Financial Sustainability Plan

Cootamundra and Gundagai Councils

Contents

Executive Summary 4
1 Overview 7
2 Context – Local Government Sustainability 9
3 Objectives 10
4 Approach 11
5 Financial Health - CGRC 13
6 Sustainability Rating and Indicators 18
7 Sustainability Principles 21
8 Sustainability Interventions 22
9 Apportionment: Assets and Liabilities at June 2023 24
10 Apportionment: Revenues and Expenses 27
11 CGRC Organisation Capacity 29
11.1 Asset Capacity 29
11.2 Workforce Capacity 33
11.3 Financial Capacity 34
12 Sustainability Scenarios 36
12.1 Base – Cootamundra 39
12.2 Base – Gundagai 40
12.3 Preferred – Cootamundra 41
12.4 Preferred – Gundagai 42
12.5 Preferred – Cootamundra – Ratios 42
12.6 Preferred – Gundagai - Ratios 43
13 Shared Services and Facilities 45
14 Services and Support 46
15 Financial Risks 48
16 Risk Mitigation 50
17 Affordability 54
18 Indicative Movement in Average Rates and Charges 56
19 Indicators of Progress 59
20 Summary and Recommendations 61
Glossary 66
Attachment 1 – CGRC FY23 Financial Statements 67
Attachment 2 – CGRC Funds 72
Attachment 3 – CGRC Financial Plan 2022-32: ConsolidatedAttachment 4 – CGRC Financial Plan 2022-32: General Fund 73

Attachment 5 – CGRC Financial Plan 2022-32: Water Fund 74
Attachment 6 – CGRC Financial Plan 2022-32: Sewer Fund 75
Attachment 7 – Published Operational Plan Budget FY24 76
Attachment 8 – OP24 Distributed between Cootamundra and Gundagai 78
Attachment 9 – OP24 Operating and Capital Account Format 80
Attachment 10 – Sustainability Principles 81
Attachment 11 – Asset Management Plan – Transport 85
Attachment 12 – Asset Management Plan – Water 86
Attachment 13 – Asset Management Plan – Sewerage 87
Attachment 14– Asset Management Plan – Stormwater 88
Attachment 15 – Asset Management Plan – Buildings, Recreation, Commercial, Waste 89
Attachment 16 – Sample Service Structure and Pricing Principle RoR 90
Attachment 17 – Sample Pricing Structure 91
Attachment 18 – Service Criticality and Pricing Principle 92
Attachment 19 – Sustainability Rating Definitions 93
Attachment 20 – Local Government Financial Risks 96
Attachment 21 – Good Budget Practice 97

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2.0	Mar 2024	Draft final	ATA - IGM and CFO CGRC		
3.0	Mar 2024	Final	ATA-IGM	Mar 2024	

Executive Summary

In a meeting with Cootamundra-Gundagai Regional Council councillors and senior staff in October 2023, the NSW Minister for Local Government was clear – a demerger proposed by council is expected to create two sustainable councils, is to be led by the councillors and to be funded by the councils.

The *Local Government Act 1993* (s8) and guidance from the NSW Office of Local Government (OLG) promote the tenets of sustainability as balancing operating budgets, generating sufficient cash to fund renewal of assets, maintain suitable levels of working capital, borrow appropriately, place cash into reserves for future capital purposes, and attain relevant financial and asset benchmarks. A robust organisation should have maturing systems of asset and risk management, and transparent approaches to decision making, funding and performance reporting.

Cootamundra-Gundagai Regional Council (CGRC) has interpreted that guidance to require Council to demonstrate:

- the new councils can be rated as ‘moderate’ sustainability by the end of the first term (FY28)
- the new councils can be rated as ‘sound’ within 10 years of establishment (FY36)
- fundamental financial and asset benchmarks (OPR, OSR, DSR, CER, IRR, AMR) can be attained

‘Financial sustainability risk ratings’ have been utilised to gauge the current status of CGRC, and the likely status of the new councils (upon demerger) should the recommended financial and service interventions not be applied. It is assumed OLG would require the new councils to demonstrate a ‘moderate’ sustainability rating at the end of the first term (FY28), with the financial plans adopted by the new councils required to illustrate progression to a ‘sound’ rating in the remaining 10 years.

The Financial Sustainability Plan cautions a demerger may cause a currently ‘moderate’ sustainability rated council (CGRC) to deteriorate into one or two ‘weak’ rated new councils. Unrestricted Funds (reserves) will be depleted by $3m to fund the demerger.

However, the demerged new councils *can be sustainable* with a disciplined approach to:

- setting operational budgets to deliver regular modest surpluses
- building buffers (held in internal reserves and working capital) to absorb environmental or economic shocks; to mitigate project and grant funding gaps; and create capacity to match appropriate grant opportunities as they emerge
- setting program and project priorities drawn from existing strategies and plans, and monitoring asset performance, leveraged through grant opportunities as they emerge
- monitoring and managing community expectation and satisfaction with levels of service and asset standards, including relevant trade offs
- refreshing asset and contributions plans with contemporary condition assessment, valuations and renewal-upgrade works schedules and essential works lists
- cataloguing CGRC current service and asset offers, to which the new councils may modify, knowing the financial consequences of change to those standards
- retreating to a ‘minimalist’ local authority by accommodating asset operations, maintenance and renewal within its taxes (rates, annual charges, grants); and meeting legislated obligations within the prescribed funding available
- embedding resilience through upgrading asset and workforce plans to recognise and mitigate impacts of change (climate and organisational); accommodating future asset operations, maintenance and renewal generated by gifted and grant funded assets in financial plans; and retaining a skilled workforce to assist response and recovery efforts in natural disasters
- setting policy guidance to manage grants, restricted funds, working capital, donations
- deploying innovative approaches to improve funding, accounting and pricing transparency

- regularly testing affordability of new pricing, and comparing new rate levels to similar councils

Through a series of workshops and consideration of scenarios, CGRC councillors acknowledged difficult budget decisions are required by CGRC and the new councils to meet Government expectations for sustainability. The following mix of high level interventions are proposed:

i. grow annual yields from regulatory, property, market and utility services
    - disclose targets for rates of return (RoR) for those services, phased over several years
    - differentiate the revenues, expenses and returns for these services in budgets
ii. account for the utility (water, sewer, stormwater, waste) services as 'Funds'
    - plan and publish funding and relevant programs and projects, the nett costs of which are balanced through respective restricted funds (reserves)
    - build reserves to absorb shocks and match external funding for capital works
iii. grow asset operations, maintenance (and depreciation) expenditure
    - recognise recent cost escalations and focus on functionality of assets for benefit of community, economy and environment
iv. cap non-asset service and support expenditures to the value of associated revenues raised (eg rate peg, FAG, CPI)
    - rely in part on sharing of resources between the new councils to support services
v. exclude OLG-suggested additional staff
    - CGRC has recruited suitable resources into areas of governance and compliance risk
vi. include duplicated Executive and specialist staff costs (6FTE), and Civica technology SaaS cost
    - shared between the new councils
vii. assume no growth in other grants or service revenues
    - if so, the value of those revenues will be absorbed in the associated increases to related expenditures
viii. raise debt (Gundagai)
    - smooth out the impact of annual asset renewals
ix. raise rate revenues for both new councils
    - enable (with the above measures) a balanced or modest annual surplus to the Operating Account, to attain key ratios
x. apply 'best practice' pricing for the utility services
    - following their independent review, which may alter mix of annual charges and user charging

Cootamundra-Gundagai Regional Council progressed a special rate variation in 2021, aimed to return the consolidated results to a surplus before capital grants in 2022/23, although the General Fund currently does not achieve an operating result before capital during the life of the adopted Financial Plan. Unfortunately, CGRC did not raise the SRV to the level recommended by Drew report - indeed raising less by the SRV than the rate peg for the last 2 years - with the 4.7% rates gap now the subject of considerations of a new SRV in this Financial Sustainability Plan.

This Financial Sustainability Plan differs to a Long Term Financial Plan (LTFP). It sets the planning and policy foundations for the new councils. It defines the principles for sustainability to be pursued by the new councils in their respective LTFP. It mandates the documenting of service and assets standards (based on current costs) and the establishment of transparent registers and policies for assets, investments, debt, donations, grants and reserves. It requires the refreshing of the asset management plans to establish affordable and predictable maintenance, renewal and upgrade schedules. It points to suitable levels of working capital to be stored to absorb shocks and sponsor new grant or development opportunities as they emerge. Annual surpluses may also applied to expanded services.

The future Financial Plans to be prepared by the new councils is expected to pursue the financial sustainability principles of this Plan and utilise the same measures to indicate progress towards the sustainability targets and OLG financial and asset ratios, in the remaining years (of ten) following the first term of the new councils. Those Financial Plans may be influenced by community engagement by the new councils, however the new councils would be expected to continue the service and asset standard settings established in the first year of the new council terms.

A Base and Preferred Scenario for each new council is proposed in the FSP – noting several iterations were explored with councillors. Indicative rates and charges per rate category are included in the FSP.

The CGRC FY24 Operational Plan has published a consolidated deficit of $4.6m, excluding capital grants and contributions of $9.9m. The balance of the capital works program of $22.8m has been absorbed with reserves – fundamentally unspent disaster and other grants from previous years. A Base Case Scenario, including planned growth in asset expenditure and the duplicated staffing costs due to demerger, indicated annual operating deficits for both new councils.

From that Base, several Scenarios were prepared, albeit in a different format – one that illustrates the *input* revenue sources, but records the *output* expenses as asset operations, maintenance and depreciation, and non-asset regulatory, community and commercial services for example.

The Preferred Scenario for each new council over the life of the Plan to FY31 requires:

- planned growth in asset servicing (2.5%pa), maintenance (5%pa) and depreciation (2.5% pa)
- given the age of utilities assets (water, sewer, waste, stormwater), planned growth of 4% pa
- dampening any change to non-asset services and support to the value of any CPI-rate peg indexation for respective revenues (ie annual property management costs to be contained within the value of the associated CPI fee increase, or support and other service costs contained within value of rate peg revenue)
- allows for $1.2m one-off FY26 uplift to executive and specialist staff costs to be shared between the councils
- SRV of 7.5% x 2 years (Cootamundra) and 25% x 3 years (Gundagai), above the rate peg (noting CGRC chose to apply for a recent SRV at a level lower than recommended)
- planned fee growth of 2.5% pa for regulatory, commercial, property and contract services
- planned fee growth of 5% pa (Cootamundra) and 10% pa (Gundagai) for utility services
- fees may continue to be indexed (CPI or rate peg) in addition to planned fee growth
- grow investment yields through planned improvement to utility funds annual returns
- limiting capital expenditures to renewal of existing assets (funded with some debt), with any new or upgraded assets to be fully funded by grants, contributions or cash-backed reserves

A new Gundagai Council will bear the greatest change to financial circumstance from the merged body, pending councillor decisions on sharing or hosting resources. In essence, Gundagai bears over half of the CGRC assets and receives 40% share of the taxes (rates, annual charges, FAG), once distributed.

The Demerger Transition Plan pointed to the opportunity for CGRC councillors to use their experience and connection with community, to set the foundation for the new councils (should the demerger proceed) – particularly in relation to documenting and setting preliminary service and asset standards, refreshing the asset plans, and forecasting the rating, annual charges and pricing arrangements to assist the sustainability of the new councils.

1 Overview

The NSW *Local Government Act 1993* at s8B, records the following principles of sound financial management applicable to councils:

(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

The future financial sustainability of the two demerged councils will need to be considered through the four key elements that can be used to identify financial sustainability for local government:

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

Any consideration of future sustainability needs to allow for adjustments for post-demerger events including the impact of:

- approved and expiring Special Rate Variation and rates
- increased staffing levels and wage harmonisation
- reflect asset base as maintained and developed
- increased renewal expenditure, new capital projects and associated borrowings and grants
- flow on effect of gifted and grant funded assets
- availability and turnover of skilled staff
- availability of consultants to accelerate demerger activities and supplement skill gaps

Both new councils will need to consider either increasing their general rates, reducing spending or a combination of both to fund their operations and maintain their assets. Gundagai in particular will require consideration of a review and implementing a different rating structure than what it would inherit from the merged council, noting Gundagai’s ratepayers experienced a reduced rates burden compared to the increase in the rates in Cootamundra following harmonisation of the rating structure, and the expiry of the 2014 SRV which is only partially offset by the savings made from the expiry of the associated loan repayments.

The ’financial sustainability risk ratings’ (Attachment 19) have been utilised to gauge the current status of CGRC, and the likely status of the new councils (upon demerger) should the recommended financial and service interventions not be applied. It is assumed OLG would require the new councils to demonstrate a ‘moderate’ sustainability rating at the end of the first term (FY28), with the financial plans adopted by the new councils required to illustrate progression to a ‘sound’ rating in the remaining 10 years.

The initial sustainability ratings of CGRC and the new councils were assessed as ‘moderate’ to ‘weak’, indicating interventions are required to meet the OLG expectations outlined earlier.

2 Context – Local Government Sustainability

Like most NSW councils, many factors have contributed to making a financial position unsustainable.

The impacts of consecutive natural disasters and the COVID pandemic during the last five years has significantly depleted revenue and increased operational costs. Had CGRC not 'opted-in' to disaster repair and recovery arrangements with (then) Resilience NSW, many of the repairs and restoration of damaged infrastructure would have been undertaken by contractors and underwritten by council, awaiting reimbursement for approved works through the respective NSW agencies – and often across financial years (which in turn distorts financial results).

Thankfully, in several cases, the infrastructure restored was funded through Commonwealth and NSW disaster grants, rather than renewed through Council funding at a later date. A reader of CGRC financial statements would note several years of above-benchmark expenditure on renewals, and an elevation in the condition ratings of several road and bridge assets – largely due to those grants.

However, the grants stimulus prompted by the disasters and pandemic generated several 'after shocks' for local councils – the future costs of operations, maintenance, repair (OMR) and depreciation of new, upgraded or renewed assets funded by grants, may not have been adequately accounted in future budgets.

A similar picture plays out in local government areas that have experienced significant population or development growth. Infrastructure and facilities constructed through new developments and 'gifted' to councils, also may not have been adequately accounted those OMR costs in budget forecasts, nor raise adequate revenues through subdivision and associated supplementary rates.

Both the above circumstances created market pressure for scarce skills (planning, engineering, finance, environment), contractors and resources (energy, fuel, steel, concrete, bitumen). Local government is fundamentally in the business of development and construction - those costs have grown around three times CPI.

Estimates (and timing delays) for infrastructure projects (the subject of competitive grant applications) were often 'under-cooked', requiring councils to source funding to meet the cost gap, or de-scope the project – or even return the grant.

Several councils unfortunately deferred borrowing, and now face higher interest charges to fund those projects.

In addition, many councils reduced or removed development charges, deferred debt recovery, or received lower revenues as business activity quietened during Covid.

If local councils were fortunate enough to hold suitable levels of working capital, they were able to partly absorb some of these recent shocks.

Unfortunately, CGRC saw a rapid decline in its reserves and working capital over recent years, then 'overdrawn' to $10m in 2022 for example.

Cost shifting through legislation and policy settings of state and federal government forces councils to assume responsibility for infrastructure, services and regulatory functions without providing appropriations or permitting fees to enable cost recovery. These, together with the flatlining of the financial assistance grants below 1% of Commonwealth taxation revenues, rounds out the general sustainability stressors in local government.

3 Objectives

While observing the tenets of sustainability in Section 1, the following objectives apply to this Plan:

a. Improve liquidity, through
- building unrestricted cash (working capital)
- targeted asset or property sales
- building external and internal reserves (smoothing)
- building buffers for the utilities (water, sewer, waste, stormwater)
- smoothing capex through infrastructure reserves and debt

b. Improve cashflow, through
- generating a budget surplus, in turn releasing the value of depreciation for capital renewals
- growing revenues
- deferring projects, including incomplete works (carryovers) from previous years
- recycling assets (repurposing and lease returns)
- deriving dividends from eligible utilities

c. Improve resilience, through
- designing capacity (build back better) into renewals (in readiness for natural disasters)
- maintaining working capital as a buffer for natural disasters (and underwriting of works)
- building organisation maturity, including specialist skills and technology difficult to procure

d. Improve assets, through
- refreshing asset and contribution plans 5 yearly, with asset revaluations
- inserting contemporary replacement costs into those plans
- applying construction indices (PPI) between reviews
- aligning (or moderate) asset plans with contribution works schedules
- utilising IPWEA condition, maintenance, renewal and resilience technical standards

e. Align financials, through
- integrating asset, digital, development and workforce plans with financial plan
- moderating capex to external funding (grants, contributions, sales)
- monitoring renewal forecasts to depreciation values
- moderating renewal capex to net depreciation less deficit
- monitoring financial and asset ratios

f. Apply discipline, through
- establishing policies (grants, assets, donations, risk, pricing etc)
- cataloguing and scoping service and asset offer and hierarchies
- priority setting for programs and projects
- appraising and ranking current strategy findings and actions for funding

g. Leverage council capacity and specialisations, such as
- plant (private works)
- noxious weeds (spraying)
- cemeteries (planning)
- subdivision (construction)

4 Approach

Through a series of workshops and iterations of scenarios, councillors endorsed a suite of principles, interventions and shared service options, described in more detail later in this Plan.

Those workshops and notes provided to councillors included the following elements:

a. assessment of financial health of CGRC
   - based on audited FY23 statements and 2022-32 financial plan
   - then following apportionment, relative health of Cootamundra and Gundagai

b. assessment of asset, workforce and financial capacity of CGRC
   - then following apportionment, relative capacity of Cootamundra and Gundagai
   - informs future resourcing strategies for new councils

c. preference to catalogue the services and associated assets for the new councils
   - CGRC establishes the 'foundation settings' to which the new councils may modify following their respective IPR engagement and plans, including
     - clarify the scope (of assets) and deliverables (of services)
     - outline the standards (of assets) and levels (of service)
     - define the performance and targets for those services
     - ratify options for sharing resources, or hosting facilities or services
     - explore options for pricing and cost recoveries, and affordability

d. conversion of CGRC Income Statement format budget into Operating and Capital Accounts
   - indicative Accounts apportioned between Cootamundra and Gundagai at FY24
   - indicative Accounts adjusted with anticipated additional costs (eg FTE, ERP) and revenues (eg expiring SRV); or impactful changes from FY24 Operational Plan
   - identification of (any) revenue and ratio gaps for Cootamundra and Gundagai

e. forecast those Operating and Capital Accounts into
   - indicative financial results to FY28 (ie first term of new councils) for Cootamundra and Gundagai, using the adopted CGRC 2022-32 financial plan parameters
   - indicative financial results to FY28 for Cootamundra and Gundagai, inserting proposed revenue and expenditure adjustments to illustrate financial sustainability

f. nominate the service criticality and pricing principles for programs

g. establish Fund accounting for the utilities (water, sewer, waste, stormwater, plant)
   - draw on respective refresh of strategic business plans and asset management plans
   - ringfence the revenues and expenses of utilities to build reserves for future capital works and augmentation and strengthen ability to absorb shocks

h. establish financial risk profile
   - tabulate sustainability ratios/indicators

i. minimise growth in staff FTE

j. nomination of program and support areas to examine for resource sharing

k. test acceptability of various sustainability scenarios, based from FY24 Operational Plan

l. exclude budgets of uncertainty (eg regularity and value of competitive grants to support programs and projects)

m. nominate principles for financial sustainability
   - intended to guide the Financial Sustainability Plan policy and financial settings; then be pursued with the new councils' long term financial plans
   - illustrate good and poor budget practice
   - may inform proclamation

There were some confidence gaps in data, due to the incomplete migration to all Civica modules; the absence of several registers; low consistency in budget and reporting formats; incomplete planning, accounting and reporting for assets; and changes to reporting parameters in financial statements.

The Financial Sustainability Plan cautions a demerger may cause a currently 'moderate' sustainability rated council (CGRC) to deteriorate into one or two 'weak' rated new councils.

Ultimately, the 'adequate cash reserves' test to fund working capital and future asset replacement may require innovations to current annual charges and accounting arrangements. For example, Sydney Water charges for stormwater almost $90 per dwelling (compared to the $25 cap for NSW councils), and a further $400 per year for land subject to stormwater or flood management or protecting catchments – expenditures a council's General Fund bears. Indeed, the Sydney Water charge for network maintenance and renewal, is in addition to the $25 charge by metro councils.

Similarly, Special Schedule 7 could be revised (and potentially audited) to better align a council's financial plan to asset plans, and illustrate:

- scheduled cost to bring assets to good standard = from Condition 4 to 2 (Good)
- estimated cost to retain assets to satisfactory standard = Condition 3 (Satisfactory)
- gross replacement cost to replace assets to Condition 1 (Excellent)
- renewal expense per class of asset compared to annual depreciation charge
- taxes raised and annual growth (rate/annual charge) as percentage (%) of depreciation
- replacement expense per class of asset (Condition 5 to Condition 1)

The future Financial Plans to be prepared by the new councils is expected to pursue the financial sustainability principles of this Plan and utilise the same measures to indicate progress towards the sustainability targets and OLG financial and asset ratios, in the remaining years (of ten) following the first term of the new councils. Those Financial Plans may be influenced by community engagement by the new councils, however the new councils would be expected to continue the service and asset standard settings established in the first year of the new council terms.

5 Financial Health - CGRC

Unfortunately, CGRC has churned several CFO's since merger and the accounting and budgeting arrangements have differed with each iteration. Therefore, assessment of the financial statements may be the only reliable sources to appraise the current health of CGRC.

Utilising the FY23 Financial Statements (Attachment 1), the 2022-32 Financial Plan and the September 2023 quarterly budget review statements (QBRS), the following is observed:

Financial Statements FY23

a. CGRC met most financial benchmarks
b. the 2023 special rate variation (SRV) improved the consolidated operating result (excluding capital grants and contributions) yet remained at $3.8m deficit
    - however the General Fund deficit was $4.3m
c. like many rural and regional councils, CGRC remains reliant on grants
d. nett cash from operating activities declined, causing an increase in the use of funds from investments (generally reserves)
e. borrowings remain very low as % of asset WDV, while the ability to service debt remains high
f. drawing down on restricted investments is required to support cashflow, as no unrestricted working capital was available
g. only water and sewer are separately reported by Fund, with mixed financial ratios

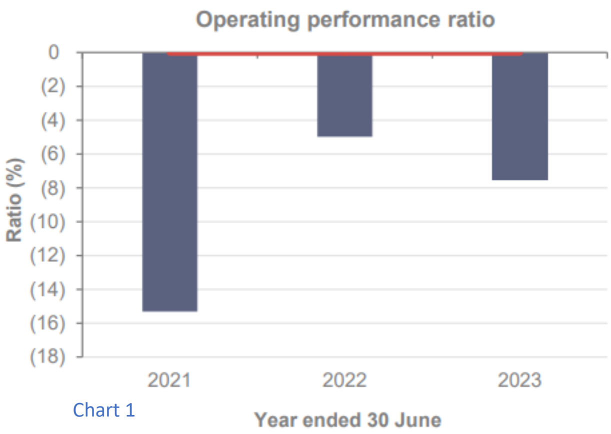

Chart 1

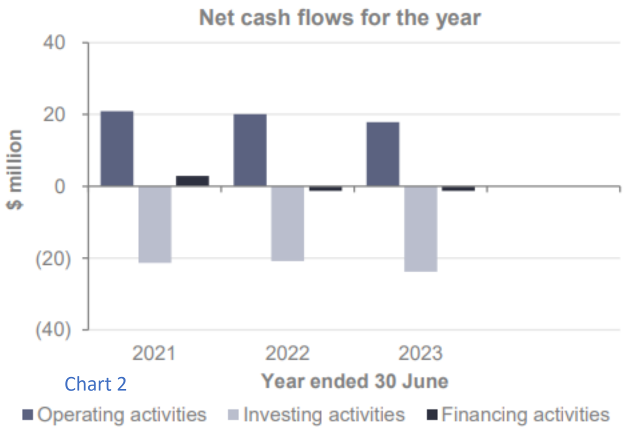

Chart 2

Restricted Funds (reserves)

a. external restrictions appropriately reflect funds held as unexpended grants and contributions, or balances recorded in Notes as held for water, sewer, waste and stormwater (utilities)
b. significantly, internal restrictions are underfunded by $0.77m, meaning at FY23, CGRC had no working capital (that position is understood to have improved to +$3m by end FY24)
    - all invested funds earning interest would expect the reserves to increase by the annual value of that interest
    - grants held in reserve were drawn down to fund specified projects during the year
c. employee benefits are well resourced at 41% of the liability
d. plant replacement reserve appears healthy, based on annual acquisitions (it is understood the plant program and funding is under review)
e. like many rural councils, setting funds aside for future infrastructure renewal or upgrade is minimal, reinforced by the reliance of grants (particularly disaster recovery grants) to fund renewals

Effect of Depreciation (and Gifted-Granted Assets)

a. asset values are subject to cyclic revaluation and annual additions following construction or acquisition of assets, or reduction due to disposal or sale of assets (such as property or plant)
b. similarly, the asset values may increase due to accounting for assets contributed by developers, or funded by government grants
c. consequently, as infrastructure and plant costs have escalated during the Covid and the Governments' Covid/natural disaster grant stimulus phase, so too has depreciation expense
d. while water and sewer depreciation remains modest due to the condition of those assets (refer special schedule 7), general depreciation continues to grow by $1m per year
e. the General Fund rate revenues also increased by $1.4m, contributing little to other expenses and any prospect of a balanced financial result
f. while Note C1-7 indicates the bulk of capital works were asset renewals ($8.6m), in turn the bulk of that was funded by grants ($7m)
g. no gifted or contributed assets were noted in that FY period
h. review of asset plans and renewal schedules is important to guide future funding and reserve requirements

Financial Plan

a. CGRC adopted its 2022-32 Financial Plan pursuant to the successful SRV application
b. the SRV increment concludes in FY25. It is noted FY24 and FY25 would have yielded a greater rate peg return (~$200k), than the 5% cap of the SRV in those years
c. council did not apply for SRV to level recommended by Drew report
d. Financial Plan notes regular annual operating deficits accumulate over the term of the Plan
e. all Funds presume a deficit, even though depreciation remains flat, tax revenues rise (rates and annual charges), and grants grow
f. the Plan acknowledges the capital works programs as inadequate to meet the cost of predicted asset renewals
g. the prospect of dividends (should they be eligible), are unlikely as the utility Funds don't propose a suitable surplus. Note: dividends are capped.

Utility Funds (water, sewer, waste, stormwater)

a. the financial statements and Financial Plan indicate the utility funds are not appropriately self-funding (eg operations, capital, asset renewal, future augmentation, reserves, climate resilience), nor meet NSW 'best practice pricing'
b. it is understood reviews of Water and Sewer is scheduled, however Waste and Stormwater should also be revised to suitable asset, servicing and pricing standards. Stormwater should be elevated to combined levels similar to Sydney Water and metro councils, as a minimum
c. 'self-funding' also includes the Funds respective share of attributed corporate costs (through activity base costing), to produce annual averaged surpluses to accumulate reserves to smooth out future bill shocks due to seasonal/climate induced demand changes
d. The 'strategic business plans' understood to be prepared soon by NSW Public Works should provide more content and estimates for future augmentation, buffers and pricing

Revenues and Expenses Gap

Like most councils, the fundamental issue for CGRC and the new councils is to prepare and produce a balanced or surplus operating result (ie excluding capital grants and contributions in the Income Statement). It is that result that influences the Operating Performance Ratio (OPR) that is benchmarked by OLG at 0%. A negative result is a deficit. A trend of cyclic surplus and deficit is acceptable (eg accounting and timing practice induced), provided an 'average' balanced (0%) result endures across the 10 year financial planning horizon. A regular and deeper annual deficit becomes structural and requires intervention – usually by a special rate variation (SRV).

And, like most councils, the revenue and expense gaps widen each year, becoming increasingly dependent (and vulnerable) on the volatility of grants. The following charts illustrate those and other key trends since 2019.

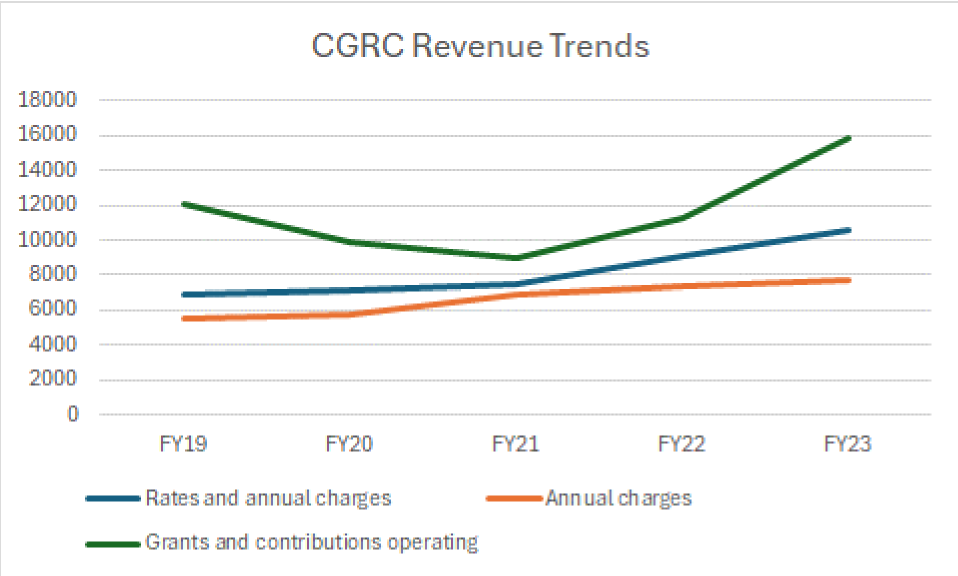

Chart 3

Note: effect of SRV FY21-23

Note: depreciation expense represents 70% of annual rates and charges

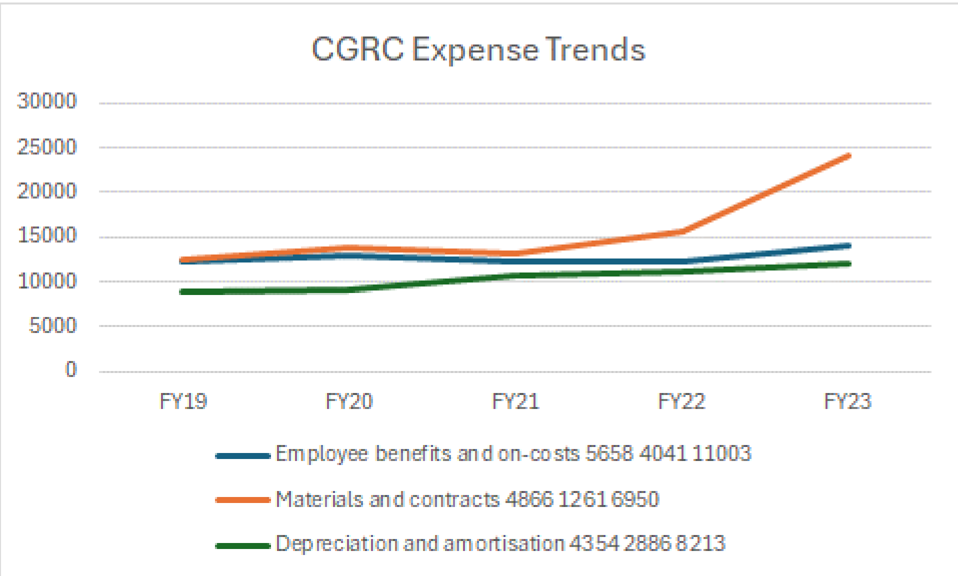

Chart 4

Note: cost of materials escalation

Note: depreciation annual growth absorbs ~ half rates and charges growth

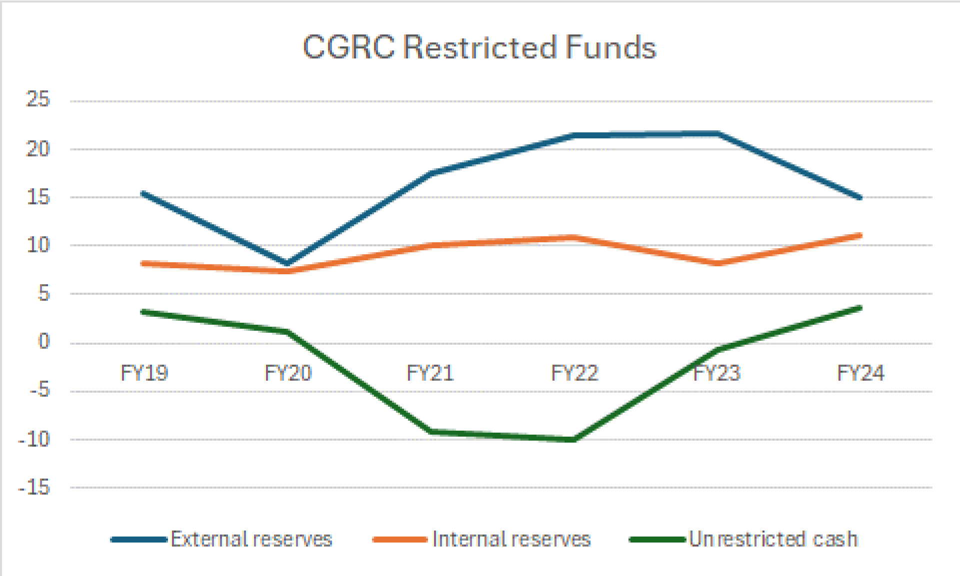

Chart 5

Note: negative unrestricted cash

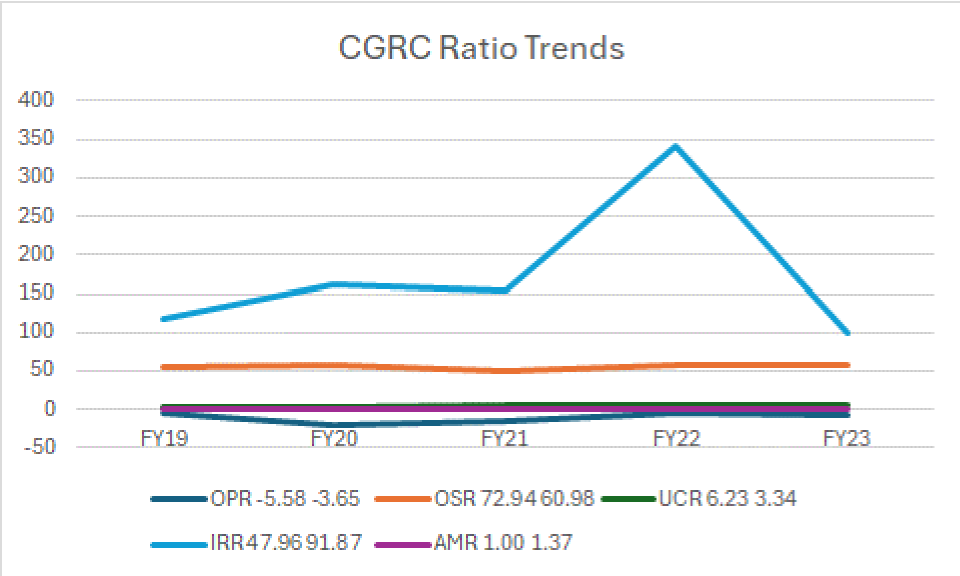

Chart 6

Note: grant-stimulated asset renewals

Other than negative OPR and non-record of asset maintenance, all other indicators are within benchmark

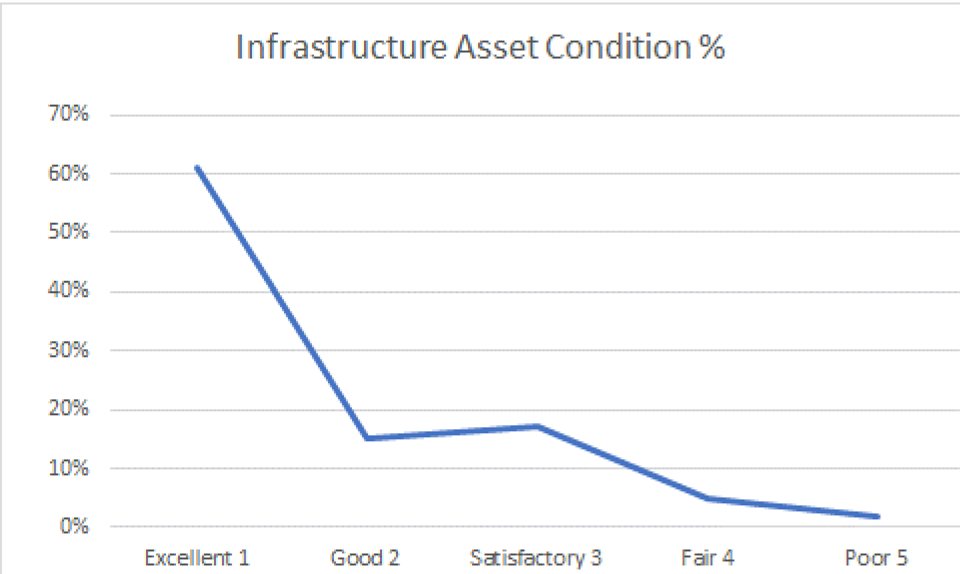

Chart 7

Note: general good condition of assets (excl utilities)

Other Assets and Revenue Options

Council has progressed several land developments to support growth and its budgets. A reserve (internally restricted) has been established to sponsor those developments. Development contributions from the council and private subdivisions are relatively modest, with accumulated balances also held in reserve (externally restricted). Those reserves are used to support the currently positive Cash Expense Ratio.

Even though the Special Purpose Statements indicate Water and Sewer Funds could annually generate dividends for CGRC (eg $199k), the eligibility of assigning those dividends to the 'owner' CGRC has yet to be tested. Notwithstanding, the Statements indicate both Funds are subsidised by Council at $0.250m and $2.142m respectively.

Effect of demerger

Should the Government not financially support the demerger, or provide an interest free loan facility, the cost of the demerger will erode internally restricted reserves by $2.5-3m, with an annually knock on effect of reduced annual interest returns (~$90k).

That in turn will also lower CGRC liquidity measured in part through the unrestricted cash ratio (UCR).

The Charts and Notes above indicate the vulnerability of Council finances to grants and depreciation.

Summary of Observations

The charts above indicate:

- a continuing trend of operational deficits is unsustainable
- council's reliable sources of tax income (property rates, annual charges and financial assistance grants) have improved in real terms since 2015; but declined as a share of overall income due to increased grant funding received from governments
- working capital (unrestricted cash) to meet monthly cashflow is inadequate, without drawing on internal restricted funds
- debt has increased for capital expenditure on improvement or renewal of assets, while debt servicing remains low and capable of further borrowing
- assuming an aberration with condition assessment in 2015*, renewal of assets since has been broadly in line with depreciation, resulting in a manageable asset backlog of 2%; however that assessment may be revisited pending completion of any natural disaster remediation works and future condition assessments and revaluation of assets

Interventions

This high-level assessment of the former councils and CGRC financial statements (Attachments 1-6) provides some insights into the financial gap the new councils must bridge to move to the OLG (and other) indicators of financial and asset sustainability over the next 10 year planning horizon. The nett results illustrate the funding required to balance the budget (with debt or reserves).

6 Sustainability Rating and Indicators

The NSW Government commissioned financial sustainability assessments through Treasury Corp during the 'Fit for Future' program in 2014-15. A sustainability rating was established (Attachment 19) that nominated the performance and resilience expectations of a very strong to a distressed council.

As referenced earlier in this Plan, it is anticipated the proposed interventions may guide the new councils from a 'moderate' rating by the end of the first term of the new councils, moving towards a 'sound' rating' – provided those interventions endure into the new council financial plans.

With reference to Section 5, CGRC exhibits the indicators that may be ranked as 'moderate'. However, a demerger may erode the financial health of one or both new councils to a 'weak' rating, as signalled below:

OLG

Interventions required

Strong	strong capacity to meet its financial commitments in the short, medium and long-term. record of operating surpluses and may occasionally report minor operating deficits. It is able to address its operating deficits, manage major unforeseen financial shocks and any adverse changes likely to result in only minor changes to the range of and/or quality of services offered
Sound	adequate capacity to meet its financial commitments in the short, medium and long-term record of minor to moderate operating deficits expected to regularly report operating surpluses able to address its operating deficits, manage major unforeseen financial shocks and any adverse changes some changes to the range of and/or quality of services offered
Moderate CGRC CC	adequate capacity to meet its financial commitments in the short to medium-term acceptable capacity in the long-term record of reporting minor to moderate operating deficits likely able to address its operating deficits, manage unforeseen financial shocks and any adverse changes number of changes to the range of and/or quality of services offered
Weak GC	acceptable capacity to meet its financial commitments in the short to medium-term limited capacity in the long term. reporting moderate to significant operating deficits with a recent operating deficit being significant. unlikely to be able to address its operating deficits, manage unforeseen financial shocks, and any adverse changes will need significant revenue and/or expense adjustments significant changes to the range of and/or quality of services offered.

Table 1

While the indicators of sustainability are discussed below, the DTP recognises it is important to establish sound foundations for the new councils by engaging expertise to prepare, revise or progress the following for transparency, accountability, line of sight and efficiency:

- Registers (asset, contracts, disclosures, grants, donations, licence, investments, insurance, property, debt, local approvals, agreements, plant, policy, restricted funds, risk)
- Policies (investment, debt, grants, donations, property/rental, ICT, social media, pricing, revenue, debt recovery, privacy, working capital, risk, asset, renewals, procurement, WHS, employment)
- Plans (financial, asset, workforce, training, property, ICT, risk, rating, change management, community engagement, IPR, privacy, business continuity, ICT disaster recovery, resilience)
- Landuse (local environment plans, development control plans, contribution plans, plans of management)

OLG have established several financial and asset benchmarks that are used to historically assess council performance, however the following indicators and checks propose a 'range' and are suggested to guide sustainability:

Measure	Performance indicator	Calculation and definition	Target benchmark
Assets	Asset sustainability ratio	**Capital expenditure on replacement assets ÷ depreciation expense.** This is an approximation of the extent to which the infrastructure assets managed by council are being replaced as their service potential is used up.	Greater than 90%
Surplus/ profit	Operating surplus ratio	**Operating result as a percentage of operating revenue.** Indicates the extent to which revenues cover operational expenses only or are also available for capital funding. A positive ratio means that the surplus can be used for capital expenditures or debt repayments.	Between 0% and 10%
	Council-controlled revenue ratio	**Net rates, levies and charges and fees and charges/ total operating revenue.** Council's financial flexibility improves the higher the level of its council-controlled revenue. Greater reliance on external funding sources such as operating subsidies, donations and contributions reduces financial flexibility.	Higher the percentage = greater independance & flexibilty to influence future results
Level of debt	Total debt service cover ratio	**(Operating result (excluding capital items) + depreciation and amortisation + gross interest expense)/(gross interest expense + prior year current interest bearing liabilities).** Indicates the ability to repay loan funds. A low cover indicates constrained financial flexibility and limited capacity to manage unforeseen financial shocks.	Greater than 2 times
	Net financial liability ratio	**(Total liabilities – current assets) ÷ operating revenues.** Indicates that net financial debt can be serviced by operating revenues. A ratio greater than zero implies that liabilities exceed current assets.	Not greater than 60%
Liquidity	Cash expense ratio	**Current year's cash ÷ ((operating expenses – depreciation – finance costs) ÷ 12).** Indicates the number of months council can continue paying its immediate expenses without additional cash flows.	Greater than 3 months

Table 2

These indicators differ to OLG benchmarks in the following way:

- asset sustainability recognises a council should use renewal and upgrade schedules from the AMP which will be above or below the notional level of depreciation in any one year
- operating surplus sets a ceiling to ensure a council doesn't overcharge or underspend, but requires a balanced (0%) or surplus results (>0%) to support capital expenditures
- a council's financial independence relies on property taxes (general rates, annual charges), the financial assistance grant (FAG), and legislated subsidies (library, pension). Other revenues are subject to political, economic, behavioural and environmental influence. Councils should also ensure outstanding property taxes remain below a 5% threshold, as that influences available cash to undertake activities or store as working capital
- nett financial liabilities checks the level of cash available to meet current liabilities
- sufficient council-controlled cash (internal and unrestricted reserves) should be held to meet at least 3 months of cash operating expenditure in any given year. This may also be referred as 'working capital'.

The basic indicator of sustainability is to regularly produce a balanced or surplus operating result, indicating resources are available to expend on capital (renewal/upgraded assets). In essence, the annual movement in cash and investments (and subsequent mix of reserves and unrestricted cash) is a reasonable barometer of the financial health of a council. The following table draws on the pre-merger financial statements and tracks comparative annual results, using data from the Cashflow Statement and other Notes.

				Statement of Cashflows - Trends							
FY15	FY15	$2023		($,000)	FY18	FY19	FY20	FY21	FY22	FY23	OP24
Cootamundra	Gundagai	C+G									
7,026	4,102	14,956		Rates and annual charges	11,996	13,022	13,884	14,550	16,588	18,269	19,264
4,529	1,553	8,174		User charges and fees	7,212	8,978	8,114	7,523	7,356	10,806	4,986
534	297	1,117		Interest received	1,103	900	537	144	117	697	1,245
4,767	4,237	12,101		Grants and contributions	11,354	17,019	11,658	20,947	25,666	27,564	20,970
766	1,046	2,435		Other income	2,556	3,474	1,311	881	528	1,563	1,301
17,622	11,235	38,784			34,221	43,393	35,504	44,045	50,255	58,899	47,766
5,550	3,842	12,623		Employee benefits and on-costs	12,469	12,099	12,430	12,286	13,175	13,922	14,709
5,640	1,919	10,159		Materials and services	14,615	13,988	13,678	13,693	14,642	25,956	19,824
68	28	129		Borrowing costs	148	131	111	230	222	184	146
2,022	2,050	5,473		Other expenses	3,793	3,964	3,609	3,097	2,146	903	1,572
13,280	7,839	28,384			31,025	30,182	29,828	29,306	30,185	40,965	36,251
	261	351		Sale of real estate assets	186	793	347	1,368	453	-	
305	168	636		Proceeds from sale of IPPE	663	1,208	1,223	1,188	1,728	109	
	3,000	4,032		Proceeds from borrowings			4,430	4,000			
305	3,429	5,018			849	2,001	6,000	6,556	2,181	109	
2,650	3,217	7,885		Purchase of IPPE	10,539	21,443	22,000	24,897	16,998	9,963	
165		222		Purchase of real estate assets	10	781	186	4	55	-	
119	1	161		Repayment of borrowings	410	428	414	1,052	1,275	1,315	
2,934	3,218	8,268			10,959	22,652	22,600	25,953	18,328	11,278	
- 733	- 122		Inc Stat	Nett operating result (excluding capital grants)	- 9,376	- 2,910	- 6,248	- 5,469	- 4,977	- 3,779	- 7,694
- 452	2,313			Net change in cash and cash equivalent	- 1,467	3,821	- 2,201	2,556	2,039	7,161	
16,312	9,972			Total cash, cash equivalents and investments	34,471	27,015	16,781	18,276	22,273	29,070	
5,132	6,989		C1-3	Externally restricted reserves	16,800	15,473	8,166	16,232	21,679	21,683	
6,647	2,504		C1-3	Internally restricted reserves	16,755	8,192	7,363	10,003	10,866	8,203	
4,533	479		C1-3	Unrestricted reserves	916	3,350	1,252	- 7,959	- 10,272	- 771	
4,354	2,886	9,731	Inc Stat	Depreciation, amortisation and impairment	8,072	8,941	9,344	10,600	11,194	12,149	10,536
-5.58%	-3.65%			Operating Performance Ratio	-29.61%	-5.79%	-19.47%	-15.31%	-4.98%	-7.53%	
72.94%	60.98%			Own Source Revenue Ratio	65.28%	54.93%	56.88%	49.62%	57.68%	58.60%	
6.23%	3.11%			Unrestricted Current Ratio	5.40%	3.27%	2.91%	5.00%	6.47%	6.40%	
18.91	55.23			Debt Service Ratio	0.66	12.67	5.26	4.55	6.21	5.40	
0.83%	0.00%			Asset Maintenance Ratio	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
110.30%	104.57%			Infrastructure Renewal Ratio	112.60%	117.03%	162.48%	154.34%	340.36%	98.79%	
3.14%	0.00%			Infrastructure Backlog Ratio	6.95%	7.60%	4.10%	3.32%	3.49%	4.26%	

Table 3 $2023: CPI=1.344

Using the normal Income Statement format, the table indicates significant growth in revenues raised and expenses borne in the merged entity (CGRC). Notably, the annual investment in infrastructure was significant, manifest then in growth in depreciation expense, compared to the former councils.

While employment growth is relatively flat compared to the indexed staffing costs of the former councils, it has been the extraordinary escalation in contracts and materials costs (evident also in the development and construction sectors) as the primary driver of growth in expenses. Assuming the near doubling of materials costs in FY23 was an aberration, preceded by a similar doubling over three years of disaster and stimulus-led grant income, the normalised revenue and expenditure differences between the (indexed) former councils and CGRC would be deemed acceptable. This is particularly given the expected harmonisation of service levels due to merger.

The FY21 special rate variation following rate harmonisation enabled capacity to match grant funding requirements and arrest the annual decline in cash seen in the preceding three years.

The standout though, has been the growth in depreciation, growing by 50% since FY18.

7 Sustainability Principles

Councillors worked through a range of options and principles to support the financial sustainability of the council/s (in *black*) and embed in the FSP Principles. Items in *blue*, will be referred to the new councils to consider. The descriptor and actions for each Principle is at Attachment 10.

1.Average a balanced budget	11.Manage capital programs	21. Manage gifted and grant funded assets	31.Remodel general rates
2.Update contemporary costs	12.Assets first, Nice next…	22.Apply Funds accounting (utilities)	32.Reset pricing policy
3.Consider 'minimalist' approach	13.Keep pace (rates v depreciation)	23.Establish rates of return	33.Narrow any revenue gaps
4.Set the tone…(policy)	14.Build resilience into design	24.Use reserves and debt to smooth asset capex	34.Leverage council property
5.Maintain unrestricted cash	15.Refresh Asset plans	25.Rationalise strategy actions	35.Build transparency
6.Manage grants 'legacy''	16.Refresh Contributions and Grants Plans	26.Utilise community surveys	36.Leverage disaster grants
7.Measured asset divestment	17.Prepare Depreciation Plan	27.Declare trade offs	37.Leverage relationships
8.Migrate into shared resources platform	18.Modernise Utility plans	28.Reformat budgets and reports	38.Pursue new annual charges
9.Invest in organisational maturity	19.Reframe Service and Asset standards	29.Reduce natural resources	39.Continue advocacy
10 Explore options to build rates to benchmark	20.Build Working Capital	30.Expand performance indicators	40.Consider creative recoveries

Table 4

8 Sustainability Interventions

With reference to Section 12, councillors aimed to apply the following interventions to varying extents, when modelling the Scenarios:

1. progress new councils to Moderate rating by FY28, then Sound by FY32
2. average a balanced budget for new councils (10 year horizon) by FY34
3. build and maintain working capital (unrestricted cash + de-restrictable internal reserves): to cover shocks, match unscheduled grants and cover project shortfalls
4. benchmark actual expenditure per asset class against depreciation
5. explore SRV options to manage assets and attain OLG financial and asset benchmarks
6. rates and annual charges growth should be greater than asset depreciation annual growth
7. build and maintain Utilities Fund balances held in reserve, to buffer future shocks/seasonality and support funding for future augmentation works
8. focus spend growth on asset operations, maintenance and renewals (@1% and 2% WDV FY23, respectively); compared to 2018 AMP estimates (indexed to $FY24)
9. reduce new/upgrade capex to value of confirmed grants and contributions
10. nominate dividend options with applicable Funds
11. raise debt to fund asset renewals
12. phase the attainment of some financial and asset ratios

The following matters require consideration to embed acceptable interventions into the new councils respective financial, workforce and asset plans.

i. <u>Taxes: Rating, Annual Charges, FAG</u>

CGRC had the benefit of a special rate variation (SRV) of 53.9% approved by IPART to be phased over 4 years from 2021-22. Over that four-year period of the SRV, CGRC's permissible rate income rose by $3m above the rate peg potential. It could have raised an additional $0.542m should the Drew recommendation been pursued.

The former Gundagai Council has an SRV of 12.82% expiring in June 2024, meaning its rate revenues decline by $560k. It is understood the outcome of the CGRC rate harmonisation process in 2020-21 reduced the share of the rate yield for the former Gundagai area by approximately $770k. Water and sewer charges were harmonised the year after.

ii. <u>Assets: Operations, Maintenance, Depreciation (Renewal), Upgrade, New</u>

Ideally as a rule of thumb, the 'taxes' available to a local council (general rates, annual charges and FAG) should cover the cost of asset operations, maintenance and renewal (OMR), nett of specific grants for assets. Generally, 'smoothed' renewal expense is represented best as depreciation.

Extrapolating the $2018 AMP's FY23 estimates for maintenance ($8.91m) and renewal ($8.58m) to $2023 to maintain OLG ratios, requires the new councils to expend $17.5m from rates, annual charges and asset operational asset grants on average – to which $23.64m was received that year.

As outlined in Section 11, the AMPs should be revisited by CGRC for the new councils, in part to narrow expectations for upgraded or new assets (unless fully funded by grants and contributions), and to identify assets for downscaling functionality or disposing (due to change in demographics or poorest condition). That process may lead to modified useful lives – and depreciation expense.

iii. Minimalist Approach

As the new councils transition their service and assets offer, founded in part by the availability and competence of resources, a resetting should be considered:

- restructure rating to assign ad valorem rates and annual charges to assets OMR and depreciation, and associated debt servicing, differentiated by asset standard/locality
    - assign the base rate/s to nominated CSO public good services, differentiating value by locality or level of service
- set pricing policy to recover costs for nominated services and facilities over 5 years
    - eg shared 50%, regulatory 75%, private 100%, market 110%
- set hosting policy to recover overhead and fund related renewals (eg ERP, state roads etc)
    - apply activity based costing
- consider a measured retreat from underfunded government policy-programs
    - scope the level of service to the funding provided
- minimise level of NGO, community sponsorships and donations
    - consider recruitment of volunteers/groups for nominated activities
- reduce capital programs to value of confirmed grants and contributions
    - monitor annual carryovers and modify program based on organisation capability
- maintain emergency response capability
    - may include future (grant sponsored) disaster planning and recovery capability

iv. Staffing and Technology

Review staff establishment following (anticipated) audits of local councils compliance with NSW statutory obligations. Further, the successful configuration (and utilisation) of Civica cloud technology and ancillary modules, should be monitored.

v. Grants

The new councils cannot continue to rely on the level of government grants to support infrastructure, as both governments also move into budget repair. Redacting the value of one-off regional road and natural disaster grants (average $5m) restores regular capital grants to around $2-3m per year.

Financial assistance grants are unlikely to grow significantly following demerger.

vi. Affordability

Affordability assessments of elevated fees (changes in patronage, level of activity) should be monitored each term.

vii. Appetite

Biennially check community levels of satisfaction, together with the Community Engagement Strategy (CES) at commencement of council terms, to test appetite to changes to service levels and charging.

In that way, the councils' service or project priorities may be aligned to community expectations.

9 Apportionment: Assets and Liabilities at June 2023

For detailing in Phase 2 of the demerger project, and subject to audit at wind up of CGRC, the following principles for distribution of finances, assets and staff is proposed:

1. appropriate costs of demerger will be recorded in the general ledger, and reported monthly
2. physical and inventory asset, WIP, ICT, plant and other contract and liability separation
    a. generally based on a location (ie within respective new LGA boundary)
    b. AO advice on any financial adjustments following closure of CGRC financial statements
    c. ICT licencing distributed based on staff location
3. receivables and trust funds (including outstanding rates and grant prepayments)
    a. location of rateable assessments
    b. proportional population and road length between new LGAs (eg FAG)
4. cash and investments
    a. contributions and grants held by plans and purpose in respective LGA, per external restricted funds
    b. balance apportioned by cash and investments held at May 2016, including internal restricted funds
5. borrowings and payables
    a. location upon which works (eg purpose of loan) was undertaken
6. staffing
    a. generally undertaken on a locational basis (ie within respective new LGA boundary)
    b. modified with interim organisation structures proposed by new councils GMs
    c. FTE/1000 residents ratio expected to increase

Utilising FY2023 information from CGRC financial statements and the organisation structure, the following tables may be *indicative* of the values available for distribution to the new councils.

A more detailed distribution schedule would reflect the principles above, and the final audit of registers and CGRC financial statements following proclamation.

Cash, Investments, Assets, Liabilities

Cash, Investments, Assets, Liabilities FY2023	C%	G%	Cootamundra $,000	Gundagai $,000
cash and investments	73	27	21,664	8,176
IPPE, equipment, plant and fixtures assets	57	43	359,686	327,196
contribution plans	50	50	519	519
employee leave entitlement liability	63	37	- 1,118	- 657
loan and lease liabilities	45	55	- 2,517	- 3,025

Table 5

Restricted Funds (Reserves)

	FY23	Cootamundra	Gundagai
Aerodrome	165,588	165,588	
Bradman's Birthplace	94,337	94,337	
Caravan Park	172,553	172,553	
Heritage Centre	27,181	27,181	
Development - Land & Buildings	1,182,693	796,584	386,109
Employee Leave Entitlements	1,774,746	1,118,090	656,656
Quarries & Pit Restoration	570,207	285,103	285,103
Plant Replacement	3,026,533	1,573,797	1,452,736
Saleyards	0		
Swimming Pool	0		
Cemetery	102,989	57,674	45,315
Southern Phone	586,464	586,464	
Waste Management	500,000	370,000	130,000
	8,203,291	5,247,371	2,955,919
Externally Restricted Reserves			
Domestic Waste	806,958	597,149	209,809
Water Supply	7,462,014	4,402,588	3,059,426
Sewerage Service	5,402,866	6,429,411	- 1,026,545
Stormwater Infrastructure Renewal	262,011	193,888	68,123
Developer Contributions	1,037,818	518,909	518,909
General Fund Unspent Grants & Contribu	6,665,901	3,888,950	2,776,950
	21,637,568	16,030,895	5,606,672
TOTALS	**29,840,858**	**21,278,266**	**8,562,591**

Table 6

These distributions can be used to inform the preliminary financial sustainability assessments of the new councils.

Fixed Assets FY23

	C%	G%	Cootamundra	Gundagai	Total WDV
IPPE *(distribution per asset location)*			$,000	$,000	FY23 $,000
WIP	50%	50%	5,693	5,693	11,385
Plant	56%	44%	5,025	3,948	8,973
Buildings	66%	34%	21,671	11,164	32,835
Land	61%	39%	12,071	7,717	19,788
Roads	45%	55%	227,903	278,549	506,452
Stormwater	53%	47%	9,764	8,658	18,422
Water	56%	44%	11,682	9,179	20,861
Sewer	52%	48%	26,382	24,353	50,735
Recreation	61%	39%	8,852	5,660	14,512
Waste (landfill)	75%	25%	2,257	752	3,009
	48%	52%	331,300	355,672	686,972

Table 7

Workforce

Based on department, location and cost, the following table illustrates the distribution of current staff:

By Department	Cootamundra	Gundagai	Total	Cootamundra $	Gundagai $
General Manager	3.6	1.6	5.2	$ 572,392	$ 254,396
DGM - Corp, Comm & Develop	0.8		0.8	$ 212,627	$ -
Business	10.5	3.5	14	$ 1,229,652	$ 409,884
Finance	7.8	2	9.8	$ 976,436	$ 250,368
Sustainable Development	6.28	4	10.28	$ 920,842	$ 586,524
DGM - Operations		1	1	$ -	$ 332,229
Engineering Cootamundra	52		52	$ 5,443,682	$ -
Regional Servcies - Cootamundra	26		26	$ 2,565,404	$ -
Engineering Gundagai		31	31	$ -	$ 3,256,963
Regional Services - Gundagai		13	13	$ -	$ 1,268,559
	106.98	**56.1**	**163.08**	$ 11,921,035	$ 6,358,923

Table 8

To be verified through resourcing and organisation structure plans to be prepared by the new General Managers to be recruited to the new councils, a preliminary assessment indicates staff FTE could rise by 6 between the new councils (excluding FTE suggested by OLG) at an estimated cost around $1.2m (NB: employment includes overhead on cost of 41%).

The Preferred Scenario (refer Section 12) by CGRC is the governance and compliance exposures have been suitably recruited into CGRC – hence the anticipated higher staffing costs should be limited to any duplicated executive and specialist staff.

That estimate assumes sharing expertise and hosting services such as development and human resources, or engagement of specialist consultants to supplement some services. Given the bulk of support and specialist staff reside in Cootamundra, much of that hosted/contract expense may lay with the new Gundagai council.

From a sustainability perspective, the items of interest in the distributions are:

- value of external and internal restricted funds (reserves) estimated at effect of Proclamation, as indicator of cash support for immediate capital and project purposes
- capacity and capability of workforce transferred to each new councils, as indicator of skilled resources to operate and build the new organisations, achieve statutory compliance, and minimise higher cost of engagement of external expertise
- condition of assets, and opportunity to defer renewals (albeit with negative impact on ratios) to enable build of working capital

10 Apportionment: Revenues and Expenses

The FY24 Operational Plan (budget) (Attachment 9) has been redesigned into an Operating and Capital Account rather than the usual Income Statement format. In this way, CGRC can discern its:

- services and support expenses, from asset operations, maintenance and depreciation in the Operating Account, to be supported by respective taxes, charges, grants and fees; and
- loan payments, asset renewals, upgrades and acquisitions (including property) in the Capital Account, to be supported by an (assumed) Operating Account surplus, capital grants, contributions, borrowings and reserves

With that information:

- service costs may be matched to associated operating expenses to identify level of current cost recoveries
- relevant support costs may be attributed across services and asset expenses, to discern those real costs of services and asset maintenance, including for charging private works
- appropriate pricing principles and recovery targets may be identified
- relevant financial and asset ratios may be monitored

Attachment 8 illustrates the initial appointment of income and expenses, reconciled to the FY24 Operational Plan. The Operational Plan has differentiated ‘Engineering’, ‘Water, Stormwater and Sewer’ and ‘Regional Services’ between the former Cootamundra and Gundagai for several years. Organisation support, Business, Development and Executive costs have been merged, requiring apportionment.

Generally, those apportionment were calculated on the same basis as assets and workforce:

Department	Distribution Method
Regional	per OP24: Cootamundra and Gundagai
Engineering	per OP24: Cootamundra and Gundagai
Utilities	per OP24: Cootamundra and Gundagai
Executive	50/50: executive and councillors = 'governance' of the new entities (ie 10% of corporate costs)
Finance	staff FTE locations
Business	staff FTE locations
Development	DA activity
FAG	FY15 % split (population and road length)
Overhead	staff FTE locations
Assets	applied FY23 Note C1-7 values per locations in asset register

Table 9

The percentage distributions used in financial scenarios are summarised below.

Budget FY24 (QBRS)	Program	Coota	Gundagai
		%	%
Overhead Expenses	Attribution	65%	35%
Internal Allocation of Overhead Costs	Attribution	65%	35%
Internal Allocation of Admin Overhead Costs	Attribution	65%	35%
Internal Allocation of Water & Sewer O/head Costs	Attribution	65%	35%
Community Donations	Community	70%	30%
Community Services	Community	50%	50%
Community Events	Community	50%	50%
Libraries	Cultural	60%	40%
Museums and Art	Cultural	65%	35%
Depreciation - General	Depreciation	45%	55%
Tourism & Economic Development	Economic	60%	40%
Visitors Information Centres	Economic	25%	75%
Financial Management	Financial	67%	33%
Procurement and Stores	Financial	67%	33%
Procurement and Stores	Financial	67%	33%
Executive Office	Governance	50%	50%
Civic Leadership	Governance	50%	50%
Governance and Business Systems	Governance	60%	40%
Customer Service	Governance	70%	30%
Communications and Engagement	Governance	60%	40%
Human Resources	Human Resource	65%	35%
Interest Income	Interest	67%	33%
Information Technology	IT	60%	40%
Operating Grants	Operating Grant Alloca	48%	52%
Financial Assistance Grant - General	Operating Grant Alloca	62%	38%
Financial Assistance Grant - Local roads	Operating Grant Alloca	47%	53%
Pensioner Rates Subsidy	Operating Grant Alloca	65%	35%
Regional Roads Block Grant - 900k, 250k capital	Operating Grant Alloca	50%	50%
Natural Disaster Declarations AGRN 1001 EPARW - Split	Operating Grant Emerg	67%	33%
Depreciation - Buildings	Property	66%	34%
Development and Building	Regulatory	67%	33%
Food Safety and Public Health	Regulatory	67%	33%
Depreciation - Sewer	Utility Sewer	52%	48%
Depreciation - Stormwater	Utility Stormwater	53%	47%
Depreciation - Waste	Utility Waste	75%	25%
Depreciation - Water	Utility Water	56%	44%
Section 7.12 Developer Contributions	Capital Contribution	50%	50%
Roads to Recovery Grant - Capital	Capital Grant Allocatec	50%	50%
Infrastructure Renewal Scheme Subsidy	Capital Grant Competit	50%	50%

Table 10

11 CGRC Organisation Capacity

11.1 Asset Capacity

While many councils provide environmental, economic and social services with financial sponsorship of government, the primary purpose of local government is to maintain and renew infrastructure and other community assets, for which taxes (rates, annual charges) are levied on properties.

CGRC prepared an Asset Management Plan (AMP) 2018-28, covering the main asset classes of transport, water, sewer, stormwater, buildings, parks and waste. The AMPs appropriately cover renewal and upgrade forecasts, risks, nominate community and technical levels of service (LoS), and suggest performance measures. The AMPs also recognise the importance to distinguish asset operations (eg cleaning toilets and energy) from asset maintenance. However, recent costs escalations and the effect of natural disasters on assets prompt a revision of those AMPs.

OLG has established several asset sustainability indicators including:

- IRR 100%: infrastructure renewal ratio (renewals/depreciation)
- IBR 2%: infrastructure backlog ratio (cost to bring assets to satisfactory standard/WDV)
- AMR 100%: asset maintenance ratio (actual expenditure/AMP required maintenance)

Generally, CGRC has maintained assets at around $7.5m per year, renewed assets in line with depreciation indications, and reduced backlog near the benchmark. Some years were influenced by natural disasters and elevated due to government grants to restore damaged assets or infrastructure stimulus post Covid. Only 8% of CGRC assets are nominated as requiring renewal or replacement.

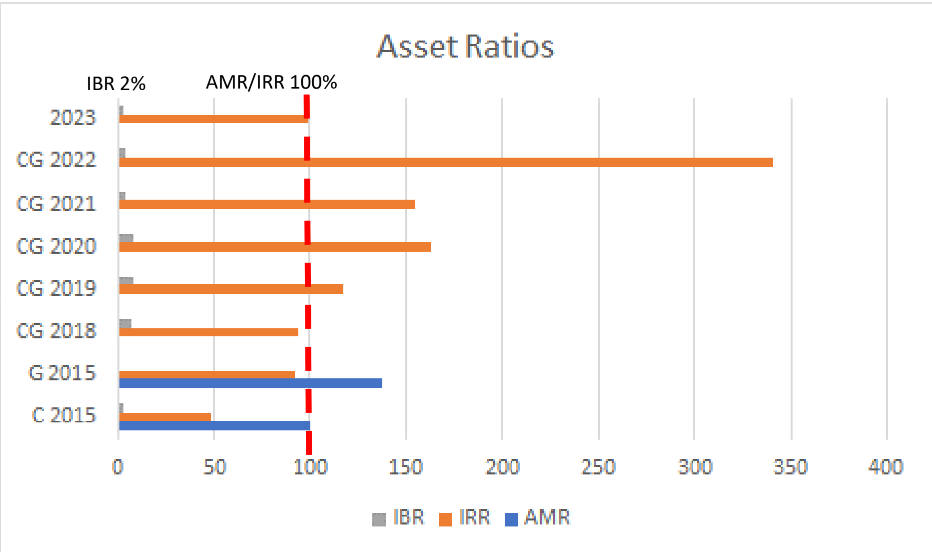

Chart 8

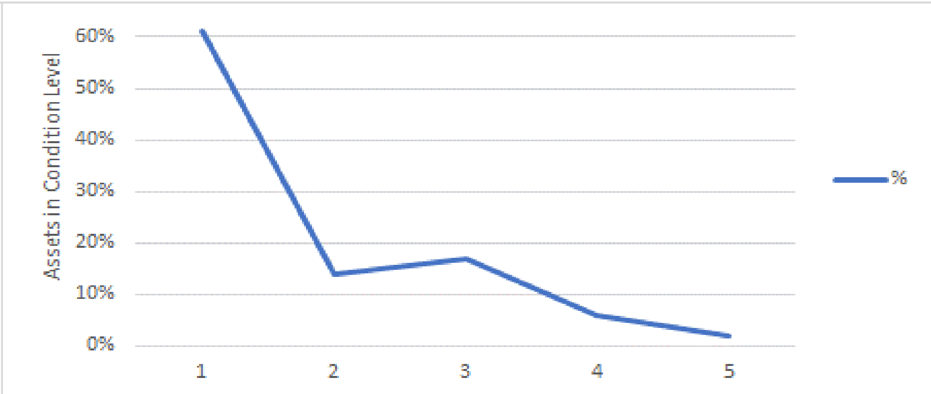

Chart 9

Capital works should be driven by renewals, obsolescence and upgrade forecasts from the (to be updated) AMPs. Those works will be annually lumpy, to be tested against the 'averaging' accounting tool called depreciation. Debt and reserves can be used to smooth that lumpy capex each year.

The AMPs delineate renewal and capital programs between Cootamundra and Gundagai, which should assist preparation of financial plans for the new councils (once updated). Appendices to those plans tabulate proposed operations, maintenance, renewal and upgrade expenditures, which will require disaggregation into the new council areas. The chart below illustrates the FY25 forecasts from the AMP (note $2018) Operations-Maintenance-Renewal-Upgrade (OMRU):

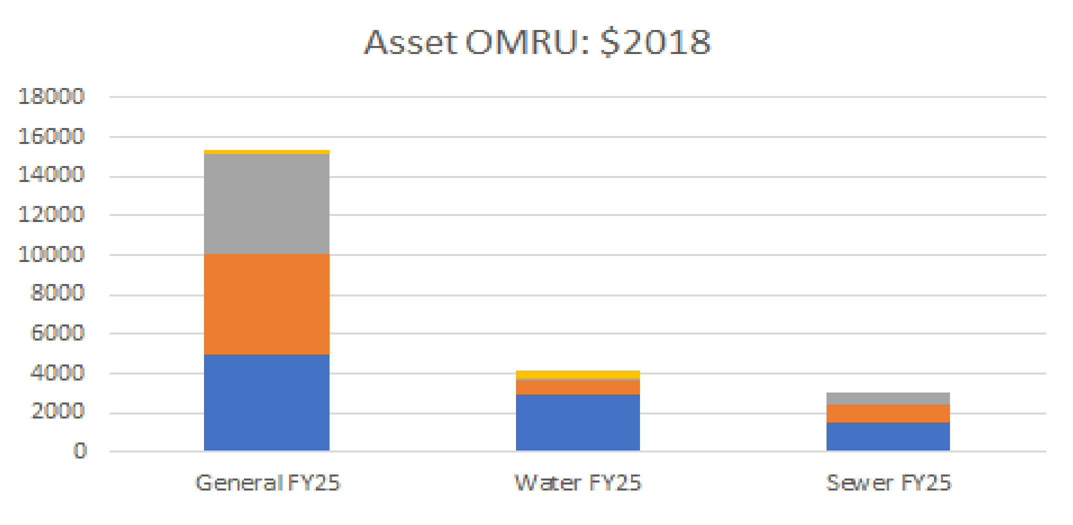

Chart 10

As a rule of thumb, the FSP has applied around 1% to be expended each year on maintenance ($5.6m), while around 2% ($11.2m) may be expended as depreciation on renewals (pending size of backlog).

The recommendations of the AMPs regarding asset maturity improvements is underway, but forms part of the recommended sustainability principles.

Task	Expected Completion
1. **Recruit an Asset Management Engineer**, with responsibilities including the maintenance of asset registers in the Authority asset management system and maintaining the currency of this asset management plan.	2018
2. **Develop business processes** to ensure that the asset register in the new Asset Management Information System is kept up to date, whenever an asset is added, renewed or upgraded.	2018
3. Undertake a complete **road asset conditions survey** concurrently across Cootamundra and Gundagai	2019
4. Collect **improved asset data on minor asset classes** where gaps in data presently exist, such as culverts and causeways.	2019
5. Streamline the classification of roads in the **road hierarchy**. Currently roads are classified based upon their Cootamundra or Gundagai classification. All roads should be classified in a uniform hierarchy consistent with the IPWEA Functional Road Classifications.	2019
6. Develop **financial strategies** to manage the infrastructure backlog. These strategies may include a reduction in the Level of Service or a proposal for a Special Rate Variation.	2019
7. Identify the spilt in **future budgets** between seals and pavements for rehabilitation projects.	2019
8. Develop **maintenance programs** for maintenance of unsealed roads and include as Appendix A	2019

Table 11

Generally, the AMP's proposed future iterations recommend the following, and should be continued into preparations for demerger:

- Documentation of maintenance programs
- Calculation of lifecycle costs for assets.
- Current performance of Council benchmarked against the key performance measures.
- Assessment to determine critical assets
- Reclassification of asset condition into IIMM ratings (1-5)

While transport assets appear well placed (assuming accuracy of condition and useful life assessment in Special Schedule 7), the Chart below indicates the more significant backlog and renewal tasks for the new councils rests with buildings and utility assets (condition 4-5). As those assets support or accommodate staff and community during emergency events, the new councils should give appropriate attention to their renewal or refurbishment.

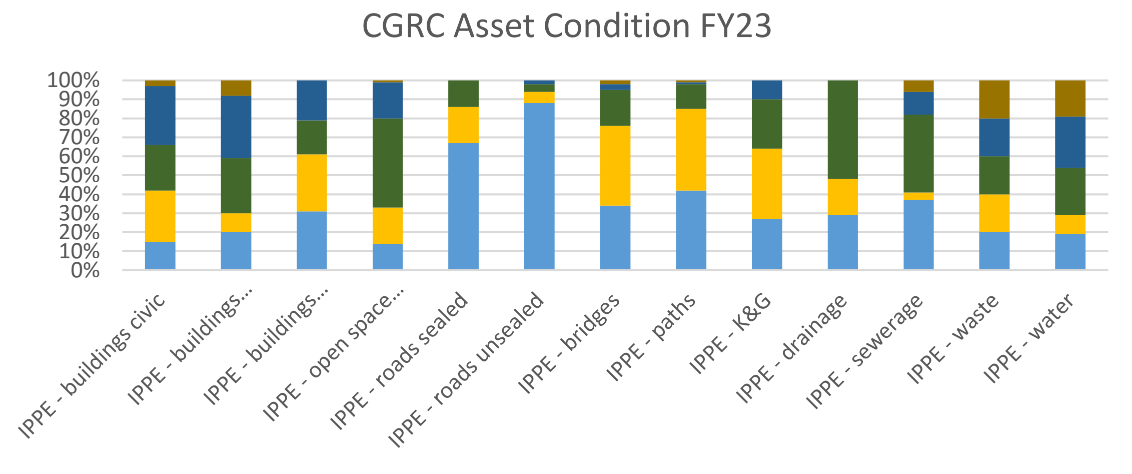

Chart 11

The DTP suggests CGRC commission external expertise to assess condition of infrastructure and operational assets, in a manner consistent with IPWEA/IIMM practice, and assign replacement values (where revaluations have not been undertaken since 2022, due to recent cost escalations).

Similarly, documentation of critical assets in continuity plans remains important – critical assets are specific assets which have a high consequence of failure but not necessarily a high likelihood of failure. By identifying critical assets and critical failure modes, the new councils can appropriately target and refine inspection and maintenance regimes.

As an interim measure, analysis of Special Schedule 7 at FY23 illustrate the following (it is noted the report does not disclose the AMP-assumed value of required annual maintenance). In addition, the gross replacement costs are informed by recent revaluations – it is understood Transport assets are scheduled for 2024.

- Transport assets are in Good to Excellent condition (89%)
    - significant portion renewed through natural disaster and grants stimulus
    - may indicate those assets could sustain deferred renewals, regardless of the depreciation ratio indicator
- Assets in backlog (Condition 5)
    - have notionally reached useful life threshold of <5%

  - require replacement and return to Condition 1: new/excellent
  - should aim for replacement (or obsolescence) around 5 years
  - buildings (6.7%) with gross replacement cost of $63.847m
    - $63.847m x 6.7%: $4.277m
  - water and sewer (19% + 6%)
    - $113.901m x 25%: $28.475m
- Assets requiring renewal (Condition 4)
  - have notionally reached useful life threshold of 5-25%
  - require renewal (reseal, resheet, reline, restore) to Condition 2: good
  - should aim for renewal around 10 years
  - buildings (28.4%) with gross replacement cost of $63.847m
    - $63.847m x 28.4%: $18.132m
  - water and sewer (27% + 12%) – noting Gundagai sewer plant since renewed $20m
    - $113.901m x 39%: $44.421m
  - recreation assets (including pools), with gross replacement cost of $26.572m
    - $26.572m x 19.9%: $5.287m
- Assets requiring regular maintenance (Condition 3)
  - have notionally reached useful life threshold of 25-50%
  - should aim to maintain functionality over 10 years
  - indicates $2.765m should be expended annual on routine maintenance

Report on infrastructure assets as at 30 June 2023

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard $ '000	Estimated cost to bring to the agreed level of service set by Council $ '000	2022/23 Required maintenance [a] $ '000	2022/23 Actual maintenance $ '000	Net carrying amount $ '000	Gross replacement cost (GRC) $ '000	Assets in condition as a percentage of gross replacement cost 1	2	3	4	5
Buildings	Buildings - non-specialised	621	621	–	90	8,538	2,895	15.0%	27.0%	24.0%	31.0%	3.0%
	Buildings - specialised	461	461	–	260	24,297	49,019	20.0%	10.0%	29.0%	33.0%	8.0%
	Other structures	19	19	–	24	–	11,933	30.0%	18.0%	41.0%	9.0%	2.0%
	Sub-total	**1,101**	**1,101**	**–**	**374**	**32,835**	**63,847**	**21.6%**	**12.3%**	**31.0%**	**28.4%**	**6.7%**
Roads	Sealed roads	109	109	–	4,075	202,444	268,671	67.0%	19.0%	14.0%	0.0%	0.0%
	Unsealed roads	632	632	–	1,574	28,765	37,584	88.0%	6.0%	4.0%	2.0%	0.0%
	Bridges	1,851	1,851	–	68	63,718	77,426	34.0%	42.0%	19.0%	3.0%	2.0%
	Footpaths	44	44	–	–	6,639	8,031	42.0%	43.0%	13.0%	1.0%	1.0%
	Kerb & gutter	808	808	–	–	33,008	38,161	27.0%	37.0%	26.0%	10.0%	0.0%
	Other road assets (incl. bulk earth works)	–	–	–	–	171,878	227,503	100.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	**3,444**	**3,444**	**–**	**5,717**	**506,452**	**657,376**	**73.1%**	**15.7%**	**9.9%**	**1.1%**	**0.2%**
Water supply network	Water supply network	9,688	9,688	–	286	20,861	40,418	19.0%	10.0%	25.0%	27.0%	19.0%
	Sub-total	**9,688**	**9,688**	**–**	**286**	**20,861**	**40,418**	**19.0%**	**10.0%**	**25.0%**	**27.0%**	**19.0%**
Sewerage network	Sewerage network	7,519	7,519	–	525	50,735	73,483	37.0%	4.0%	41.0%	12.0%	6.0%
	Sub-total	**7,519**	**7,519**	**–**	**525**	**50,735**	**73,483**	**37.0%**	**4.0%**	**41.0%**	**12.0%**	**6.0%**
Stormwater drainage	Stormwater drainage	–	–	–	–	18,422	27,730	29.0%	19.0%	52.0%	0.0%	0.0%
	Sub-total	**–**	**–**	**–**	**–**	**18,422**	**27,730**	**29.0%**	**19.0%**	**52.0%**	**0.0%**	**0.0%**
Open space / recreational assets	Other	13	13	–	976	8,560	14,524	14.0%	19.0%	47.0%	19.0%	1.0%
	Swimming Pools	–	–	–	39	5,947	12,048	31.0%	30.0%	18.0%	21.0%	0.0%
	Sub-total	**13**	**13**	**–**	**1,015**	**14,507**	**26,572**	**21.7%**	**24.0%**	**33.9%**	**19.9%**	**0.5%**
	Total – all assets	**21,765**	**21,765**	**–**	**7,917**	**643,812**	**889,426**	**61.1%**	**14.6%**	**16.7%**	**5.6%**	**2.0%**

(a) Required maintenance is the amount identified in Council's asset management plans.

Table 12

11.2 Workforce Capacity

In many respects, consideration of the asset, technology and workforce capacity through financial sustainability planning, is hitherto the Resourcing Strategy required of Integrated Planning and Reporting (IPR).

CGRC has published its Resourcing Strategy to the following extents:

- long term financial plan 2022-32
- workforce management plan 2022-25
- asset management plan 2018

Like most regional councils, the challenges identified for CGRC and the new councils are common:

- ageing workforce
- continuing to engage existing employees
- retaining key workers with critical skills and experience
- competition for skills with other councils and agencies
- retaining and optimising the contribution (and wellbeing) of mature aged workers
- successful adoption of new technologies, new management systems and methods of work
- accommodating the differing needs of a multi-generational workforce
- staff training and development costs
- keeping staff safe in changing working and climatic environments
- retaining and training resources to attend to natural disaster and other emergency events
- life cycle of the salary system
- accommodating employment flexibility and work/life balance
- identifying opportunities to deliver shared services
- creating greater workforce flexibility such as more multi-skilled workers/teams
- capturing and transferring corporate knowledge

The FSP proposes investing in organisation maturity (skills, technology, specialisation, trainees), however acknowledges that, if placing these costs and priorities alongside patching roads – then a community-driven outcome would be preferred for funding.

Several of the above challenges will be exacerbated with a demerger – staffing churn is likely.

The DTP recommends engagement of external expertise to assist staff transition to the new councils, and prepare key strategic and service documentation, including:

- refresh asset management plans (incl condition, useful life, revaluation, renewal schedule)
- catalogue service and asset offer, to enable new council differentiation of criticalities, pricing, and standards and levels of service
- disentangling and configuring financial and other systems into Civica cloud environment
- change management, communications and employee assistance (mental wellbeing)

Those costs are to be absorbed within the demerger budget. The FSP assumes a fresh starting point with those plans and actions in place.

11.3 Financial Capacity

For its size, CGRC schedules an expansive array of capital works on its infrastructure, as well as contracted works with Transport for NSW. However, the placement of carryover funds from annual budgets to the next, suggest there may be lesser capacity (or availability of contractors) to deliver some of those works. The change in employment/consultant cost mix is as indicator of capacity and capability.

The CGRC Financial Plan 2022-32 acknowledges annual results fluctuate largely due to timing differences between the receipt of grant funding and the expenditure. Relying on financial statements to forecast future results therefore, can be problematic.

The Financial Plan notes the General Fund is not healthy. Even after the approved Special Rate Variation, the operating results and liquidity of the general fund is of concern, with unrestricted cash projected to be exhausted in the 2025/26 financial year. Council is faced with the challenge of realising savings through operating more efficiently, reducing costs and maximising income.

Similarly, Council notes it relies heavily on external funding for operations and capital works renewal funding. If such grants reduce or are discontinued, Council will need to increase revenues from other sources, or reduce service levels.

COOTAMUNDRA GUNDAGAI REGIONAL COUNCIL
Long Term Financial Plan
Budget 2022-2023 to 2031-2032

Description	Delivery Program				Long Term Financial Plan			
	Budget 2022-2023	Estimate 2023-2024	Estimate 2024-2025	Estimate 2025-2026	Forecast 2026-2027	Forecast 2027-2028	Forecast 2028-2029	Forecast 2029-2030
Income								
Rates & Annual Charges	(18,190,000)	(18,927,900)	(19,131,675)	(19,633,100)	(20,147,700)	(20,676,100)	(21,218,400)	(21,775,100)
User Charges & Fees	(7,894,969)	(8,044,169)	(8,197,869)	(8,355,769)	(8,518,069)	(8,685,169)	(8,856,769)	(9,033,369)
Interest & Investment Revenue	(140,900)	(140,900)	(140,900)	(140,900)	(140,900)	(140,900)	(140,900)	(140,900)
Other Revenues	(1,603,500)	(1,610,200)	(1,616,800)	(1,623,600)	(1,630,600)	(1,637,800)	(1,645,200)	(1,652,700)
Grants & Contributions - Operating	(8,518,922)	(8,653,493)	(8,796,697)	(8,946,190)	(9,107,790)	(9,273,390)	(9,443,190)	(9,617,090)
Grants & Contributions - Capital	(5,014,583)	(948,100)	(957,400)	(967,000)	(976,800)	(986,800)	(997,100)	(1,007,700)
Recovery of Corporate Overhead Expenditure	0	0	0	0	0	0	0	0
Net Gains from the Disposal Of Assets	0	0	0	0	0	0	0	0
Total Income from Continuing Operations	(41,362,874)	(38,324,761)	(38,841,341)	(39,666,559)	(40,521,859)	(41,400,159)	(42,301,559)	(43,226,859)
Expenses								
Employee Costs	13,123,700	13,610,500	14,107,300	14,627,400	15,158,700	15,657,200	16,175,400	16,712,800
Interest on Loans	182,781	147,491	116,637	88,795	71,694	53,740	35,759	17,331
Materials & Contracts	13,024,100	13,260,500	13,664,600	13,739,800	13,984,000	14,232,000	14,653,600	14,741,600
Depreciation	10,535,700	10,535,700	10,535,700	10,535,700	10,535,700	10,535,700	10,535,700	10,535,700
Other Expenses	1,488,772	1,525,900	1,564,000	1,602,900	1,642,900	1,683,900	1,725,800	1,768,800
Total Expenses from Continuing Operations	38,355,053	39,080,091	39,988,237	40,594,595	41,392,994	42,162,540	43,126,259	43,776,231
Operating Result from continuing operations - (Gain)/Loss	(3,007,821)	755,330	1,146,896	928,036	871,135	762,381	824,700	549,372
Operating Result from continuing operations before Capital Grants/Contrib (Gain)/Loss	2,006,762	1,703,430	2,104,296	1,895,036	1,847,935	1,749,181	1,821,800	1,557,072
Capital Expenditure	15,104,883	8,743,956	8,128,500	6,674,688	6,953,833	6,692,335	6,172,651	6,439,903
Proceeds from Sale of Land	0	0	0	0	0	0	0	0
Loan Funds Utilised	0	0	0	0	0	0	0	0
Loan Principal repaid	1,315,250	1,159,937	1,190,793	850,523	867,625	885,579	903,560	921,988
Transfers from Restricted Assets (Reserves)	(10,008,561)	(9,061,917)	(8,479,261)	(7,058,949)	(7,373,394)	(7,145,696)	(6,661,212)	(6,965,164)
	CHECK	CHECK	CHECK	CHECK	CHECK	CHECK	CHECK	CHECK
Transfers to Restricted Assets (Reserves)	7,267,554	8,807,542	9,059,342	9,318,143	9,583,942	9,859,342	10,142,443	10,433,242
Depreciation Contra	(10,535,700)	(10,535,700)	(10,535,700)	(10,535,700)	(10,535,700)	(10,535,700)	(10,535,700)	(10,535,700)
Net Unrestricted Cash Deficit/(Surplus)	135,605	(130,852)	510,569	176,741	367,441	518,241	846,441	843,641

Table 13

The above extract from the Financial Plan forecasts average capital expenditure around $6-7m, while depreciation (as an indicator of asset renewals requirements) averages $10.5m, yet the capital expenditure is supported only by $1m in capital grants and contributions and the consolidated results remain in ongoing deficits. CGRC appears to rely on that underspend to support annual investment in unrestricted cash (working capital). That may be an appropriate action, if responsible decisions have been made regarding remaining useful life and obsolescence of assets.

Financial Plans should be designed to provide P90 confidence with estimates in Year 1 (ie Operational Plan), ideally forward estimates to P80 for the remaining three years of the Delivery Program, while the other six years of the Financial Plan would provide provisional sums at say P50.

Inevitably however, as the estimates for programs and projects advance from Financial Plan years into the four-year Delivery Program (DP) phase, those provisional sums are normally undercooked, usually generating deficits with significantly underestimated project values. Hence, appropriate escalation and contingencies should be considered and disclosed in the Financial Plans.

Notwithstanding, these circumstances provide an opportunity for a disciplined approach for a council to reset priorities, aligned to a council's strategic ambitions (usually recorded as findings and actions in the suite of strategies and plans endorsed previously by council).

For this FSP, the figures from FY24 Operational Plan have been adjusted into an Operating and Capital Account format from the financial statements for the respective years. The former Cootamundra and Gundagai Council financials have been combined and inflated to $2023 for comparative purposes. This approach calculates and distinguishes service from asset operations, maintenance and depreciation expense, and delineates grants by type and fees by type to give a sense of drivers of price and cost change. That information may be used by the councils to reshape rating and pricing policy, investment and debt policy, and asset, property and contribution plans.

Like others, the merged CGRC has harmonised and increased services and asset renewals and upgrades, with the benefit of higher grants and rate variations for that purpose. General rates have grown 41% and annual charges by 59%. Together with substantial growth in operating and capital grants (55% and 900% respectively), CGRC has expanded the service offer (>200%), asset operations and maintenance (>75%) and reduced the asset backlog. It is acknowledged some of the infrastructure has been supported by loans ($8m) and disaster grants (>$15m) in recent years.

The table below illustrates the benchmarks for ratios drawn from the Operating and Capital Accounts, with some differing ratios and results compared to the respective year financial statements benchmarks used by OLG.

Indicator	Benchmark
Operating performance (surplus/deficit	>0%
Council tax revenue (tax, annual charge, FAG)	>60%
Net financial liability (net assets/operating revenue)	<60%
Grants reliance (grants/ operating revenue)	<20%
Working capital (unrestricted cash/operating expenditure)	>15%
Debt service (P&I/ operating revenue)	<20%
Asset renewal (capex/depreciation)	>90%
Asset backlog (% at condition 5)	<2%

Table 14

Other indicators used to illustrate organisational capacity include:

- backoffice (corporate support) as portion of operating expenditure (< 12%)
- staff FTE per 1000 residents (~7.5)
- value of annual projects carry over, as portion of capital expenditure (<20%)

12 Sustainability Scenarios

As referenced earlier, the CGRC Operational Plan FY24 has been reformatted into an Operating and Capital Account model, rather than simply disclose resources consumed in the Income Statement format.

Through a series of workshops, councillors explored the following Scenarios, aiming for the various Principles (Section 7), with Scenario each adding a different set of interventions (Section 8).

Scenario

1 Base:

Growth	% represents planned growth in expense or revenue > CPI or rate peg; population peg or supplementary rate levies apply
CPI	% excluded from expenses or revenues. Future expenses to rise only by value of CPI on respective revenues
Funds	ringfenced Funds, balance to/from reserves (water, sewer, waste, stormwater, plant); mitigates cross subsidisation
Operating	retains and flatlines annually allocated grants such as FAG; assumes no new operating grants unless deeds are executed
Capital	assumes no capital grants, unless competitively sought and matched to equivalent capital expense
General	annotate budgets as 'subject to grant': commence program or project upon execution of deed for full grant
Depreciation	% allowance above CPI to reflect ageing assets and requirements for renewal. Commences FY25 with 5% for general (transport) assets due to revaluation
Maintenance *	1% asset WDV (apportioned on asset location per LGA); notes previous year maintenance elevated by grants
Renewal	2% asset WDV @ 90% (apportioned on asset location per LGA); or future nominated renewals per refreshed AMP. Previous years renewal elevated through
Service	non-asset programs retained at $FY24 values; any increase in costs only to value of CPI-indexed revenues above 'growth' factors (eg rates, regulatory, property etc)
FTE	costs of executive (3) and specialist (3) FTE positions shared between C + G
Rates	retain G expiring SRV
ICT	new Civica licence, less current CGRC licence shared between councils
Attribution	90% corporate support costs to be attributed to all programs to identify real cost and RoR; recovered as internal income

* Note: setting asset maintenance at 1% WDV assets is in line with CGRC Asset Management Plan estimates from FY24 (Attachments 11-13).

2 Fee: (in addition to Base)

OPR	budgets to balance by FY28 (end of first term) as platform for new councils LTFP
Commence	growth and indices commence new councils FY26
Development	assumes low levels of DA activity
Asset Upgrade	no new or upgraded assets, unless 100% externally funded, or matched with accumulated reserves (utilities), then allow ongoing OMR
Plant	OMR and renewals fully funded within Fund
Staff FTE - OLG	OLG nominated FTE (10) **deferred;** compliance roles retained with CGRC, and subject to shared resourcing agreement
Shared	refer schedule of functions (with FTE) to be hosted by one council, or shared between both, under binding agreements
Fees	regulatory, commercial, property group fees increased to yield (TBD) nominated rates of return
Best practice	modify annual charges structure to comply with utility pricing mandates (access to government grants)
Utilities	utility fees increased to generate buffers to accommodate shocks, future augmentation; and consolidated ratios
Afford	fees to be reviewed per council term for changes to patronage/elasticity etc
Interest	assume reduction in invested reserves year 1, then improved per annual utilities results (balance held in reserves)
Assets	assumes future adjustments to utilities OMR, pricing and depreciation will follow respective strategic business plans (SBP)
Ratios	renewals set at 90% depreciation, 2% asset WDV, or nominated renewals per refreshed AMP (whichever lower)
RoR	rates of return targets to be established for utilities and nominated programs (regulatory, commercial, property, contract)
Demerger	funded from de-restricted internal reserves

3 Rates: (in addition to Fee)

SRV - C	7.5% x 1 yr proposed (above rate peg/population peg): commence FY26
SRV - G	$770k x 2 yrs proposed (above rate peg/population peg). Commence FY26. Noted OLG expectation G rates to rise $770k + retain expiring SRV = 17.5%
Dividends	based on 50% operational surplus (max $30/property in utility catchment), subject to NCP (if eligible). Consolidated budget-no nett effect

4 Debt: (in addition to Rates)

G- Rates Debt	17.5% (~$770k) x 2 yrs proposed (above rate peg/population peg).
	2 x $3m borrowings at 5% fixed pa/20 years

5 Preferred: (in addition to Fee)

SRV - C	7.5% x 2 yrs SRV proposed (above rate peg/population peg): commence FY26
SRV - G!!	3 x 25% SRV proposed (above rate peg/population peg): commence FY26
	6 x $1.5m borrowings for renewals at 5% fixed pa/20 years
Meet Indicators	OPR | OSR | IRR | WCR | DSR

The following tables illustrate the Base and Preferred Scenarios for Cootamundra and Gundagai. The shaded cells indicate the year of intervention:

- ‘growth’ is intended increase in revenue yield or asset effort
- ‘intervention’ is type (SRV or debt) or change scope (1% asset WDV)
- first year of activity base costing, distributing 90% of corporate overhead to services (FY26)
- first year of reduced asset maintenance, formerly elevated due to disaster grants (FY25)
- first year new councils, sharing cost of duplicated ICT, executive and key specialists (FY26)

The Preferred Scenario for each new council over the life of the Plan to FY31 requires:

- planned growth in asset servicing (2.5%pa), maintenance (5%pa) and depreciation (2.5% pa)
- planned growth of 4% pa for utilities assets (water, sewer, waste, stormwater) maintenance
- dampening any change to non-asset services and support to the value of any CPI or rate peg indexation for respective revenues (ie annual property management costs to be contained within the value of the associated CPI fee indexed increase, or support and other service costs contained within value of rate peg or FAG revenue increase)
- allows for $1.2m one-off FY26 shared uplift to executive and specialist staff and IT costs
- SRV 7.5% pa over two years Cootamundra (FY26-27)
- SRV 25% pa over three years Gundagai (FY26-28)
- borrowings $1.5m pa over six years Gundagai (FY26-31)
- planned fee growth of 2.5% pa for regulatory, commercial, property and contract services
- planned fee growth of 5% pa (Cootamundra) and 10% pa (Gundagai) for utility services
- fees may continue to be indexed (CPI or rate peg) in addition to planned fee growth
- grow investment interest yields through planned improvement to utility funds annual returns
- limiting capital expenditures to renewal of existing assets (funded with some debt), with any new or upgraded assets to be fully funded by grants, contributions or cash-backed reserves

12.1 Base – Cootamundra

	Cootamundra Base	growth indices > CPI	FY23 $m	FY24 $m	FY25 $m	FY26 $m	FY27 $m	FY28 $m
Operating Account								
Operating Revenues	o general rates	0.50%		- 6,854,826	- 6,889,101	- 6,923,546	- 6,958,164	- 6,992,955
	o utilities annual charges (water, sewer, waste and stormwater)	0.00%		- 5,913,180	- 5,913,180	- 5,913,180	- 5,913,180	- 5,913,180
	o utilities user charges (water, sewer, waste)	0.00%		- 2,906,000	- 2,906,000	- 2,906,000	- 2,906,000	- 2,906,000
	o regulatory fees (eg development, animal, weed, food, OSMS etc)	0.00%		- 277,750	- 277,750	- 277,750	- 277,750	- 277,750
	o commercial fees (eg caravan park, saleyards, cemeteries, aerodrome)	0.00%		- 368,000	- 368,000	- 368,000	- 368,000	- 368,000
	o property hire, lease and licences (eg halls, café)	0.00%		- 257,400	- 257,400	- 257,400	- 257,400	- 257,400
	o other fees	0.00%		- 155,774	- 155,774	- 155,774	- 155,774	- 155,774
	o investment interest	2.00%		- 528,402	- 470,000	- 498,988	- 524,249	- 545,644
	o allocated annual operating grants and subsidies (eg FAG)	0.00%		- 4,047,515	- 4,047,515	- 4,047,515	- 4,047,515	- 4,047,515
	o competitive operating grants and subsidies (eg environment)	0.00%		- 2,004,000	- 1,000,000	- 1,000,000	- 1,000,000	- 1,000,000
	o competitive maintenance grants and subsidies (eg roads)	0.00%		- 325,000	- 500,000	- 500,000	- 500,000	- 500,000
	o emergency maintenance grants and subsidies (eg disaster)	0.00%		- 872,200	- 95,000	- 95,000	- 95,000	- 95,000
	o contract and private works revenues (eg RMCC)	0.00%		- 3,700,000	- 3,700,000	- 3,700,000	- 3,700,000	- 3,700,000
	o attributions/overhead	offset		- 1,118,260	- 2,901,335	- 3,495,335	- 3,495,479	- 3,495,479
	o plant hire (nett)	offset		- 887,700	- 887,700	- 946,655	- 970,322	- 994,580
	o other (incl dividends)							
	TOTAL OPERATING REVENUES		-	**- 30,216,007**	**- 30,368,754**	**- 31,085,143**	**- 31,168,832**	**- 31,249,276**
Operating Expenditures								
asset	o asset operations/servicing/management	0.00%		1,114,400	1,114,400	1,114,400	1,114,400	1,114,400
	o asset maintenance (general, reserves)	5.00%		7,231,070	2,492,073	2,616,677	2,747,510	2,884,886
	o asset OMR (utilities - water, sewer, waste and stormwater)	4.00%		3,583,950	3,583,950	3,727,308	3,876,400	4,031,456
	o asset depreciation (general)	2.50%		4,002,450	4,202,573	4,307,637	4,415,328	4,525,711
	o asset depreciation (utilities - water, sewer, waste and stormwater)	2.50%		1,419,590	1,455,080	1,491,457	1,528,743	1,566,962
	o asset depreciation (plant)	2.50%		901,040	923,566	946,655	970,322	994,580
services	o regulatory	0.00%		979,889	979,889	979,889	979,889	979,889
	o commercial	0.00%		444,050	444,050	444,050	444,050	444,050
	o property	0.00%		465,000	465,000	465,000	465,000	465,000
	o services (community, culture, environment, economic, emergency)	0.00%		1,810,600	1,810,600	1,810,600	1,810,600	1,810,600
	o support *	0.00%		3,223,706	3,223,706	3,883,706	3,883,866	3,883,866
	o donations and government transfers (incl ESL)	0.00%		393,000	393,000	393,000	393,000	393,000
	o contract and private works (incl RMCC)	0.00%		3,042,500	3,042,500	3,042,500	3,042,500	3,042,500
	o utilities (water, sewer, waste and stormwater)	0.00%		2,151,000	2,151,000	2,151,000	2,151,000	2,151,000
	o attributions/overhead			1,574,300	2,901,335	3,495,335	3,495,479	3,495,479
	TOTAL OPERATING EXPENSES		-	**32,336,545**	**29,182,721**	**30,869,213**	**31,318,087**	**31,783,379**
	OPERATING RESULT (surplus/deficit)		-	**2,120,538**	**- 1,186,033**	**- 215,930**	**149,255**	**534,102**
Capital Account								
Capital Revenues	o capital grants - allocated (eg Block)			-	- 495,000	- 495,000	- 495,000	- 495,000
	o capital grants - competitive			- 2,104,002				
	o emergency grants (eg disaster restoration)							
	o capital contributions - cash			- 150,000				
	o capital contributions - gift							
	o asset and property sales			- 188,750				
	o LIRS subsidy			- 15,000				
	o cashflow generated by depreciation			- 6,323,080	- 6,581,218	- 6,745,749	- 6,914,392	- 7,087,252
	TOTAL CAPITAL REVENUES		-	**- 8,780,832**	**- 7,076,218**	**- 7,240,749**	**- 7,409,392**	**- 7,582,252**
Capital Expenditures	o IPPE renewals (general)	90.00%		3,597,590	3,782,315	3,876,873	3,973,795	4,073,140
	o IPPE renewals (utilities)	90.00%		4,612,000	1,277,631	1,309,572	1,342,311	1,375,869
	o IPPE renewals (plant-equipment)	90.00%		1,240,378	831,209	851,990	873,289	895,122
	o IPPE new/upgrades (general)							
	o IPPE new/upgrades (utilities)							
	o property acquisitions and development							
	o loan + lease payments				453,946	453,946	453,946	453,946
	Demerger project				1,500,000			
	TOTAL CAPITAL EXPENSES	**3**	-	**9,449,968**	**7,845,102**	**6,492,381**	**6,643,341**	**6,798,076**
	CAPITAL RESULT (surplus/deficit)		-	**669,136**	**768,883**	**- 748,368**	**- 766,051**	**- 784,176**
	OVERALL RESULT (surplus/deficit to be funded by reserves/debt)		-	**2,789,674**	**- 417,150**	**- 964,298**	**- 616,796**	**- 250,074**

Table 15

12.2 Base – Gundagai

	Gundagai Base	**growth indices > CPI**	**FY24 $,000**	**FY25 $,000**	**FY26 $,000**	**FY27 $,000**	**FY28 $,000**
Operating Account							
Operating Revenues	o general rates (incl separate disclosure of value of expiring SRV)	0.50%	- 4,395,040	- 4,417,015	- 4,439,100	- 4,461,295	- 4,483,602
	o utilities annual charges (water, sewer, waste and stormwater)	0.00%	- 2,314,820	- 2,314,820	- 2,314,820	- 2,314,820	- 2,314,820
	o utilities user charges (water, sewer, waste)	0.00%	- 1,114,000	- 1,114,000	- 1,114,000	- 1,114,000	- 1,114,000
	o regulatory fees (eg development, animal, weed, food, OSMS etc)	0.00%	- 166,750	- 166,750	- 166,750	- 166,750	- 166,750
	o commercial fees (eg caravan park, saleyards, cemeteries, aerodrome)	0.00%	- 229,000	- 229,000	- 229,000	- 229,000	- 229,000
	o property hire, lease and licences (eg halls, café)	0.00%	- 79,400	- 79,400	- 79,400	- 79,400	- 79,400
	o other fees	0.00%	- 144,626	- 144,626	- 144,626	- 144,626	- 144,626
	o investment interest	2.00%	- 260,258	- 210,000	- 209,196	- 206,565	- 202,041
	o allocated annual operating grants and subsidies (eg FAG)	0.00%	- 2,937,613	- 2,937,613	- 2,937,613	- 2,937,613	- 2,937,613
	o competitive operating grants and subsidies (eg environment)	0.00%	- 2,171,000	- 1,000,000	- 1,000,000	- 1,000,000	- 1,000,000
	o competitive maintenance grants and subsidies (eg roads)	0.00%	- 325,000	- 500,000	- 500,000	- 500,000	- 500,000
	o emergency maintenance grants and subsidies (eg disaster)	0.00%	- 1,397,800	- 95,000	- 95,000	- 95,000	- 95,000
	o contract and private works revenues (eg RMCC)	0.00%	- 200,000	- 200,000	- 200,000	- 200,000	- 200,000
	o attributions/overhead	offset	- 602,140	- 2,036,717	- 2,630,717	- 2,630,717	- 2,630,717
	o plant hire (nett)	offset	- 886,900	- 886,900	- 743,800	- 762,395	- 781,455
	o other (incl dividends)						
	TOTAL OPERATING REVENUES	**0**	**- 17,224,347**	**- 16,331,842**	**- 16,804,023**	**- 16,842,182**	**- 16,879,025**
Operating Expenditures							
asset	o asset operations/servicing/management	2.50%	1,124,600	1,124,600	1,152,715	1,181,533	1,211,071
	o asset maintenance (general, reserves)	5.00%	4,597,850	3,045,867	3,198,160	3,358,068	3,525,972
	o asset OMR (utilities - water, sewer, waste and stormwater)	4.00%	1,441,050	1,498,692	1,558,640	1,620,985	1,685,825
	o asset depreciation (general)	2.50%	3,972,550	4,071,864	4,173,660	4,278,002	4,384,952
	o asset depreciation (utilities - water, sewer, waste and stormwater)	2.50%	1,105,410	1,133,045	1,161,371	1,190,406	1,220,166
	o asset depreciation (plant)	2.50%	707,960	725,659	743,800	762,395	781,455
services	o regulatory	0.00%	563,826	563,826	563,826	563,826	563,826
	o commercial	0.00%	217,450	217,450	217,450	217,450	217,450
	o property	0.00%	285,000	285,000	285,000	285,000	285,000
	o services (community, culture, environment, economic, emergency)	0.00%	1,349,400	1,349,400	1,349,400	1,349,400	1,349,400
	o support *	0.00%	2,263,019	2,263,019	2,923,019	2,923,019	2,923,019
	o donations and government transfers (incl ESL)	0.00%	377,000	377,000	377,000	377,000	377,000
	o contract and private works	0.00%	142,500	142,500	142,500	142,500	142,500
	o utilities (water, sewer, waste and stormwater)	0.00%	749,000	749,000	749,000	749,000	749,000
	o attributions/overhead	offset	847,700	2,036,717	2,630,717	2,630,717	2,630,717
		0	**19,744,315**	**19,583,640**	**21,226,260**	**21,629,302**	**22,047,353**
	OPERATING RESULT (surplus/deficit)	**- 0**	**2,519,968**	**3,251,798**	**4,422,236**	**4,787,120**	**5,168,328**
Capital Account							
Capital Revenues	o capital grants - allocated (eg Block)		-	- 495,000	- 495,000	- 495,000	- 495,000
	o capital grants - competitive		- 7,257,372				
	o emergency grants (eg disaster restoration)						
	o capital contributions - cash		- 150,000				
	o capital contributions - gift						
	o asset and property sales		- 188,750				
	o LIRS subsidy		- 15,000				
	o cashflow generated by depreciation		- 5,785,920	- 5,930,568	- 6,078,832	- 6,230,803	- 6,386,573
	TOTAL CAPITAL REVENUES	**-**	**- 13,397,042**	**- 6,425,568**	**- 6,573,832**	**- 6,725,803**	**- 6,881,573**
Capital Expenditures	o IPPE renewals (general)	90.00%	9,277,841	3,664,677	3,756,294	3,850,202	3,946,457
	o IPPE renewals (utilities)	90.00%	2,849,000	1,019,741	1,045,234	1,071,365	1,098,149
	o IPPE renewals (plant-equipment)	90.00%	1,240,378	653,093	669,420	686,156	703,310
	o IPPE new/upgrades (general)						
	o IPPE new/upgrades (utilities)						
	o property acquisitions and development						
	o loan + lease payments			432,461	432,461	432,461	432,461
	Demerger project			1,500,000			
	TOTAL CAPITAL EXPENSES		**13,367,219**	**7,269,972**	**5,903,410**	**6,040,184**	**6,180,377**
	CAPITAL RESULT (surplus/deficit)		**- 29,823**	**844,404**	**- 670,422**	**- 685,619**	**- 701,196**
	OVERALL RESULT (surplus/deficit to be funded by reserves/debt)		**2,490,145**	**4,096,202**	**3,751,814**	**4,101,500**	**4,467,132**

Table 16

12.3 Preferred – Cootamundra

	Cootamundra - Preferred	growth indices > CPI	Intervention SRV-Debt	FY23 $m	FY24 $m	FY25 $m	FY26 $m	FY27 $m	FY28 $m
Operating Account									
Operating Revenues	o general rates (incl SRV)	0.50%	7.5% SRVx 2		- 6,854,826	- 6,889,101	- 7,405,783	- 7,961,217	- 8,001,023
	o utilities annual charges (water, sewer, waste and stormwater)	5.00%	yield growth		- 5,913,180	- 5,913,180	- 6,208,839	- 6,519,281	- 6,845,245
	o utilities user charges (water, sewer, waste)	2.50%	yield growth		- 2,906,000	- 2,906,000	- 2,978,650	- 3,053,116	- 3,129,444
	o regulatory fees (eg development, animal, weed, food, OSMS etc)	2.50%	yield growth		- 277,750	- 277,750	- 284,694	- 291,811	- 299,106
	o commercial fees (eg caravan park, saleyards, cemeteries, aerodrome)	2.50%	yield growth		- 368,000	- 368,000	- 377,200	- 386,630	- 396,296
	o property hire, lease and licences (eg halls, café)	2.50%	yield growth		- 257,400	- 257,400	- 263,835	- 270,431	- 277,192
	o other fees	0.00%			- 155,774	- 155,774	- 155,774	- 155,774	- 155,774
	o investment interest	2.00%	yield growth		- 528,402	- 470,000	- 503,373	- 540,597	- 581,877
	o allocated annual operating grants and subsidies (eg FAG)	0.00%			- 4,047,515	- 4,047,515	- 4,047,515	- 4,047,515	- 4,047,515
	o competitive operating grants and subsidies (eg environment)	0.00%	< disaster grant		- 2,004,000	- 1,000,000	- 1,000,000	- 1,000,000	- 1,000,000
	o competitive maintenance grants and subsidies (eg roads)	0.00%			- 325,000	- 500,000	- 500,000	- 500,000	- 500,000
	o emergency maintenance grants and subsidies (eg disaster)	0.00%	< disaster grant		- 872,200	- 95,000	- 95,000	- 95,000	- 95,000
	o contract and private works revenues (eg RMCC)	2.50%	yield growth		- 3,700,000	- 3,700,000	- 3,792,500	- 3,887,313	- 3,984,495
	o attributions/overhead	offset			- 1,118,260	- 2,901,335	- 3,495,335	- 3,495,335	- 3,495,335
	o plant hire (nett)	offset			- 923,100	- 923,566	- 946,655	- 970,322	- 994,580
	o other (incl dividends)				-				
	TOTAL OPERATING REVENUES				**- 30,251,407**	**- 30,404,620**	**- 32,055,152**	**- 33,174,340**	**- 33,802,881**
Operating Expenditures									
asset	o asset operations/servicing/management	2.50%	asset growth		1,114,400	1,114,400	1,142,260	1,170,817	1,200,087
	o asset maintenance (general, reserves)	5.00%	@1% asset WDV		7,231,070	2,492,073	2,616,677	2,747,510	2,884,886
	o asset OMR (utilities - water, sewer, waste and stormwater)	4.00%	asset growth		3,583,950	3,727,308	3,876,400	4,031,456	4,192,715
	o asset depreciation (general)	2.50%	asset growth		4,002,450	4,102,511	4,205,074	4,310,201	4,417,956
	o asset depreciation (utilities - water, sewer, waste and stormwater)	2.50%	asset growth		1,419,590	1,455,080	1,491,457	1,528,743	1,566,962
	o asset depreciation (plant)	2.50%	asset growth		901,040	923,566	946,655	970,322	994,580
					-				
services	o regulatory	0.00%			979,889	979,889	979,889	979,889	979,889
	o commercial	0.00%			444,050	444,050	444,050	444,050	444,050
	o property	0.00%			465,000	465,000	465,000	465,000	465,000
	o services (community, culture, environment, economic, emergency)	0.00%			1,810,600	1,810,600	1,810,600	1,810,600	1,810,600
	o support *	0.00%	dup staff-ICT		3,223,706	3,223,706	3,883,706	3,883,706	3,883,706
	o donations and government transfers (incl ESL)	0.00%			393,000	393,000	393,000	393,000	393,000
	o contract and private works (incl RMCC)	0.00%			3,042,500	3,042,500	3,042,500	3,042,500	3,042,500
	o utilities (water, sewer, waste and stormwater)	0.00%			2,151,000	2,151,000	2,151,000	2,151,000	2,151,000
	o attributions/overhead	offset			1,574,300	2,901,335	3,495,335	3,495,335	3,495,335
	TOTAL OPERATING EXPENSES	**0**		**-**	**32,336,545**	**29,226,018**	**30,943,603**	**31,424,129**	**31,922,265**
	OPERATING RESULT (surplus/deficit)			-	**2,085,138**	**- 1,178,602**	**- 1,111,549**	**- 1,750,211**	**- 1,880,617**
Capital Account									
Capital Revenues	o capital grants - allocated (eg Block)				-	- 495,000	- 495,000	- 495,000	- 495,000
	o capital grants - competitive				- 2,104,002				
	o emergency grants (eg disaster restoration)				-				
	o capital contributions - cash				- 150,000				
	o capital contributions - gift				-				
	o asset and property sales				- 188,750				
	o LIRS subsidy				- 15,000				
	o cashflow generated by depreciation				- 6,323,080	- 6,481,157	- 6,643,186	- 6,809,266	- 6,979,497
	TOTAL CAPITAL REVENUES			**-**	**- 8,780,832**	**- 6,976,157**	**- 7,138,186**	**- 7,304,266**	**- 7,474,497**
Capital Expenditures	o IPPE renewals (general)	100.00%			3,597,590	4,102,511	4,205,074	4,310,201	4,417,956
	o IPPE renewals (utilities)	100.00%			4,612,000	1,455,080	1,491,457	1,528,743	1,566,962
	o IPPE renewals (plant-equipment)	100.00%			1,240,378	923,566	946,655	970,322	994,580
	o IPPE new/upgrades (general)				-				
	o IPPE new/upgrades (utilities)				-				
	o property acquisitions and development				-				
	o loan + lease payments				-	453,946	453,946	453,946	453,946
	Demerger project				-	1,500,000			
	TOTAL CAPITAL EXPENSES			**-**	**9,449,968**	**8,435,103**	**7,097,132**	**7,263,212**	**7,433,443**
	CAPITAL RESULT (surplus/deficit)			-	**669,136**	**1,458,946**	**- 41,054**	**- 41,054**	**- 41,054**
	OVERALL RESULT (surplus/deficit to be funded by reserves/debt)			-	**2,754,274**	**280,344**	**- 1,152,603**	**- 1,791,265**	**- 1,921,671**

Table 17

12.4 Preferred – Gundagai

	Gundagai - Preferred	growth indices > CPI	Intervention SRV-Debt	FY24 $,000	FY25 $,000	FY26 $,000	FY27 $,000	FY28 $,000
Operating Account								
Operating Revenues	o general rates (incl SRV)	0.50%	25%SRVx3yrs	- 4,395,040	- 4,417,015	- 5,521,268	- 6,901,586	- 8,626,982
	o utilities annual charges (water, sewer, waste and stormwater)	10.00%	yield growth	- 2,314,820	- 2,314,820	- 2,546,302	- 2,800,932	- 3,081,025
	o utilities user charges (water, sewer, waste)	10.00%	yield growth	- 1,114,000	- 1,114,000	- 1,225,400	- 1,347,940	- 1,482,734
	o regulatory fees (eg development, animal, weed, food, OSMS etc)	2.50%	yield growth	- 166,750	- 166,750	- 170,919	- 175,192	- 179,572
	o commercial fees (eg caravan park, saleyards, cemeteries, aerodrome)	2.50%	yield growth	- 229,000	- 229,000	- 234,725	- 240,593	- 246,608
	o property hire, lease and licences (eg halls, café)	2.50%	yield growth	- 79,400	- 79,400	- 81,385	- 83,420	- 85,505
	o other fees	0.00%		- 144,626	- 144,626	- 144,626	- 144,626	- 144,626
	o investment interest	2.00%	yield growth	- 260,258	- 470,000	- 476,054	- 487,823	- 505,999
	o allocated annual operating grants and subsidies (eg FAG)	0.00%		- 2,937,613	- 2,937,613	- 2,937,613	- 2,937,613	- 2,937,613
	o competitive operating grants and subsidies (eg environment)	0.00%	disaster grant	- 2,171,000	- 1,000,000	- 1,000,000	- 1,000,000	- 1,000,000
	o competitive maintenance grants and subsidies (eg roads)	0.00%		- 325,000	- 500,000	- 500,000	- 500,000	- 500,000
	o emergency maintenance grants and subsidies (eg disaster)	0.00%	disaster grant	- 1,397,800	- 95,000	- 95,000	- 95,000	- 95,000
	o contract and private works revenues (eg RMCC)	2.50%	yield growth	- 200,000	- 200,000	- 205,000	- 210,125	- 215,378
	o attributions/overhead	offset		- 602,140	- 2,036,717	- 2,630,717	- 2,630,717	- 2,630,717
	o plant hire (nett)	offset		- 886,900	- 725,659	- 743,800	- 762,395	- 781,455
	o other (incl dividends)							
	TOTAL OPERATING REVENUES	**0**		**- 17,224,347**	**- 16,430,601**	**- 18,512,810**	**- 20,317,963**	**- 22,513,215**
Operating Expenditures								
asset	o asset operations/servicing/management	2.50%	asset growth	1,124,600	1,124,600	1,152,715	1,181,533	1,211,071
	o asset maintenance (general, reserves)	5.00%	@1% asset WDV	4,597,850	3,045,867	3,198,160	3,358,068	3,525,972
	o asset OMR (utilities - water, sewer, waste and stormwater)	4.00%	asset growth	1,441,050	1,498,692	1,558,640	1,620,985	1,685,825
	o asset depreciation (general)	2.50%	asset growth	3,972,550	4,071,864	4,173,660	4,278,002	4,384,952
	o asset depreciation (utilities - water, sewer, waste and stormwater)	2.50%	asset growth	1,105,410	1,133,045	1,161,371	1,190,406	1,220,166
	o asset depreciation (plant)	2.50%	asset growth	707,960	725,659	743,800	762,395	781,455
services	o regulatory	0.00%		563,826	563,826	563,826	563,826	563,826
	o commercial	0.00%		217,450	217,450	217,450	217,450	217,450
	o property	0.00%		285,000	285,000	285,000	285,000	285,000
	o services (community, culture, environment, economic, emergency)	0.00%		1,349,400	1,349,400	1,349,400	1,349,400	1,349,400
	o support *	0.00%	dup staff-ICT	2,263,019	2,263,019	2,923,019	2,923,019	2,923,019
	o donations and government transfers (incl ESL)	0.00%		377,000	377,000	377,000	377,000	377,000
	o contract and private works	0.00%		142,500	142,500	142,500	142,500	142,500
	o utilities (water, sewer, waste and stormwater)	0.00%		749,000	749,000	749,000	749,000	749,000
	o attributions/overhead	offset		847,700	2,036,717	2,630,717	2,630,717	2,630,717
	TOTAL OPERATING EXPENSES	**0**		**19,744,315**	**19,583,640**	**21,226,260**	**21,629,302**	**22,047,353**
	OPERATING RESULT (surplus/deficit)	**0**		**2,519,968**	**3,153,039**	**2,713,449**	**1,311,339**	**- 465,862**
Capital Account								
Capital Revenues	o capital grants - allocated (eg Block)			-	- 495,000	- 495,000	- 495,000	- 495,000
	o capital grants - competitive			- 7,257,372				
	o emergency grants (eg disaster restoration)			-				
	o capital contributions - cash			- 150,000				
	o capital contributions - gift			-				
	o asset and property sales			- 188,750				
	o LIRS subsidy			- 15,000				
	o new borrowings		$1.5mx6yrs			- 1,500,000	- 1,500,000	- 1,500,000
	o cashflow generated by depreciation			- 5,785,920	- 5,930,568	- 6,078,832	- 6,230,803	- 6,386,573
	TOTAL CAPITAL REVENUES			**- 13,397,042**	**- 6,425,568**	**- 8,073,832**	**- 8,225,803**	**- 8,381,573**
Capital Expenditures	o IPPE renewals (general)	100.00%		9,277,841	4,071,864	4,173,660	4,278,002	4,384,952
	o IPPE renewals (utilities)	100.00%		2,849,000	1,133,045	1,161,371	1,190,406	1,220,166
	o IPPE renewals (plant-equipment)	100.00%		1,240,378	725,659	743,800	762,395	781,455
	o IPPE new/upgrades (general)			-				
	o IPPE new/upgrades (utilities)			-				
	o property acquisitions and development			-				
	o loan + lease payments			-	432,461	492,636	612,986	733,336
	Demerger project			-	1,500,000			
	TOTAL CAPITAL EXPENSES			**13,367,219**	**7,863,029**	**6,571,468**	**6,843,789**	**7,119,909**
	CAPITAL RESULT (surplus/deficit)			**- 29,823**	**1,437,461**	**- 1,502,364**	**- 1,382,014**	**- 1,261,664**
	OVERALL RESULT (surplus/deficit to be funded by reserves/debt)			**2,490,145**	**4,590,500**	**1,211,085**	**- 70,675**	**- 1,727,526**

Table 18

12.5 Preferred – Cootamundra – Ratios

		FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	Target
Ratios										
rate of return	regulatory (revenues/expenses incl attributed support)	-28%	-28%	-29%	-30%	-31%	-31%	-32%	-33%	75
	commercial (revenues/expenses incl attributed support)	-83%	-83%	-85%	-87%	-89%	-91%	-94%	-96%	110
	property (revenues/expenses incl attributed support)	-55%	-55%	-57%	-58%	-60%	-61%	-63%	-64%	50
	contract and private works (revenues/expenses incl attributed support)	-122%	-122%	-125%	-128%	-131%	-134%	-138%	-141%	110
	utilities (revenues/expenses incl attributed support)	-123%	-120%	-122%	-124%	-126%	-128%	-130%	-132%	120
	interest (yield > ave annual BBSW)									> 2%
financial										
UCR	current assets/current liabilities									>150%
ORC	outstanding rates and annual charges/total rates and charges annual yield									<5%
DSR	total PI + financing costs/operating revenues		2%	2%	2%	2%	2%	1%	0%	<20%
NFL	total liabilities-current assets/operating revenues									<60%
OPR	operating result (excl capital income)/operating revenues	-7%	4%	3%	5%	6%	6%	6%	6%	>0%<10%
OSR/CCRR	taxes (rates, annual charges + FAG)/operating revenues	56%	55%	55%	56%	56%	56%	56%	56%	>60%
GCR	operating grants + contributions/total operating revenues	11%	5%	5%	5%	5%	5%	5%	4%	<20%
WCR	(overall result+reserves=equity)/(opex-depreciation)/qtr		23%	25%	27%	29%	31%	33%	36%	>25%
ACOR	% of capex transferred to reserve/rollover/total budgeted capex from previous FY		0%	0%	0%	0%	0%	0%	0%	<20%
CER	current cash + investments - external restricted funds)/(opex-depreciation-financing PI)/12 months									>3
asset										
AMR	actual expenditure on asset maintenance (excluding operations)/required expenditure nominated in AMPs (refer IPWEA									>90%
IRR	infrastructure assets renewal capex/depreciation	149%	100%	100%	100%	100%	100%	100%	100%	>90%
IBR	infrastructure assets assessed as IIMM Condition 5/total value of infrastructure assets									<2%
WIP	works in progress/new assets									<10%

Table 19

12.6 Preferred – Gundagai - Ratios

		FY23		FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	Target
Ratios												
rate of return	regulatory (revenues/expenses incl attributed support)			-30%	-30%	-30%	-31%	-32%	-33%	-33%	-34%	75
	commercial (revenues/expenses incl attributed support)			-105%	-105%	-108%	-111%	-113%	-116%	-119%	-122%	110
	property (revenues/expenses incl attributed support)			-28%	-28%	-29%	-29%	-30%	-31%	-32%	-32%	50
	contract and private works (revenues/expenses incl attributed support)			-140%	-140%	-144%	-147%	-151%	-155%	-159%	-163%	110
	utilities (revenues/expenses incl attributed support)			-104%	-101%	-109%	-117%	-125%	-134%	-143%	-153%	120
	interest (yield > ave annual BBSW)											> 2%
financial												
UCR	current assets/current liabilities											>150%
ORC	outstanding rates and annual charges/total rates and charges annual yield											<5%
DSR	total PI + financing costs/operating revenues				3%	3%	4%	4%	4%	5%	4%	<20%
NFL	total liabilities-current assets/operating revenues											<60%
OPR	operating result (excl capital income)/operating revenues			-15%	-19%	-15%	-6%	2%	3%	3%	4%	>0%<10%
OSR/CCRR	taxes (rates, annual charges + FAG)/operating revenues			56%	59%	59%	62%	65%	65%	65%	65%	>60%
GCR	operating grants + contributions/total operating revenues			23%	10%	9%	8%	7%	7%	7%	7%	<20%
WCR	(overall result+reserves=equity)/(opex-depreciation)/qtr				15%	19%	19%	20%	22%	24%	27%	>25%
ACOR	value of capex and operating projects transferred to reserve/rollover/total budgeted capex and operating projects											<20%
CER	current cash + investments - external restricted funds)/(opex-depreciation-financing PI)/12 months											>3
asset												
AMR	actual expenditure on asset maintenance (excluding operations)/required expenditure nominated in AMPs (refer IPWEA											>90%
IRR	infrastructure assets renewal capex/depreciation			231%	100%	100%	100%	100%	100%	100%	100%	>90%
IBR	infrastructure assets assessed as IIMM Condition 5/total value of infrastructure assets											<2%
WIP	works in progress/new assets											<10%

Table 20

In the absence of a Statement of Financial Position for each new council (pending CGRC final audit), the financial and asset ratios able to be derived from the above accounts indicate:

- Cootamundra generates acceptable annual surpluses on the Operating Account from FY26, with the ratios signalling
    - operating performance and debt service ratios meet benchmarks through FY31
    - own source revenues are slightly below the 60% threshold, but acceptable for a rural council. It is suggested the IPART review of the local government funding model will apply differentiated ratios for metro, regional and rural councils – akin to the rate peg
    - appropriate consolidated working capital can be established
    - while suitable levels of asset maintenance are to be calculated through the new AMPs, the renewal ratios are per benchmark
- Gundagai generates modest annual surpluses on the Operating Account from the end of the first term of the new council (FY29), with the ratios signalling
    - own source revenues well above benchmark
    - capacity to borrow (debt service ratio) remains positive
    - working capital reaches acceptable levels by the end of the planning period (FY31)
    - asset renewal ratios meet benchmark
- Grants and contributions ratios are flat for both, as no new or higher grants are proposed
    - should grants be received, the equivalent value of capex will be included
- Asset maintenance has been estimated at 1% WDV of assets, and assumed at 100% ratio
    - noting normal asset maintenance is understood to have been inflated in previous years following receipt of disaster recovery grants

In part due to that disaster grant funding, it is suggested the relatively good condition of transport assets may warrant some leniency in attainment of notional depreciation benchmarks initially, preferring to be guided by the refreshed asset management plans.

Pending decisions of the councillors regarding services and assets and sharing resources (refer sections 15-17 in DTP), it is anticipated the new councils will need to differentiate their respective scope, roles and criticalities in delivering services, redefining their asset standards and levels of service, and resetting their pricing policies to charge taxes for assets and public services or recover costs for shared, private and market services. Those decisions are necessary to guide the next iteration of the asset and financial plans in particular, and in so doing, to be clear to their respective communities on service expectations and future rating policy.

Attachment 21 illustrates responsible practice for a council when setting budgets and financial plans, and has been foremost in councillors minds in setting sustainable scenarios.

13 Shared Services and Facilities

A successful demerger is dependent on sharing resources or contracting services between councils – the most significant decision of which is the enterprise resource platform (ERP) contracted with Civica. Sharing resources is expected to mitigate the concerns of OLG with regard to compliance and governance within the new councils.

The following table illustrates examples of shared, hosted or contracted services and facilities. Sharing resources will require an enduring agreement between the parties, and ideally should feature in the proclamation:

Shared Services - demerger service agreements		**Shared Services - other options: new councils**
development assessment-building certification		strategic land use planning (LEP, DCP, planning/rezone proposals
environmental health		spatial mapping (GIS) administration
youth inclusion office		development contribution administration
street cleansing		heavy plant
customer call centre and out of hours		State/regional roads maintenance
(CES) engagement for community strategic plans		noxious weed, pest and catchment control
grants coordination		cemetery administration
WHS, timesheet and payroll process		civic-special events coordination
recruitment process		media-community liaison
cadet-trainee (rotation) program		integrated computer platforms (IaaS and SaaS) hosted by Civica
ARIC, conduct review, compliance reporting and legal panels		web and content management
internal audit and risk management drafting		rating and utility reading, billing and recovery
project management office and contract administration		procurement coordination (panels, tenders, evaluation, probity)
integrated computer platforms and applications (IaaS and SaaS)		records archive
Shared Facilities		asset management plans, designs and renewal schedules
emergency services centre		scheduling MMS, condition assessment, revaluation of assets
commercial waste		
waste - landfill and transfer station		
fleet management and workshop		

Table 21

It is similarly important the new councils collaborate to minimise duplication of facilities across the LGA boundaries, accessible by either council's communities. This in turn may require contributions from one council to the other, to offset some of the costs of maintaining and operating those facilities.

The hosting or contracting of service and facilities between the councils should be subject to term agreements or contracts, where one council takes the responsibility and risk of procuring resources and maintaining assets (with associated depreciation and rental obligations); and the other pays a charge (per annum, per item) based on contracted access and level of service. In that context, the hosting council may receive a margin, while the receiving council is relieved of management and corporate support obligations.

In Phase 2, service agreements will be prepared for execution between the new councils.

14 Services and Support

The new councils would be expected to articulate their service offer and asset standards to their communities, to manage community expectations and inform pricing and affordability settings. Those services and assets then require organisational support.

Unfortunately, while 'engineering and regional services' has been delineated between Cootamundra and Gundagai, that 'organisational support' (executive, business, finance) together with development, has been merged in operational plans and other documents. It is the 'support' functions that will duplicate staff and increase staff (for compliance per OLG suggestions). Traditionally, 'support' is often seen as unnecessary 'overhead' to ratepayers.

The proposed service structure is illustrated below, against which the Operating Account is based.

	Service						Support
	Public Good	Shared Benefit	Regulatory	Private Good	Utility	Market	Inhouse
	COMMUNITY	RECREATION	ENVIRONMENT HEALTH	ECONOMIC	UTILITIES	COMMERCIAL	ATTRIBUTED
	Community Donations	Swimming Pools	Development and Building	Tourism & Economic Development	Sewerage Management	Quarries	Financial Management
	Community Services	Sports Stadium	OSMS	Visitors Information Centres	Sewer Network	Aerodrome	Procurement and Stores
	Community Events		Food Safety and Public Health			Quarries	
	Public Toilets		Animal Control	PROPERTY	Stormwater Management	Cemeteries	Governance and Business
			Noxious Weeds	Buildings and Property Management		Caravan Parks	Customer Service
	CULTURAL		Regulatory Services		Waste Transfer Stations	Saleyards	Communications-Engagement
	Libraries				Waste Collection Services	Land Development	Risk Management
	Museums and Art				Landfill Operations		
							Human Resources
	EMERGENCY				Water Management	CONTRACT	Work Health & Safety
	Emergency				Water Network	State Roads	
						Private Works	Information Technology
	RECREATION					RMCC Routine Services	
	Parks and Gardens					RMCC Contract Works	Plant Management
	Sporting Grounds						
							Asset Management Planning
	TRANSPORT						
	Operations Management						CIVIC
	Regional Roads						Executive Office
	Local Rural Roads						Civic Leadership
	Town and Village Streets						
	Street Trees						
RoR*	10%	25%	50%	75%	120%	110%	0%

Table 22

It is suggested councillors and the executive work through Phase 2 to catalogue the service and assets for the new councils to:

- prompt the councils to determine
  - their preferred or proposed role (as provider, funder, facilitator, regulator, advocate)
  - how important the asset or service is to operations and community (criticality)
  - which assets or services should be funded by taxes (ie community service obligation) or fees (pricing principle)
- enable the councils to view services though lens of
  - quadruple bottom line (QBL) required of integrated planning and reporting (IPR)
  - criticality and acceptable outages (for risk/disaster and business continuity)
  - pricing recoveries (for shared, private, regulatory and market services)
  - risks to BAU
- assist new councils define their levels of service (using CGRC budgets/last year financial results), in turn enabling
  - assessment of additional costs (or savings) by altering levels of service or standards of assets
  - changes to FTE resourcing (pending decisions on mode of delivery)
  - community engagement and submissions to IPART/LGGC
- assist line of sight of staff responsibilities to proposed services and levels of service, and the design of the new council's organisation structure

- encourages activity-based costing and attributions to reveal the real costs of service and assets to community, inclusive of the share of organisational support.
    - ideally, that principle should include indexing capital works to reflect asset, project and contract management costs for example

During the financial sustainability assessment, CGRC has nominated initial service criticalities and pricing recoveries, to be confirmed in the next Operational Plan (Attachment 18).

The 2018 Asset Management Plans document community and technical levels of service that should be revisited and embedded in the service catalogue proposed above. IPWEA and IIMM practice notes should be applied as a useful guide.

As noted earlier, the re-presentation of the CGRC (and new council) budgets into an Operating and Capital Account format, illustrates how funds are raised in accord with Council's pricing principles; the application of those funds to assets, services and support; the rates of recovery for services expected to be largely funded by fees and grants; and any surplus available for capital investment in assets.

The cataloguing of services (rather than review of services) is considered paramount, to document the current CGRC service offer and asset standards and their associated expenses, to which modifications to levels of service or rates of renewal of assets may be modelled using CGRC financial statements and chart of accounts.

It is understood CGRC has not undertaken community satisfaction surveys in recent years. It is recommended CGRC (and then the new councils) undertake biennial community surveys (ideally arranged by response within each new LGA) to gauge trends and relevant satisfaction-importance ratings for services, support and assets.

Guided by this FSP, when CGRC prepares it's FY25 Operational Plan, the revenue policy (rates and annual charges), support, capital works plan and any location-specific operational projects should be delineated to the respective councils. It is suggested the Operational Plan adjust its formatting from a Department structure to Service and Support groups.

CGRC will need to identify reserves or budget savings to fund the transition estimates of $2.5-3m (pending Civica and other ICT configuration costs), in addition to revision of asset, service and pricing settings in Phase 2 demerger phase, to demonstrate the financial sustainability of the new councils – before presenting the plan to LGBC.

15 Financial Risks

Table 23 illustrates the recent financial results and ratios from FY23 Financial Statements:

Ratio	2023	2022	2021	Target
Operating performance	-7.5%	-5.0%	-15.3%	0%
Own source revenues	59%	58%	50%	>60%
Unrestricted current	6.4	6.5	5.0	>1.5
Debt service	5.4	6.2	4.5	>2
Cash expense	8.2	8.5	9.1	>3
Asset renewal	99%	340%	154%	> 100%
Asset backlog	3%	4%	4%	<2%

Table 23

While the consolidated Unrestricted Current Ratio and Cash Expense Cover Ratio meet benchmark, like many councils, the inclusion of investments that are subject to restrictions mask the ability of a local council to access cash readily. Indeed, the unrestricted cash at -$0.771m nett of those restrictions is unsustainable. In relation to asset sustainability, government funding to repair or restore assets damaged by recent bushfires and floods has temporarily elevated renewal ratios. The bulk of the asset backlog rests with the utilities, with significant renewals and upgrades required.

The primary concern for CGRC, like most NSW councils, is the financial performance and health of the General Fund (Attachment 2). While the Utilities posted modest results, the General Fund result is in stark contrast at -$4.264m, again principally driven by growth in materials expense.

The adopted CGRC FY24 Operational Plan deficit exceeds the Financial Plan forecast of $130k surplus. As noted earlier, the CGRC Financial Plan acknowledges annual consolidated deficits averaging over $300k, distorting a deteriorating position in General Fund approaching $1.0m by FY32. *Regardless of demerger, further cost or revenue interventions are required*.

As a minimum, costs and recoveries (ie charges) for the utilities (water, sewer, waste, stormwater) should be revised to mitigate the forecast annual deficits (Attachment 5-6).

There are several industry-wide matters that also impact CGRC and new councils' financial capacity and health:

- councils underwriting the commencement or completion of Government or development sponsored programs and projects
  - under-estimation and delays in grant announcement and receipt of funds
- councils underwriting the cost of (uninsured) repair and restoration of assets damaged though natural disaster
  - dependent on government declaration as natural disaster
  - cashflow impacts through 'pay and do', rather than 'do and pay' funding by Government
  - budget impacts influenced by opt in/out position regarding staff undertaking restoration works (rather than contractors)
  - underestimation of scope of works and contingencies
  - eligibility of 'build back better' or 'like for right' funding opportunities
- councils retaining responsibility for emergency service and regional road assets
  - transfer of emergency assets incomplete following establishment of centralised RFS and SES state model

- transfer of regional road assets incomplete following independent regional road classification and transfer panel review, after change of Government
- maintenance and upgrades of those assets funded by (and subject to) Government grants
- depreciation of those assets remains on council's financial statements

Should CGRC (or the new councils) resolve the emergency and regional road asset transfer impasse with Government, the depreciation expense for those Government funded assets removed from council's balance sheet could improve the CGRC operating result by over $3.2m.

As referenced earlier, CGRC's sustainability rating is currently suggested as 'moderate'.

CGRC harmonised general rates and annual charges (waste, stormwater, onsite sewage, water, sewer, liquid trade waste) from 2020. While the overall rate yield remained capped, it is understood that harmonisation increased rates and charges for Cootamundra properties, with corresponding decreases to former Gundagai properties. It has been deduced that reduced rated burden for Gundagai as $770k per year.

The current CGRC rating structure is outlined below. No locality or intensive use rate subcategories apply.

Rating Category (s514-518)	Number of Assessments	Ad Valorem Rate	Base Amount $	Base Amount %	Land Value	2023/24 Estimated Income	% Yield
Farmland	1282	0.13381	$448.00	10.58%	$3,627,780,610	$5,428,306	48.28%
Residential	4696	0.39883	$448.00	45.44%	$633,333,240	$4,629,731	41.18%
Business	515	1.1967	$448.00	19.42%	$79,702,038	$1,184,514	10.54%
Mining	0	0.29266	$448.00	-	-	-	-

Table 24

Population and pensioner growth is expected to remain modest, providing a minor benefit above the rate peg. The new councils should revise rating structures and the distributions of the rate burden between categories and subcategories, in their first year of operation.

The potential impacts of the Preferred Scenario on average rates and charges is discussed in Section 18.

16 Risk Mitigation

The Demerger Transition Plan examined several risks in the PESTLE framework and referred the mitigation of the significant and extreme risks to Phase 2 of the demerger. Of those, the following relate to financial sustainability of the new councils:

			Risk Rating		
Type		**Risk**	**Likelihood**	**Consequence**	**Rating**
Political	4	Low commitment to collaboration and sharing resources	likely	major	significant
	6	Low commitment to elevating rates, annual charges and pricing	possible	major	significant
	13	Turnover of staff during transition and implementation phases	certain	major	extreme
	18	Delays recruiting suitable GM and executive to form new council structures	likely	major	significant
	19	Loss of key staff and corporate knowledge	likely	major	significant
	20	Difficulty recruiting fixed term specialist skills during demerger	certain	major	extreme
	21	Difficulty recruiting permanent staff to new councils	certain	major	extreme
Technological	23	Negotiations for bureau or hosted (shared) approach to ERP with Civica is problematic, with configuration time consuming and expanded licencing and administration expensive	likely	major	significant
	24	Asset management, project management, risk management, contract management and development maturity remains low for the new councils	likely	major	significant
Economic-Financial	29	Minister resists funding of demerger	certain	major	extreme
	30	CGRC required to fund one-off costs on demerger	certain	major	extreme
	32	New councils funding of recurrent support and services duplicates costs	certain	moderate	significant
	33	Gundagai general rates reduced through harmonisation, yet will require SRV	certain	major	extreme
	35	New councils remain unsustainable beyond 10 year planning horizon	possible	major	significant

Table 25

The following mitigations are proposed for the significant risks:

4 embed obligations for new councils to share resources for services and facilities through service agreements and reference in Proclamation

6 CGRC councillors have published the Preferred Scenario (including SRV) in this Plan, proposing the Proclamation also reference that form of raising revenues

18 CGRC councillors will engage the GM-elect for both councils, and endorse interim organisation structures to enable staff transfer

23 CGRC will engage Civica to undertake a scoping study and develop a plan to migrate the current ERP into a shared cloud platform for the new council

24 while the notion of building organisation maturity was considered by councillors, that sustainability principle has been referred to the new councils. Notwithstanding, specialist consultants will be engaged during demerger to run the project office and prepare the requisite asset and service plans

32 councillors acknowledge some duplication of executive and specialist roles will be consequent to demerger, however oppose the suggestion that a further 10FTE would be required to bolster governance and compliance. Instead, it is believed those skills have been recruited into CGRC in recent years

35 while FSP has been prepared to indicate the new councils can attain a ‘moderate; sustainability rating by end of first term of the new councils, its is expected the interventions proposed early will place the new council on a platform to continue the path to a ‘sound’ rating

Should the Civica cloud migration be delayed, workarounds may be required to enable one council (Cootamundra) to host the other with primary costing, payroll, billings and creditor accounting.

The extreme rated risks are largely subject to discussion with the Minister and negotiations for inclusion with a Proclamation, including the elevation of fee recovery such as stormwater charges. A Workforce Transition Pan is proposed for preparation during the demerger Phase 2, to address the staff-related risks.

In addition, normal local government risks to assets, revenue and cashflow are likely to continue. A table of those typical risks is summarised at Attachment 20.

These further actions are proposed to be pursued by CGRC in Phase 2 and the new councils after their commencement, to mitigate risks:

1. reset asset management plans
    - continue asset management actions proposed with 2018 AMP
    - delineate asset profiles, standards and servicing between the new councils
    - update plans with effect of disaster funded renewals
    - invest in skill and technology maturity to build robustness in lifecycle estimates and useful life assessment; and confidence in enduring risks and ratio forecasts
    - embed protocols of 5-year cyclic asset condition and useful life assessment, followed by asset revaluations and considerations of obsolescence
    - update and align corresponding AMP 5-yearly works schedules with contributions plans
    - map renewal and upgrade forecasts to depreciation (and revaluation) estimates, to guide capital expenditure smoothing and cashflow options (debt, grants, reserves)
    - utilise utilities AMPs to frame respective sustainable pricing paths
2. reset waste strategy
    - segment between proposed new councils
    - explore shared resource and facility hosting arrangements
    - review waste expenditures and charges (domestic, commercial, rural, green/recyclables) to recover full operating costs, depreciation, augmentation and rehabilitation forecasts
    - establish general ledger and reporting structures to publish separate budgets, results and restricted funds (reserves) movements
3. reset stormwater asset management plan
    - segment between proposed new councils
    - check/revise stormwater catchments for charging purposes
    - consider alignment of development contribution plan/s and charges
    - review stormwater drainage and urban flooding resilience expenditures
    - revise charges to recover full maintenance, depreciation, enhancement and rehabilitation forecasts, including any related debt servicing
    - establish general ledger and reporting structures to publish separate budgets, results and restricted funds (reserves) movements
    - seek Government dispensation to phase the increase above $30 per property, referencing the Sydney Water and metro councils combined charges
4. reset pricing policy per new council
    - attribute support costs across services and assets
    - nominate public good services (community service obligation)
        - identify costs nett of grants and current fee settings
        - assign that nett cost as value to be recovered through taxes (general base rate, annual operating grants)
    - differentiate public service (community service obligation) from other services
        - shared | private | regulatory | market
        - assign that nett cost as value to be recovered through fees and charges
    - establish rate of return on costs of those services, increasing fees and phasing the level of recovery to the nominated level (eg 75%) over 5 years
5. reset grant and contract service estimations
    - include appropriate contingency (eg P90) should execution of grant deeds and completion of works not occur or conclude in the same financial year

    - include appropriate margin to accommodate project management
    - mark up programs and projects within IPR documents as commencement subject to receipt of grant or contribution funding to the value and within the timing expected in the respective budget year
6. review rating structure
    - tabulate asset operations, maintenance, depreciation, upgrade, new, disposal costs, and associated debt servicing costs (P&I) and forecasts from Financial and Asset Plans
        - general | water | sewer | stormwater | waste
    - calculate level of general rates and annual charges required to be recovered over 5 years, nett of annual grants and user charges
        - general | water | sewer | stormwater | waste
    - establish rate and annual charge pricing path over 5 years
        - increasing ad valorem component to recover general asset and related debt costs
        - increasing annual charges component to recover utility asset and related debt costs
        - increasing user fees and phasing the level of recovery to the nominated level for utilities (water | sewer | stormwater | waste)
    - explore opportunities to introduce 'energy' rate subcategory in Business, introducing mixed use valuation and new supplementary rates (above general rate notional yield) when renewable energy facilities are established, as expected
7. review appetite for community, environment and economy shared-private services
    - scope services to value of grants or contributions
8. review environmental cost recovery
    - tabulate catchment management and vegetation (weed) management costs
    - calculate level of charges required to be recovered over 5 years, nett of annual grants, regulatory and other fees
    - explore extension of water annual charge to recover environmental costs (vegetation, erosion, flood) to extent those programs influence water security and quality
9. review project management
    - align project management phases (brief, plan, develop, deliver) to grant funding gates
    - institute project governance (GL code, risk matrix, PCG reports, contract register)
    - include project management costs as recoverable grant and contract overhead
10. review resilience
    - check opt in/out arrangements enabling staff resources to undertake recovery works
    - value cost of repair or renewal for assets regularly subject to closure or bypass exceeding adopted maximum allowable outage (MAO) during emergency events
    - consider accepting or sharing disaster recovery officer role and funding
    - check staff resourcing ratios (backoffice, resident, carryover)

17 Affordability

Several tools may be used to consider the affordability of further increase to rates and charges, or the impact of downgraded services.

The 'Financial Resilience Barometer' based on SA2, deploys a multidimensional framework across four axis to assess community resilience: https://www.fullemployment.net

- economic (ability to save, meet costs, raise money in emergency)
- financial (access to banking and insurance)
- knowledge (financial services, proactive actions, use of financial products)
- social (social connections, access to support, access to government)

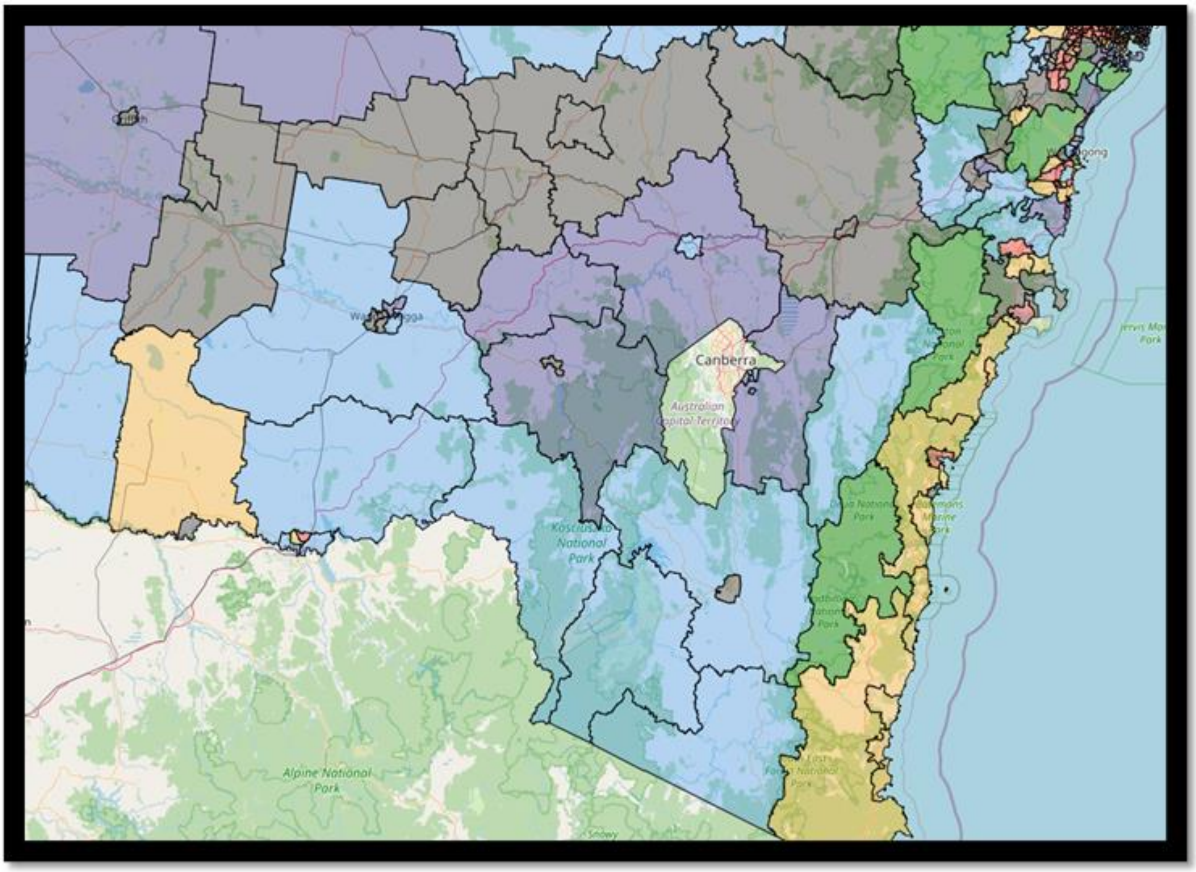

Figure 1

The FRB divides SA2s into five categories depending on its FRB Index score:

Financial Resilience Category	Colour Code	Score Range	Percentile Range	Number of SA2s
Severe financial vulnerability		0-772	0-20	462
High financial vulnerability		773-1040	20-40	465
Mid-range		1041-1263	40-60	464
Low financial vulnerability		1264-1523	60-80	464
Financially resilient		> 1524	80-100	464

The CGRC LGA was among those SA2 nominated as 'financially resilient'.

In addition, the Socio-Economic Indexes for Areas (SEIFA) is a product developed by the ABS that ranks areas in Australia according to relative socio-economic advantage and disadvantage. The indexes are based on information from the five-yearly Census.

The SEIFA index also suggests the LGA to be relatively advantaged:

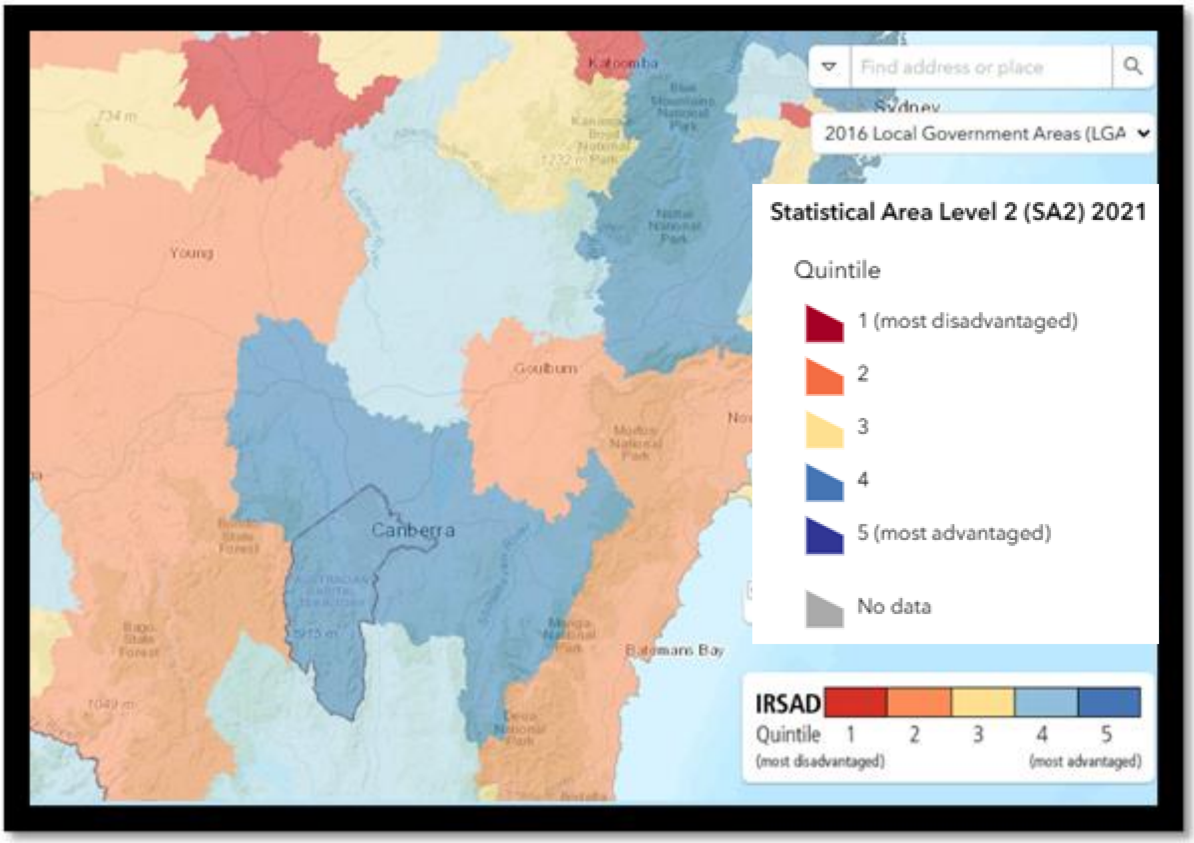

Figure 2

18 Indicative Movement in Average Rates and Charges

The tables below illustrate potential impacts of rate and annual charge increases by the end of the first term of the new councils (FY28) should the Preferred Scenarios proceed.

2024 Rates	**Cootamundra**	**Base**	**Preferred**
	Current YR		
Residential	**2024**	**2028**	**2028**
Ad Valorem	**0.0039883**	0.0048064	0.0050669
Average Valuation	**140600**	**140600**	**140600**
Base Rate	**448**	539.89	569.16
DWM	**520**	626.66	662.52
Green Waste	**68**	81.95	86.64
Stormwater	**25**	25	25
Stormwater Strata	**12.5**	12.5	12.5
Avarage Total Rates	**1,621.75**	**1,949.28**	**2,055.71**
Business			
Ad Valorem	**0.011967**	0.0144216	0.015203372
Average Valuation	**168,000.00**	168,000.00	168,000.00
Base Rate	**448**	539.89	569.16
DWM	**520**	626.66	632.06
Green Waste	**68**	81.95	82.65
Stormwater	**250**	250.00	250.00
Stormwater Strata	**5**	5.00	5.00
Avarage Total Rates	**3,296.46**	**3,921.34**	**4,088.04**
Farmland			
Ad Valorem	**0.0013381**	0.0016126	0.001699971
Average Valuation	**4,500,000.00**	4,500,000.00	4,500,000.00
Base Rate	**448**	539.89	569.16
Rural Waste	**77**	92.79	93.59
OSSM	**50**	60.26	60.78
Avarage Total Rates	**6,596.45**	**7,949.50**	**8,373.39**

Increases	**Cootamundra**
Current SRV	5.0%
SRV NEW	7.5%
Charges NEW	5.0%
Standard Increase Rate Peg	4.7%
Standard Increase SRV	5.0%
Rate Peg	4.7%

Table 26

2024 Rates			
	Current YR Gund	Base	Preferred
Residential	2024	2028	2028
Ad Valorem	0.0039883	0.0048064	0.0081791
Average Valuation	120000	120000	120000
Base Rate	448	539.89	918.75
DWM	520	628.46	726.73
Green Waste	68	81.95	95.03
Stormwater	25	25	25.00
Stormwater Strata	12.5	12.5	12.50
Average Total Rates	1,539.60	1,852.06	2,747.01
Business			
Ad Valorem	0.011967	0.0144216	0.0245417
Average Valuation	134,500.00	134,500.00	134,500.00
Base Rate	448	539.89	918.75
DWM	520	626.66	726.73
Green Waste	68	81.95	95.03
Stormwater	250	250.00	250.00
Stormwater Strata	5	5.00	5.00
Average Total Rates	2,895.56	3,438.21	5,291.37
Farmland			
Ad Valorem	0.0013381	0.0016126	0.0027442
Average Valuation	2,030,000.00	2,030,000.00	2,030,000.00
Base Rate	448	539.89	918.75
Rural Waste	77	92.79	107.61
OSSM	50	60.26	69.88
Average Total Rates	3,291.34	3,966.45	6,666.86

Increases	Gundagai
Current SRV	5.0%
SRV NEW	25%
Charges NEW	10.0%
Standard Increase Rate Peg	4.7%
Standard Increase SRV	5.0%
Rate Peg	4.7%

Table 27

The CGRC FY24 average rates for each category is compared to the most recent charges for neighbouring similar councils (applying same average LV per category), as well as residential utility charges:

	CGRC	Hilltops	Junee	Yass	Snowy Valley
Residential	1008	926	1318	1096	1000
Business	2458	2755	4714	1884	1712
Farmland	6469	6992	4764	5924	7994
Waste	588	391	452	500	648
Stormwater	25	25	25	25	25

Table 28

The FY22 average rate and utility annual charge on rate notices (water, sewer, waste) extracted from OLG data time series for Group 11 (large rural) is also compared:

	Residential	Business	Farmland	Water	Sewer	Waste
CGRC	807	1876	3486	NA	NA	445
Group average	912	2270	3521	714	724	415

Table 29

The new councils should review their rating structures early and consider new subcategories and apportion the rate burden to respective categories as they see fit. For example, it is understood the relative share of the Gundagai farmland category fell consequent to the CGRC rates harmonisation.

Several matters need to be considered and discussed with Government to enable the rate and pricing path to proceed:

- unimproved land valuations are revised by the Valuer-General on a three yearly cycle. While a council's total rate yield does not change following a revaluation, individual rate assessments may – the rate burden is redistributed on market movements
- SRV will inherently include the presumed value of rate peg – which may be a risk
- higher SRV early in the cycle may enable as lower increase in subsequent years
- domestic waste management charge (DWM) is to be only elevated through demonstration of increase to cost (including attribution) – it can't notionally be indexed
- stormwater charge is legislated amount – see previous comments regarding Sydney Water

19 Indicators of Progress

As referenced in Section 1, several indicators of financial sustainability have been established. However, there are several other indicators proposed within this Plan and the Preferred Scenario to be monitored:

Indicator	Measure	Purpose
OPR	operating result (excl capital income)/operating revenues	○ structural or cyclic deficit profile ○ risk of budget shocks
OSR/CCRR	taxes (rates, annual charges + FAG)/operating revenues	○ use of fees in ratio distorts reliability of income (and risk of downturn in economy, population, pandemic etc ○ only include reliable taxes (rates, annual charges, FAG), noting they're received quarterly
UCR	current assets/current liabilities	○ cash, investments, debtors should be > 50% more than debtors , contract liabilities and loan payments for next 12 months ○ compare to budget cash opex (ie excl depreciation) to check if the 50% gap covers 2 months cashflow
WCR	((opex-depreciation)/4)/unrestricted funds	○ unrestricted cash ideally should be equivalent to 25% opex (less depreciation)
CER 2	current cash + investments - external restricted funds)/(opex-depreciation-financing PI)/12 months	○ unrestricted cash equivalent to say 2 months cash opex) to cover rates and FAG income gaps ○ use of externally restricted investments is an overstatement of ability to meet regular monthly cashflow
NFLR	total liabilities-current assets/operating revenues	○ nett financial debt that can be serviced by operating revenues
DSR	total PI + financing costs/operating revenues	○ check annual P&I/lease payments < 20% total cash revenues
GCR	operating grants + contributions/total operating revenues	○ reliance on grants and contributions as % total cash revenues ○ check variability < 10% total cash revenues
RER	((total rates yield/(pegged-total rates yield)/population growth ERP	○ check rates per capita keeping pace with population growth
ORR	outstanding rates and annual charges/total rates and charges annual yield	○ collect 95% of rate levies, yet assume spend of 100%
ACOR	value of capex and operating projects transferred to reserve/rollover/total budgeted capex and operating projects	○ extent of annual carryovers of budgeted operational and capital projects ○ signals overstating ambition compared to FTE resourcing and availability of contractors ○ signals reliance of incomplete projects to prop up annual cash reserves
AMR	actual expenditure on asset maintenance (excluding operations)/required expenditure nominated in AMPs (refer IPWEA guidance)	○ relies on council proficiency and asset management systems to estimate and record asset maintenance ○ costing guidance to differentiate servicing v maintenance v renewal expenditures
IRR/ASR	renewal capex/depreciation	○ suitable proxy to test (on 10yr AMP/LTFP horizon) the collective extent that assets are renewed at equivalent rate and value as their deterioration (depreciation)

		○ suggest ARR be tested against rolling 5 year movement in 1-5 asset condition
IBR	infrastructure assets assessed as IIMM Condition 5/total value of infrastructure assets	○ suggest ratio be modified to < 2% in IIMM Condition 5, prompting genuine effort to inspect/assess condition of assets
WIP	works in progress/new assets	○ portion of capex yet to assigned to new assets or renewals (and depreciated) ○ signals maturity of process to capitalise, and any delay in depreciation expense
AEF	gross replacement cost Y-1/gross replacement cost Y+1	○ extent of change in asset value (and depreciation) following cyclic revaluation
DRR	depreciation growth/rates + annual charge growth	○ extent of change in depreciation expense, compared to rates and annual charges
ACER	total asset capex/(capital grants and contributions)	○ indicator of growth in asset base from development v council funding
SL+1	change (%) in service opex above CPI	○ extent non-asset services are keeping pace with CPI
SL-P	change in service opex compared to change in population ERP	○ extent non-asset services are keeping pace with population change
CSO-Base	nett cost of nominated public good service costs/ base, minimum rate	○ monitors rating policy
OMR-AV	nett cost of asset operations and maintenance/ ad valorem rate	○ monitors rating policy
RUN-AV	nett cost of asset renewal, upgrade and new assets/ ad valorem rate	○ monitors rating policy

Table 30

20 Summary and Recommendations

CGRC is not alone facing matters of sustainability – except those matters may exacerbate with a demerger. The new council's initial sustainability rating may be less than the parent council. It is likely the demerged councils may be reclassified from Group 11 'large rural' to Group 9 'rural'.

Notwithstanding, new councils may be established on a footing towards financial sustainability should the principles, measures and scenarios proposed in this Plan be progressed.

Objectives

The following objectives should be pursued under this Plan:

1. Improve liquidity, through
    - building unrestricted cash (working capital)
    - targeted asset or property sales
    - building external and internal reserves (smoothing)
    - building buffers for the utilities (water, sewer, waste, stormwater)
    - smoothing capex through infrastructure reserves and debt

2. Improve cashflow, through
    - generating a budget surplus, in turn releasing the value of depreciation for capital renewals
    - growing revenues
    - deferring projects, including incomplete works (carryovers) from previous years
    - asset recycling (lease returns)
    - deriving dividends from eligible utilities

3. Improve resilience, through
    - designing capacity (build back better) into renewals (in readiness for natural disasters)
    - maintaining working capital as a buffer for natural disasters (and underwriting of works)
    - building organisation maturity, including specialist skills and technology difficult to procure

4. Improve assets, through
    - refreshing assret and contribution plans 5 yearly, with asset revaluations
    - inserting contemporary replacement costs into those plans
    - applying construction indices (PPI) between reviews
    - aligning (or moderate) asset plans with contribution works schedules
    - utilising IPWEA condition, maintenance, renewal and resilience technical standards

5. Align financials, through
    - integrating asset, digital, development and workforce plans with financial plan
    - moderating capex to external funding (grants, contributions, sales)
    - monitoring renewal forecasts to depreciation values
    - moderating renewal capex to net depreciation less deficit
    - monitoring financial and asset ratios

6. Apply discipline, through
    - establishing policies (grants, assets, donations, risk, pricing etc)
    - cataloguing and scoping service and asset offer and hierarchies
    - priority setting for programs and projects
    - appraising and ranking current strategy findings and actions for funding

7. Leverage council capacity and specialisations, such as
    - plant (private works)
    - noxious weeds (spraying)
    - cemeteries (planning)
    - subdivision (construction)

Sustainability

1. the proposed interventions may **guide the new councils from a 'moderate' rating** by the end of the first term of the new councils, moving towards a 'sound' rating' – provided those interventions endure into the new council financial plans.
2. the new councils can be sustainable with a **disciplined approach** to:
    - setting operational budgets to deliver modest surpluses
    - building buffers (held in reserves and working capital) to absorb environmental or economic shocks; to mitigate project and grant funding gaps; and create capacity to match appropriate grant opportunities as they emerge
    - setting program and project priorities drawn from existing strategies and plans, and monitoring asset performance, leveraged through grant opportunities as they emerge
    - monitoring and managing community expectation and satisfaction with levels of service and asset standards, including relevant trade offs
    - refreshing asset and contributions plans with contemporary condition assessment, valuations and renewal-upgrade works schedules and essential works lists
    - cataloguing CGRC current service and asset offers, to which the new councils may modify, knowing the financial consequences of change to those standards
    - retreating to a 'minimalist' local authority by accommodating asset operations, maintenance and renewal within its taxes (rates, annual charges, grants); and meeting legislated obligations within the prescribed funding available
    - embedding resilience through upgrading asset and workforce plans to recognise and mitigate impacts of change (climate and organisational); accommodating future asset operations, maintenance and renewal generated by gifted and grant funded assets in financial plans; and retaining a skilled workforce to assist response and recovery efforts in natural disasters
    - setting policy guidance to manage grants, restricted funds, working capital, donations
    - deploying innovative approaches to improve funding, accounting and pricing transparency
    - regularly testing affordability of new pricing, and comparing new rate levels to similar councils
3. councillors and the executive work through Phase 2 to **catalogue the service and assets** for the **principles for sustainability** for the new councils include:
    - average a balanced budget or slight surplus over a 10 year horizon
    - utilise community surveys to sensibly set and communicate expectations for the differentiated levels of service, and asset servicing and standards in the new LGAs
    - convert budget and reporting formats to illustrate what expenditure is proposed (service, asset operations and maintenance, depreciation, and asset renewals and upgrades for example) rather than the resources utilised (employment, materials, contracts)
    - encourage activity-based costing and attributions to reveal the real costs of service and assets to community, inclusive of the share of organisational support. Ideally, that principle should include indexing capital works to reflect asset, project and contract management costs

- consider retreating to 'minimalist' in the short term to match funding to minimum obligations – providing and funding assets and services required by legislation, reducing exemptions and donations, being prudent with acceptance of grants for programs and projects
- be disciplined in application for and assignment of grants
    i. must be directly aligned to programs, renewals and upgrades recorded in LTFP
    ii. budgets are notated to identify operational or capital projects to commence if and when grant deeds are executed
- revise pricing and revenue settings for the new councils
    i. restructure rating to assign
        - ad valorem rates and annual charges to assets OMR and depreciation, and associated debt servicing, differentiated by asset standard/locality
        - base rate to nominated community service obligation (CSO) public services, differentiating value by locality or level of service
    ii. set pricing policy to recover costs for nominated services and facilities over 5 years
        - shared 50%, regulatory 75%, private 100%, market 110%, utility 120%
    iii. set hosting policy to recover overhead and fund related renewals (eg ERP, state roads etc)
        - apply activity based costing
    iv. measured retreat from underfunded government policy-programs
        - scope level of service to the funding provided
    v. reduce capital programs to value of confirmed grants and contributions
        - monitor annual carryovers and modify program on organisation capability
- explore divestment or returns of appropriately classified property
- explore opportunities for progressive returns from planning agreements (noted from LGBC submissions that potential for wind farm contributions may emerge)
- strengthen the reliable tax base, assuming availability of grants will tighten as governments repair their own budgets - including special rates or targeted annual charges
- narrow any gaps in less-than-benchmark own source revenues, to be supplemented by significant and planned improvement in cost recoveries through fees and contributions; disciplined recovery of outstanding rates; and property returns (divestment, lease, development)
- invest in organisational maturity (asset, project, contract, development and risk management)
- appropriately utilise debt to sponsor asset renewal and upgrade, if supported by affordable increases of tax revenues
- restore unrestricted cash to provide assurance to creditors (business and staff) of the new councils' liquidity and cashflow
- acknowledge the condition and serviceability of assets distributed between councils may vary
- rate the sustainability of the new councils, utilising similar definitions utilised by TCorp, and the respective financial sustainability risk ratings

Capacity

4. investing in organisation maturity (skills, technology, specialisation, trainees)
5. checking capacity of organisation to deliver projects – delays often due to lesser capacity (or availability of contractors) to deliver some of those works. The change in employment/consultant cost mix is as indicator of capacity and capability.

Reporting

6. the FY25 **Operational Plan** should
    - adjust its formatting from a Department structure to Service and Support groups
    - convert Income Statement format to an Operating and Capital Account to articulate service, support and asset expenditures
    - accommodate demerger phases estimates
    - accommodate duplicated and temporary staff costs
    - accommodate two council election costs
    - delineate capital works plan and any location-specific operational projects to new LGAs

Policy and Plans

7. **Revenue Policy** (rates and annual charges) should be delineated to the respective councils, and
    - apply to IPART to retain value of expiring SRV (as minimum) from FY25 for sustainability of Gundagai Council, with no bill shock
    - advocate for opportunities to introduce annual charges per property, with purpose and expenditures planned in IPR, ringfenced in financial accounts and recorded in annua reports (eg environment, heritage, transport, resilience)
8. **Asset Management Plans** should be revisited and embedded in the service catalogue
    - assists preparation of financial plans for the new councils, and include proposed operations, maintenance, renewal and upgrade expenditures
    - documents condition, useful life, trends, performance, maximum allowable outages
    - documenting critical assets in continuity plans remains important – critical assets are specific assets which have a high consequence of failure but not necessarily a high likelihood of failure
    - in part to narrow expectations for upgraded or new assets (unless fully funded by grants and contributions), and to identify assets for downscaling functionality or disposing (due to change in demographics or poorest condition). That process may lead to modified useful lives – and depreciation expense
    - build organisational discipline to review asset condition, useful lives, work schedules and contribution plans (and values) on five-yearly cycles
    - build resilience into design and renewal of key infrastructure and buildings, applying IPWEA practice guides
9. revision of AMPs in preparations for demerger should include:
    - documentation of maintenance programs
    - calculation of lifecycle costs for assets.
    - current performance of Council benchmarked against the key performance measures.
    - assessment to determine critical assets
    - reclassification of asset condition into IIMM ratings (1-5)

10. the more significant backlog and renewal tasks for the new councils rests with buildings and utility assets.
    - as those assets support or accommodate staff and community during emergency events, the new councils should give appropriate attention to their renewal or refurbishment
11. the AMP's proposed future iterations recommend the following, and should be continued into preparations for demerger:
    - Documentation of maintenance programs
    - Calculation of lifecycle costs for assets.
    - Current performance of Council benchmarked against the key performance measures.
    - Assessment to determine critical assets
    - Reclassification of asset condition into IIMM ratings (1-5)

Services and Assets

12. undertake biennial community surveys (ideally arranged by response within each new LGA) to gauge trends and relevant satisfaction-importance ratings for services, support and assets.
13. new councils revise initial service and asset settings by CGRC, including:
    - the scope (of assets) and deliverables (of services)
    - the standards (of assets) and levels (of service)
    - the performance and targets for those services
    - their preferred or proposed role (as provider, funder, facilitator, regulator, advocate)
    - how important the asset or service is to operations and community (criticality)
    - which assets or services should be funded by taxes (ie community service obligation) or fees (pricing principle)

Expertise

14. engagement of external expertise to assist staff transition to the new councils, and prepare key strategic and service documentation, including:
    - refresh asset management plans (incl condition, useful life, revaluation, renewal schedule)
    - catalogue service and asset offer, to enable new council differentiation of criticalities, pricing, and standards and levels of service
    - disentangling and configuring financial and other systems into Civica cloud environment
    - change management, communications and employee assistance (mental wellbeing)

Glossary

ABC	activity base costing
AMP	asset management plan
CAPEX	capital expenditure
CGRC	Cootamundra Gundagai Regional Council
CoA	chart of accounts
CSP	community strategic plan
DP	delivery program
DTP	demerger transition plan
ERP	enterprise resource platform (eg Civica technology)
FSP	financial sustainability plan
FY	financial year
IPR	integrated planning and reporting
LGA	local government area
LGBC	Local Government Boundaries Commission
LGCC	Local Government Grants Commission
LOS	level of service
LTFP	long term financial plan
OLG	Office of Local Government
OMR	operations maintenance repair (assets)
OMRD	operations maintenance repair depreciation (assets)
OMRU	operations-maintenance-renewal-upgrade (assets)
OP	operational plan
OPEX	operating expenditure
QBL	quadruple bottom line
Ratios	separately listed
RoR	rates of return
RUN	renewal upgrade new (assets)
SRV	special rate variation
WFP	workforce plan

Attachment 1 – CGRC FY23 Financial Statements

Cootamundra-Gundagai Regional Council

Income Statement

for the year ended 30 June 2023

Original unaudited budget 2023	$ '000	Notes	Actual 2023	Actual 2022
	Income from continuing operations			
18,190	Rates and annual charges	B2-1	**18,443**	16,687
7,895	User charges and fees	B2-2	**12,356**	9,528
1,604	Other revenues	B2-3	**919**	804
8,519	Grants and contributions provided for operating purposes	B2-4	**15,805**	11,230
5,015	Grants and contributions provided for capital purposes	B2-4	**7,357**	8,773
140	Interest and investment income	B2-5	**861**	152
–	Other income	B2-6	**208**	88
41,363	**Total income from continuing operations**		**55,949**	47,262
	Expenses from continuing operations			
13,124	Employee benefits and on-costs	B3-1	**14,124**	12,223
13,024	Materials and services	B3-2	**24,189**	15,542
183	Borrowing costs	B3-3	**317**	262
10,536	Depreciation, amortisation and impairment of non-financial assets	B3-4	**12,149**	11,194
1,488	Other expenses	B3-5	**1,470**	1,186
–	Net loss from the disposal of assets	B4-1	**122**	3,059
38,355	**Total expenses from continuing operations**		**52,371**	43,466
3,008	**Operating result from continuing operations**		**3,578**	3,796
3,008	Net operating result for the year attributable to Council		**3,578**	3,796
(2,007)	**Net operating result for the year before grants and contributions provided for capital purposes**		**(3,779)**	(4,977)

Cootamundra-Gundagai Regional Council

Statement of Financial Position

as at 30 June 2023

$ '000	Notes	2023	2022
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	1,064	8,225
Investments	C1-2	28,006	14,048
Receivables	C1-4	6,521	5,488
Inventories	C1-5	477	446
Contract assets and contract cost assets	C1-6	2,709	5,559
Total current assets		38,777	33,766
Non-current assets			
Receivables	C1-4	25	58
Inventories	C1-5	824	824
Infrastructure, property, plant and equipment (IPPE)	C1-7	686,981	657,499
Intangible assets	C1-8	48	87
Total non-current assets		687,878	658,468
Total assets		726,655	692,234
LIABILITIES			
Current liabilities			
Payables	C3-1	1,814	3,830
Contract liabilities	C3-2	6,666	4,969
Borrowings	C3-3	1,167	1,315
Employee benefit provisions	C3-4	3,457	3,486
Total current liabilities		13,104	13,600
Non-current liabilities			
Borrowings	C3-3	5,828	6,995
Employee benefit provisions	C3-4	340	341
Provisions	C3-5	4,907	4,259
Total non-current liabilities		11,075	11,595
Total liabilities		24,179	25,195
Net assets		702,476	667,039
EQUITY			
Accumulated surplus		415,967	412,389
IPPE revaluation reserve		286,509	254,650
Council equity interest		702,476	667,039
Total equity		702,476	667,039

Cootamundra-Gundagai Regional Council

Report on infrastructure assets as at 30 June 2023

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard $ '000	Estimated cost to bring to the agreed level of service set by Council $ '000	2022/23 Required maintenance [a] $ '000	2022/23 Actual maintenance $ '000	Net carrying amount $ '000	Gross replacement cost (GRC) $ '000	Assets in condition as a percentage of gross replacement cost 1	2	3	4	5
Buildings	Buildings - non-specialised	621	621	–	90	8,538	2,895	15.0%	27.0%	24.0%	31.0%	3.0%
	Buildings - specialised	461	461	–	260	24,297	49,019	20.0%	10.0%	29.0%	33.0%	8.0%
	Other structures	19	19	–	24	–	11,933	30.0%	18.0%	41.0%	9.0%	2.0%
	Sub-total	**1,101**	**1,101**	**–**	**374**	**32,835**	**63,847**	**21.6%**	**12.3%**	**31.0%**	**28.4%**	**6.7%**
Roads	Sealed roads	109	109	–	4,075	202,444	268,671	67.0%	19.0%	14.0%	0.0%	0.0%
	Unsealed roads	632	632	–	1,574	28,765	37,584	88.0%	6.0%	4.0%	2.0%	0.0%
	Bridges	1,851	1,851	–	68	63,718	77,426	34.0%	42.0%	19.0%	3.0%	2.0%
	Footpaths	44	44	–	–	6,639	8,031	42.0%	43.0%	13.0%	1.0%	1.0%
	Kerb & gutter	808	808	–	–	33,008	38,161	27.0%	37.0%	26.0%	10.0%	0.0%
	Other road assets (incl. bulk earth works)	–	–	–	–	171,878	227,503	100.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	**3,444**	**3,444**	**–**	**5,717**	**506,452**	**657,376**	**73.1%**	**15.7%**	**9.9%**	**1.1%**	**0.2%**
Water supply network	Water supply network	9,688	9,688	–	286	20,861	40,418	19.0%	10.0%	25.0%	27.0%	19.0%
	Sub-total	**9,688**	**9,688**	**–**	**286**	**20,861**	**40,418**	**19.0%**	**10.0%**	**25.0%**	**27.0%**	**19.0%**
Sewerage network	Sewerage network	7,519	7,519	–	525	50,735	73,483	37.0%	4.0%	41.0%	12.0%	6.0%
	Sub-total	**7,519**	**7,519**	**–**	**525**	**50,735**	**73,483**	**37.0%**	**4.0%**	**41.0%**	**12.0%**	**6.0%**
Stormwater drainage	Stormwater drainage	–	–	–	–	18,422	27,730	29.0%	19.0%	52.0%	0.0%	0.0%
	Sub-total	**–**	**–**	**–**	**–**	**18,422**	**27,730**	**29.0%**	**19.0%**	**52.0%**	**0.0%**	**0.0%**
Open space / recreational assets	Other	13	13	–	976	8,560	14,524	14.0%	19.0%	47.0%	19.0%	1.0%
	Swimming Pools	–	–	–	39	5,947	12,048	31.0%	30.0%	18.0%	21.0%	0.0%
	Sub-total	**13**	**13**	**–**	**1,015**	**14,507**	**26,572**	**21.7%**	**24.0%**	**33.9%**	**19.9%**	**0.5%**
	Total – all assets	**21,765**	**21,765**	**–**	**7,917**	**643,812**	**889,426**	**61.1%**	**14.6%**	**16.7%**	**5.6%**	**2.0%**

(a) Required maintenance is the amount identified in Council's asset management plans.

C1-7 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2022			Asset movements during the reporting period						At 30 June 2023		
$ '000	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals [1]	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital WIP	5,448	–	5,448	6,521	451	–	–	(1,035)	–	11,385	–	11,385
Plant, equipment, furniture and fittings	21,023	(11,142)	9,881	5	698	(1)	(1,609)	–	–	21,481	(12,508)	8,973
Land	14,736	–	14,736	–	–	(168)	–	–	4,932	19,788	–	19,788
Land improvements	693	(263)	430	–	–	–	(11)	–	–	10	(1)	9
Infrastructure:												
Buildings and other structures	63,847	(34,592)	29,255	108	66	(1)	(1,970)	83	5,171	69,392	(36,557)	32,835
- Roads, bridges and footpaths	429,873	(162,652)	267,221	1,401	90	(61)	(5,652)	501	15,513	447,317	(168,304)	279,013
- Other road assets (incl bulk earthworks)	227,503	–	227,503	–	–	–	(64)	–	–	227,503	(64)	227,439
– Stormwater drainage	27,730	(9,996)	17,734	–	–	–	(340)	–	1,028	28,758	(10,336)	18,422
– Water supply network	40,418	(20,526)	19,892	–	–	–	(568)	–	1,537	41,955	(21,094)	20,861
– Sewerage network	73,483	(25,376)	48,107	–	–	–	(1,050)	–	3,678	77,161	(26,426)	50,735
– Open space/recreational assets	26,572	(12,368)	14,204	77	41	–	(266)	451	–	27,141	(12,634)	14,507
Other assets:												
- Other Assets	40	(23)	17	–	–	–	(12)	–	–	40	(35)	5
– Tip assets	4,233	(1,162)	3,071	505	–	–	(567)	–	–	4,738	(1,729)	3,009
Total infrastructure, property, plant and equipment	935,599	(278,100)	657,499	8,617	1,346	(231)	(12,109)	–	31,859	976,669	(289,688)	686,981

(1) Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

G4 Statement of performance measures

G4-1 Statement of performance measures – consolidated results

$ '000	Amounts 2023	Indicator 2023	Indicators 2022	Indicators 2021	Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses [1, 2]	(3,657)	(7.53)%	(4.98)%	(15.31)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions [1]	48,592				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions [1]	32,787	58.60%	57.68%	49.62%	> 60.00%
Total continuing operating revenue [1]	55,949				
3. Unrestricted current ratio					
Current assets less all external restrictions	16,429	6.40x	6.47x	5.00x	> 1.50x
Current liabilities less specific purpose liabilities	2,567				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation [1]	8,809	5.40x	6.21x	4.55x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	1,632				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	652	3.33%	5.77%	5.91%	< 10.00%
Rates and annual charges collectable	19,572				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	29,070	8.25 months	8.50 months	9.08 months	> 3.00 months
Monthly payments from cash flow of operating and financing activities	3,523				

Cootamundra-Gundagai Regional Council

Report on infrastructure assets as at 30 June 2023

Infrastructure asset performance indicators (consolidated) *

$ '000	Amounts 2023	Indicator 2023	Indicators 2022	Indicators 2021	Benchmark
Buildings and infrastructure renewals ratio					
Asset renewals [1]	9,790	98.79%	340.36%	154.34%	> 100.00%
Depreciation, amortisation and impairment	9,910				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	21,765	3.32%	3.49%	4.26%	< 2.00%
Net carrying amount of infrastructure assets	655,197				
Asset maintenance ratio					
Actual asset maintenance	7,917	∞	∞	∞	> 100.00%
Required asset maintenance	–				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	21,765	2.45%	2.45%	3.08%	
Gross replacement cost	889,426				

Attachment 2 – CGRC Funds

D1-1 Income Statement by fund

$ '000	General 2023	Water 2023	Sewer 2023
Income from continuing operations			
Rates and annual charges	13,590	2,156	2,697
User charges and fees	9,094	2,784	478
Other revenues	910	9	–
Grants and contributions provided for operating purposes	15,755	25	25
Grants and contributions provided for capital purposes	7,088	–	269
Interest and investment income	819	30	12
Other income	208	–	–
Total income from continuing operations	47,464	5,004	3,481
Expenses from continuing operations			
Employee benefits and on-costs	13,139	427	558
Materials and services	19,229	3,374	1,586
Borrowing costs	189	78	50
Depreciation, amortisation and impairment of non-financial assets	10,493	593	1,063
Other expenses	1,468	1	1
Net losses from the disposal of assets	122	–	–
Total expenses from continuing operations	44,640	4,473	3,258
Operating result from continuing operations	2,824	531	223
Net operating result for the year	2,824	531	223
Net operating result attributable to each council fund	2,824	531	223
Net operating result for the year before grants and contributions provided for capital purposes	**(4,264)**	**531**	**(46)**

D1-2 Statement of Financial Position by fund

$ '000	General 2023	Water 2023	Sewer 2023
ASSETS			
Current assets			
Cash and cash equivalents	1,064	–	–
Investments	15,141	7,462	5,403
Receivables	5,823	396	302
Inventories	465	12	–
Contract assets and contract cost assets	2,709	–	–
Total current assets	25,202	7,870	5,705
Non-current assets			
Receivables	25	–	–
Inventories	824	–	–
Infrastructure, property, plant and equipment	612,229	21,369	53,383
Intangible assets	48	–	–
Total non-current assets	613,126	21,369	53,383
Total assets	638,328	29,239	59,088
LIABILITIES			
Current liabilities			
Payables	1,813	–	1
Contract liabilities	6,666	–	–
Borrowings	395	384	388
Employee benefit provision	3,457	–	–
Total current liabilities	12,331	384	389
Non-current liabilities			
Borrowings	643	2,517	2,668
Employee benefit provision	340	–	–
Provisions	4,907	–	–
Total non-current liabilities	5,890	2,517	2,668
Total liabilities	18,221	2,901	3,057
Net assets	620,107	26,338	56,031

Attachment 3 – CGRC Financial Plan 2022-32: Consolidated

COOTAMUNDRA GUNDAGAI REGIONAL COUNCIL
Long Term Financial Plan
Budget 2022-2023 to 2031-2032

Description	Delivery Program				Long Term Financial Plan					
	Budget 2022-2023	Estimate 2023-2024	Estimate 2024-2025	Estimate 2025-2026	Forecast 2026-2027	Forecast 2027-2028	Forecast 2028-2029	Forecast 2029-2030	Forecast 2030-2031	Forecast 2031-2032
Income										
Rates & Annual Charges	(18,190,000)	(18,927,900)	(19,131,675)	(19,633,100)	(20,147,700)	(20,676,100)	(21,218,400)	(21,775,100)	(22,346,600)	(22,933,300)
User Charges & Fees	(7,894,969)	(8,044,169)	(8,197,869)	(8,355,769)	(8,518,069)	(8,685,169)	(8,856,769)	(9,033,369)	(9,214,669)	(9,401,269)
Interest & Investment Revenue	(140,900)	(140,900)	(140,900)	(140,900)	(140,900)	(140,900)	(140,900)	(140,900)	(140,900)	(140,900)
Other Revenues	(1,603,500)	(1,610,200)	(1,616,800)	(1,623,600)	(1,630,600)	(1,637,800)	(1,645,200)	(1,652,700)	(1,660,300)	(1,668,000)
Grants & Contributions - Operating	(8,518,922)	(8,653,493)	(8,796,697)	(8,946,190)	(9,107,790)	(9,273,390)	(9,443,190)	(9,617,090)	(9,795,390)	(9,978,290)
Grants & Contributions - Capital	(5,014,583)	(948,100)	(957,400)	(967,000)	(976,800)	(986,800)	(997,100)	(1,007,700)	(1,018,500)	(1,029,600)
Recovery of Corporate Overhead Expenditure	0	0	0	0	0	0	0	0	0	0
Net Gains from the Disposal Of Assets	0	0	0	0	0	0	0	0	0	0
Total Income from Continuing Operations	(41,362,874)	(38,324,761)	(38,841,341)	(39,666,559)	(40,521,859)	(41,400,159)	(42,301,559)	(43,226,859)	(44,176,359)	(45,151,359)
Expenses										
Employee Costs	13,123,700	13,610,500	14,107,300	14,627,400	15,158,700	15,657,200	16,175,400	16,712,800	17,271,500	17,854,100
Interest on Loans	182,781	147,491	116,637	88,795	71,694	53,740	35,759	17,331	1,619	0
Materials & Contracts	13,024,100	13,260,500	13,664,600	13,739,800	13,984,000	14,232,000	14,653,600	14,741,600	15,003,300	15,269,700
Depreciation	10,535,700	10,535,700	10,535,700	10,535,700	10,535,700	10,535,700	10,535,700	10,535,700	10,535,700	10,535,700
Other Expenses	1,488,772	1,525,900	1,564,000	1,602,900	1,642,900	1,683,900	1,725,800	1,768,800	1,812,900	1,858,100
Total Expenses from Continuing Operations	38,355,053	39,080,091	39,988,237	40,594,595	41,392,994	42,162,540	43,126,259	43,776,231	44,625,019	45,517,600
Operating Result from continuing operations - (Gain)/Loss	(3,007,821)	755,330	1,146,896	928,036	871,135	762,381	824,700	549,372	448,660	366,241
Operating Result from continuing operations before Capital Grants/Contrib (Gain)/Loss	2,006,762	1,703,430	2,104,296	1,895,036	1,847,935	1,749,181	1,821,800	1,557,072	1,467,160	1,395,841
Capital Expenditure	15,104,883	8,743,956	8,128,500	6,674,688	6,953,833	6,692,335	6,172,651	6,439,903	7,089,200	6,446,154
Proceeds from Sale of Land	0	0	0	0	0	0	0	0	0	0
Loan Funds Utilised	0	0	0	0	0	0	0	0	0	0
Loan Principal repaid	1,315,250	1,159,937	1,190,793	850,523	867,625	885,579	903,560	921,988	214,612	0
Transfers from Restricted Assets (Reserves)	(10,008,561)	(9,061,917)	(8,479,261)	(7,058,949)	(7,373,394)	(7,145,696)	(6,661,212)	(6,965,164)	(7,437,031)	(6,618,054)
Transfers to Restricted Assets (Reserves)	7,267,554	8,807,542	9,059,342	9,318,143	9,583,942	9,859,342	10,142,443	10,433,242	11,238,800	11,545,900
Depreciation Contra	(10,535,700)	(10,535,700)	(10,535,700)	(10,535,700)	(10,535,700)	(10,535,700)	(10,535,700)	(10,535,700)	(10,535,700)	(10,535,700)
Net Unrestricted Cash Deficit/(Surplus)	135,605	(130,852)	510,569	176,741	367,441	518,241	846,441	843,641	1,018,541	1,204,541

Attachment 4 – CGRC Financial Plan 2022-32: General Fund

Attachment 5 – CGRC Financial Plan 2022-32: Water Fund

COOTAMUNDRA GUNDAGAI REGIONAL COUNCIL

COOTAMUNDRA GUNDAGAI REGIONAL COUNCIL
Long Term Financial Plan
Budget 2022-2023 to 2031-2032

Description	Delivery Program				Long Term Financial Plan					
	Budget 2022-2023	Estimate 2023-2024	Estimate 2024-2025	Estimate 2025-2026	Forecast 2026-2027	Forecast 2027-2028	Forecast 2028-2029	Forecast 2029-2030	Forecast 2030-2031	Forecast 2031-2032
GENERAL FUND RESULTS										
Income										
Rates & Annual Charges	**(13,361,400)**	(13,953,700)	(14,007,675)	(14,354,800)	(14,710,500)	(15,075,100)	(15,448,800)	(15,831,900)	(16,224,500)	(16,626,900)
User Charges & Fees	**(4,369,769)**	(4,414,769)	(4,461,069)	(4,508,469)	(4,557,069)	(4,606,869)	(4,657,769)	(4,710,269)	(4,763,869)	(4,818,769)
Interest & Investment Revenue	**(79,300)**	(79,300)	(79,300)	(79,300)	(79,300)	(79,300)	(79,300)	(79,300)	(79,300)	(79,300)
Other Revenues	**(1,596,500)**	(1,603,200)	(1,609,800)	(1,616,600)	(1,623,600)	(1,630,800)	(1,638,200)	(1,645,700)	(1,653,300)	(1,661,000)
Grants & Contributions - Operating	**(8,406,622)**	(8,537,793)	(8,677,497)	(8,823,390)	(8,981,290)	(9,143,090)	(9,308,990)	(9,478,890)	(9,653,090)	(9,831,690)
Grants & Contributions - Capital	**(5,014,583)**	(948,100)	(957,400)	(967,000)	(976,800)	(986,800)	(997,100)	(1,007,700)	(1,018,500)	(1,029,600)
Total Income from Continuing Operations	**(32,828,174)**	(29,536,861)	(29,792,741)	(30,349,559)	(30,928,559)	(31,521,959)	(32,130,159)	(32,753,759)	(33,392,559)	(34,047,259)
Expenses										
Employee Costs	**12,016,300**	12,458,200	12,908,600	13,380,900	13,862,100	14,311,400	14,778,600	15,263,200	15,766,500	16,291,400
Interest on Loans	**53,881**	33,305	18,066	5,957	4,762	3,566	2,270	986	0	0
Materials & Contracts	**8,959,600**	9,091,100	9,387,800	9,352,900	9,484,300	9,616,700	9,919,800	9,886,200	10,023,200	10,161,900
Depreciation	**9,608,900**	9,608,900	9,608,900	9,608,900	9,608,900	9,608,900	9,608,900	9,608,900	9,608,900	9,608,900
Other Expenses	**1,488,772**	1,525,900	1,564,000	1,602,900	1,642,900	1,683,900	1,725,800	1,768,800	1,812,900	1,858,100
Total Expenses from Continuing Operations	**32,127,453**	32,717,405	33,487,366	33,951,557	34,602,962	35,224,466	36,035,370	36,528,086	37,211,500	37,920,300
Operating Result from continuing operations - (Gain)/Loss	**(700,721)**	3,180,544	3,694,625	3,601,998	3,674,403	3,702,507	3,905,211	3,774,327	3,818,941	3,873,041
Operating Result from continuing operations before Capital Grants/Contrib (Gain)/Loss	**4,313,862**	4,128,644	4,652,025	4,568,998	4,651,203	4,689,307	4,902,311	4,782,027	4,837,441	4,902,641
Capital Expenditure	**8,854,883**	4,393,956	5,578,500	4,124,688	4,353,833	5,592,335	5,072,651	5,339,903	5,989,200	5,346,154
Loan Funds Utilised	**0**	0	0	0	0	0	0	0	0	0
Loan Principal Repaid	**557,743**	387,715	402,955	46,954	48,149	49,345	50,641	51,926	0	0
Transfers from Restricted Assets (Reserves)	**(1,155,700)**	(2,109,056)	(3,326,400)	(1,906,088)	(2,170,533)	(3,442,835)	(2,958,351)	(3,262,303)	(3,734,169)	(2,915,193)
Transfers to Restricted Assets (Reserves)	**2,188,300**	3,559,189	3,636,689	3,715,889	3,796,789	3,881,489	3,968,089	4,056,688	4,200,100	4,292,700
Depreciation Contra	**(9,608,900)**	(9,608,900)	(9,608,900)	(9,608,900)	(9,608,900)	(9,608,900)	(9,608,900)	(9,608,900)	(9,608,900)	(9,608,900)
Net Unrestricted Cash Deficit/(Surplus)	**135,605**	(196,552)	377,469	(25,459)	93,741	173,941	429,341	351,641	665,172	987,802

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Unrestricted Cash Deficit/(Surplus)	0	44,800	90,800	138,000	186,600	233,600	282,200	332,100	384,000	437,100

Attachment 6 – CGRC Financial Plan 2022-32: Sewer Fund

COOTAMUNDRA GUNDAGAI REGIONAL COUNCIL
Long Term Financial Plan
Budget 2022-2023 to 2031-2032

Description	Delivery Program				Long Term Financial Plan					
	Budget 2022-2023	Estimate 2023-2024	Estimate 2024-2025	Estimate 2025-2026	Forecast 2026-2027	Forecast 2027-2028	Forecast 2028-2029	Forecast 2029-2030	Forecast 2030-2031	Forecast 2031-2032
SEWERAGE SERVICE RESULTS										
Income										
Rates & Annual Charges	(2,651,900)	(2,731,700)	(2,813,800)	(2,898,400)	(2,985,500)	(3,075,300)	(3,167,700)	(3,262,900)	(3,360,900)	(3,461,900)
User Charges & Fees	(686,500)	(706,000)	(726,100)	(746,800)	(768,000)	(789,900)	(812,400)	(835,500)	(859,200)	(883,600)
Interest & Investment Revenue	(25,200)	(25,200)	(25,200)	(25,200)	(25,200)	(25,200)	(25,200)	(25,200)	(25,200)	(25,200)
Other Revenues	0	0	0	0	0	0	0	0	0	0
Grants & Contributions - Operating	(55,100)	(56,800)	(58,500)	(60,300)	(62,100)	(64,000)	(65,900)	(67,900)	(69,900)	(72,000)
Grants & Contributions - Capital	0	0	0	0	0	0	0	0	0	0
Net Gains from the Disposal Of Assets	0	0	0	0	0	0	0	0	0	0
Total Income from Continuing Operations	(3,418,700)	(3,519,700)	(3,623,600)	(3,730,700)	(3,840,800)	(3,954,400)	(4,071,200)	(4,191,500)	(4,315,200)	(4,442,700)
Expenses										
Employee Costs	513,900	534,400	555,500	577,600	600,700	624,800	649,700	675,600	702,600	730,700
Interest on Loans	50,469	44,679	38,802	32,835	26,778	20,629	14,387	8,050	1,619	0
Materials & Contracts	1,131,900	1,160,600	1,189,800	1,219,600	1,250,200	1,281,600	1,313,600	1,346,500	1,380,100	1,414,500
Depreciation	440,500	440,500	440,500	440,500	440,500	440,500	440,500	440,500	440,500	440,500
Impairment	0	0	0	0	0	0	0	0	0	0
Other Expenses	0	0	0	0	0	0	0	0	0	0
Interest and Investments Losses	0	0	0	0	0	0	0	0	0	0
Losses on Disposal of Assets	0	0	0	0	0	0	0	0	0	0
Total Expenses from Continuing Operations	2,136,769	2,180,179	2,224,602	2,270,535	2,318,178	2,367,529	2,418,187	2,470,650	2,524,819	2,585,700
Operating Result from continuing operations - (Gain)/Loss	(1,281,931)	(1,339,521)	(1,398,998)	(1,460,165)	(1,522,622)	(1,586,871)	(1,653,013)	(1,720,850)	(1,790,381)	(1,857,000)
Operating Result from continuing operations before Capital Grants/Contrib (Gain)/Loss	(1,281,931)	(1,339,521)	(1,398,998)	(1,460,165)	(1,522,622)	(1,586,871)	(1,653,013)	(1,720,850)	(1,790,381)	(1,857,000)
Capital Expenditure	3,200,000	2,500,000	1,000,000	1,000,000	1,000,000	500,000	500,000	500,000	500,000	500,000
Loan Funds Utilised	0	0	0	0	0	0	0	0	0	0
Loan Principal Repaid	381,992	387,782	393,660	399,626	405,683	411,832	418,075	424,411	214,612	0
Transfers from Restricted Assets (Reserves)	(4,325,961)	(3,625,961)	(2,125,961)	(2,125,961)	(2,125,961)	(1,625,961)	(1,625,961)	(1,625,961)	(1,625,961)	(1,625,961)
Transfers to Restricted Assets (Reserves)	2,466,400	2,539,100	2,614,100	2,691,200	2,770,500	2,852,200	2,936,300	3,022,800	3,111,600	3,203,100
Depreciation Contra	(440,500)	(440,500)	(440,500)	(440,500)	(440,500)	(440,500)	(440,500)	(440,500)	(440,500)	(440,500)
Net Unrestricted Cash Deficit/(Surplus)	0	20,900	42,300	64,200	87,100	110,700	134,900	159,900	(30,631)	(220,361)

Attachment 7 – Published Operational Plan Budget FY24

OPERATING INCOME:	$
Finance Department	(12,118,026)
Executive Department	(40,000)
Business Department	(288,000)
Building Department	(315,000)
Engineering Cootamundra	(483,084)
Engineering Gundagai	(455,116)
Services Cootamundra	(3,553,500)
Services Gundagai	(1,441,500)
Water Cootamundra	(3,092,720)
Water Gundagai	(1,523,280)
Sewer Cootamundra	(2,753,150)
Sewer Gundagai	(731,850)
Grants and Contributions	(20,970,274)
TOTAL OPERATING INCOME:	(47,765,500)
OPERATING EXPENDITURE	
Finance Department	12,584,325
Executive Department	1,800,000
Business Department	3,430,000
Building Department	1,223,715
Engineering Cootamundra	9,953,520
Engineering Gundagai	5,174,400
Services Cootamundra	5,189,300
Services Gundagai	2,407,200
Water Cootamundra	2,154,050
Water Gundagai	1,060,950
Sewer Cootamundra	1,429,900
Sewer Gundagai	380,100
Projects	-
TOTAL OPERATING EXPENDITURE:	46,787,460
NET RESULT: (SURPLUS)/DEFICIT	(978,040)

CAPITAL INCOME:	$
Asset Sales - Cootamundra	(188,750)
Asset Sales - Gundagai	(188,750)
Transfer from Reserves	(9,503,056)
Capital Grants and Contributions - Cootamundra	(6,418,372)
Capital Grants and Contributions - Gundagai	(2,254,002)
TOTAL CAPITAL INCOME:	**(18,552,930)**

CAPITAL EXPENDITURE	
Bridges - Cootamundra	-
Bridges - Gundagai	920,000
Buildings - Cootamundra	1,119,502
Buildings - Gundagai	790,067
Land - Cootamundra	-
Land - Gundagai	-
Plant & Equipment - Cootamundra	1,240,378
Plant & Equipment - Gundagai	1,240,378
Cemeteries - Cootamundra	-
Cemeteries - Gundagai	80,000
Recreation - Cootamundra	-
Recreation - Gundagai	1,334,805
Roads - Cootamundra	2,136,550
Roads - Gundagai	4,071,550
Waste - Cootamundra	522,000
Waste - Gundagai	520,000
Sewer - Cootamundra	2,850,000
Sewer - Gundagai	745,000
Water - Cootamundra	1,240,000
Water - Gundagai	1,584,000
TOTAL CAPITAL EXPENDITURE:	**20,394,230**

Attachment 8 – OP24 Distributed between Cootamundra and Gundagai

		CGRC				Cootamundra				Gundagai		
Budget FY24 (QBRS)	**Program**	**$Income**	**$Expend**	**$Nett**	%	**$Income**	**$Expend**	**$Nett**	%	**$Income**	**$Expend**	**$Nett**
Financial Management	Financial	0	1346725	1346725	67%	0	902306	902306	33%	0	444419	444419
General Purpose Income Cootamundra - Ad Valorem	Rates	-5036842		-5036842		-5036842	0	-5036842		0	0	0
General Purpose Income Cootamundra - Base	Rates	-1817984		-1817984		-1817984	0	-1817984		0	0	0
General Purpose Income Gundagai - Ad Valorem	Rates	-3298784		-3298784		0	0	0		-3298784	0	-3298784
General Purpose Income Gundagai - Base	Rates	-1096256		-1096256		0	0	0		-1096256	0	-1096256
Operating Grants	Operating Grant Alloca	-4175000		-4175000	48%	-2004000	0	-2004000	52%	-2171000	0	-2171000
Financial Assistance Grant - General	Operating Grant Alloca	-4682696		-4682696	62%	-2903272	0	-2903272	38%	-1779424	0	-1779424
Financial Assistance Grant - Local roads	Operating Grant Alloca	-1957432		-1957432	47%	-919993	0	-919993	53%	-1037439	0	-1037439
Pensioner Rates Subsidy	Operating Grant Alloca	-345000		-345000	65%	-224250	0	-224250	35%	-120750	0	-120750
Regional Roads Block Grant - 900k, 250k capital	Operating Grant Alloca	-650000		-650000	50%	-325000	0	-325000	50%	-325000	0	-325000
Natural Disaster Declarations AGRN 1001 EPARW - Sp	Operating Grant Emerg	-1160000		-1160000	67%	-777200	0	-777200	33%	-382800	0	-382800
Natural Disaster Declarations AGRN 1034 EPARW - Ho	Operating Grant Emerg	-380000		-380000		0	0	0		-380000	0	-380000
Natural Disaster Declarations AGRN 1034 EPARW - Bu	Operating Grant Emerg	-540000		-540000		0	0	0		-540000	0	-540000
Interest Income	Interest	-788660		-788660	67%	-528402	0	-528402	33%	-260258	0	-260258
Procurement and Stores	Financial	0		0	67%	0	0	0	33%	0	0	0
Procurement and Stores	Financial	0	0	0	67%	0	0	0	33%	0	0	0
Executive Department												
Executive Office	Governance	0	1430000	1430000	50%	0	715000	715000	50%	0	715000	715000
Civic Leadership	Governance	0	220000	220000	50%	0	110000	110000	50%	0	110000	110000
Community Donations	Community	0	40000	40000	70%	0	28000	28000	30%	0	12000	12000
Human Resources	Human Resource	-40000	340000	300000	65%	-26000	221000	195000	35%	-14000	119000	105000
Business Department												
Tourism & Economic Development	Economic	-15000	370000	355000	60%	-9000	222000	213000	40%	-6000	148000	142000
Community Services	Community	0	190000	190000	50%	0	95000	95000	50%	0	95000	95000
Libraries	Cultural	0	900000	900000	60%	0	540000	540000	40%	0	360000	360000
Museums and Art	Cultural	-12000	180000	168000	65%	-7800	117000	109200	35%	-4200	63000	58800
Visitors Information Centres	Economic	-60000	170000	110000	25%	-15000	42500	27500	75%	-45000	127500	82500
Community Events	Community	-1000	60000	59000	50%	-500	30000	29500	50%	-500	30000	29500
Governance and Business Systems	Governance	0	230000	230000	60%	0	138000	138000	40%	0	92000	92000
Information Technology	IT	0	900000	900000	60%	0	540000	540000	40%	0	360000	360000
Customer Service	Governance	0	310000	310000	70%	0	217000	217000	30%	0	93000	93000
Communications and Engagement	Governance		120000	120000	60%	0	72000	72000	40%	0	48000	48000
Building Department												
Development and Building	Regulatory	-300000	1223715	923715	67%	-201000	819889	618889	33%	-99000	403826	304826
OSMS income	Regulatory	-79500	0	-79500		-41700	0	-41700		-37800	0	-37800
Food Safety and Public Health	Regulatory	-15000	0	-15000	67%	-10050	0	-10050	33%	-4950	0	-4950

		CGRC				Cootamundra				Gundagai		
Budget FY24 (QBRS)	**Program**	**$Income**	**$Expend**	**$Nett**	%	**$Income**	**$Expend**	**$Nett**	%	**$Income**	**$Expend**	**$Nett**
Engineering Cootamundra												
Risk Management	Governance	-49419	178500	129081		-49419	178500	129081		0	0	0
Work Health & Safety	Human Resource	-15300	129900	114600		-15300	129900	114600		0	0	0
Operations Management	Asset Operations	-255	798150	797895		-255	798150	797895		0	0	0
State Roads	Contract	0	2900000	2900000		0	2900000	2900000		0	0	0
RMCC Routine Services	Contract	-1200000		-1200000		-1200000		-1200000		0	0	0
RMCC Contract Works	Contract	-2300000		-2300000		-2300000		-2300000		0	0	0
Regional Roads	Transport	0	1707920	1707920		0	1707920	1707920		0	0	0
Local Rural Roads	Transport	0	3270000	3270000		0	3270000	3270000		0	0	0
Town and Village Streets	Transport	0	1038000	1038000		0	1038000	1038000		0	0	0
Quarries	Commercial	-15000	25000	10000		-15000	25000	10000		0	0	0
Stormwater Management	Utility Stormwater	-67310	0	-67310		-67310	0	-67310		0	0	0
Aerodrome	Commercial	-17000	110000	93000		-17000	110000	93000		0	0	0
Plant Management	Plant	-20400	-902700	-923100		-20400	-902700	-923100		0	0	0
Private Works	Contract	-200000	142500	-57500		-200000	142500	-57500		0	0	0
Emergency Services	Emergency	-95000	365000	270000		-95000	365000	270000		0	0	0
Asset Management Planning	Asset Management	0	191250	191250		0	191250	191250		0	0	0
Land Development	Property	0	0	0		0	0	0		0	0	0
Engineering Gundagai												
Risk Management	Governance	-47481	171500	124019				0		-47481	171500	124019
Work Health & Safety	Human Resource	-14700	110100	95400				0		-14700	110100	95400
Operations Management	Asset Operations	-245	766850	766605				0		-245	766850	766605
State Roads	Contract	0	0	0				0		0	0	0
Regional Roads	Transport	0	316000	316000				0		0	316000	316000
Local Rural Roads	Transport	0	3030000	3030000				0		0	3030000	3030000
Town and Village Streets	Transport	0	882000	882000				0		0	882000	882000
Quarries	Commercial	-15000	25000	10000				0		-15000	25000	10000
Stormwater Management	Utility Stormwater	-59690	0	-59690				0		-59690	0	-59690
Plant Management	Plant	-19600	-867300	-886900				0		-19600	-867300	-886900
Private Works	Contract	-200000	142500	-57500				0		-200000	142500	-57500
Emergency Services	Emergency	-95000	365000	270000				0		-95000	365000	270000
Asset Management Planning	Asset Management	0	232750	232750				0		0	232750	232750
Land Development	Property	0	0	0				0		0	0	0

COOTAMUNDRA GUNDAGAI: FINANCIAL SUSTAINABILITY

		CGRC				Cootamundra				Gundagai		
Budget FY24 (QBRS)	**Program**	**$Income**	**$Expend**	**$Nett**	%	**$Income**	**$Expend**	**$Nett**	%	**$Income**	**$Expend**	**$Nett**
Services Cootamundra												
Regulatory Services	Asset Operations	-2500	125000	122500		-2500	125000	122500				0
Cemeteries	Commercial	-196000	168000	-28000		-196000	168000	-28000				0
Animal Control	Regulatory	-25000	80000	55000		-25000	80000	55000				0
Public Toilets	Community	0	154100	154100		0	154100	154100				0
Caravan Parks	Commercial	-42000	15050	-26950		-42000	15050	-26950				0
Saleyards	Commercial	-98000	126000	28000		-98000	126000	28000				0
Buildings and Property Management	Property	-257400	465000	207600		-257400	465000	207600				0
Street Tree Maintenance	Transport	0	192500	192500		0	192500	192500				0
Noxious Weeds	Regulatory	0	80000	80000		0	80000	80000				0
Swimming Pools	Recreation	0	550000	550000		0	550000	550000				0
Sports Stadium	Recreation	0	60000	60000		0	60000	60000				0
Parks and Gardens	Recreation	0	823900	823900		0	823900	823900				0
Sporting Grounds	Recreation	-30000	198750	168750		-30000	198750	168750				0
Waste Collection Services	Utility Waste	-2146000	851000	-1295000		-2146000	851000	-1295000				0
Landfill Operations	Utility Waste	-760000	1300000	540000		-760000	1300000	540000				0
Waste Transfer Stations	Utility Waste	0	0	0		0	0	0				0
Services Gundagai												
Regulatory Services	Asset Operations	-2500	125000	122500				0		-2500	125000	122500
Cemeteries	Commercial	-154000	132000	-22000				0		-154000	132000	-22000
Animal Control	Regulatory	-25000	80000	55000				0		-25000	80000	55000
Public Toilets	Community	0	75900	75900				0		0	75900	75900
Caravan Parks	Commercial	-18000	6450	-11550				0		-18000	6450	-11550
Saleyards	Commercial	-42000	54000	12000				0		-42000	54000	12000
Buildings and Property Management	Property	-79400	285000	205600				0		-79400	285000	205600
Street Tree Maintenance	Transport	0	57500	57500				0		0	57500	57500
Noxious Weeds	Regulatory	0	80000	80000				0		0	80000	80000
Swimming Pools	Recreation	0	450000	450000				0		0	450000	450000
Parks and Gardens	Recreation	0	246100	246100				0		0	246100	246100
Sporting Grounds	Recreation	-10000	66250	56250				0		-10000	66250	56250
Waste Collection Services	Utility Waste	-754000	299000	-455000				0		-754000	299000	-455000
Landfill Operations	Utility Waste	0	225000	225000				0		0	225000	225000
Waste Transfer Stations	Utility Waste	-360000	225000	-135000				0		-360000	225000	-135000

		CGRC				Cootamundra				Gundagai		
Budget FY24 (QBRS)	**Program**	**$Income**	**$Expend**	**$Nett**	%	**$Income**	**$Expend**	**$Nett**	%	**$Income**	**$Expend**	**$Nett**
Water												
Cootamundra Water Network	Utility Water	-3092720	2154050	-938670		-3092720	2154050	-938670				0
Water Management	Utility Water	0		0		0		0				0
Gundagai Water Network	Utility Water	-1523280	1060950	-462330				0		-1523280	1060950	-462330
Water Management	Utility Water	0		0				0		0		0
Sewer												
Cootamundra Sewer Network	Utility Sewer	-2753150	1429900	-1323250		-2753150	1429900	-1323250				0
Sewerage Management	Utility Sewer	0		0		0		0				0
Gundagai Sewer Network	Utility Sewer	-731850	380100	-351750				0		-731850	380100	-351750
Sewerage Management	Utility Sewer	0		0				0		0		0
Overhead Expenses	Attribution		2422000	2422000	65%	0	1574300	1574300	35%	0	847700	847700
Internal Allocation of Overhead Costs	Attribution	-1360400		-1360400	65%	-884260	0	-884260	35%	-476140	0	-476140
Internal Allocation of Admin Overhead Costs	Attribution	0		0	65%	0	0	0	35%	0	0	0
Internal Allocation of Water & Sewer O/head Costs	Attribution	-360000		-360000	65%	-234000	0	-234000	35%	-126000	0	-126000
Depreciation	Depreciation											
Depreciation - General	Depreciation		6005000	6005000	45%	0	2702250	2702250	55%	0	3302750	3302750
Depreciation - Buildings	Property		1970000	1970000	66%	0	1300200	1300200	34%	0	669800	669800
Depreciation - Water	Utility Water		568000	568000	56%	0	318080	318080	44%	0	249920	249920
Depreciation - Sewer	Utility Sewer		1050000	1050000	52%	0	546000	546000	48%	0	504000	504000
Depreciation - Stormwater	Utility Stormwater		567000	567000	53%	0	300510	300510	47%	0	266490	266490
Depreciation - Waste	Utility Waste		340000	340000	75%	0	255000	255000	25%	0	85000	85000
Depreciation - Plant	Plant		1609000	1609000	56%	0	901040	901040	44%	0	707960	707960
		- 45,705,754	50,310,860	4,605,106		- 29,348,707	31,433,845	2,085,138	15	- 16,357,047	18,877,015	2,519,968

	- 45,705,626	50,310,860	4,605,234		- 29,974,243	31,433,845	1,459,602	15	- 15,731,383	18,877,015	3,145,632
Capital Expenditure											
Bridges							0			920000	920000
Buildings						119502	119502			790067	790067
Land							0				0
Plant						1240378	1240378			1240378	1240378
Cemeteries							0			80000	80000
Recreation							0			1334805	1334805
Roads						2136550	2136550			5060550	5060550
Waste						522000	522000			520000	520000
Water						1240000	1240000			1584000	1584000
Sewer						2850000	2850000			745000	745000
					-	8,108,430	8,108,430	-	-	12,274,800	12,274,800
Capital Income											
Asset - Plant Sales	-377500		-377500		-188750		-188750		-188750		-188750
Capital Grants (per capex Budget)	-9361374		-9361374		-2104002	0	-2104002		-7257372	0	-7257372
Section 7.12 Developer Contributions	-300000		-300000	50%	-150000	0	-150000	50%	-150000	0	-150000
Roads to Recovery Grant - Capital			0	50%	0	0	0	50%	0	0	0
Infrastructure Renewal Scheme Subsidy	-30000		-30000	50%	-15000	0	-15000	50%	-15000	0	-15000
	0										
Grants and Contributions	- 9,691,374	-	- 9,691,374		- 2,269,002	-	- 2,269,002		- 7,422,372	-	- 7,422,372
Reserves (nett) (per capex Budget)	- 9,503,056		-9503056		-5786528		-5786528		-3716528		-3716528
Result incl FAG			- 5,086,140								

Attachment 9 – OP24 Operating and Capital Account Format

	CGRC Base	FY24 $m
Operating Account		
Operating Revenues	o general rates	- 11,249,866
	o utilities annual charges (water, sewer, waste and stormwater)	- 11,128,000
	o utilities user charges (water, sewer, waste)	- 1,120,000
	o regulatory fees (eg development, animal, weed, food, OSMS etc)	- 444,500
	o commercial fees (eg caravan park, saleyards, cemeteries, aerodrome)	- 597,000
	o property hire, lease and licences (eg halls, café)	- 336,800
	o other fees	- 300,400
	o investment interest	- 788,660
	o allocated annual operating grants and subsidies (eg FAG)	- 6,985,128
	o competitive operating grants and subsidies (eg environment)	- 4,175,000
	o competitive maintenance grants and subsidies (eg roads)	- 650,000
	o emergency maintenance grants and subsidies (eg disaster)	- 2,270,000
	o contract and private works revenues (eg RMCC)	- 3,900,000
	o attributions/overhead (incl plant hire)	- 1,760,400
	o other (incl dividends)	
	TOTAL OPERATING REVENUES	**- 45,705,754**
Operating Expenditures		
asset	o asset operations/servicing/management	2,239,000
	o asset maintenance (general, reserves)	11,828,920
	o asset OMR (utilities - water, sewer, waste and stormwater)	5,025,000
	o asset depreciation (general, buildings)	7,975,000
	o asset depreciation (utilities - water, sewer, waste and stormwater)	2,525,000
	o asset depreciation (plant)	1,609,000
services	o regulatory	1,543,715
	o commercial	661,500
	o property	750,000
	o services (community, culture, environment, economic, emergency)	3,160,000
	o support *	5,486,725
	o donations and government transfers (incl ESL)	770,000
	o contract and private works (incl RMCC)	3,185,000
	o utilities (water, sewer, waste and stormwater)	2,900,000
	o attributions/overhead/plant	652,000
	TOTAL OPERATING EXPENSES	**50,310,860**
	OPERATING RESULT (surplus/deficit)	**4,605,106**

Attachment 10 – Sustainability Principles

1.Average a balanced budget	strengthen reliable tax base assume availability of grants will tighten account for impacts of gifted and grant funded assets prepare balanced or surplus operating budgets target 'benchmark' ratios
2.Update contemporary costs	update AMPs - refresh works schedules estimates with asset revaluations update contributions plans 5 y early with AMP schedules/costs
3.Consider 'minimalist' approach	match funding to minimum obligations per legislation minimise level of NGO, community sponsorships and donations consider recruitment of volunteers/groups for nominated activities
4.Set the tone…(policy)	establish policies (pricing, grants, public good (CSO), debt, donations, gifted assets, CSR responsiveness)
5.Maintain unrestricted cash	provide assurance to creditors of the new councils' liquidity and cashflow buffer for 'shocks', and reserve for 'opportunity' aim> 3 months of cash opex as available working capital
6.Manage grants 'legacy''	scope the program or project to the funding provided retreat if funding deferred or reduced notate budget as 'subject to receipt…' defer commencement until deed executed pursue 'pay and do' for disaster cashflow include future grant-funded asset OMR in financial plan forecasts
7.Measured asset divestment	recycling property, low value assets sales to improve liquidity and restore working capital
8.Migrate into shared resources platform	(human, plant, technology) and contracted service arrangements focus on compliance and specialist functions
9.Invest in organisational maturity	invest in contemporary and specialist skills, particularly PM, AM, CM, development, finance workforce planning: manage demerger churn; build expertise through TTR and traineeships maintain emergency response capability
10 Explore options to build rates to benchmark	restore rates to pre-merger yields as minimum Gundagai retain value SRV yields for both to cover nett asset OMRD manage risk of depreciation expense growing faster than tax (rates, annual charges) yields
11.Manage capital programs	reduce new/upgrade capex to value of confirmed grants and contributions monitor annual carryovers and modify program on organisation capability measured retreat from underfunded government policy-programs
12.Assets first, Nice next…	acknowledge assets sponsor services focus on growth in asset expenditure notes community views performance through lens of condition, access and functionality of assets
13.Keep pace (rates v depreciation)	monitor rates and annual charges growth remains greater than asset depreciation annual growth

14.Build resilience into design	renewal of key infrastructure and buildings should be BBB estimate-design ready leverage disaster grants - prioritise those renewals
15.Refresh Asset plans	apply IPWEA/IIMM standards (condition rating; MR, renewal, resilience technical standards) map new or upgraded assets to full funding from grants or contributions benchmark actual expenditure per asset class against depreciation revise asset profile renewals to align to AMP, or ss7 data sheet (condition x restore to std $)
16.Refresh Contributions and Grants Plans	align to AMS-AMP works schedules seek 3% of development construction cost in s7.11 plan apply contemporary construction indexation recalibrate Plan values 5 yearly
17.Prepare Depreciation Plan	align to AMP useful/remaining lives align/modify to condition assessment and revaluation cycle
19.Modernise Utility plans	assess treatment and storage performance (NSW PWA) apply water + sewer best practice (NSW DPE) prepare strategic business plans apply nominated pricing recoveries build reserves to access/match grants
19.Reframe Service and Asset standards	document service-program-activity framework establish parameters: role | scope | pricing principle | LoS | trends | criticality | performance | CSR align to assets hierarchy establish service criticality and MAO | asset renewal ICL
20.Build Working Capital	plan for operating surplus to accumulate working capital equivalent to 3 months operational expenditure, as buffer to shocks, initially fill project or grant gaps, and match funding for future grants
21. Manage gifted and grant funded assets	Accommodate future operations, maintenance and renewals in financial plans recover value of future OMRD for new estates through rate sub-categories and differential rates
22.Apply Funds accounting (utilities)	establish and account for ringfenced and self-financing Funds in annual budget and annual report balances held in restricted funds (reserves) opportunity for shared facilities and services establish rates of return (RoR) per pricing policy financial and asset ratios to meet or exceed OLG benchmarks
23.Establish rates of return	set for annual and user charges for utilities Funds, or as recommended by AMP and SBP reviews target (phased) fee recoveries for services: shared | private | regulatory | market
24.Use reserves and debt to smooth asset capex	smooth asset renewal and upgrade establish infrastructure/BBB ‘sinking fund’
25.Rationalise strategy actions	assign findings and recommendations of existing strategy and plans into QBL/CSP pillars assess findings relevance, then clean out irrelevant/no go actions nominate actions status; the prioritise desired actions into DP (QBL ranking tool)

	apply weighted factors for asset investment: load | climate | risk | MR | freight | tourist | growth
26.Utilise community surveys	sensibly survey satisfaction and importance: levels of service, and asset servicing and standards utilise results to guide CSR responsiveness: triage | action
27.Declare trade offs	publish the changes to service-asset settings to enable other financial or projects to proceed be clear on what council will or won't do with limited resources
28.Reformat budgets and reports	consider input-outcome cashflow model to improve transparency and awareness of service and asset apply activity base costing to identify real cost of services (attributions) differentiate service, support and asset expenditure and associated revenues identify results (surplus/deficit) in the Operating Account and Capital Account balanced operating account indicates the value of depreciation is available for asset renewal operating surplus is available for new or upgrade capital expenditure
29.Reduce natural resources	reduce energy consumption, water consumption, waste generation explore recyclables v virgin fill, recyclables in bedding, circular economy
30.Expand performance indicators	Financial, Asset, Workforce, Sustainability, Resilience
31.Remodel general rates	set notional yield to cover ○ asset OMRD* (nett) ○ public service CSO (nett) revise/introduce rate subcategories (energy) differentiate to asset standards and LoS#
32.Reset pricing policy	attribute support (overhead)to identify real service costs phase rates of return (RoR) per pricing policy targets: shared | private | regulatory | market monitor change in patronage, affordability
33.Narrow any revenue gaps	gaps in less-than-benchmark revenues supplement by planned improvement in cost recoveries
34.Leverage council property	consider bio-offsets | renewable energy | carparks - EVC explore affordable housing | essential worker accommodation
35.Build transparency	establish registers (asset, contract, property, investment, grant) revise assurance framework ○ risk appetite ○ risk register ○ internal audit ○ ARIC ○ quadrant analysis prepare 'State of' reports (environment, infrastructure, Funds (utilities)
36.Leverage disaster grants	establish BBB internal reserve prioritise renewals consider obsolescence of vulnerable assets
37.Leverage relationships	maintain a collaborative and 'can do' reputation: agencies | professional associations | joint organisation
38.Pursue new annual charges	explore options for expanded annual charging with Government under s496 (stormwater, waste)

	explore s501/503 options with Government for ringfenced annual charging (climate, transport, emergency, environment, tourism
39.Continue advocacy	join LGNSW and others advocating emergency services levy, regional roads transfer and regulatory fee recoveries
40.Consider creative recoveries	stormwater: maintenance, depreciation, related debt | street/gutter cleansing | discharge controls waste: street | roadside litter | road base/utility trench bedding | set mandatory procurement specs via Government water: catchment management (erosion, weed) within storage catchment or riparian inflow sewer: irrigation of recreation reserves renewable energy (above notional rate yield): establish business rate subcategory | apply multiuse apportionment/valuation of sites subdivision growth: calculate estate gifted assets annualised OMRD | establish locality rate subcategory | structure rates to recover 125% annualised OMRD activity based costing: Illustrate 'real' and recoverable service costs | capitalise % support costs to record real cost of acquisitions and assets mimic Sydney Water charging approach: at least raise stormwater charge to cover depreciation (Ministerial intervention)

Attachment 11 – Asset Management Plan – Transport

18. Appendix D: 10 Year Financial Plan (2018 $,000)

Item	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Average
Operations											
Street trees	180	184	188	192	196	200	204	208	213	217	198
Street Cleaning	55	57	58	59	60	62	63	64	66	67	61
Internal Charges	8	8	9	9	10	11	11	12	12	12	10
Street lighting - energy costs	180	184	188	192	196	200	204	208	213	217	198
Total Operations	**424**	**433**	**442**	**452**	**462**	**472**	**482**	**492**	**503**	**513**	**468**
Maintenance											
Regional roads maintenance	647	661	674	662	675	690	704	719	734	749	692
Town streets maintenance	674	688	703	717	733	748	764	780	796	813	741
Street furniture maintenance	2	2	2	2	3	3	3	3	3	3	3
Village Maintenance	142	145	148	151	154	157	160	164	167	171	156
Sealed rural roads maintenance	663	677	820	837	855	873	891	910	929	948	840
Unsealed rural roads maintenance	555	566	600	613	625	639	652	666	680	694	629
Timber bridge maintenance	58	59	61	62	63	65	66	67	69	70	64
Total Maintenance	**2,741**	**2,799**	**3,007**	**3,044**	**3,108**	**3,173**	**3,240**	**3,308**	**3,377**	**3,448**	**3,125**
Renewals											
Pavement	2,186	2,241	2,287	2,334	2,381	2,430	2,480	2,530	2,582	2,635	2,409
Seal	1,027	1,050	1,373	1,404	1,435	1,646	1,772	1,811	1,852	1,894	1,526
Footpaths	70	72	73	75	76	78	80	81	83	85	77
Kerb	378	387	396	405	414	424	433	443	453	464	420
Bridge	120	300	300	0	0	0	0	0	0	0	72
Total Renewal	**3,781**	**4,050**	**4,429**	**4,217**	**4,307**	**4,578**	**4,764**	**4,866**	**4,971**	**5,077**	**4,504**
Upgrade / Expansion											
Adjungbilly Rd construction	1,600	0	0	0	0	0	0	0	0	0	160
Kerb and gutter construction	45	90	105	105	105	120	120	120	120	120	105
Bitumen shire roads - Upgrade of culverts and causeways	31	31	32	33	33	34	35	36	37	37	34
Total Upgrade / Expansion	**1,676**	**121**	**137**	**138**	**138**	**154**	**155**	**156**	**157**	**157**	**299**
Total Expenditure	**8,622**	**7,402**	**8,015**	**7,851**	**8,015**	**8,377**	**8,641**	**8,822**	**9,007**	**9,196**	**8,395**

Attachment 12 – Asset Management Plan – Water

17. Appendix C: 10 Year Financial Plan (2018 $,000)

Item	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Average
Operations											
Employee Costs	215	221	226	216	222	229	235	242	250	257	231
Administration	697	724	762	782	812	844	876	909	944	980	833
Plant and equipment	10	10	11	11	11	11	12	12	12	12	11
Cootamundra Water purchase - consumption charge	963	983	1,004	1,025	1,046	1,068	1,091	1,114	1,137	1,161	1,059
Cootamundra Water purchase - access charge	435	444	453	463	472	482	492	503	513	524	478
Gundagai WTP Energy costs	106	111	117	123	129	133	139	146	154	161	132
Gundagai WTP Internal Charges	16	16	17	19	20	22	23	23	24	25	20
Gundagai WTP Chemicals	30	31	31	32	32	33	34	35	35	36	33
Total Operations	**2,472**	**2,540**	**2,621**	**2,669**	**2,746**	**2,822**	**2,902**	**2,984**	**3,069**	**3,156**	**2,798**
Maintenance											
Mains, Service Lines & Connections maintenance	449	458	468	478	488	498	508	519	530	541	494
Reservoir Maintenance	26	27	27	28	28	29	30	30	31	31	29
Water meters maintenance	33	33	34	35	36	36	37	38	39	40	36
Gundagai WTP Maintenance	196	200	204	208	213	217	222	227	231	236	215
Total Maintenance	**703**	**718**	**733**	**749**	**764**	**780**	**797**	**814**	**831**	**848**	**774**
Renewals											
Water Reticulation	1,925	1,270	3,216	88	51	52	54	55	1,628	275	861
Storages	0	0	76	13	107	0	0	0	0	0	20
Sub Systems	0	0	0	32	3,000	0	0	0	0	0	303
Mechanical	0	0	0	0	107	0	0	0	0	0	11
Total Renewal	**1,925**	**1,270**	**3,292**	**133**	**3,265**	**52**	**54**	**55**	**1,628**	**275**	**1,195**
Upgrade / Expansion											
Water reservoir expansion	0	0	126	0	0	0	0	0	0	0	13
Gundagai Treatment Works expansion	126	26	0	0	0	0	378	0	0	0	53
Water Supply to Nangus Village	637	0	0	0	0	0	0	0	0	0	64
Water Supply to the Dog on the Tuckerbox	590	0	0	0	0	0	0	0	0	0	59
Total Upgrade / Expansion	**1,353**	**26**	**126**	**0**	**0**	**0**	**378**	**0**	**0**	**0**	**188**
Total Expenditure	**6,453**	**4,555**	**6,772**	**3,551**	**6,775**	**3,655**	**4,130**	**3,853**	**5,527**	**4,279**	**4,955**

Attachment 13 – Asset Management Plan – Sewerage

18. Appendix C: 10 Year Financial Plan (2018 $,000)

Item	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Average
Operations											
Administration	974	1,013	1,053	1,094	1,138	1,183	1,230	1,279	1,329	1,382	1,167
Internal Charges	31	32	34	36	39	41	43	44	45	47	39
Cleaning	19	20	20	21	21	21	22	22	23	23	21
Plant and equipment	5	5	5	5	5	5	5	5	6	6	5
Energy costs	145	153	160	168	177	182	191	201	211	221	181
Treatment Chemicals	16	16	17	17	17	18	18	19	19	19	18
Total Operations	**1,190**	**1,238**	**1,289**	**1,342**	**1,397**	**1,451**	**1,509**	**1,570**	**1,633**	**1,698**	**1,432**
Maintenance											
Mains maintenance	516	527	538	549	561	573	585	597	609	622	568
Building maintenance	7	7	7	7	7	8	8	8	8	8	8
Grounds maintenance	37	38	39	40	41	42	44	45	46	48	42
Pumping Stations Operations & Maintenance	40	41	42	43	44	44	45	46	47	48	44
Treatment Operations & Maintenance	206	210	214	219	223	228	233	238	243	248	226
Total Maintenance	**806**	**823**	**840**	**858**	**876**	**895**	**914**	**934**	**954**	**974**	**887**
Renewals											
Sewer Reticulation	638	848	600	875	628	904	657	672	905	703	743
Mechanical	0	0	0	0	0	420	0	0	0	0	42
Civil	0	9	0	10	0	10	0	0	0	0	3
Total Renewal	**638**	**857**	**600**	**885**	**628**	**1,334**	**657**	**672**	**905**	**703**	**788**
Upgrade / Expansion											
Sewerage Treatment Plant renewal	10,125	2,875	0	0	0	0	0	0	0	0	1,300
Total Upgrade / Expansion	**10,125**	**2,875**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**1,300**
Total Expenditure	**12,759**	**5,792**	**2,729**	**3,084**	**2,901**	**3,679**	**3,080**	**3,175**	**3,491**	**3,376**	**4,407**

Attachment 14– Asset Management Plan – Stormwater

18. Appendix D: 20 Year Financial Plan (2018 $,000)

Item	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Average
Operations											
Total Operations											
Maintenance											
Drainage repairs	14	14	15	15	15	16	16	16	17	17	15
Clean stormwater drains	10	10	10	10	10	11	11	11	11	12	11
Gross pollutant trap maintenance	28	29	30	30	31	31	32	33	33	34	31
Total Maintenance	**52**	**53**	**54**	**55**	**56**	**58**	**59**	**60**	**61**	**63**	**57**
Renewals											
Pipes	160	160	160	170	170	170	170	180	180	180	170
Total Renewal	**160**	**160**	**160**	**170**	**170**	**170**	**170**	**180**	**180**	**180**	**170**
Upgrade / Expansion											
Total Upgrade / Expansion											
Total Expenditure	**212**	**213**	**214**	**225**	**226**	**228**	**229**	**240**	**241**	**243**	**227**

Attachment 15 – Asset Management Plan – Buildings, Recreation, Commercial, Waste

18. Appendix D: 10 Year Financial Plan (2017 $,000)

Item	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Average
Operations											
Administration	569	586	602	620	640	660	679	699	719	740	651
Emergency Services Operations	687	700	718	736	755	774	794	815	836	858	767
Rates & Charges	351	351	355	359	361	375	385	396	407	418	376
Electricity and gas	225	236	248	260	273	281	295	310	325	342	279
Employee costs	589	604	619	628	647	666	644	664	684	704	645
Pool contract	112	114	117	119	122	124	127	130	132	135	123
Waste Collection	406	414	423	432	441	450	459	469	479	489	446
Waste processing	490	500	511	521	532	543	555	566	578	591	539
Supervision contract	393	401	410	418	427	436	445	455	464	474	432
Waste haulage costs	90	92	94	96	98	100	102	104	106	108	99
Total Operations	**3,911**	**3,998**	**4,095**	**4,189**	**4,295**	**4,411**	**4,487**	**4,607**	**4,731**	**4,858**	**4,358**
Maintenance											
Caravan Parks Maintenance	23	24	24	25	25	26	26	27	27	28	26
Buildings maintenance	359	366	374	382	390	398	406	415	424	433	395
Pools maintenance	69	70	72	73	75	76	78	80	81	83	76
Parks Maintenance	721	736	752	768	784	800	817	834	852	869	793
Tree Maintenance	200	204	208	213	217	222	227	231	236	241	220
Landfill maintenance	105	107	109	112	114	117	119	121	124	127	116
Aerodrome maintenance	35	36	36	37	38	39	40	40	41	42	38
Saleyards maintenance	73	74	76	77	79	81	82	84	86	88	80
Total Maintenance	**1,585**	**1,618**	**1,652**	**1,687**	**1,722**	**1,758**	**1,795**	**1,833**	**1,871**	**1,911**	**1,743**
Renewals											
Caravan Park	30	50	0	50	0	100	0	0	0	50	28
Buildings - Specialised	435	77	78	80	82	83	85	87	89	90	118
Swimming Pool	415	5	5	5	6	6	6	6	6	6	47
Parks	473	51	52	53	54	55	57	58	59	60	97
Sporting Facilities	597	9	9	10	10	10	10	10	11	11	69
Saleyards	300	0	0	0	0	0	0	0	0	0	30
Total Renewal	**2,250**	**192**	**145**	**198**	**151**	**254**	**158**	**161**	**164**	**218**	**389**
Upgrade / Expansion											
Cootamundra Waste Facility Upgrades	1,000	0	0	0	0	0	0	0	0	0	100
Gundagai Waste Facility Upgrades	400	0	0	0	0	0	0	0	0	0	40
Gundagai Large Scale Adventure Playground	1,000	0	0	0	0	0	0	0	0	0	100
Cootamundra Pool Water Park	100	0	0	0	0	0	0	0	0	0	10
Gundagai Netball Courts - 50% capital	100	0	0	0	0	0	0	0	0	0	10
Cootamundra Library / Stephen Ward Rooms Outdoor area	200	0	0	0	0	0	0	0	0	0	20
Cootamundra Rugby Union Club Upgrade 40% capital	80	0	0	0	0	0	0	0	0	0	8
Gundagai Main Street Public Toilet	150	0	0	0	0	0	0	0	0	0	15
Large-scale teen playground at Jubilee Park, Cootamundra 80% capital	400	0	0	0	0	0	0	0	0	0	40
Updated play and fitness equipment at Nangus, Stockinbingal and Wallendbeen villages	375	0	0	0	0	0	0	0	0	0	38
Upgrade to community fitness infrastructure in Gundagai and Cootamundra	600	0	0	0	0	0	0	0	0	0	60
Total Upgrade / Expansion	**4,405**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**441**
Total Expenditure	**12,150**	**5,808**	**5,892**	**6,074**	**6,169**	**6,423**	**6,440**	**6,601**	**6,766**	**6,986**	**6,931**

Attachment 16 – Sample Service Structure and Pricing Principle RoR

	Service						Support
	Public Good	Shared Benefit	Regulatory	Private Good	Utility	Market	Inhouse
	COMMUNITY	RECREATION	ENVIRONMENT HEALTH	ECONOMIC	UTILITIES	COMMERCIAL	ATTRIBUTED
	Community Donations	Swimming Pools	Development and Building	Tourism & Economic Development	Sewerage Management	Quarries	Financial Management
	Community Services	Sports Stadium	OSMS	Visitors Information Centres	Sewer Network	Aerodrome	Procurement and Stores
	Community Events		Food Safety and Public Health			Quarries	
	Public Toilets		Animal Control	PROPERTY	Stormwater Management	Cemeteries	Governance and Business Systems
			Noxious Weeds	Buildings and Property Management		Caravan Parks	Customer Service
	CULTURAL		Regulatory Services		Waste Transfer Stations	Saleyards	Communications and Engagement
	Libraries				Waste Collection Services	Land Development	Risk Management
	Museums and Art				Landfill Operations		
							Human Resources
	EMERGENCY				Water Management	CONTRACT	Work Health & Safety
	Emergency				Water Network	State Roads	
						Private Works	Information Technology
	RECREATION					RMCC Routine Services	
	Parks and Gardens					RMCC Contract Works	Plant Management
	Sporting Grounds						
							Asset Management Planning
	TRANSPORT						
	Operations Management						
	Regional Roads						CIVIC
	Local Rural Roads						Executive Office
	Town and Village Streets						Civic Leadership
	Street Trees						
RoR*	10%	25%	50%	75%	120%	110%	0%

Attachment 17 – Sample Pricing Structure

Principle (ATI)*	Purpose	Target % Recovery
Public (CSO)+	Tax-funded public service, infrastructure, facility or function not provided by, nor viable to be undertaken by, private sector or NGO. Often supported by government grants. Minor fee recovery expected.	10%
Shared	Service, facility or function available to public, but often exclusively used by individuals or groups such as sporting clubs. Modest fee recovery expected, to encourage community or recreational activity.	25%
Regulatory	Fees charged to recover actual costs of assessment, inspection, compliance and enforcement functions. Those functions are required by government legislation. Most fees set (and limited) by government regulation. Moderate fee recovery expected.	50%
Private	Fees set to recover full costs of nominated service, facility or function, mostly available or used exclusively by private individuals, clubs or groups. Often referred as user beneficiary. Most costs expected to be recovered.	75%
Utility (RoR#)	Annual charges and user fees set to recover operating, maintenance, depreciation and debt servicing costs for water, sewer, waste and stormwater utilities. Charges should accommodate a rate of return (as permitted) and be set to also buffer future seasonality impact and infrastructure augmentation.	100%
Market	Fees set to recover full costs of nominated service, facility or function, with a margin for profit. Market fees may account for competitor pricing and may be subject to quotation.	>100%
ABC^	Corporate, plant and other overhead costs are distributed across all external services and facilities to identify real cost of provision and appropriate levels of fee recovery.	

Attachment 18 – Service Criticality and Pricing Principle

Criticality:
- Critical
- Important
- Discretionary

Service

- Asset operations
- Commercial
- Community
- Contract
- Cultural
- Economic
- Emergency
- Property
- Recreation
- Regulatory
- Transport
- Utility – Sewer
- Utility – Stormwater
- Utility – Waste
- Utility – Water

Support

- Asset management
- Financial
- Governance
- Human Resource
- Information Technology
- Plant

Executive

- Elected members
- Executive

Pricing:
- Public good (C)
- Shared (S)
- Private (P)
- Regulatory (R)
- Market (M)
- Utility (U)

Service

- Asset operations
- Commercial
- Community
- Contract
- Cultural
- Economic
- Emergency
- Property
- Recreation
- Regulatory
- Transport
- Utility – Sewer
- Utility – Stormwater
- Utility – Waste
- Utility – Water

Support

- Asset management
- Financial
- Governance
- Human Resource
- Information Technology
- Plant

Executive

- Elected members
- Executive

Attachment 19 – Sustainability Rating Definitions

Very Strong	A local government with a very strong capacity to meet its financial commitments in the short, medium and long-term. It has a record of reporting operating surpluses and is highly likely to be able to manage major unforeseen financial shocks and any adverse changes in its business without revenue and/or expense adjustments. Its capacity to manage core business risks is very strong
Strong	A local government with a strong capacity to meet its financial commitments in the short, medium and long-term. It generally has a record of operating surpluses and may occasionally report minor operating deficits. It is able to address its operating deficits, manage major unforeseen financial shocks and any adverse changes in its business, with minor revenue and/or expense adjustments. The expense adjustments are likely to result in only minor changes to the range of and/or quality of services offered. Its capacity to manage core business risks is strong
Sound	A local government with an adequate capacity to meet its financial commitments in the short, medium and long-term. While it is likely that it may have a record of minor to moderate operating deficits, the local government is expected to regularly report operating surpluses. It is likely able to address its operating deficits, manage major unforeseen financial shocks and any adverse changes in its business, with minor or moderate revenue and/or expense adjustments. The expense adjustments are likely to result in some changes to the range of and/or quality of services offered. Its capacity to manage core business risks is sound.
Moderate	A local government with an adequate capacity to meet its financial commitments in the short to medium-term and an acceptable capacity in the long-term. While it has some record of reporting minor to moderate operating deficits, the local government may also have recently reported a significant operating deficit. It is likely able to address its operating deficits, manage unforeseen financial shocks and any adverse changes in its business, with moderate revenue and/or expense adjustments. The expense adjustments are likely to result in a number of changes to the range of and/or quality of services offered. Its capacity to manage core business risks is moderate
Weak	A local government with an acceptable capacity to meet its financial commitments in the short to medium-term and a limited capacity in the long term. It has a record of reporting moderate to significant operating deficits with a recent operating deficit being significant. It is unlikely to be able to address its operating deficits, manage unforeseen financial shocks, and any adverse changes in its business, without the need for significant revenue and/or expense adjustments. The expense adjustments would result in significant changes to the range of and/or quality of services offered. It may experience difficulty in managing core business risks
Very Weak	A local government with a limited capacity to meet its financial commitments in the short and medium-term, and a very limited capacity long-term. It has a record of reporting significant operating deficits. It is highly unlikely to be able to address its operating deficits, manage unforeseen financial shocks and any adverse changes in its business without the need for structural reform and major revenue and/or expense adjustments. The expense adjustments are likely to result in significant changes to the range and/or quality of services offered and it may need the

	assistance from higher levels of government. It will have difficulty in managing its core business risks
Distressed	A local government with a very limited capacity to meet its short-term financial commitments and no capacity to meet its medium to long-term financial commitments. It has a record of reporting significant operating deficits. To be able to address its operating deficits, meet its medium and long-term obligations, manage unforeseen financial shocks and any adverse changes in its business, major revenue and expense adjustments and structural reform will be required. The local government is unlikely to have the capacity to manage core business risks and may need assistance from higher levels of government

Assessment of financial sustainability – risk rating

Risk Measure	Operating Surplus	Net Financial Liability	Asset Sustainability
Higher	Less than negative 10% (i.e. losses) • *Insufficient revenue is being generated to fund operations and asset renewal*	More than 80% • *Potential long-term concern over ability to repay debt levels from operating revenue*	Less than 50% • *Insufficient spending on asset replacement or renewal resulting in reduced service levels and increased burden on future ratepayers*
Moderate	Negative 10% to zero • *A risk of long-term reduction in cash reserves and inability to fund asset renewals*	60% to 80% • *Some concerns over the ability to repay debt from operating revenue*	50% to 90% • *Irregular spending or insufficient asset management practices creating a backlog of maintenance and renewal work*
Lower	More than zero (i.e. surpluses) • *Well positioned to fund operations and asset renewals*	Less than 60% • *No concern over the ability to repay debt from operating revenue*	More than 90% • *Likely to be sufficiently replacing or renewing assets as they reach the end of their useful lives*

Risk Level	Detail of Risk
High	Higher risk of sustainability issues arising in the short to medium term if current operating income and expenditure policies continue, as indicated by average operating deficits (losses) of more than 10 per cent of operating revenue
Moderate	Moderate risk of sustainability issues over the longer term if current debt financing and capital investment policies continue, as indicated by: • current net financial liabilities more than 80 per cent of operating revenue or • average asset sustainability ratio over the last 5 years is less than 50 per cent or

	• average operating deficits (losses) over the last 5 years of between 2 and 10 per cent of operating revenue or • realising 2 or more of the individual ratios for moderate risk assessments
Low	Lower risk of financial sustainability concerns based on current income, expenditure, asset investment and debt financing policies

Attachment 20 – Local Government Financial Risks

Asset

Risk	Likelihood	Consequence
Development slower than expected resulting is reduced contributions	Likely	Moderate
Assets are not maintained, renewed or rehabilitated in line with AMP (or depreciation) resulting in public liability claims	Possible	Moderate
Major asset failure due to inadequate maintenance, renewal or rehabilitation (including following disaster)	Unlikely	Major
Inflation is significantly higher than estimated	Likely	Moderate
Natural disasters impact works program	Possible	Moderate

Revenue

Risk	Likelihood	Consequence
Change of direction after election impacts revenue raising	Possible	Moderate
State legislation results in under recovered or lower revenues	Possible	Moderate
IPART rate peg lower than expected	Possible	Moderate
Reduction or cessation of grant funding	Possible	Major
Inadequate use and patronage to generate expected growth in market, regulatory and private use programs	Possible	Moderate
Development slower than expected resulting is reduced supplementary valuations and rates	Likely	Moderate

Cashflow

Risk	Likelihood	Consequence
Investment rates and returns lower than expected	Likely	Moderate
Patronage/usage (and subsequent rates of return) lower than expected	Possible	Moderate
Global financial issues impact supply chain and credit availability	Possible	Major
Economic circumstances result in debtor defaults	Possible	Minor
Natural disasters cause underwriting of damage repairs by council	Possible	Moderate

Capacity

Risk	Likelihood	Consequence
Poor management of day labour and contracted resources, including safety, training and risk	Likely	Moderate
Insufficient skilled human resources for asset, project, development, compliance and financial management	Likely	Moderate
Low configuration input and utilisation take up of ERP	Likely	Major

Attachment 21 – Good Budget Practice

Sensible actions	Questionable actions
Aim for more than break-even to allow for a buffer	Have break-even targets that allow little flexibility
Stick to your budget	Ignore your budget
Analyse variances by comparing actuals to budget	Cut discretionary costs, such as training, maintenance etc
Investigate the reasons for differences in your budget	Cut costs with no justification
Correctly price services so the right quantity of services goes to the right places	Cut costs to break-even and looking for short-term solutions
Incur an efficient level and type of costs	Increase rates and charges to cover inefficient costs

Sensible actions	Questionable actions
Maintain a good asset maintenance plan	Delay replacing deteriorating assets
Stick to your plan	Increase the asset life by artificial means
Analyse variances by comparing actuals to budget	Acquire low-cost or poor-quality replacements
Be smart in the acquisition of assets	Don’t have a quality asset management plan
Be prudent and recognise business needs	Major delays in maintenance OR not replacing deteriorating assets
Adhere to the agreed asset management plan	Disregard whole-of-life costs in the business case or no business case produced

Sensible actions	Questionable actions
Maintain moderate levels of cash for shocks	Maintain insufficient cash for shocks
Recognise smaller councils need to hold higher levels of cash	Maintain too much cash and become lazy and inefficient
Take budgeting seriously with robust cash flow forecasting	Budget poorly
Be prudent and efficient to reduce expenses and improve ratio	Cut discretionary expenses to improve ratio
Stick to the plan/budget	Ignore the plan/budget
Be aware of interrelationships with other ratios	Ignore interrelationships with other ratios