

# DELIVERING QUALITY FOR CABONNE

LONG TERM FINANCIAL PLAN  
2022-23 - 2031-32



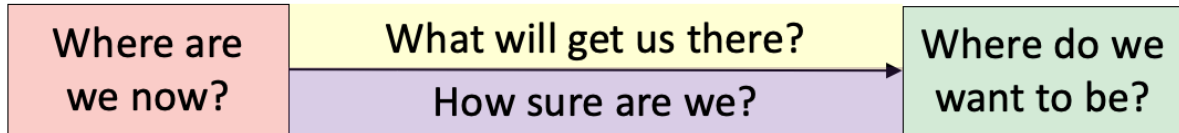
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# 1. Executive Summary and Introduction

This Long Term Financial Plan (LTFP) tells a story about Cabonne Council's long term financial sustainability by asking and answering 4 questions:



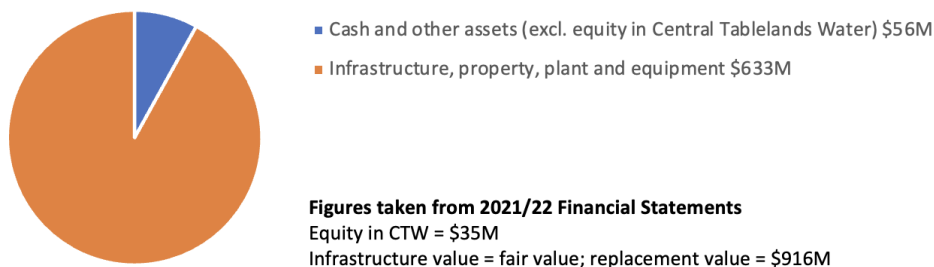
## Council's financial sustainability objectives

Council's financial sustainability objectives are detailed in section 2. They align with the 'principles of sound financial management' in the NSW Local Government Act (section 8B). Council has also defined measures for each that enable it to quantify 'where we are now' and 'where we want to be'.<sup>1</sup>

Financial Sustainability Objective	Measure/s
Responsible and sustainable spending	Operating result excluding capital grants and contributions
Responsible and sustainable infrastructure investment	Council has invested enough in its infrastructure so significant corrective action is <u>not</u> required to be certain it will achieve its objectives
Effective financial and asset management	<ul style="list-style-type: none"><li>Cash reserves (unrestricted and internally restricted) above minimum</li><li>Robust, up to date LTFP and SAMP*</li></ul>
Intergenerational equity	<ul style="list-style-type: none"><li>Current generation funds cost of its services</li><li>Policy decisions made after considering financial impacts on future generations</li></ul>

\*Note: the intention is that in future years, the robustness of these plans will be assessed via Council's internal audit function in consultation with Council's Audit, Risk and Improvement Committee.

The key issue to note is that sound financial management isn't just about *dollars* (cash assets make up only 8% of the total) but also *physical* assets. Council is responsible for managing responsibly and sustainably on behalf of the community:



**Figure 1: Council's 'cash' versus 'physical' assets**

That is why the Strategic Asset Management Plan (SAMP) sits alongside this LTFP in the Resourcing Strategy in Council's Integrated Planning and Reporting Framework.

<sup>1</sup> These will be incorporated into Council's next Delivery Program, after the 2024 elections.

## 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 3, 4 and 5 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 6 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 7 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
- *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

## Current situation (“where are we now?”)

The table below summarises Council’s ‘baseline’ performance (in the 2024 budget) against each measure for each financial sustainability (FS) objective by fund. There is no reference to ‘targets’ because “we are where we are”.

FS Objective	Measure	Current situation (2024) by fund		
		General	Water	Sewer
Spending	Operating result	-19%	-64%	-4%
Infrastructure	Sufficient certainty objectives will be achieved	No	No	No
Management	Unrestricted and internally restricted cash reserves	12.8	2.8	2.9
	Robust updated LTFP	Yes	Yes	Yes
	Robust updated SAMP	No	No	No
Equity	Current generation funds cost of services	No	No	No
	Policy decisions consider impact on future generations	Yes	Yes	Yes

The operating result and unrestricted and internally restricted cash reserves are taken from the 2024 Budget (see sections 3, 4 and 5 for details). They simply reflect the current situation. The key issue is ‘where we’re headed’, the forecast in 10 years, as discussed below.

There is a ‘yes’ against the ‘robust and up-to-date LTFP’ measure under ‘management’ because, although there are a number of uncertainties in this LTFP, it is considered sufficient to support informed decision making by Council at this time. It will be important for Council to progress the improvement actions identified throughout this LTFP to ensure it continues to meet this objective.<sup>2</sup>

There is a ‘no’ against the ‘robust and up-to-date SAMP’ measure under ‘management’ because Council has not updated its SAMP this year. The 2022 SAMP is available, and outlines the key issues with Council’s infrastructure, but it needs updating.

It is important to note that Council’s objective here *exceeds the mandatory requirement* specified by NSW Government. Councils are only required to adopt ‘asset management planning documents’ at the start of their term in office. Council is compliant with the mandatory requirement but is aiming higher because it recognises it needs a robust and up-to-date SAMP to support good decision making.

The key areas that need to be reviewed are:

- the state of the road network following the 2022 floods: Council is undertaking ‘immediate repair works’ now (such works are funded up to 30 June, 2023), but is also quantifying the full extent of the damage in order to prepare a claim for disaster assistance to NSW Government (such works will be funded up to 30 June 2025); it is critical that the latter is quantified robustly, and also that Council then identifies the priorities for its own investment above and beyond the work that is funded by NSW/Australian Governments

<sup>2</sup> These will be monitored via the Operational Plan in future years.

- solutions to improve water security: Council is currently preparing a Sub-Regional Water Supply Strategy in collaboration with Central Tablelands Water and Orange City Council; this is funded by NSW Government; it will identify the optimum long term solution for water supply
- other investments required to meet current and future demands for water supply and sewerage services: key questions surround the replacement of Molong and (further into the future) Canowindra Sewage Treatment Plants (and then the funding for these) as well as priorities for and funding of various other smaller-scale works (e.g. hydrants for water supply)
- investments required to increase the resilience of the urban stormwater drainage network, particularly in Molong
- investments required to meet community needs and expectations in relation to buildings and other Council facilities.

There is a 'no' against the 'infrastructure' objective because Council doesn't have sufficient certainty at this time that it will achieve its objectives for infrastructure. The objectives and measures are defined in its Delivery Program (e.g., providing a safe and secure water supply; a quality, safe, efficient and sustainable transport network; a sufficient and reliable sewerage service). The areas of uncertainty are noted in the dot points above.

It is again important to note that Council's objective here is different to the mandatory ones prescribed by NSW Government, the 'renewal backlog' and 'asset maintenance' ratios. Council is not simply aiming to keep its 'backlog' under 2% (the mandatory performance benchmark) but rather achieve its objectives and manage its risks.

The level of certainty that Council will achieve its objectives is rated as follows (this relates to the 'how sure are we?' question at the start of this section). Council needs to be able to rate the level of certainty it will achieve its objectives for infrastructure as a 1, 2 or 3 to satisfy the 'Infrastructure' objective.

1	Fully acceptable level of certainty of achievement. Any significant concerns have been identified and workshopped with the governing body.
2	Some management effort is required to increase the level of certainty of achievement to an acceptable level.
3	Considerable management action is required to increase certainty of achievement to an acceptable level.
4	Significant analysis and corrective action by senior management and the governing body is urgently required to increase certainty of achievement to an acceptable level.
5	Massive corrective action by senior management and the governing body is required now to increase certainty of achievement to an acceptable level.

The first step toward gaining such assurance is updating its Strategic Asset Management Plan (SAMP), which was discussed above.

The first measure related to the final objective of 'intergenerational equity' is rated as a 'no' because there is a significant deficit reported in all funds in the 2024 budget.

The second measure is rated as 'yes' because Council is considering the financial impact of its policies on future generations via a number of means including this LTFP.

## Forecast in 10 years and target (“where do we want to be?”)

The table below identifies the following, against each measure of Council’s financial sustainability:

- forecast performance in 10 years under the ‘base case’ in sections 3, 4 and 5 for the general, water and sewer funds
- target performance in 10 years.

The areas where Council is not forecasting to achieve its objective are identified in red text. These areas require active *mitigation*, i.e., corrective action. Key actions are discussed below.

The areas where Council is forecasting to achieve its objectives are identified in green text. These still require active *monitoring* to ensure Council stays on track.

FS Objective	Measure	Forecast situation (2033) / Target by fund and certainty		
		General	Water	Sewer
Spending	Operating result	-14% / 0%	-23% / 0%	-4% / 3%
Infrastructure	Investment required to address unacceptable risks	No	No	No
Management	Unrestricted and internally restricted cash reserves	8.4 / 8.0	2.1 / 1.0	4.8 / 1.0
	Robust updated LTFP	Yes	Yes	Yes
	Robust updated SAMP	Yes	Yes	Yes
Equity	Current generation funds services	No	No	Yes
	Policy impacts on future	Yes	Yes	Yes

Council’s target performance at the end of the Delivery Program will be included in future revisions of this LTFP. The focus for now is the longer term.

## Actions to achieve financial sustainability objectives (“how will we get there?”)

Council must take corrective action in relation to items in red in the table above *at some time*. Options include:

- revising its targets in relation to its financial sustainability objectives (however these basically reflect the principles of sound financial management in section 8B of the Local Government Act)
- revising its objectives for infrastructure (e.g. what it deems a ‘quality’ and ‘sustainable’ road network, or a ‘reliable’ sewerage service)
- taking other actions to change the course it is on now (as detailed in the base case in sections 3, 4 and 5) such as engaging the community about the need for a Special Rate Variation to improve the sustainability of the general fund (such as detailed in the scenario in section 7.1).

It is very important to emphasise the differing levels of urgency in relation to the corrective actions required, though, for example:

- there is a relatively urgent need to revise the SAMP to better understand the level of investment required to address unacceptable risks, but that work is underway (as noted above)
- there is a need to engage the community about the options to improve the sustainability of Council’s general fund *at some stage in the future* but (as noted in section 7.1) it is not even suggested that Council would apply for a Special Rate Variation until after the 2028 elections, so there is *no urgency* to have this conversation, particularly given the community (and Council) are still dealing with the recovery from the 2022 floods.

Even though not all actions are urgent, Council must continue to take a long-term view and keep it up to date. This is the purpose of this LTFP and why it is updated annually.

It is also important to recognise the base case (in sections 3, 4 and 5) assumes that Council will take certain actions in future. The key decisions to be made are outlined below. If Council chooses a different path instead, this LTFP needs to be revised.

### Water fund

Section 4 proposes **increases in charges for customers** of Cabonne’s water supply business (in Molong, Cumnock and Yeoval) of 10% p.a. *including* CPI for 4 years starting this year. Council has proposed this increase in the last 2 LTFPs but has elected not to implement it in recognition of various challenges in the community.

Assuming a ‘real’ CPI of 3.7% this year (equal to the general fund rate peg, excluding the 0.4% population factor) and 2.5% for the next 3 years (which is likely to be conservative), proposed increases are 6.3% the 3 x 7.5%, which equates to a cumulative increase of 32.1% excluding CPI. In future revisions of this LTFP, proposed increases will be expressed *excluding* CPI.

Based on the latest available (2021/22) benchmarking data for NSW local water utilities issued by Department of Planning and Environment, this would increase the bill for a residential customer using 200kL/property/annum from \$1,365 (the 3<sup>rd</sup> highest in NSW) to \$1,803 (the highest in NSW). This would be 5% higher than Tenterfield (\$1,718), 32% higher than Tweed (\$1,370), 157% higher than weighted median in

NSW (\$702, which is close to the National average). It would see residents of Molong, Cumnock and Yeoval paying 90% more than those serviced by Central Tablelands Water in Canowindra, Cudal, Eugowra and Manildra (\$948) and 128% more than those serviced by Orange City Council (\$790).

It is important to note the questions surrounding Council's own figures and comparisons with other utilities, which are detailed in section 4, but despite this uncertainty, it is undoubtedly the case that customers of Cabonne Water are already paying far more than customers in most other areas of NSW, and will be paying a third more if Council implements the increases that have been assumed, raising questions of social equity. Key reasons for the high cost include a lack of economies of scale (Cabonne's water business is the 8<sup>th</sup> smallest in NSW) and the nature of the water supply system in Cabonne (with a high value of assets per customer).

The seriousness of the current financial situation (which can be seen most clearly in the 64% operating deficit in the 2024 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 by a third (to something like the highest in NSW), Council is *still* forecasting an operating deficit of 23% in 10 years. This is unsustainable, but Council cannot simply increase charges indefinitely, either.

Section 7.2 explores the implications of not increasing charges. Section 7.5 explores the potentially positive impact residential development in Molong will have, but again reinforces the need for assistance from NSW Government to make this a reality.

### Sewerage business

Section 5 proposes to **harmonise charges for customers** of Cabonne's sewerage businesses to bring all towns up to the level at Canowindra.

A typical residential customer in Canowindra will pay \$937 in 2023/4. Reducing this amount by 2.5% and 3.7% over the past 2 years (approximating the rate peg or CPI) to get back to 2021/2 dollars, this is equivalent to \$881. This is 26<sup>th</sup> highest in NSW, and just under the weighted median of \$885.

Assumed increases in residential charges in each town are detailed in section 5, but in summary:

- charges in Canowindra (now \$937) are proposed to increase by CPI only
- Cudal, Cumnock, Manildra and Yeoval now pay \$925, proposed increases are 0.5-1.5% over CPI after that to harmonise with Canowindra
- Eugowra pays \$845 now, no increases are proposed for the next 3 years, then 5-7% including CPI for 5 years after that to harmonise with Canowindra
- Molong pays \$814 now, increases of 10% p.a. including CPI are proposed over the next 3 years to harmonise with Canowindra.

These increases are sufficient to achieve a small (3%) operating surplus in 10 years, 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.

Section 7.3 explores the implications of not increasing charges. Section 7.5 explores the potentially positive impact residential development in Molong will have, but, like water, reinforces the need for assistance from NSW Government to make this a reality. A further scenario (7.4) exploring the long-term implications of Council having to fund the replacement of Molong with a loan, however there are too many unknowns at this stage (including issues associated with Canowindra STP) to develop a robust model yet. Improvement actions are identified to guide future revisions.

### General fund

The forecasts in section 3 are based on Council maintaining its current service delivery activities for both operational activities and capital works up until 2029. At that time, based on the assumptions in this LTFP, Council will reach a 'crossroads' where tough decisions must be made. There is little, perhaps no, doubt that Council will reach such a crossroads (as most other councils in NSW have already done, with most then applying for Special Rate Variations). *The question is 'when' not 'if'.*

Based in the current assumptions, **cash reserves** will be drawn down to \$8M in 2029, which is the 'target' minimum level in this LTFP.

Beyond this time, **capital works** will need to be wound back to preserve cash. Council's own funds are assumed to drop back from \$11-13M p.a. (this will vary depending on the amount and purpose of capital grants secured) to \$9.5M p.a. This will certainly result in Council failing to meet its 'infrastructure' objective of complying with all infrastructure-related objectives. For example, the drop in investment will result in a decline in condition of roads and other assets. But Council cannot afford to invest more without making tough decisions elsewhere.

Simply **borrowing** to fund the shortfall isn't an option as Council can't borrow without making tough decisions elsewhere (e.g. cutting other services) to free up funds to service the loan and repay the debt. That said, debt shouldn't be viewed as something to avoid, it is an important tool in Council's toolkit, but it is inappropriate in this situation unless Council intends to make the tough decisions in other areas.

Section 7.1 explores the implications if Council were to apply for a Special Rate Variation (SRV, an increase in rates above the "rate peg") of 8.25% p.a. *over and above* CPI for 4 years, which equates to a cumulative increase of 40.1% *plus* the rate

peg, which is assumed to be 2.5% p.a. The SRV application is assumed to be submitted following the 2028 elections, and so implemented over the 4 years between 2030 and 2033.

*In other words, it is a long way off; it is not even appropriate for Council to engage the community about this scenario at this point in time. That said, it is important that it be included as a scenario so that Council has a clear understanding of its options to achieve its financial sustainability objectives over the long term.*

The assumed 40.1% SRV is the minimum amount required to achieve a 'break even' operating position, which is the most basic and important measure of financial sustainability. This is based on the assumptions stated in this LTFP and does not factor in other options to address the deficit (e.g. efficiency gains, service level reductions, pursuing other options to increase revenues, etc.).

Comparisons of general rating structures between councils are far more problematic than water supply charges for several reasons (refer section 7.2 for details). However, a rough comparison has been made using the latest available data from OLG (from 2020/1) for the other 41 'large rural' councils (in OLG groups 10 and 11) and adding the impact of the 8 Special Rate Variations approved by IPART in 2021/2 and 2022/3 and those submitted in 2023/4 (ranging from 1.8% for Kyogle to 95% for Tenterfield).

Council's average residential rates in 2020/1 were \$700 (11<sup>th</sup> lowest / 41 councils, 78% of the average of all 41 councils after applying all approved SRVs). Farmland rates were \$2,659 (11<sup>th</sup>/41, 79% of the average). Business rates were \$592 (2<sup>nd</sup> / 41, 30% of the average).

Based on those figures and an assumed 40% SRV, Cabonne's average residential and farmland rates would increase to 109-111% of the average, and business rates would increase 42% of the average. Given that at least some other councils will apply for SRVs between 2025 and 2030, it would be reasonable to suggest that the assumed SRV would simply bring Cabonne's residential and farmland rates from the lower end to the middle of rating structures for similar councils.

## 2. Objectives for Sound Financial Management

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

- 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.

These principles inform Council's financial sustainability objectives, set out below. The measure for each one is also identified. The 'baseline' (current) and 'target' (10 year) performance for each is discussed in section 1.

Financial Sustainability Objective	Measure/s
Responsible and sustainable spending	Operating result excluding capital grants and contributions
Responsible and sustainable infrastructure investment	Council has invested enough in its infrastructure so significant corrective action is <u>not</u> required to be certain it will achieve its objectives
Effective financial and asset management	<ul style="list-style-type: none"><li>• Cash reserves (unrestricted and internally restricted) above minimum</li><li>• Robust, up to date LTFP and SAMP*</li></ul>
Intergenerational equity	<ul style="list-style-type: none"><li>• Current generation funds cost of its services</li><li>• Policy decisions made after considering financial impacts on future generations</li></ul>

**Table 1: Financial sustainability objectives**

\*Note: the intention is that in future years, the robustness of these plans will be assessed via Council's internal audit function in consultation with Council's Audit, Risk and Improvement Committee.

### 3. General Fund

The chart below summarises the main operating income and expenses in the Income Statement for Council's 2023/24 budget, including the projected deficit of \$6.1M. This excludes \$15.4M forecast for capital grants and contributions.

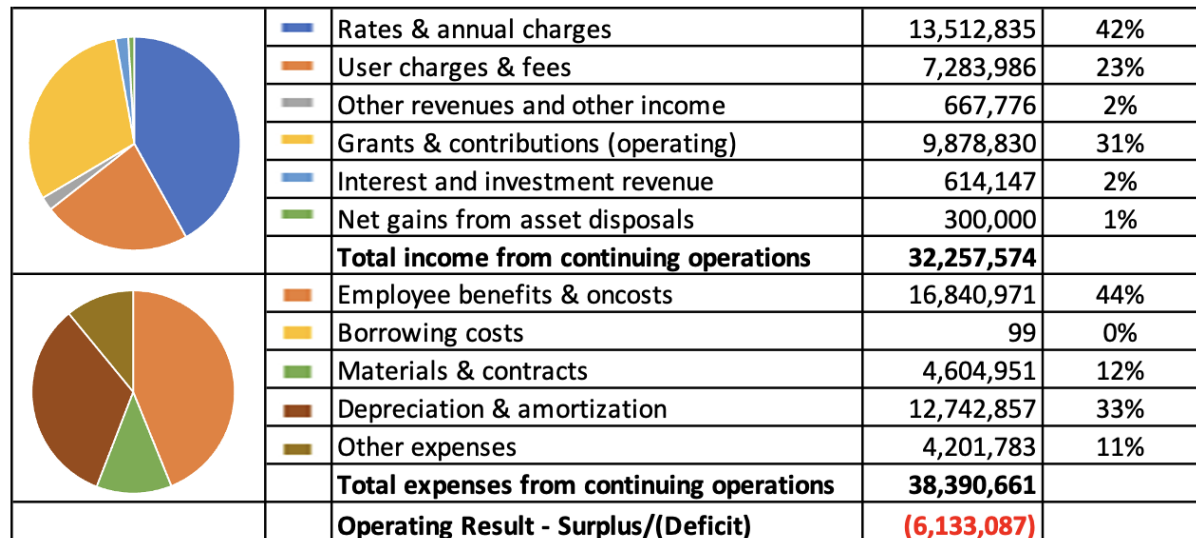


Figure 2: key income and expense items in 2023/24 general fund budget

A deficit of this scale (19% of operating revenues) is of concern if it continues long term as Council is 'spending more than it earns', which is unsustainable.

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

- actual results from Council's financial statements 2018-2022
- current year 2023 budget, as per the December Quarterly Budget Review
- forecast performance to 2033: an underlying (ongoing) deficit of 13-14%

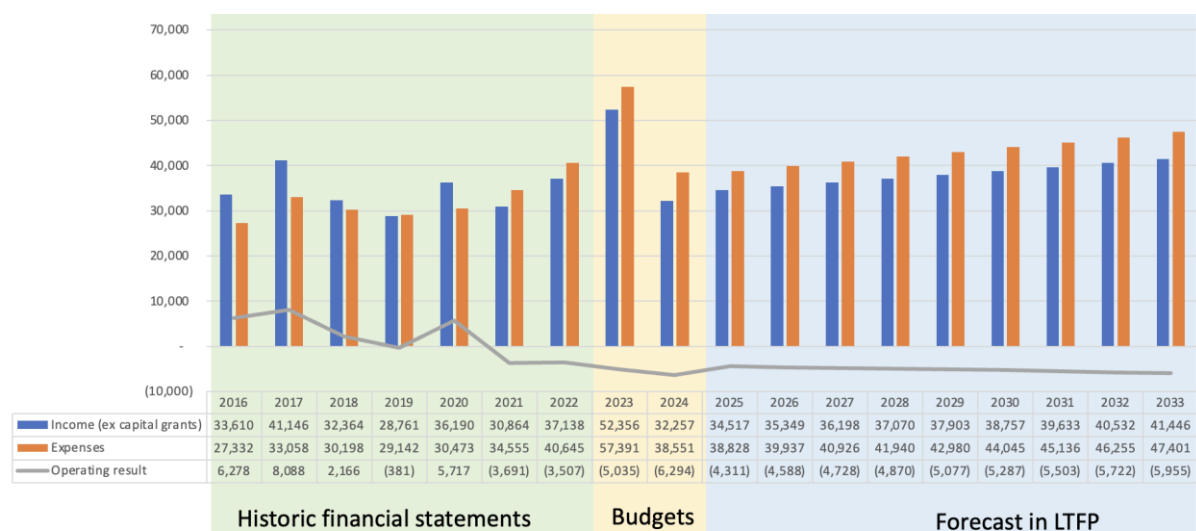


Figure 3: trends in income, expenses and operating result in general fund

NOTE: financial years in charts in this LTFP are year ending e.g., 2024 = 2023/24.

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
  - there will be a significant increase in 2024 and 2025 from natural disaster grants over and above what is budgeted, but the amount can't be determined accurately until damage has been identified, scoped, priced and approved by Transport for NSW (this is underway), again it will be matched by expenses
- operating expenses **[orange columns]**
  - increase in 2022 is mostly works on state roads and operational grants
  - increase in 2023 is largely flood recovery work, the actual amount may change significantly (this will impact cash reserves)
  - there will be a significant increase in 2024 and 2025 associated with flood recovery (amounts cannot be forecast at this stage)
  - 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 \$4.5-6M p.a. or 12.5-13.5% of operating revenues excluding capital grants)

Figure 4 tells the 'other half' of the story – council's financial *position* as opposed to its *performance* – again encompassing past, present and future:

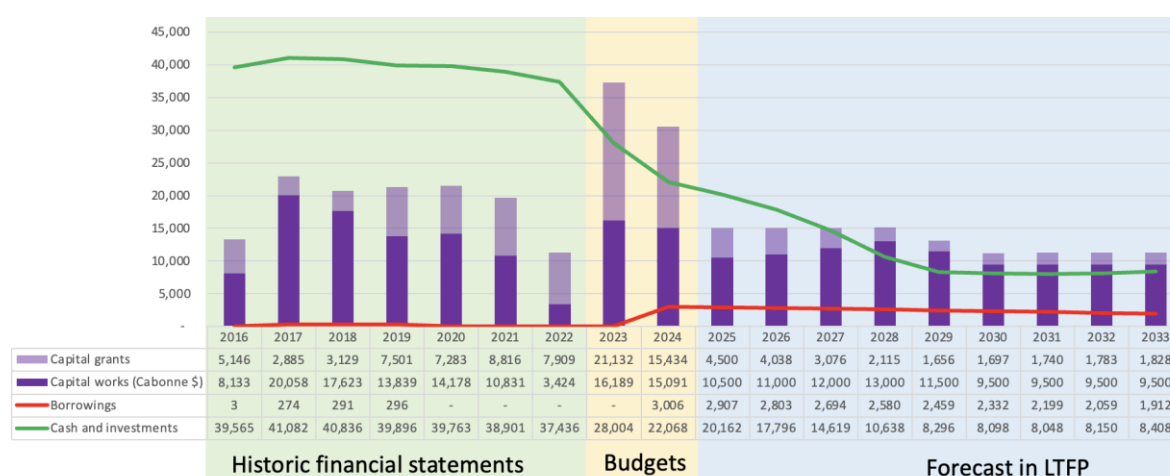


Figure 4: trends in capital works, grants, cash reserves and borrowings in general fund

Key points to note in relation to Figure 4 (for details, refer Table 4):

- capital works **[purple columns: Cabonne \$ plus capital grants]**
  - historically steady ≈ \$21M from 2017-21, with a larger portion of this coming from grants (light purple) in 2019 on
  - 2022 was very low due to resourcing issues (the budget was similar to past years, but works weren't completed resulting in large 'rollovers')
  - budget for 2023 and 24 is very high due to a combination of rollovers, grants (light purple) and matching funds drawn from cash reserves (NOTE: given the volume of flood recovery and grant funded works, some of the assumed work in 2024 is likely to roll over to 2025)

- forecast for 2025-29 aims for a renewal ratio of 90%+ (i.e., asset renewals compared to depreciation)
- from 2030 on, works are limited to what Council can afford to spend without drawing cash reserves below a minimum of \$8M and without borrowing (see further notes below)
- the renewal ratio (capital works spend versus annual depreciation expenses, a rough indicator of investment compared to need) is only 60% over this period (see section 8.1 – Special Rate Variation scenario – for further discussion of need for sustainable infrastructure investment)
- cash reserves **[green line]**
  - historically fairly steady around \$40M
  - forecast to use up ≈ \$9M in 2023 then \$6M in 2024; the *scale* of the drops is fairly certain, but *timing* depends on capital works completed; rollovers will reduce with additional external project/contract management resources (much work is grant funded with deadlines, too)
  - capital works need to be restricted from 2030 on to retain a minimum of \$8M cash (see details in table 4)
- borrowings **[red line]**
  - only loan proposed is \$3.1M for the solar project
  - no capacity to borrow more e.g. further loans to fund additional investment in infrastructure unless the operating deficit is addressed.

**Section 6 analyses the implications of changes in some key assumptions made in sections 3.1 and 3.2.**

**Section 7.1 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.**

### 3.1 Key assumptions and improvement actions – operations

Tables 2 to 4 summarise the assumptions behind Figures 3 and 4 (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	Ordinary rates (11), domestic waste (1.3), non-domestic waste (0.4), Canowindra special rate (0.24). Assume 2.5% p.a. for 10 years (as per IPART advice).
User charges and fees	State road contract (assume 5.0, historically 3.4-9.1), children's services (1.0), planning and building (0.6), caravan park (0.17), waste (0.15), other fees (0.15) cemeteries (0.06), pools (0.02). Say 7.2. 2.5% p.a. x 10 yrs.
Other rev. + income	Other revenues include legal recovery, insurance, recycling, diesel rebate; assume 0.5 (historically 0.4-1.0); other income is rent (0.18). New items: sale of renewable energy certificates from solar project (0.6)* and lease of Molong Quarry (0.3) from 2025. Say 1.9 total. 2.5% p.a. x 10 yrs. *in capital expenditure review this drops to 0.45 over 10 years.
Op grants and cont.	Ongoing grants (2022\$): Financial assistance grants (5.4), Roads to Recovery (1.1), Regional Roads Block (1.7), community services (incl. children's, HACC, community transport, libraries, etc. 0.8), weeds (0.14), flood purchases (0.2), contribution from Cadia (0.13). Say 9.5 (2022\$). 2025 budget is 9.5 + 2.5% p.a. x 3, then 2.5% p.a. for rest of period. No allowance for one-off grants as offset by expenses (see M&C below).

Interest	Calculated based on cash reserves @ 3% over 10 years.
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**Table 2: assumptions for operating income 2025-2033**

Improvement actions:

1. review state roads considering future works expected
2. review all other major fees and charges for potential impacts over time
3. review ongoing grants
4. progress lease of Molong Quarry

Expenses	Major items and assumptions (\$M)
Employee costs	<p>As at QBR3 (March) <i>consolidated</i> actuals are 11.0 (only up <math>\approx</math> 0.4 on QBR3 in 22). This suggests end of year <i>general fund</i> actuals are unlikely to be more than 0.8 higher than 2022 (12.4), say 13.2 (this includes increase from flood response, super, pay increases). Far higher than 15.4 budget.</p> <p>Actuals in 2021 (13.2) were higher than 2022 (12.4) as they include <math>\approx</math> 1.0 extra in employee leave entitlements. Without ELE figures are comparable, suggesting 12.4 is a reasonable baseline (<math>\approx</math> 1.0+ more than pre-2021).</p> <p>2024 budget (16.8) is again conservative, reflects more than a full staff establishment (current vacancies are <math>\approx</math> 15% or 2.3, if it was assumed that 100% staff <math>\approx</math> 15.0). See actions below to improve this.</p> <p>Employee cost in 2025 was calculated by assuming BAU (with vacancies) in 2023 is 13.0, plus 4% p.a. (award, progress through salary system, etc.) plus 0.5% p.a. super increases, plus 0.5 (buffer, noting 0.16 for transformation program ends in 2025). Indexation applied thereafter is 3% p.a. + 0.5% p.a. in 2025-6 (until super levy reaches 12%), then 2.5% p.a. thereafter.</p>
Materials and contracts	<p>Changes in code of accounting in 2022 moved the majority of 'other revenues' to 'materials and contracts' so comparisons with historic figures need to consider these two added together.</p> <p>2024 budget (4.6) is very low compared to previous years even when the high budget for other expenses is included (TBC, see below).</p> <p>State roads and operating grants both impact M&amp;C directly (although extra expenses are offset by this income). M&amp;C was 3.5-5.5 less than state roads + grants in 2020-22 (in 2022 \$). 2025 has been estimated based on state roads (5.0) + grants (9.5) – 4.0 = 10.5 – 0.6 (other expenses), 1.7 higher than 2024 budget (M&amp;C + other expenses). Increase in Emergency Services Levy (just announced) will add extra 0.165, which has been incorporated.</p> <p>This may be conservative if efforts to increase capitalisation are effective, but M&amp;C is far more difficult to estimate than employees. See improvement actions. It is likely that, with continued challenges in the employment market, Council will be forced to rely more on external resources, which are likely to remain in high demand over the medium term, and so come at a premium. Solar project will add 0.1 p.a. from 2025 (capex review: 125k in 10 yrs).</p> <p>Overheads applied to capital works (including grant-funded projects, where this is permitted) are accounted for by reducing materials and services expenses. Thus, the size of the capital works program can have a significant impact on operational costs. This issue needs further analysis and refinement to improve the accuracy of this LTFP (see improvement actions).</p>
Depreciation	<p>Expenses increased 1.6 (15%) from 2023 to 2024 due to asset revaluation (indexation was required to satisfy audit requirements). The largest asset class, roads, will be revalued next in 2025. Indexation of 2.5% p.a. is assumed, but actual increases <math>\approx</math> 5% p.a. over the last 3 and 7 years (varies year to year, but consistent increase). Construction of new assets will exacerbate increases. Extra 250k from 2025 for solar is offset by revenues.</p>

Other expenses	2025 budget (0.6) is based on 2022 actuals in financial statements (mostly RFS) then 2.5% p.a. Coding of these in general ledger needs review.
Borrowing	Loan for solar project (3.1 over 20 years @ 5%) adds interest expenses, starting at 0.16 in 2024. 2024 budget doesn't include this, so the budget and LTFP differ by this amount.

**Table 3: assumptions for operating expenses 2025-2033**

Improvement actions:

1. establish standard report to quantify and monitor employee costs including staff establishment, vacancies, workers comp.
2. quantify impact of increased capitalisation on employees and materials
3. break down income statement (historic, budget and forecast) by department (and major principal activities e.g in infrastructure); distinguish 'business as usual' (current service levels) from operational projects (via grants or council)
4. break down materials and contracts based on action 3, quantify BAU
5. review coding of other expenses in general ledger.
6. clarify interest rate for solar project loan once confirmed
7. improve capitalisation of relevant projects including review of processes to define 'operational' projects, works order process (in infrastructure), etc.
8. gather robust information for next roads revaluation and align this as appropriate with forecasts for capital works in SAMP.
9. review modelling for overheads on capital works to ensure this is appropriately included in this LTFP.

### 3.2 Key assumptions and improvement actions – capital

Item	Major items and assumptions (\$M)
Capital works	<p>Sufficient investment in infrastructure (funded by a combination of capital grants and council's own funds) has been forecast to achieve a renewal ratio of 90% (i.e., investment in asset renewals &gt; 90% of annual depreciation expenses) for 2025 to 2029. While the renewal ratio is very questionable, Council doesn't have sufficient information to express it otherwise at this time. Once the SAMP has been revised, the appropriateness of investment will be quantified in terms of the 'infrastructure' objective, i.e., how certain Council is it can and will achieve its objectives.</p> <p>Investment is then forecast to drop back to ≈ 11.5 p.a. (9.5 Cabonne + 1.5 grants) to preserve cash reserves (see below), at which point the renewal ratio drops to ≈ 60%. This is unsustainable, but borrowing is not an option either as Council won't have the capacity to repay a loan.</p> <p>There are major unknowns behind these assumptions (see actions below). Section 8.1 explores a scenario where Council generates additional funds to close the renewal gap via a Special Rate Variation.</p>
Capital grants	<p>A 'baseline' of 1.5 p.a. x 2.5% p.a. is assumed (this includes REPAIR grant for regional roads and other grants).</p> <p>One-off grants are assumed to trail off from 3.0 in 2025 to 0.5 in 2029. It is assumed that 2/3 of these one-off grants will be invested in asset renewals (1/3 in new or upgraded assets).</p>
Capital contributions	None included.
Cash reserves	<p>The balance of cash reserves varies considerably depending on how much capital works is completed (and how much is rolled over).</p> <p>There have been significant rollovers in past years (particularly 2022), but Council has now engaged additional external project/contract management</p>

	<p>resources to help deliver the program. While there will be a further lag in spending between 2023 to 2024 (i.e., some rollovers), it is expected that most funds will be spent by the end of 2024, so the cash reserves forecast for 2025 (20.3, far lower than the 37.4 held in 2022) is considered a reasonable estimate.</p> <p>Capital works have been restricted from 2030 on to preserve cash reserves at a minimum of 8.0 made up of: 4.0 domestic waste (which has remained around 3.7-3.9 since 2017 but is forecast to be 5.6 at end of 2023), 2.0 employee leave entitlements (current provisions in 2022 statements were 3.1, council generally only holds 1.6-1.8) and 2.0 unrestricted cash (council usually only holds 1.5, but has significant internal restrictions it can draw on if required). A specific figure should be defined with reference to the unrestricted current ratio.</p>
Borrowings	The only loan proposed is 3.1 for the solar project.

**Table 4: assumptions for capital, grants, borrowings, etc. 2025-2033**

Improvement actions:

1. Review capital works requirements for roads once it is clear (a) level of damage from flooding and other urgent work required and (b) the amount of grant assistance Council is eligible for (Council may need to 'fill in the gaps' between grant funded works, but its capacity to do so is minimal with current funding).
2. Review capital works for all other asset classes and update 10 year capital works forecasts in the SAMP.
3. Clarify 'baseline' for capital grants, review forecasts for 'one off' grants, review assumption (above) about 2/3 being allocated to asset renewals.
4. Review forecasts for cash reserves considering amount of capital works required, availability of grants, level of operating deficits, etc.
5. Review the 'minimum' reserve level of \$8M considering the amount that is externally restricted (domestic waste), employee leave entitlements and a 'comfortable' level of unrestricted funds; define the minimum level with reference to the unrestricted current ratio and include a \$ value equivalent.

## 4. 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, which is accounted for in general fund. Council also supplies water to southern parts of Dubbo Regional Council, accounted for in the water fund.

The chart below summarises Council's main operating income and expenses for the water fund, based on the 2023/24 budget.

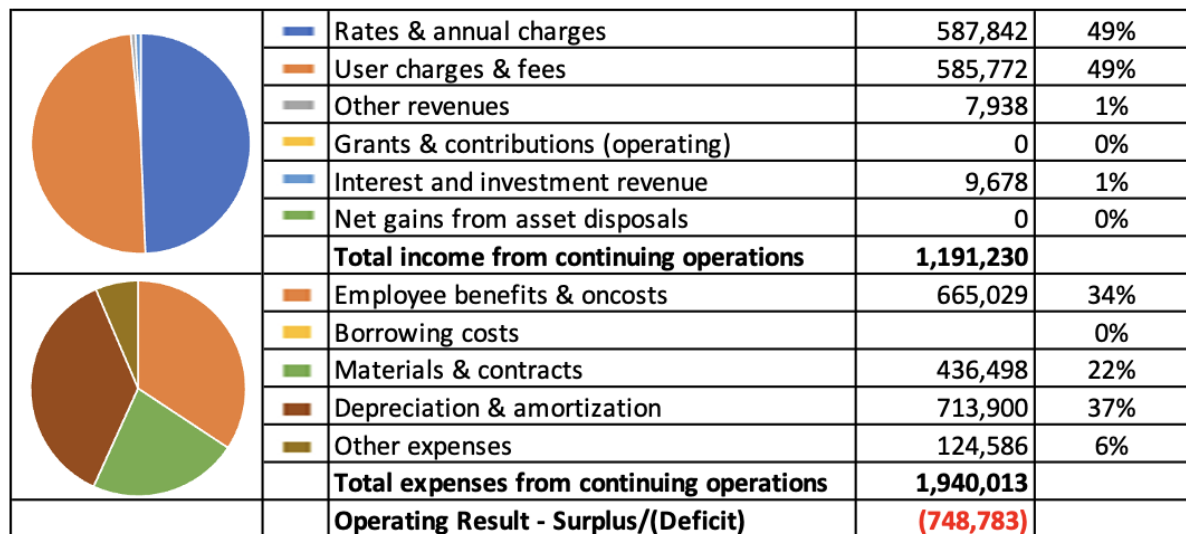


Figure 5: key income and expense items in 2023/24 water fund budget

A deficit of this scale (63% of operating revenues) is of serious concern. Council is spending more than it earns, even on a *cash* basis (i.e., excluding the \$714k in *non-cash* depreciation expenses, Council is spending \$34k more than its *cash* revenue). This operational cash shortfall must come from reserves, as must any capital works (renewal, new and upgraded assets). This is very unsustainable.

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

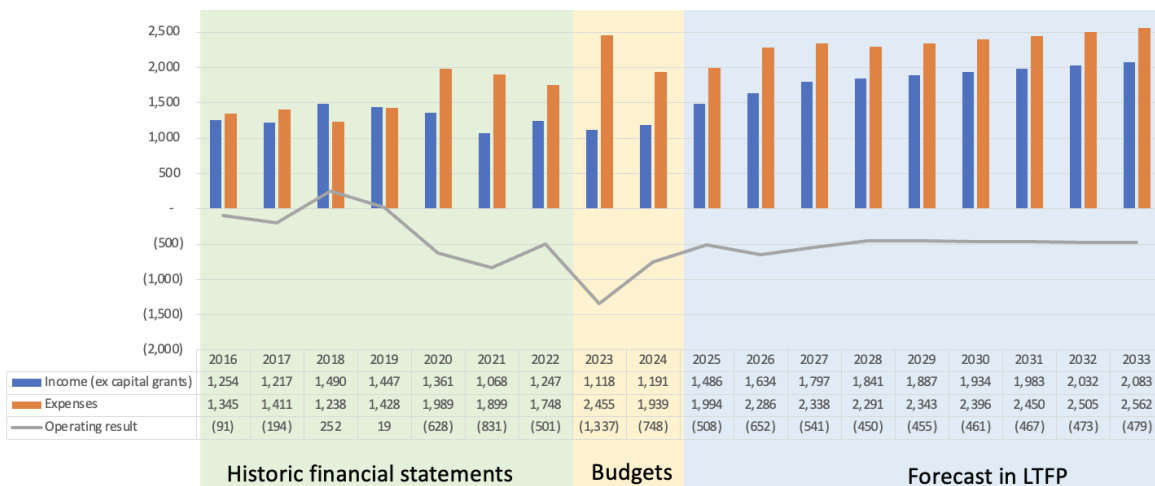
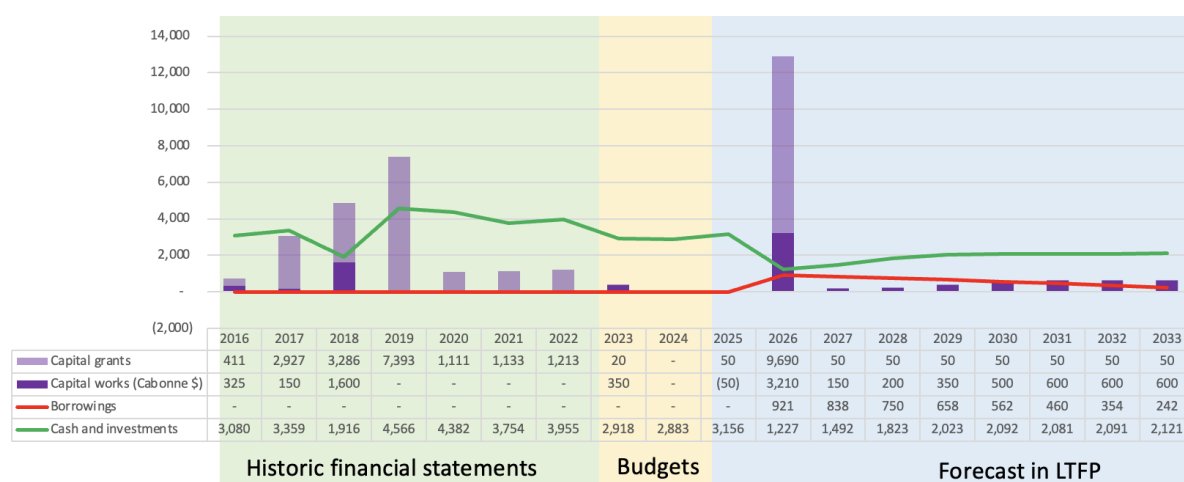


Figure 6: trends in income, expenses and operating result in water fund

Key points to note in relation to Figure 6 (for details, refer Tables 5 and 6):

- operating income **[blue columns]**
  - historically, the variability relates to water usage, which makes up just over half of all revenues (the other half is the access charges)
  - 2021 was low due to low demand from non-residential customers associated with COVID
  - 2023 and 2024 budgets are likely too low (usage has increased, but not returned to historic highs in 2018)
  - increase from 2024 to 2027 relates to proposed increase in charges of 10% p.a. including CPI
- operating expenses **[orange columns]**
  - increase from 2020 is attributable to:
    - additional expenses for employees + materials and services associated with drought response (for 2019 and 2020),
    - increased focus on meeting customer service needs and regulatory obligations (ongoing)
    - strategic work focused on addressing critical challenges such as water security and financial sustainability (forecast to drop off within the next 2-3 years)
- operating result **[grey line]**
  - operating deficit has increased dramatically because expenses have increased, but revenues haven't changed much
  - even with the proposed increase in charges, the operating deficit is of serious concern in 10 years (\$479k p.a. or 23% of income)

Figure 7 tells the 'other half' of the story – council's financial *position* as opposed to its *performance* – again encompassing past, present and future:



**Figure 7: trends in capital works, grants, cash reserves and borrowings in water fund**

Key points to note in relation to Figure 7 (for details, refer Table 7):

- capital works **[purple columns: Cabonne \$ plus capital grants]**
  - historic split between Council funds and grants, and total amount of capital works, isn't easy to determine based on available information but it appears Council has relied heavily on grants
  - no capital works proposed in 2024 or 2025 to preserve cash in the lead up to Molong Water Security (MWS) Project in 2026, but some emergency / unplanned works are likely to be required

- Council's 25% (\$3.23M) contribution to the MWS Project is assumed to be financed by a combination of reserves and a \$1M loan
- capital works budgets have been increased in later years as far as possible while building up cash reserves to the 2.0 target (see below) but are still lower than depreciation and anticipated renewal needs
- cash reserves **[green line]**
  - historically fairly stable, but most of the reserves will be used up to finance the MWS Project
  - forecast is to build reserves again to minimum 2.0 (needs to be reasonably high due to risks of unexpected failures associated with the ageing infrastructure) but this also depends on unplanned capital works and future operating expenses
- borrowings **[red line]**
  - \$1M loan for MWS project, assumed for 10 years @ 5% (TBC)

**Section 6 analyses the implications of changes in some key assumptions made in sections 4.1 and 4.2.**

**Section 7 considers two scenarios: firstly, if Council doesn't increase water charges (7.2), and secondly, if significant additional development occurs in Molong (7.5).**

## 4.1 Key assumptions and improvement actions – operations

Tables 5 to 7 summarise the assumptions behind Figures 6 and 7 (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>Council proposed increases to water access and usage charges of 10% p.a. x 4 years (including CPI) in its 2021 and 2022 LTFPs but has resolved not to implement these in recognition of COVID impacts and other issues. This LTFP again proposes 4 x 10% p.a. increases.</p> <p>Section 1 includes detailed discussion of this increase, including comparisons against other utilities.</p>
User charges and fees	<p>Unlike annual charges (which only change with the number of customers), income from user charges can vary dramatically with water usage. After peaking at 886k in 2018, it dropped to 540k in 2021 before recovering somewhat in 2022 to 664k, with residential charges making up 2/3 of total.</p> <p>Customer choices, changed habits (after extended periods of water restrictions), price mitigation strategies (installation of bores – which are very effective in some parts of Molong, and already popular – and tanks) and better rainfall (reducing garden needs, increasing water available from tanks) are all potential reasons behind the drop, although the biggest reduction in demand relates to a handful of non-domestic customers (it appears to be due to COVID in 2021).</p> <p>Section 1 discusses the assumed increase and benchmarking against other utilities.</p> <p>The 2025 budget is based on 2022 actuals (664k) + 2.5% + 2 x 10%. Income is then indexed at 10% for 2 years, then back to 2.5% p.a. thereafter.</p>
Operating grants	Clarify pensioner rebates.
Other revenues	Minor item
Interest	Calculated based on cash reserves @ 3% over 10 years.

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

Improvement actions:

1. Express proposed increases in charges *excluding* CPI in future years to avoid confusion and complications due to fluctuations in CPI (currently the proposal is 10% p.a. x 4 years *including* CPI)
2. 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.
3. refine financial model to confirm urgency of increases in charges (given that there is a substantial operating deficit of 12% p.a., even with the increases, they are definitely required but they may be able to be introduced over a longer term)
4. prepare forecasts for usage for residential/non-residential with a specific investigation into current and future demand for large non-residential users (this will be part of the Regional Water Strategy being prepared in collaboration with Central Tablelands Water and Orange City Council)
5. investigate other options to improve financial sustainability
6. consider lobbying NSW Government, together with other small utilities, regarding service cost inequities for customers served by smaller water utilities.
7. Review policy for undetected water leaks, community engagement strategy

<b>Expenses</b>	<b>Major items and assumptions (\$M)</b>
Employee costs	2024 budget includes an increase to fund an additional position to ensure that Council has the capability to meet customer expectations and regulatory obligations. Indexed at 3% p.a. for 2 years, plus extra 0.5% p.a. for 2025-2026 to cover super increase, then 2.5% p.a. for the remaining period. Includes an allowance for overheads paid to general fund to cover administration, HR, finance, etc.
Materials and contracts	2024 budget is lower than previous years, reflecting a predicted increase in contractors and consultancy costs. Investment in consultancy assistance is critical to undertaking the strategic work necessary to address Council's challenges and achieve a sustainable operating model, but this is forecast to decrease in 2028 by 100k, and to continue at this lower amount. No allowance has been made for additional operational costs from the MWS Project, but operating costs (electricity) will be higher.  No allowance has been made for replacement of water meters (this is an operational expense, not capital work).
Depreciation	Increase in 2024 (40k) is due to asset revaluation. Increase in 2025 (185k) is due to MWS Project (12.4/70 years) 2.5% p.a. thereafter.
Other expenses	Budget consistent with previous years, then 2.5% p.a.
Borrowing	Interest on 1.0 loan for MWS Project

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

Improvement actions:

1. Review employee budget, considering issues raised in relation to general fund and also operational needs.
2. Review forecasts for materials and contracts longer term, once strategy work is complete and need for consultants is reduced, and once operating costs of new assets is better understood.
3. Review timing for replacement of water meters.
4. Review depreciation expense including from MWS project, and opportunities to dispose of assets not in use (e.g., some pipelines, Borenore dam).
5. Undertake long term (30 year) asset and financial modelling.

## 4.2 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, earmarked for 2026 but subject to successful grant funding from the Safe and Secure Grant Program by NSW Government. This is still in scoping stage, to be informed by Regional Water Supply Strategy. Estimate includes new raw water pipeline from Molong Creek Dam to Water Filtration Plant (8.2), 4 new bores (3.2) and backwash reclamation at Water Plant (0.9) = 12.3 total (12.9 with 2.5% index).</p> <p>Capital works in 2024-25 are restricted to preserve funds for the MWS Project, although it is expected some emergency unplanned works will be required. Works remain restricted from 2027 on to maintain sufficient cash reserves (see below).</p> <p>Forecasts need refining, but the 3.3 proposed to be invested between 2027 and 2033 is still low relative to depreciation (0.7 for existing aged assets) and anticipated needs. Given the system is relatively old, renewal needs are expected to exceed depreciation. High priority/high risk works include:</p> <ul style="list-style-type: none"> <li>• replacement of hydrants and valves plus installing extra hydrants (to meet building code requirements) and valves (to make isolations easier; improving the operability of valves is critical for service reliability given mains are ageing and investment in renewals is low) ≈ 0.6</li> <li>• mechanical and electrical equipment at Molong Water Plant ≈ 1.0+</li> <li>• renewal of aged mains (very little investment has been made for many years, and breaks are increasing, particularly in dry years).</li> </ul>
Capital grants	Council is eligible for 75% subsidy for the Molong Water Security Project under the NSW Government's Safe and Secure Program. Most other works are unlikely to attract grants.
Capital contributions	50k p.a. assumed (around 7 new connections p.a.).
Cash reserves	Starting cash is estimated based on 2022 actuals + forecast for 2023 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	Loan 1.0 over 10 years for MWS Project. There is a risk Council will not be able to secure this loan and may need to draw on reserves instead.

**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 as further information becomes available
3. Assess risks of not being able to secure the \$1M loan for MWS Project and investigate alternatives (e.g., internal loan, draw down reserves)
4. Review proposed minimum cash reserve level considering ability to secure loan, risks of needing to fund urgent unplanned works, etc.
5. Finalise Regional Water Supply Strategy
6. Pursue additional grant support to cover more of the 25% contribution from Council for the Molong Water Security Project (there is a strong case based on service equity issues and Council's financial constraints, despite high charges)

## 5. 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 should now be combined, as discussed in section 5.1.

The chart below summarises Council's main operating income and expenses for the sewer fund, based on the 2023/24 budget.

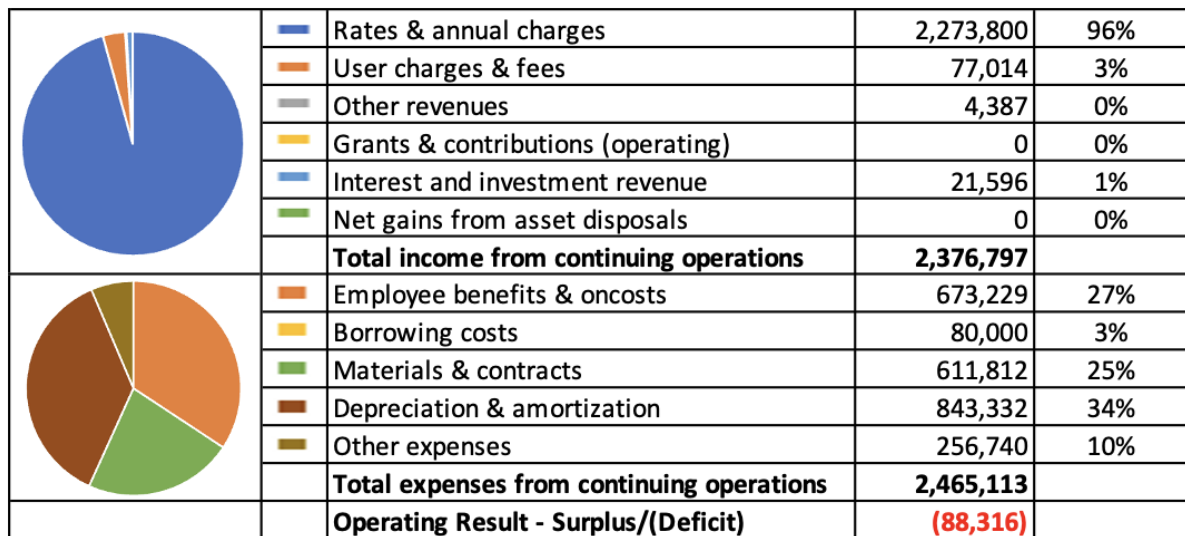


Figure 8: key income and expense items in 2023/24 sewer fund budget

A deficit of this scale (4% of operating revenues) is of little concern. 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 significantly higher depreciation) are far more important.

Operational trends long term are shown below:

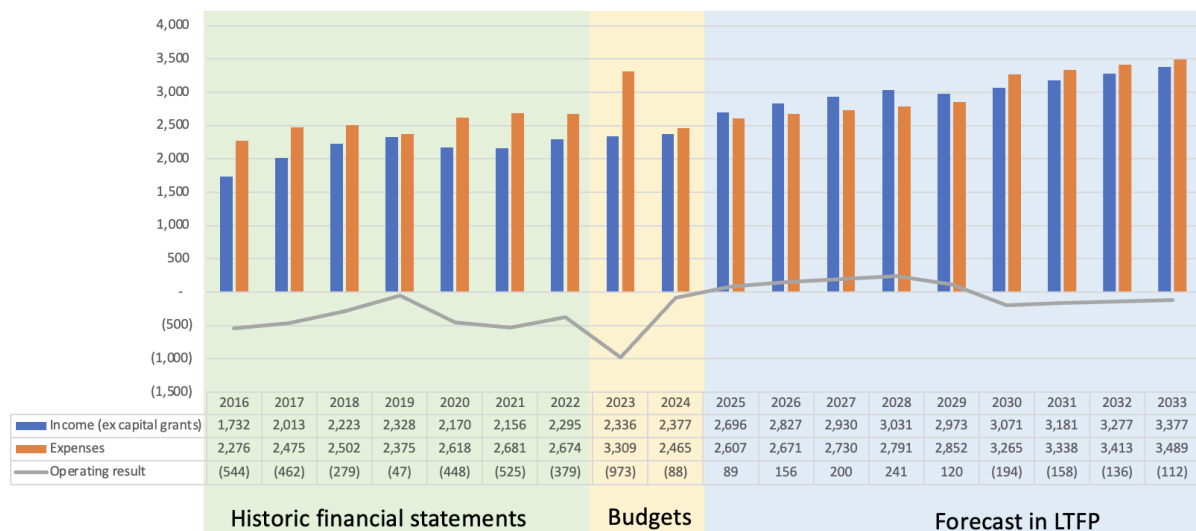
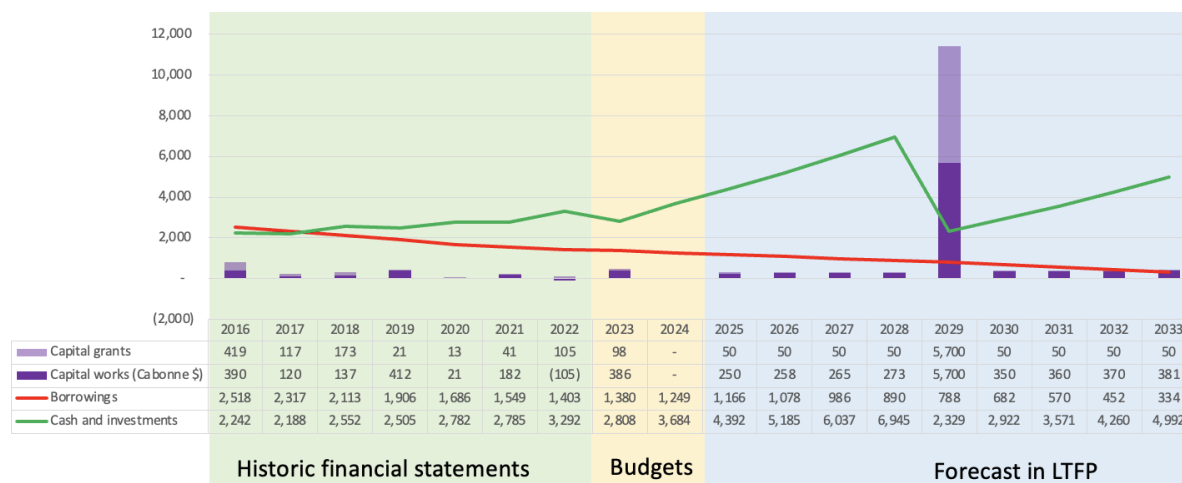


Figure 9: trends in income, expenses and operating result in sewer fund

Key points to note in relation to Figure 9 (for details, refer Tables 8 and 9):

- operating income **[blue columns]**
  - historically, the variability relates to operating grants and non-residential user charges (which vary with water usage)
  - increase from 2024 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 **[orange columns]**
  - increase in 2019 is additional expenses for employees + materials and services associated with a new focus on meeting customer service needs and regulatory obligations (ongoing) as well as strategic work focused on addressing strategic challenges (forecast to drop off within the next 2 years)
  - increase in 2030 is associated with new plant for Molong (including both 'cash' operating expenses – employees, electricity, materials – as well as depreciation)
- operating result **[grey line]**
  - operating deficit has increased because expenses have increased and is forecast to move into surplus with the increased charges
  - additional expenses associated with new plant at Molong will move the fund back into deficit.

Figure 10 tells the 'other half' of the story – council's financial *position* as opposed to its *performance* – again encompassing past, present and future:



**Figure 10: trends in capital works, grants, cash reserves and borrowings in sewer fund**

Key points to note in relation to Figure 10 (for details, refer Table 10):

- capital works **[purple columns: Cabonne \$ plus capital grants]**
  - Council has invested very little in asset renewals (which means major investments will be required moving forward)
  - no capital works proposed in 2024, to 'save up' cash in the lead up to the replacement of the Molong sewage treatment plant (while it is assumed that Council will secure a 50% grant for this project, it is ineligible under the NSW Government Safe and Secure Program (the primary source of such grants) and so securing this grant is far from guaranteed (see scenario in section 7.4 if Council has to fund it)

- 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; the amounts nominated may need increasing (they still represent less than half of depreciation, highlighting the financial sustainability concerns), to be investigated in next SAMP
- cash reserves **[green line]**
  - cash reserves are forecast to build up as a result of the increases in charges
  - 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 would have to borrow for the rest, but this will reduce its capacity to borrow for the Canowindra STP
  - 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
- borrowings **[red line]**
  - \$1.3M loan related to 'small town sewer schemes' (Cudal, Cumnock, Manildra and Yeoval) has been refinanced for 10 years @ 5.6%
  - A further loan will be needed for Molong STP if a grant cannot be secured (see scenario 7.4)

**Section 6 analyses the implications of changes in some key assumptions made in sections 5.1 and 5.2.**

**Section 7 considers three scenarios: firstly, if Council doesn't increase sewer charges (7.3), secondly, if Council isn't able to secure a grant for Molong STP (7.4) and thirdly, if significant additional development occurs in Molong (7.5).**

## 5.1 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	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.																																																															
	Council did, like water, propose to increase charges to address its financial sustainability challenges in 2021 and 2022 LTFPs but has not done so yet. Increases won't be consistent, though, as charges are not consistent because Council has, historically, treated the individual towns differently.																																																															
	The following increases are proposed to harmonise charges in all towns.																																																															
	<table><tr><td></td><td colspan="2">Typical charge 2023</td><td colspan="2">compare</td><td colspan="4">Income \$000's</td></tr><tr><td>Molong</td><td colspan="2">740</td><td colspan="2">100%</td><td colspan="4">546</td></tr><tr><td>Canowindra</td><td colspan="2">937</td><td colspan="2">127%</td><td colspan="4">774</td></tr><tr><td>Eugowra</td><td colspan="2">845</td><td colspan="2">114%</td><td colspan="4">262</td></tr><tr><td>Small Town Sewer</td><td colspan="2">925</td><td colspan="2">125%</td><td colspan="4">748</td></tr></table>											Typical charge 2023		compare		Income \$000's				Molong	740		100%		546				Canowindra	937		127%		774				Eugowra	845		114%		262				Small Town Sewer	925		125%		748												
		Typical charge 2023		compare		Income \$000's																																																										
	Molong	740		100%		546																																																										
	Canowindra	937		127%		774																																																										
	Eugowra	845		114%		262																																																										
	Small Town Sewer	925		125%		748																																																										
	<table><tr><td></td><td>2024</td><td>2025</td><td>2026</td><td>2027</td><td>2028</td><td>2029</td><td>2030</td><td>2031</td><td>2032</td><td>2033</td></tr><tr><td>Molong</td><td>814</td><td>896</td><td>984</td><td>1009</td><td>1034</td><td>1060</td><td>1086</td><td>1114</td><td>1141</td><td>1170</td></tr><tr><td>Can'dra</td><td>937</td><td>960</td><td>984</td><td>1009</td><td>1034</td><td>1060</td><td>1086</td><td>1114</td><td>1141</td><td>1170</td></tr><tr><td>Eugowra</td><td>845</td><td>845</td><td>845</td><td>890</td><td>940</td><td>990</td><td>1040</td><td>1114</td><td>1141</td><td>1170</td></tr><tr><td>C,C,M&amp;Y</td><td>925</td><td>949</td><td>977</td><td>1009</td><td>1034</td><td>1060</td><td>1086</td><td>1114</td><td>1141</td><td>1170</td></tr></table>											2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	Molong	814	896	984	1009	1034	1060	1086	1114	1141	1170	Can'dra	937	960	984	1009	1034	1060	1086	1114	1141	1170	Eugowra	845	845	845	890	940	990	1040	1114	1141	1170	C,C,M&Y	925	949	977	1009	1034	1060	1086	1114	1141
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	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033																																																						
Molong	10.0%	10.0%	9.9%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%																																																						
Can'dra	0.0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.6%	2.4%	2.5%																																																						
Eugowra	0.0%	0.0%	0.0%	5.3%	5.6%	5.3%	5.1%	7.1%	2.5%	2.5%																																																						
C,C,M&Y	0.0%	2.5%	3.0%	3.3%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%																																																						
Section 1 includes further discussion on the proposed increases, including comparisons with other utilities.																																																																
User fees & charges	User charges are for non-domestic customers. These are based on water usage and a discharge factor.																																																															
Op. grants	Clarify pensioner rebates.																																																															
Other revenues	Minor item																																																															
Interest	Calculated based on cash reserves @ 4% over 10 years.																																																															

**Table 8: assumptions for operating income sewer fund 2025-2033**

Improvement actions:

1. review structure of charges (residential charges should simply be a combined access + usage charge, not separate as in current fees and charges)
2. review charges overall from 2025 on against index of 2024 budget
3. 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	2024 budget includes an increase to fund an additional position to ensure that Council has the capability to meet customer expectations and regulatory obligations. Indexed at 2.5% p.a., plus extra 0.5% p.a. for 2025-2026 to cover super increase. Includes an allowance for overheads paid to general fund to cover administration, HR, finance, etc. 100k increase in 2030 to cover additional expenses in operating new plant at Molong.
Materials and services	2024 budget is lower than previous years, reflecting a drop in consultancy costs as strategic work is progressed. Investment in consultancy assistance is critical to undertaking the strategic work necessary to address Council's challenges and achieve a sustainable operating model.
Depreciation	Increase (40k) in 2024 is due to asset revaluation. Increase in 2030 (150k) is depreciation of new Molong plant.
Other expenses	Budget is consistent with previous years (should be reclassified as 'materials and services')
Borrowing	Refinanced loan for small town sewers is the only one forecast, but a loan may also be needed for Molong if a grant can't be secured (see section 7.4).

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

Improvement actions:

1. review employee budget, considering issues raised in relation to general fund.
2. review forecasts for materials and services longer term, once strategy work is complete and need for consultants is reduced.
3. review forecasts for additional operational expenses associated with new STP for Molong

## 5.2 Key assumptions and improvement actions – capital

<b>Item</b>	<b>Major items and assumptions (\$M)</b>
Capital works	Major item is renewal and upgrade of Molong sewage treatment plant (STP) at 10.1, plus 2.5% indexation (11.4).  Refurbishment works are needed at several pumping stations, plus upgrades to address operational issues including WHS (to be scoped)  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).  Mechanical and electrical equipment at Eugowra and other plants will need renewal after Canowindra.
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 is assumed, this is not guaranteed (see section 7.4 for scenario where Council has to fund the plant itself via borrowings).
Capital contributions	Equivalent of ≈ 7 additional connections p.a. assumed.
Reserves	Starting cash for 2024 estimated.
Borrowings	Existing small town sewers loan refinanced (1.3). See section 7.4 for scenario where Council funds Molong STP itself via borrowings.

**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.

## 6. Sensitivity Analysis

The table below analyses the impacts of movements in some of the main assumptions behind the financial modelling in sections 3, 4 and 5

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 financial sustainability objectives in section 2.

The key reason for highlighting them is to reinforce the need for ongoing monitoring. The format of this LTFP (showing 7 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)
<b>Higher employee costs</b> (additional 0.5% p.a. increase over 10 years)	<p>As noted in section 3.1, the ‘baseline’ employee costs in 2025 have been calculated with the current 15% vacancy rate assumed to be maintained over the entire 10 years.</p> <p>Indexation is 2.5% p.a. (plus an extra 0.5% super until 2027).</p> <p>Actual expenses could increase due to either a reduction in vacancies (assuming full staff complement adds \$2M+ to expenses annually, i.e., \$20M reduction in cash over 10 years) or further tightening of the employment market (Council may also need to weight up the financial and non-financial impacts of options to address ongoing vacancies e.g., market-based salaries, as it is effectively paying a premium to use of contractors / consultants when these positions can’t be filled)</p> <p>An extra 0.5% p.a. increase in employee costs on the \$15M or so ‘baseline’ in 2025 would only add \$75k to Council’s operating expenses in a single year but 0.5% compounded over 10 years it would add \$0.7M p.a. to the annual expenses (increasing the deficit by 1.7%) and would reduce cash by \$3.4M over 10 years.</p>
<b>Higher materials and services</b>	<p>The impacts of higher year on year increases here would be similar to that for employees, but the ‘baseline’ is lower (\$10M rather than \$15M). The 4.1% rate peg increase is based on IPART’s calculation of the ‘local government cost index’. This is far lower than recent increases in CPI (7%). It is reasonable to expect many materials and services will go up by something closer to CPI. Needs investigation.</p>
<b>Higher depreciation expenses</b> (additional 0.5% p.a. increase over 10 years)	<p>As noted in section 3.1, actual increases in depreciation expenses have been around 5% p.a. for the last 3, and the last 7 years. An index of 2.5% p.a. has been assumed, but it is likely that the actual increases will exceed this.</p> <p>Council has far less opportunity to vary these expenses than employees as depreciation primarily relates to historic investments in assets, but it could choose to keep assets in service for longer (i.e. reduce service levels) in some cases. Opportunities for asset disposal are minimal, and problematic unless the assets aren’t used/valued by the community.</p> <p>The end result is that higher depreciation increases the operating deficit and, potentially, the need for more challenging actions to address the deficit (either a Special Rate Variation or service level reductions).</p>

<b>Higher borrowing costs</b>	Borrowing in all funds is relatively minor in the scheme of things, although interest rate changes will increase expenses.
<b>Higher electricity</b>	Council spends around \$400k p.a. on electricity, so higher costs will have some impacts. The Solar Project is intended to reduce Council's risks here, and in fact to create a new revenue stream to reduce the deficit.
<b>Cost shifting from other levels of government</b>	<p>Council faces ongoing 'cost shifting', particularly from NSW Government.</p> <p>The Emergency Services Levy is an area of particular concern as NSW Government has announced (since the draft budget went on exhibition) it is shifting this cost onto councils. This is estimated to cost Cabonne \$165k p.a. in 2024 and thereafter, i.e., \$1.6M over 10 years (incorporated into Materials and Services, but overall amount for M&amp;S needs review as part of the broader improvement actions).</p>
<b>Austerity approach by NSW and Australian governments</b>	<p>As noted in Figure 1, operating grants and contributions are \$9.9M (31%) of Council's operating revenues in the 2023/24 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.</p> <p>\$5M p.a. in works on state roads is assumed (Table 2). While the loss of this income will be offset by the matching expenses, there would be a loss of economies of scale that will impact Council more broadly.</p> <p>\$1M in grants for children's services are assumed to continue (Table 2), although changes in funding models makes this less certain. If grants weren't obtained, Council could</p> <p>Council has also forecast it will continue to secure considerable, but reducing, grants for capital works over the next few years (these are summarised in Table 4). Without these, Council would need to fund these works by drawing on its own cash reserves (\$7.5M in one-off grants – sources and projects not specified – have been assumed from 2025 to 2029).</p>

**Table 11: Key parameters for sensitivity or 'risk' analysis**

## 7. Alternative Scenarios

Five scenarios are considered in the following sections. Each explores the impacts of a major change to the assumptions in sections 3, 4 and 5:

Section	Name	Issue explored
7.1	Special Rate Variation	Size of SRV required to eliminate operating deficit in general fund, raise funds for asset renewal
7.2	Hold water charges	Sustainability of water fund if only CPI increases
7.3	Hold sewer charges	Sustainability of water fund if only CPI increases
7.4	Molong development	Sustainability of water and sewer funds if extra development in Molong were to proceed
7.5	No grant Molong STP	The impact of not securing a 50% grant to fund the replacement of Molong sewage treatment plant, and having to borrow to fund this instead.

**Table 12: Summary of alternative scenarios**

### 7.1 Special Rate Variation

NSW councils are only permitted to increase ordinary rates each year by the 'rate peg' set by IPART. In 2024, this was 3.7%. Cabonne was also eligible for a further 0.4% p.a. increase based on a 'population growth factor', i.e., the total allowable increase in rates, the rate peg for Cabonne, 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).

Figure 11 shows the positive impact on Council's financial *performance* of a Special Rate Variation of 8.25% p.a. x 4 years (total cumulative increase of 40.1%) over and above the rate peg from 2030 to 2033.

This is the minimum SRV Council needs to apply for to 'balance the books', i.e., achieve a (basically) break even result (a \$170k surplus in 2033, in contrast to the \$6M / 14% deficit in Figure 3), *if all other assumptions made in section 3 (Tables 2-4) were to hold true.*

As discussed in section 1, this would bring the average residential and farmland rates in Cabonne up to something like the average rates for similar 'large rural' councils in NSW.

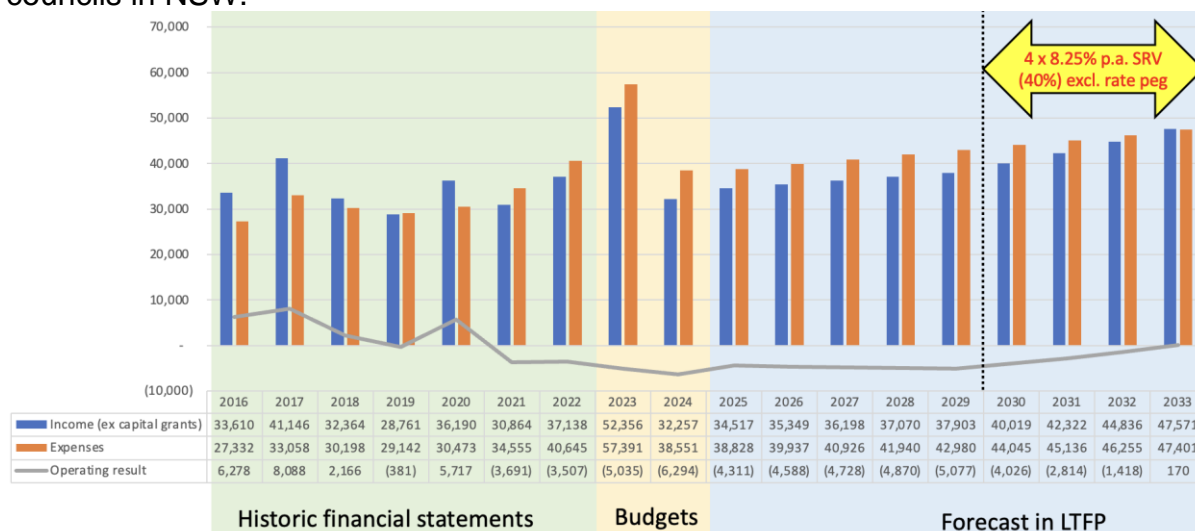


Figure 11: trends in income, expenses and operating result in general fund with 4x6% SRV

Figure 12 shows the forecast for Council's financial *position* under this scenario. While cash reserves remain at the 'minimum' of \$8M, the key issue (as highlighted) is that Council has more financial capacity to invest in infrastructure: an extra \$14.7M (33%) between 2030 and 2033.

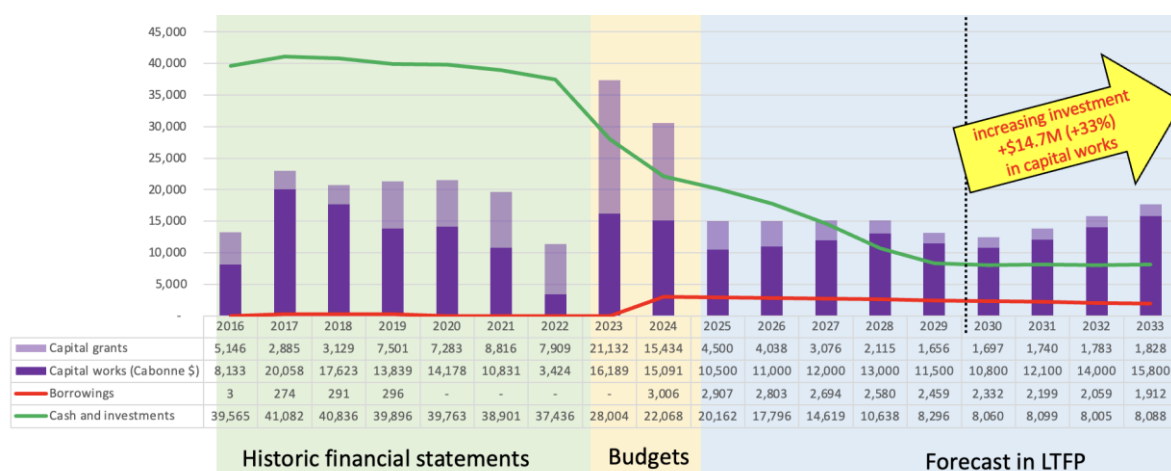
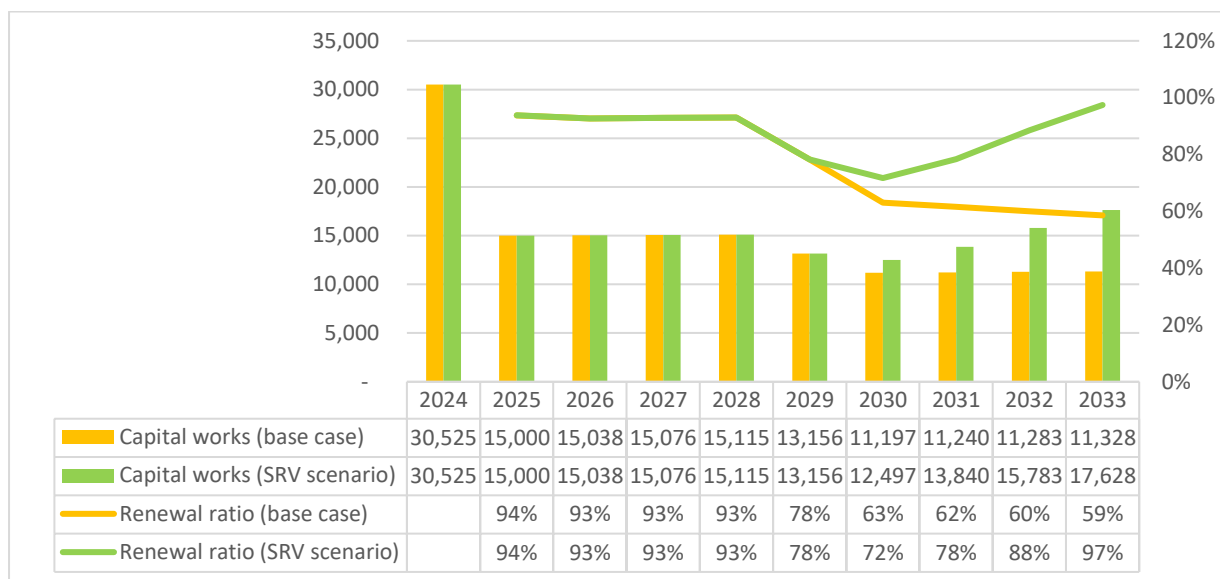


Figure 12: trends in income, expenses and operating result in general fund with 4x6% SRV

Figure 13 compares the investment in infrastructure (capital works) for this scenario with the base case. Ideally, these investments should be compared to the actual investment *needed* at this time (that is why Council has expressed its objectives in relation to 'infrastructure' as meeting its objectives), but there is significant uncertainty about this due to the floods, as discussed in section 1.

At this stage, the level of investment is expressed in terms of the renewal ratio (which simply compares spend on asset renewals to depreciation expenses). This is only a very rough indicator of sustainability, but it highlights the scale of the increase in investment made possible with an SRV. The performance benchmark set by OLG is 100% (which Council comes close to meeting for the next 5 years, and then can afford to meet by the final year of the SRV, 2033).

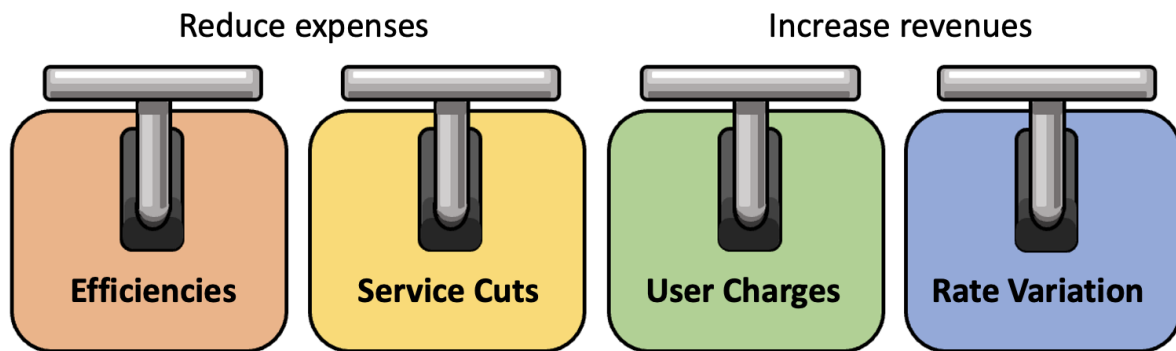


It is important to reinforce that this SRV scenario is not something Council could, or should, entertain at this time because:

- the community is recovering from last year's floods
- the situation is not yet urgent (while Council may need to invest more than what is currently proposed for capital works, it could bridge the gap with a loan if there was an urgent issue that needed to be addressed)
- it is important to meaningfully engage the community regarding the options to address Council's financial sustainability challenges, ideally over an extended period (e.g., potentially, the entire 2024-28 Council term)
- an SRV application requires input from the entire organisation and Council simply doesn't have the capacity to undertake such a project at this time.

However, it is important that Council is also looking beyond the flood recovery and considering its long term sustainability. What this scenario highlights is that – *based on this set of assumptions* – Council can continue to provide something like its current services for the next few years, but will struggle beyond 2030 when its cash reserves are drawn down to the 'minimum acceptable level'. If this was to happen earlier (for example, if the assumptions about capital grants in Table 4 prove optimistic) then the first, and perhaps best, option would be to bridge the gap with a loan rather than accelerating any SRV application.

If Council was to pursue something like the strategy behind this scenario, it would have an opportunity to lay the 'groundwork' for an SRV over the next Council term (2024-2028), including detailed analysis of options of the *only* 4 'levers' it has to pull (Figure 13) and engagement with the community about their preferences, informed by a robust Community Engagement Strategy.



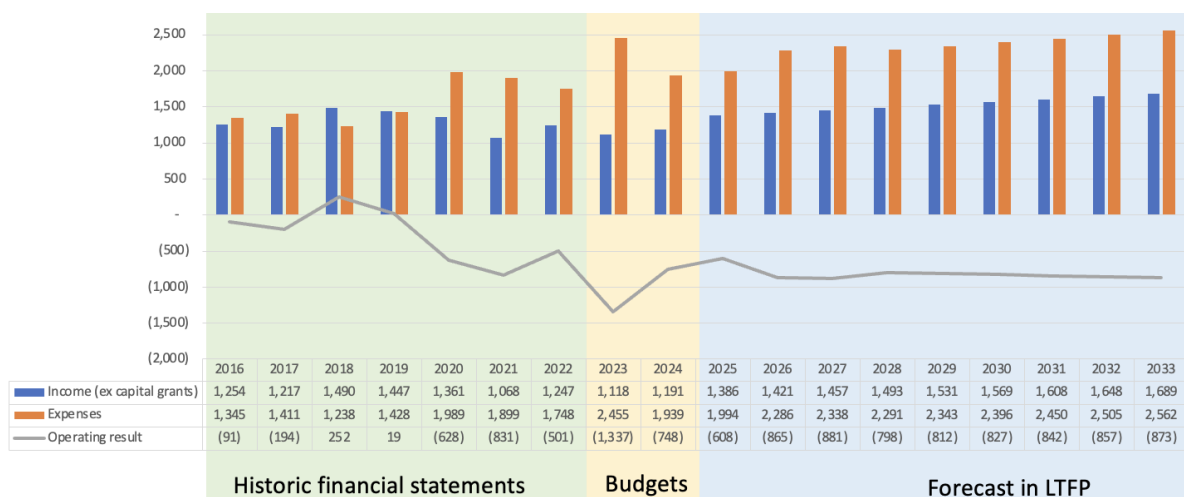
**Figure 13: the four ‘levers’ Council can pull to improve its financial sustainability**

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.

## 7.2 Hold Water Charges Scenario

This scenario has been prepared to explore the implications if Council was to choose not to increase water charges in 2025-2027 as assumed in section 4, but rather only to increase them by CPI (assumed to be 2.5% p.a.).

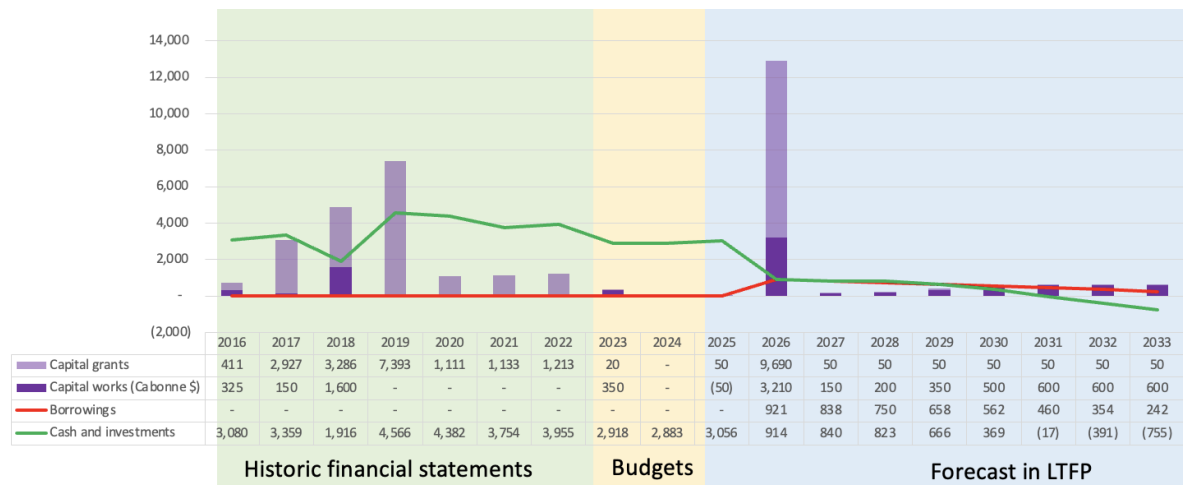
Figure 14 shows a considerable deficit (\$873k or 52% of income) in 10 years, compared to the \$479k (23%) deficit in Figure 6 (section 4) with the increased charges. To put this into perspective, an \$879k deficit means almost all revenues are ‘eaten up’ paying for ongoing operating activities, and there is very little available for capital works. After eliminating \$1.1M p.a. depreciation (estimated amount in 10 years) there is only \$237k p.a. left to fund asset renewals, etc.



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

Figure 15 shows the seriousness of an ongoing operating deficit of this scale. Even with the fairly modest capital works program (which is unchanged from that in Figure 7 in section 4), Council will exhaust its cash reserves completely by 2031 if it does not increase charges. Borrowing money won’t be an option, not just because the

debt won't be able to be repaid, but because Council won't be able to secure a loan in the first place (this is an issue already).



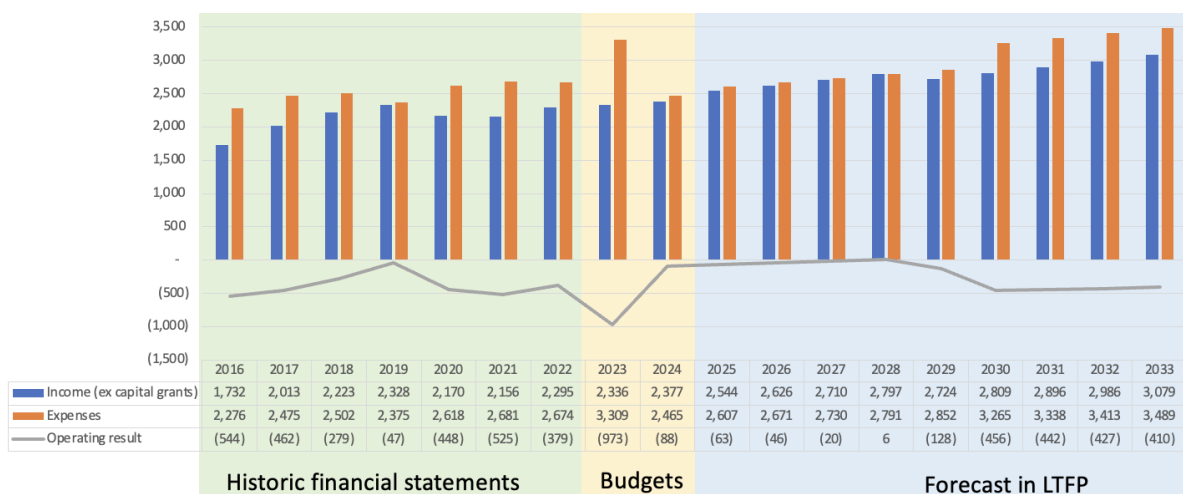
**Figure 15: trends in capital, grants and cash and investments (reserves) in water fund (charges held)**

This reinforces how critical it is for Council to increase charges as in section 4.

### 7.3 Hold Sewer Charges Scenario

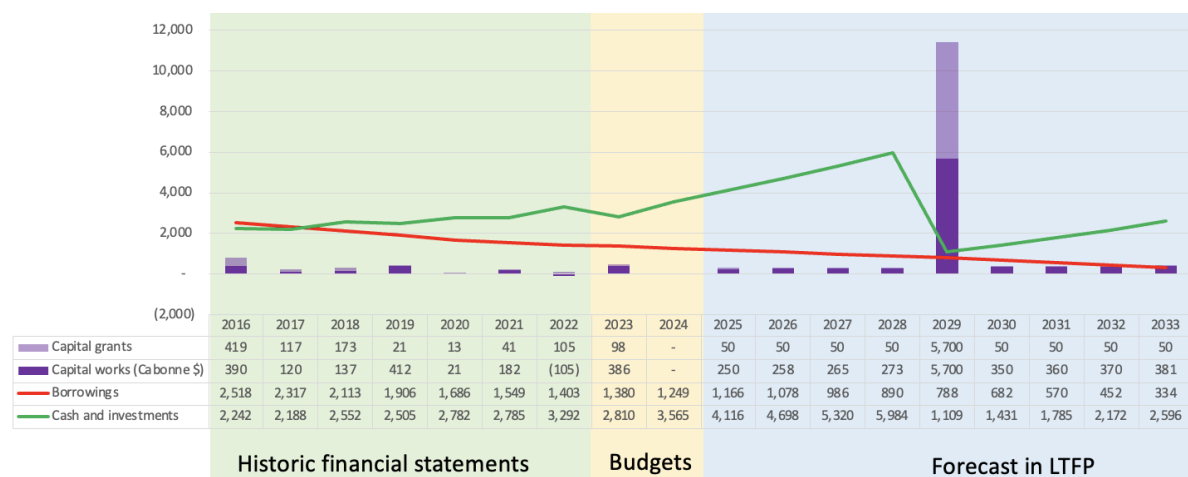
This scenario has been prepared to explore the implications if Council was to choose not to increase sewer charges in 2025-2027 as assumed in section 5, but rather only to increase them by CPI (assumed to be 2.5% p.a.). This could be achieved by retaining the current disparity between towns, or by harmonising charges but not increasing charges overall (i.e. the highest, in Canowindra, would go down, etc.).

Figure 16 shows a considerable deficit (\$410k or 13% of income) in 10 years, compared to the \$112k (3%) surplus in Figure 9 (section 5). It is important to note that while a small surplus is showing below in 2028, this is wiped out by the extra operating costs associated with the new plant at Molong in 2029. Further expenses will hit just outside the 10 year horizon when the Canowindra plant is replaced.



**Figure 16: trends in income, expenses and operating result in sewer fund (charges held)**

Figure 17 appears OK (unlike Figure 15) because Council's cash reserves don't drop below the target minimum of \$1.1M in 2029 and build up to \$2.6M in 2033. The \$2.2M drop in reserve balance in 2033 is of most concern because it will then mean Council has to borrow even more for the Canowindra plant replacement (just outside the 10 year horizon).



**Figure 17: trends in capital, grants and cash and investments (reserves) in sewer fund (charges held)**

This will mean the increase in charges required to fund higher operational costs and repay the loan for Canowindra will be even higher than they would otherwise have been. This relates to both Council's 'intergenerational equity' objectives: the current generation paying the cost of services (as indicated by an operating surplus) and the impact of current policy decisions (e.g. choosing not to increase charges) on future generations (who will likely face larger increases than they would otherwise have).

The production of a 30 year financial and asset plan is identified as an improvement action in section 5.2. This will help highlight why this scenario is not sustainable, and how critical it is for Council to increase charges as in section 5.

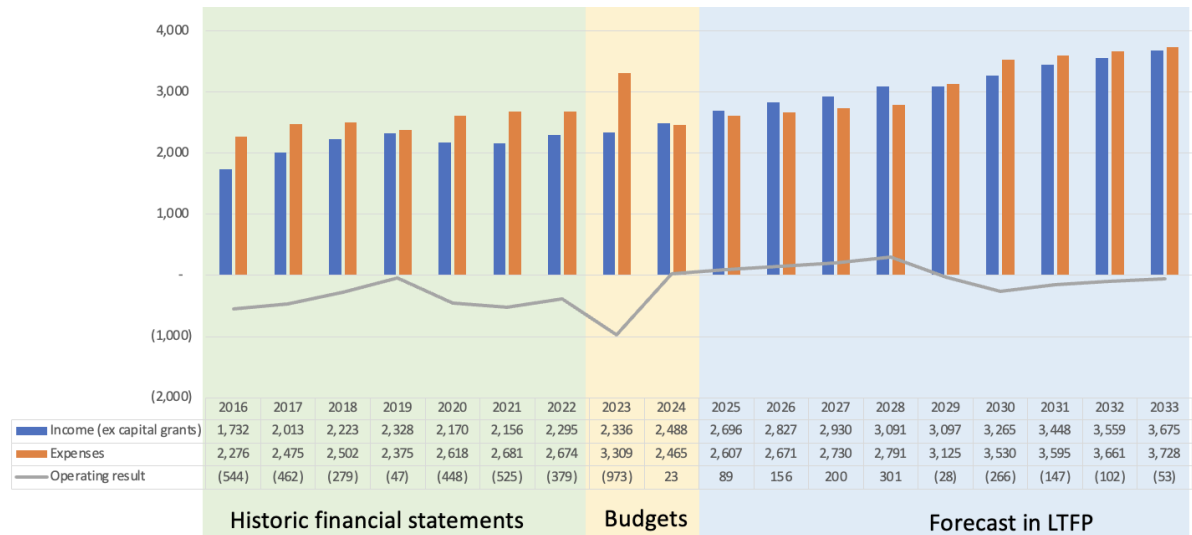
## 7.4 No grant for Molong Sewage Treatment Plant

As discussed in section 5, Council is ineligible for funding under the NSW Government's Safe and Secure Program (which is the most likely source of funds for such projects) but a 50% grant has been assumed to have been obtained from an unknown source.

This scenario explores the implications of Council not obtaining a grant for the renewal and upgrade of Molong Sewage Treatment Plant, and instead:

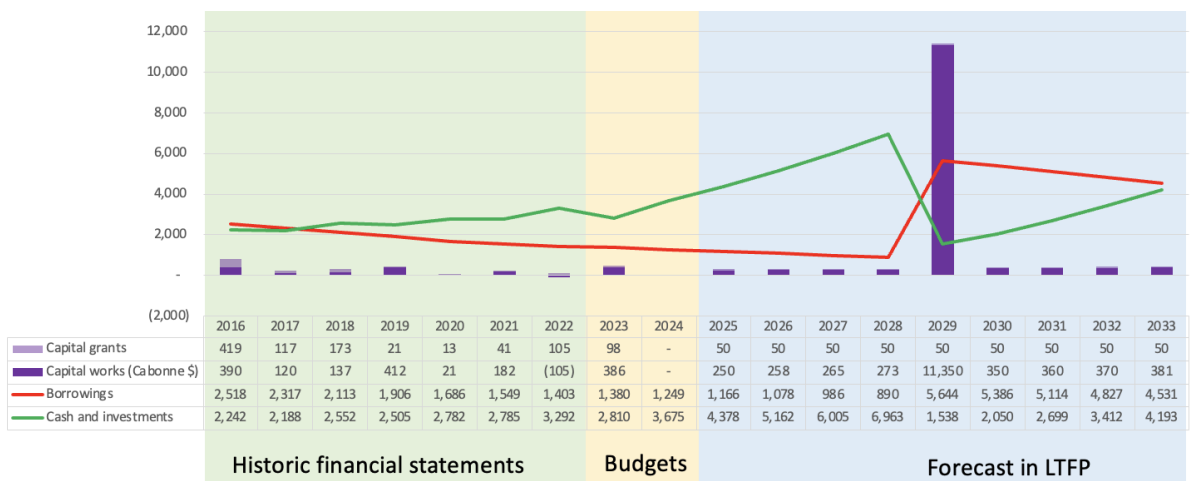
- borrowing \$5M to fund the entire project itself
- increasing charges by a further 2.5% p.a. above CPI (5% p.a. total) from 2028 to 2031 (a cumulative 10.4% increase above CPI) in order to help fund the repayments.

This modelling needs to be done over a 30 year period for finances *and* assets, considering the impact of the new plant at Canowindra, including scenarios where Council receives a grant, and without it. This should be considered indicative only at this stage, but highlights the importance of long term planning.



**Figure 18: trends in income, expenses and operating result in sewer fund (no grant)**

Cash reserves in 2033 are \$0.6M lower here than in Figure 10, but there are significant unknowns.



**Figure 17: trends in capital, grants and cash and investments (reserves) in sewer fund (charges held)**

This highlights the importance of long term planning and advocacy to secure a grant for Molong STP replacement.

## 8.5 Molong development

This will be included prior to finalisation of this LTFP, based on Business Case prepared by AEC.

## 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)
- Full Statement of Financial Position and Cashflow Statement not produced at this stage (Council is developing a new financial model that can do this), but the key information is included in the Income Statement, Capital Works and Principal Repayments

	Historic Actuals							Budget		Forecast									
GENERAL FUND INCOME STATEMENT	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	
Rates & Annual Charges	10,762	11,009	11,316	11,686	11,797	12,362	12,581	12,983	13,513	13,851	14,197	14,552	14,916	15,289	15,671	16,063	16,464	16,876	
User Charges & Fees	9,961	12,206	7,636	6,388	6,649	5,544	8,736	7,354	7,284	7,560	7,749	7,943	8,141	8,345	8,553	8,767	8,986	9,211	
Other Revenues	523	565	576	415	621	476	1,071	4,371	484	1,925	1,973	2,022	2,073	2,125	2,178	2,232	2,288	2,345	
Grants & Contributions: Operating	10,387	15,517	11,162	8,597	11,142	11,143	13,913	26,499	9,879	10,230	10,486	10,748	11,017	11,293	11,575	11,864	12,161	12,465	
Grants & Contributions: Capital Purposes	5,146	2,885	3,129	7,501	7,283	8,816	7,909	21,132	15,434	4,500	4,038	3,076	2,115	1,656	1,697	1,740	1,783	1,828	
Interest and investment revenue	1,242	1,120	1,017	1,076	782	292	196	849	614	643	625	607	592	514	435	355	273	190	
Other income (incl. rent)					377	125	641		183										
Net Gains Asset Disposals	558	729	478	242	833	725	-	300	300	308	318	325	331	338	345	351	359	359	
Joint Ventures & Associated Entities - Gain	177	-	179	357	3,989	197													
Total Income from Continuing Operations	38,756	44,031	35,493	36,262	43,473	39,680	45,047	73,488	47,691	39,017	39,386	39,274	39,185	39,559	40,455	41,372	42,315	43,274	
TOTAL INCOME (ex. Capital)	33,610	41,146	32,364	28,761	36,190	30,864	37,138	52,356	32,257	34,517	35,349	36,198	37,070	37,903	38,757	39,633	40,532	41,446	
Employee Benefits & On-Costs	11,807	11,085	10,652	10,700	11,111	13,207	12,426	15,484	16,841	14,696	15,211	15,591	15,981	16,380	16,790	17,210	17,640	18,081	
Borrowing Costs	25	25	9	16	1	-	43	1	160	155	150	145	139	134	128	121	114	107	
Materials & Contracts	2,413	8,288	6,099	4,479	5,336	5,837	16,546	25,348	4,605	10,065	10,317	10,575	10,839	11,110	11,388	11,672	11,964	12,263	
Depreciation & Amortisation	8,545	8,855	9,110	9,421	9,730	10,933	10,945	12,092	12,743	13,312	13,644	13,985	14,335	14,693	15,061	15,437	15,823	16,219	
Other expenses	4,542	4,805	4,328	4,526	4,295	4,578	128	4,466	4,202	600	615	630	646	662	679	696	713	731	
Net losses from asset disposals							557												
TOTAL EXPENSES: Continuing Operations	27,332	33,058	30,198	29,142	30,473	34,555	40,645	57,391	38,551	38,828	39,937	40,926	41,940	42,980	44,045	45,136	46,255	47,401	
Net Operating Result for the Year	11,424	10,973	5,295	7,120	13,000	5,125	4,402	16,097	9,140	189	(551)	(1,652)	(2,755)	(3,421)	(3,590)	(3,764)	(3,939)	(4,127)	
OPERATING SURPLUS/DEFICIT exc. Capital	6,278	8,088	2,166	(381)	5,717	(3,691)	(3,507)	(5,035)	(6,294)	(4,311)	(4,588)	(4,728)	(4,870)	(5,077)	(5,287)	(5,503)	(5,722)	(5,955)	
							-12.0%	-9.4%	-9.6%	-19.5%	-12.5%	-13.0%	-13.1%	-13.1%	-13.4%	-13.6%	-13.9%	-14.1%	
GENERAL FUND BALANCE SHEET	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2031	2031	
Cash & Cash Equivalents	14,565	5,082	1,336	1,235	2,763	7,901	3,436	28,004	22,068	20,162	17,796	14,619	10,638	8,296	8,098	8,048	8,150	8,408	
Investments	25,000	36,000	39,500	38,500	37,000	31,000	34,000												
Receivables	2,867	2,382	3,808	4,111	1,492	1,402	1,479												
Inventories	1,326	941	936	973	987	870	733												
Contract assets					3,078	2,521	4,066												
Other	61	108	115	104	86	75	58												
Total Current Assets	43,819	44,513	45,695	44,923	45,406	43,769	43,772	28,004	22,068	20,162	17,796	14,619	10,638	8,296	8,098	8,048	8,150	8,408	
Investments	-	-	-	161	-	-	-												
Receivables	699	783	1,149	1,056	864	692	725												
Inventories	371	215	41	41	41	41	41												
Infrastructure, Property, Plant & Equipment	459,966	473,916	485,647	491,774	487,611	498,756	554,985												
Intangible Assets	153	74	139	99	137	173	125												
Investments Accounted using equity method	20,324	20,324	24,213	24,761	29,113	29,548	34,725												
Other	282	282	282	282	282	282	282												
Total Non-Current Assets	481,795	495,594	511,471	518,174	518,048	529,492	590,883												
TOTAL ASSETS	525,614	540,107	557,166	563,097	563,454	573,261	634,655												
Payables	3,365	2,913	4,670	3,399	5,291	3,167	3,962												
Borrowings	3	274	291	297	-	-	-	-	3,006	3,006	3,006	3,006	3,006	3,006	3,006	3,006	3,006	3,006	
Contract liabilities					1,086	4,089	2,998												
Provisions	3,902	3,919	3,950	3,655	3,157	3,460	3,117												
Total Current Liabilities	7,270	7,106	8,911	7,351	9,534	10,716	10,077	-	3,006	3,006	3,006	3,006	3,006	3,006	3,006	3,006	3,006	3,006	
Payables	46	50	55	58	58	60	65												
Borrowings	-	-	-	(1)	-	-	-												
Provisions	1,594	1,617	1,626	1,631	1,632	2,777	2,705												
Total Non-Current Liabilities	1,640	1,667	1,681	1,688	1,690	2,837	2,770												
TOTAL LIABILITIES	8,910	8,773	10,592	9,039	11,224	13,553	12,847												
Net Assets	516,704	531,334	546,574	554,058	552,230	559,708	621,808												
Retained Earnings	292,833	301,936	310,941	318,252	330,923	336,286	350,811												
Revaluation Reserves	223,871	229,398	235,633	235,806	221,307	223,421	270,997												
Total Equity	516,704	531,334	546,574	554,058	552,230	559,708	621,808												
TOTAL CAPITAL WORKS	13,279	22,943	20,752	21,340	21,461	19,647	11,333	37,321	30,525	15,000	15,038	15,076	15,115	13,156	11,197	11,240	11,283	11,328	
PRINCIPAL REPAYMENTS									94	99	104	109	115	121	127	133	140	147	

	Historic Actuals							Forecast													
WATER FUND INCOME STATEMENT	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033			
Rates & Annual Charges	395	435	465	513	505	507	567	534	587	646	711	782	801	821	842	863	885	907			
User Charges & Fees	762	695	886	856	674	540	664	565	586	824	906	996	1,021	1,047	1,073	1,100	1,127	1,156			
Other Revenues + other income	6	4	4	4	5	8	5	9	8	6	7	8	8	8	8	9	9	9			
Grants & Contributions: Operating	12	12	63	6	118		-	-	-	-	-	-	-	-	-	-	-	-			
Grants & Contributions: Capital Purposes	411	2,927	3,286	7,393	1,111	1,133	1,213	20	-	50	9,690	50	50	50	50	50	50	50			
Interest and investment revenue	79	71	72	68	59	13	11	10	10	10	10	10	11	11	11	11	11	11			
Net Gains Asset Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Total Income from Continuing Operations	1,665	4,144	4,776	8,840	2,472	2,201	2,460	1,138	1,191	1,536	11,324	1,847	1,891	1,937	1,984	2,033	2,082	2,133			
TOTAL INCOME (ex. Capital)	1,254	1,217	1,490	1,447	1,361	1,068	1,247	1,118	1,191	1,486	1,634	1,797	1,841	1,887	1,934	1,983	2,032	2,083			
Employee Benefits & On-Costs	234	206	298	342	527	531	574	572	665	688	712	730	748	767	786	806	826	847			
Borrowing Costs	-	-	-	-	-	-	-	19	-	-	51	47	43	38	34	29	23	18			
Materials & Contracts	475	578	307	319	673	591	386	918	436	447	458	470	381	391	401	411	421	431			
Depreciation & Amortisation	515	530	537	648	661	668	698	670	713	731	933	957	981	1,005	1,030	1,056	1,082	1,109			
Other expenses	121	97	96	119	128	109	90	276	125	128	131	135	138	141	145	149	152	156			
TOTAL EXPENSES: Continuing Operations	1,345	1,411	1,238	1,428	1,989	1,899	1,748	2,455	1,939	1,994	2,286	2,338	2,291	2,343	2,396	2,450	2,505	2,562			
Net Operating Result for the Year	320	2,733	3,538	7,412	483	302	712	(1,317)	(748)	(458)	9,038	(491)	(400)	(405)	(411)	(417)	(423)	(429)			
OPERATING SURPLUS/DEFICIT exc. Capital	(91)	(194)	252	19	(628)	(831)	(501)	(1,337)	(748)	(508)	(652)	(541)	(450)	(455)	(461)	(467)	(473)	(479)			
					-46.1%	-77.8%	-40.2%	-119.7%	-62.8%	-34.2%	-39.9%	-30.1%	-24.4%	-24.1%	-23.8%	-23.6%	-23.3%	-23.0%			
WATER FUND STATEMENT OF FIN POSITION	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033			
Cash & Cash Equivalents	3,080	3,359	1,916	4,566	4,382	3,754	3,955	2,918	2,883	3,156	1,227	1,492	1,823	2,023	2,092	2,081	2,091	2,121			
Investments	-	-	-	-	-	-	-														
Receivables	602	628	2,739	566	595	445	1,785														
Inventories	-	-	-	-	-	-	-														
Contract assets	-	-	-	-	11	435	370														
Other	-	-	8	-	-	-	-														
Total Current Assets	3,682	3,987	4,663	5,132	4,988	4,634	6,110														
Investments	-	-	-	-	-	-	-														
Receivables	77	54	49	69	77	66	50														
Inventories	-	-	-	-	-	-	-														
Infrastructure, Property, Plant & Equipment	26,197	28,642	30,837	35,927	36,780	37,862	40,678														
Intangible Assets	-	-	-	-	-	-	-														
Investments Accounted using equity method	-	-	-	-	-	-	-														
Other	-	-	-	-	-	-	-														
Total Non-Current Assets	26,274	28,696	30,886	35,996	36,857	37,928	40,728														
TOTAL ASSETS	29,956	32,683	35,549	41,128	41,845	42,562	46,838														
Bank Overdraft	-	-	-	-	-	-	-														
Payables	365	173	2,212	63	112	210	261														
Income received in advance	-	-	-	-	-	-	-														
Contract liabilities	-	-	-	-	-	-	-														
Borrowings	-	-	-	-	-	-	-				921	838	750	658	562	460	354	242			
Provisions	-	-	-	-	-	-	-														
Total Current Liabilities	365	173	2,212	63	112	210	261														
Payables	-	-	-	-	-	-	-														
Borrowings	-	-	-	-	-	-	-														
Provisions	-	-	-	-	-	-	-														
Total Non-Current Liabilities	-	-	-	-	-	-	-														
TOTAL LIABILITIES	365	173	2,212	63	112	210	261														
Net Assets	29,591	32,510	33,337	41,065	41,733	42,352	46,577														
Retained Earnings	11,667	14,310	17,848	25,260	25,743	26,045	24,023														
Revaluation Reserves	17,924	18,200	15,489	15,805	15,990	16,307	22,554														
Total Equity	29,591	32,510	33,337	41,065	41,733	42,352	46,577														
TOTAL CAPITAL WORKS	736	3,077	4,886	7,393	1,111	1,133	-	370	-	-	12,900	200	250	400	550	650	650	650			
PRINCIPAL REPAYMENTS									-	-	79	83	87	92	97	101	107	112			

	Historic Actuals						Budget		Forecast									
SEWER FUND INCOME STATEMENT	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Rates & Annual Charges	1,415	1,739	1,850	2,083	1,993	2,063	2,199	2,226	2,274	2,483	2,591	2,669	2,744	2,821	2,900	2,987	3,061	3,138
User Charges & Fees	132	99	144	85	100	76	72	88	77	79	81	83	85	87	89	92	94	96
Other Revenues	-	-	13	7	-	-	-	6	4	4	4	4	4	5	5	5	5	5
Grants & Contributions: Operating	116	111	151	77	30	-	-	-	-	-	-	-	-	-	-	-	-	-
Grants & Contributions: Capital Purposes	419	117	173	21	13	41	105	98	-	50	50	50	50	5,700	50	50	50	50
Interest and investment revenue	69	64	65	76	47	17	24	17	22	130	151	174	198	60	78	97	117	138
Total Income from Continuing Operations	2,151	2,130	2,396	2,349	2,183	2,197	2,400	2,435	2,377	2,746	2,877	2,980	3,081	8,673	3,121	3,231	3,327	3,427
TOTAL INCOME (ex. Capital)	1,732	2,013	2,223	2,328	2,170	2,156	2,295	2,336	2,377	2,696	2,827	2,930	3,031	2,973	3,071	3,181	3,277	3,377
Employee Benefits & On-Costs	301	301	448	433	548	541	669	664	673	697	721	739	757	776	896	918	941	965
Borrowing Costs	157	145	133	119	107	94	86	103	80	67	61	55	48	41	34	26	18	9
Materials & Contracts	765	727	629	521	673	808	691	1,253	612	627	643	659	676	692	810	830	851	872
Depreciation & Amortisation	749	955	999	904	896	871	901	877	843	864	886	908	931	954	1,128	1,156	1,185	1,214
Other expenses	304	347	293	398	394	367	327	413	257	352	361	370	379	389	398	408	419	429
TOTAL EXPENSES: Continuing Operations	2,276	2,475	2,502	2,375	2,618	2,681	2,674	3,309	2,465	2,607	2,671	2,730	2,791	2,852	3,265	3,338	3,413	3,489
Net Operating Result for the Year	(125)	(345)	(106)	(26)	(435)	(484)	(274)	(875)	(88)	139	206	250	291	5,820	(144)	(108)	(86)	(62)
OPERATING SURPLUS/DEFICIT exc. Capital	(544)	(462)	(279)	(47)	(448)	(525)	(379)	(973)	(88)	89	156	200	241	120	(194)	(158)	(136)	(112)
						-24%	-17%	-42%	-4%	3%	6%	7%	8%	4%	-6%	-5%	-4%	-3%
SEWER FUND STATEMENT OF FIN POSITION	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Cash & Cash Equivalents	2,242	2,188	2,552	2,505	2,782	2,785	3,292	2,810	3,565	4,267	5,051	5,894	6,792	2,166	2,750	3,388	4,066	4,788
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Receivables	612	702	733	955	885	940	962	-	-	-	-	-	-	-	-	-	-	-
Total Current Assets	2,854	2,890	3,285	3,460	3,667	3,725	4,254	-	-	-	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Receivables	160	171	161	172	187	180	150	-	-	-	-	-	-	-	-	-	-	-
Contract Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure, Property, Plant & Equipment	45,178	45,447	40,497	40,572	40,027	40,178	37,395	-	-	-	-	-	-	-	-	-	-	-
Total Non-Current Assets	45,338	45,618	40,658	40,744	40,214	40,358	37,545	-	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	48,192	48,508	43,943	44,204	43,881	44,083	41,799	-	-	-	-	-	-	-	-	-	-	-
Payables	63	41	48	18	48	42	19	-	-	-	-	-	-	-	-	-	-	-
Borrowings	201	204	207	219	137	146	1,403	1,380	1,249	1,166	1,078	986	890	788	682	570	452	334
Total Current Liabilities	264	245	255	237	185	188	1,422	-	-	-	-	-	-	-	-	-	-	-
Borrowings	2,317	2,113	1,906	1,687	1,549	1,403	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-Current Liabilities	2,317	2,113	1,906	1,687	1,549	1,403	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	2,581	2,358	2,161	1,924	1,734	1,591	1,422	-	-	-	-	-	-	-	-	-	-	-
Net Assets	45,611	46,150	41,782	42,280	42,147	42,492	40,377	-	-	-	-	-	-	-	-	-	-	-
Retained Earnings	25,257	24,912	24,806	24,780	24,345	23,861	20,952	-	-	-	-	-	-	-	-	-	-	-
Revaluation Reserves	20,354	21,238	16,976	17,500	17,802	18,631	19,425	-	-	-	-	-	-	-	-	-	-	-
Total Equity	45,611	46,150	41,782	42,280	42,147	42,492	40,377	-	-	-	-	-	-	-	-	-	-	-
TOTAL CAPITAL WORKS	809	237	310	433	34	223	-	484	-	300	308	315	323	11,400	400	410	420	431
PRINCIPAL REPAYMENTS									79	83	87	92	97	101	107	112	118	118