



Long-Term Financial Plan

1 July 2023 – 30 June 2033

Bulk water | Retail water
Flood mitigation | Weed biosecurity
Property

26 May 2023

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1. Introduction

1.1. The Long-Term Financial Plan

- i. Is a regulatory requirement under the *Local Government Act 1993* and the Local Government (General) Regulation 2021 and forms part of Rous County Council's (Rous) Resourcing Strategy within its Integrated Planning and Reporting (IP&R) Framework. A key aspect of this framework is the preparation of a ten-year Resourcing Strategy to identify what is needed to implement the Business Activity Strategic Plan (BASP), Delivery Program (DP) and Operational Plan (OP). The Resourcing Strategy consists of the Asset Management Plan (AMP), Workforce Management Plan (WMP) and Long-Term Financial Plan (LTFFP). This document provides an overview of Council's LTFFP.
- ii. Is based on a financial planning period of ten years from 2023/24 to 2032/33. It is relevant to note that Rous also prepare a 30-year financial plan (not presented as part of this document) that provides an intergenerational financial outlook and meets the guidelines of the Integrated Water Cycle Management Strategy (IWCMS) administered by the NSW Department of Planning, Industry and Environment – Water (DPIE).
- iii. Is designed to assist financial decision making. It includes revenue and expenditure forecasts and asset projections, all of which are based on several assumptions.
- iv. Is used to test whether Rous has the financial capacity to satisfy the goals set out in the BASP (part of the IP&R Framework).
- v. Measures short, medium, and long-term sustainability.
- vi. Is expected to identify if there is an unacceptable risk in one or more of these time horizons with sufficient foresight to enable a remedial strategy to be agreed.
- vii. Is updated annually in conjunction with the DP and OP.

1.2. About Rous County Council

Rous County Council (Rous) was formed on 1 July 2016 with the amalgamation of the former entities: Rous Water, Far North Coast Weeds and Richmond River County Council.

Rous performs three major functions:

- Bulk water supply
- Weed biosecurity
- Flood mitigation.

These functions are accounted for within six reporting units:

Bulk water supply: Regional water supply authority providing water in bulk to the local government areas of Ballina, Byron, Lismore and Richmond Valley.

Retail water supply: Water supply to retail customers directly from the bulk water supply mains.

Weed biosecurity: Weed biosecurity services are undertaken across the four constituent council areas and provided to the councils of Kyogle and Tweed Shire under service level agreement arrangements.

Flood mitigation: Flood mitigation services are provided across the non-urban areas of Ballina, Lismore and Richmond Valley councils. Rous is responsible for construction, maintenance, and replacement of flood mitigation infrastructure.

Property: Includes property management of the Perradenya Residential Estate, rural properties, commercial properties and sub-leasing of the Rous administration building.

Two councillors are elected to Rous from each constituent council. They take up a position as a Rous councillor for the same term as they have been elected to represent their constituent council.

1.3. Mission, Vision, Values and Priorities

The following corporate objectives have been developed to enable Rous to achieve its IP&R goals.

Mission

Partner with our constituent councils to provide quality services that support a sustainable and productive region.

Vision

Thrive and evolve as a valued regional service provider.

Values

- Safety – safety first 24/7.
- Teamwork – one team, one purpose.
- Accountability – own it, solve it, achieve it.
- Respect – be honest, be fair.

Priorities

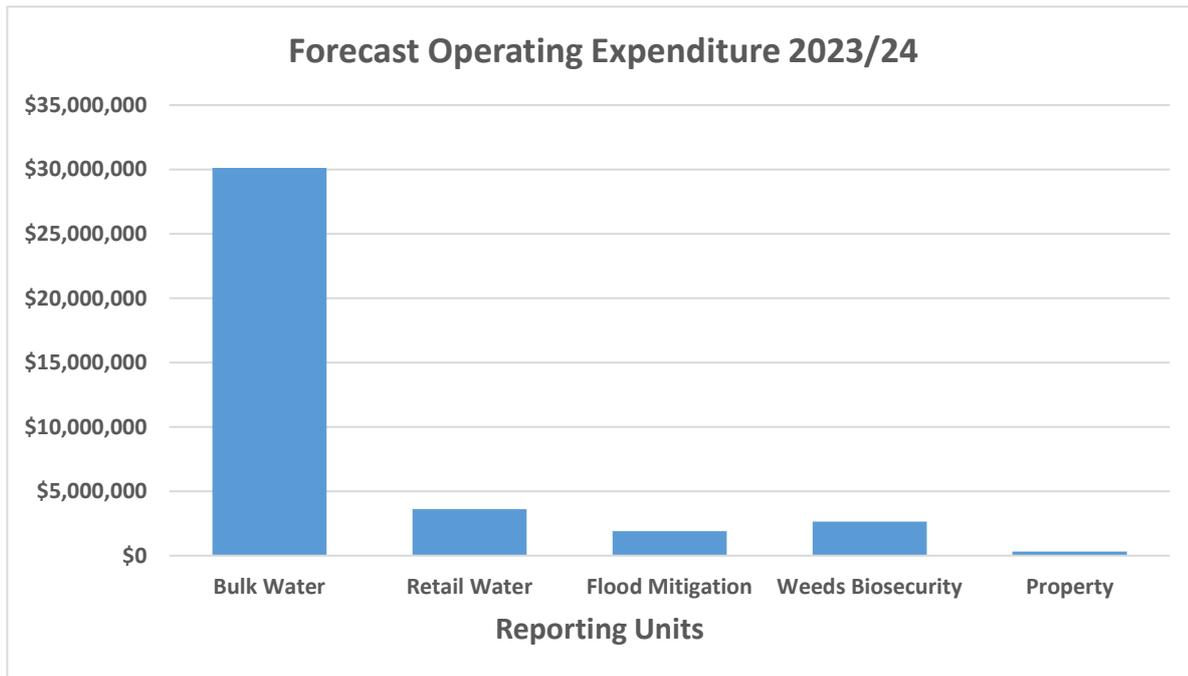
- Sustainable delivery.
- External relationships.
- Our people.
- Leadership and innovation.

2. Rous' financial position

Rous has five distinct reporting units that are combined to form one entity referred to as the consolidated organisation. The 'bulk water reporting unit' is the dominant entity and in a financial sense comprises over 77% of the consolidated organisation.

Graph 1: Forecast operating expenditure 2023/24 shows the forecast operating expenditure of each of the reporting units in the 2023/24 financial year.

Graph 1: Forecast operating expenditure 2023/24



The chart illustrates how the bulk water reporting unit dominates the financial landscape of the consolidated organisation. Therefore, it is relevant to note that a summary of the financial position of the consolidated organisation tends to primarily reflect this unit.

Main income source: Constituent council contributions for the supply of bulk water

This income source is considered to be reliable and secure. The contributions payable by each constituent council are calculated based on the previous year’s water consumption. The actual income to be received by Rous in the forthcoming financial year is known by approximately March of the preceding financial year.

The reliable nature of the income allows Rous to plan for sufficient funds to be raised to meet known expenditures, and to create a cash reserve buffer for unexpected financial events. Given the asset-intensive nature of the bulk water business, financial planning is very important.

Expenditure can vary with the main costs relating to labour, chemicals, electricity and maintenance of an extensive array of assets.

Control and management of assets valued >\$690 million

These assets include dams, treatment plants, pipes, land, buildings and plant and equipment. Both financial and operating planning are critical to ensure that essential services are maintained to satisfactory standards.

Main water source is Rocky Creek Dam, but new water sources are needed

Rocky Creek Dam and associated treatment and reticulation infrastructure currently carry no debt. However due to the regional population growth and climate change, Rous will need to invest in new water sources or demand for water will exceed supply.

The LTFP anticipates significant expenditure on new groundwater sources, referred to as the Future Water Program (FWP). Expenditure is currently estimated at \$156 million over the next ten years. The FWP includes years of investigations into the best water source alternatives, increases to the price of bulk water to accommodate external borrowings and research into possible grant funding from higher government tiers.

In summary, it is a challenging time for the organisation both operationally and financially. In addition to managing all existing operations, alternative water supply options and financial management strategies are ongoing. A focus of financial planning is for Rous to continue to meet its service charter and remain financially sustainable into the future.

2.1. Historical financial data

Table 1: Historical performance provides consolidated historical financial information for the three-year period 2019/20, 2020/21 and 2021/22. This information is useful to assess Rous' previous performance and financial position.

Table 1: Historical performance

	Actuals		
	2019/20 (\$000)	2020/21 (\$000)	2021/22 (\$000)
Operating Result			
Operating Revenue	30,163	30,575	34,562
Operating Expenditure	27,779	26,251	32,349
Operating Result	2,384	4,324	2,213
Adjusted Operating Result excluding Capital Grants and Contributions	(2,027)	(911)	(3,418)
Cash and Investments			
Total Cash and Investments	35,193	49,380	40,554
Other Balance Sheet			
Infrastructure, Property, Plant and Equipment	490,721	497,086	509,348
Outstanding Loan Principal	21,559	32,358	28,960
Performance Indicators			
Operating Performance Ratio (Benchmark >0.00%)	-8.08%	-4.92%	-9.56%
Own Source Operating Revenue Ratio (Benchmark >60.00%)	81.07%	78.85%	73.82%
Unrestricted Current Ratio (Benchmark >1.50x)	5.24x	7.03x	4.26x
Debt Service Cover Ratio (Benchmark >2.00x)	1.54x	1.59x	1.42x
Cash Expense Cover Ratio (Benchmark >3.00 months)	18.31 months	25.80 months	19.01 months

3. Financial modelling

3.1. Methodology

The LTFP forecasts the ten years from 2023/24 to 2032/33, which meets the requirements of the Office of Local Governments Integrated Planning and Reporting.

The plan presented aims to:

- Determine the funding requirements of both the operational and capital works program.
- Identify funding sources to meet those funding requirements.
- Document other life-cycle costs associated with system assets and business operations.
- Ensure appropriate levels of cash and liquidity are maintained.
- Forecast the long-term pricing structure.
- Forecast the estimated financial position of the organisation.
- Measure financial performance indicators to measure against industry accepted benchmarks.

The development of this LTFP is continually refined and adjusted to reflect the most current information. Therefore, it is important to note that this document presents the LTFP as at the time of development, being the adopted changes in the Quarterly Budget Review Statement for the quarter ended 31 March 2023.

The estimates shown in the LTFP are expressed in 'future dollars'. This means that the figures in the LTFP are inflated to reflect the actual dollar value that will be received or expended in that year. This is calculated based on the assumed level of inflation based on the Consumer Price Index.

The LTFP is premised on various combinations of historical and current information as well as known and estimated future events.

Example: Where the future cost of electricity needs to be estimated and there are 2 years remaining of a 5-year supply contract, the following approach is taken.

Forecasts for years one and two will be based on historical and current year electricity usage plus price adjustments contained in the contract. Also proposed operational changes, such as a new pump station, will need to be considered. Estimating the cost for year three will require assumptions on pricing contained in the new supply contract and further assumptions on growth or decline of usage.

The accuracy of forecasting contained in the LTFP tends to decline annually as the closer the forecast is to the current day the more accurate the estimated income or expense. This is because the number of unknown variables reduces annually.

Every effort is made to update the LTFP regularly so that the current base case for each reporting unit and the consolidated organisation is as accurate as reasonably possible at all times.

Due to size and scale, the bulk water supply reporting unit has been selected as the 'host' entity, which accepts all direct costs associated with corporate overheads such as management, finance, information services, human resources, etc. These costs are then apportioned to other reporting units, based on size and scale, existing practice and a sustainable path to full cost recovery.

3.2. How to read the LTFP

The LTFP has been shaped to reflect the primary structure, known as the ‘consolidated organisation’ (the organisation as a whole), and the various functions which are known as reporting units.

The reporting units are:

- Bulk water supply
- Retail water supply
- Flood mitigation
- Weed biosecurity
- Property.

It is intended that each reporting unit operates on a stand-alone basis. The following pages summarise the shape of the information. The basic format is replicated for each reporting unit to show important financial information, including financial terms and ratios while the capital works program and balance sheet are shown for the consolidated organisation.

Table 2: Financial terms

Financial term	Definition
Operating income	<i>Gross income that flows into the reporting unit typically on a recurrent basis. Includes items such as water sales, contributions, and interest on investments.</i>
Operating expense	<i>Recurrent expenses such as salaries and wages, electricity, maintenance, and depreciation. (Note that in respect to maintenance expenditure on assets there can be a fine line as to whether this expense is operating or capital in nature. Where the expense is to allow the asset to continue to provide normal service, it would be ‘operating’. Where the expense looks to extend the useful life of an asset it would typically be classified as capital.)</i>
Operating result	<i>Operating income less operating expense. Each reporting unit looks to achieve a surplus of income over expense to be sustainable. It is acceptable to have a loss from time to time, however ideally, each reporting unit aims to achieve a surplus on a recurrent basis.</i>
Operating result excluding non-cash	<i>Equals the operating result excluding non-cash items such as depreciation. It is common to achieve an operating loss but a cash surplus. This is because, while cash income has exceeded expense, it has not been sufficient to meet the estimated reduction to the useful life in assets (depreciation). A cash surplus indicates the amount of discretionary funds that Council has available to apply.</i>
Capital income	<i>Often a one-off type of event such as loan borrowings or a grant / contribution that will be applied to capital expenditure. This category also includes developer contributions that are received annually.</i>
Capital expense	<i>Application of funds to acquire or improve an asset. For example, the initial purchase of a building and then expense to expand the building would be classified as capital.</i>

Financial term	Definition
Transfer to reserve	<i>Excess funds placed into an agreed cash reserve.</i> Reserve transfers (to or from reserve) in the financial plan are the net movement of operating/capital income and operating/capital expense. Transfers to or from reserve remain within the same reporting unit.
Transfer from reserve	<i>Extraction of cash funds from a reserve to enable approved expenditure.</i>
Estimated reserve balance	<i>Estimated cash balance of funds on hand.</i> Accumulated funds held for approved purposes. (Council's 'Financial Reserves' policy.)

Table 3: Ratio definitions

* Benchmark: Office of Local Government / NSW TCorp.

Ratio name	Ratio calculation	Ratio purpose	*Benchmark
Operating performance ratio (Medium-term outlook)	<i>Net operating result from continuing operations (excluding capital items) as a percentage of operating revenue (excluding capital items).</i>	<i>Measures whether the Council is sustainable in terms of its operating result. It is an indication of continued capacity to meet on-going expenditure requirements. Recurrent operating deficits are unsustainable.</i>	>0%
Own source operating revenue (Medium-term outlook)	<i>Shows the percentage of operating income from own sources. Indicates the degree of reliance on external funding sources (e.g., grants and contributions).</i>	<i>Measures fiscal flexibility. Financial flexibility increases as the level of own source revenue increases. Provides greater ability to manage external shocks or challenges and maintain sustainability.</i>	> 60%
Unrestricted current ratio (Short to medium-term outlook)	<i>Unrestricted current assets divided by unrestricted current liabilities.</i>	<i>Provides an indication of the liquidity of the entity or its ability to meet commitments in the short to medium term.</i>	>1.50x
Debt service cover ratio (Short to medium-term outlook)	<i>Operating result excluding loan interest and depreciation divided by loan repayments (principal and interest).</i>	<i>Measure of whether Council has excessive debt servicing costs relative to the adjusted operating result.</i>	>2.00x
Building and infrastructure renewals ratio (Medium to long-term outlook)	<i>Asset renewals divided by depreciation, amortisation and impairment.</i>	<i>Provides an indication of the rate at which assets are being renewed to an equivalent capacity/performance.</i>	>100.00%

Table 4: Capital works program definition

Capital works program	<p><i>Presents the proposed capital works expenditure over ten years.</i></p> <p>The table includes columns titled 'New asset' and 'Asset renewal' that are expressed as a percentage. This indicates whether the expenditure will be to extend the life of an existing asset or to create/acquire a new asset. In some instances, the project may be a combination of the two.</p> <p>It is common for a proposed capital works program to be partially completed at the end of a financial year. In this instance, the unexpended budget is carried forward to the next year to enable the work to be completed.</p>
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Table 5: Balance sheet definition

Balance sheet	<p><i>Shows the forecast financial position for the next ten years.</i></p> <p>The forecast balance sheet incorporates numerous assumptions, and it must be accepted that they provide an indication of where the organisation is heading at best.</p>
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The LTFP can be viewed over three time periods:

1. One-year Operational Plan – 2023/24 budget and is the primary focus (presented in blue in the report tables).
2. Four-year Delivery Program – designated time under the *Local Government Act 1993* that is intended to provide a medium-term financial vision for the organisation (presented in yellow for years two to four in the report tables).
3. Ten-year LTFP – expands on the Delivery Program to provide a broader perspective of where the organisation is heading and what the threats and opportunities may be over ten years (presented in white for the remaining years within this report).

Table 6: Colour scheme

LTFP category	Time period	Colour scheme
Operational Plan	2023/24	
Delivery Program	2024/25 – 2026/27	
LTFP	2027/28 – 2032/33	

It will be noted that the **net cash movement** (*Table 8: Consolidated organisation operating performance*) forecasts a zero in all years. This is because the annual cash movement is balanced via a transfer to or from reserve. Therefore, the **net reserve movement** indicates whether the cash reserve has increased or decreased over the period.

It is important that the reserve balance for the organisation is sufficient to meet current operating requirements, forward capital works and debt servicing. Adequate cash reserves ensure the necessary liquidity to meet short-term obligations, i.e., creditor payments, loan servicing costs and payroll expenditure.

Further, it is prudent that the cash reserve is at a level that includes tolerance for unforeseen events (budget shocks) that may impact Council’s ability to maintain service levels. Council has adopted a [‘Financial Reserves’ policy](#) that sets a target for a minimum reserve balance for each reporting unit. This policy assists discussion when considering financial strategies and is referred to in different financial reports.

3.3. Budget assumptions

The budget contains numerous assumptions that are embedded within the figures. This document does not endeavour to summarise them all.

Primary assumption: That Rous will continue to function in 2023/24 and beyond in a similar fashion to the current financial year.

Table 7: Main budget assumptions below provides a summary of the budget assumptions and presents the forecast price path of the primary income source for bulk water supply, retail water, flood mitigation and weed biosecurity.

The projected price path will have a significant impact on the customers of Rous, namely, constituent councils.

Table 7: Main budget assumptions

Main Assumptions and Projected Price Paths	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Consumer Price Index	103.50%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Rate Pegging	100.70%	103.70%	102.00%	102.00%	102.00%	102.00%	102.00%	102.00%	102.00%	102.00%	102.00%
Depreciation Movement	101.50%	101.50%	101.50%	101.50%	101.50%	101.50%	101.50%	101.50%	101.50%	101.50%	101.50%
Salary and Wages	103.00%	102.00%	102.00%	102.00%	102.00%	102.00%	102.00%	102.00%	102.00%	102.00%	102.00%
Bulk Water Cost for Retail	106.00%	106.00%	107.00%	107.00%	107.00%	107.00%	107.00%	107.00%	107.00%	107.00%	101.00%
Loan Interest Rate	103.50%	7.00%	6.50%	6.00%	5.50%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Investment Interest Rate	0.60%	5.00%	4.50%	4.00%	3.50%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Flood Council Contributions	112.00%	110.00%	108.00%	105.00%	104.00%	104.00%	103.00%	103.00%	102.50%	102.50%	102.50%
Weeds Council Contributions	100.70%	103.70%	102.00%	102.00%	102.00%	102.00%	102.00%	102.00%	102.00%	102.00%	102.00%
Bulk Water Council Contributions	106.00%	106.00%	107.00%	107.00%	107.00%	107.00%	107.00%	107.00%	107.00%	107.00%	101.00%
Retail Water	108.00%	107.00%	108.00%	108.00%	108.00%	108.00%	108.00%	108.00%	108.00%	108.00%	102.00%

3.4. Other assumptions

Cost of living: Assumptions around rate pegging and salary and wages are based on different indices published by the Australian Bureau of Statistics and other financial journals. Consumer Price Index increases have been frozen throughout the LTFP in an effort to reduce operating expenditure. The estimates are updated as new information is received.

Depreciation: The assumption of 1.5% is an approximate average for the useful life of an asset, with only basic intervention, of 66 years. Obviously, the actual lifespan varies depending on the asset and the reality is that the depreciation figures included in the LTFP are primarily based on the depreciation figures used in the annual financial statements. The figures in the financial statements represent the culmination of detailed work, per reporting unit, from individual asset registers.

Loan interest rate: Premised on research with different banks and financial institutions.

Investment interest rate: The rates are taken from the ten-year Commonwealth Bond rate, which provides a market-based prediction of the future.

Contribution price paths: The proposed price path for each reporting unit is determined by assessing the financial performance and position of each ‘business’. The aim is to ensure that each business remains financially sustainable over the long term without any reduction to service levels nor any unnecessary accumulation of cash reserves. It is assumed that the constituent council’s will be in a position to service their payments to Rous when they fall due.

Future Water Program (FWP): Based on Rous’s decision in 2021, the current version of the plan includes new groundwater sources at Alstonville, Woodburn and Tyagarah.

Estimates of capital and operational expense associated with the FWP are continually being refined and modified. Given the scale of expenditure, the updating of these costs is considered to be a major weakness in the LTFP.

This is due to both the high likelihood of financial adjustments being required and the impact of those changes on the organisations financial plan.

Population growth: Most Rous revenue streams are calculated by methods that are independent of growth. However, growth is very important when forecasting developer contribution income and strategic asset expenditure.

Assessing growth for Rous involves research on each constituent council individually as they all have different projections. The results for each council are amalgamated to provide the Rous forecast.

4. Financial Plan: Consolidated and for individual reporting units

The tables shown in this section of the LTFP are current as of March 2023. The commentary that accompanies the tables is intended to be general in nature for the consolidated organisation, while providing more specific details for each reporting unit.

4.1. Consolidated organisation

Table 8: Consolidated organisation operating performance shows the forecast operating performance of the consolidated organisation, including capital movements, reserve transfers and the estimated cash reserve balance at year’s end.

Table 8: Consolidated organisation operating performance

Rous County Council - Whole of Organisation

Name	Long-Term Financial Plan									
	Operational Plan	Delivery Program								
	2024 Estimate	2025 Estimate	2026 Estimate	2027 Estimate	2028 Estimate	2029 Estimate	2030 Estimate	2031 Estimate	2032 Estimate	2033 Estimate
Operating Income										
Flood Mitigation	1,174,200	1,186,700	1,222,500	1,267,800	1,313,400	1,354,600	1,387,200	1,419,100	1,453,500	1,489,700
Weeds Biosecurity	1,722,200	1,610,100	1,588,900	1,603,900	1,617,900	1,638,700	1,660,400	1,682,600	1,704,700	1,726,400
Retail Water Supply	3,512,700	3,896,000	4,152,400	4,423,100	4,716,000	5,036,800	5,384,900	5,755,200	6,157,700	6,290,100
Richmond Water Laboratories	0	0	0	0	0	0	0	0	0	0
Property	197,800	3,478,000	2,995,300	3,038,600	164,700	164,500	164,200	163,800	163,400	162,900
Bulk Water Supply	28,798,700	28,778,800	30,382,500	32,158,200	34,111,900	36,304,600	38,638,900	41,180,700	43,781,100	44,160,700
Fleet Operations	126,100	116,000	110,000	107,600	102,000	101,300	102,900	106,700	110,600	114,700
Total Operating Income	35,531,700	39,065,600	40,451,600	42,599,200	42,025,900	44,600,500	47,338,500	50,308,100	53,371,000	53,944,500
Operating Expense										
Flood Mitigation	1,922,700	1,719,300	1,694,900	1,705,800	1,729,800	1,756,500	1,854,400	1,835,900	1,863,600	1,866,600
Weeds Biosecurity	2,667,100	1,601,900	1,522,200	1,525,600	1,535,200	1,552,600	1,576,700	1,606,700	1,660,100	1,697,100
Retail Water Supply	3,617,400	4,214,900	4,419,900	4,629,700	4,851,800	5,087,000	5,336,400	5,600,800	5,881,100	5,968,200
Richmond Water Laboratories	0	0	0	0	0	0	0	0	0	0
Property	321,600	245,100	198,700	196,400	147,400	146,900	147,500	148,900	149,500	151,300
Bulk Water Supply	30,132,300	30,468,400	32,144,700	33,191,200	34,733,400	36,437,700	37,702,500	37,970,700	38,139,000	37,223,300
Fleet Operations (*net of internal income)	129,400	103,600	91,900	101,100	73,200	79,500	85,900	92,400	99,000	105,700
Total Operating Expense	38,790,500	38,353,200	40,072,300	41,349,800	43,070,800	45,060,200	46,703,400	47,255,400	47,792,300	47,012,200
Operating Result	(3,258,800)	712,400	379,300	1,249,400	(1,044,900)	(459,700)	635,100	3,052,700	5,578,700	6,932,300
Less Depreciation	8,305,100	8,756,500	9,039,400	9,333,300	9,834,800	10,099,500	10,268,300	10,569,100	10,723,000	10,853,600
Operating Result Excluding Non Cash	5,046,300	9,468,900	9,418,700	10,582,700	8,789,900	9,639,800	10,903,400	13,621,800	16,301,700	17,785,900
Add: Loan Drawdown	15,000,000	30,000,000	35,000,000	10,000,000	30,000,000	35,000,000	15,000,000	10,000,000	0	0
Less: Loan Repayments	4,191,300	5,034,700	6,032,200	5,807,400	4,797,600	5,632,100	6,387,100	7,030,600	7,405,800	7,802,000
Less: Capital Expense	25,802,400	33,491,000	37,383,500	15,467,000	31,029,600	40,242,400	16,570,800	14,513,100	12,879,900	3,882,800
Less: Transfer to Reserve	1,500,000	1,730,000	1,003,000	3,669,300	3,003,500	406,700	2,994,700	2,591,400	877,200	6,117,300
Add: Transfer from Reserve	11,447,400	786,800	0	4,361,000	40,800	1,641,400	49,200	513,300	4,861,200	16,200
Net Cash Movement	0	0	0	0	0	0	0	0	0	0

Estimated Reserves Whole Organisation

Description	2024 Estimate	2025 Estimate	2026 Estimate	2027 Estimate	2028 Estimate	2029 Estimate	2030 Estimate	2031 Estimate	2032 Estimate	2033 Estimate
Estimated Reserves Whole Organisation	18,604,600	19,547,800	20,550,800	19,859,100	22,821,800	21,587,100	24,532,600	26,610,700	22,626,700	28,727,800
Net Reserve Movement	(9,947,400)	943,200	1,003,000	(691,700)	2,962,700	(1,234,700)	2,945,500	2,078,100	(3,984,000)	6,101,100

Key points on operating performance

Recent history

An operating surplus has been achieved in each of the last three years, however, operating losses have occurred when capital grants and contributions are excluded. The different reporting units all face challenges, however 'bulk water' and 'flood mitigation' face greater challenges than the remaining reporting units.

'Bulk water' is experiencing change associated with a huge capital works program that requires more staff, new loans, and additional maintenance expenditure. 'Flood mitigation' has progressed various maintenance projects such that operating expense has exceeded income and resulted in a reduction to cash reserves.

Rous is currently providing administrative services to the Northern Rivers Joint Organisation under a fee for service arrangement.

Ten-year forecast

The forecast is for a continuation of operating surpluses for most years of the plan. The results improving in the last four-years of the decade.

There are numerous factors influencing this forecast, but the predominant issue is a need to borrow funds externally to pay for new capital works within 'bulk water'. The plan anticipates raising loans of \$180 million over the next ten years. The price of bulk water is increased to raise funds to repay the debt, however there is a lag where recurrent operating losses are anticipated until revenue reaches a satisfactory level. Cash reserves fluctuate as funds are applied to capital works and then replenished by new borrowings.

Forecast ratios

That several ratios do not meet the benchmarks predominantly due to the increased costs of the FWP and the associated loan borrowings and a focus on constructing new assets rather than renewing existing assets.

The selected ratios are from those required by the Local Government Code of Accounting Practice and are defined above in *Table 3: Ratio definitions*. Rous's forecast performance against the benchmarks are detailed in *Table 9: Consolidated organisation forecast ratios*.

Table 9: Consolidated organisation forecast ratios (excluding capital grants and contributions)

	Long-Term Financial Plan											
	Current Budget		Operational Plan	Delivery Program								
	2023 Estimate		2024 Estimate	2025 Estimate	2026 Estimate	2027 Estimate	2028 Estimate	2029 Estimate	2030 Estimate	2031 Estimate	2032 Estimate	2033 Estimate
Operating Performance Ratio Expressed as a Percentage <u>Operating Income less Operating Expense</u> Operating Income	(10.27)		(24.55)	(23.11)	(21.97)	(18.69)	(16.43)	(14.40)	(11.34)	(5.65)	(0.41)	2.40
Benchmark	>0		>0	>0	>0	>0	>0	>0	>0	>0	>0	>0
Result	Fail		Fail	Fail	Fail	Fail	Fail	Fail	Fail	Fail	Fail	Pass
Comment	This benchmark is only met from 2032/33 onwards primarily due to increases in the Bulk Water price path which enables operating revenue to exceed operating expenditure. In the short-term the price path is not high enough to address the additional planned expenditure.											
Own Source Operating Revenue Expressed as a Percentage <u>Operating Income less Grants and Contributions</u> Total Operating Income	94.74		96.69	97.18	97.48	97.61	97.75	97.88	98.01	98.12	98.23	98.27
Benchmark	>60		>60	>60	>60	>60	>60	>60	>60	>60	>60	>60
Result	Pass		Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass
Comment	This benchmark is met in every year as Rous' revenue is primarily from non-Grant sources.											
Debt Service Cover Ratio <u>Operating Result excl Loan Interest and Depreciation</u> Loan Repayments Principal/Interest	1.23 6,070,400		0.45 2,839,600	0.61 5,430,600	0.64 7,483,900	0.74 8,674,400	0.91 10,664,600	0.91 12,833,200	0.94 14,367,100	1.06 17,056,200	1.19 19,165,600	1.26 20,253,300
Benchmark	>2		>2	>2	>2	>2	>2	>2	>2	>2	>2	>2
Result	Fail		Fail	Fail	Fail	Fail	Fail	Fail	Fail	Fail	Fail	Fail
Comment	This benchmark is not met in any years. Rous' forecast capital expenditure program is significant and is heavily reliant on loan borrowings. Based on the forecast loan borrowings, this ratio can only be improved by obtaining other revenue sources such as grant funding.											
Unrestricted Current Ratio <u>Current Assets less External Restrictions</u> Current Liabilities less Specific Purpose Liabilities	2.16 30,978,000		2.06 21,109,200	1.96 22,132,500	1.93 23,217,300	2.36 22,608,900	2.07 25,656,500	2.16 24,412,700	2.20 27,444,700	1.84 29,611,200	2.20 25,717,300	2.25 31,910,200
Benchmark	>1.5		>1.5	>1.5	>1.5	>1.5	>1.5	>1.5	>1.5	>1.5	>1.5	>1.5
Result	Pass		Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass
Comment	This benchmark is met in every year despite borrowings increasing current liabilities. This ratio is significantly influenced by the forecast loan borrowings.											
Buildings and Infrastructure Renewals Ratio <u>Asset Renewals</u> Depreciation, Amortisation and Impairment.	138.62 10,184,820		129.05 10,111,050	64.44 5,335,000	119.12 10,190,750	60.27 5,329,000	103.48 9,660,800	89.74 8,608,800	25.66 2,503,000	22.67 2,277,600	103.43 10,542,800	31.21 3,220,050
Benchmark	>100%		>100%	>100%	>100%	>100%	>100%	>100%	>100%	>100%	>100%	>100%
Result	Pass		Pass	Fail	Pass	Fail	Pass	Fail	Fail	Fail	Pass	Fail
Comment	The benchmark is achieved in some years and not in others, which is to be expected. Renewal expenditure will vary depending on where each asset is in its life cycle. For example; a very new asset will not require renewal expenditure for many years whereas an aged asset may require almost annual renewal expenditure to keep it at a satisfactory standard. Calculated over the eleven-year period the ratio is 78% which is a fail. Ideally the renewal expense will be closer to 100%. However many of the Rous assets have a lifecycle in excess of 60 years, so you may find renewal expenditure over the following decade will exceed 100%. The ratio provides a useful indication of asset management but it must be considered in conjunction with other asset measures such as condition assessments.											

Table 9a: Select consolidated organisation forecast ratios (total revenue)

Ratios including Capital Revenue	Long-Term Financial Plan											
	Current Budget		Operational Plan	Delivery Program								
	2023 Estimate		2024 Estimate	2025 Estimate	2026 Estimate	2027 Estimate	2028 Estimate	2029 Estimate	2030 Estimate	2031 Estimate	2032 Estimate	2033 Estimate
Operating Performance Ratio Expressed as a Percentage	3.29		(9.17)	1.82	0.94	2.93	(2.49)	(1.03)	1.34	6.07	10.45	12.85
<u>Operating Income less Operating Expense</u>												
Operating Income												
Benchmark	>0		>0	>0	>0	>0	>0	>0	>0	>0	>0	>0
Result	Pass		Fail	Pass	Pass	Pass	Fail	Fail	Pass	Pass	Pass	Pass
Comment	This adjusted benchmark is met in most years due to increases in the Bulk Water price path and property sales.											
Debt Service Cover Ratio	2.08		1.13	1.50	1.29	1.41	1.34	1.29	1.30	1.41	1.55	1.62
<u>Operating Result excl Loan Interest and Depreciation</u>	10,293,400		7,225,600	13,342,700	15,081,500	16,436,300	15,696,800	18,045,700	19,757,900	22,635,300	24,940,000	26,028,000
Loan Repayments Principal/Interest	4,954,700		6,370,600	8,908,500	11,695,000	11,661,000	11,704,500	14,038,000	15,241,600	16,044,100	16,044,100	16,044,100
Benchmark	>1.5		>1.5	>1.5	>1.5	>1.5	>1.5	>1.5	>1.5	>1.5	>1.5	>1.5
Result	Pass		Fail	Fail	Fail	Fail	Fail	Fail	Fail	Fail	Pass	Pass
Comment	This adjusted benchmark is met in 2031/2032 and 2032/2033. Future adjustments to the forecast model are planned to meet this criteria across the ten-year plan.											

Forecast balance sheet

That fixed assets, specifically infrastructure assets and borrowings, will increase significantly over the next ten years.

This forecast reflects the FWP and the associated groundwater infrastructure that will be constructed and is primarily funded via borrowings.

The extent of borrowings are significant. However, the entity is in the midst of a once in a generation infrastructure expansion and will remain financially sustainable as long as the income from constituent council contributions can be adjusted to meet expenditure demands.

Over time the net equity (surplus of asset values over liabilities) of the organisation grows, which reflects, amongst other things, repayment of outstanding loans.

This information is shown in *Table 10: Consolidated organisation forecast balance sheet*.

Table 10: Consolidated organisation forecast balance sheet

	Long-Term Financial Plan									
	Operational Plan	Delivery Program								
	2024 Estimate	2024 Estimate	2025 Estimate	2026 Estimate	2027 Estimate	2028 Estimate	2029 Estimate	2030 Estimate	2031 Estimate	2032 Estimate
ASSETS										
Current Assets										
Cash and Cash Equivalents	2,945,400	3,004,300	3,064,400	3,125,700	3,188,200	3,251,900	3,317,000	3,383,400	3,451,000	3,520,200
Investments	14,159,200	15,043,500	15,986,400	15,233,400	18,133,600	16,835,200	19,715,600	21,727,300	17,675,700	23,707,600
Receivables	2,875,100	2,932,600	2,991,300	3,051,000	3,112,000	3,174,200	3,237,600	3,302,400	3,368,500	3,435,900
Inventories	469,000	478,400	488,100	497,900	507,800	422,200	430,700	439,400	448,200	457,100
Other	281,500	287,100	292,800	298,700	304,700	310,800	317,000	323,300	329,800	336,400
Investment Property	34,400	35,100	35,800	36,500	37,200	37,900	38,700	39,500	40,300	41,100
Non-Current Assets Classified as	344,600	351,500	358,500	365,700	373,000	380,500	388,100	395,900	403,800	411,900
Total Current Assets	21,109,200	22,132,500	23,217,300	22,608,900	25,656,500	24,412,700	27,444,700	29,611,200	25,717,300	31,910,200
Non-Current Assets										
Investments	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Receivables	0	0	0	0	0	0	0	0	0	0
Inventories	1,140,300	1,163,100	1,186,400	1,210,100	1,234,300	1,259,000	1,284,200	1,309,900	1,336,100	1,362,800
Infrastructure	511,343,600	535,910,400	564,396,300	570,565,100	591,688,000	621,780,800	628,205,100	632,277,900	634,570,700	627,743,000
Property, Plant and Equipment	25,490,800	26,139,000	26,487,400	26,952,300	27,534,200	28,104,500	28,513,300	28,925,700	29,354,200	29,789,700
Investments Accounted for Using	0	0	0	0	0	0	0	0	0	0
Investment Property	0	0	0	0	0	0	0	0	0	0
Intangible Assets	516,600	526,900	537,400	548,100	559,100	570,300	581,700	593,300	605,200	617,300
Other	0	0	0	0	0	0	0	0	0	0
Total Non-Current Assets	539,991,300	565,239,400	594,107,500	600,775,600	622,515,600	653,214,600	660,084,300	664,606,800	667,366,200	661,012,800
TOTAL ASSETS	561,100,500	587,371,900	617,324,800	623,384,500	648,172,100	677,627,300	687,529,000	694,218,000	693,083,500	692,923,000
LIABILITIES										
Current Liabilities										
Payables	2,852,900	2,910,000	2,968,200	3,027,600	3,088,200	3,149,900	3,212,900	3,277,200	3,342,700	3,409,600
Contract Liabilities	232,100	236,700	241,400	246,200	251,200	256,300	261,500	266,800	272,200	277,700
Lease Liabilities	51,300	52,300	53,300	54,400	55,500	56,600	57,700	58,900	60,100	61,300
Borrowings	4,191,300	5,034,700	6,032,200	5,807,400	4,797,600	5,632,100	6,387,100	7,030,600	7,405,800	7,802,000
Provisions	2,457,500	2,506,700	2,556,800	2,607,900	2,660,100	2,713,300	2,767,600	2,823,000	2,879,500	2,937,100
Income Received in Advance	0	0	0	0	0	0	0	0	0	0
Total Current Liabilities	9,785,100	10,740,400	11,851,900	11,743,500	10,852,600	11,808,200	12,686,800	13,456,500	13,960,300	14,487,700
Non-Current Liabilities										
Payables	0	0	0	0	0	0	0	0	0	0
Borrowings	31,972,800	56,094,700	84,064,900	78,769,200	76,230,300	101,185,100	95,990,300	90,664,800	85,351,500	79,746,000
Provisions	41,400	42,200	43,000	43,900	44,800	45,700	46,600	47,500	48,500	49,500
Total Non-Current Liabilities	32,014,200	56,136,900	84,107,900	78,813,100	76,275,100	101,230,800	96,036,900	90,712,300	85,400,000	79,795,500
TOTAL LIABILITIES	41,799,300	66,877,300	95,959,800	90,556,600	87,127,700	113,039,000	108,723,700	104,168,800	99,360,300	94,283,200
NET ASSETS	519,301,200	520,494,600	521,365,000	532,827,900	561,044,400	564,588,300	578,805,300	590,049,200	593,723,200	598,639,800

Forecast statement of cash flows

That cash levels are significantly impacted by additional loan borrowings (which are required to fund the FWP) and the impact of repaying these borrowed funds.

The forecast predicts how changes in balance sheet accounts and income effect cash and cash equivalents. It provides information that enables users to evaluate the changes in net assets, financial structure (including liquidity and solvency) and the amounts and timing of cash flows to adapt to changing circumstances and opportunities.

This report is particularly useful in assessing the overall health of the forecasts in the LTFFP. Operating activities produce surplus results while investing activities depict a season of significant capital expenditure. The financing activities further highlights the model's reliance on borrowings and the impact of repaying these funds.

This information is shown in the *Table 11: Consolidated organisation forecast statement of cash flows*.

Table 11: Consolidated organisation forecast statement of cash flows

Name	2023 Estimate	% Change	2024 Estimate	2025 Estimate	2026 Estimate	2027 Estimate	2028 Estimate	2029 Estimate	2030 Estimate	2031 Estimate	2032 Estimate	2033 Estimate
Consolidated												
Cash Flows from Operating Activities												
<u>Receipts</u>												
User Charges and Fees	23,694,900	6.4	25,219,900	27,182,400	29,074,300	31,091,100	33,251,100	35,564,800	38,043,000	40,697,600	43,541,100	44,028,800
Investment and Interest Revenue Received	1,173,900	0.4	1,178,900	858,500	801,900	707,000	640,000	666,200	691,800	767,000	738,500	770,200
Grants and Contributions	8,007,700	8.5	8,686,900	7,268,800	7,445,400	7,670,700	7,904,000	8,134,200	8,371,900	8,611,100	8,858,500	8,912,100
Other	2,485,100	(40.6)	1,476,600	1,448,400	1,316,000	1,316,400	1,294,000	1,298,500	1,295,000	1,295,600	1,296,100	1,296,600
<u>Payments</u>												
Employee Benefits and On-Costs	(11,332,200)	8.5	(12,299,900)	(11,904,400)	(11,910,300)	(11,984,700)	(12,014,600)	(12,234,700)	(12,459,300)	(12,688,500)	(12,923,000)	(13,159,400)
Materials and Services	(15,595,700)	22.3	(19,077,300)	(17,067,200)	(16,882,000)	(17,763,900)	(18,052,400)	(18,245,200)	(19,246,700)	(19,324,100)	(20,077,200)	(19,361,400)
Borrowing Costs	(1,380,000)	58.0	(2,179,800)	(3,874,300)	(5,663,300)	(5,854,100)	(6,907,400)	(8,406,400)	(8,855,000)	(9,014,000)	(8,638,800)	(8,242,600)
Other	1,889,800	8.0	2,041,000	2,183,900	2,336,700	2,500,200	2,675,200	2,862,400	3,062,700	3,277,100	3,506,500	3,541,600
Net Cash Flows from Operating Activities	8,943,500	(43.6)	5,046,300	6,096,100	6,518,700	7,682,700	8,789,900	9,639,800	10,903,400	13,621,800	16,301,700	17,785,900
Cash Flows from Investing Activities												
<u>Receipts</u>												
Redemption of Term Deposits	26,500,000	(34.0)	17,500,000	17,500,000	18,100,000	17,500,000	21,000,000	20,500,000	22,500,000	24,500,000	19,500,000	27,000,000
Sale of Investment Property	0	0.0	0	0	0	0	0	0	0	0	0	0
Sale of Real Estate Assets	0	0.0	0	3,372,800	2,900,000	2,900,000	0	0	0	0	0	0
Sale of Infrastructure, Property, Plant and Equipment	0	0.0	0	0	0	0	0	0	0	0	0	0
<u>Payments</u>												
Acquisition of Term Deposits	(26,500,000)	(34.0)	(17,500,000)	(17,500,000)	(18,100,000)	(17,500,000)	(21,000,000)	(20,500,000)	(22,500,000)	(24,500,000)	(19,500,000)	(27,000,000)
Purchase of Infrastructure, Property, Plant and Equipment	(17,031,000)	38.2	(23,535,500)	(30,922,400)	(34,814,100)	(15,396,800)	(30,957,700)	(40,168,800)	(16,496,400)	(14,436,900)	(12,803,200)	(3,805,600)
Purchase of Real Estate Assets	(310,000)	631.3	(2,266,900)	(2,568,600)	(2,569,400)	(70,200)	(71,900)	(73,600)	(74,400)	(76,200)	(76,700)	(77,200)
Purchase of Intangible Assets	0	0.0	0	0	0	0	0	0	0	0	0	0
Net Cash Flows from Investing Activities	(17,341,000)	48.8	(25,802,400)	(30,118,200)	(34,483,500)	(12,567,000)	(31,029,600)	(40,242,400)	(16,570,800)	(14,513,100)	(12,879,900)	(3,882,800)
Cash Flows from Financing Activities												
<u>Receipts</u>												
Proceeds from Borrowings	0	0.0	15,000,000	30,000,000	35,000,000	10,000,000	30,000,000	35,000,000	15,000,000	10,000,000	0	0
<u>Payments</u>												
Repayment of Borrowings	(3,604,600)	16.3	(4,191,300)	(5,034,700)	(6,032,200)	(5,807,400)	(4,797,600)	(5,632,100)	(6,387,100)	(7,030,600)	(7,405,800)	(7,802,000)
Transfer to Retail	0	0.0	0	0	0	0	0	0	0	0	0	0
Net Cash Flows from Financing Activities	(3,604,600)	(399.9)	10,808,700	24,965,300	28,967,800	4,192,600	25,202,400	29,367,900	8,612,900	2,969,400	(7,405,800)	(7,802,000)
Net Change in Cash and Cash Equivalents	(12,002,100)	(17.1)	(9,947,400)	943,200	1,003,000	(691,700)	2,962,700	(1,234,700)	2,945,500	2,078,100	(3,984,000)	6,101,100
Cash and Cash Equivalents at Beginning of Year	40,554,100	(29.6)	28,552,000	18,604,600	19,547,800	20,550,800	19,859,100	22,821,800	21,587,100	24,532,600	26,610,700	22,626,700
Cash and Cash Equivalents at End of the Year	28,552,000	(34.8)	18,604,600	19,547,800	20,550,800	19,859,100	22,821,800	21,587,100	24,532,600	26,610,700	22,626,700	28,727,800

4.2. Bulk water reporting unit

Overview

The primary purpose of the reporting unit is to provide bulk water to four constituent councils that then provide retail water to over 100,000 people. A vast array of infrastructure is used including dams, treatment plants, pipes, land and buildings.

Bulk water has 63.3 permanent full-time equivalent staff, and this number has increased in recent years as the unit expands to enable the provision of a new water source (FWP).

Operating income for 2023/24 is forecast at \$28.8 million and contributions from constituent councils is \$21.8 million. Operating expenditure is forecast to be almost \$30.1 million with employee costs, contractors and depreciation the biggest expenses. Depreciation is forecast at \$6.7 million, which is a non-cash expense.

The reporting unit is forecast to operate at a loss of \$1.3 million, with a cash surplus of \$5.4 million when depreciation is excluded.

As at 30 June 2022, the reporting unit owns assets valued at \$402.0 million and has liabilities of \$34.0 million, which includes approximately \$28.9 million in outstanding debt.

Table 12: Bulk water operating performance shows the forecast operating performance, capital movements, reserve transfers and the estimated cash reserve balances for the reporting unit.

Table 12: Bulk water operating performance

	Long-Term Financial Plan									
	Operational Plan	Delivery Program								
	2024 Estimate	2025 Estimate	2026 Estimate	2027 Estimate	2028 Estimate	2029 Estimate	2030 Estimate	2031 Estimate	2032 Estimate	2033 Estimate
Bulk Water										
Operating Income										
User Charges and Fees	21,796,700	23,322,500	24,955,100	26,702,000	28,571,100	30,571,100	32,711,100	35,000,900	37,451,000	37,825,500
Other Revenue	189,600	189,600	54,600	54,600	54,600	54,600	54,600	54,600	54,600	54,600
Grants and Contributions	1,510,500	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400
Interest and Investment Income	910,100	718,100	665,700	530,100	444,300	460,500	472,300	535,700	490,500	495,100
Other Income	20,800	21,200	21,700	22,100	22,500	23,000	23,500	24,100	24,600	25,100
Capital Income	4,371,000	4,524,000	4,682,000	4,846,000	5,016,000	5,192,000	5,374,000	5,562,000	5,757,000	5,757,000
Total Operating Income	28,798,700	28,778,800	30,382,500	32,158,200	34,111,900	36,304,600	38,638,900	41,180,700	43,781,100	44,160,700
Operating Expense										
Employee Benefits and On-Costs	9,466,800	9,575,600	9,591,000	9,618,300	9,660,200	9,834,700	10,012,800	10,194,800	10,380,400	10,569,600
Internal Overheads	(752,400)	(780,600)	(751,100)	(760,600)	(773,100)	(798,500)	(862,800)	(897,300)	(959,700)	(1,009,600)
Internal Distributions	(2,041,000)	(2,183,900)	(2,336,700)	(2,500,200)	(2,675,200)	(2,862,400)	(3,062,700)	(3,277,100)	(3,506,500)	(3,541,600)
Materials and Services - Materials and Consumables	2,198,700	2,233,500	2,126,200	2,126,200	2,111,400	2,111,400	2,111,400	2,111,400	2,111,400	2,111,400
Materials and Services - Contractors and Consultancy Fees	4,624,200	3,458,500	3,354,200	4,087,000	4,260,400	4,301,400	5,061,900	4,964,200	5,487,400	4,761,700
Materials and Services - Chemicals	1,386,900	1,386,900	1,386,900	1,386,900	1,386,900	1,386,900	1,386,900	1,386,900	1,386,900	1,386,900
Materials and Services - Electricity	4,031,000	3,738,100	3,746,100	3,746,100	3,746,100	3,733,600	3,733,600	3,733,600	3,733,600	3,733,600
Materials and Services - Insurance	327,900	327,900	327,900	327,900	327,900	327,900	327,900	327,900	327,900	327,900
Materials and Services - IT Expenses	1,072,700	1,072,700	1,072,700	1,072,700	1,072,700	1,072,700	1,072,700	1,072,700	1,072,700	1,072,700
Materials and Services - Other	928,600	728,800	670,500	671,400	672,400	649,600	650,400	651,200	651,900	651,900
Borrowing Costs	2,179,800	3,874,300	5,663,300	5,854,100	6,907,400	8,406,400	8,855,000	9,014,000	8,638,800	8,242,600
Depreciation and Amortisation	6,709,100	7,036,600	7,293,700	7,561,400	8,036,300	8,274,000	8,415,400	8,688,400	8,814,200	8,916,200
Other Expenses	0	0	0	0	0	0	0	0	0	0
Gains or Losses	0	0	0	0	0	0	0	0	0	0
Total Operating Expense	30,132,300	30,468,400	32,144,700	33,191,200	34,733,400	36,437,700	37,702,500	37,970,700	38,139,000	37,223,300
Operating Result	(1,333,600)	(1,689,600)	(1,762,200)	(1,033,000)	(621,500)	(133,100)	936,400	3,210,000	5,642,100	6,937,400
Less Depreciation	6,709,100	7,036,600	7,293,700	7,561,400	8,036,300	8,274,000	8,415,400	8,688,400	8,814,200	8,916,200
Operating Result Excluding Non Cash	5,375,500	5,347,000	5,531,500	6,528,400	7,414,800	8,140,900	9,351,800	11,898,400	14,456,300	15,853,600
Add: Loan Drawdown	15,000,000	30,000,000	35,000,000	10,000,000	30,000,000	35,000,000	15,000,000	10,000,000	0	0
Less: Loan Capital	4,191,300	5,034,700	6,032,200	5,807,400	4,797,600	5,632,100	6,387,100	7,030,600	7,405,800	7,802,000
Less: Internal Loan	0	0	0	0	0	0	0	0	0	0
Loan Capital Repayment	0	0	0	0	0	0	0	0	0	0
Less: Capital Expense	20,175,300	29,809,100	34,130,700	14,582,000	29,928,100	39,123,000	15,563,400	13,536,700	11,897,600	2,893,600
Less: Transfer to Reserve	0	1,003,200	368,600	500,000	2,689,100	0	2,401,300	1,831,100	0	5,158,000
Add: Transfer from Reserve	5,491,100	0	0	3,861,000	0	1,614,200	0	0	4,847,100	0
Estimated Bulk Water Reserves										
Description	2024 Estimate	2025 Estimate	2026 Estimate	2027 Estimate	2028 Estimate	2029 Estimate	2030 Estimate	2031 Estimate	2032 Estimate	2033 Estimate
Bulk Water Reserve	15,455,800	16,459,000	16,827,600	13,466,600	16,155,700	14,541,500	16,942,800	18,773,900	13,926,800	19,084,800

Recent history

The business has experienced recurrent operating surpluses before capital grants and contributions. In 2019/20 the surplus was (\$2.0 million), in 2020/21 the surplus was \$4.6 million and in 2021/22 the surplus was (\$4.1 million), which is not significant given a total operating expenditure of \$32.3 million.

The cash reserve decreased in 2021/22, due to significant capital expenditure.

Forecast assumptions

Future Water Program: The financial plan is significantly impacted by assumptions associated with the FWP 2060. The current LTFP is in accord with Council's most recent decision, which looks to new groundwater supplies as the primary new water source.

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. The borrowings are significant and estimated loan rates exert a strong influence on the outcomes of the LTFP.

The viability and estimated costs of the new water source solutions continue to be investigated. It is possible, indeed likely, that core assumptions will change as investigations continue. Therefore, the LTFP as presented must be viewed in the context that there is considerable uncertainty around pivotal assumptions.

Borrowings: Estimated external loans of \$180 million are anticipated to 2032/33 at rates varying from 5.0% to 7.0%. The loans are based on 20-year repayment periods.

Obviously, the underlying assumption with the borrowings is that financial institutions will loan such vast sums to an organisation that will have an unfavourable debt cover ratio.

Contribution calculation: Rous uses the LTFP to calculate the income required from constituent council contributions in the forthcoming year. The income required by Rous is divided into the gross bulk water consumption for the previous 12 months from March to February. This calculation derives a charge per kilolitre. The floods in March 2022 affected the data collected and as such, the consumption data used for the 2023/24 financial year is based on the 11 months from April to February.

Each council, and the Rous retail water reporting unit, is required to pay a contribution dependant on the amount of bulk water consumed multiplied by the derived charge per kilolitre.

This methodology enables Rous to know the exact income that will be received, and the constituent councils to know the exact amount they are required to pay for the forthcoming financial year. This assists financial planning for all parties and avoids the need to carry excessive cash reserves to offset potential budget shocks.

The contribution calculation is based on water consumed by each entity. This means that the actual dollar amount payable may vary from the percentage adjustment nominated by Rous. For example, if Rous requires a 7.0% increase in comparison to the previous year for total contribution income, the amount paid by each council will be more or less than the 7.0% increase depending on their consumption as a percentage of total consumption.

Price path: Constituent council contributions are forecast to rise by 6.0% or 7.0% almost every year of the model, which includes adjustment for inflation. The extensive price increases are necessary to fund loan repayments and ensure the business remains sustainable.

As mentioned previously, it is important to note that the current generation has benefitted from previous generations paying for Rocky Creek Dam. The current generation is now responsible to pay for infrastructure that will supply the county with water for future generations.

Developer contributions: Represent the second largest recurrent income stream for the reporting unit. Approximately \$4.2 to \$5.7 million is received annually depending on the level of development in the county.

Ten-year forecast

The forecast is for a continuation of operational losses as the business pays for the FWP. However, the magnitude of the loss decreases over the years such that a surplus is forecast from 2032/33. The business is forecast to produce a reasonable cash surplus (excludes non-cash items such as depreciation), which contributes to capital costs.

Rous is currently repaying loans associated with the Wilsons River source, which amount to approximately \$4.0 million in 2022/23. These loans are repaid by 2027/28, which serves to mitigate the price path increases that would otherwise be necessary.

Capital works expenditure in the LTFP amounts to over \$211.6 million with approximately \$153.1 million relating to new assets. Hence it can be seen that the works program includes over \$58.4 million in upgrades to the existing asset base.

The cash reserve fluctuates and at times is less than preferred levels, however this is an issue that can be considered once the capital works program is underway and external loans are being negotiated.

Ratios

The selected ratios are from those required by the Local Government Code of Accounting Practice and specific comments on the reporting units result in comparison to the benchmark are included in *Table 13: Bulk water forecast ratios*.

Table 13: Bulk water forecast ratios (excluding capital grants and contributions)

Rous County Council - Bulk Water Supply	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Financial Ratios	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
Operating Performance Ratio Expressed as a Percentage <u>Operating Income less Operating Expense</u>	(6.24)	(23.35)	(25.62)	(25.07)	(21.53)	(19.38)	(17.12)	(13.34)	(6.60)	(0.30)	3.07
Operating Income											
Benchmark	>0	>0	>0	>0	>0	>0	>0	>0	>0	>0	>0
Result	Fail	Fail	Fail	Fail	Fail	Fail	Fail	Fail	Fail	Fail	Pass
Comment	The benchmark is not being achieved in the early years of the model as the Reporting Unit struggles with the repayment of external borrowings. New borrowings are taken up in most years of the 2020's to fund new water sources. The Reporting Unit is sustainable however as price increases to										
Own Source Operating Revenue Expressed as a Percentage <u>Operating Income less Grants and Contributions</u>	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Total Operating Income											
Benchmark	>60	>60	>60	>60	>60	>60	>60	>60	>60	>60	>60
Result	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass
Comment	The benchmark is being achieved.										
Debt Service Cover Ratio <u>Operating Result excluding Loan Interest and Depreciation</u>	1.26	0.50	0.53	0.56	0.65	0.80	0.81	0.84	0.96	1.08	1.14
Loan Repayments Principal/Interest											
Benchmark	>2	>2	>2	>2	>2	>2	>2	>2	>2	>2	>2
Result	Fail	Fail	Fail	Fail	Fail	Fail	Fail	Fail	Fail	Fail	Fail
Comment	The ratio indicates that operating result is weak compared the level of debt being repaid. It suggests that the Reporting Unit has limited descretionary funds because funds are committed to repaying debt. The ratio declines as more loans are raised to fund new water sources in the early and The strategy is to ensure that the Reporting Unit maintains a strong cash reserve balance so that funds are available for unexpected events. Council Contribution income is raised to cope with the loan repayments.										
Unrestricted Current Ratio <u>Current Assets less External Restrictions</u>	2.64	1.86	1.79	1.66	1.38	1.77	1.48	1.58	1.64	1.22	1.55
Current Liabilities Less Specific Purpose Liabilities											
Benchmark	>1.5	>1.5	>1.5	>1.5	>1.5	>1.5	>1.5	>1.5	>1.5	>1.5	>1.5
Result	Pass	Pass	Pass	Pass	Fail	Pass	Fail	Pass	Pass	Fail	Pass
Comment	The ratio result fluctuates as cash reserves (current assets) are applied to capital works then the reserves are topped up via external borrowings. The forecast highlights that the Reporting Unit is going through a period of sustained financial upheaval with large expenditures and borrowings. The expectation is that the ratio will meet the benchmark consistently once new water sources are constructed.										
Buildings and Infrastructure Renewals ratio <u>Asset Renewals</u>	102.04%	121.91%	62.56%	129.40%	61.13%	109.05%	93.03%	20.01%	17.19%	110.69%	27.26%
Depreciation, Amortisation and Impairment	6,486,960	8,178,950	4,402,100	9,437,950	4,622,000	8,763,300	7,697,400	1,683,600	1,493,200	9,756,500	2,430,850
Benchmark	>100%	>100%	>100%	>100%	>100%	>100%	>100%	>100%	>100%	>100%	>100%
Result	Pass	Pass	Fail	Pass	Fail	Pass	Fail	Fail	Fail	Pass	Fail
Comment	The benchmark is only met in four years of the ten-year program as significant capital expenditure is planned for new assets.										

Table 13a: Bulk water forecast ratios (total revenue)

Rous County Council - Bulk Water Supply	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Financial Ratios (including Capital Revenue)	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
Operating Performance Ratio Expressed as a Percentage	(4.63)	(5.87)	(5.80)	(3.21)	(1.82)	(0.37)	2.42	7.79	12.89	15.71
<u>Operating Income less Operating Expense</u>										
Operating Income										
Benchmark	>0	>0	>0	>0	>0	>0	>0	>0	>0	>0
Result	Fail	Fail	Fail	Fail	Fail	Fail	Pass	Pass	Pass	Pass
Comment	The benchmark is not being achieved in the early years of the model as the Reporting Unit struggles with the repayment of external borrowings. New borrowings are taken up in most years of the 2020's to fund new water sources. The Reporting Unit is sustainable however as price increases to constituent council contributions gradually return more revenue and an operational surplus is achieved by 2030.									
Debt Service Cover Ratio	1.19	1.04	0.96	1.06	1.22	1.18	1.19	1.30	1.44	1.50
<u>Operating Result excluding Loan Interest and Depreciation</u>										
Loan Repayments Principal/Interest										
Benchmark	>1.5	>1.5	>1.5	>1.5	>1.5	>1.5	>1.5	>1.5	>1.5	>1.5
Result	Fail	Fail	Fail	Fail	Fail	Fail	Fail	Fail	Fail	Fail
Comment	The adjusted ratio indicates that operating result is weak compared the level of debt being repaid. The ratio declines until 2029 as more loans are raised to fund new water sources in the early and middle 2020's. A small improvement occurs in 2028 when the existing Wilson's River loans are paid out. The Reporting Unit maintains strong cash reserves while Council Contribution income is raised to cope with the loan repayments.									

Sensitivity analysis

The LTFP presented, often referred to as the base case, is considered to be a pessimistic outlook in respect to the proposed contribution price path. This is because there is no anticipation of external grant funding in respect to the FWP. In reality, one would hope that a higher government tier will contribute to the new water sources, particularly given that there are Federal grant opportunities available for work of this nature.

The base case does not include grant funding because there are no approvals in place, and nothing is guaranteed.

A second assumption within the base case is that loans are premised on a 20-year payback period. Investigations with top tier banks suggest that Rous could negotiate 30-year loans given the nature and longevity of the assets that will be created.

If a second LTFP scenario assumed 25% grant funding for the FWP and 30-year loans, the council-contribution price path would reduce significantly.

However, one could equally argue that it is very common for estimates of cost for future capital works to be understated. If construction difficulties were encountered, it may be that capital costs increase by many millions due to just one issue.

Indeed, there are numerous other assumptions that could be modelled, including adjusting the estimated loan borrowing rate. Given the magnitude of borrowings, any adjustment to this rate will fundamentally change the outlook. Further, the base case assumes new borrowings annually. Given the extent of proposed borrowings, an alternate strategy would be to 'over borrow' in the early years, lock in long-term rates that may prove to be cheaper than rates achieved in later years.

Another assumption that is very sensitive in the sense that it has a significant impact on the model, relates to forecast income from developer contributions. Rous is forecast to receive between \$4.2 to \$5.7 million annually, which is the second largest recurrent income source for the reporting unit.

The developer contributions are paid under the auspice of a developer contribution plan that was adopted in 2023.

In conclusion, it is fair to say that there are many important assumptions in the LTFP that could be challenged with strong basis to the argument. It is expected that over time there will be many changes to the forecast, and it is hoped that the positive adjustments will outweigh the negative.

4.3. Retail water reporting unit

Overview

The reporting unit supplies retail water to approximately 2,000 customers. Typically, they are serviced direct from the bulk water supply main, i.e., Rous do not look to extend the customer base, but only provide supply when it is more expedient for Rous than the constituent council.

There are 7.2 full-time equivalent staff employed by the unit (excludes administration support), which has been reasonably stable for some years.

The main source of income is from user fees and charges with labour, contractors and materials being the largest expenditures.

The reporting unit owns assets valued at \$13.4 million and has no external debt.

Table 14: Retail water operating performance shows the forecast operating performance, capital movements, reserve transfers and the estimated cash reserve balances for the reporting unit.

Table 14: Retail water operating performance

Name	Long-Term Financial Plan									
	Operational Plan	Delivery Program			2028	2029	2030	2031	2032	2033
	2024 Estimate	2025 Estimate	2026 Estimate	2027 Estimate	2028 Estimate	2029 Estimate	2030 Estimate	2031 Estimate	2032 Estimate	2033 Estimate
Retail Water										
Operating Income										
User Charges and Fees	3,423,200	3,859,900	4,119,200	4,389,100	4,680,000	4,993,700	5,331,900	5,696,700	6,090,100	6,203,300
Other Revenue	0	0	0	0	0	0	0	0	0	0
Grants and Contributions	0	0	0	0	0	0	0	0	0	0
Interest and Investment Income	74,500	20,800	17,600	18,100	19,800	26,600	36,200	41,400	50,200	69,100
Other Income	0	0	0	0	0	0	0	0	0	0
Capital Income	15,000	15,300	15,600	15,900	16,200	16,500	16,800	17,100	17,400	17,700
Total Income	3,512,700	3,896,000	4,152,400	4,423,100	4,716,000	5,036,800	5,384,900	5,755,200	6,157,700	6,290,100
Operating Expense										
Employee Benefits and On-Costs	684,300	697,700	711,400	725,300	739,400	753,700	768,500	783,600	798,900	814,600
Internal Overheads	174,100	197,600	221,600	246,000	270,900	296,300	322,200	348,600	375,600	403,100
Materials and Services - Materials and Consumables	163,300	174,800	176,900	176,900	176,900	176,900	176,900	176,900	176,900	176,900
Materials and Services - Contractors and Consultancy Fees	45,200	345,100	349,600	349,600	349,600	349,600	349,600	349,600	349,600	349,600
Materials and Services - Electricity	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700
Materials and Services - Insurance	0	0	0	0	0	0	0	0	0	0
Materials and Services - IT Expenses	0	0	0	0	0	0	0	0	0	0
Materials and Services - Other	2,128,600	2,271,500	2,424,300	2,587,800	2,762,800	2,950,000	3,150,300	3,364,700	3,594,100	3,629,200
Borrowing Costs	0	0	0	0	0	0	0	0	0	0
Depreciation and Amortisation	420,200	526,500	534,400	542,400	550,500	558,800	567,200	575,700	584,300	593,100
Other Expenses	0	0	0	0	0	0	0	0	0	0
Gains or Losses	0	0	0	0	0	0	0	0	0	0
Total Expense	3,617,400	4,214,900	4,419,900	4,629,700	4,851,800	5,087,000	5,336,400	5,600,800	5,881,100	5,968,200
Operating Result	(104,700)	(318,900)	(267,500)	(206,600)	(135,800)	(50,200)	48,500	154,400	276,600	321,900
Less Depreciation	420,200	526,500	534,400	542,400	550,500	558,800	567,200	575,700	584,300	593,100
Operating Result Excluding Non Cash	315,500	207,600	266,900	335,800	414,700	508,600	615,700	730,100	860,900	915,000
Add Capital Income	0	0	0	0	0	0	0	0	0	0
Less Capital Expense	2,782,400	297,600	221,000	228,400	233,800	239,300	244,800	250,300	255,900	261,500
Less Transfer to Reserve	500,000	0	45,900	107,400	180,900	269,300	370,900	479,800	605,000	653,500
Add Transfer from Reserve	2,466,900	90,000	0	0	0	0	0	500,000	0	0
Estimated Retail Water Reserves										
Description	2024 Estimate	2025 Estimate	2026 Estimate	2027 Estimate	2028 Estimate	2029 Estimate	2030 Estimate	2031 Estimate	2032 Estimate	2033 Estimate
Retail Water Reserve	507,300	417,300	463,200	570,600	751,500	1,020,800	1,391,700	1,371,500	1,976,500	2,630,000

Recent history

The recent operating results highlight the financial uncertainty that faces this reporting unit. In 2019/20 the surplus was \$1.2 million, in 2020/21 the deficit was (\$394,000) and in 2021/22 the deficit was (\$11,000).

The result is strongly influenced by the weather, which is unfortunate in the sense that it is difficult to plan. A good year financially typically occurs in a year with minimal rain because residents tend to consume greater quantities of water. The reverse occurs in a wet year. Approximately 80% of total income is reliant on water consumption (includes sales to water carters).

Reasonable cash reserves were maintained over the last three years, which met the cash reserves policy. The inherent uncertainty of income means that it is prudent to maintain strong cash reserves.

Forward forecast assumptions

Projected price path: The price of retail water to the consumer is forecast to rise by between 7% and 8% annually for most the next decade. This percentage includes the cost-of-living adjustment. The main driver for the price rises is the cost of bulk water.

Retail water purchase bulk water from the bulk water reporting unit at the same price as the constituent councils. The purchase of bulk water represents 56% of retail water's total costs. It has been discussed earlier in this document that the cost of bulk water is forecast to increase due to the FWP and this increase must be absorbed by the retail water reporting unit.

Customer growth: It has been assumed that there will be minimal growth in customers because Rous do not actively seek to increase the number of connections.

Ten-year forecast

The reporting unit is forecasting operating surpluses from 2029/30. This is an acceptable outlook as it indicates that all costs are being managed and the unit is likely to be sustainable in the long term.

Cash reserves are expected to decline from \$3.0 million at the end of 2021/22 to \$507,300 in 2023/24. The decline in cash is due to the capital works program, which includes new assets to introduce smart meters and backflow prevention. Each project is estimated to cost approximately \$1.2 million. Due to these works \$500,000 will be temporarily required from Bulk in 2023/24 to adequately cover reserves due to capital works.

The cash reserve is forecast to gradually rise such that in 2032/32 it is \$2.6 million. The concern is that this reserve balance is less than what is considered desirable, which as per the policy, is in excess of eight months operating expenditure, or \$2.4 million in 2023/24. Given the uncertainty of the income stream, the unit is vulnerable to unexpected negative budget variations. Future iterations of the LTFP will look to address this issue, possibly via adjusting the forecast price path.

Ratios

The selected ratios are from those required by the Local Government Code of Accounting Practice and specific comments on the reporting units result in comparison to the benchmark are included in *Table 15: Retail water forecast ratios*.

Table 15: Retail water forecast ratios (excluding capital grants and contributions)

Rous County Council - Retail Water Supply	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Financial Ratios	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
Operating Performance Ratio Expressed as a Percentage	(3.42)	(8.61)	(6.84)	(5.05)	(3.23)	(1.33)	0.59	2.39	4.22	4.85
Operating Income less Operating Expense										
Operating Income										
Benchmark	>0	>0	>0	>0	>0	>0	>0	>0	>0	>0
Result	Fail	Fail	Fail	Fail	Fail	Fail	Pass	Pass	Pass	Pass
Comment	The benchmark is not achieved until 2029/30 due to the rising price of bulk water plus the introduction of smart meters and backflow devices. In response to these pressures the price of Retail Water increases beyond cost of living.									
Own Source Operating Revenue Expressed as a Percentage	99.69	99.72	99.74	99.75	99.77	99.78	99.80	99.81	99.82	99.83
Operating Income less Grants and Contributions										
Total Operating Income										
Benchmark	>60	>60	>60	>60	>60	>60	>60	>60	>60	>60
Result	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass
Comment	The benchmark is forecast to be achieved annually.									
Unrestricted Current Ratio	14.22	11.59	12.55	15.03	19.24	25.44	33.84	32.74	45.98	59.78
Current Assets less External Restrictions										
Current Liabilities less Specific Purpose Liabilities										
Benchmark	>1.5	>1.5	>1.5	>1.5	>1.5	>1.5	>1.5	>1.5	>1.5	>1.5
Result	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass
Comment	The benchmark is achieved as the Reporting Unit maintains a cash reserve and no external debt.									
Buildings and Infrastructure Renewals Ratio	306.38%	13.22%	41.35%	13.35%	13.41%	13.48%	13.54%	13.60%	13.67%	13.74%
Asset Renewals	1,287,400	69,600	221,000	72,400	73,800	75,300	76,800	78,300	79,900	81,500
Depreciation, Amortisation and Impairment	420,200	526,500	534,400	542,400	550,500	558,800	567,200	575,700	584,300	593,100
Benchmark	>100%	>100%	>100%	>100%	>100%	>100%	>100%	>100%	>100%	>100%
Result	Pass	Fail								
Comment	The benchmark is not met from 2024/25 onwards as depreciation increases significantly with smart metering and backflow device installation.									

Table 15a: Retail water forecast ratios (total revenue)

Rous County Council - Retail Water Supply	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Financial Ratios (including Capital Revenue)	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
Operating Performance Ratio Expressed as a Percentage	(2.98)	(8.19)	(6.44)	(4.67)	(2.88)	(1.00)	0.90	2.68	4.49	5.12
Operating Income less Operating Expense										
Operating Income										
Benchmark	>0	>0	>0	>0	>0	>0	>0	>0	>0	>0
Result	Fail	Fail	Fail	Fail	Fail	Fail	Pass	Pass	Pass	Pass
Comment	The adjusted benchmark is achieved from 2029/30.									

Sensitivity analysis

The reporting unit is in a tight situation given that it is facing years of price increases in excess of cost-of-living adjustments and an essentially break-even forecast operating result. This is despite the price increases. Further, cash reserves are less than preferred given the volatility of the income stream.

Given this outlook, there is little room for alternate scenarios. Perhaps one option may be to expand the customer base by actively seeking new connections. This strategy would improve economies of scale and may improve the financial forecast. However, the supply of retail water is really outside the charter of Rous and this approach may raise debate at a political level.

4.4. Flood mitigation reporting unit

Overview

The reporting unit provides flood mitigation services to non-urban areas of Ballina, Lismore and Richmond Valley councils. Infrastructure includes floodgates, canals, drains and levees. The Lismore Levee is currently recognised as a Rous asset, however it is managed under a memorandum of understanding with Lismore City Council (LCC), who is responsible for funding.

There are 5.3 full-time equivalent staff (excluding administration support) and this number has been stable for some time. There are no plans to expand staff numbers.

The primary income sources are council contributions and government grants. Expenditure relates to staff, contractors and depreciation.

Assets are valued at \$132.0 million and there is no outstanding debt.

Table 16: Flood mitigation operating performance shows the forecast operating performance, capital movements, reserve transfers and the estimated cash reserve balances for the reporting unit.

Table 16: Flood mitigation operating performance

Name	Operational Plan	Delivery Program			2028	2029	2030	2031	2032	2033
	2024	2025	2026	2027						
	Estimate									
Flood Mitigation										
Operating Income										
User Charges and Fees	0	0	0	0	0	0	0	0	0	0
Other Revenue	5,800	5,800	5,800	5,800	5,800	5,800	5,800	5,800	5,800	5,800
Grants and Contributions	1,150,400	1,169,900	1,205,700	1,248,700	1,293,400	1,328,700	1,365,000	1,396,500	1,428,800	1,461,900
Interest and Investment Income	18,000	11,000	11,000	13,300	14,200	16,100	16,400	16,800	18,900	22,000
Other Income	0	0	0	0	0	0	0	0	0	0
Capital Income	0	0	0	0	0	4,000	0	0	0	0
Total Operating Income	1,174,200	1,186,700	1,222,500	1,267,800	1,313,400	1,354,600	1,387,200	1,419,100	1,453,500	1,489,700
Operating Expense										
Employee Benefits and On-Costs	493,600	503,500	513,600	523,900	534,400	545,000	555,800	566,600	577,700	588,900
Internal Overheads	211,100	216,100	221,100	226,100	231,100	236,100	271,900	271,100	276,100	281,100
Materials and Services - Materials and Consumables	200,000	173,600	160,200	160,100	157,500	157,400	157,300	157,200	157,100	157,000
Materials and Services - Contractors and Consultancy Fees	290,600	88,100	51,300	36,100	36,100	36,100	76,100	36,100	36,100	11,100
Materials and Services - Electricity	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600
Materials and Services - Insurance	4,700	4,700	4,700	4,700	4,700	4,700	4,700	4,700	4,700	4,700
Materials and Services - Other	14,400	14,400	14,400	14,400	14,400	14,400	14,400	14,400	14,400	14,400
Borrowing Costs	0	0	0	0	0	0	0	0	0	0
Depreciation and Amortisation	705,700	716,300	727,000	737,900	749,000	760,200	771,600	783,200	794,900	806,800
Other Expenses	0	0	0	0	0	0	0	0	0	0
Gains or Losses	0	0	0	0	0	0	0	0	0	0
Total Operating Expense	1,922,700	1,719,300	1,694,900	1,705,800	1,729,800	1,756,500	1,854,400	1,835,900	1,863,600	1,866,600
Operating Result	(748,500)	(532,600)	(472,400)	(438,000)	(416,400)	(401,900)	(467,200)	(416,800)	(410,100)	(376,900)
Less Depreciation	705,700	716,300	727,000	737,900	749,000	760,200	771,600	783,200	794,900	806,800
Operating Result Excluding Non Cash	(42,800)	183,700	254,600	299,900	332,600	358,300	304,400	366,400	384,800	429,900
Add Capital Income	0	0	0	0	0	0	0	0	0	0
Less Capital Expense	156,400	214,700	164,400	175,100	270,800	296,500	343,200	304,900	304,700	305,500
Less Transfer to Reserve	0	0	90,200	124,800	61,800	61,800	0	61,500	80,100	124,400
Add Transfer from reserve	199,200	31,000	0	0	0	0	38,800	0	0	0

Estimated Flood Mitigation Reserves

Description	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
	Estimate									
Flood Mitigation Reserve	259,700	228,700	318,900	443,700	505,500	567,300	528,500	590,000	670,100	794,500

Recent history

The reporting unit has incurred recurrent operating losses before capital grants and contributions. In 2019/20 the deficit was (\$921,200), in 2020/21 the deficit was (\$997,000) and in 2021/22 the deficit was (\$1.9 million). This is in part due to various maintenance works in excess of the norm, natural disasters and depreciation.

Depreciation is calculated at \$748,500 for 2023/24 and this figure includes depreciation of \$393,200 associated with the Lismore Levee. The levee depreciation must be included as the asset is on the Rous asset register. However, LCC must pay any operational or capital costs associated with the levee.

Therefore, it is more realistic to exclude levee depreciation, which improves the outlook, however the operating loss is still significant and combined with capital expenditure has resulted in an annual reduction to cash reserves. Hence the historical trend is not positive and needs to be addressed in the future.

Forecast assumptions

Contribution price path: The primary income source for flood mitigation is contributions from constituent councils.

The reporting unit has a relatively small income base, particularly considering the assets that must be maintained. This means that, on a percentage basis, contributions are needed to increase exponentially. However, on a dollar basis, when the increase is shared by three constituent councils over several years, it is more palatable.

Grant income: Historically, flood mitigation has been able to attract grants for project-based work. The LTFP has assumed minimal grant income for future years because it is not guaranteed, however grant funding exists for the 2023/24 and 2024/25 financial years. Typically, if funds are received, a similar amount is expended so it has a nil effect on the future forecast. Rous does need to be cautious if a grant is offered on a partial funding arrangement (i.e., 50:50) because there is very little discretionary expenditure to the reporting unit.

Ten-year forecast

It is anticipated that operating losses will continue for the life of the LTFP, however there is a gradual improvement to the result over the years due to contribution price increases. If the Lismore Levee depreciation is excluded, the reporting unit achieves a surplus before the end of the decade.

It is forecast that the cash reserve will be less the cash reserves policy benchmark for several years, before reaching satisfactory levels in 2030/31. If natural disaster funding is not received prior to expenditure reserves may be need from unrestricted cash.

The financial outlook is difficult and shows a reporting unit that is struggling to remain sustainable. It is important that the financial outlook is monitored closely in tandem with service levels to ensure that the reporting unit remains viable.

Ratios

The selected ratios are from those required by the Local Government Code of Accounting Practice and specific comments on the reporting units result in comparison to the benchmark are included in *Table 17: Flood mitigation forecast ratios*.

Table 17: Flood mitigation forecast ratios (excluding capital grants and contributions)

Rous County Council - Flood Mitigation	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Financial Ratios	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
Operating Performance Ratio Expressed as a Percentage	(63.75)	(44.88)	(38.64)	(34.55)	(31.70)	(30.05)	(33.68)	(29.37)	(28.21)	(25.30)
<u>Operating Income less Operating Expense</u>										
Operating Income										
Benchmark	>0	>0	>0	>0	>0	>0	>0	>0	>0	>0
Result	Fail	Fail	Fail	Fail	Fail	Fail	Fail	Fail	Fail	Fail
Comment	The benchmark is not being achieved however the proposed increases to contributions from 2022-2025 improves the forecast ratio. It is relevant to note that depreciation expense includes the Lismore Levee. This asset is funded by Lismore City Council hence the operating deficit shown in the model is arguably overstated. Taking this adjustment into account a regular surplus (favourable adjusted ratio result) is achieved by 2030/31.									
Own Source Operating Revenue Expressed as a Percentage	79.37	84.07	85.62	85.99	86.33	86.57	86.79	86.94	87.11	87.29
<u>Operating Income less Grants and Contributions</u>										
Total Operating Income										
Benchmark	>60	>60	>60	>60	>60	>60	>60	>60	>60	>60
Result	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass
Comment	The benchmark is achieved in every year as Constituent Council contributions are classed as 'own source revenue'.									
Unrestricted Current Ratio	3.34	2.97	3.83	4.99	5.49	5.98	5.51	5.97	6.58	7.54
<u>Current Assets less External Restrictions</u>										
Current Liabilities less Specific Purpose Liabilities										
Benchmark	>1.5	>1.5	>1.5	>1.5	>1.5	>1.5	>1.5	>1.5	>1.5	>1.5
Result	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass
Comment	The ratio meets the benchmark comfortably. The Reporting Unit has no debt which drives the strong result.									
Buildings and Infrastructure Renewals Ratio	22.16%	29.97%	22.61%	23.73%	36.15%	39.00%	44.48%	38.93%	38.33%	37.87%
<u>Asset Renewals</u>	156,400	214,700	164,400	175,100	270,800	296,500	343,200	304,900	304,700	305,500
Depreciation, Amortisation and Impairment	705,700	716,300	727,000	737,900	749,000	760,200	771,600	783,200	794,900	806,800
Benchmark	>100%	>100%	>100%	>100%	>100%	>100%	>100%	>100%	>100%	>100%
Result	Fail	Fail	Fail	Fail	Fail	Fail	Fail	Fail	Fail	Fail
Comment	The ratio fails to meet the benchmark comfortably. The Reporting Unit has no debt however the depreciation on the Lismore Levee is an issue as it is an asset that is funded by Lismore City Council. When this depreciation is eliminated a ratio of between 50.05% and 100.5% is achieved over the ten-year period.									

Sensitivity analysis

Service levels: The assumption is that service levels will remain similar to the current position for some years and gradually improve in terms capital expenditure once the full impact of price increases has been accepted.

The impact of climate change may well result in increased expectations from residents for the reporting unit to manage floods, however the LTFP does not envisage this possibility. New income sources will need to be identified for this to occur.

An alternative to price increases may be to reduce service levels. This approach would enable reduced price increases, however current asset maintenance would suffer.

Asset information indicates that existing assets are being maintained to a satisfactory standard (refer to condition assessment as part of the 2020 asset revaluation) and that progress is being made in terms of progressing asset management issues. Further, staff have improved 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. Staff will also endeavour to identify grant funding opportunities for specific projects. One threat to this strategy is that it relies on the willingness of the constituent councils to accept many years of price rise. At this stage there has not been a concerted lobby to change the strategy, but the point is raised as it is a valid concern.

4.5. Weed biosecurity reporting unit

Overview

The reporting unit provides services to Ballina, Byron, Lismore and Richmond Valley councils who provide contributions as payment. Tweed and Kyogle councils pay a fee for services provided.

Activities include inspections, compliance, weed eradication and strategic planning. There are 6.0 full-time equivalent staff, which excludes administration support.

The primary income sources are grants, contributions and fees. Salaries and wages are the largest expenditure item.

The reporting unit owns assets valued at \$2.1 million, which is essentially cash reserves. There is no debt outstanding.

Table 18: Weed biosecurity operating performance shows the forecast operating performance, capital movements, reserve transfers and the estimated cash reserve balances for the reporting unit.

Table 18: Weed biosecurity operating performance

Name	Long-Term Financial Plan									
	Operational Plan	Delivery Program								
	2024 Estimate	2025 Estimate	2026 Estimate	2027 Estimate	2028 Estimate	2029 Estimate	2030 Estimate	2031 Estimate	2032 Estimate	2033 Estimate
Operating Income										
User Charges and Fees	-	-	-	-	-	-	-	-	-	-
Other Revenue	-	-	-	-	-	-	-	-	-	-
Grants and Contributions	1,640,000	1,556,200	1,538,700	1,556,700	1,575,000	1,593,600	1,612,700	1,632,100	1,651,900	1,672,100
Interest and Investment Income	82,200	53,900	50,200	47,200	42,900	45,100	47,700	50,500	52,800	54,300
Other Income	-	-	-	-	-	-	-	-	-	-
Total Operating Income	1,722,200	1,610,100	1,588,900	1,603,900	1,617,900	1,638,700	1,660,400	1,682,600	1,704,700	1,726,400
Operating Expense										
Employee Benefits and On-Costs	1,462,100	931,500	895,200	915,000	935,300	956,000	976,900	998,200	1,020,700	1,041,000
Internal Overheads	314,000	311,000	267,500	250,600	244,900	241,100	243,800	252,000	282,400	298,600
Materials and Services - Materials and Consumables	356,900	266,600	266,200	266,200	260,700	260,700	260,700	260,700	260,700	260,700
Materials and Services - Contractors and Consultancy Fees	465,500	23,700	23,700	23,700	23,700	23,700	23,700	23,700	23,700	23,700
Materials and Services - Electricity	3,700	3,700	3,700	3,700	3,700	3,700	3,700	3,700	3,700	3,700
Materials and Services - Insurance	0	0	0	0	0	0	0	0	0	0
Materials and Services - IT Expenses	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Materials and Services - Other	32,900	32,900	32,900	32,900	32,900	32,900	32,900	32,900	32,900	32,900
Borrowing Costs	0	0	0	0	0	0	0	0	0	0
Depreciation and Amortisation	31,000	31,500	32,000	32,500	33,000	33,500	34,000	34,500	35,000	35,500
Other Expenses	0	0	0	0	0	0	0	0	0	0
Gains or Losses	0	0	0	0	0	0	0	0	0	0
Total Operating Expense	2,667,100	1,601,900	1,522,200	1,525,600	1,535,200	1,552,600	1,576,700	1,606,700	1,660,100	1,697,100
Operating Result	(944,900)	8,200	66,700	78,300	82,700	86,100	83,700	75,900	44,600	29,300
Less Depreciation	31,000	31,500	32,000	32,500	33,000	33,500	34,000	34,500	35,000	35,500
Operating Result Excluding Non Cash	(913,900)	39,700	98,700	110,800	115,700	119,600	117,700	110,400	79,600	64,800
Add Capital Income	0	0	0	0	0	0	0	0	0	0
Less Capital Expense	0	21,000	0	22,000	44,000	44,000	20,000	20,000	20,000	20,000
Less Transfer to Reserve	0	18,700	98,700	88,800	71,700	75,600	97,700	90,400	59,600	44,800
Add Transfer from Reserve	913,900	0	0	0	0	0	0	0	0	0
Net Cash Movement	0	0	0	0	0	0	0	0	0	0
Estimated Weed Bio Reserves										
Description	2024 Estimate	2025 Estimate	2026 Estimate	2027 Estimate	2028 Estimate	2029 Estimate	2030 Estimate	2031 Estimate	2032 Estimate	2033 Estimate
Weed Bio Reserve	1,187,900	1,206,600	1,305,300	1,394,100	1,465,800	1,541,400	1,639,100	1,729,500	1,789,100	1,833,900

Recent history

The operating result before capital grants and contributions is generally around breakeven, which is an important benchmark to achieve as it indicates financial sustainability. In 2019/20 the deficit was (\$106,900), in 2020/21 the surplus was \$182,600 and in 2021/22 the surplus was \$421,000. The reporting unit has strong cash reserves, particularly given that there are minimal assets to manage.

Assumptions

The primary income sources for the reporting unit are contributions by constituent councils and recurrent grant funding. It has been assumed that both income sources will continue with approximate cost-of-living increases.

The recurrent grant funding is assured for a five-year interval. The LTFP assumes that the existing arrangement will be renewed after the expiration of the existing agreement.

Grant income for project-related work has not been included in the forecast as it is not reliable and if funds are received, it typically results in a temporary increase to resourcing to expend the grant and complete the project.

The primary costs faced by the reporting unit are labour, plant and materials. These costs are reasonably predictable and forecast to remain stable with cost-of-living increments, while minimal capital expenditure is anticipated.

Ten-year forecast

The outlook is very stable with a continuation of existing services. The forecast operating result is quite close to break-even on an annual basis with a gradual increase in cash reserves.

Capital expenditure is predicted to be quite small and relates to replacement of equipment.

The main capital item used by weed biosecurity is vehicles and this cost is reflected as operating expense, not capital. This is because each reporting unit pays annual fees to plant operations for use of vehicles and other major plant items. It is the responsibility of plant operations to provide suitable plant and equipment to each reporting unit.

Ratios

The selected ratios are from those required by the Local Government Code of Accounting Practice and specific comments on the reporting units result in comparison to the benchmark are included in *Table 19: Weed biosecurity forecast ratios*.

Table 19: Weed biosecurity forecast ratios (excluding capital grants and contributions)

Rous County Council - Weeds Biosecurity	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Financial Ratios	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
Operating Performance Ratio Expressed as a Percentage	(54.87)	0.51	4.20	4.88	5.11	5.25	5.04	4.51	2.62	1.70
<u>Operating Income less Operating Expense</u>										
Operating Income										
Benchmark	>0	>0	>0	>0	>0	>0	>0	>0	>0	>0
Result	Fail	Pass								
Comment	The result falls slightly short of the benchmark in the first two years then achieves the benchmark in later years. Early in the period grant funds are being expended that were received in prior years plus additional staff have been employed for term contracts. The forecast is considered acceptable in the context of minimal price increases and reasonable reserves.									
Own Source Operating Revenue expressed as a percentage	54.80	57.92	59.56	59.94	60.29	60.79	61.30	61.82	62.31	62.78
<u>Operating Income less Grants and Contributions</u>										
Total Operating Income										
Benchmark	>60	>60	>60	>60	>60	>60	>60	>60	>60	>60
Result	Fail	Fail	Fail	Fail	Pass	Pass	Pass	Pass	Pass	Pass
Comment	The Reporting Unit falls slightly short of the benchmark until 2027/28 . The ratio highlights the fact that the Reporting Unit is more reliant on external grants than may be preferred because service levels would be affected if grant funding reduced or ceased.									
Unrestricted Current Ratio	5.09	5.07	5.34	5.56	5.71	5.86	6.08	6.27	6.35	6.38
<u>Current Assets less External Restrictions</u>										
Current Liabilities less Specific Purpose Liabilities										
Benchmark	>1.5	>1.5	>1.5	>1.5	>1.5	>1.5	>1.5	>1.5	>1.5	>1.5
Result	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass
Comment	The ratio meets the benchmark and remains positive over the life of the model. The Reporting Unit has no debt which is a critical factor for the ratio.									

Sensitivity analysis

The reporting unit tends to spend the income it receives each year and there are no plans for an expansion of services.

One issue for discussion is the level of the cash reserve, which is arguably in excess of what is needed. The reserve could be reduced via specific projects that could be funded from reserve that would benefit the county.

Relevant to this issue are any threats to the reporting unit. One such threat is a discontinuation of the recurrent Weeds Action Program funding, which is forecast at \$642,500 for 2023/24. As mentioned, this grant is guaranteed for a five-year period. It is possible that the State government may stop providing the revenue at the expiration of the agreement.

A second threat to revenue is the fee for service paid by Tweed and Kyogle councils (forecast at \$320,100 for 2023/24), which is subject to the will of those councils.

If an income source did cease, then the reporting unit may need to downsize resources from the current level.

4.6. Property reporting unit

Overview

The property reporting unit is a hybrid of different activities that Rous undertakes.

Perradenya Residential Estate: Is a development that Rous commenced in the 1980s and has been progressively developing and selling with some 200 vacant allotments sold to date. The estate is coming to the final stages and it is expected to be completed in the next few years.

Rural properties: Represents land purchased for the construction of the proposed Dunoon Dam. There are 13 separate titles with a combined area of 220 hectares.

Commercial property: Includes land and buildings on a single parcel in the Lismore business district.

Sub-leases Administration Centre: Rous leases a four-story building in the Lismore business district. The total space is in excess of Rous' requirements and two separate spaces within the building are sub-leased to commercial tenants.

Currently and historically, staff from corporate services have driven the property portfolio. There is no single employee dedicated to commercial activities.

In total, the reporting unit holds assets valued at \$3.1 million as at 30 June 2021, which included residue land at Perradenya, commercial buildings, rural properties and cash reserves. There is no debt outstanding.

Table 20: Property operating performance shows the forecast operating performance, capital movements, reserve transfers and the estimated cash reserve balances for the reporting unit.

Table 20: Property operating performance

Name	Long-Term Financial Plan									
	Operational Plan	Delivery Program								
	2024 Estimate	2025 Estimate	2026 Estimate	2027 Estimate	2028 Estimate	2029 Estimate	2030 Estimate	2031 Estimate	2032 Estimate	2033 Estimate
Property										
Operating Income										
User Charges and Fees	0	0	0	0	0	0	0	0	0	0
Other Revenue	0	0	0	0	0	0	0	0	0	0
Grants and Contributions	0	0	0	0	0	0	0	0	0	0
Interest and Investment Income	36,800	7,500	16,200	59,500	85,600	85,400	85,100	84,700	84,300	83,800
Other Income	161,000	97,700	79,100	79,100	79,100	79,100	79,100	79,100	79,100	79,100
Capital Income	0	3,372,800	2,900,000	2,900,000	0	0	0	0	0	0
Total Operating Income	197,800	3,478,000	2,995,300	3,038,600	164,700	164,500	164,200	163,800	163,400	162,900
Operating Expense										
Employee Benefits and On-Costs	11,100	11,100	11,100	11,100	11,100	11,100	11,100	11,100	11,100	11,100
Internal Overheads	53,200	55,900	40,900	37,900	26,200	25,000	24,900	25,600	25,600	26,800
Materials and Services - Materials and Consumables	0	0	0	0	0	0	0	0	0	0
Materials and Services - Contractors and Consultancy Fees	15,300	5,300	5,300	5,300	17,300	17,300	17,300	17,300	17,300	17,300
Materials and Services - Electricity	11,000	11,000	0	0	0	0	0	0	0	0
Materials and Services - Insurance	0	0	0	0	0	0	0	0	0	0
Materials and Services - IT Expenses	0	0	0	0	0	0	0	0	0	0
Materials and Services - Other	187,800	118,000	96,900	96,900	46,900	46,900	46,900	46,900	46,800	46,700
Borrowing Costs	0	0	0	0	0	0	0	0	0	0
Depreciation and Amortisation	43,200	43,800	44,500	45,200	45,900	46,600	47,300	48,000	48,700	49,400
Other Expenses	0	0	0	0	0	0	0	0	0	0
Gains or Losses	0	0	0	0	0	0	0	0	0	0
Total Operating Expense	321,600	245,100	198,700	196,400	147,400	146,900	147,500	148,900	149,500	151,300
Operating Result	(123,800)	3,232,900	2,796,600	2,842,200	17,300	17,600	16,700	14,900	13,900	11,600
Less Depreciation	43,200	43,800	44,500	45,200	45,900	46,600	47,300	48,000	48,700	49,400
Operating Result Excluding Non Cash	(80,600)	3,276,700	2,841,100	2,887,400	63,200	64,200	64,000	62,900	62,600	61,000
Less Capital Expense	2,266,900	2,568,600	2,569,400	70,200	71,900	73,600	74,400	76,200	76,700	77,200
Less Transfer to Reserve	1,000,000	708,100	271,700	2,817,200	0	0	0	0	0	0
Add Transfer from Reserve	2,347,500	500,000	0	500,000	8,700	9,400	10,400	13,300	14,100	16,200
Estimated Property Reserves										
Description	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Property Reserve	61,900	270,000	541,700	2,858,900	2,850,200	2,840,800	2,830,400	2,817,100	2,803,000	2,786,800

Recent history

The reporting unit has recorded operating surpluses before capital grants and contributions in two of the last three years. In 2019/20 the deficit was (\$47,500), in 2020/21 the surplus was \$868,100 and in 2021/22 the deficit was (\$180,000). These results were predominantly impacted by the sale of a property in 2020/21. Also another variable is the maintenance expenses associated with the Perradenya estate.

Typically, these costs are in the order of \$50,000 and there is no income to offset this cost because sales income is treated as capital income not operating. Despite this issue, it is the case that the other elements of the property reporting unit are marginal in terms of operating performance.

Capital income and expense is associated with development costs and sales income for the Perradenya estate.

Assumptions

Perradenya Residential Estate: It has been assumed that the current strong demand for the land will continue and that the final sales will occur in 2026/27. The financial plan does not provide for the construction of a sewer treatment plant, which is a condition of the Perradenya development application. This condition is currently being contested with LCC.

Conway Street property: It has been assumed that Rous will retain ownership of the Conway Street property, there are currently no plans for sale or redevelopment.

Rural properties: Are assumed to be retained and rented or agisted. The capital works program includes provision for the removal of obsolete structures and the upgrade of other structures.

Administration Centre: Rental income and expense associated with the sub-leases of the current administration building are estimated to cease in 2024/25 with Rous' relocation to its Ballina facility.

Ten-year forecast

The forecast is for a continuation of operational deficits until 2027/28, when operational expenses associated with the Perradenya estate cease.

This means that once Perradenya is completed, an approximate cash break-even point will be achieved. This is not ideal, but it is an improvement.

The cash reserve is forecast to fluctuate as capital costs to develop Perradenya are incurred, followed by capital income from the land sales. Due to the timing of expenditure and sales a temporary transfer of Bulk reserves will be required in 2023/24. Importantly, the forecast is for a cash reserve in excess of \$2.7 million once Perradenya is completed.

Ratios

The selected ratios are from those required by the Local Government Code of Accounting Practice and specific comments on the reporting units result in comparison to the benchmark are included in *Table 21: Property forecast ratios*.

Table 21: Property forecast ratios (excluding capital grants and contributions)

Rous County Council - Property	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Financial Ratios	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
Operating Performance Ratio Expressed as a Percentage	(62.59)	(132.98)	(108.50)	(41.70)	10.50	10.70	10.17	9.10	8.51	7.12
<u>Operating Income less Operating Expense</u>										
Operating Income										
Benchmark	>0	>0	>0	>0	>0	>0	>0	>0	>0	>0
Result	Fail	Fail	Fail	Fail	Pass	Pass	Pass	Pass	Pass	Pass
Comment	The benchmark is not achieved until 2028/29. The operating result is influenced by cost of Perradenya operational expenses whilst any income from Perradenya, in the form of property sales is excluded from the calculation as it classed as capital income. As Perradenya stages are developed and sold, operating costs decline, and the result tends to improve. However the results highlight the marginal nature of the Reporting Unit and the property portfolio.									
Own Source Operating Revenue Expressed as a Percentage	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
<u>Operating Income less Grants and Contributions</u>										
Total Operating Income										
Benchmark	>60	>60	>60	>60	>60	>60	>60	>60	>60	>60
Result	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass
Comment	All income is classed as 'Own Source' so the benchmark will be achieved annually.									
Unrestricted Current Ratio	11.93	17.19	23.85	80.37	78.82	75.05	73.58	71.94	70.34	68.77
<u>Current Assets less External Restrictions</u>										
Current Liabilities less Specific Purpose Liabilities										
Benchmark	>1.5	>1.5	>1.5	>1.5	>1.5	>1.5	>1.5	>1.5	>1.5	>1.5
Result	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass
Comment	The Reporting Unit achieves the benchmark.									

Table 21a: Property forecast ratios (total revenue)

Rous County Council - Property	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Financial Ratios (including Capital Revenue)	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
Operating Performance Ratio Expressed as a Percentage	(62.59)	92.95	93.37	93.54	10.50	10.70	10.17	9.10	8.51	7.12
<u>Operating Income less Operating Expense</u>										
Operating Income										
Benchmark	>0	>0	>0	>0	>0	>0	>0	>0	>0	>0
Result	Fail	Pass								
Comment	The adjusted benchmark is achieved from 2024/25 onwards.									

Sensitivity analysis

Each activity within the reporting unit is discussed individually as they tend to be independent of each other.

Perradenya Residential Estate: The development application approved by LCC included conditions in respect to the development of a cycleway and the construction of a sewer treatment plant.

The LTFP includes \$1.2 million for the construction of a cycleway, however the length of path that is expected by LCC will cost considerably more than this provision. The LTFP includes no funding for the construction of a sewer treatment plant that is currently expected by LCC.

The underlying assumption in the LTFP is that Rous will prevail in the dispute with LCC in respect to development application conditions. If this is not the case, then several million dollars of capital expenditure will need to be added to the plan.

The forecast cash reserve at the completion of the estate is shown in the LTFP as exceeding \$2 million. If the position taken by LCC is validated, the reserve will fall to zero and it is very likely that the reporting unit will need to borrow a substantial sum to pay for expenses relating to the cycleway and treatment plant. The reporting unit will not be able to repay the loans and the bulk water reporting unit will have to assume responsibility for repayment of the loan.

Rural properties: Rous have owned these properties for many years in anticipation of the construction of the proposed Dunoon Dam. The construction of the dam is currently a matter of political debate, and depending on the outcome, the properties will either be sold or retained for dam purposes. If the properties are retained, they will be relocated to the bulk water reporting unit.

Going forward, it is likely that this reporting unit will not be required and any activities that remain once Perradenya is completed will be absorbed into bulk water reporting unit.

5. Capital works program – 10-year forecast

The capital works program is forecast for the current year and the following ten-years in *Table 22 to 26*. The current year is taken directly from this year's budget, while later years are based on directions from Council and information in Council's asset registers.

As with all aspects of the LTFP, the program is based on the best information available at the time of preparation. The current elected council cannot bind future councils, so it is quite feasible, indeed likely, that the program will change as Council priorities alter and new information is received.

The program for each reporting unit is presented separately.

Table 22: Bulk water capital works program

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Capital Works - Bulk Water Supply	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
Description										
Trunk										
Broadwater 150 Upgrade (250mm Pipe)		0	0	2,150,000	0	0	0	0	0	715,000
Byron 200 - Mains Renewal (375mm Pipe)	1,962,600	0	0	0	0	0	0	0	0	0
Converys Lane 150 - Mains Renewal		0	0	0	0	0	0	0	0	0
Coraki 225 - Mains Renewal	250,000	0	0	0	3,500,000	3,500,000	0	0	0	0
Valve Replacement	50,000	0	52,000	0	54,100	0	56,200	0	58,500	0
Knockcrow 450		0	0	0	150,000	0	0	0	8,614,000	0
Ross St 375 Main		0	0	0	0	0	0	0	0	0
St Helena 300/600 Mains Renewal/Augmentation		0	0	0	0	0	0	0	0	0
St Helena 300 Upgrade - St Helena 375		0	355,000	0	4,000,000	4,000,000	0	0	0	0
St Helena 525 Corrosion Repairs		0	0	0	0	0	0	0	0	0
St Helena 525 Wilsons River Crossing Remediation		0	0	0	0	0	0	0	0	0
St Helena 525 Wilsons River Crossing Remediation		0	0	0	0	0	0	0	0	0
Fluoride Plants		0	0	0	0	0	0	0	0	126,500
Instruments - Distribution	6,000	6,000	6,000	6,000	8,000	7,000	7,000	7,000	7,000	7,000
ICS - Wyreema Repeater		0	0	0	0	50,000	0	0	0	0
Source										
Rocky Creek Dam										
RCD - Installation of Catchment Signage (Regulatory/Information)		0	0	0	0	0	0	30,000	0	0
RCD - Recreation Amenities		0	0	0	0	0	0	0	0	0
RCD - Destratification System	668,500	0	0	0	0	0	0	0	0	0
RCD - Drainage Channel		0	0	0	0	0	0	0	0	0
RCD - Installation of New Catchment Gate		0	0	0	0	0	0	0	0	0
Emigrant Creek Dam										
ECD - Visitor Signage Renewal/Installation of Catchment Signage (Regulatory/Information)	30,000	0	0	0	0	0	0	20,000	0	0
ECD - Destratification System	50,000	370,000	0	0	0	0	0	0	0	0
ECD - Renewal of Park Furniture and Boardwalks	15,000	0	0	0	0	0	0	0	0	0
ECD - Installation of New Buffer Zone/Park Fencing (Musgrave)		0	0	0	0	0	0	0	0	0
ECD - Amenities/Buildings		0	0	0	0	0	0	0	0	0
ECD - Outflow Monitoring/Causeway	300,000	0	0	0	0	0	0	0	0	0
ECD - Spillway Security Improvements		0	0	0	0	0	0	0	0	0
ECD - General		0	0	0	0	0	0	0	0	0
ECD - Installation of Real-Time Environmental Monitoring Equipment		0	0	0	0	0	0	0	0	33,000
ECD - Source		0	0	0	0	0	0	0	0	27,000
Wilsons River Source										
WRS - Low Lift Switchboard Modifications and Shielding		0	0	0	0	0	0	0	0	0
WRS - Howards Grass High Level Pump Station PLC		0	150,000	0	0	0	0	0	0	0
WRS - Howards Grass High Level Pump Station VSD		0	340,000	0	0	0	0	0	0	0
WRS - Howards Grass High Level Pump Station Switchboards		0	150,000	0	0	0	0	0	0	0
WRS - Howards Grass High Level Pump Station Ventilation Fan		0	75,000	0	0	0	0	0	0	0
WRS - Low Level Pump Station Vacuum Pump		0	0	0	0	0	0	0	0	0
WRS - Low Level Pump Station Backblast Compressor and Filters		0	0	0	0	0	0	0	0	0
WRS - Upgrade of Buffer Zone/Park Access Roads		0	0	0	0	0	0	0	0	0
WRS - Installation of Real-Time Environmental Monitoring Equipment		0	0	0	0	0	0	0	0	80,000
Existing Groundwater										
Water Source - Converys Lane		0	0	0	0	0	0	0	0	0
Water Source - Lumley Park		0	0	0	0	0	0	0	0	0
ICS - Lumley Park & Converys Lane		0	0	0	0	0	0	0	0	0
Instruments - Sources		0	0	0	0	0	0	0	0	0
Implementation of High Priority CMP Actions		0	0	0	0	0	0	0	0	0
Future Water Project 2060										
Marom Creek Construction		0	0	0	0	0	0	0	0	0
Alstonville Groundwater	2,705,000	13,500,000	16,500,000	3,000,000	0	0	0	0	0	0
Marom /Alstonville Renewals		0	0	0	187,100	193,900	200,800	269,900	215,100	222,600
Woodburn Existing Bores		0	0	0	0	0	0	0	0	0
Woodburn New Bores	1,119,900	4,000,000	2,000,000	4,000,000	0	0	0	0	0	0
Woodburn Renewals		0	0	0	0	0	0	0	0	0
Tyagarah Groundwater	600,000	603,000	1,000,000	500,000	10,535,800	22,329,600	8,164,400	6,802,800	0	0
Tyagarah Renewals		0	0	0	0	0	0	0	286,600	296,300
Groundwater Land Acquisition	200,000	3,000,000	0	0	5,520,000	3,941,000	3,703,400	2,605,400	0	0
Stage 3 Source Planning		0	0	0	0	0	0	2,293,300	0	0
DPR Pilot Scheme	50,000	0	0	0	2,208,000	2,252,000	1,163,000	0	0	0
Project Management	800,000	1,500,000	1,900,000	800,000	1,765,000	1,827,000	822,000	315,000	321,000	0
Water Loss Implementation	475,000	300,000	300,000	350,000	0	0	0	0	0	0
Dunoom Dam		0	0	0	0	0	0	0	0	0
General										
DIAP Priority Actions		0	0	0	0	0	0	0	0	0
Roof Height Safety		0	0	0	0	0	0	0	0	0
Corndale Fluoride Sidestream VSD		0	0	0	0	0	0	0	0	0
Lower River pH Correction (CO2 and CL2 Dosing Facilities)	210,000	0	0	0	0	0	0	0	0	0
Fluoride Plants		0	0	0	0	0	0	0	0	0
Greenhouse Gas Abatement		0	0	0	0	0	0	0	0	0
Easements	23,000	24,000	24,000	25,000	26,000	26,000	27,000	27,000	28,000	28,000
Bulk Meters - Renewals	30,000	48,000	25,000	48,000	50,000	53,000	30,000	31,000	39,000	40,000
Unplanned D&T Replacements	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	0
Tools and Equipment (Organisational Wide)	6,000	6,000	6,000	6,000	6,000	20,000	21,000	22,000	9,000	9,000
Fosters Spur Shed		0	0	0	0	0	0	0	0	0
Hydraulic Assessment	0	0	0	0	0	0	0	0	0	0
Telemetry Replacement Program										
NRFWSP - Brunswick	105,000	0	0	0	0	0	0	0	0	0
NRFWSP - Coraki	320,000	0	0	0	0	0	0	0	0	0
NRFWSP - St Helena 600	150,000	0	0	0	0	0	0	0	0	0
NRFWSP - Woodburn	620,000	0	0	0	0	0	0	0	0	0
NRFWSP - WRS	865,000	0	0	0	0	0	0	0	0	0
NRFWSP - IRW	0	0	0	0	0	0	0	0	0	0
In-House Micro-Testing Equipment	0	0	0	0	0	0	0	0	0	0
Woodburn WTP - CO2, Cl2 Design System	0	0	0	0	0	0	0	0	0	0
2 Way Radios	0	0	0	0	0	0	0	0	0	0
Bulk Flood Costs	0	0	0	0	0	0	0	0	0	0
Water Filling Stations		0	0	0	0	0	0	0	0	0

Table 22 – Bulk water capital works program (continued)

Reservoirs											
Reservoirs Upgrade - Pineapple Rd		0	0	0	0	0	0	0	0	0	0
Reservoirs Upgrade - St Helena Roof Refurbishment		0	970,000	0	0	0	0	0	0	0	0
Reservoirs Upgrade - City View Roof Repairs	272,000	0	0	0	0	0	0	0	0	0	0
Reservoirs Upgrade - Belvedere Drive		0	0	0	0	0	0	0	0	27,000	0
Reservoirs Upgrade - Coopers Shoot		0	0	0	0	0	0	0	0	26,000	0
Reservoirs Upgrade - Knockrow		0	0	0	0	0	0	0	0	20,000	283,000
Reservoirs Upgrade - Brunswick Heads		0	0	0	0	0	0	0	0	0	0
Reservoirs Upgrade - High St		0	0	0	0	0	0	0	0	0	0
Reservoirs Upgrade - St Helena		0	0	0	0	0	0	0	0	0	0
Reservoir Duplication - St Helena		0	0	0	0	0	0	0	0	500,000	0
ICS - Distribution Network		0	0	150,000	250,000	150,000	0	0	0	0	0
Treatment Plants											
Nightcap WTP											
Nightcap WTP PLC SB Upgrade	1,400,000	0	0	0	0	0	0	0	0	0	0
Nightcap WTP Ozone		500,000	0	0	0	0	0	0	0	0	0
Nightcap WTP BAC Renewals		0	363,000	0	0	0	0	0	0	0	0
Nightcap WTP BAC Filter Media Renewal		0	224,000	0	235,000	0	260,000	0	272,000	0	0
Nightcap WTP Buildings (LED Lighting Upgrades)	15,300	15,600	15,900	0	0	50,000	0	0	0	0	0
Nightcap WTP Coagulation Dose Pumps		41,000	0	0	0	0	0	0	0	0	0
Nightcap WTP DAFF	644,000	0	172,000	0	0	4,000	0	4,000	150,000	0	0
Nightcap WTP Stairs and Corrosion Repairs		0	0	0	0	0	0	0	0	0	0
Nightcap WTP DAFF Filter Media		0	0	378,000	378,000	0	0	0	0	0	0
Nightcap WTP Saturator		0	0	0	0	0	0	0	0	0	0
Nightcap WTP Disinfection		0	0	0	0	0	0	0	0	0	0
Nightcap WTP Lime pH Correction		0	61,000	0	0	0	0	0	0	0	0
Nightcap WTP Jetty Corrosion		0	0	0	0	0	0	0	0	0	0
Nightcap WTP Raw Water Pump		0	0	0	0	0	0	0	0	0	0
Nightcap WTP Raw Water Structure		0	0	200,000	0	0	0	0	0	0	0
Nightcap WTP RWJ Corrosion		0	0	0	0	0	0	0	0	0	0
Nightcap WTP Site Services		0	0	0	0	0	0	0	425,000	36,000	0
Nightcap WTP Septic Renewal		0	0	0	0	0	0	0	0	0	0
Nightcap WTP Sludge	58,000	0	0	0	0	0	0	0	0	0	0
Nightcap WTP Treated Water		0	0	0	0	0	0	0	0	0	0
Nightcap WTP Wastewater	32,000	33,000	34,000	35,000	36,000	36,000	37,000	37,000	38,000	38,000	38,000
Nightcap WTP Bulk Chemical Storage	0	2,500,000	6,500,000	2,100,000	0	0	0	0	0	0	0
Instruments and Minor Items - NCWTP	26,000	26,500	27,000	27,500	28,100	28,700	29,300	29,900	30,500	31,000	31,000
Emigrant Creek WTP											
Emigrant Creek WTP - ICS		0	200,000	0	0	0	0	0	0	0	0
Emigrant Creek WTP - Ind Communications Upgrade		0	0	0	0	0	0	0	0	0	0
Emigrant Creek WTP Air System		250,000	0	0	0	35,000	0	0	0	0	0
Emigrant Creek WTP BAC		0	0	0	0	0	0	0	0	0	0
Emigrant Creek WTP Bisulphite Dosing		0	25,000	0	0	0	0	0	0	0	0
Emigrant Creek WTP Caustic pH Correction		0	39,000	0	0	0	0	0	0	0	0
Emigrant Creek WTP CEB		0	41,000	0	0	0	0	0	0	0	0
Emigrant Creek WTP Coagulation		0	15,000	0	0	0	0	0	0	0	0
Emigrant Creek WTP Control Systems - Treatment		0	0	0	0	0	0	0	0	50,000	0
Emigrant Creek WTP Fe/Mn Removal		0	15,000	0	0	0	0	0	0	0	0
Emigrant Creek WTP Filtered Water		13,000	0	0	0	0	0	0	0	0	0
Emigrant Creek WTP Flootation		13,000	0	0	0	0	0	0	0	0	0
Emigrant Creek WTP HCl Dosing		24,000	0	0	0	0	0	0	0	0	0
Emigrant Creek WTP Lime pH Correction		15,000	0	0	0	0	0	0	0	0	0
Emigrant Creek WTP Membrane Filtration		150,000	150,000	150,000	0	0	0	0	0	0	0
Emigrant Creek WTP Outlet Pipe		0	0	0	0	0	0	0	0	0	0
Emigrant Creek WTP Ozone		0	0	0	400,000	0	0	0	0	0	0
Emigrant Creek WTP Raw Water		0	0	0	0	35,000	0	0	0	0	0
Emigrant Creek WTP Raw Water		0	0	0	0	0	0	0	0	0	0
Emigrant Creek WTP Service Water		0	0	0	0	0	0	0	0	0	0
Emigrant Creek WTP Site Services		0	0	0	0	0	0	0	0	0	0
Emigrant Creek WTP Steel Tanks		0	0	0	0	0	0	0	0	0	0
Emigrant Creek WTP Sludge		58,000	0	0	0	0	0	0	0	0	0
Emigrant Creek WTP Sludge		0	0	0	50,000	0	0	0	0	0	0
Emigrant Creek WTP Treated Water		0	0	12,000	0	0	0	0	0	0	0
Emigrant Creek WTP UF Skid Membranes		0	0	0	0	0	0	0	0	165,800	0
Emigrant Creek WTP Chemical Storage Area Roof Sheeting	75,000										
Instruments and Minor Items - ECWTP	22,800	23,300	23,800	24,300	24,800	25,300	25,800	26,300	26,800	27,300	27,300
Buildings											
Admin Building		0	0	0	0	0	0	0	0	0	0
Workplace Consolidation	4,087,800	1,000,000	1,000,000	0	0	0	0	0	0	0	0
Depot Improvements Initiative		0	0	0	0	0	0	0	0	0	0
Depot Procurement		0	0	0	0	0	0	0	0	0	0
ICT											
Drawing Management Solution	0	0	0	0	0	0	0	0	0	0	0
Electronic Business Paper	0	0	0	0	0	0	0	0	0	0	0
IT - Microwave Bridge	135,200	0	0	0	0	0	350,000	20,000	382,800	20,000	0
IT - Content Manager Improvement Program	100,000	0	0	0	0	0	0	0	0	0	0
IT - Computer Fleet	12,000	33,000	47,000	12,000	12,000	33,000	12,000	47,000	12,000	33,000	0
IT - Fibre Project	0	0	0	0	0	0	0	0	0	0	0
IT - Servers, Storage and UPS	95,000	165,000	180,000	65,000	90,000	170,000	90,000	165,000	70,000	180,000	0
IT - Communications	0	90,000	100,000	177,000	63,000	0	202,500	420,500	112,000	0	0
IT - Security Panel	50,000										
IT - Mobiles	27,000										
IT - Switches	113,000										
IT - Telephony	0	0	0	0	0	0	0	0	0	0	0
IT - New AV Equipment	30,000										
IT - Intranet	100,000										
IT - BPM Software	50,000										
IT - WiFi	150,000										
IT - Digital Transformation	550,000	1,100,000	650,000								
IT - Future Improvements	11,500	11,500	11,500	12,000	14,000	14,000	14,000	14,000	14,000	14,000	0
Indoor Staff Salaries Capitalised	437,700	320,200	313,500	284,200	267,200	272,500	278,000	283,600	289,300	295,100	295,100
	20,175,300	29,809,100	34,130,700	14,582,000	29,928,100	39,123,000	15,563,400	13,536,700	11,897,600	2,893,600	2,893,600

Table 23: Retail water capital works program

Capital Works - Retail Water Supply	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Description	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
Meter Software/Smart Meters	825,000	0	0	0	0	0	0	0	0	0
Backflow	1,000,000	0	0	0	0	0	0	0	0	0
Reticulation	0	148,000	0	156,000	160,000	164,000	168,000	172,000	176,000	180,000
Reticulation Renewal - Planning Carney Place	0	0	0	0	0	0	0	0	0	0
Reticulation Renewal - Delivery Carney Place	0	0	0	0	0	0	0	0	0	0
Reticulation Renewal - Planning Muldoon Rd	0	0	0	0	0	0	0	0	0	0
Reticulation Renewal - Delivery Muldoon Rd	0	0	0	0	0	0	0	0	0	0
Reticulation Renewal - Planning Richmond Hill Various	0	0	150,000	0	0	0	0	0	0	0
Reticulation Renewal - Delivery Richmond Hill Various	0	0	0	0	0	0	0	0	0	0
Reticulation Renewal - Kahala Place, Laihana Crescent Place and Kaanapahali Avenue, and Ridgeland Close, Richmond Hill	300,000	0	0	0	0	0	0	0	0	0
Reticulation Renewal - Arthur Road	300,000	0	0	0	0	0	0	0	0	0
Reticulation Renewal - Grace Road	290,000	0	0	0	0	0	0	0	0	0
Water Filling Stations	0	80,000	0	0	0	0	0	0	0	0
Bulk Flood Costs	0	0	0	0	0	0	0	0	0	0
Indoor Staff Salaries Capitalised	67,400	69,600	71,000	72,400	73,800	75,300	76,800	78,300	79,900	81,500
	2,782,400	297,600	221,000	228,400	233,800	239,300	244,800	250,300	255,900	261,500

Table 24: Flood mitigation capital works program

Capital Works - Flood Mitigation	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Description	Estimate									
Bridges	0	32,000	0	0	0	0	0	0	0	0
Fence	0	3,000	0	0	0	0	0	0	0	0
Floodgate - High/Medium Risk	31,000	32,000	33,000	34,000	35,000	36,000	37,000	38,000	39,000	39,000
Floodgates =<1.2m	0	0	0	0	0	0	0	0	0	0
Handrail	0	0	0	0	0	0	0	0	0	0
Lifting Gear	13,000	14,000	15,000	16,000	17,000	18,000	19,000	20,000	21,000	21,000
Pipe - Medium	0	0	0	0	0	0	0	0	0	0
Woodburn Depot Renewals	0	0	0	0	0	1,000	48,000	0	0	0
WQ Data Loggers	0	0	0	0	0	0	0	0	0	0
Levee Inspect and Heavy Maintenance	52,000	54,000	56,000	58,000	60,000	62,000	64,000	66,000	68,000	68,000
Lismore Levee(funded by LCC)	0	0	0	0	0	0	0	0	0	0
Pipe Medium Risk	0	21,000	0	5,000	95,000	115,000	110,000	115,000	110,000	110,000
Unplanned Replacements/Repairs	24,000	25,000	26,000	27,000	28,000	28,000	28,000	28,000	28,000	28,000
Bulk Flood Costs	0	0	0	0	0	0	0	0	0	0
Bungawalbin East Levee	0	0	0	0	0	0	0	0	0	0
Lismore Levee(funded by LCC)	0	0	0	0	0	0	0	0	0	0
Indoor Staff Salaries Capitalised	36,400	33,700	34,400	35,100	35,800	36,500	37,200	37,900	38,700	39,500
	156,400	214,700	164,400	175,100	270,800	296,500	343,200	304,900	304,700	305,500

Table 25: Weed biosecurity capital works program

Capital Works - Weed Biosecurity	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Description	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
GIS Equipment Renewals (Toughbooks, PDA's etc.)	0	21,000	0	22,000	19,000	19,000	20,000	20,000	20,000	20,000
GIS Data Capture New System	0	0	0	0	0	0	0	0	0	0
Swan Bay Floodgate Pipe Investigation and Design	0	0	0	0	0	0	0	0	0	0
Depot Upgrades and Maintenance	0	0	0	0	25,000	25,000	0	0	0	0
	0	21,000	0	22,000	44,000	44,000	20,000	20,000	20,000	20,000

Table 26: Property capital works program

Capital Works - Property	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Description	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
Perradenya Cycleway	0	0	0	0	0	0	0	0	0	0
Perradenya Release 7	2,200,000	0	0	0	0	0	0	0	0	0
Perradenya Whole of Subdivision	0	0	0	0	0	0	0	0	0	0
Perradenya Remaining DA Conditions	0	2,500,000	2,500,000	0	0	0	0	0	0	0
Commercial Lot	0	0	0	0	0	0	0	0	0	0
Conway St Renewals	0	0	0	0	0	0	0	0	0	0
Rural Properties House Removal	0	0	0	0	0	0	0	0	0	0
Rural Properties Unallocated Renewals	39,900	40,600	41,400	42,200	42,900	43,600	44,400	45,200	45,700	46,200
Rural Properties Upgrades	27,000	28,000	28,000	28,000	29,000	30,000	30,000	31,000	31,000	31,000
	2,266,900	2,568,600	2,569,400	70,200	71,900	73,600	74,400	76,200	76,700	77,200

6. Scenario modelling

Several scenarios have been modelled to inform how significant changes to the forecast assumptions and projects would impact the LTFP.

6.1. Capital grant (\$25M) scenario

What the model forecasts: The impact of Rous receiving a capital grant of \$25.0 million for the FWP. The model is based on the income being received over 3 years, \$8.0 million in 2024/25, \$8.0 million in 2025/26 and \$9.0 million in 2026/27.

What the model means: A reduction in planned loan borrowings could be reduced from \$180 million to \$130 million if the current price path was maintained. The price path required is shown in *Table 27 – Price path – Capital grant (\$25M) scenario*.

Table 27: Price path – Capital grant (\$25M) scenario

Year	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Proposed % Increase	6.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	1.0%

Rous would produce an operating surplus from 2023/24 onwards with estimated reserves of \$29.2 million at the end of 2032/33.

Refer to *Table 28: Consolidated operating performance – Capital grant (\$25M) scenario*.

Table 28: Consolidated operating performance – Capital grant (\$25M) scenario

Name	Long-Term Financial Plan									
	Operational Plan	Delivery Program								
	2024 Estimate	2025 Estimate	2026 Estimate	2027 Estimate	2028 Estimate	2029 Estimate	2030 Estimate	2031 Estimate	2032 Estimate	2033 Estimate
Operating Income										
Flood Mitigation	1,192,200	1,205,000	1,239,500	1,283,400	1,327,200	1,368,800	1,401,800	1,434,100	1,469,000	1,505,600
Weeds Biosecurity	1,721,900	1,609,800	1,589,100	1,604,800	1,619,200	1,640,500	1,662,700	1,685,500	1,708,100	1,730,400
Retail Water Supply	3,491,650	3,888,300	4,154,500	4,423,000	4,713,000	5,029,300	5,371,400	5,741,300	6,141,400	6,261,900
Richmond Water Laboratories	0	0	0	0	0	0	0	0	0	0
Property	200,400	3,472,400	2,985,100	3,039,100	173,500	173,400	173,300	173,100	172,900	172,700
Bulk Water Supply	27,073,300	36,670,400	38,438,200	41,217,700	34,146,300	36,344,700	38,691,300	41,174,300	43,796,400	44,279,200
Fleet Operations	126,400	115,900	108,200	104,000	96,700	93,100	91,800	92,600	93,500	94,400
Total Operating Income	33,805,850	46,961,800	48,514,600	51,672,000	42,075,900	44,649,800	47,392,300	50,300,900	53,381,300	54,044,200
Operating Expense										
Flood Mitigation	1,865,900	1,719,300	1,693,100	1,704,000	1,730,500	1,757,200	1,855,100	1,836,600	1,864,300	1,867,300
Weeds Biosecurity	2,662,800	1,601,500	1,501,900	1,505,300	1,520,400	1,537,800	1,561,900	1,591,900	1,645,300	1,682,300
Retail Water Supply	3,572,400	4,167,800	4,368,500	4,575,900	4,795,400	5,027,800	5,274,200	5,535,400	5,812,200	5,898,800
Richmond Water Laboratories	0	0	0	0	0	0	0	0	0	0
Property	271,600	195,100	148,700	146,400	152,400	148,900	149,500	150,900	151,500	153,300
Bulk Water Supply	29,685,700	29,774,800	30,856,900	31,390,100	32,772,100	34,542,100	35,626,300	35,475,500	35,744,800	34,932,600
Fleet Operations (*net of internal income)	119,000	128,900	150,400	155,900	161,400	167,000	172,700	178,500	184,400	190,400
Total Operating Expense	38,177,400	37,587,400	38,719,500	39,477,600	41,132,200	43,180,800	44,639,700	44,768,800	45,402,500	44,724,700
Operating Result	(4,371,550)	9,374,400	9,795,100	12,194,400	943,700	1,469,000	2,752,600	5,532,100	7,978,800	9,319,500
Less Depreciation	8,288,100	8,739,200	9,021,900	9,315,500	9,816,700	10,081,200	10,249,700	10,550,300	10,703,900	10,834,200
Operating Result Excluding Non Cash	3,916,550	18,113,600	18,817,000	21,509,900	10,760,400	11,550,200	13,002,300	16,082,400	18,682,700	20,153,700
Add: Loan Drawdown	15,000,000	20,000,000	25,000,000	0	25,000,000	35,000,000	10,000,000	0	0	0
Less: Loan Repayments	4,191,300	4,777,100	5,486,100	4,940,300	3,720,700	4,492,800	5,030,500	5,294,000	5,572,000	5,865,500
Less: Capital Expense	23,909,800	33,491,000	37,383,500	15,467,000	31,029,600	40,242,400	16,570,800	14,513,100	12,879,900	3,882,800
Less: Transfer to Reserve	1,107,100	2,071,300	997,400	3,281,000	1,140,600	1,931,000	1,429,200	743,600	860,300	10,413,800
Add: Transfer from Reserve	10,291,650	2,225,800	50,000	2,178,400	130,500	116,000	28,200	4,468,300	629,500	8,400
Net Cash Movement	0	0	0	0	0	0	0	0	0	0

Estimated Reserves Whole Organisation

Description	2024 Estimate	2025 Estimate	2026 Estimate	2027 Estimate	2028 Estimate	2029 Estimate	2030 Estimate	2031 Estimate	2032 Estimate	2033 Estimate
Estimated Reserves Whole Organisation	16,238,400	16,083,900	17,031,300	18,133,900	19,144,000	20,959,000	22,360,000	18,635,300	18,866,100	29,271,500
Net Reserve Movement	(9,184,500)	(154,500)	947,400	1,102,600	1,010,100	1,815,000	1,401,000	(3,724,700)	230,800	10,405,400

6.2. NSW Treasury Corporation loans scenario

What the model forecasts: The impacts of forecast interest rates decreasing to the levels on offer from NSW Treasury Corporation.

What the model means: Planned loan borrowings could be reduced from \$180 million to \$165 million if the current price path was maintained. *Table 29: Price path – NSW Treasury Corporation loans scenario.*

Table 29: Price path – NSW Treasury Corporation loans scenario

Year	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Proposed % Increase	6.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	1.0%

Operating results would achieve surplus in eight years, while estimated reserves at the end of 2032/33 would reach \$23.5 million.

Refer to *Table 30: Consolidated operating performance – NSW Treasury Corporation loans scenario.*

Table 30: Consolidated operating performance – NSW Treasury Corporation loans scenario

Rous County Council - Whole of Organisation

Name	Long-Term Financial Plan									
	Operational Plan	Delivery Program								
	2024 Estimate	2025 Estimate	2026 Estimate	2027 Estimate	2028 Estimate	2029 Estimate	2030 Estimate	2031 Estimate	2032 Estimate	2033 Estimate
Operating Income										
Flood Mitigation	1,192,200	1,205,000	1,239,500	1,283,400	1,327,200	1,368,800	1,401,800	1,434,100	1,469,000	1,505,600
Weeds Biosecurity	1,721,900	1,609,800	1,589,100	1,604,800	1,619,200	1,640,500	1,662,700	1,685,500	1,708,100	1,730,400
Retail Water Supply	3,491,650	3,888,300	4,154,500	4,423,000	4,713,000	5,029,300	5,371,400	5,741,300	6,141,400	6,261,900
Richmond Water Laboratories	0	0	0	0	0	0	0	0	0	0
Property	200,400	3,472,400	2,985,100	3,039,100	173,500	173,400	173,300	173,100	172,900	172,700
Bulk Water Supply	27,077,400	28,609,400	30,351,800	32,162,000	34,148,500	36,385,900	38,703,200	41,158,300	43,752,400	44,206,300
Fleet Operations	126,400	115,900	108,200	104,000	96,700	93,100	91,800	92,600	93,500	94,400
Total Operating Income	33,809,950	38,900,800	40,428,200	42,616,300	42,078,100	44,691,000	47,404,200	50,284,900	53,337,300	53,971,300
Operating Expense										
Flood Mitigation	1,865,900	1,719,300	1,693,100	1,704,000	1,730,500	1,757,200	1,855,100	1,836,600	1,864,300	1,867,300
Weeds Biosecurity	2,662,800	1,601,500	1,501,900	1,505,300	1,520,400	1,537,800	1,561,900	1,591,900	1,645,300	1,682,300
Retail Water Supply	3,572,400	4,167,800	4,368,500	4,575,900	4,795,400	5,027,800	5,274,200	5,535,400	5,812,200	5,933,300
Richmond Water Laboratories	0	0	0	0	0	0	0	0	0	0
Property	271,600	195,100	148,700	146,400	152,400	148,900	149,500	150,900	151,500	153,300
Bulk Water Supply	29,460,700	29,751,700	30,899,500	31,814,200	32,890,100	34,109,600	35,204,100	35,037,400	35,293,500	34,436,800
Fleet Operations (*net of internal income)	119,000	128,900	150,400	155,900	161,400	167,000	172,700	178,500	184,400	190,400
Total Operating Expense	37,952,400	37,564,300	38,762,100	39,901,700	41,250,200	42,748,300	44,217,500	44,330,700	44,951,200	44,263,400
Operating Result	(4,142,450)	1,336,500	1,666,100	2,714,600	827,900	1,942,700	3,186,700	5,954,200	8,386,100	9,707,900
Less Depreciation	8,288,100	8,739,200	9,021,900	9,315,500	9,816,700	10,081,200	10,249,700	10,550,300	10,703,900	10,834,200
Operating Result Excluding Non Cash	4,145,650	10,075,700	10,688,000	12,030,100	10,644,600	12,023,900	13,436,400	16,504,500	19,090,000	20,542,100
Add: Loan Drawdown	15,000,000	30,000,000	35,000,000	10,000,000	25,000,000	35,000,000	15,000,000	0	0	0
Less: Loan Repayments	4,255,600	5,231,600	6,386,100	6,194,500	5,101,500	6,078,200	6,858,700	7,138,000	7,429,200	7,732,700
Less: Capital Expense	23,909,800	33,491,000	37,383,500	15,467,000	31,029,600	40,242,400	16,570,800	14,513,100	12,879,900	3,882,800
Less: Transfer to Reserve	1,107,100	2,907,600	1,968,400	3,281,000	397,000	819,300	5,035,100	743,600	860,300	8,935,000
Add: Transfer from Reserve	10,126,850	1,554,500	50,000	2,912,400	883,500	116,000	28,200	5,890,200	2,079,400	8,400
Net Cash Movement	0	0	0	0	0	0	0	0	0	0

Estimated Reserves Whole Organisation

Description	2024 Estimate	2025 Estimate	2026 Estimate	2027 Estimate	2028 Estimate	2029 Estimate	2030 Estimate	2031 Estimate	2032 Estimate	2033 Estimate
Estimated Reserves Whole Organisation	16,403,200	17,756,300	19,674,700	20,043,300	19,556,800	20,260,100	25,267,000	20,120,400	18,901,300	27,827,900
Net Reserve Movement	(9,019,700)	1,353,100	1,918,400	368,600	(486,500)	703,300	5,006,900	(5,146,600)	(1,219,100)	8,926,600

6.3. Return to cyclical interest rates scenario

What the model forecasts: The impacts of forecast interest rates decreasing to the cyclical levels on offer in previous years.

What the model means: No changes to the planned price path as long-term cost savings on borrowings are balanced out by a reduction in short-term investment revenue. The price path required is shown in *Table 31: Price path – return to cyclical interest rates scenario scenario*.

Table 31: Price path – return to cyclical interest rates scenario

Year	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Proposed % Increase	6.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	1.0%

Operating results would achieve surplus in eight years, while estimated reserves at the end of 2032/33 would reach \$27.3 million.

Refer to *Table 32: Consolidated operating performance – return to cyclical interest rates scenario*.

Table 32: Consolidated operating performance – return to cyclical interest rates scenario

Rous County Council - Whole of Organisation

Name	Long-Term Financial Plan									
	Operational Plan	Delivery Program								
	2024 Estimate	2025 Estimate	2026 Estimate	2027 Estimate	2028 Estimate	2029 Estimate	2030 Estimate	2031 Estimate	2032 Estimate	2033 Estimate
Operating Income										
Flood Mitigation	1,192,200	1,205,000	1,232,400	1,274,900	1,317,500	1,358,100	1,390,700	1,422,400	1,456,200	1,491,400
Weeds Biosecurity	1,721,900	1,609,800	1,576,300	1,590,600	1,603,800	1,623,900	1,644,700	1,665,900	1,687,200	1,708,400
Retail Water Supply	3,465,350	3,832,100	4,059,100	4,288,200	4,533,300	4,798,500	5,082,400	5,386,400	5,712,100	5,773,900
Richmond Water Laboratories	0	0	0	0	0	0	0	0	0	0
Property	200,400	3,472,400	2,983,600	3,021,700	141,300	140,600	139,900	139,100	138,300	137,400
Bulk Water Supply	27,073,300	28,590,900	30,170,400	31,974,100	33,947,300	36,145,300	38,490,100	41,022,000	43,649,600	44,042,300
Fleet Operations	126,400	115,900	98,200	93,600	86,900	84,300	83,300	83,600	84,000	84,500
Total Operating Income	33,779,550	38,826,100	40,120,000	42,243,100	41,630,100	44,150,700	46,831,100	49,719,400	52,727,400	53,237,900
Operating Expense										
Flood Mitigation	1,865,900	1,719,300	1,693,100	1,704,000	1,730,500	1,757,200	1,855,100	1,836,600	1,864,300	1,867,300
Weeds Biosecurity	2,662,800	1,601,500	1,501,900	1,505,300	1,520,400	1,537,800	1,561,900	1,591,900	1,645,300	1,682,300
Retail Water Supply	3,572,400	4,167,800	4,368,500	4,575,900	4,795,400	5,027,800	5,274,200	5,535,400	5,812,200	5,898,800
Richmond Water Laboratories	0	0	0	0	0	0	0	0	0	0
Property	271,600	195,100	148,700	146,400	152,400	148,900	149,500	150,900	151,500	153,300
Bulk Water Supply	29,685,700	30,424,800	31,740,200	32,693,400	34,079,700	35,447,900	36,584,200	36,779,000	36,978,900	36,095,300
Fleet Operations (*net of internal income)	119,000	128,900	150,400	155,900	161,400	167,000	172,700	178,500	184,400	190,400
Total Operating Expense	38,177,400	38,237,400	39,602,800	40,780,900	42,439,800	44,086,600	45,597,600	46,072,300	46,636,600	45,887,400
Operating Result	(4,397,850)	588,700	517,200	1,462,200	(809,700)	64,100	1,233,500	3,647,100	6,090,800	7,350,500
Less Depreciation	8,288,100	8,739,200	9,021,900	9,315,500	9,816,700	10,081,200	10,249,700	10,550,300	10,703,900	10,834,200
Operating Result Excluding Non Cash	3,890,250	9,327,900	9,539,100	10,777,700	9,007,000	10,145,300	11,483,200	14,197,400	16,794,700	18,184,700
Add: Capital Income	0	0	0	0	0	0	0	0	0	0
Add: Loan Drawdown	15,000,000	30,000,000	35,000,000	10,000,000	30,000,000	35,000,000	15,000,000	10,000,000	0	0
Less: Loan Repayments	4,191,300	5,034,700	6,139,300	5,942,200	4,987,200	5,927,900	6,714,900	7,368,600	7,716,000	8,080,900
Less: Capital Expense	23,909,800	33,491,000	37,383,500	15,467,000	31,029,600	40,242,400	16,570,800	14,513,100	12,879,900	3,882,800
Less: Transfer to Reserve	1,107,100	2,412,900	1,066,300	3,106,100	3,162,700	230,400	3,270,200	2,355,700	387,800	6,264,700
Add: Transfer from Reserve	10,317,950	1,610,700	50,000	3,737,600	172,500	1,255,400	72,700	40,000	4,189,000	43,700
Net Cash Movement	0	0	0	0	0	0	0	0	0	0

Estimated Reserves Whole Organisation

Description	2024 Estimate	2025 Estimate	2026 Estimate	2027 Estimate	2028 Estimate	2029 Estimate	2030 Estimate	2031 Estimate	2032 Estimate	2033 Estimate
Estimated Reserves Whole Organisation	16,212,100	17,014,300	18,030,600	17,399,100	20,389,300	19,364,300	22,561,800	24,877,500	21,076,300	27,297,300
Net Reserve Movement	(9,210,800)	802,200	1,016,300	(631,500)	2,990,200	(1,025,000)	3,197,500	2,315,700	(3,801,200)	6,221,000