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# Public exhibition: Draft Integrated Planning and Reporting Framework (incorporating the 2022/23 Budget and 'Revenue' policy)

*Responsible Officer: Group Manager Corporate and Commercial , Guy Bezrouchko*

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## Recommendation

That:

1. Council endorses the draft Integrated Planning and Reporting Framework (incorporating the 2022/23 Budget and 'Revenue' policy) attached to this report, for public exhibition.
2. Council note that adjustments approved at this meeting as part of the March 2022 Quarterly Budget Review Statement report will be included in the exhibited Framework as appropriate.
3. If public submissions are made during the public exhibition period, a report be furnished to Council's June 2022 meeting, including staff comment on how the submissions have been considered, for Council to determine a position on endorsement of the Framework (incorporating the 2022/23 Budget and 'Revenue' policy).
4. If no public submissions are made during the public exhibition period, the version of the draft Integrated Planning and Reporting Framework (incorporating the 2022/23 Budget and 'Revenue' policy) placed on public exhibition, is deemed to be adopted by Council.

## Draft 2022/23 Budget

This section of the report is presented with the following structure:

- Financial information on the organisation as one combined entity (consolidated).
- Financial information in respect to each Reporting Unit: Bulk Water, Retail Water, Flood Mitigation, Weed Biosecurity, Richmond Water Laboratories, Commercial Properties, and Fleet.

It is noted that the Long-Term Financial Plan (LTFP) presented in this report does not include budget adjustments presented to Council as part of the March 2022 Quarterly Budget Review Statement (see separate report). Those adjustments, if approved by Council, will be included in the LTFP prior to public exhibition.

The report presents financial information in a consistent format for each of the Reporting Units and the whole organisation. Detailed information is provided on each Reporting Unit in terms of assumptions on which the budget is based, including a breakdown of the main streams of income and expense for both operating and capital items.

The transfers to and from reserve represent the net cash movement for the Reporting Unit. The transfer to or from reserve is used to balance the cash movement to zero. This results in the cash surplus or loss being retained within the Reporting Unit.

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### **Long-Term Financial Plan (LTFP) Caveat**

The financial plan is significantly impacted by the Future Water Project 2060 (FWP2060). The current LTFP reflects Council's decision from its February 2022 meeting [5/22] which continues with the basic assumptions as of the July 2021 Council resolution [39/21] but accommodates the change relating the Dunoon Dam investigation studies.

The LTFP relies on estimates of significant capital and operating expenditure to construct and run new and expanded groundwater sites. To finance these costs the LTFP includes external borrowings and increases to the contributions required from constituent councils. Future borrowings are significant, and the impact of estimated loan rates are evident in the LTFP.

The viability and estimated costs of the new water source solutions continues to be investigated. It is possible, indeed likely, that core assumptions will change as investigations continue.

Therefore, the LTFP includes significant assumptions in respect to future capital works which are currently 'proposals' that continue to be actively investigated. The LTFP is presented based on the available information as of April 2022.

### **March 2022 Flood Events**

The LTFP contains limited information regarding the financial impact of the March 2022 flood events. Council staff are still performing damage assessments and preparing both an insurance claim and a natural disaster funding claim.

There are likely to be changes to the budget to accommodate flood related works and this information will be provided to Council in the future when the information is available. Some initial damage estimates are provided in the Quarterly Budget Review Statement Quarter ending 31 March 2022.

## Whole Organisation

The table below details the forecast Operating Performance of the organisation together with capital movements and estimated cash reserve.

**Table 1: Whole Organisation Forecast Operating Performance**

Description	2023 Estimate \$	2024 Estimate \$	2025 Estimate \$	2026 Estimate \$	2027 Estimate \$	2028 Estimate \$	2029 Estimate \$	2030 Estimate \$	2031 Estimate \$	2032 Estimate \$
Operating Income	27,603,100	29,517,800	31,102,500	32,808,500	34,848,100	37,005,900	39,270,100	41,734,000	44,427,600	47,253,400
Operating Expense	33,365,200	34,979,100	36,106,300	37,652,300	38,983,500	41,211,400	42,048,700	43,362,700	43,526,600	44,058,800
<b>Operating Result</b>	<b>(5,762,100)</b>	<b>(5,461,300)</b>	<b>(5,003,800)</b>	<b>(4,843,800)</b>	<b>(4,135,400)</b>	<b>(4,205,500)</b>	<b>(2,778,600)</b>	<b>(1,628,700)</b>	<b>901,000</b>	<b>3,194,600</b>
Less: Depreciation	7,813,800	8,308,700	8,685,100	8,967,000	9,259,800	9,760,200	10,023,800	10,191,400	10,349,900	10,495,100
<b>Operating Result Excl</b>	<b>2,051,700</b>	<b>2,847,400</b>	<b>3,681,300</b>	<b>4,123,200</b>	<b>5,124,400</b>	<b>5,554,700</b>	<b>7,245,200</b>	<b>8,562,700</b>	<b>11,250,900</b>	<b>13,689,700</b>
Add: Capital Income	32,595,800	38,671,000	41,024,000	29,682,000	19,846,000	35,016,000	10,196,000	5,374,000	5,562,000	5,757,000
Less: Loan Capital	4,488,600	5,763,600	7,019,400	7,907,700	7,895,600	6,913,200	6,870,200	7,148,100	7,437,500	7,738,800
Less: Capital Expense	26,236,800	39,819,100	36,766,200	27,509,700	16,717,100	36,750,400	13,862,700	3,851,100	5,168,300	12,638,700
Transfer to Reserve	4,676,400	1,157,500	1,979,700	350,500	484,900	159,700	151,400	3,031,400	4,268,900	338,200
Transfer from Reserve	754,300	5,221,800	1,060,000	1,962,700	127,200	3,252,600	3,443,100	93,900	61,800	1,269,000
<b>Net Cash Movement</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Estimated Cash Reserve \$</b>	<b>20,309,000</b>	<b>16,244,700</b>	<b>17,164,400</b>	<b>15,552,200</b>	<b>15,909,900</b>	<b>12,817,000</b>	<b>9,525,300</b>	<b>12,462,800</b>	<b>16,669,900</b>	<b>15,739,100</b>

The outlook depicts an organisation heavily invested in capital works. The operating result is poor in the early years but gradually improves to a surplus from 2030/31. Capital expense over the ten years is forecast to be approximately \$219 million supported by external borrowings of approximately \$165 million. Cash reserves fluctuate as funds are applied to capital works and then replenished by new borrowings.

It is not preferable to forecast eight years of operating deficits however it is considered sustainable as income from Constituent Council contributions for bulk water is elevated to match the new operating and capital expenses associated with the FWP2060. Some of the existing pressure on prices is released in 2027/28 when the majority of existing loans expire. The outlook for the whole organisation tends to be dominated by the Bulk Water Reporting Unit and more detailed information is provided in this section of the report.

## Bulk Water

### Future Water Project 2060

It is appropriate to commence the commentary of Bulk Water Reporting Unit with the FWP2060 because it has a profound impact on the finances of the Reporting Unit. Modelling indicates that Council requires additional water supply to accommodate population growth and the effects of climate change. Demand will exceed secure yield by 2024.

Hence the need for the FWP2060 and associated expenditures. The table below shows the proposed capital works program to provide new water sources for the region.

**Table 2: Future Water Project 2060 Forecast Expenditure**

Task/Cost		Total	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
	Cost	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
Alstonville Groundwater	Capital	37,588,000	3,522,500	16,861,300	17,204,200	-	-	-	-	-	-	-
	Operating	6,512,400	-	-	-	876,100	893,200	911,100	929,800	948,500	967,100	986,600
Alstonville Groundwater Renewals	Renewals	1,422,000	-	-	-	174,500	180,700	187,100	193,900	200,800	269,900	215,100
Woodburn Existing Bore 3 + WTP	Capital	212,200	212,200	-	-	-	-	-	-	-	-	-
Woodburn New Bores	Capital	2,005,800	885,900	1,119,900	-	-	-	-	-	-	-	-
Tyagarah Groundwater	Capital	49,973,600	973,700	1,103,300	1,125,800	5,741,000	10,535,800	22,329,600	8,164,400	-	-	-
	Operating	4,035,700	-	-	-	-	-	-	-	1,318,900	1,344,900	1,371,900
	Renewals	832,000	-	-	-	-	-	-	-	268,200	277,200	286,600
Groundwater Source Land Acquisition	Capital	18,578,200	4,031,800	5,085,400	5,520,000	3,941,000	-	-	-	-	-	-
IPR Investigations	Operating	811,600	265,200	270,500	275,900	-	-	-	-	-	-	-
DPR Pilot Scheme	Capital	5,745,800	636,600	649,200	2,208,000	2,252,000	-	-	-	-	-	-
	Operating	1,811,200	-	-	-	-	287,000	292,800	298,800	304,800	310,800	317,000
Investigations for Dunoon Dam	Operating	375,600	159,200	216,400	-	-	-	-	-	-	-	-
Demand Management Recurrent Spending	Operating	5,810,500	530,400	541,000	551,800	562,800	574,100	585,600	597,300	609,200	621,400	636,900
Drought Management Planning	Operating	144,000	-	-	-	-	144,000	-	-	-	-	-
Demand Forecasting (incl. Data Acquisition)	Operating	233,700	42,000	-	-	45,000	-	-	96,000	-	-	50,700
Secure Yield Assessment	Operating	172,000	-	54,000	-	-	57,000	-	-	61,000	-	-
IWCM Strategy Review	Operating	1,404,000	-	-	221,000	-	-	585,500	597,500	-	-	-
Other Total Principals Program Costs	Capital	19,171,000	3,118,000	3,010,000	2,858,000	3,480,000	1,655,000	1,765,000	1,827,000	822,000	315,000	321,000
<b>Totals</b>		<b>159,132,600</b>	<b>14,377,500</b>	<b>28,911,000</b>	<b>29,964,700</b>	<b>17,072,400</b>	<b>14,326,800</b>	<b>26,656,700</b>	<b>12,704,700</b>	<b>4,533,400</b>	<b>6,399,600</b>	<b>4,185,800</b>

It is anticipated that these expenditures will assist to provide a secure yield of bulk water that will sustain the county area until 2040. Note that the forecasts in the table have been adjusted to represent the future cost required due to cost of living (CPI) increases.

In the period 2022/23-2031/32 it is proposed to expend approximately \$159 million on Alstonville, Woodburn and Tyagarah Groundwater systems plus various demand management projects. This estimate includes both operating and capital expenses.

One of the costs is \$375,600 to investigate all options for Dunoon Dam and any potential cultural heritage and environmental impacts. As no official decision has been made by Council the LTFP does not include any forecasts to construct the Dunoon Dam at this time.

Further the proposal includes a project titled 'DPR Pilot Scheme' which is for a wastewater reclamation plant.

### Bulk Water Reporting Unit comments

The aim of this section of the report is to provide some basic information on the larger financial elements relating to the Reporting Unit. Unless otherwise stated the estimates refer to the 2022/23 year.

- Operating Income
  - The primary income source is contributions from constituent Councils with income forecast at \$20.6 million.

- Interest income from funds invested is forecast to return \$67,400. Income from this source will fluctuate as reserves are used to support capital works.
- Operating Expense
  - Dams and treatment expense is forecast to exceed \$6.7 million.
  - Interest on borrowings will be \$2.2 million.
  - Depreciation is forecast at \$6.3 million.
- Capital Income
  - Section 7.11 (formerly Section 64) income is Council’s second largest income stream. The amount of income received in any given year can vary significantly depending on the amount of development that occurs in the County. The 2022/23 forecast of \$4.2 million is based on previous years. However, this income source can be volatile and could be influenced by other external factors such as the February/March 2022 floods and COVID-19.
  - External borrowings: the table below shows the proposed borrowings for 2022/23-2031/32. The majority of the loans relate to the FWP2060.

**Table 3: Estimated Borrowings 2022/23 – 2031/32**

Year	2023	2024	2025	2026	2027	2028	2029	Total
Amount \$	25,000,000	30,000,000	35,000,000	25,000,000	15,000,000	30,000,000	5,000,000	165,000,000
Est Rate	3.50%	3.85%	4.30%	4.50%	4.55%	4.60%	4.70%	

Interest rates are predicted to increase over time however it is difficult to predict exactly just what will occur and when. The assumption has been that rates will increase in line with the Government Bond Rates plus a margin of 2.90%. The forecast rate of 3.50% for 2022/23 is based on recent advice from NSW TCorp. If Rous is unable to borrow from NSW TCorp this rate could be significantly higher.

All loans have been calculated based on a standard principal and interest repayment over 20 years. Rous staff will negotiate loans over longer terms i.e. 30-years if possible.

Given the amount of borrowings proposed the assumptions in terms of rates and loan terms have a significant impact on the LTFP and these assumptions will be fine-tuned annually.

Current forecasts do not recommend taking out a single loan facility in 2022/23 that would cover the ten-year program. Despite predicted rate rises this option is significantly more expensive, requiring an increase to the bulk water price path to fund the increased debt servicing costs.

- Capital Expense
 

Forecast capital expenditure over the life of the model amounts to approximately \$200 million. Apart from the FWP2060 detailed above, major projects include:

  - \$6.0 million – Coraki 225 bulk water main renewal
  - \$8.7 million – Knockrow 450 bulk water main
  - \$8.3 million – St Helena 375 bulk water main
  - \$6.4 million – Nightcap Water Treatment Plant Site Services

A detailed list of the capital works program is included in both versions of the Long-Term Financial Plans.

- Assets/Liabilities
  - As at 30 June 2021 the Reporting Unit had assets valued at \$406 million.

- As at 30 June 2021 debt holdings were \$32.2 million.
- A new loan of \$25 million is forecast for 2022/23.

### Council Contributions

Four constituent councils and the Rous Retail Water Reporting Unit pay contributions to the Bulk Water Reporting Unit based on the previous year's water consumption. One of the key issues for the constituent councils is having time to include accurate forecasts for the cost of Bulk Water in their Integrated Planning and Reporting frameworks.

The calculation to determine the annual contribution is based on water consumption for the eleven months from 1 March to 31 January (note: the period normally concludes at 28 February, however, this year the data collection was not possible given the flood event). This allows constituent councils to be advised of their exact annual contribution by mid-March each year. Rous is currently undertaking a review of both its Bulk Water and Retail Water pricing. Any proposed changes to the methodology used will be communicated to constituent councils and elected Councillors. This should occur by the end of September 2022.

The table below shows the forecast percentage increase to contributions to 2031/32. The percentage is the total increase including adjustment for inflation.

**Table 4: Forecast % Increase to constituent councils' contributions for Bulk Water**

Year	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Proposed % Increase	6.0%	6.0%	6.0%	6.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%

The forecast is for greater than the cost-of-living increases and these will be required for the ten-year LTFP. The main issue driving the increase is the large capital works program and the increase to annual operational costs that comes with the new infrastructure and debt servicing.

It is considered that given the magnitude of the capital works program over the next decade, the proposed price increases, whilst not desirable, are reasonable. It suggests that the Reporting Unit is starting from a position of strength, which is supported by the fact that at the start of 2021/22 financial year \$40.7 million was held in reserves that have been accumulated in advance for capital works.

It is also relevant to point out that the contribution increases for the constituent councils were confined to the rate peg increase from 2012/13 to 2018/19.

The following table shows the constituent council contributions in the current 2021/22 financial year and the proposed contributions in 2022/23.

**Table 5: Proposed Bulk Water Contributions Constituent Councils and Retail Water**

	2021/22	2022/23	Movement	Movement
	\$	\$	%	\$
Lismore City Council	6,011,000	6,430,000	7.0	419,000
Byron Council	4,861,500	4,987,900	2.6	126,400
Richmond Valley Council	1,204,000	1,280,100	6.3	76,100
Ballina Council	7,359,900	7,893,900	7.3	534,000
Rous Retail	1,779,100	1,896,500	6.6	117,400
<b>Total</b>	<b>21,215,500</b>	<b>22,488,400</b>	<b>6.0</b>	<b>1,272,900</b>

The above table identifies that while the total increase to income is 6.0%, there is considerable variance between the entities on a percentage basis. This is attributable to the gross water consumed in each local government area compared to each other and relative to the previous year.

Rous Retail consumption is considered to be at a normal level.

### Bulk Water Operating Performance

The Reporting Unit is forecast to make an operating losses until 2030/31. This occurs because expenses associated with new loans and new groundwater operations increase faster than additional contribution income.

The Council contributions are increased on a relatively consistent price path over several years rather than one or two dramatic increases early in the period. This approach is preferred as it allows the constituent councils and their consumers an opportunity to build the increased expense into their budget over several years.

The Reporting Unit remains sustainable despite the recurrent deficits as external borrowings are used to keep cash reserves at an adequate level. It should be noted that the reserve balances do not meet the internal target of six months operating expenditure throughout the ten-year LTFP. The gradual increase to contributions results in an operating surplus being achieved by 2030/31.

An alternative pricing strategy would be to increase contributions by a massive amount early in the LTFP which would result in operating surpluses and less borrowings. An increase of 30.0% would be required in 2024/25 to achieve this. This scenario would result in a surplus operating result by 2024/25 with future increases set at rate pegging. However, this approach would create a significant burden (even greater than that proposed) on consumers in a short period at a time when many are particularly vulnerable since the COVID-19 pandemic and February/March 2022 floods. This option is not recommended and has not been discussed with the constituent councils. It is included here for information purposes only.

**Table 6: Bulk Water Reporting Unit Forecast Operating Performance**

Description	2023 Estimate \$	2024 Estimate \$	2025 Estimate \$	2026 Estimate \$	2027 Estimate \$	2028 Estimate \$	2029 Estimate \$	2030 Estimate \$	2031 Estimate \$	2032 Estimate \$
Operating Income	20,767,100	22,041,700	23,379,100	24,791,400	26,504,400	28,324,100	30,242,600	32,346,600	34,666,900	37,104,000
Operating Expense	25,622,300	26,743,600	27,653,700	29,070,200	30,089,900	32,063,800	32,565,400	33,491,600	33,337,400	33,485,100
<b>Operating Result</b>	<b>(4,855,200)</b>	<b>(4,701,900)</b>	<b>(4,274,600)</b>	<b>(4,278,800)</b>	<b>(3,585,500)</b>	<b>(3,739,700)</b>	<b>(2,322,800)</b>	<b>(1,145,000)</b>	<b>1,329,500</b>	<b>3,618,900</b>
Less: Depreciation	6,340,500	6,692,100	7,019,300	7,276,200	7,543,600	8,018,200	8,255,700	8,396,800	8,528,400	8,646,400
<b>Operating Result Excl</b>	<b>1,485,300</b>	<b>1,990,200</b>	<b>2,744,700</b>	<b>2,997,400</b>	<b>3,958,100</b>	<b>4,278,500</b>	<b>5,932,900</b>	<b>7,251,800</b>	<b>9,857,900</b>	<b>12,265,300</b>
Add: Capital Income	29,223,000	34,371,000	39,524,000	29,682,000	19,846,000	35,016,000	10,192,000	5,374,000	5,562,000	5,757,000
Less: Loan Capital	4,488,600	5,763,600	7,019,400	7,907,700	7,895,600	6,913,200	6,870,200	7,148,100	7,437,500	7,738,800
Less: Capital Expense	21,545,500	35,511,000	33,441,800	26,732,400	15,809,500	35,626,200	12,720,500	2,820,800	4,168,900	11,633,500
Less: Internal Loan	1,000,000	250,000	0	0	0	0	0	0	0	0
Add: Internal Loan Princ	87,100	114,400	117,800	121,400	125,000	128,800	132,700	136,700	140,900	145,100
Transfer to Reserve	3,761,300	0	1,925,300	0	224,000	0	0	2,793,600	3,954,400	0
Transfer from Reserve	0	5,049,000	0	1,839,300	0	3,116,100	3,333,100	0	0	1,204,900
<b>Net Cash Movement</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Estimated Cash Reserve \$</b>	<b>13,354,500</b>	<b>8,305,500</b>	<b>10,230,800</b>	<b>8,391,500</b>	<b>8,615,500</b>	<b>5,499,400</b>	<b>2,166,300</b>	<b>4,959,900</b>	<b>8,914,300</b>	<b>7,709,400</b>

Operating losses are forecast to 2029/30 before the forecast result improves in 2030/31.

The existing loans for the Wilson's River Source are completed by 2027/28 which will significantly improve the results. Council is currently repaying just over \$4 million for these loans each year and part of the contribution pricing strategy is to only inflate prices to the level required given that these loans will be fully repaid by 2027/28.

There is significant activity in this Reporting Unit and the variables and assumptions used in the model are subject to change as new and improved information becomes available.



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## Retail Water

### Retail Water Reporting Unit Comments

This section of the report is to provide some basic information on the larger financial elements relating to the Reporting Unit. Unless otherwise stated the forecasts refer to the 2022/23 year.

- Operating Income
  - The primary income source is from a facility and usage charge levied on approximately 2,000 customers. The facility charge is forecast to derive \$443,900 and usage income \$ 2.2 million.
  - Water sales from filling stations are predicted to be \$392,800. These income sources contribute 97.1% of total income for the Reporting Unit.
- Operating Expenditure
  - The largest expense for the Reporting Unit is the purchase of Bulk Water which amounts to approx. \$1.9 million or 59.7% of total expense.
  - Smart metering and backflow devices are being installed for Retail Water customers.
  - Other expense includes administration, insurance, and maintenance of infrastructure.
- Capital Expenditure
  - Average expense in the first two years of the model is \$1 million as compared to \$235,700 over the next eight years. The first two years include \$212,000 on smart metering installation and \$1.2 million on backflow devices installation.
- Assets/Liabilities
  - As at 30 June 2021 total assets were valued at \$12.4 million.
  - There is no outstanding debt and no borrowings are envisaged.

### Price of Water

It is important to note that the Retail Reporting Unit operates independently of the Bulk Water Reporting Unit. Rous endeavours to provide water to retail customers at a competitive price that is relative to other Councils in the region. The table below shows the proposed price path for retail customers.

**Table 7: Forecast Price Path for Charges to Rous Retail Customers**

Year	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Proposed % Increase	8.00%	7.00%	7.00%	7.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

The main issue driving future price increases is the cost of bulk water. It is anticipated that the bulk water supply will increase by 6.0% and 7.0% for several years (See Bulk Water Reporting Unit section of this report).

The installation of smart metering and backflow devices represents a significant capital cost which reduces the cash reserve. There is a relatively small number of customers to pay for these services which will see the introduction of a new fee for backflow devices at \$196.00 per annum for 2022/23.

The table below compares the Rous Retail Water charges to other councils in the region. The Rous charge is the lowest, however it should be remembered that the level of service provided to Rous' customers is different to that provided by the Constituent Councils to their customers, due to the design of the supply network.



**Table 8: Comparison of 2021/22 Prices for Retail Water Supply (20mm Meter)**

Comparison of Regional Pricing	Fixed fee	Usage charge	Typical bill (\$ p.a.) based on 200kL	Typical bill (\$ p.a.) based on 395kL
	(\$ p.a.)	(\$ per kl)		
Lismore	325.92	4.44	1,214	2,080
Richmond Valley	180.00	2.74 & 4.17 over 200kl	728	1,541
Byron	196.00	2.88	772	1,334
Ballina	216.00	2.43 & 3.65 over 350kl	702	1,231
<b>Rous</b>	<b>178.85</b>	<b>2.63</b>	<b>705</b>	<b>1,218</b>
<i>Regional average</i>			<i>824</i>	<i>1,481</i>

### Retail Water Operating Performance

The table below shows the forecast operating result, capital movements and cash reserves for the Reporting Unit.

**Table 9: Retail Water Reporting Unit Forecast Operating Performance**

Description	2023 Estimate \$	2024 Estimate \$	2025 Estimate \$	2026 Estimate \$	2027 Estimate \$	2028 Estimate \$	2029 Estimate \$	2030 Estimate \$	2031 Estimate \$	2032 Estimate \$
Operating Income	3,099,200	3,580,500	3,842,200	4,074,800	4,290,000	4,517,500	4,758,200	5,012,600	5,281,700	5,565,900
Operating Expense	3,176,500	3,645,800	3,928,300	4,108,000	4,318,900	4,542,000	4,778,000	5,027,700	5,291,800	5,572,000
<b>Operating Result</b>	<b>(77,300)</b>	<b>(65,300)</b>	<b>(86,100)</b>	<b>(33,200)</b>	<b>(28,900)</b>	<b>(24,500)</b>	<b>(19,800)</b>	<b>(15,100)</b>	<b>(10,100)</b>	<b>(6,100)</b>
Less: Depreciation	294,600	420,200	451,500	458,300	465,200	472,200	479,300	486,500	493,800	501,200
<b>Operating Result Excluding Non Cash</b>	<b>217,300</b>	<b>354,900</b>	<b>365,400</b>	<b>425,100</b>	<b>436,300</b>	<b>447,700</b>	<b>459,500</b>	<b>471,400</b>	<b>483,700</b>	<b>495,100</b>
Add: Capital Income	0	0	0	0	0	0	0	0	0	0
Less: Capital Expense	1,628,100	497,400	216,700	222,100	227,500	232,900	238,400	243,900	249,400	254,900
Internal Loan	1,000,000	250,000	0	0	0	0	0	0	0	0
Internal Loan Principle Repayments	87,100	114,400	117,800	121,400	125,000	128,800	132,700	136,700	140,900	145,100
Transfer to Reserve	0	0	30,900	81,600	83,800	86,000	88,400	90,800	93,400	95,100
Transfer from Reserve	497,900	6,900	0	0	0	0	0	0	0	0
<b>Net Cash Movement</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Estimated Cash Reserve \$</b>	<b>739,100</b>	<b>732,200</b>	<b>763,100</b>	<b>844,700</b>	<b>928,500</b>	<b>1,014,500</b>	<b>1,102,900</b>	<b>1,193,700</b>	<b>1,287,100</b>	<b>1,382,200</b>

The forecast is for operational deficits throughout the ten-year LTFP however, these are sufficiently close to break-even. The Reporting Unit is forecast to have cash surpluses in every year of the LTFP while net cash transfers to reserve are forecast from 2024/25 onwards. This forecast includes significant price increases to achieve these results.

The forecast losses are significantly impacted by higher than CPI increases for bulk water which is the largest operational cost for the Reporting Unit. Retail Water consumed a similar share of regional consumption in 2021 and the bulk water charge is based on the previous year's consumption.

The ten-year operating forecast is weaker than would be preferred, particularly regarding the level of cash reserves. The 2022/23 financial year impacts the reserve significantly with the smart metering and backflow device projects accounting for much of the expense.

Internal loans of \$1 million in 2022/23 and \$250,000 in 2023/24 are required to fund these projects as the Retail Water cash reserves are not able to fund these projects. This loan will be repaid with interest over a ten-year period.

The reserve is below the internal cash reserve target over the LTFP and will require careful monitoring, particularly given that the primary income source, water consumption, is liable to vary depending on rainfall. The outlook could be improved by higher price increases than those proposed, and it could be argued that this is a reasonable position to take because Rous Retail Water customers currently have the lowest charges in the County. However, this option is not recommended at this stage given the already high increases proposed.

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## Flood Mitigation

### Flood Mitigation Reporting Unit Comments

This section provides some basic information on the larger financial elements relating to the Reporting Unit. Unless otherwise stated, the forecasts refer to the 2022/23 financial year.

- Operating Income
  - Contribution income of \$910,100 amounts to approximately 90% of total income. This includes contributions from constituent councils for Flood and Drainage.
  - The maintenance grant of \$84,600 has not been increased by the State Government since it was first provided in the 1980's and unfortunately there appears little likelihood of this grant being increased.
  - Other grants are also received that are less predictable. Examples include natural disaster recovery and strategy plans. The LTFFP does not endeavour to predict these grants in future years. The grant conditions typically require the funds to be acquitted via additional expenditure such as contract labour and purchases. Hence the extra income is effectively cancelled out by the extra expenditure.
- Operating Expenditure
  - Wages are forecast at approximately \$456,700.
  - The majority of expense relates to maintenance and repair of infrastructure.
- Capital Expenditure
  - Average annual expenditure over the life of the model is approximately \$245,900.
  - Details of the capital works are included in the enclosed attachment.
- Assets/Liabilities
  - As at 30 June 2021 the Reporting Unit has infrastructure assets valued at \$125.4 million.
  - The Reporting Unit has no net debt, and no new borrowings are envisaged.

Flood Mitigation is responsible for maintaining an extensive network of infrastructure including floodgates, drains and levees.

#### Council Contributions

The table below shows the projected price path of Flood Mitigation contributions. Note that this excludes contributions in respect of 'Drainage' (ex-Drainage Union Councils) which is proposed to be equal to rate peg increases. The percentages shown below include cost of living adjustment.

**Table 10: Forecast Price Path for Constituent Council Flood Mitigation Contributions**

Year	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Proposed % Increase	12.0%	10.0%	8.0%	5.0%	4.0%	4.0%	3.0%	3.0%	2.5%	2.5%

The following table shows the forecast contributions by the constituent councils (excludes drainage contribution) in a dollar format. The maximum dollar increase per council contribution is \$29,500 in 2022/23.

**Table 11: Forecast Dollar Increase to Council Flood Mitigation Contributions**

Year	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Percentage Increase	12.0%	10.0%	8.0%	5.0%	4.0%	4.0%	3.0%	3.0%	2.5%	2.5%
Total Flood Contribution \$	825,600	908,160	980,813	1,029,853	1,071,048	1,113,889	1,147,306	1,181,725	1,211,268	1,241,550
Total Contribution Increase \$	88,500	82,560	72,653	49,041	41,194	42,842	33,417	34,419	29,543	30,282
Contribution per Council \$	275,200	302,720	326,938	343,284	357,016	371,296	382,435	393,908	403,756	413,850
Increase per Council \$	29,500	27,500	24,200	16,300	13,700	14,300	11,100	11,500	9,800	10,100

It is acknowledged that the proposed increases are significant, however the income base of the Reporting Unit is small and the asset base is comparatively, quite large. The intent is to improve the cash operating results to ensure that the cash reserve is maintained. If current service levels are to be maintained the proposed increases are necessary to remain sustainable.

The tables below show the Council Contributions in the current 2021/22 financial year compared to the proposed 2022/23 contribution for both flood and drainage. The proposed increase from 2021/22 to 2022/23 is 12.0%.

**Table 12: Proposed Flood Mitigation Council Contributions**

Service Area	2021/22	2022/23	Increase
Ballina Shire Council	245,700	275,200	29,500
Lismore City Council	245,700	275,200	29,500
Richmond Valley Council	245,700	275,200	29,500
	<b>737,100</b>	<b>825,600</b>	<b>88,500</b>

**Table 13: Proposed Drainage Council Contributions**

Service Area	2021/22	2022/23	Increase
Ballina Shire Council	40,000	40,300	300
Lismore City Council	40,000	40,300	300
Richmond Valley Council	3,900	3,900	0
Totals	<b>83,900</b>	<b>84,500</b>	<b>600</b>

### Flood Mitigation Operating Performance

The table below shows the forecast operating performance of Flood Mitigation for the ten-year LTFP. The table also shows capital movements, reserve transfers and the cash reserve balance at year's end.

**Table 14: Flood Mitigation Reporting Unit Forecast Operating Performance**

Description	2023 Estimate \$	2024 Estimate \$	2025 Estimate \$	2026 Estimate \$	2027 Estimate \$	2028 Estimate \$	2029 Estimate \$	2030 Estimate \$	2031 Estimate \$	2032 Estimate \$
Operating Income	1,011,600	1,089,100	1,165,200	1,217,700	1,263,000	1,309,500	1,346,400	1,383,200	1,415,300	1,449,000
Operating Expense	1,629,500	1,653,100	1,682,400	1,662,600	1,698,200	1,734,500	1,771,400	1,842,400	1,827,700	1,862,000
<b>Operating Result</b>	<b>(617,900)</b>	<b>(564,000)</b>	<b>(517,200)</b>	<b>(444,900)</b>	<b>(435,200)</b>	<b>(425,000)</b>	<b>(425,000)</b>	<b>(459,200)</b>	<b>(412,400)</b>	<b>(413,000)</b>
Less: Depreciation	695,300	705,700	716,300	727,000	737,900	749,000	760,200	771,600	783,200	794,900
<b>Operating Result Excluding Non Cash</b>	<b>77,400</b>	<b>141,700</b>	<b>199,100</b>	<b>282,100</b>	<b>302,700</b>	<b>324,000</b>	<b>335,200</b>	<b>312,400</b>	<b>370,800</b>	<b>381,900</b>
Add: Capital Income	0	0	0	0	0	0	4,000	0	0	0
Less: Capital Expense	182,700	172,400	218,100	167,800	178,600	274,400	300,200	347,000	308,800	308,600
Transfer to Reserve	0	0	0	114,300	124,100	49,600	39,000	0	62,000	73,300
Transfer from Reserve	105,300	30,700	19,000	0	0	0	0	34,600	0	0
<b>Net Cash Movement</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Estimated Cash Reserve \$</b>	<b>456,300</b>	<b>425,600</b>	<b>406,600</b>	<b>520,900</b>	<b>645,000</b>	<b>694,600</b>	<b>733,600</b>	<b>699,000</b>	<b>761,000</b>	<b>834,300</b>

Over recent years the Reporting Unit has recorded operating losses and the forecast is that this will continue throughout the ten-year LTFP. The gradual improvement over the life of the model is primarily due to increases to Council Contributions. Additional resources have been utilised in the Reporting Unit in recent years to improve service levels, but they come at a cost.

The forecast is that the reserve will be less than the internal cash reserve benchmark of five months operating expenditure until 2026/27. From this year on the internal cash reserve benchmark is forecast to be met.

It is important to note that the depreciation included in the table above includes the Lismore Levee. The Levee depreciation must be included as the asset is on the Rous asset register. However, Lismore City Council must pay any operational or capital costs associated with the Levee. Therefore, it is more realistic to look at the outcome excluding forecast Levee depreciation of \$393,200 for 2022/23.

**Table 15: Flood Mitigation Reporting Unit Operating Result Excluding Lismore Levee Depreciation**

	2023 Estimate	2024 Estimate	2025 Estimate	2026 Estimate	2027 Estimate	2028 Estimate	2029 Estimate	2030 Estimate	2031 Estimate	2032 Estimate
Operating Result	(617,900)	(564,000)	(517,200)	(444,900)	(435,200)	(425,000)	(425,000)	(459,200)	(412,400)	(413,000)
Less Lismore Levee Depreciation	393,200	399,100	405,100	411,200	417,400	423,700	430,100	436,600	443,100	449,700
Revised Operating result	(224,700)	(164,900)	(112,100)	(33,700)	(17,800)	(1,300)	5,100	(22,600)	30,700	36,700

In the above table the Reporting Unit does not achieve operating surpluses throughout the ten-year LTFP. However, a cash surplus is achieved in all years of the ten-year LTFP with a net transfer to reserve in six of those years. The financial outlook of the Reporting Unit needs to be monitored closely as any unplanned expenditure will significant impact the cash reserves

An alternative to price increases may be to reduce service levels. However, the current service levels provided by the Reporting Unit indicate that existing assets are being maintained to a satisfactory standard. Staff continue to improve interaction and engagement with landowners serviced by the Reporting Unit.

Therefore, the strategy proposed is to maintain existing service levels and improve the financial performance via price increases.

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## Weed Biosecurity

### Weed Biosecurity Reporting Unit Comments

This section provides some basic information on the larger financial elements relating to the Reporting Unit. Unless otherwise stated, the forecasts refer to the 2022/23 year.

- Operating Income
  - Contribution income of \$830,800 amounts to 51.3% of the total income. This includes fee for service payments from Kyogle and Tweed Shires \$308,700.
  - Grant income is forecast at \$776,500.
- Operating Expenditure
  - Activities are organised into agreed elements of the Weed Action Program (WAP) Salaries and wages are anticipated to be in the order of \$1,080,300.
  - Other expenses include administration, insurance, depot, fleet and training.
- Capital Expenditure
  - Average annual spend over the life of the model is \$23,400.
  - Details of works are included in the enclosed attachment. Works include GIS equipment renewals and depot upgrades.
- Assets/Liabilities
  - as at 30 June 2021 total fixed assets were valued at \$237,600.
  - There is no outstanding debt and no borrowings are envisaged.

Weed Biosecurity has minimal assets to manage and as such, recurrent income and expense form the primary financial elements of this Reporting Unit.

### Council Contributions

The table below shows the projected price path for Council Contributions which are in line with rate peg increases.

**Table 16: Forecast Price Path for Constituent Council Contributions**

Year	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Proposed % Increase	0.70%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%

The projected price path indicates that the Reporting Unit is operating comfortably, and little intervention is required in the way of price or service delivery adjustments. There are of course many assumptions embedded within this forecast, but based on current information, cost of living adjustments is a reasonable position to adopt.

The following table shows the Constituent Council contributions in the current year 2021/22 financial year compared to the proposed 2022/23 contribution.

**Table 17: Proposed Weed Biosecurity Council Contributions**

Service Area	2021/22	2022/23	Increase
	\$	\$	\$
Ballina Shire Council	117,800	118,600	800
Byron Shire Council	117,800	118,600	800
Lismore City Council	154,800	155,900	1,100
Richmond Valley Council	128,100	129,000	900
<b>Total Contributions</b>	<b>518,500</b>	<b>522,100</b>	
Kyogle Shire Council *	129,200	130,100	900
Tweed Shire Council *	177,400	178,600	1,200
<b>Total Fees</b>	<b>306,600</b>	<b>308,700</b>	
<b>Total Contributions and Fees</b>	<b>825,100</b>	<b>830,800</b>	<b>5,700</b>
<b>Total % Increase</b>			<b>0.70%</b>

### Weed Biosecurity Operating Performance

The table below shows the forecast operating performance of the Reporting Unit.

**Table 18: Weed Biosecurity Reporting Unit Forecast Operating Performance**

Description	2023 Estimate	2024 Estimate	2025 Estimate	2026 Estimate	2027 Estimate	2028 Estimate	2029 Estimate	2030 Estimate	2031 Estimate	2032 Estimate
Operating Income	\$ 1,618,400	\$ 1,643,100	\$ 1,567,400	\$ 1,569,800	\$ 1,605,500	\$ 1,641,500	\$ 1,679,000	\$ 1,716,700	\$ 1,755,400	\$ 1,793,900
Operating Expense	1,705,400	1,648,300	1,583,500	1,557,100	1,593,200	1,630,000	1,667,600	1,705,800	1,744,600	1,785,100
<b>Operating Result</b>	<b>(87,000)</b>	<b>(5,200)</b>	<b>(16,100)</b>	<b>12,700</b>	<b>12,300</b>	<b>11,500</b>	<b>11,400</b>	<b>10,900</b>	<b>10,800</b>	<b>8,800</b>
Less: Depreciation	30,500	31,000	31,500	32,000	32,500	33,000	33,500	34,000	34,500	35,000
<b>Operating Result Excluding Non Cash</b>	<b>(56,500)</b>	<b>25,800</b>	<b>15,400</b>	<b>44,700</b>	<b>44,800</b>	<b>44,500</b>	<b>44,900</b>	<b>44,900</b>	<b>45,300</b>	<b>43,800</b>
Add: Capital Income	0	0	0	0	0	0	0	0	0	0
Less: Capital Expense	43,000	0	21,000	0	22,000	44,000	44,000	20,000	20,000	20,000
Transfer to Reserve	0	25,800	0	44,700	22,800	500	900	24,900	25,300	23,800
Transfer from Reserve	99,500	0	5,600	0	0	0	0	0	0	0
<b>Net Cash Movement</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Estimated Cash Reserve \$</b>	<b>1,801,800</b>	<b>1,827,600</b>	<b>1,822,000</b>	<b>1,866,700</b>	<b>1,889,500</b>	<b>1,890,000</b>	<b>1,890,900</b>	<b>1,915,800</b>	<b>1,941,100</b>	<b>1,964,900</b>

The Reporting Unit is forecast to record recurrent operating surpluses from 2025/26 onwards which is a positive outlook. The operating losses forecast in the first three years of the model are attributable to additional term contract staff expenses.

Cash reserves remain adequate throughout the life of the model and are forecast to exceed the internal cash reserves benchmark of four months operating expenditure.

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## Richmond Water Laboratories (RWL)

### RWL Reporting Unit Comments

Please note that the commentary and the budget forecasts were developed based on the existing plans prior to the March 2022 floods. RWL was significantly impacted by the floods and has been forced to vacate the existing administration building accommodation and temporarily locate at NSW DPI at Wollongbar. Based on the level of reinvestment, insurance cover and capacity to maintain services, the forward financial plans for the RWL are currently under review.

The aim of this section of the report is to provide some basic information on the larger financial elements relating to the Reporting Unit. Unless otherwise stated the forecasts refer to the 2022/23 year.

RWL provides testing services to the Bulk Water Reporting Unit, other councils, non-government organisations and individuals. The intent is to operate on a stand-alone basis.

- Operating Income
  - Essentially all income is derived from fees for service. The largest customer is Bulk Water Reporting Unit.
  - Testing income is estimated to be \$866,000 which is an increase on recent years.
- Operating Expenditure
  - Salaries and wages are estimated at \$516,100 which is 61.2% of operating expenditure.
  - Materials and contracts are the next biggest expense at \$127,500.
  - Licences and NATA accreditation are forecast to be \$27,000.
- Capital Expense
  - Average annual spend over the life of the model is \$36,000 which is for equipment renewal. A total of \$200,000 has been set aside for 2022/23 and 2023/24 for the potential relocation of the laboratory to the new workplace site in Ballina.
- Assets/Liabilities
  - As at 30 June 2021 total non-current assets were valued at \$246,600.

### Pricing Strategy

RWL operates in a very competitive environment where customer service and price are very important factors in maintaining clients.

Prices are monitored regularly, and the price path is subject to market forces. From a planning perspective it has been assumed that price increases will approximately move in line with the cost-of-living increases.

### Operating Performance

The Reporting Unit is forecast to operate quite close to break even. Cash reserves are predicted to increase gradually over the ten-year LTFP.



**Table 19: Richmond Water Laboratory (RWL) Forecast Operating Performance**

Description	2023 Estimate \$	2024 Estimate \$	2025 Estimate \$	2026 Estimate \$	2027 Estimate \$	2028 Estimate \$	2029 Estimate \$	2030 Estimate \$	2031 Estimate \$	2032 Estimate \$
Operating Income	868,300	890,700	913,800	937,400	963,300	987,900	1,013,200	1,039,000	1,065,500	1,092,400
Operating Expense	843,800	867,300	891,200	915,600	940,600	966,100	992,200	1,018,800	1,046,000	1,073,800
<b>Operating Result</b>	<b>24,500</b>	<b>23,400</b>	<b>22,600</b>	<b>21,800</b>	<b>22,700</b>	<b>21,800</b>	<b>21,000</b>	<b>20,200</b>	<b>19,500</b>	<b>18,600</b>
Less: Depreciation	20,300	20,600	20,900	21,200	21,500	21,800	22,100	22,400	22,700	23,000
<b>Operating Result Excluding Non Cash</b>	<b>44,800</b>	<b>44,000</b>	<b>43,500</b>	<b>43,000</b>	<b>44,200</b>	<b>43,600</b>	<b>43,100</b>	<b>42,600</b>	<b>42,200</b>	<b>41,600</b>
Add: Capital Income	0	0	0	0	0	0	0	0	0	0
Less: Capital Expense	50,000	150,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Transfer to Reserve	0	0	23,500	23,000	24,200	23,600	23,100	22,600	22,200	21,600
Transfer from Reserve	5,200	106,000	0	0	0	0	0	0	0	0
<b>Net Cash Movement</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

  

Estimated Cash Reserve \$	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
	374,000	268,000	291,500	314,500	338,700	362,300	385,400	408,000	430,200	451,800

The primary purpose of RWL is to provide testing services to the Bulk Water Reporting Unit with staff on hand to satisfy routine and non-routine demands as they arise. Ideally RWL will also be commercially competitive and self-sufficient with staff striving to achieve both goals each year.

The forecast shows a Reporting Unit that is quite marginal and small changes can alter the operating result quite significantly. As mentioned, income in 2022/23 is forecast to be more than previous years forecast and if these additional sales do not eventuate it will have a significant impact on the Reporting Unit.

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## Property

### Property Reporting Unit Comments

The aim of this section of the report is to provide some basic information on the larger financial elements relating to the Reporting Unit. Unless otherwise stated the forecasts refer to the 2022/23 year.

- Operating Income
  - Rental income is estimated at \$150,800 which is 92.2% of forecast operating income.
- Operating Expenditure
  - Forecast expenditure for rental properties is \$137,700 which excludes salaries, depreciation and overheads.
  - Staff, administration and depreciation expenses amount to approximately \$108,700.
  - Operating expense associated with Perradenya is anticipated to be \$66,200.
- Capital Income
  - Sales income from Stage 7 at Perradenya is expected to be \$3.3 million in 2022/23.
  - Forecast income in 2023/24 of \$4.3 million relates to the integrated lots at Perradenya and \$1.5m in 2024/25 is for the commercial lot.
- Capital Expenditure
  - Estimated expenditure on Stage 7 at Perradenya is \$2.3 million in 2022/23.
  - Estimated cost to develop the integrated lots in 2023/24 is \$3 million and the commercial lot in 2024/25 is \$1 million.
  - Cycleway construction is estimated at \$1.2 million in 2024/25.
- Assets/Liabilities
  - As at 30 June 2021 non-current assets were valued at \$1.7 million which includes inventory, properties and buildings.
  - There is no outstanding debt.

The Property Reporting Unit includes three different sections:

1. Commercial property in the Lismore CBD. A property is owned and leased by Rous to provide a commercial rate of return. Rous is the master lessee of the Administration Office in Molesworth Street with a new lease to be negotiated in August 2022. There are two sub leases of that space for which rental income is received. These properties have all been affected by the March 2022 flood events and are currently vacant. Some preliminary budget adjustments have been proposed to account for this in both the Quarterly Budget Review Statement Quarter ending 31 March 2022 and the LTFP for the 2022/23 financial year.
2. Thirteen rural properties with a combined area of some 220 hectares were originally purchased for the Proposed Dunoon Dam. Leases include both residential houses and agistments. These properties are currently being held until all investigations relating to the proposed Dunoon Dam are completed. The LTFP does not include forecast income from the disposal until a firm decision is made.
3. Perradenya Estate is being progressively subdivided and sold as residential allotments.

## Property Pricing Strategy

In respect to property owned by Rous, both the commercial and rural leases are managed by licenced agents who act on Rous' behalf. Lease arrangements look to provide the best commercial advantage to Council.

The sub leases of the Administration Office are managed by Council staff who negotiate arrangements with tenants.

Perradenya Estate is marketed by local agents. Staff are looking to take advantage of the current property market and the plan is to complete development and sale of all remaining lots as quickly as possible.

## Property Operating Performance

The table below shows the forecast operating result, capital movements and cash reserve for the Property Reporting Unit.

**Table 20: Commercial Properties Forecast Operating Performance**

Description	2023 Estimate \$	2024 Estimate \$	2025 Estimate \$	2026 Estimate \$	2027 Estimate \$	2028 Estimate \$	2029 Estimate \$	2030 Estimate \$	2031 Estimate \$	2032 Estimate \$
Operating Income	163,500	192,700	150,100	129,900	131,400	133,200	136,900	139,300	141,700	142,900
Operating Expense	312,600	337,300	269,100	228,400	233,600	167,200	167,800	171,500	175,300	179,000
<b>Operating Result</b>	<b>(149,100)</b>	<b>(144,600)</b>	<b>(119,000)</b>	<b>(98,500)</b>	<b>(102,200)</b>	<b>(34,000)</b>	<b>(30,900)</b>	<b>(32,200)</b>	<b>(33,600)</b>	<b>(36,100)</b>
Less: Depreciation	42,600	43,200	43,800	44,500	45,200	45,900	46,600	47,300	48,000	48,700
<b>Operating Result Excl</b>	<b>(106,500)</b>	<b>(101,400)</b>	<b>(75,200)</b>	<b>(54,000)</b>	<b>(57,000)</b>	<b>11,900</b>	<b>15,700</b>	<b>15,100</b>	<b>14,400</b>	<b>12,600</b>
Add: Capital Income	3,372,800	4,300,000	1,500,000	0	0	0	0	0	0	0
Less: Capital Expense	2,351,200	3,066,900	2,268,600	69,400	70,200	71,900	73,600	74,400	76,200	76,700
Transfer to Reserve	915,100	1,131,700	0	0	0	0	0	0	0	0
Transfer from Reserve	0	0	843,800	123,400	127,200	60,000	57,900	59,300	61,800	64,100
<b>Net Cash Movement</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Estimated Cash Reserve \$</b>	<b>2,569,100</b>	<b>3,700,800</b>	<b>2,857,000</b>	<b>2,733,600</b>	<b>2,606,400</b>	<b>2,546,400</b>	<b>2,488,500</b>	<b>2,429,200</b>	<b>2,367,400</b>	<b>2,303,300</b>

The Reporting Unit is forecast to make recurrent operating losses. Income from renting rural properties is slightly less than direct expenses (excludes overheads and depreciation) whilst Perradenya operating expenses are included in the operating result but the income is capital in nature.

Exclusive of rural properties and Perradenya operating expenses, properties are a marginal exercise that struggle to achieve a surplus once depreciation, staff time and administration is brought to account. If or when opportunities for sale arose, they would be considered.

The forecast improves in the later years of the model, as the Perradenya operating costs decline once the lots are sold.

Perradenya Estate has capital expense associated with construction costs and capital income from the land sales. Over the life of the model, three separate releases are proposed being stage 7, the integrated lot and a commercial lot. There is a positive cash balance forecast at the end of the ten-year LTFP.

Once the property portfolio excludes Perradenya and Rural properties, Council may take the decision to eliminate the Property Reporting Unit. Any remaining financial transactions including cash reserves would become part of Bulk Water Reporting Unit.

## Fleet Reporting Unit

### Fleet Reporting Unit Comments

Unless otherwise stated the forecasts refer to the 2022/23 year.

- Operating Income
  - Interest on funds invested, fuel tax credit rebates and staff contributions for private use of vehicles account for total operating income, forecast at \$75,000.
  - Note that plant hire income is viewed as a negative expense.
- Operating Expense
  - Total operational expense is expected to be around \$611,100 plus \$390,000 for depreciation. Plant hire income (\$926,000) is calculated to approximately offset anticipated expenses once operating income has been brought to account.
- Capital Expense
  - Average annual spend over the life of the model is \$404,700 which is the net cost of vehicle turnovers. i.e. includes trade value.

The role of the Fleet Reporting Unit is to provide all other Reporting Units with fit-for purpose fleet at an economical rental. The Reporting Unit manages vehicles, boats, trailers and heavy plant. There are approximately 93 items within the Fleet.

### General Operations

The intent is for the Fleet Reporting Unit to operate on a stand-alone basis. All expenses relating to management of the fleet are costed to Fleet Reporting Unit including fuel, maintenance, registration, insurance and capital purchases.

Vehicle types and length of service are varied to identify the best approach for Council to minimise the net holding cost. That cost is annualised and recovered from the Reporting Unit that uses the item based on hire rates.

The hire rate is designed to generate sufficient internal revenue to keep the fleet well maintained and replaced prior to a loss in service potential. The hire rate does not include any provision for fleet expansion.

### Fleet Reporting Unit Operating Performance

The forecast is for an essentially break-even operating result and relatively stable cash reserves.

**Table 21: Fleet Reporting Unit Forecast Operating Performance**

Description	2023 Estimate \$	2024 Estimate \$	2025 Estimate \$	2026 Estimate \$	2027 Estimate \$	2028 Estimate \$	2029 Estimate \$	2030 Estimate \$	2031 Estimate \$	2032 Estimate \$
Operating Income	75,000	80,000	84,700	87,500	90,500	92,200	93,800	96,600	101,100	105,300
Operating Expense	75,100	83,700	98,100	110,400	109,100	107,800	106,300	104,900	103,800	101,800
<b>Operating Result</b>	<b>(100)</b>	<b>(3,700)</b>	<b>(13,400)</b>	<b>(22,900)</b>	<b>(18,600)</b>	<b>(15,600)</b>	<b>(12,500)</b>	<b>(8,300)</b>	<b>(2,700)</b>	<b>3,500</b>
Less: Depreciation	390,000	395,900	401,800	407,800	413,900	420,100	426,400	432,800	439,300	445,900
<b>Operating Result Excl</b>	<b>389,900</b>	<b>392,200</b>	<b>388,400</b>	<b>384,900</b>	<b>395,300</b>	<b>404,500</b>	<b>413,900</b>	<b>424,500</b>	<b>436,600</b>	<b>449,400</b>
Add: Capital Income	0	0	0	0	0	0	0	0	0	0
Less: Capital Expense	436,300	421,400	580,000	298,000	389,300	481,000	466,000	325,000	325,000	325,000
Transfer to Reserve	0	0	0	86,900	6,000	0	0	99,500	111,600	124,400
Transfer from Reserve	46,400	29,200	191,600	0	0	76,500	52,100	0	0	0
<b>Net Cash Movement</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Estimated Cash Reserve \$</b>	<b>1,014,200</b>	<b>985,000</b>	<b>793,400</b>	<b>880,300</b>	<b>886,300</b>	<b>809,800</b>	<b>757,700</b>	<b>857,200</b>	<b>968,800</b>	<b>1,093,200</b>

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Plant hire income is treated as a negative expense, so operating expenses are essentially cancelled out by internal hire income. It is important that the Reporting Unit does not make a significant profit or loss. Either outcome indicates that the other Reporting Units are being over or under charged and the hire rates need to be adjusted.

The cash surplus is designed to approximate depreciation which should be roughly equal to the net annual capital expense. This means that the cash surplus is being reinvested into the fleet in the form of replacing and updating existing fleet items. The reserve will meet its internal cash reserves target of four-month operating expenditure throughout the ten-year LTFP.

## **Other Matters**

### COVID-19

COVID-19 Council continues to assess and monitor the implications of COVID-19. The pandemic has caused adjustments to operations over the last two years. At this stage it appears as though the financial impact has not been significant.

## **Overhead Charges**

Financially the organisation is split into different Reporting Units. This is done so that the financial performance and position of each Reporting Unit can be evaluated and policies, practices and pricing strategies can be designed to suit. Further, it is a means of being transparent and minimising cross subsidies between the Reporting Units.

Expenses commonly termed as 'overheads' are charged to Bulk Water Reporting Unit and then distributed to the smaller Reporting Units. These costs include items such as Information Technology, Finance, Human Resources and Governance. It is fair to say that Bulk Water Reporting Unit has been accepting a greater share of these costs than is equitable.

Strategies are in place to improve this distribution such as increasing the annual contribution by arbitrary amounts plus cost of living. However, it is a work in progress and it will be some years before it is complete.

## **Statement of Revenue Policy – 2022/23**

Proposed fees and charges for the 2022/23 financial year include: -

- Bulk water sales revenue – an increase of 6.0% to \$2.16 per kilolitre.
- Retail water sales – an increase of 8.0% to \$2.84 per kilolitre for water usage. The fixed facility charges will also increase by 8.0%.
- Developer charges – an increase of 3.5% to \$9,256.00 per equivalent tenement.
- Weed biosecurity contributions – an increase of 0.70% in line with rate pegging.
- Flood mitigation contributions – an increase of 12.0%.
- Ex-drainage union contributions - an increase of 0.70% in line with rate pegging.
- Backflow device annual charge – a new fee of \$196.00 (this charge will only be applied on a pro-rate basis after installation).
- Property information certificates – an increase of \$5.0 to \$90.00 as prescribed by section 603 of the Local Government Act 1993.
- Interest on overdue water accounts – remains at 6.0% as prescribed by section 566(3) of the Local Government Act 1993.
- Other fees have generally increased by CPI of 3.5% or less and in many cases haven't been increased at all.

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## **Governance**

As a result of COVID-19 the local government elections scheduled for September 2020 were deferred. The 4-year Integrated Planning and Reporting cycle was consequently extended by 12 months and the following cycle reduced to 3 years. This approach was based on resynching the Integrated Planning and Reporting cycle to 4 years in conjunction with the 2024 local government elections.

The 'planning' portion of the Integrated Planning and Reporting Framework consists of the following components:

- (i) Business Activity Strategic Plan
  - a. Delivery program
    - i. Resourcing strategy
      - 1. Long-term financial plan
      - 2. Workforce management strategy
      - 3. Asset management strategy and plans
  - b. Operational plan (including 'Revenue' policy and proposed Fees and Charges)

The Business Activity Strategic Plan must:

- (i) Identify Council's main business activity priorities covering a period of at least 10 years from when the plan is endorsed, and
- (ii) Establish strategic objectives together with strategies for achieving those objectives, and
- (iii) Be developed having due regard to the community strategic plans of the constituent councils and in consultation with those councils.

The key themes underpinning Council's draft Business Activity Strategic Plan are:

- (i) Sustainable delivery
- (ii) External relationships
- (iii) Our people
- (iv) Leadership and innovation.

These themes were informed by and shaped through a range of consultative processes which included input from constituent councils.

Council has until 30 June 2022 to endorse the draft Integrated Planning and Reporting Framework (incorporating the 2022/23 Budget and 'Revenue' policy). Consideration was given to making application to the Minister for Local Government for an extension of time, having regard to the significant impact of the February/March 2022 floods across the region. This was determined to be unnecessary in the circumstances given progress made on the development of the draft Framework (and supporting elements) prior to the floods.

## **Consultation**

The proposed draft Integrated Planning and Reporting Framework has been prepared following a consultation process with the former and current Rous governing body, constituent council former Mayors and General Managers including senior staff, and Rous staff. While the planned consultation process had to be adapted and modified due to COVID-19 and the floods in

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February/March 2022, staff are satisfied that the key themes and objectives set out in the draft Business Activity Strategic Plan have been informed by the feedback received.

Featuring in the Framework are the following key projects and activities which were identified during the consultation process as focus areas:

- (i) Flood recovery
- (ii) FWP2060
- (iii) Flood mitigation governance
- (iv) Richmond Water Laboratories
- (v) Relocation to Gallans Road
- (vi) ICT.

Public exhibition of the Workforce management strategy and Asset management strategy and plans is not a compliance requirement. Nevertheless, staff recommend that these components of the Resourcing strategy be publicly exhibited as they provide important context for the broader Framework.

If approved, the draft Integrated Planning and Reporting Framework (incorporating the 2022/23 Budget and 'Revenue' policy) will be publicly exhibited for at least 28 days and public submissions invited. Advice regarding any public submissions received will be reported to Council's June 2022 meeting. Otherwise, if no public submissions are made, it is proposed that the draft Framework (incorporating the 2022/23 Budget and 'Revenue' Policy) placed on public exhibition, be deemed to be adopted.

### **Conclusion**

The proposed draft Integrated Planning and Reporting Framework (incorporating the 2022/23 Budget and 'Revenue' policy) is recommended to Council for public exhibition.

Attachment:

1. Draft Integrated Planning and Reporting Framework (incorporating the 2022/23 Budget) and Revenue policy