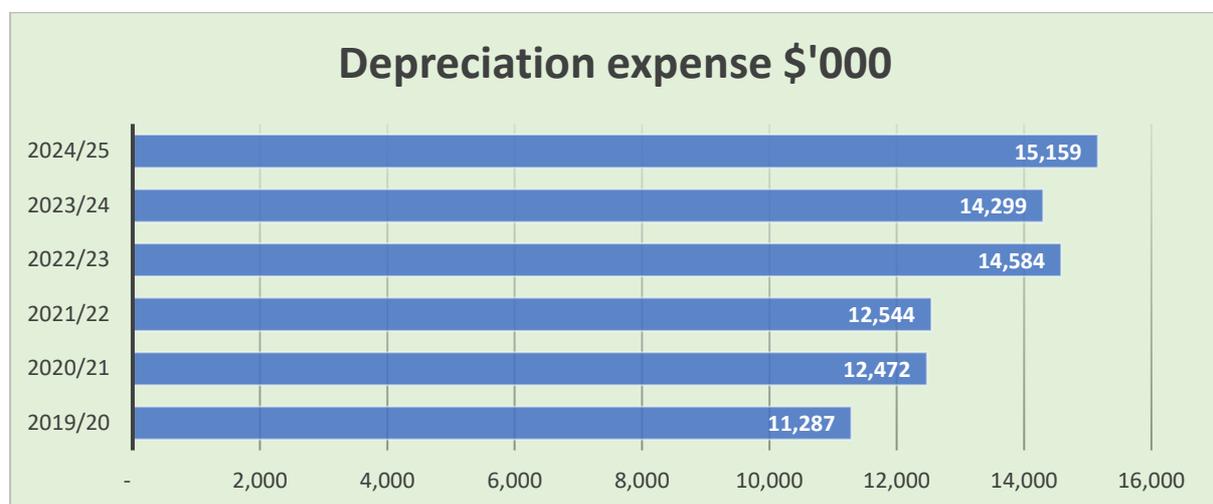
### Depreciation

Depreciation for Council's assets is a non-cash expense that reflects the utilisation of Council's assets and the degradation of their capacity to provide functionality over time.

Depreciation expense is an overall indicator to determine the level of asset renewals that council should be undertaking. A straight line method of depreciation is used.

The cost of depreciation has increased by a significant level in the past three years as presented in the chart below. The increase is due to the rising cost of materials and construction costs and is also influenced by more accurate data becoming available on asset condition which is then reflected in the revaluation amounts for each relevant asset category.

The rising cost of depreciation creates a major challenge for Cabonne (and most other councils) to meet the criteria for achieving sustainability i.e. achieve an operating surplus before capital grants and contributions. Council is not easily able to adjust its income levels to match the rising cost of depreciation.



**Figure 9: Depreciation across all funds.**

### Other expenses

Increases in the range of levies imposed by the NSW Government are difficult to predict. Levies including the Emergency Services Levy, Rural Fire Services and NSW Fire Brigade Levy have grown steadily in past years and have been forecast to continue.

The assumption is that these levies will increase by 4% each year throughout the plan.

## 2.4 Balance Sheet Projections

The base year figures that have been used for all balance sheet items including cash and investments are those included in the audited financial reports for the 2022/23 year.

### Cash and investments.

Council has a number of cash reserves both internally and externally restricted. The forecast balance of cash and investments have taken into account the planned transactions of various reserves such as plant replacement, domestic waste, employee leave entitlements, roadworks and infrastructure replacement.

The balance of internally restricted reserves has declined following the natural disaster events from 2022 as Council has directed additional cash resources towards the recovery actions ahead of receiving reimbursement under the natural disaster relief funding. A key objective of this plan is to replenish reserves as Council is reimbursed by the State Government.

The table below summarises the projected balance of cash reserves excluding water and sewer reserves over the next five year period:

	2022 Actual	2023 Actual	2024	2025	2026	2027	2028	2029
<b>Projected Closing Value of Cash &amp; Investments</b>	<b>37,436</b>	<b>32,974</b>	<b>37,176</b>	<b>30,988</b>	<b>32,772</b>	<b>33,720</b>	<b>35,219</b>	<b>37,003</b>
Less External Restrictions	12,844	25,941	28,170	13,555	14,290	15,045	15,823	16,626
Less Internal Restrictions	23,092	5,177	8,630	15,166	15,775	16,265	16,838	17,245
Unrestricted Cash & Investments	1,500	1,856	376	2,267	2,706	2,410	2,558	2,951

### Receivables and contract assets

The balance of contract assets is expected to fluctuate in the short term as the disaster remediation works are undertaken and the claims are assessed and paid. Other receivables are forecast to increase by 3%.

### Inventories

The value of inventories has remained stable over the past ten years and this trend is expected to continue. Inventories includes the value of stock held at the works depot and the value of real estate assets held for sale. Council is planning to undertake land development and subdivision works in

Canowindra during the 2024/25 financial year and this may result in a spike in the value of inventories depending on when the developed lots are sold.

### Infrastructure, property, plant and equipment

Cabonne Council has approximately \$554 million worth of infrastructure, property, plant and equipment (excluding water and sewer) and this balance is expected to grow to \$806 million by 2033/34. The financial management of these assets are guided by the 2021 Strategic Asset Management Plan. The asset base maintained by Council is revalued every five years and an annual indexation to the fair value is applied based on relevant published rates applicable to each asset category.

The dates planned for revaluation are:

Roads	30/6/2025
Community land and land improvements	30/6/2026
Other structures, open spaces, water and sewer	30/6/2027
Buildings	30/6/2028
Operational land	30/6/2028

### Payables

The value of payables is forecast to increase by 3% each year.

### Provisions- employee entitlements

The provisions for payment of employee leave entitlements consist of annual leave and long service leave. The balance of these policies is governed by the Leave Policy and the requirements under the NSW Local Government Award 22023. The value of the provisions is impacted by factors such as wage and salary increase, cash rate forecasts, discounting rates and the management of leave in accordance with the Leave Policy.

### Provisions- remediation of land fill and quarry sites

Council also makes provisions for the future remediation of land associated with waste disposal and quarry operations. The value is determined by estimating the current costs for remediation and applying an indexation rate to the year in which the remediation works will be undertaken for each site. The value is then discounted using the applicable Commonwealth Treasury bond.

The assessment of the remaining life of each relevant site is undertaken with specialist external assistance.

### Borrowings

Council currently has zero borrowings against the general fund. There are new borrowings proposed which will supplement grant funds for the construction of a mid-scale solar plant with battery storage at Eogowra. The amount of the loan proposed is \$3.5 million and the borrowing costs are included in this plan effective from 1 July 2024.

### 3. 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. Council also supplies water to southern parts of Dubbo Regional Council.

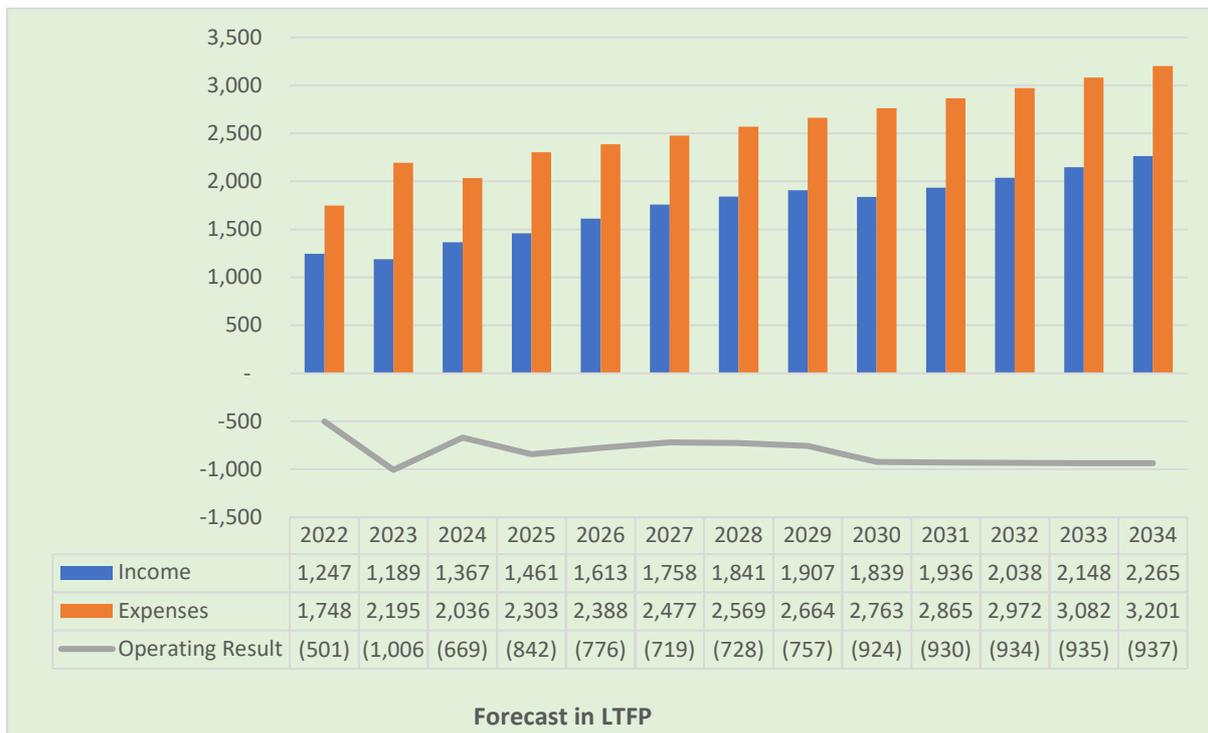
The chart below summarises Council's main operating income and expenses for the water fund, based on the 2024/5 budget and comparisons with the three previous financial years (actual and projected).



Figure 10: key income and expense items in 2024/25 water fund budget

Whilst Council has taken some steps to reduce the extent of the deficit, a deficit of this scale (57% of operating revenues) is unsustainable and remains of serious concern.

As with general fund, it is helpful to take a longer-term view:

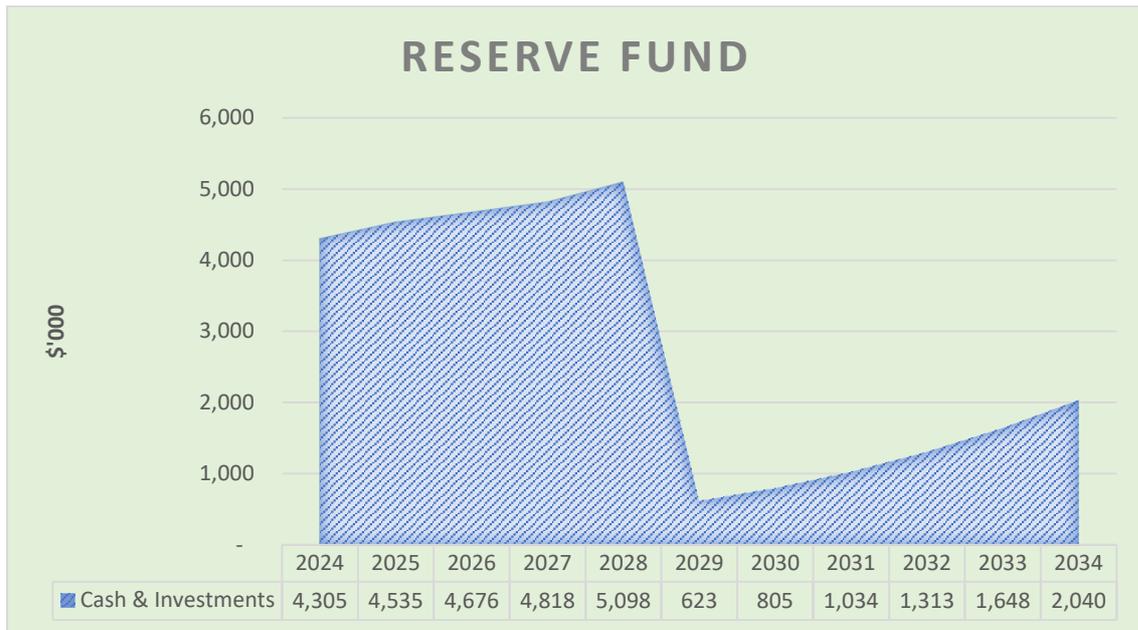


**Figure 10: trends in income, expenses and operating result in water fund**

Key points to note in relation to Figure 10:

- operating income
  - historically, the variability relates to water usage, which makes up just over half of all revenues (the other half is the access charges)
  - 2023 was low due to lower demand from residential customers.
  - increase from 2024 to 2027 relates to proposed increase in charges of 10% p.a. including CPI.
- operating expenses
  - increase from 2022 is attributable to:
    - higher cost of materials and services,
    - increased focus on meeting customer service needs and regulatory obligations (ongoing)
    - higher depreciation cost
    - strategic work focused on addressing critical challenges such as water security, potential growth in residential area for Molong and financial sustainability.
- operating result
  - operating deficit has increased but stabilises from 2025 reflecting a higher level of fees and annual charges.
  - a rising depreciation cost is contributing to the deficit. The cost of depreciation has increased by an average 13.8% per annum during the period 2021/22 to 2024/25.

The projected balance of the Cash and Investments (Reserve Fund) is shown in Figure 7 below.



**Figure 11: Projected Cash Reserve levels for the Water Fund.**

The balance of the reserve is expected to decline to less than \$1M by 2029. The balance includes a projected \$14M in capital expenditure for the proposed Molong Water Security Project which is partially offset by capital contributions of \$9M. Council is currently modelling a number of alternate scenarios for this project and given the significant scale and cost of the project this may result in variations to the projected cash balance shown below. The projected budgets also include a nominal allocation of \$200K per annum for asset replacements and the small reserve balance means there will be a very limited capacity to meet the cost of any unplanned asset failures. This represents a significant risk to Council and the users that are dependent on the service.

**Section 6 considers an alternative scenario if Council increases water charges to the level required to sustainably operate.**

### 3.1 Key assumptions and improvement actions – operations

Tables 5 to 7 summarise the assumptions behind Figures 10 and 11 (and the corresponding primary financial statements in Appendix 1) as well as improvement actions related to these assumptions.

<b>Income</b>	<b>Major items and assumptions (\$M)</b>
Annual charges	Council proposed increases to water access and usage charges of 10% p.a. x 3 years (including CPI) ending on 30 June 2027. This is consistent with the increases proposed in the 2021 and 2022 LTFPs for a four year period but not implemented until 1 July 2023. This LTFP proposes to implement the second year of the 4 x 10% p.a. increases. The increases proposed from 1 July 2027 are 5% per annum.
User charges and fees	Unlike annual charges (which only change with the number of customers), income from user charges can vary dramatically with water usage. The revenue predicted in 2024/5 is \$623K which is set at the expected usage levels from 2023/4 and below the peak level of \$886k in 2018.  The 2025 budget is based on 2023/4 expected actuals (\$623k) + 10%. Income is then indexed at 10% for 1 years, and 5% p.a. thereafter.
Interest	Calculated based on cash reserves @ 4% over 10 years.

**Table 5: assumptions for operating income water fund 2025-2033**

Improvement actions:

1. Present and consider an alternate pricing scenario for Annual Charges and User Fees which more closely reflects the actual cost of providing the service including the depreciation cost. (See Section 7 Alternate Scenarios.
2. Review the likely impact on revenue of growth occurring from any new residential subdivisions.
3. Review structure of charges including split between availability and usage, steps in usage charges, charges based on meter size, charges for residential/non-residential, etc.
4. Lobbying NSW Government, together with other small utilities, regarding service cost inequities for customers served by smaller water utilities.
5. Review policy for undetected water leaks, community engagement strategy.

<b>Expenses</b>	<b>Major items and assumptions (\$M)</b>
Employee costs	The 2024/5 budget is set at 90% of the established staffing levels utilising the current pay rates and the agreed changes to LGNSW Award. The budget also factors in the expectation of ongoing vacancies equivalent to 10% of the complete staff establishment for water and sewerage utilities and across all areas of Council.

	<p>Employee costs includes wages and salaries and all related oncosts including superannuation, workcover and employee leave entitlements.</p> <p>An annual increase of 3% is proposed effective from 2025/26.</p>
Materials and contracts	<p>The 2025 budget is set at the 2024 level plus 3%. This includes an allowance for consultancy assistance is critical to undertaking the strategic work necessary to address Council's challenges and achieve a sustainable operating model.</p> <p>No allowance has been made for additional operational costs from the MWS Project, but operating costs (electricity) will be higher.</p> <p>No allowance has been made for replacement of water meters (this is an operational expense, not capital work).</p>
Depreciation	The annual cost of depreciation is expected to increase by 4% per annum reflecting the revaluation and annual indexing of asset values.
Other expenses	Budget consistent with previous years, then 4% p.a.
Borrowing	There are no existing borrowings or new borrowings proposed in this LTFP. New borrowings maybe required to partially fund new infrastructure associated with the Molong Water Security Project. Further clarity on the requirement for new borrowings including the financial capacity to service the borrowing costs is anticipated in the next year.

**Table 6: assumptions for operating expenses water fund 2025-2033**

Improvement actions:

1. Review forecasts for materials and contracts longer term, once strategy work is complete once operating costs of new assets is better understood.
2. Review the necessity for and capacity to service new borrowings in conjunction with the strategy work.
3. Undertake long term (30 year) asset and financial modelling.

### 3.2 Key assumptions and improvement actions – capital

Item	Major items and assumptions (\$M)
Capital works	<p>The major item is the Molong Water Security (MWS) Project at an assumed cost of \$14M with and assumed capital grant/contributions of \$9M. The project is likely to include the replacement of the raw water main from the dam. The project is earmarked for 2029 but subject to successful grant funding and/or developer contributions. This is still in scoping stage and part of the strategy plan being developed.</p> <p>Capital works in 2024/25 are restricted to preserve funds for the MWS Project and maintain a basic level of capacity to respond to unplanned asset failures.</p>

	Capital works in 2025/26 include improvements to the sludge pond at an estimated cost of \$300K.
Capital grants	Council is seeking funding of \$9M being two thirds of the cost of the Molong Water Security Project. Most other works are unlikely to attract grants.
Capital contributions	\$26k p.a. from 2025/26 assumed (around 3 new connections p.a.).
Cash reserves	Starting cash is estimated based on 2023 actuals + forecast for 2024 to end of year. Capital works have been restricted from 2027-30 especially, and somewhat from then on in order to build cash reserves back to the 'target' of 2.0. A reasonable level of reserves is considered vital due to the higher risk of unexpected failures (because of ageing infrastructure) and potential challenges securing a loan given the financial situation with the water business.
Borrowings	There are no existing borrowings or new borrowings proposed. New borrowings maybe required to partially fund new infrastructure associated with the Molong Water Security Project. Further clarity on the requirement for new borrowings is anticipated in the next year.

**Table 7: assumptions for capital, grants, borrowings, etc. water fund 2025-2033**

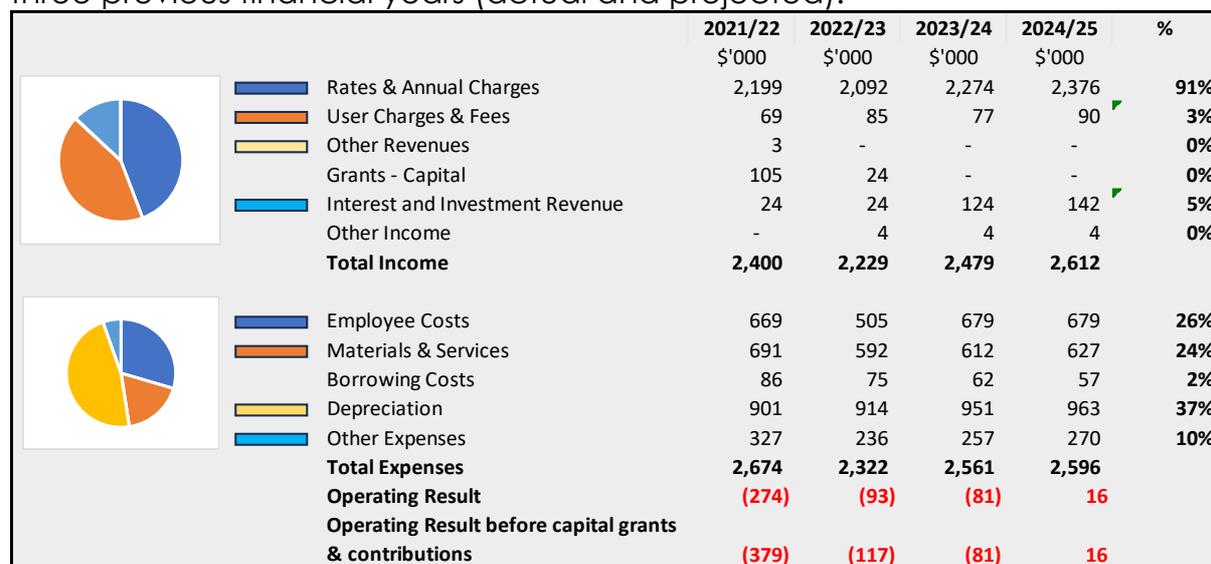
Improvement actions:

1. Review capital works forecasts, in particular risk-based renewal program for items noted above, then update SAMP.
2. Refine estimate for Molong Water Security Project and its funding sources as further information becomes available.
3. Review proposed minimum cash reserve level considering ability to secure loan, risks of needing to fund urgent unplanned works, etc.

## 4. Sewer Fund

The sewer fund includes services across the Cabonne local government area. While Council has historically accounted for the 'small town sewer scheme' (STSS servicing Cudal, Cumnock, Manildra and Yeoval) separately – which was important while customers were contributing to the cost of constructing the scheme – Council's sewer function is now combined, and a pathway to harmonising annual charges has commenced as discussed in section 5.1.

The chart below summarises Council's main operating income and expenses for the water fund, based on the 2024/5 budget and comparisons with the three previous financial years (actual and projected).



**Figure 12: key income and expense items in 2024/25 sewer fund budget**

The chart above and the longer term forecasts shown in the charts below indicate a small operating surplus is achievable from 2024/25. The longer term issues associated with funding major capital investments (replacing and upgrading first Molong, then Canowindra, sewage treatment plants) and the ongoing increases in operational expenses (employees, materials and services) to operate the new plants (as well as higher depreciation) are the key points of focus.

Operational trends long term is shown below:

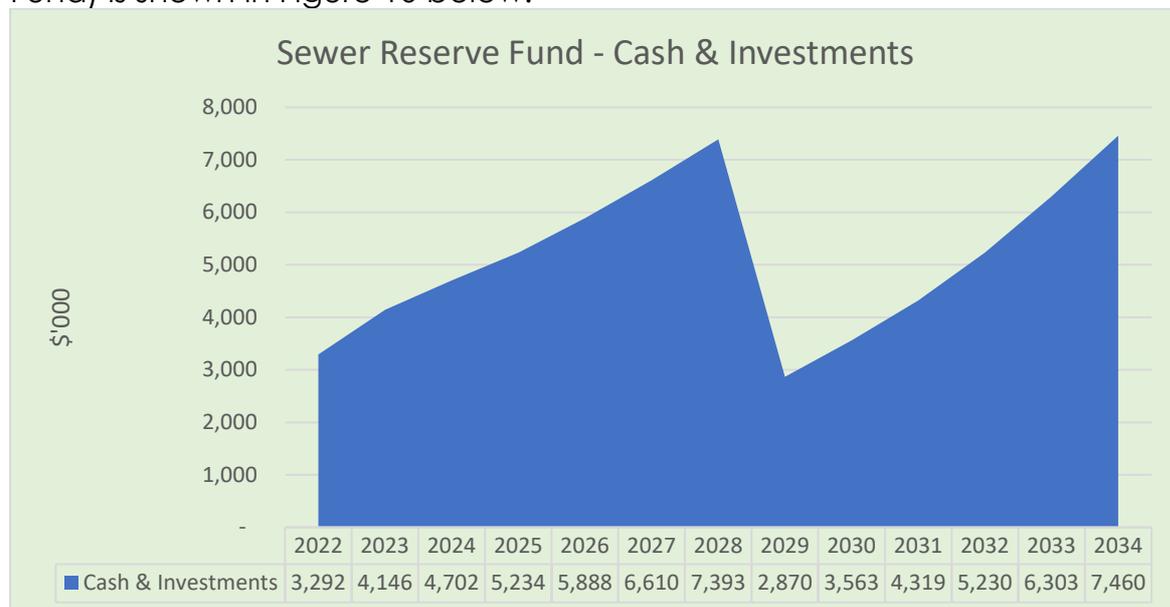


**Figure 13: trends in income, expenses and operating result in sewer fund**

Key points to note in relation to Figure 13):

- operating income
  - historically, the variability relates to operating grants and non-residential user charges (which vary with water usage)
  - increase from 2025 to 2027 relates to proposed increase in charges, primarily for Molong (which will face 10% p.a. including CPI for 3 years), to harmonise these with other towns which are all proposed to eventually come up to match Canowindra.
- operating expenses
  - steady CPI type increases (approximately 3.5% increase are forecast from 2025/26 onwards).
- operating result
  - operating deficit moves into a small operating surplus which is primarily due to the additional income derived from the harmonisation of annual charges.

The historical and projected balance of the Cash and Investments (Reserve Fund) is shown in Figure 10 below.



**Figure 14: Historical and projected balance of the Sewer Reserve Fund (Cash & Investments)**

Key points to note in relation to Figure 14:

- Council has invested very little in asset renewals (which means major investments will be required moving forward)
- The major project under consideration is the upgrade or replacement of the Molong Sewerage Treatment Plant. The assumed timing and estimated cost of this project remain unchanged from last year's LTFF. The estimated cost is \$11.4M with a 50% capital grant/contribution with the timing scheduled for 208/29.
- Council's 50% (\$5.7M) contribution to Molong STP replacement is assumed to be funded from cash reserves, but if a grant can't be secured, Council may have to borrow for the rest, but this will reduce its capacity to borrow for other projects including the Canowindra STP
- an allowance for moderate capital works has been made apart from the Molong plant, top priorities are sewage pumping station refurbishments (plus minor upgrades to address operational issues); sewerage mains relining and manhole rehabilitation.
- cash reserves are forecast to build up again in later years, which will be needed to fund the renewal and upgrade of Canowindra STP potentially \$15M+ in 10-15 years' time (funding is likely to be a mix of cash and borrowings supplemented by grants, if available, but it is risky to assume this so far into the future); mechanical and electrical equipment at Eugowra then the other plants will be the next major items
- A further loan may be needed for Molong STP if a grant cannot be secured.

## 4.1 Key assumptions and improvement actions – operations

Tables 8 to 10 summarise the assumptions behind Figures 9 and 10 (and the corresponding primary financial statements in Appendix 1) as well as improvement actions related to these assumptions.

Income	Major items and assumptions (\$M)																																																																																																				
Rates and annual charges	<p>Unlike water supply, the majority of income for the sewer fund is generated via annual charges, which are consistent from year to year as they are based on customer numbers.</p> <p>The proposed increases in Annual Charges Increases are not consistent as Council has, historically, treated the individual towns differently and in 2024 commenced the pathway to harmonising charges across all towns. This process will take a further 3 years to complete for all towns except Eugowra which will take 7 years.</p> <p>The following increases are proposed:</p> <table border="1" data-bbox="376 831 1220 1106"> <thead> <tr> <th>Town</th> <th>Typical charge 2024</th> <th>Proposed Charge 2025</th> <th>Increase %</th> </tr> </thead> <tbody> <tr> <td>Molong</td> <td>814</td> <td>896</td> <td>10%</td> </tr> <tr> <td>Canowindra</td> <td>969</td> <td>1,008</td> <td>4%</td> </tr> <tr> <td>Eugowra</td> <td>845</td> <td>862</td> <td>2%</td> </tr> <tr> <td>Small Towns Sewer</td> <td>958</td> <td>996</td> <td>4%</td> </tr> </tbody> </table> <table border="1" data-bbox="376 1126 1353 1330"> <thead> <tr> <th>Annual Charge \$</th> <th>2025</th> <th>2026</th> <th>2027</th> <th>2028</th> <th>2029</th> <th>2030</th> <th>2031</th> </tr> </thead> <tbody> <tr> <td>Molong</td> <td>896</td> <td>985</td> <td>1,090</td> <td>1,134</td> <td>1,179</td> <td>1,226</td> <td>1,275</td> </tr> <tr> <td>Canowindra</td> <td>1,008</td> <td>1,048</td> <td>1,090</td> <td>1,134</td> <td>1,179</td> <td>1,226</td> <td>1,275</td> </tr> <tr> <td>Eugowra</td> <td>862</td> <td>905</td> <td>968</td> <td>1,036</td> <td>1,109</td> <td>1,186</td> <td>1,275</td> </tr> <tr> <td>STSS</td> <td>996</td> <td>1,036</td> <td>1,090</td> <td>1,134</td> <td>1,179</td> <td>1,226</td> <td>1,275</td> </tr> </tbody> </table> <table border="1" data-bbox="376 1402 1353 1606"> <thead> <tr> <th>Annual Charge %</th> <th>2025 %</th> <th>2026 %</th> <th>2027 %</th> <th>2028 %</th> <th>2029 %</th> <th>2030 %</th> <th>2031 %</th> </tr> </thead> <tbody> <tr> <td>Molong</td> <td>10</td> <td>10</td> <td>10.6</td> <td>4</td> <td>4</td> <td>4</td> <td>4</td> </tr> <tr> <td>Canowindra</td> <td>4</td> <td>4</td> <td>4</td> <td>4</td> <td>4</td> <td>4</td> <td>4</td> </tr> <tr> <td>Eugowra</td> <td>2</td> <td>5</td> <td>5</td> <td>7</td> <td>7</td> <td>7</td> <td>7</td> </tr> <tr> <td>STSS</td> <td>4</td> <td>4</td> <td>4</td> <td>4</td> <td>4</td> <td>4</td> <td>4</td> </tr> </tbody> </table> <p>Section 1 includes further discussion on the proposed increases.,</p>	Town	Typical charge 2024	Proposed Charge 2025	Increase %	Molong	814	896	10%	Canowindra	969	1,008	4%	Eugowra	845	862	2%	Small Towns Sewer	958	996	4%	Annual Charge \$	2025	2026	2027	2028	2029	2030	2031	Molong	896	985	1,090	1,134	1,179	1,226	1,275	Canowindra	1,008	1,048	1,090	1,134	1,179	1,226	1,275	Eugowra	862	905	968	1,036	1,109	1,186	1,275	STSS	996	1,036	1,090	1,134	1,179	1,226	1,275	Annual Charge %	2025 %	2026 %	2027 %	2028 %	2029 %	2030 %	2031 %	Molong	10	10	10.6	4	4	4	4	Canowindra	4	4	4	4	4	4	4	Eugowra	2	5	5	7	7	7	7	STSS	4	4	4	4	4	4	4
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**Table 8: assumptions for operating income sewer fund 2025-2033**

Improvement actions:

1. refine financial model with a focus on longer term sustainability, particularly over the 30 year period incorporating funding refurbishment of sewage pumping stations, renewal and upgrade of Canowindra treatment plant, mechanical and electrical equipment in other towns.

<b>Expenses</b>	<b>Major items and assumptions (\$M)</b>
Employee costs	<p>The 2024/5 budget is set at 90% of the established staffing levels utilising the current pay rates and the agreed changes to LGNSW Award. The budget also factors in the expectation of ongoing vacancies equivalent to 10% of the complete staff establishment for water and sewerage utilities and across all areas of Council.</p> <p>Employee costs includes wages and salaries and all related oncosts including superannuation, workcover and employee leave entitlements.</p> <p>An annual increase of 3% is proposed effective from 2025/26.</p>
Materials and services	<p>The 2025 budget is set at the 2024 level plus 3%. This includes an allowance for consultancy assistance is critical to undertaking the strategic work necessary to address Council's challenges and achieve a sustainable operating model.</p>
Depreciation	<p>The annual cost of depreciation is expected to increase by 4% per annum reflecting the revaluation and annual indexing of asset values.</p>
Other expenses	<p>Budget consistent with previous years, then 4% p.a.</p>
Borrowing	<p>The interest on the loan for small town sewers is included in the estimates. This loan will be fully repaid by 20/12/2032.</p> <p>A new loan may also be needed for Molong if a grant can't be secured.</p>

**Table 9: assumptions for operating expenses sewer fund 2025-2033**

Improvement actions:

1. review forecasts for additional operational expenses associated with new STP for Molong

## 4.2 Key assumptions and improvement actions – capital

Item	Major items and assumptions (\$M)
Capital works	<p>Major item is renewal and upgrade of Molong sewage treatment plant (STP) at 10.1, plus 2.5% indexation (11.4).</p> <p>Refurbishment works are needed at several pumping stations, plus upgrades to address operational issues including WHS (to be scoped).</p> <p>Canowindra STP will need replacing in 10-12 years but hasn't been included in the capital works forecast at this stage as it needs further investigation (see actions below).</p> <p>Mechanical and electrical equipment at Eugowra and other plants will need renewal after Canowindra.</p>
Capital grants	Council is ineligible for a subsidy for the Molong STP under the NSW Government's Safe and Secure Program. While 50% subsidy under another grant program or obtaining capital contributions from developers is assumed, this is not guaranteed
Capital contributions	Equivalent of $\approx 7$ additional connections p.a. assumed.
Reserves	Starting cash for 2025 estimated.
Borrowings	Repayment of existing small town sewers loan.

**Table 10: assumptions for capital, grants, borrowings, etc. sewer fund 2025-2033**

Improvement actions:

1. Review capital works forecasts for Molong STP and other priority works (particularly sewage pumping stations)
2. Pursue grant support to cover the assumed 50% grant for Molong STP
3. Commission concept design and estimate for Canowindra STP.
4. Undertake long term (30 year) asset and financial modelling, in particular assessing the impact of the renewal of Canowindra STP.

## 5. Sensitivity Analysis

The table below analyses the impacts of movements in some of the main assumptions behind the financial modelling in Sections 2, 3 and 4.

The LTFP contains a range of assumptions which are obtained from a various number of sources. Council has ensured that these sources are reputable and are the best known available source for that data.

A conservative approach has been taken in the development of the plan to ensure that the chosen option is more likely to succeed and exposes Council to the least amount of risk.

The following areas are highlighted to reinforce the need for ongoing monitoring.

<b>Budget Parameter</b>	<b>Impact on Financial Sustainability Objectives</b>
<b>Cash rates for investments and borrowings</b>	<p>Cash rates have come off historical low level of 0.1% in 2021 to the present (Jan 2024) RBA cash rate of 4.35%. Any movements in the cash rate will impact on the returns on cash and investments and on the rate of interest for new borrowings. The future movements in the cash rate are largely dependent upon the government's ability to contain inflation which is influenced by both domestic and international factors. Most economic forecasts are currently suggesting that interest rates will start to fall from later in 2024.</p> <p>This plan assumes a rate of 3.5% in earnings from investments and an interest rate of 5.65% for new borrowings.</p> <p>A reduction in the cash rate of 0.5% is likely to reduce Council's interest income by \$1.5M in total over a ten year period.</p> <p>A reduction in the borrowing rate of 0.5% is likely to reduce the cost of borrowing by \$0.15M over a ten year period.</p>
<b>Consumer Price Index</b>	<p>The Consumer Price Index has risen by 4.1% in the 12 months to December 2023. CPI assumptions are used to assist in a number of calculations contained in the plan including materials, contracts and services and some fees and charges. The</p>

	<p>assumption across a ten year period is that the CPI will increase by 4% each year from 2024/25.</p> <p>The impact of a 0.5% increase (or decrease) in the CPI on the cost of contracts, materials and services procured externally is approximately \$0.5M per year.</p>
<b>Rate Pegging</b>	<p>The rate pegging increase for 2024/25 is 4.5% and the base case assumption is that ordinary rates will increase by 3.5% per annum for the remaining years of the plan. As ordinary rates represent approximately 25% of Council's overall budget, the LTFP is sensitive to any changes to the rate pegging limit.</p> <p>A reduction in the rate pegging level from 3.5% to 3% would reduce Council's income by \$4M over the ten year period of this plan.</p>
<b>Grants Commission allocation</b>	<p>The annual allocation is forecast to increase by 4% each year from 2025/26. A reduction of 0.5% in this forecast will decrease income by \$2.2M across the life of the plan.</p>
<b>Employee Costs</b>	<p>Employee costs will increase in line with changes to the NSW Local Government Award, changes in staffing numbers, staffing structures etc. Increases in premiums for workers compensation, and increases to the superannuation guarantee have been factored into the assumptions in this plan.</p> <p>The plan assumes that employee costs will increase by 3.5%.</p> <p>As employee costs represent approximately 30% of the budget, the LTFP is sensitive to any % variations.</p> <p>An increase in employee costs of 0.25% beyond the assumption included in the plan would represent additional costs of approximately \$3.6M across the life of the plan.</p>

## 6. Alternative Scenarios

Two scenarios are considered in the following sections. Each explores the impacts of a major change to the assumptions in sections 2,3 and 4.

Section	Name	Issue explored
6.1	Special Rate Variation	Size of SRV required to eliminate operating deficit in general fund, raise funds for asset renewal. The impact on the average residential rate including comparisons with other Councils is considered.
6.2	Increase water charges	Increases in water annual charges and user fees to improve the sustainability of the water fund.

**Table 12: Summary of alternative scenarios**

### 6.1 Special Rate Variation

NSW councils are only permitted to increase ordinary rates each year by the 'rate peg' set by IPART. In 2024/25, this is 4.5% and in 2023/24 it was 4.1%.

NSW Government (Office of Local Government) issues Special Rate Variation (SRV) Guidelines that councils must adhere to in making an application to increase their rates above the rate peg (plus any population factor).

Applications are assessed by IPART against the SRV Guidelines and must include:

- a demonstrated need for higher increases to charges
- community awareness of their plans
- a reasonable impact on ratepayers
- a process to exhibit relevant council documents to the public.
- a history of well-documented council productivity improvements and cost containment strategies.

As discussed in section 1, Council is not forecasting to be able to meet the targets related to its financial sustainability objectives, even in 10 years, for general fund. The key issues are spending (an ongoing operating deficit) and infrastructure investment (insufficient funds to meet Council's objectives for services such as water supply, sewerage and transport).

It is important to emphasise that the focus of the community engagement undertaken by the outgoing Council would be to *explore options* rather than *make decisions*. This information would then be available for the incoming Council, elected in September 2028, to then consider in further community engagement regarding the new Community Strategic Plan and the Delivery Program for its term in office.

The options included in this section are:

Year	Option 1 - 8.25%			Option 2 - 12%			Option 3 - 14%		
	%	Rate Peg %	Total %	%	Rate Peg %	Total %	%	Rate Peg %	Total %
<b>2028/29</b>	4.75	3.5	8.25	8.5	3.5	12	10.5	3.5	14
<b>2029/30</b>	4.75	3.5	8.25	8.5	3.5	12	10.5	3.5	14
<b>2030/31</b>	4.75	3.5	8.25	8.5	3.5	12	10.5	3.5	14
<b>2031/32</b>	4.75	3.5	8.25	8.5	3.5	12	10.5	3.5	14
<b>4 year - Cumulative</b>	<b>37%</b>			<b>57%</b>			<b>69%</b>		

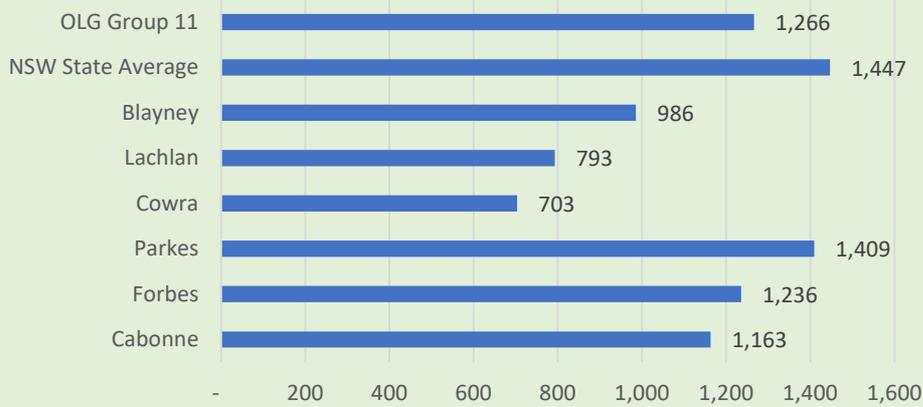
Cabonne Council currently has a low average residential rate relative to similar sized Councils and the NSW State Average as illustrated below:



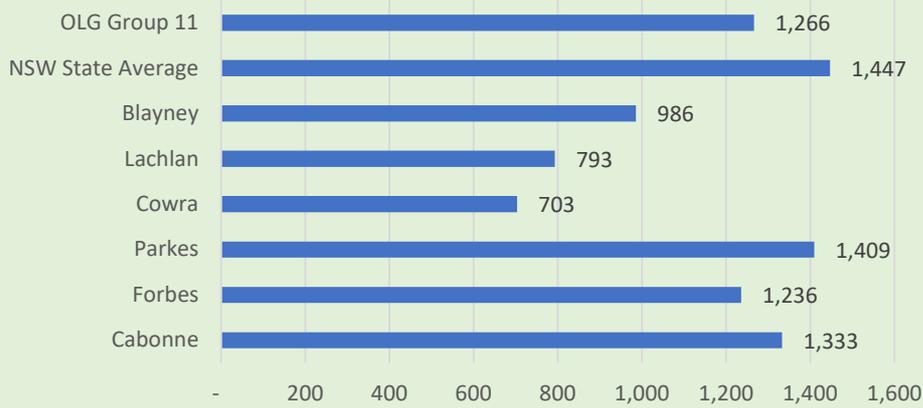
The three charts below forecast the impact on the average residential rate for each of the options modelled at the end of the four year period of the rate increases. The data assumes a rate pegging increase of 3.5% for all other Councils during the period applied.

Council's average residential rate will remain below the OLG Group 11 average for option1 (8.25%) but will climb marginally above the average for Options 2 and 3. It is likely however that a number of other Councils will be granted increases during this period which will push the Group 11 average higher.

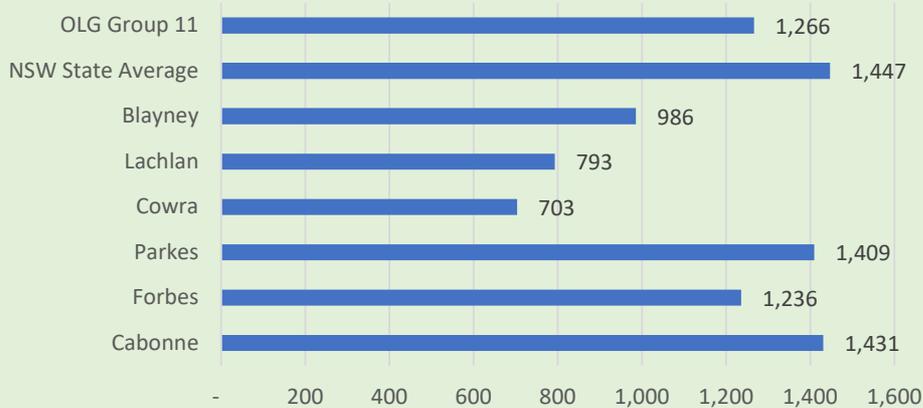
Average Residential Rates 2031/32 - Option 1  
8.25%



Average Residential Rates 2031/32 - Option 2  
12%



Average Residential Rates 2031/32 - Option 3  
14%



The additional rating generated by each of the options is presented in the table below:

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
<b>Option 1</b>										
Ordinary Rates @3.5%	12,197	12,624	13,066	13,523	13,997	14,487	14,994	15,518	16,061	16,624
Ordinary Rates @8.25%	12,197	12,624	13,066	13,523	14,639	15,847	17,154	18,569	19,219	19,892
Impact on result					642	1,360	2,161	3,051	3,158	3,268
<b>Option 2</b>										
Ordinary Rates @3.5%	12,197	12,624	13,066	13,523	13,997	14,487	14,994	15,518	16,061	16,624
Ordinary Rates @12%	12,197	12,624	13,066	13,523	15,146	16,964	18,999	21,279	22,024	22,795
Impact on result					1,149	2,477	4,006	5,761	5,963	6,171
<b>Option 3</b>										
Ordinary Rates @3.5%	12,197	12,624	13,066	13,523	13,997	14,487	14,994	15,518	16,061	16,624
Ordinary Rates @14% 4 years	12,197	12,624	13,066	13,523	15,417	17,575	20,035	22,840	23,640	24,467
Impact on result					1,420	3,088	5,042	7,322	7,578	7,844

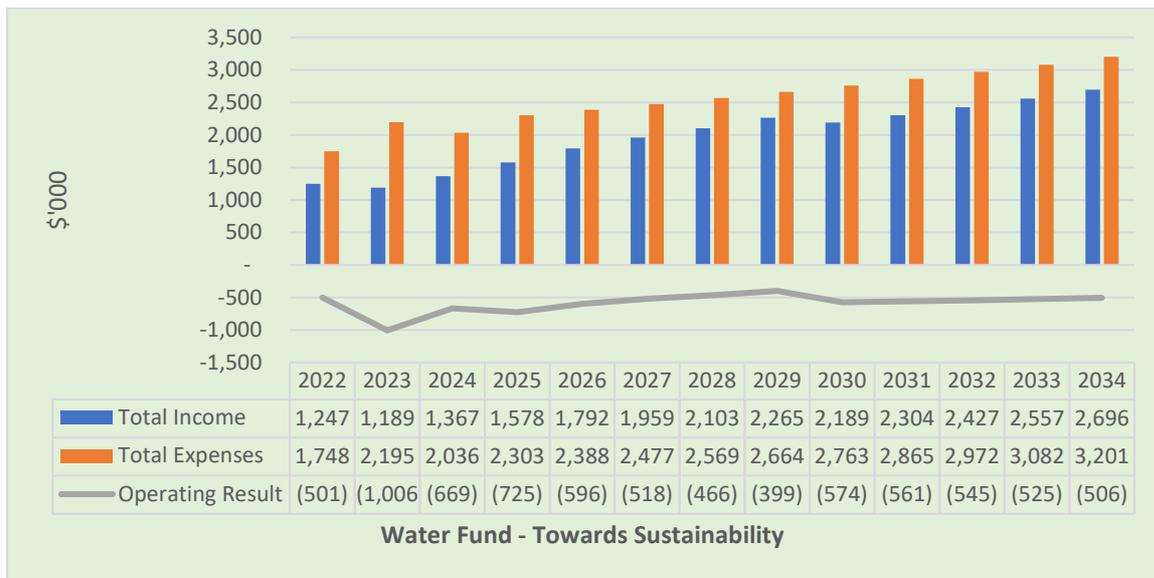
Option 1 will improve Council's Operating Result but will not on its own return Council to a sustainable financial position. Option 2 presents a more favourable position but does not fully cover the forecast deficits. Option 3 presents a sustainable financial forecast.

## 6.2 Water Charges – Higher Increase Scenario

This scenario has been prepared to explore the implications if Council was to choose to apply a higher level of access charges to the water business customers rather than the 10% increase proposed in the base case presented earlier in this document. Under this scenario, the access charges would increase as follows:

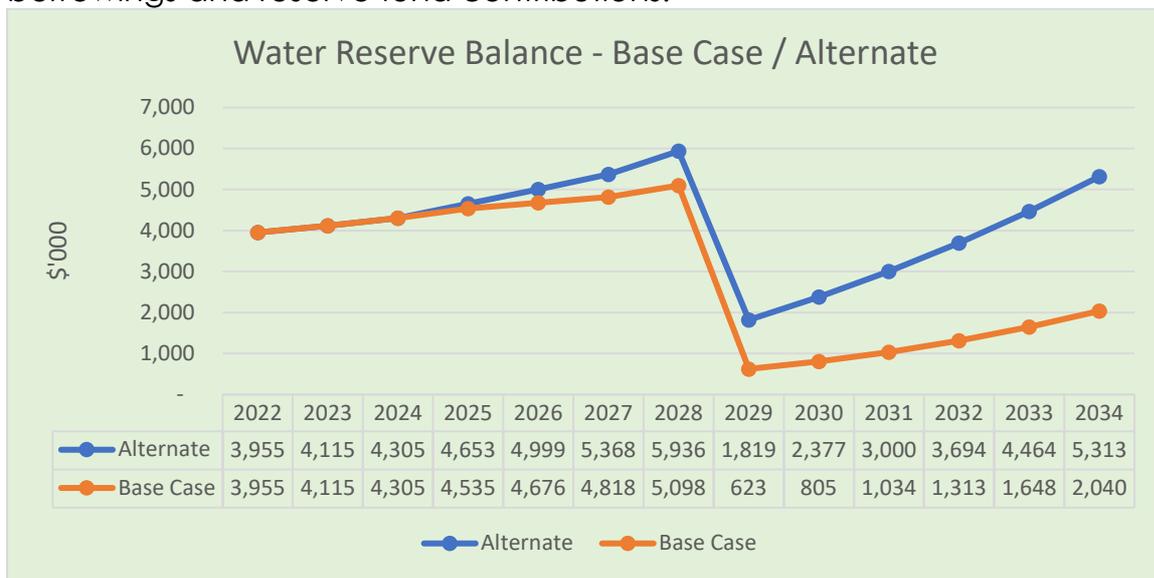
Year	% increase in Access Charges
2024/25	30
2025/26	20
2026/27	10
2027/28	10
2028/29	10
2029/30	CPI

Figure 14 Continues to show a deficit over the ten years but at much lower levels than the Base Case presented in Figure 6 (section 4).



**Figure 14: trends in income, expenses and operating result in water fund (charges increased)**

Figure 15 shows the impact of the higher charges on the balance of the Reserve in the Alternate scenario compared to the Base Case Scenario. The Alternate Scenario presents a much stronger and more sustainable financial position allowing Council to address asset renewal requirements via borrowings and reserve fund contributions.



**Figure 15: Projected Cash and Investments Balance – Alternate Scenario compared with Base Case Scenario.**

This reinforces how critical it is for Council to increase charges as in section 3.

## Appendix 1: Financial Statements for BASE CASE

### Notes:

- All figures in \$000's
- Historic actual figures in income statement and 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)
- Historic capital works is from Note C1-7 or equivalent in financial statements (doesn't include works in progress)

## Income Statement - General Fund

	Historic Actuals		Budget		Forecast								
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
Rates & Annual Charges	12,658	12,958	13,450	14,243	14,725	15,228	15,748	16,286	16,842	17,418	18,013	18,629	19,266
User Charges & Fees	8,742	8,739	7,350	7,174	7,461	7,759	8,070	8,393	8,728	9,077	9,440	9,818	10,211
Other Revenues	1,076	1,695	672	502	975	1,001	1,026	1,052	1,079	1,107	1,133	1,162	1,191
Grants & Contributions - Operating	8,471	30,754	10,400	13,463	12,329	12,722	13,128	13,549	13,984	14,435	14,901	15,384	15,883
Grants & Contributions - Capital	9,227	9,960	48,080	41,050	31,900	4,889	5,039	5,194	5,354	5,519	5,690	5,867	6,051
Interest and Investment Revenue	231	1,126	832	945	949	936	921	898	1,225	1,210	1,190	1,165	1,132
Profit on disposal of Assets				300									
Other Income	641	602	180	193	187	191	194	198	202	206	210	214	218
<b>Total Income</b>	<b>41,046</b>	<b>65,834</b>	<b>80,964</b>	<b>77,869</b>	<b>68,527</b>	<b>42,726</b>	<b>44,126</b>	<b>45,569</b>	<b>47,415</b>	<b>48,971</b>	<b>50,578</b>	<b>52,238</b>	<b>53,951</b>
Employee Costs	12,426	13,755	16,840	16,709	17,294	17,813	18,347	18,898	19,465	20,048	20,650	21,269	21,907
Materials & Services	16,546	31,388	8,920	11,492	10,213	10,621	11,339	11,488	11,947	12,814	12,922	13,439	14,494
Borrowing Costs	-	106	-	-	174	168	162	156	150	143	136	128	120
Depreciation	10,896	12,860	13,374	13,112	13,636	14,182	14,749	15,339	15,953	16,591	17,254	17,945	18,662
Other Expenses	545	580	603	627	652	679	706	734	763	794	826	859	893
<b>Total Expenses</b>	<b>40,413</b>	<b>58,689</b>	<b>39,738</b>	<b>41,940</b>	<b>41,969</b>	<b>43,462</b>	<b>45,303</b>	<b>46,614</b>	<b>48,278</b>	<b>50,390</b>	<b>51,788</b>	<b>53,640</b>	<b>56,077</b>
<b>Net Operating Result</b>	<b>633</b>	<b>7,145</b>	<b>41,226</b>	<b>35,929</b>	<b>26,558</b>	<b>(737)</b>	<b>(1,177)</b>	<b>(1,045)</b>	<b>(863)</b>	<b>(1,419)</b>	<b>(1,210)</b>	<b>(1,402)</b>	<b>(2,126)</b>
<b>Net Operating Result before capital grants &amp; contributions</b>	<b>(8,594)</b>	<b>(2,815)</b>	<b>(6,853)</b>	<b>(5,121)</b>	<b>(5,342)</b>	<b>(5,625)</b>	<b>(6,216)</b>	<b>(6,238)</b>	<b>(6,217)</b>	<b>(6,939)</b>	<b>(6,900)</b>	<b>(7,269)</b>	<b>(8,177)</b>

**Statement of Financial Position - General Fund**

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
<b>ASSETS</b>													
<b>Current assets</b>													
Cash and Investments	37,436	32,974	37,176	30,988	32,772	33,720	35,219	37,003	39,127	40,861	42,978	45,086	46,626
Receivables	1,479	4,497	4,632	4,771	4,914	5,061	5,213	5,370	5,531	5,697	5,868	6,044	6,225
Inventories	733	621	640	659	679	699	720	742	764	787	810	835	860
Contract assets	4,066	18,120	12,000	12,000	-	-	-	-	-	-	-	-	-
Other	58	82	84	87	90	92	95	98	101	104	107	110	114
<b>Total current assets</b>	<b>43,772</b>	<b>56,294</b>	<b>54,532</b>	<b>48,505</b>	<b>38,454</b>	<b>39,573</b>	<b>41,248</b>	<b>43,212</b>	<b>45,522</b>	<b>47,448</b>	<b>49,763</b>	<b>52,074</b>	<b>53,824</b>
<b>Non-current assets</b>													
Receivables	725	453	424	394	364	334	304	274	244	214	184	154	124
Inventories	41	173	173	-	-	-	-	-	-	-	-	-	-
Infrastructure, property, plant and equ	554,985	562,741	614,174	663,069	708,705	722,444	735,517	748,751	762,145	775,696	789,404	803,265	817,277
Intangible assets	125	62	33	-	-	-	-	-	-	-	-	-	-
Other	282	282	282	282	282	282	282	282	282	282	282	282	282
<b>Total non-current assets</b>	<b>556,158</b>	<b>563,711</b>	<b>615,086</b>	<b>663,745</b>	<b>709,351</b>	<b>723,060</b>	<b>736,103</b>	<b>749,307</b>	<b>762,671</b>	<b>776,192</b>	<b>789,870</b>	<b>803,701</b>	<b>817,683</b>
<b>Total assets</b>	<b>599,930</b>	<b>620,005</b>	<b>669,618</b>	<b>712,250</b>	<b>747,805</b>	<b>762,633</b>	<b>777,350</b>	<b>792,519</b>	<b>808,193</b>	<b>823,640</b>	<b>839,633</b>	<b>855,775</b>	<b>871,508</b>
<b>LIABILITIES</b>													
<b>Current liabilities</b>													
Payables	3,962	4,804	4,948	5,097	5,249	5,407	5,569	5,736	5,908	6,086	6,268	6,456	6,650
Contract liabilities	2,998	6,925	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Borrowings	-	-	-	95	100	106	112	118	125	132	140	148	157
Employee benefit provision	3,117	3,178	3,289	3,404	3,524	3,647	3,774	3,907	4,043	4,185	4,331	4,483	4,640
Provisions	-	59	-	-	-	-	-	-	-	-	-	-	-
<b>Total current liabilities</b>	<b>10,077</b>	<b>14,966</b>	<b>11,237</b>	<b>11,595</b>	<b>11,873</b>	<b>12,160</b>	<b>12,456</b>	<b>12,761</b>	<b>13,077</b>	<b>13,402</b>	<b>13,740</b>	<b>14,087</b>	<b>14,447</b>
<b>Non-current liabilities</b>													
Payables	65	161	161	161	161	161	161	161	161	161	161	161	161
Borrowings	-	-	-	3,317	3,217	3,111	2,999	2,880	2,755	2,623	2,483	2,335	2,178
Provisions	2,705	3,765	2,079	2,037	1,997	1,957	1,918	1,879	1,842	1,805	1,769	1,733	1,699
<b>Total non-current liabilities</b>	<b>2,770</b>	<b>3,926</b>	<b>2,240</b>	<b>5,515</b>	<b>5,374</b>	<b>5,229</b>	<b>5,077</b>	<b>4,921</b>	<b>4,758</b>	<b>4,589</b>	<b>4,413</b>	<b>4,229</b>	<b>4,037</b>
<b>Total liabilities</b>	<b>12,847</b>	<b>18,892</b>	<b>13,477</b>	<b>17,110</b>	<b>17,247</b>	<b>17,388</b>	<b>17,533</b>	<b>17,682</b>	<b>17,835</b>	<b>17,991</b>	<b>18,152</b>	<b>18,316</b>	<b>18,484</b>
<b>Net Assets</b>	<b>587,083</b>	<b>601,113</b>	<b>656,141</b>	<b>695,140</b>	<b>730,558</b>	<b>745,245</b>	<b>759,817</b>	<b>774,837</b>	<b>790,358</b>	<b>805,649</b>	<b>821,481</b>	<b>837,458</b>	<b>853,024</b>
<b>Equity</b>													
Accumulated surplus	316,086	318,480	359,706	395,635	422,193	421,456	420,280	419,235	418,371	416,952	415,742	414,341	412,215
Revaluation reserves	270,997	282,633	296,434	299,505	308,365	323,788	339,538	355,602	371,987	388,697	405,738	423,118	440,809
<b>Total Equity</b>	<b>587,083</b>	<b>601,113</b>	<b>656,141</b>	<b>695,140</b>	<b>730,558</b>	<b>745,245</b>	<b>759,817</b>	<b>774,837</b>	<b>790,358</b>	<b>805,649</b>	<b>821,481</b>	<b>837,458</b>	<b>853,024</b>

## Income Statement (Water)

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
Rates & Annual Charges	567	566	588	647	711	783	822	863	906	951	999	1,049	1,101
User Charges & Fees	664	605	586	623	685	754	792	831	873	916	962	1,010	1,061
Other Revenues	-	7	8	2	8	9	9	9	10	10	10	10	11
Grants & Contributions - Operating	-	-	-	-	-	-	-	-	-	-	-	-	-
Grants & Contributions - Capital	1,213	-	-	-	26	26	26	9,026	26	26	26	26	26
Interest and Investment Revenue	11	11	185	189	181	187	193	204	25	32	41	53	66
Other Income	5	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Income</b>	<b>2,460</b>	<b>1,189</b>	<b>1,367</b>	<b>1,461</b>	<b>1,613</b>	<b>1,758</b>	<b>1,841</b>	<b>10,933</b>	<b>1,839</b>	<b>1,936</b>	<b>2,038</b>	<b>2,148</b>	<b>2,265</b>
Employee Costs	574	517	665	681	701	722	744	766	789	813	838	863	893
Materials & Services	386	780	436	415	432	449	467	485	505	525	546	568	591
Borrowing Costs	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	698	810	810	1,084	1,127	1,172	1,219	1,268	1,319	1,372	1,426	1,484	1,543
Other Expenses	90	88	125	123	128	133	138	144	150	156	162	168	175
<b>Total Expenses</b>	<b>1,748</b>	<b>2,195</b>	<b>2,036</b>	<b>2,303</b>	<b>2,388</b>	<b>2,477</b>	<b>2,569</b>	<b>2,664</b>	<b>2,763</b>	<b>2,865</b>	<b>2,972</b>	<b>3,082</b>	<b>3,201</b>
<b>Operating Result</b>	<b>712</b>	<b>(1,006)</b>	<b>(669)</b>	<b>(842)</b>	<b>(776)</b>	<b>(719)</b>	<b>(728)</b>	<b>8,269</b>	<b>(924)</b>	<b>(930)</b>	<b>(934)</b>	<b>(935)</b>	<b>(937)</b>
<b>Operating Result before capital grants &amp; contributions</b>	<b>(501)</b>	<b>(1,006)</b>	<b>(669)</b>	<b>(842)</b>	<b>(802)</b>	<b>(745)</b>	<b>(754)</b>	<b>(757)</b>	<b>(950)</b>	<b>(956)</b>	<b>(960)</b>	<b>(961)</b>	<b>(963)</b>

### Statement of Financial Position - Water

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
<b>ASSETS</b>													
<b>Current assets</b>													
Cash and Investments	3,955	4,115	4,305	4,535	4,676	4,818	5,098	623	805	1,034	1,313	1,648	2,040
Receivables	1,785	550	567	583	601	619	638	657	676	697	718	739	761
Inventories													
Contract assets	370	15	-	-	-	-	-	-	-	-	-	-	-
Other													
<b>Total current assets</b>	<b>6,110</b>	<b>4,680</b>	<b>4,871</b>	<b>5,119</b>	<b>5,277</b>	<b>5,437</b>	<b>5,735</b>	<b>1,279</b>	<b>1,481</b>	<b>1,730</b>	<b>2,031</b>	<b>2,387</b>	<b>2,801</b>
<b>Non-current assets</b>													
Receivables	50	-	-	-	-	-	-	-	-	-	-	-	-
Inventories	-												
Infrastructure, property, plant and equipment	40,678	41,868	41,856	41,883	41,837	41,846	41,710	55,325	55,364	55,352	55,288	55,167	54,987
Intangible assets													
Other													
<b>Total non-current assets</b>	<b>40,728</b>	<b>41,868</b>	<b>41,856</b>	<b>41,883</b>	<b>41,837</b>	<b>41,846</b>	<b>41,710</b>	<b>55,325</b>	<b>55,364</b>	<b>55,352</b>	<b>55,288</b>	<b>55,167</b>	<b>54,987</b>
<b>Total assets</b>	<b>46,838</b>	<b>46,548</b>	<b>46,727</b>	<b>47,002</b>	<b>47,113</b>	<b>47,283</b>	<b>47,446</b>	<b>56,605</b>	<b>56,845</b>	<b>57,082</b>	<b>57,318</b>	<b>57,554</b>	<b>57,788</b>
<b>LIABILITIES</b>													
<b>Current liabilities</b>													
Payables	261	135	200	206	212	219	225	232	239	246	253	261	269
Contract liabilities													
Borrowings													
Employee benefit provision													
Provisions													
<b>Total current liabilities</b>	<b>261</b>	<b>135</b>	<b>200</b>	<b>206</b>	<b>212</b>	<b>219</b>	<b>225</b>	<b>232</b>	<b>239</b>	<b>246</b>	<b>253</b>	<b>261</b>	<b>269</b>
<b>Non-current liabilities</b>													
Payables													
Borrowings													
Provisions													
<b>Total non-current liabilities</b>	<b>-</b>												
<b>Total liabilities</b>	<b>261</b>	<b>135</b>	<b>200</b>	<b>206</b>	<b>212</b>	<b>219</b>	<b>225</b>	<b>232</b>	<b>239</b>	<b>246</b>	<b>253</b>	<b>261</b>	<b>269</b>
<b>Net Assets</b>	<b>46,577</b>	<b>46,413</b>	<b>46,527</b>	<b>46,796</b>	<b>46,901</b>	<b>47,065</b>	<b>47,221</b>	<b>56,373</b>	<b>56,606</b>	<b>56,836</b>	<b>57,065</b>	<b>57,293</b>	<b>57,519</b>
<b>Equity</b>													
Accumulated surplus	24,023	25,655	24,986	24,144	23,368	22,650	21,922	30,191	29,267	28,338	27,404	26,469	25,533
Revaluation reserves	22,554	20,758	21,541	22,652	23,533	24,415	25,299	26,182	27,339	28,499	29,661	30,824	31,986
<b>Total Equity</b>	<b>46,577</b>	<b>46,413</b>	<b>46,527</b>	<b>46,796</b>	<b>46,901</b>	<b>47,065</b>	<b>47,221</b>	<b>56,373</b>	<b>56,606</b>	<b>56,836</b>	<b>57,065</b>	<b>57,293</b>	<b>57,519</b>

## Income Statement (Sewer)

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
Rates & Annual Charges	2,199	2,092	2,274	2,376	2,483	2,595	2,699	2,807	2,919	3,036	3,157	3,284	3,415
User Charges & Fees	69	85	77	90	94	97	101	105	109	114	118	123	128
Other Revenues	3	-	-	-	4	4	5	5	5	5	5	5	5
Grants & Contributions - Operating	-	-	-	-	-	-	-	-	-	-	-	-	-
Grants & Contributions - Capital	105	24	-	-	56	56	56	5,756	56	56	56	56	56
Interest and Investment Revenue	24	24	124	142	157	177	198	222	86	107	130	157	189
Other Income	-	4	4	4	4	4	4	4	4	4	4	4	4
<b>Total Income</b>	<b>2,400</b>	<b>2,229</b>	<b>2,479</b>	<b>2,612</b>	<b>2,798</b>	<b>2,933</b>	<b>3,063</b>	<b>8,898</b>	<b>3,179</b>	<b>3,321</b>	<b>3,470</b>	<b>3,629</b>	<b>3,797</b>
Employee Costs	669	505	679	679	699	720	742	764	787	811	835	860	890
Materials & Services	691	592	612	627	652	678	705	734	763	793	825	858	892
Borrowing Costs	86	75	62	57	50	43	36	28	20	11	2	-	-
Depreciation	901	914	951	963	1,002	1,042	1,083	1,127	1,172	1,219	1,267	1,318	1,371
Other Expenses	327	236	257	270	281	292	304	316	328	342	355	370	384
<b>Total Expenses</b>	<b>2,674</b>	<b>2,322</b>	<b>2,561</b>	<b>2,596</b>	<b>2,684</b>	<b>2,775</b>	<b>2,870</b>	<b>2,968</b>	<b>3,070</b>	<b>3,175</b>	<b>3,285</b>	<b>3,406</b>	<b>3,538</b>
<b>Operating Result</b>	<b>(274)</b>	<b>(93)</b>	<b>(81)</b>	<b>16</b>	<b>114</b>	<b>158</b>	<b>193</b>	<b>5,930</b>	<b>109</b>	<b>146</b>	<b>186</b>	<b>223</b>	<b>260</b>
<b>Operating Result before capital grants &amp; contributions</b>	<b>(379)</b>	<b>(117)</b>	<b>(81)</b>	<b>16</b>	<b>58</b>	<b>102</b>	<b>137</b>	<b>174</b>	<b>53</b>	<b>90</b>	<b>130</b>	<b>167</b>	<b>204</b>

### Statement of Financial Position - Sewer

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
<b>ASSETS</b>													
<b>Current assets</b>													
Cash and Investments	3,292	4,146	4,702	5,234	5,888	6,610	7,393	2,870	3,563	4,319	5,230	6,303	7,460
Receivables	962	997	1,027	1,058	1,089	1,122	1,156	1,190	1,226	1,263	1,301	1,340	1,380
Inventories													
Contract assets													
Other	-												
<b>Total current assets</b>	<b>4,254</b>	<b>5,143</b>	<b>5,729</b>	<b>6,292</b>	<b>6,977</b>	<b>7,732</b>	<b>8,548</b>	<b>4,061</b>	<b>4,789</b>	<b>5,582</b>	<b>6,531</b>	<b>7,643</b>	<b>8,840</b>
<b>Non-current assets</b>													
Receivables	150	-	-	-	-	-	-	-	-	-	-	-	-
Inventories	-	-											
Infrastructure, property, plant and equipment	37,395	38,261	38,249	38,351	38,424	38,466	38,475	49,518	49,737	49,923	50,074	50,189	50,257
Intangible assets	-	20	16	12	8	4	-	-	-	-	-	-	-
Other													
<b>Total non-current assets</b>	<b>37,545</b>	<b>38,281</b>	<b>38,265</b>	<b>38,363</b>	<b>38,432</b>	<b>38,470</b>	<b>38,475</b>	<b>49,518</b>	<b>49,737</b>	<b>49,923</b>	<b>50,074</b>	<b>50,189</b>	<b>50,257</b>
<b>Total assets</b>	<b>41,799</b>	<b>43,424</b>	<b>43,993</b>	<b>44,655</b>	<b>45,409</b>	<b>46,202</b>	<b>47,023</b>	<b>53,579</b>	<b>54,526</b>	<b>55,505</b>	<b>56,605</b>	<b>57,832</b>	<b>59,097</b>
<b>LIABILITIES</b>													
<b>Current liabilities</b>													
Payables	19	38	39	40	42	43	44	45	47	48	50	51	53
Contract liabilities													
Borrowings	1,403	105	89	95	100	106	112	118	125	132	140	148	156
Employee benefit provision													
Provisions													
<b>Total current liabilities</b>	<b>1,422</b>	<b>143</b>	<b>128</b>	<b>135</b>	<b>142</b>	<b>149</b>	<b>156</b>	<b>163</b>	<b>172</b>	<b>180</b>	<b>190</b>	<b>199</b>	<b>209</b>
<b>Non-current liabilities</b>													
Payables													
Borrowings		1,172	1,067	978	883	783	677	565	447	322	190	50	-
Provisions													
<b>Total non-current liabilities</b>	<b>-</b>	<b>1,172</b>	<b>1,067</b>	<b>978</b>	<b>883</b>	<b>783</b>	<b>677</b>	<b>565</b>	<b>447</b>	<b>322</b>	<b>190</b>	<b>50</b>	<b>-</b>
<b>Total liabilities</b>	<b>1,422</b>	<b>1,315</b>	<b>1,195</b>	<b>1,113</b>	<b>1,025</b>	<b>932</b>	<b>833</b>	<b>728</b>	<b>619</b>	<b>502</b>	<b>380</b>	<b>249</b>	<b>209</b>
<b>Net Assets</b>	<b>40,377</b>	<b>42,109</b>	<b>42,798</b>	<b>43,541</b>	<b>44,385</b>	<b>45,270</b>	<b>46,190</b>	<b>52,850</b>	<b>53,907</b>	<b>55,003</b>	<b>56,226</b>	<b>57,582</b>	<b>58,888</b>
<b>Equity</b>													
Accumulated surplus	20,952	23,404	23,420	23,535	23,693	23,886	29,816	29,925	30,071	30,257	30,480	30,740	30,740
Revaluation reserves	19,425	18,704	19,378	20,007	20,692	21,385	16,375	22,925	23,835	24,746	25,746	26,843	28,148
<b>Total Equity</b>	<b>40,377</b>	<b>42,108</b>	<b>42,798</b>	<b>43,541</b>	<b>44,385</b>	<b>45,270</b>	<b>46,190</b>	<b>52,850</b>	<b>53,907</b>	<b>55,003</b>	<b>56,226</b>	<b>57,582</b>	<b>58,888</b>

**KEY RATIOS - GENERAL FUND**

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
<b>Operating performance ratio</b>													
Target > 0%	-27%	-5%	-21%	-14%	-15%	-15%	-16%	-15%	-15%	-16%	-15%	-16%	-17%
<b>Own source operating revenue ratio</b>													
Target > 60%	78%	85%	41%	47%	53%	89%	89%	89%	89%	89%	89%	89%	89%
<b>Unrestricted current ratio</b>													
Target >1.5 x	4.37	3.77	3.20	4.07	2.72	2.68	2.69	2.72	2.79	2.80	2.85	2.89	4.70
<b>Infrastructure renewal ratio</b>													
Target >1.0	0.79	1.28	4.00	3.79	3.37	0.96	0.90	0.90	0.89	0.89	0.89	0.89	0.00
<b>Debt service cover ratio</b>													
Target >2.00 x	7.07	11.63	15.02	18.18	7.98	8.60	9.23	9.92	9.43	10.23	11.01	11.25	#DIV/0!

**KEY RATIOS - WATER FUND**

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
<b>Operating performance ratio</b>													
Target > 0%	-40%	-85%	-49%	-58%	-51%	-43%	-42%	-40%	-52%	-50%	-48%	-45%	-43%
<b>Current ratio</b>													
Target >1.5 x	23.41	34.67	24.36	24.85	24.87	24.88	25.48	5.52	6.20	7.03	8.01	9.15	10.42
<b>Infrastructure renewal ratio</b>													
Target >1.0	0.00	0.15	0.00	0.00	0.18	0.26	0.16	11.04	0.15	0.15	0.14	0.13	0.13

**KEY RATIOS - SEWER FUND**

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
<b>Operating performance ratio</b>													
Target > 0%	-17%	-5%	-3%	1%	2%	4%	5%	6%	2%	3%	4%	5%	5%
<b>Current ratio</b>													
Target >1.5 x	2.99	35.97	44.71	46.50	49.30	51.97	54.78	24.85	27.89	30.99	34.45	38.39	42.38
<b>Infrastructure renewals ratio</b>													
Target >1.0	0.79	0.01	0.18	0.31	0.31	0.30	0.30	10.12	0.34	0.34	0.33	0.33	0.32

<b>Projected Statement of Cash Flows - General Fund</b>										
	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>	<b>2030/31</b>	<b>2031/32</b>	<b>2032/33</b>
<b>Opening Cash and Investments</b>	<b>32,974</b>	<b>37,176</b>	<b>30,988</b>	<b>32,772</b>	<b>33,720</b>	<b>35,219</b>	<b>37,003</b>	<b>39,127</b>	<b>40,861</b>	<b>42,978</b>
<b>Cash flows from Operating Activities</b>										
<u>Receipts</u>										
Rates & Annual Charges	13,450	14,243	14,725	15,228	15,748	16,286	16,842	17,418	18,013	18,629
User Charges & Fees	7,350	7,174	7,461	7,759	8,070	8,393	8,728	9,077	9,440	9,818
Interest received	832	945	949	936	921	898	1,225	1,210	1,190	1,165
Grants & Contributions - Operating	10,400	13,463	12,329	12,722	13,128	13,549	13,984	14,435	14,901	15,384
Grants & Contributions - Capital	42,080	31,050	31,900	4,889	5,039	5,194	5,354	5,519	5,690	5,867
Other	852	695	1,162	1,191	1,220	1,250	1,281	1,312	1,343	1,375
<u>Payments</u>										
Payments to employees	(16,840)	(16,709)	(17,294)	(17,813)	(18,347)	(18,898)	(19,465)	(20,048)	(20,650)	(21,269)
Payments for materials and services	(8,920)	(11,492)	(10,213)	(10,621)	(11,339)	(11,488)	(11,947)	(12,814)	(12,922)	(13,439)
Borrowing Costs	-	0	(174)	(168)	(162)	(156)	(150)	(143)	(136)	(128)
Other	(603)	(627)	(652)	(679)	(706)	(734)	(763)	(794)	(826)	(859)
<b>Net Cash flows from Operating Activities</b>	<b>48,601</b>	<b>38,741</b>	<b>40,194</b>	<b>13,445</b>	<b>13,572</b>	<b>14,294</b>	<b>15,090</b>	<b>15,171</b>	<b>16,045</b>	<b>16,543</b>
<b>Cash flows from Investing Activities</b>										
Purchase of IPPE	(53,553)	(49,724)	(45,922)	(13,652)	(13,273)	(13,757)	(14,260)	(14,781)	(15,323)	(15,886)
Sale of Plant	1,000	1,295	1,600	1,250	1,300	1,352	1,406	1,462	1,521	1,582
Debtor Receipts - TFNSW/ PWA	14,154	6,000	6,000							
Debtor Increase - TFNSW	(6,000)	(6,000)	-							
<b>Net Cash flows from Investing Activities</b>	<b>(44,399)</b>	<b>(48,429)</b>	<b>(38,322)</b>	<b>(12,402)</b>	<b>(11,973)</b>	<b>(12,405)</b>	<b>(12,854)</b>	<b>(13,319)</b>	<b>(13,802)</b>	<b>(14,304)</b>
<b>Cash flows from Financing Activities</b>										
Borrowings - Solar Project	-	3,500	-							
Loan Repayments	0	0	(89)	(95)	(100)	(106)	(112)	(118)	(125)	(132)
<b>Projected Closing Cash &amp; Investments</b>	<b>37,176</b>	<b>30,988</b>	<b>32,772</b>	<b>33,720</b>	<b>35,219</b>	<b>37,003</b>	<b>39,127</b>	<b>40,861</b>	<b>42,978</b>	<b>45,086</b>