



Long-Term Financial Plan

1 July 2022 – 30 June 2032

Bulk water | Retail water

Flood mitigation | Weed biosecurity

Property | Richmond Water Laboratories

4 April 2022

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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 (LTFP). This document provides an overview of Council's LTFP.
- ii. Is based on a financial planning period of ten years from 2022/23 to 2031/32. 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.

Richmond Water Laboratories: Has a dual purpose of providing testing services internally to bulk water and providing services on a commercial basis with the aim of operating as a standalone business.

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

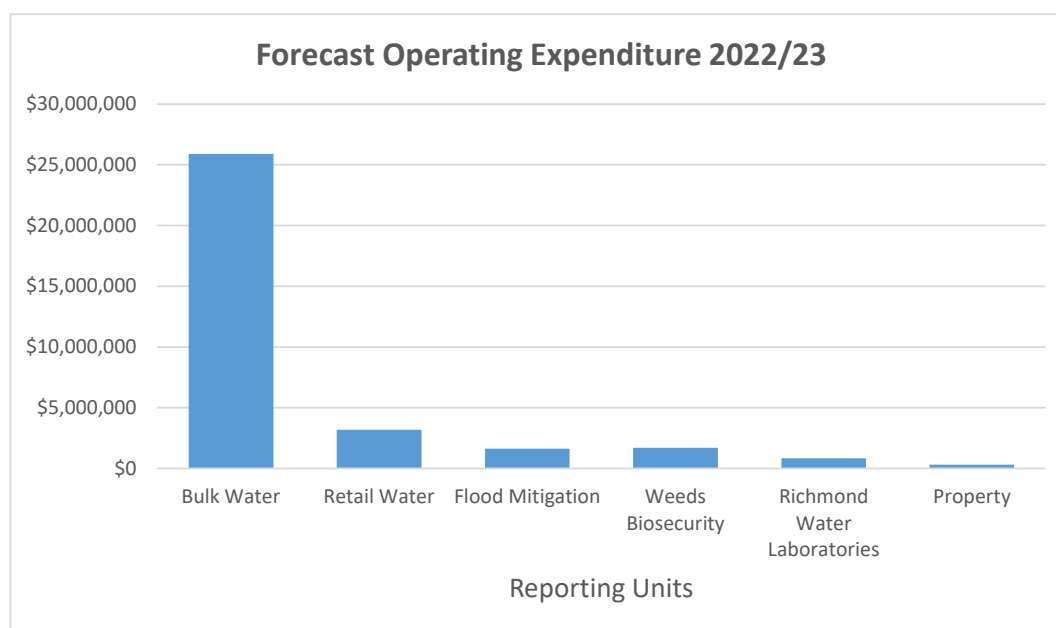
- Sustainable delivery.
- External relationships.
- Our people.
- Leadership and innovation.

2. Rous' financial position

Rous has six 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 2022/23 shows the forecast operating expenditure of each of the reporting units in the 2022/23 financial year.

Graph 1: Forecast operating expenditure 2022/23



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 >\$500 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 Project 2060 (FWP 2060). Expenditure is currently estimated at \$159 million over the next ten years. The FWP 2060 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 2018/19, 2019/20 and 2020/21. This information is useful to assess Rous' previous performance and financial position.

Table 1: Historical performance

	2018/19 (\$000)	2019/20 (\$000)	2020/21 (\$000)
Income Statement			
<i>Income from Continuing Operations</i>			
User Charges and Fees	19,500	20,785	20,892
Other Revenue	2,692	2,614	2,397
Grants and Contributions for Operating Purposes	1,511	1,288	1,163
Grants and Contributions for Capital Purposes	5,671	4,411	5,235
Interest and Investment Income	971	799	368
Other Income	0	266	205
Net Gains from the Disposal of Assets	0	0	315
	30,345	30,163	30,575
<i>Expenses from Continuing Operations</i>			
Employee Benefits and On-Costs	7,460	8,395	9,100
Materials and Services	1,680	10,535	9,043
Borrowing Costs	8,976	1,546	1,381
Depreciation, Amortisation and Impairment for Non-Financial Assets	6,788	7,287	6,727
Other Expenses	862	15	0
Net Losses from the Disposal of Assets	1,562	1	0
Fair Value Decrement on Investment Properties	380	0	0
	27,708	27,779	26,251
Operating Result from Continuing Operations	2,637	2,384	4,324
Net Operating Result Before Capital Grants and Contributions	(3,034)	(2,027)	(911)
Cash and Investments			
Externally Restricted Cash	3,749	3,216	4,081
Internally Restricted Cash	32,509	30,548	43,869
Unrestricted Cash	1,440	1,429	1,430
Total Cash and Investments	37,698	35,193	49,380
Other Balance Sheet			
Infrastructure, Property, Plant and Equipment	482,119	490,721	497,086
Outstanding Loan Principal	24,145	21,559	32,358
Performance Indicators			
Operating Performance Ratio (Benchmark >0.00%)	-4.42%	-8.08%	-4.92%
Own Source Operating Revenue Ratio (Benchmark >60.00%)	76.33%	81.07%	78.85%
Unrestricted Current Ratio (Benchmark >1.50x)	5.42x	5.24x	7.03x
Debt Service Cover Ratio (Benchmark >2.00x)	1.79x	1.54x	1.59x
Cash Expense Cover Ratio (Benchmark >3.00 months)	21.11 months	18.31 months	25.80 months

3. Financial modelling

3.1. Methodology

The LTFP forecasts the ten years from 2022/23 to 2031/32, 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 builds on previous work undertaken by Rous staff and Hydrosphere Consulting in preparing the Financial Plan 2017 document. The modelling is being 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 March 2022.

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
- Richmond Water Laboratories
- 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.</i> 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.
Operating result excluding non-cash	<i>Equals the operating result excluding non-cash items such as depreciation.</i> 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.
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.</i> This category also includes developer contributions that are received annually.
Capital expense	<i>Application of funds to acquire or improve an asset.</i> For example, the initial purchase of a building and then expense to expand the building would be classified as capital.

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 – 2022/23 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).

The colour scheme is represented in *Table 6: Colour scheme*.

Table 6: Colour scheme

LTFP category	Time period	Colour scheme
Operational Plan	2022/23	
Delivery Program	2023/24 – 2025/26	
LTFP	2026/27 – 2031/32	

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 2022/23 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
Consumer Price Index	103.50%	102.50%	102.50%	102.50%	102.50%	102.50%	102.50%	102.50%	102.50%	102.50%
Rate Pegging	100.70%	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%
Salary and Wages	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%	106.00%	106.00%	107.00%	107.00%	107.00%	107.00%	107.00%	107.00%
Loan Interest rate	103.50%	103.85%	104.30%	104.50%	104.55%	104.60%	104.70%	104.75%	104.80%	104.80%
Investment Interest Rate	0.60%	0.95%	1.40%	1.60%	1.65%	1.70%	1.80%	1.85%	1.90%	1.90%
Flood Council contributions	112.00%	110.00%	108.00%	105.00%	104.00%	104.00%	103.00%	103.00%	102.50%	102.50%
Weeds Council contributions	100.70%	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%	106.00%	106.00%	107.00%	107.00%	107.00%	107.00%	107.00%	107.00%
Retail Water	108.00%	107.00%	107.00%	107.00%	106.00%	106.00%	106.00%	106.00%	106.00%	106.00%

3.4. Other assumptions

Cost of living: Assumptions around the Consumer Price Index, rate pegging, and salary and wages are based on different indices published by the Australian Bureau of Statistics and other financial journals. 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 Project 2060 (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 2060 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.

Local government elections: The September 2021 local government elections were deferred to December 2021. The term of the new council is three years. The LTFP has assumed that the newly elected council will adopt the draft Delivery Program.

4. Financial Plan: Consolidated and for individual reporting units

The tables shown in this section of the LTFP are current as of March 2022. 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

	Long-Term Financial Plan											
	Current Budget		Operational Plan	Delivery Program								
Name	2022 Estimate	% Change	2023 Estimate	2024 Estimate	2025 Estimate	2026 Estimate	2027 Estimate	2028 Estimate	2029 Estimate	2030 Estimate	2031 Estimate	2032 Estimate
Operating Income												
Flood Mitigation	2,112,000	(49.7)	1,061,600	1,264,100	1,190,200	1,217,700	1,263,000	1,309,500	1,346,400	1,383,200	1,415,300	1,449,000
Weeds Biosecurity	1,870,900	(13.5)	1,618,400	1,643,100	1,567,400	1,569,800	1,605,500	1,641,500	1,679,000	1,716,700	1,755,400	1,793,900
Retail Water Supply	3,117,700	(0.6)	3,099,200	3,580,500	3,842,200	4,074,800	4,290,000	4,517,500	4,758,200	5,012,600	5,281,700	5,565,900
Richmond Water Laboratories	857,700	1.2	868,300	890,700	913,800	937,400	963,300	987,900	1,013,200	1,039,000	1,065,500	1,092,400
Property	189,400	(13.7)	163,500	192,700	150,100	129,900	131,400	133,200	136,900	139,300	141,700	142,900
Bulk Water Supply	19,825,700	4.7	20,767,100	22,041,700	23,379,100	24,791,400	26,504,400	28,324,100	30,242,600	32,346,600	34,666,900	37,104,000
Fleet Operations	93,500	(19.8)	75,000	80,000	84,700	87,500	90,500	92,200	93,800	96,600	101,100	105,300
Total Operating Income	28,066,900	(1.5)	27,653,100	29,692,800	31,127,500	32,808,500	34,848,100	37,005,900	39,270,100	41,734,000	44,427,600	47,253,400
Operating Expense												
Flood Mitigation	3,184,200	(47.3)	1,679,500	1,838,100	1,697,400	1,662,600	1,698,200	1,734,500	1,771,400	1,842,400	1,827,700	1,862,000
Weeds Biosecurity	1,935,300	(10.3)	1,735,400	1,648,300	1,583,500	1,557,100	1,593,200	1,630,000	1,667,600	1,705,800	1,744,600	1,785,100
Retail Water Supply	3,158,200	0.6	3,176,500	3,645,800	3,928,300	4,108,000	4,318,900	4,542,000	4,778,000	5,027,700	5,291,800	5,572,000
Richmond Water Laboratories	889,300	(5.1)	843,800	867,300	891,200	915,600	940,600	966,100	992,200	1,018,800	1,046,000	1,073,800
Property	369,900	(15.5)	312,600	337,300	269,100	228,400	233,600	167,200	167,800	171,500	175,300	179,000
Bulk Water Supply	24,413,100	4.9	25,617,200	26,738,000	27,647,700	29,058,600	30,067,000	32,040,300	32,541,300	33,466,900	33,312,200	33,459,400
Fleet Operations (*net of internal income)	168,000	(55.2)	75,200	83,800	98,200	110,500	109,200	107,900	106,400	105,000	103,900	101,900
Total Operating Expense	34,118,000	(2.0)	33,440,200	35,158,600	36,115,400	37,640,800	38,960,700	41,188,000	42,024,700	43,338,100	43,501,500	44,033,200
Operating Result	(6,051,100)	(4.4)	(5,787,100)	(5,465,800)	(4,987,900)	(4,832,300)	(4,112,600)	(4,182,100)	(2,754,600)	(1,604,100)	926,100	3,220,200
Less Depreciation	7,577,200	3.1	7,813,800	8,308,700	8,685,100	8,967,000	9,259,800	9,760,200	10,023,800	10,191,400	10,349,900	10,495,100
Operating Result Excluding Non Cash	1,526,100	32.8	2,026,700	2,842,900	3,697,200	4,134,700	5,147,200	5,578,100	7,269,200	8,587,300	11,276,000	13,715,300
Add: Capital Income	4,930,000	561.2	32,595,800	38,671,000	41,024,000	29,682,000	19,846,000	35,016,000	10,196,000	5,374,000	5,562,000	5,757,000
Less: Loan Principal Repayments	3,419,700	31.3	4,488,600	5,763,600	7,019,400	7,907,700	7,895,600	6,913,200	6,870,200	7,148,100	7,437,500	7,738,800
Less: Capital Expense	35,751,600	(26.6)	26,236,800	39,819,100	36,766,200	27,509,700	16,717,100	36,750,400	13,862,700	3,851,100	5,168,300	12,638,700
Less: Transfer to Reserve	441,600	0.0	4,681,500	1,157,500	1,985,700	350,400	507,700	159,700	151,400	3,056,000	4,294,000	338,100
Add: Transfer from Reserve	33,156,800	(97.6)	784,400	5,226,300	1,050,100	1,951,100	127,200	3,229,200	3,419,100	93,900	61,800	1,243,300
Net Cash Movement	0		0	0	0	0	0	0	0	0	0	0

Estimated Reserves Whole Organisation

Description	2022 Estimate	2023 Estimate	2024 Estimate	2025 Estimate	2026 Estimate	2027 Estimate	2028 Estimate	2029 Estimate	2030 Estimate	2031 Estimate	2032 Estimate
Estimated Reserves Whole Organisation	16,665,000	20,562,100	16,493,300	17,428,900	15,828,200	16,208,700	13,139,200	9,871,500	12,833,600	17,065,800	16,160,600
Net Reserve Movement	(32,715,100)	3,897,100	(4,068,800)	935,600	(1,600,700)	380,500	(3,069,500)	(3,267,700)	2,962,100	4,232,200	(905,200)

Key points on operating performance

Recent history

An operating loss before capital grants and contributions has occurred in each of the last three years. The different reporting units all face challenges, however 'bulk water' and 'flood mitigation' have impacted the negative result to a greater extent 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.

Ten-year forecast

The forecast is for a continuation of operating deficits for most years of the plan. The result gradually improves as the decade progresses.

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 \$165 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.

It is not preferable to forecast operating deficits on a recurrent basis, however it is sustainable because income from constituent council contributions for bulk water is elevated to match the new operating and capital expense requirements. Some of the pressure is released in 2028 when the majority of the existing loans expire, which saves approximately \$4 million per annum in loan repayments. The outlook for the whole organisation tends to be dominated by the bulk water reporting unit and more detailed information is provided in that section of the document.

Forecast ratios

That several ratios do not meet the benchmarks predominantly due to the increased costs of the FWP 2060 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

			Long-Term Financial Plan									
	Current Budget		Operational Plan	Delivery Program								
	2022 Estimate		2023 Estimate	2024 Estimate	2025 Estimate	2026 Estimate	2027 Estimate	2028 Estimate	2029 Estimate	2030 Estimate	2031 Estimate	2032 Estimate
Operating Performance Ratio Expressed as a Percentage	(21.56)		(20.93)	(18.41)	(16.02)	(14.73)	(11.80)	(11.30)	(7.01)	(3.84)	2.08	6.81
Operating Income less Operating Expense												
Operating Income												
Benchmark	>0		>0	>0	>0	>0	>0	>0	>0	>0	>0	>0
Result	Fail		Fail	Fail	Fail	Fail	Fail	Fail	Fail	Fail	Pass	Pass
Comment												
This benchmark is met from 2030/31 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	91.74		96.33	96.18	97.15	97.43	97.52	97.62	97.70	97.79	97.88	97.99
Operating Income less Grants and Contributions												
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												
This benchmark is met in every year as Rous' revenue is primarily from non-Grant sources.												
Debt Service Cover Ratio	0.62		0.63	0.67	0.71	0.71	0.79	0.90	1.03	1.11	1.29	1.45
Operating Result excl Loan Interest and Depreciation	3,061,100		4,251,800	5,971,300	8,029,200	9,235,300	10,547,200	12,004,000	13,654,300	14,694,500	17,093,900	19,231,900
Loan Repayments Principal/Interest	4,954,700		6,713,700	8,892,000	11,351,400	13,008,300	13,295,600	13,339,100	13,255,300	13,255,300	13,255,400	13,255,400
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	2.04		2.19	1.60	1.51	1.30	1.32	1.18	0.95	1.13	1.38	1.29
Current Assets less External Restrictions	19,426,000		23,388,300	19,386,100	20,389,500	18,858,000	19,309,200	16,311,700	13,117,400	16,154,500	20,363,100	19,535,900
Current Liabilities less Specific Purpose Liabilities	9,512,900		10,703,700	12,103,000	13,485,600	14,503,300	14,623,100	13,775,300	13,869,600	14,287,500	14,719,700	15,166,600
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	Fail	Fail	Fail	Fail	Fail	Fail
Comment												
This benchmark is not met from 2024/25 as borrowings increase current liabilities. Again, based on the forecast loan borrowings, this ratio can only be improved by obtaining other revenue sources such as grant funding.												
Buildings and Infrastructure Renewals Ratio	170.21		70.19	60.92	53.31	129.29	43.52	105.45	32.28	24.80	19.58	104.40
Asset Renewals	11,969,500		5,144,950	4,762,740	4,364,850	10,939,800	3,806,300	9,742,900	3,065,200	2,394,700	1,919,800	10,379,900
Depreciation, Amortisation and Impairment.	7,032,100		7,330,400	7,818,000	8,187,100	8,461,500	8,746,700	9,239,400	9,495,200	9,654,900	9,805,400	9,942,500
Benchmark	>100%		>100%	>100%	>100%	>100%	>100%	>100%	>100%	>100%	>100%	>100%
Result	Pass		Fail	Fail	Fail	Pass	Fail	Pass	Fail	Fail	Fail	Pass
Comment												
The benchmark is achieved in some years and not in others which is to be expected. Renewal expenditure will vary depned on where each asset is in its life cycle. For example a very new asset will not require renewal expendiutre for many years wheras 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 77% which is a fail and 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 renwal expenditure over the following decade will exceed 100%. Tthe ratio provides a useful indication of asset management but it must be considered in conjunction with other asset measures such as condition assessments.												

Forecast balance sheet

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

This forecast reflects the FWP 2060 and the associated groundwater infrastructure that will be constructed and is primarily funded via borrowings.

The extent of borrowings is extreme given the size of the organisation. The debt cover ratio is a measure of whether the entity is considered to be carrying excessive debt and the preferred benchmark will not be achieved in the foreseeable future. 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								
	2023 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	5,009,000	5,144,700	5,254,400	5,452,200	5,609,900	5,817,000	6,025,300	6,162,800	6,369,900	6,539,100
Investments	15,053,100	10,848,600	11,674,500	9,876,000	10,098,800	6,822,200	3,346,200	6,170,800	10,095,900	9,021,500
Receivables	2,155,900	2,199,000	2,243,000	2,287,900	2,333,700	2,380,400	2,428,000	2,476,600	2,526,100	2,576,600
Inventories	453,100	462,200	471,400	480,800	490,400	500,200	510,200	520,400	530,800	541,400
Other	318,000	324,400	330,900	337,500	344,300	351,200	358,200	365,400	372,700	380,200
Investment Property	0	0	0	0	0	0	0	0	0	0
Non-Current Assets Classified as Held for Sale	399,200	407,200	415,300	423,600	432,100	440,700	449,500	458,500	467,700	477,100
Total Current Assets	23,388,300	19,386,100	20,389,500	18,858,000	19,309,200	16,311,700	13,117,400	16,154,500	20,363,100	19,535,900
Non-Current Assets										
Investments	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	600,000	600,000
Receivables	13,600	13,900	14,200	14,500	14,800	15,100	15,400	15,700	16,000	16,300
Inventories	1,209,300	1,233,500	1,258,200	1,283,400	1,309,100	1,335,300	1,362,000	1,389,200	1,417,000	1,445,300
Infrastructure	526,696,400	555,139,900	580,952,400	599,425,700	606,812,800	633,731,100	637,496,400	631,081,700	625,823,900	627,967,500
Property, Plant and Equipment	14,925,200	15,223,700	15,528,200	15,838,800	16,155,600	16,478,700	16,808,300	17,144,500	17,487,400	17,837,100
Investments Accounted for Using Equity Method	0	0	0	0	0	0	0	0	0	0
Investment Property	827,100	843,600	860,500	877,700	895,300	913,200	931,500	950,100	969,100	988,500
Intangible Assets	185,100	0	0	0	0	0	0	0	0	0
Other	304,800	310,900	317,100	323,400	329,900	336,500	343,200	350,100	357,100	364,200
Total Non-Current Assets	544,661,500	573,265,500	599,430,600	618,263,500	626,017,500	653,309,900	657,456,800	651,431,300	646,670,500	649,218,900
TOTAL ASSETS	568,049,800	592,651,600	619,820,100	637,121,500	645,326,700	669,621,600	670,574,200	667,585,800	667,033,600	668,754,800
LIABILITIES										
Current Liabilities										
Payables	2,538,800	2,589,600	2,641,400	2,694,200	2,748,100	2,803,100	2,859,200	2,916,400	2,974,700	3,034,200
Contract Liabilities	1,037,000	1,057,700	1,078,900	1,100,500	1,122,500	1,145,000	1,167,900	1,191,300	1,215,100	1,239,400
Lease Liabilities	324,500	331,000	337,600	344,400	351,300	358,300	365,500	372,800	380,300	387,900
Borrowings	4,488,600	5,763,600	7,019,400	7,907,700	7,895,600	6,913,200	6,870,200	7,148,100	7,437,500	7,738,800
Provisions	2,314,800	2,361,100	2,408,300	2,456,500	2,505,600	2,555,700	2,606,800	2,658,900	2,712,100	2,766,300
Income Received in Advance	0	0	0	0	0	0	0	0	0	0
Total Current Liabilities	10,703,700	12,103,000	13,485,600	14,503,300	14,623,100	13,775,300	13,869,600	14,287,500	14,719,700	15,166,600
Non-Current Liabilities										
Payables	51,000	52,000	53,000	54,100	55,200	56,300	57,400	58,500	59,700	60,900
Borrowings	44,982,721	67,944,153	94,668,988	110,872,939	103,465,097	98,977,897	122,870,376	116,196,870	109,257,027	102,040,079
Provisions	40,900	41,700	42,500	43,400	44,300	45,200	46,100	47,000	47,900	48,900
Total Non-Current Liabilities	45,074,621	68,037,853	94,764,488	110,970,439	103,564,597	99,079,397	122,973,876	116,302,370	109,364,627	102,149,879
TOTAL LIABILITIES	55,778,321	80,140,853	108,250,088	125,473,739	118,187,697	112,854,697	136,843,476	130,589,870	124,084,327	117,316,479
NET ASSETS	512,271,479	512,510,747	511,570,012	511,647,761	527,139,003	556,766,903	533,730,724	536,995,930	542,949,273	551,438,321

Forecast statement of cash flows

That cash levels are significantly impacted by additional loan borrowings (which are required to fund the FWP 2060) 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 LTFP. 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	2022 Estimate	% Change	2023 Estimate	2024 Estimate	2025 Estimate	2026 Estimate	2027 Estimate	2028 Estimate	2029 Estimate	2030 Estimate	2031 Estimate	2032 Estimate
Consolidated												
Cash Flows from Operating Activities												
<u>Receipts</u>												
User Charges and Fees	22,573,100	4.9	23,685,200	25,401,000	26,969,200	28,588,100	30,518,800	32,581,500	34,785,500	37,140,800	39,657,700	42,347,300
Investment and Interest Revenue Received	201,500	(31.5)	138,100	204,300	262,700	292,400	292,300	277,200	235,000	238,300	313,000	344,900
Grants and Contributions	8,169,800	(15.7)	6,886,400	7,254,400	7,247,900	7,430,200	7,671,500	7,921,100	8,168,100	8,423,000	8,679,800	8,945,200
Other	2,111,700	(0.9)	2,092,400	2,142,600	2,117,400	2,135,300	2,190,800	2,245,600	2,302,000	2,359,900	2,418,900	2,480,000
<u>Payments</u>												
Employee Benefits and On-Costs	(10,531,500)	8.5	(11,427,200)	(11,390,100)	(11,381,800)	(11,476,000)	(11,428,000)	(11,528,100)	(11,762,200)	(12,001,600)	(12,245,100)	(12,494,700)
Materials and Services	(17,162,000)	(14.0)	(14,766,700)	(15,245,700)	(14,762,000)	(15,284,000)	(16,245,300)	(17,043,300)	(17,633,000)	(19,040,500)	(19,328,400)	(20,019,700)
Borrowing Costs	(1,535,500)	46.9	(2,255,000)	(3,162,900)	(4,363,100)	(5,128,100)	(5,423,800)	(6,446,000)	(6,401,300)	(6,119,400)	(5,825,900)	(5,520,400)
Other	1,779,100	6.6	1,896,500	2,010,300	2,130,900	2,258,800	2,416,900	2,586,100	2,767,100	2,960,800	3,168,000	3,389,700
Net Cash Flows from Operating Activities	5,606,200	11.5	6,249,700	7,213,900	8,221,200	8,816,700	9,993,200	10,594,100	12,461,200	13,961,300	16,838,000	19,472,300
Cash Flows from Investing Activities												
<u>Receipts</u>												
Redemption of Term Deposits	13,900,000	16.5	16,200,000	13,100,000	16,100,000	16,400,000	17,600,000	15,800,000	13,900,000	18,200,000	23,400,000	23,300,000
Sale of Investment Property	850,000	(100.0)	0	0	0	0	0	0	0	0	0	0
Sale of Real Estate Assets	0	0.0	3,372,800	4,300,000	1,500,000	0	0	0	0	0	0	0
Sale of Infrastructure, Property, Plant and Equipment	0	0.0	0	0	0	0	0	0	4,000	0	0	0
<u>Payments</u>												
Acquisition of Term Deposits	(13,900,000)	16.5	(16,200,000)	(13,100,000)	(16,100,000)	(16,400,000)	(17,600,000)	(15,800,000)	(13,900,000)	(18,200,000)	(23,400,000)	(23,300,000)
Purchase of Infrastructure, Property, Plant and Equipment	(35,460,800)	(32.6)	(23,885,600)	(36,752,200)	(34,497,600)	(27,440,300)	(16,646,900)	(36,678,500)	(13,789,100)	(3,776,700)	(5,092,100)	(12,562,000)
Purchase of Real Estate Assets	(290,800)	708.5	(2,351,200)	(3,066,900)	(2,268,600)	(69,400)	(70,200)	(71,900)	(73,600)	(74,400)	(76,200)	(76,700)
Purchase of Intangible Assets	0	0.0	0	0	0	0	0	0	0	0	0	0
Net Cash Flows from Investing Activities	(34,901,600)	(34.5)	(22,864,000)	(35,519,100)	(35,266,200)	(27,509,700)	(16,717,100)	(36,750,400)	(13,858,700)	(3,851,100)	(5,168,300)	(12,638,700)
Cash Flows from Financing Activities												
<u>Receipts</u>												
Proceeds from Borrowings	0	0.0	26,087,100	30,364,400	35,117,800	25,121,400	15,125,000	30,128,800	5,132,700	136,700	140,900	145,100
<u>Payments</u>												
Repayment of Borrowings	(3,419,700)	63.0	(5,575,700)	(6,128,000)	(7,137,200)	(8,029,100)	(8,020,600)	(7,042,000)	(7,002,900)	(7,284,800)	(7,578,400)	(7,883,900)
Transfer to Retail	0	0.0	0	0	0	0	0	0	0	0	0	0
Net Cash Flows from Financing Activities	(3,419,700)	(699.8)	20,511,400	24,236,400	27,980,600	17,092,300	7,104,400	23,086,800	(1,870,200)	(7,148,100)	(7,437,500)	(7,738,800)
Net Change in Cash and Cash Equivalents	(32,715,100)	(111.9)	3,897,100	(4,068,800)	935,600	(1,600,700)	380,500	(3,069,500)	(3,267,700)	2,962,100	4,232,200	(905,200)
Cash and Cash Equivalents at Beginning of Year	49,380,100	(66.3)	16,665,000	20,562,100	16,493,300	17,428,900	15,828,200	16,208,700	13,139,200	9,871,500	12,833,600	17,065,800
Cash and Cash Equivalents at End of the Year	16,665,000	23.4	20,562,100	16,493,300	17,428,900	15,828,200	16,208,700	13,139,200	9,871,500	12,833,600	17,065,800	16,160,600

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 67.9 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 2060).

Operating income for 2022/23 is forecast at almost \$20.8 million and contributions from constituent councils is approximately \$20.6 million. Operating expenditure is forecast to be almost \$25.6 million with employee costs, contractors and depreciation the biggest expenses. Depreciation is forecast at \$6.3 million, which is a non-cash expense.

The reporting unit is forecast to operate at a loss of \$4.9 million, with a cash surplus of \$1.5 million when depreciation is excluded.

As at 30 June 2021, the reporting unit owns assets valued at \$406.0 million and has liabilities of \$37.1 million, which includes approximately \$32.2 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											
	Current Budget		Operational Plan	Delivery Program								
	2022 Estimate	% Change		2024 Estimate	2025 Estimate	2026 Estimate	2027 Estimate	2028 Estimate	2029 Estimate	2030 Estimate	2031 Estimate	2032 Estimate
Bulk Water												
Operating Income												
User Charges and Fees	19,436,400	5.9	20,591,900	21,827,400	23,137,000	24,525,200	26,242,000	28,078,900	30,044,400	32,147,500	34,397,800	36,805,600
Other Revenue	55,000	(0.7)	54,600	55,900	57,200	58,600	60,000	61,500	63,000	64,700	66,400	68,100
Grants and Contributions	159,300	(97.9)	3,400	3,500	3,600	3,700	3,800	3,900	4,000	4,100	4,200	4,300
Interest and Investment Income	157,000	(38.3)	96,800	133,600	159,100	180,600	174,300	154,500	104,800	102,700	169,600	195,900
Other Income	18,000	13.3	20,400	21,300	22,200	23,300	24,300	25,300	26,400	27,600	28,900	30,100
Total Operating Income	19,825,700	4.7	20,767,100	22,041,700	23,379,100	24,791,400	26,504,400	28,324,100	30,242,600	32,346,600	34,666,900	37,104,000
Operating Expense												
Employee Benefits and On-Costs	7,793,000	11.9	8,719,700	8,765,000	8,802,200	8,886,300	8,783,400	8,827,500	9,004,500	9,186,100	9,370,900	9,559,400
Internal Overheads	(718,200)	9.9	(789,400)	(838,400)	(888,400)	(924,600)	(976,600)	(1,015,800)	(1,069,800)	(1,118,400)	(1,161,900)	(1,214,900)
Internal Distributions	(1,779,100)	6.6	(1,896,500)	(2,010,300)	(2,130,900)	(2,258,800)	(2,416,900)	(2,586,100)	(2,767,100)	(2,960,800)	(3,168,000)	(3,389,700)
Materials and Services - Materials and Consumables	1,962,800	6.7	2,094,800	2,136,600	2,190,400	2,239,800	2,295,600	2,352,800	2,411,400	2,471,200	2,532,500	2,595,500
Materials and Services - Contractors and Consultants	5,044,200	(19.5)	4,058,300	3,926,200	3,458,000	3,809,900	4,385,200	4,838,800	5,013,100	5,943,900	5,816,100	6,030,900
Materials and Services - Chemicals	1,071,600	18.9	1,274,400	1,306,300	1,339,000	1,372,500	1,406,900	1,442,100	1,478,100	1,515,100	1,552,900	1,591,800
Materials and Services - Electricity	1,637,900	(9.5)	1,482,300	1,520,700	1,559,000	1,606,100	1,646,300	1,687,300	1,729,400	1,772,500	1,816,600	1,862,000
Materials and Services - Insurance	288,000	13.9	327,900	336,200	344,700	353,400	362,300	371,400	380,700	390,200	399,900	409,800
Materials and Services - IT Expenses	774,400	18.2	915,500	887,400	909,600	932,400	955,700	979,600	1,004,100	1,029,100	1,054,800	1,081,200
Materials and Services - Other	817,000	5.8	864,100	887,300	712,300	664,300	681,000	698,100	715,600	733,500	751,600	769,900
Borrowing Costs	1,535,500	44.9	2,225,600	3,128,900	4,332,500	5,101,100	5,400,500	6,426,400	6,385,600	6,107,700	5,818,400	5,517,100
Depreciation and Amortisation	5,986,000	5.9	6,340,500	6,692,100	7,019,300	7,276,200	7,543,600	8,018,200	8,255,700	8,396,800	8,528,400	8,646,400
Other Expenses	0	0.0	0	0	0	0	0	0	0	0	0	0
Gains or Losses	0	0.0	0	0	0	0	0	0	0	0	0	0
Total Operating Expense	24,413,100	4.9	25,617,200	26,738,000	27,647,700	29,058,600	30,067,000	32,040,300	32,541,300	33,466,900	33,312,200	33,459,400
Operating Result	(4,587,400)	5.7	(4,850,100)	(4,696,300)	(4,268,600)	(4,267,200)	(3,562,600)	(3,716,200)	(2,298,700)	(1,120,300)	1,354,700	3,644,600
Less: Depreciation	5,986,000	5.9	6,340,500	6,692,100	7,019,300	7,276,200	7,543,600	8,018,200	8,255,700	8,396,800	8,528,400	8,646,400
Operating Result Excluding Non Cash	1,398,600	6.6	1,490,400	1,995,800	2,750,700	3,009,000	3,981,000	4,302,000	5,957,000	7,276,500	9,883,100	12,291,000
Add: Capital Income	4,080,000	616.3	29,223,000	34,371,000	39,524,000	29,682,000	19,846,000	35,016,000	10,192,000	5,374,000	5,562,000	5,757,000
Less: Loan Capital	3,419,700	31.3	4,488,600	5,763,600	7,019,400	7,907,700	7,895,600	6,913,200	6,870,200	7,148,100	7,437,500	7,738,800
Less: Internal Loan	0	0.0	1,000,000	250,000	0	0	0	0	0	0	0	0
Loan Capital Repayment	0	0.0	87,100	114,400	117,800	121,400	125,000	128,800	132,700	136,700	140,900	145,100
Less: Capital Expense	33,174,700	(35.1)	21,545,500	35,511,000	33,441,800	26,732,400	15,809,500	35,626,200	12,720,500	2,820,800	4,168,900	11,633,500
Less: Transfer to Reserve	0	0.0	3,766,400	0	1,931,300	0	246,900	0	0	2,818,300	3,979,600	0
Add: Transfer from Reserve	31,115,800	(100.0)	0	5,043,400	0	1,827,700	0	3,092,600	3,309,000	0	0	1,179,200
Net Cash Movement	0		0	0	0	0	0	0	0	0	0	0
Estimated Bulk Water Reserves												
Description	2022 Estimate	%	2023 Estimate	2024 Estimate	2025 Estimate	2026 Estimate	2027 Estimate	2028 Estimate	2029 Estimate	2030 Estimate	2031 Estimate	2032 Estimate
Bulk Water Reserve	9,649,300		13,415,700	8,372,300	10,303,600	8,475,900	8,722,800	5,630,200	2,321,200	5,139,500	9,119,100	7,939,900

Recent history

The business has experienced recurrent operating losses before capital grants and contributions. In 2018/19 the deficit was (\$3.3 million), in 2019/20 the deficit was (\$2.3 million) and in 2020/21 the deficit was (\$592,600), which is not significant given a total operating expenditure of \$18.9 million.

The cash reserve increased significantly in 2020/21, which is attributable to external borrowing of \$13.5 million.

Forecast assumptions

Future Water Project 2060: 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 \$165 million are anticipated to 2031/32 at rates varying from 3.5% to 4.8%. 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 for February 2022. As such, the consumption data used for the 2022/23 financial year is based on the 11 months from March to January.

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 6.0% increase in comparison to the previous year for total contribution income, the amount paid by each council will be more or less than the 6.0% 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% 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 2060. However, the magnitude of the loss decreases over the years such that a surplus is forecast from 2030/31. 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 \$200.0 million with approximately \$147.3 million relating to new assets. Hence it can be seen that the works program includes over \$52.7 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

Rous County Council - Bulk Water Supply		2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Financial Ratios		Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
Operating Performance Ratio Expressed as a Percentage		(23.14)	(23.35)	(21.31)	(18.26)	(17.21)	(13.44)	(13.12)	(7.60)	(3.46)	3.91	9.82
<u>Operating Income less Operating Expense</u>												
Operating Income												
Benchmark		>0	>0	>0	>0	>0	>0	>0	>0	>0	>0	>0
Result		Fail	Fail	Fail	Fail	Fail	Fail	Fail	Fail	Fail	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 2031.										
Own Source Operating Revenue Expressed as a Percentage		99.21	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	>60
Result		Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass
Comment		The benchmark is being achieved										
Debt Service Cover Ratio		0.59	0.55	0.58	0.62	0.62	0.71	0.80	0.93	1.01	1.18	1.34
<u>Operating Result excluding Loan Interest and Depreciation</u>												
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 middle 2020's. A small improvement occurs in 2028 when the existing Wilson's River loans are paid out. 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		1.65	0.97	1.02	0.81	0.83	0.64	0.37	0.58	0.87	0.76	1.43
<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	>1.5
Result		Pass	Fail	Fail	Fail	Fail	Fail	Fail	Fail	Fail	Fail	Fail
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		183.08%	70.36%	64.90%	58.10%	147.08%	47.14%	117.18%	32.59%	23.48%	17.98%	115.57%
<u>Asset Renewals</u>		10,959,100	4,461,350	4,342,940	4,078,050	10,701,900	3,556,200	9,395,600	2,690,600	1,971,800	1,533,600	9,992,400
Depreciation, Amortisation and Impairment		5,986,000	6,340,500	6,692,100	7,019,300	7,276,200	7,543,600	8,018,200	8,255,700	8,396,800	8,528,400	8,646,400
Benchmark		>100%	>100%	>100%	>100%	>100%	>100%	>100%	>100%	>100%	>100%	>100%
Result		Pass	Fail	Fail	Fail	Pass	Fail	Pass	Fail	Fail	Fail	Pass
Comment		The benchmark is only met in three years of the ten-year program as significant capital expenditure is planned for new assets.										

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 2060. 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 2060 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 is now over five years old and is currently being reviewed. The delay in replacing the plan has been due to the uncertainty around the FWP 2060. This is because the exact nature and cost of the assets to be constructed over the next ten years will impact the rate payable by developers.

It is possible, given the considerable cost of new work proposed, that the new contribution plan will calculate a higher rate of contribution per new tenement than the existing plan. This would translate to an increase in annual income that may have a significant effect on the LTFP.

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 5.4 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 \$12.4 million and is forecast to receive funding of \$1.0 million in 2022/23 and \$250,000 in 2023/24 via an internal loan from the bulk water reporting unit. The reporting unit 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											
	Current Budget		Operational Plan	Delivery Program								
	2022	Change		2024	2025	2026	2027	2028	2029	2030	2031	2032
	Estimate		Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
Retail Water												
Operating Income												
User Charges and Fees	3,105,700	(0.4)	3,093,300	3,573,600	3,832,200	4,062,900	4,276,800	4,502,600	4,741,100	4,993,300	5,259,900	5,541,700
Other Revenue	0	0.0	0	0	0	0	0	0	0	0	0	0
Grants and Contributions	0	0.0	0	0	0	0	0	0	0	0	0	0
Interest and Investment Income	12,000	(50.8)	5,900	6,900	10,000	11,900	13,200	14,900	17,100	19,300	21,800	24,200
Other Income	0	0.0	0	0	0	0	0	0	0	0	0	0
Total Income	3,117,700	(0.6)	3,099,200	3,580,500	3,842,200	4,074,800	4,290,000	4,517,500	4,758,200	5,012,600	5,281,700	5,565,900
Operating Expense												
Employee Benefits and On-Costs	555,500	(10.8)	495,600	505,700	516,000	526,400	536,900	547,600	558,500	569,500	580,700	592,400
Internal Overheads	128,500	17.6	151,100	174,100	197,600	221,600	246,000	270,900	296,300	322,200	348,600	375,600
Materials and Services - Materials and Consumables	182,900	3.6	189,400	162,200	165,400	169,300	173,500	177,800	182,200	186,700	191,300	196,000
Materials and Services - Contractors and Consultancy Fees	59,200	(23.6)	45,200	262,700	357,800	366,200	374,700	383,400	392,500	401,700	411,100	420,800
Materials and Services - Electricity	1,600	6.3	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	0	0	0
Materials and Services - IT Expenses	0	0.0	0	0	0	0	0	0	0	0	0	0
Materials and Services - Other	1,869,400	5.4	1,969,500	2,085,200	2,207,700	2,337,500	2,497,600	2,668,800	2,851,800	3,047,700	3,257,100	3,481,000
Borrowing Costs	0	0.0	29,400	34,000	30,600	27,000	23,300	19,600	15,700	11,700	7,500	3,300
Depreciation and Amortisation	361,100	(18.4)	294,600	420,200	451,500	458,300	465,200	472,200	479,300	486,500	493,800	501,200
Other Expenses	0	0.0	0	0	0	0	0	0	0	0	0	0
Gains or Losses	0	0.0	0	0	0	0	0	0	0	0	0	0
Total Expense	3,158,200	0.6	3,176,500	3,645,800	3,928,300	4,108,000	4,318,900	4,542,000	4,778,000	5,027,700	5,291,800	5,572,000
Operating Result	(40,500)	90.9	(77,300)	(65,300)	(86,100)	(33,200)	(28,900)	(24,500)	(19,800)	(15,100)	(10,100)	(6,100)
Less Depreciation	361,100	(18.4)	294,600	420,200	451,500	458,300	465,200	472,200	479,300	486,500	493,800	501,200
Operating Result Excluding Non Cash	320,600	(32.2)	217,300	354,900	365,400	425,100	436,300	447,700	459,500	471,400	483,700	495,100
Add Capital Income	0	0.0	0	0	0	0	0	0	0	0	0	0
Less Capital Expense	1,527,700	6.6	1,628,100	497,400	216,700	222,100	227,500	232,900	238,400	243,900	249,400	254,900
Internal Loan	0	0.0	1,000,000	250,000	0	0	0	0	0	0	0	0
Loan Capital	0	0.0	87,100	114,400	117,800	121,400	125,000	128,800	132,700	136,700	140,900	145,100
Less Transfer to Reserve	0	0.0	0	0	30,900	81,600	83,800	86,000	88,400	90,800	93,400	95,100
Add Transfer from Reserve	1,207,100	(58.8)	497,900	6,900	0	0	0	0	0	0	0	0
Net Cash Movement	0		0	0	0	0	0	0	0	0	0	0

Estimated Retail Water Reserves

Description	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
Retail Water Reserve	1,457,000	959,100	952,200	983,100	1,064,700	1,148,500	1,234,500	1,322,900	1,413,700	1,507,100	1,602,200

Recent history

The recent operating results highlight the financial uncertainty that faces this reporting unit. In 2018/19 the surplus was \$830,000, in 2019/20 the surplus was \$1.2 million and in 2020/21 the deficit was (\$441,200).

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 6% and 8% annually for 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 over 60% 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 2060 and this increase must be absorbed by the retail water reporting unit.

General assumptions: Most income and expense items are anticipated to increase at around 2% to 2.5%. The main variant to this is anticipated borrowing associated with capital works, which is discussed in the next section.

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 results that are just on the positive side of break even. 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 \$2.6 million at the end of 2020/21 to just over \$700,000 in 2022/23. 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. The financial plan includes an internal borrowing from the bulk water reporting unit of \$1.0 million in 2022/23 and \$250,000 in 2023/24.

The cash reserve is forecast to gradually rise such that in 2031/32 it is \$1.4 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 \$2.1 million in 2022/23. 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

Rous County Council - Retail Water Supply	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Financial Ratios	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
Operating Performance Ratio Expressed as a Percentage	(1.30)	(2.49)	(1.82)	(2.24)	(0.81)	(0.67)	(0.54)	(0.42)	(0.30)	(0.19)	(0.11)
<u>Operating Income less Operating Expense</u>											
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	Fail
Comment	The benchmark is not achieved 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	99.66	99.65	99.69	99.70	99.71	99.72	99.73	99.73	99.74	99.75	99.76
<u>Operating Income less Grants and Contributions</u>											
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 forecast to be achieved annually.										
Unrestricted Current Ratio	67.48	65.91	66.72	70.55	74.38	78.22	82.05	85.42	88.78	92.10	108.15
<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	>1.5
Result	Pass	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	238.19%	170.03%	58.88%	15.22%	15.30%	15.37%	15.44%	15.52%	15.60%	15.67%	15.74%
<u>Asset Renewals</u>	860,100	500,900	247,400	68,700	70,100	71,500	72,900	74,400	75,900	77,400	78,900
Depreciation, Amortisation and Impairment	361,100	294,600	420,200	451,500	458,300	465,200	472,200	479,300	486,500	493,800	501,200
Benchmark	>100%	>100%	>100%	>100%	>100%	>100%	>100%	>100%	>100%	>100%	>100%
Result	Pass	Pass	Fail	Fail	Fail	Fail	Fail	Fail	Fail	Fail	Fail
Comment	The benchmark is not met from 2023/24 onwards as depreciation increases significantly with smart metering and backflow device installation.										

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 \$125.4 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

			Long-Term Financial Plan									
	Current Budget		Operational Plan	Delivery Program								
Name	2022 Estimate	Change	2023 Estimate	2024 Estimate	2025 Estimate	2026 Estimate	2027 Estimate	2028 Estimate	2029 Estimate	2030 Estimate	2031 Estimate	2032 Estimate
Flood Mitigation												
Operating Income												
User Charges and Fees	0	0.0	0	0	0	0	0	0	0	0	0	0
Other Revenue	5,500	5.5	5,800	5,900	6,000	6,100	6,200	6,300	6,400	6,500	6,600	6,700
Grants and Contributions	2,100,800	(49.9)	1,052,700	1,254,000	1,178,400	1,204,200	1,247,200	1,291,800	1,327,100	1,363,400	1,394,800	1,427,100
Interest and Investment Income	5,700	(45.6)	3,100	4,200	5,800	7,400	9,600	11,400	12,900	13,300	13,900	15,200
Other Income	0	0.0	0	0	0	0	0	0	0	0	0	0
Total Operating Income	2,112,000	(49.7)	1,061,600	1,264,100	1,190,200	1,217,700	1,263,000	1,309,500	1,346,400	1,383,200	1,415,300	1,449,000
Operating Expense												
Employee Benefits and On-Costs	452,800	0.9	456,700	466,300	476,000	485,900	496,000	506,300	516,700	527,300	537,800	548,700
Internal Overheads	194,300	6.1	206,100	216,300	226,700	237,400	248,300	259,500	271,000	276,100	275,200	282,700
Materials and Services - Materials and Consumables	294,900	(46.0)	159,200	161,900	164,800	152,600	155,600	158,600	161,700	164,900	168,200	171,600
Materials and Services - Contractors and Consultancy Fees	1,530,300	(90.8)	140,700	266,000	91,300	37,000	37,300	37,600	37,900	78,200	38,600	39,000
Materials and Services - Electricity	2,800	(10.7)	2,500	2,600	2,700	2,800	2,900	3,000	3,100	3,200	3,300	3,400
Materials and Services - Insurance	4,500	4.4	4,700	4,800	4,900	5,000	5,100	5,200	5,300	5,400	5,500	5,600
Materials and Services - Other	19,600	(27.0)	14,300	14,500	14,700	14,900	15,100	15,300	15,500	15,700	15,900	16,100
Borrowing Costs	0	0.0	0	0	0	0	0	0	0	0	0	0
Depreciation and Amortisation	685,000	1.5	695,300	705,700	716,300	727,000	737,900	749,000	760,200	771,600	783,200	794,900
Other Expenses	0	0.0	0	0	0	0	0	0	0	0	0	0
Gains or Losses	0	0.0	0	0	0	0	0	0	0	0	0	0
Total Operating Expense	3,184,200	(47.3)	1,679,500	1,838,100	1,697,400	1,662,600	1,698,200	1,734,500	1,771,400	1,842,400	1,827,700	1,862,000
Operating Result	(1,072,200)	(42.4)	(617,900)	(574,000)	(507,200)	(444,900)	(435,200)	(425,000)	(425,000)	(459,200)	(412,400)	(413,000)
Less Depreciation	685,000	1.5	695,300	705,700	716,300	727,000	737,900	749,000	760,200	771,600	783,200	794,900
Operating Result Excluding Non Cash	(387,200)	(120.0)	77,400	131,700	209,100	282,100	302,700	324,000	335,200	312,400	370,800	381,900
Add Capital Income	0	0.0	0	0	0	0	0	0	4,000	0	0	0
Less Capital Expense	150,300	21.6	182,700	172,400	218,100	167,800	178,600	274,400	300,200	347,000	308,800	308,600
Less Transfer to Reserve	0	0.0	0	0	0	114,300	124,100	49,600	39,000	0	62,000	73,300
Add Transfer from reserve	537,500	(80.4)	105,300	40,700	9,000	0	0	0	0	34,600	0	0
Net Cash Movement	0		0	0	0	0	0	0	0	0	0	0
Estimated Flood Mitigation Reserves												
Description	2022 Estimate		2023 Estimate	2024 Estimate	2025 Estimate	2026 Estimate	2027 Estimate	2028 Estimate	2029 Estimate	2030 Estimate	2031 Estimate	2032 Estimate
Flood Mitigation Reserve	561,600		456,300	415,600	406,600	520,900	645,000	694,600	733,600	699,000	761,000	834,300

Recent history

The reporting unit has incurred recurrent operating losses before capital grants and contributions. In 2018/19 the deficit was (\$1.1 million), in 2019/20 the deficit was (\$921,200) and in 2020/21 the deficit was (\$997,000). This is in part due to various maintenance works in excess of the norm, and depreciation.

Depreciation is calculated at \$695,300 for 2022/23 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 no grant income for future years because it is not guaranteed, however grant funding exists for the current 2021/22 financial year. 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 2026/27.

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

Rous County Council - Flood Mitigation		2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Financial Ratios		Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
Operating Performance Ratio Expressed as a Percentage		(50.77)	(58.20)	(45.41)	(42.61)	(36.54)	(34.46)	(32.46)	(31.57)	(33.20)	(29.14)	(28.50)
<u>Operating Income less Operating Expense</u>												
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	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 surplus (favourable adjusted ratio result) is achieved by 2030/31.										
Own Source Operating Revenue Expressed as a Percentage		38.27	78.61	72.64	83.41	85.69	86.06	86.41	86.65	86.86	87.03	87.19
<u>Operating Income less Grants and Contributions</u>												
Total Operating Income												
Benchmark		>60	>60	>60	>60	>60	>60	>60	>60	>60	>60	>60
Result		Fail	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass
Comment		The benchmark is achieved in from 2022/23 onwards as Constituent Council contributions are classed as 'own source revenue'. The current year includes significant additional grant income that skews the result.										
Unrestricted Current Ratio		5.29	4.46	4.11	3.99	4.70	5.45	5.69	5.85	5.55	5.84	6.18
<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	>1.5
Result		Pass	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		21.94%	26.28%	24.43%	30.45%	23.08%	24.20%	36.64%	39.49%	44.97%	39.43%	38.82%
<u>Asset Renewals</u>		150,300	182,700	172,400	218,100	167,800	178,600	274,400	300,200	347,000	308,800	308,600
Depreciation, Amortisation and Impairment		685,000	695,300	705,700	716,300	727,000	737,900	749,000	760,200	771,600	783,200	794,900
Benchmark		>100%	>100%	>100%	>100%	>100%	>100%	>100%	>100%	>100%	>100%	>100%
Result		Fail	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 50.5% and 103.58% 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 9.2 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 \$2.3 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

				Long-Term Financial Plan								
	Current Budget		Operational Plan	Delivery Program								
Name	2022		2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
	Estimate	Change	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
Operating Income												
User Charges and Fees	31,000	(100.0)	-	-	-	-	-	-	-	-	-	-
Other Revenue	-	0.0	-	-	-	-	-	-	-	-	-	-
Grants and Contributions	1,829,700	(12.2)	1,607,300	1,625,900	1,541,900	1,540,300	1,574,500	1,609,400	1,645,000	1,681,500	1,718,800	1,756,800
Interest and Investment Income	10,200	8.8	11,100	17,200	25,500	29,500	31,000	32,100	34,000	35,200	36,600	37,100
Other Income	-	0.0	-	-	-	-	-	-	-	-	-	-
Total Operating Income	1,870,900	(13.5)	1,618,400	1,643,100	1,567,400	1,569,800	1,605,500	1,641,500	1,679,000	1,716,700	1,755,400	1,793,900
Operating Expense												
Employee Benefits and On-Costs	1,130,800	(1.8)	1,110,300	994,700	915,300	891,000	910,800	931,100	951,800	972,700	994,000	1,016,500
Internal Overheads	303,400	3.5	314,000	321,900	329,900	338,100	346,600	355,300	364,200	373,300	382,600	392,200
Materials and Services - Materials and Consumables	218,700	7.3	234,700	246,600	243,900	231,700	237,600	243,500	249,600	255,800	262,000	268,400
Materials and Services - Contractors and Consultancy Fees	216,800	(96.2)	8,300	15,700	23,700	24,300	24,900	25,500	26,100	26,800	27,500	28,200
Materials and Services - Electricity	3,600	2.8	3,700	3,800	3,900	4,000	4,100	4,200	4,300	4,400	4,500	4,600
Materials and Services - Insurance	0	0.0	0	0	0	0	0	0	0	0	0	0
Materials and Services - IT Expenses	1,000	0.0	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Materials and Services - Other	34,000	(3.2)	32,900	33,600	34,300	35,000	35,700	36,400	37,100	37,800	38,500	39,200
Borrowing Costs	0	0.0	0	0	0	0	0	0	0	0	0	0
Depreciation and Amortisation	27,000	13.0	30,500	31,000	31,500	32,000	32,500	33,000	33,500	34,000	34,500	35,000
Other Expenses	0	0.0	0	0	0	0	0	0	0	0	0	0
Gains or Losses	0	0.0	0	0	0	0	0	0	0	0	0	0
Total Operating Expense	1,935,300	(10.3)	1,735,400	1,648,300	1,583,500	1,557,100	1,593,200	1,630,000	1,667,600	1,705,800	1,744,600	1,785,100
Operating Result	(64,400)	81.7	(117,000)	(5,200)	(16,100)	12,700	12,300	11,500	11,400	10,900	10,800	8,800
Less Depreciation	27,000	13.0	30,500	31,000	31,500	32,000	32,500	33,000	33,500	34,000	34,500	35,000
Operating Result Excluding Non Cash	(37,400)	131.3	(86,500)	25,800	15,400	44,700	44,800	44,500	44,900	44,900	45,300	43,800
Add Capital Income	0	0.0	0	0	0	0	0	0	0	0	0	0
Less Capital Expense	110,000	(60.9)	43,000	0	21,000	0	22,000	44,000	44,000	20,000	20,000	20,000
Less Transfer to Reserve	0	0.0	0	25,800	0	44,700	22,800	500	900	24,900	25,300	23,800
Add Transfer from Reserve	147,400	(12.1)	129,500	0	5,600	0	0	0	0	0	0	0
Net Cash Movement	0		0	0	0	0	0	0	0	0	0	0

Estimated Weed Bio Reserves												
Description	2022		2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
	Estimate		Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
Weed Bio Reserve	1,931,300		1,801,800	1,827,600	1,822,000	1,866,700	1,889,500	1,890,000	1,890,900	1,915,800	1,941,100	1,964,900

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 2018/19 the surplus was \$231,000, in 2019/20 the deficit was (\$106,900) and in 2020/21 the surplus was \$182,600. 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

Rous County Council - Weeds Biosecurity											
Financial Ratios	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
Operating Performance Ratio Expressed as a Percentage	(3.44)	(7.23)	(0.32)	(1.03)	0.81	0.77	0.70	0.68	0.63	0.62	0.49
<u>Operating Income less Operating Expense</u>											
Operating Income											
Benchmark	>0	>0	>0	>0	>0	>0	>0	>0	>0	>0	>0
Result	Fail	Fail	Fail	Fail	Pass	Pass	Pass	Pass	Pass	Pass	Pass
Comment											
The result falls slightly short of the benchmark in the first few 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	46.30	52.02	52.62	56.78	58.05	57.95	57.84	57.75	57.65	57.55	57.42
<u>Operating Income less Grants and Contributions</u>											
Total Operating Income											
Benchmark	>60	>60	>60	>60	>60	>60	>60	>60	>60	>60	>60
Result	Fail	Fail	Fail	Fail	Fail	Fail	Fail	Fail	Fail	Fail	Fail
Comment											
The Reporting Unit falls slightly short of the benchmark . 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	1.83	1.82	1.78	1.79	1.78	1.74	1.71	1.70	1.69	1.68	1.66
<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	>1.5
Result	Pass	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 2022/23. 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 \$308,700 for 2022/23), 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. Richmond Water Laboratories reporting unit

Overview

Richmond Water Laboratories (RWL) provides testing services to 'bulk water' and various external organisations and individuals. Tests include water, wastewater and soil.

RWL primarily services 'bulk water' with significant income derived from this source. The aim is to run at break even or better and to provide services and charge prices that are competitive with similar providers in the market.

There are 5.0 full-time equivalent staff, which excludes administration support. The number of staff has remained stable for some years.

Income is derived from fees raised for providing sampling and testing services to internal and external customers. The largest expense relates to salaries, followed by the purchase of consumable items.

The reporting unit owns assets valued at \$749,400 in 2020/21, which relates to cash reserves and equipment used within the laboratory. There is no debt outstanding.

Table 20: Richmond Water Laboratories operating performance shows the forecast operating performance, capital movements, reserve transfers and the estimated cash reserve balances for the Reporting Unit.

Table 20: Richmond Water Laboratories operating performance

Name	Long-Term Financial Plan											
	Current Budget		Operational Plan	Delivery Program								
	2022 Estimate	% Change		2024 Estimate	2025 Estimate	2026 Estimate	2027 Estimate	2028 Estimate	2029 Estimate	2030 Estimate	2031 Estimate	2032 Estimate
Richmond Water Laboratory												
Operating Income												
User Charges and Fees	0	0.0	0	0	0	0	0	0	0	0	0	0
Other Revenue	856,000	1.2	866,000	887,700	909,900	932,600	957,900	981,900	1,006,500	1,031,700	1,057,500	1,084,000
Grants and Contributions	0	0.0	0	0	0	0	0	0	0	0	0	0
Interest and Investment Income	1,700	35.3	2,300	3,000	3,900	4,800	5,400	6,000	6,700	7,300	8,000	8,400
Other Income	0	0.0	0	0	0	0	0	0	0	0	0	0
Total Revenue	857,700	1.2	868,300	890,700	913,800	937,400	963,300	987,900	1,013,200	1,039,000	1,065,500	1,092,400
Operating Expense												
Employee Benefits and On-Costs	434,200	18.9	516,100	526,400	536,900	547,600	558,600	569,800	581,200	592,800	604,700	616,800
Internal Overheads	41,200	51.9	62,600	69,200	75,900	82,800	89,900	97,100	104,500	112,100	119,900	127,900
Materials and Services - Materials and Consumables	136,300	25.1	170,500	174,800	179,200	183,700	188,300	193,000	197,900	202,900	208,000	213,200
Materials and Services - Contractors and Consultancy Fees	202,900	(100.0)	0	0	0	0	0	0	0	0	0	0
Materials and Services - Electricity	6,700	3.0	6,900	7,100	7,300	7,500	7,700	7,900	8,100	8,300	8,500	8,700
Materials and Services - Insurance	0	0.0	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	0	0	0
Materials and Services - Other	52,800	27.7	67,400	69,200	71,000	72,800	74,600	76,500	78,400	80,300	82,200	84,200
Borrowing Costs	0	0.0	0	0	0	0	0	0	0	0	0	0
Depreciation and Amortisation	15,200	33.6	20,300	20,600	20,900	21,200	21,500	21,800	22,100	22,400	22,700	23,000
Other Expenses	0	0.0	0	0	0	0	0	0	0	0	0	0
Gains or Losses	0	0.0	0	0	0	0	0	0	0	0	0	0
Total Operating Expense	889,300	(5.1)	843,800	867,300	891,200	915,600	940,600	966,100	992,200	1,018,800	1,046,000	1,073,800
Operating Result	(31,600)	(177.5)	24,500	23,400	22,600	21,800	22,700	21,800	21,000	20,200	19,500	18,600
Less Depreciation	15,200	33.6	20,300	20,600	20,900	21,200	21,500	21,800	22,100	22,400	22,700	23,000
Operating Result Excluding Non Cash	(16,400)	(373.2)	44,800	44,000	43,500	43,000	44,200	43,600	43,100	42,600	42,200	41,600
Add Capital Income	0	0.0	0	0	0	0	0	0	0	0	0	0
Less Capital Expense	44,100	13.4	50,000	150,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Less Transfer to Reserve	0	0.0	0	0	23,500	23,000	24,200	23,600	23,100	22,600	22,200	21,600
Add Transfer from Reserve	60,500	(91.4)	5,200	106,000	0	0	0	0	0	0	0	0
Net Cash Movement	0		0	0	0	0	0	0	0	0	0	0

Estimated Richmond Water Laboratories Reserves

Description	2022 Estimate	%	2023 Estimate	2024 Estimate	2025 Estimate	2026 Estimate	2027 Estimate	2028 Estimate	2029 Estimate	2030 Estimate	2031 Estimate	2032 Estimate
Water Laboratory Reserve	349,200	0	344,000	238,000	261,500	284,500	308,700	332,300	355,400	378,000	400,200	421,800

Recent history

Over the last three years, the reporting unit has recorded two operating surpluses before capital grants and contributions. In 2018/19 the surplus was \$78,400, in 2019/20 the surplus was \$70,900 and in 2020/21 the deficit was (\$36,600). The biggest variable in those years has been operating income and no doubt Covid19 has played a part.

The reporting unit has also experienced some staffing level variations over that time, which has impacted expenditure.

New equipment was purchased in 2020, which will enable a continuation of service provision in the manner expected by customers. Cash reserves were maintained above \$400,000, which is satisfactory.

Assumptions

Fees for testing and sampling will increase by variable amounts with the general increase being in line with cost-of-living rises.

Similarly, operating expenses are predicted to increase by cost of living.

Ten-year forecast

It has been assumed that in 2022/2023 there will be a full complement of staff, which will increase salary expense compared to the current year as staff arrangements have been in transition. The budget further assumes that there will be an expansion of demand compared to 2021/2022, which will increase income to offset the salary increase.

Beyond the 2022/23 financial year, it is forecast that both income and expense will gradually increase with a small operating surplus of approximately \$20,000 predicted in each year.

The cash reserve will decline over the next few years as the unit incurs capital expense of \$200,000 to replace and modernise equipment. This will be followed by several years where the reserve gradually increases.

No debt is anticipated, and staff leave liabilities are paid annually via oncost distribution. The outlook is for a sustainable future where the reporting unit remains self-sufficient.

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: Richmond Water Laboratories forecast ratios*.

Table 21: Richmond Water Laboratories forecast ratios

Rous County Council - Richmond Water Laboratories		2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
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>		(3.68)	2.82	2.63	2.47	2.33	2.36	2.21	2.07	1.94	1.83	1.70
Operating Income												
Benchmark		>0	>0	>0	>0	>0	>0	>0	>0	>0	>0	>0
Result		Fail	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass
Comment		The benchmark is achieved from 2022/23 onwards however it is essentially a break even result. The intent is to work towards small savings in expenses which will gradually strengthen the sustainability of the Reporting Unit.										
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		All income is classed as 'Own Source' so the benchmark will be achieved annually.										
Unrestricted Current Ratio <u>Current Assets less External Restrictions</u>		16.33	12.25	12.90	13.50	14.12	14.69	15.23	15.73	16.20	16.64	16.46
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	Pass	Pass	Pass	Pass	Pass	Pass	Pass
Comment		The Reporting Unit is not carrying any debt which contributes to the positive result.										

Sensitivity analysis

RWL is in a very competitive environment. There are several well credentialled providers of similar services operating in the local area. This makes it difficult to raise prices to increase profitability or indeed increase market share. Customers tend to be strongly influenced by price, so there is a risk of losing income in the future due to aggressive competition.

However, RWL has operated in this environment for over ten years and has developed a reliable customer base. Staff are experts in their field and provide timely and professional service. Plus, the primary customer of RWL is 'bulk water' who it could be argued, represents a captive market.

The financial plan predicts an increase in demand and there is a risk that if this does not eventuate and cost savings are not identified, the reporting unit could run at a small loss.

It could be argued that this is acceptable given that the primary function of RWL is to provide timely and professional service to the bulk water reporting unit. Alternatively, it is reasonable to consider that the same services could be provided by an external supplier and the issue is to compare cost and service provision by RWL and an external provider.

This is an issue that Rous has explored in the past and external consultants have been employed to provide an unbiased assessment. The outcome has been a continuation of the reporting unit as it is providing excellent service at a competitive price. However, an important benchmark is to avoid a recurrent operational deficit and that is the current forecast.

4.7. 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 \$3.3 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 22: Property operating performance shows the forecast operating performance, capital movements, reserve transfers and the estimated cash reserve balances for the reporting unit.

Table 22: Property operating performance

			Long-Term Financial Plan									
	Current Budget		Operational Plan	Delivery Program								
Name	2022 Estimate	% Change	2023 Estimate	2024 Estimate	2025 Estimate	2026 Estimate	2027 Estimate	2028 Estimate	2029 Estimate	2030 Estimate	2031 Estimate	2032 Estimate
Property												
Operating Income												
User Charges and Fees	0	0.0	0	0	0	0	0	0	0	0	0	0
Other Revenue	0	0.0	0	0	0	0	0	0	0	0	0	0
Grants and Contributions	0	0.0	0	0	0	0	0	0	0	0	0	0
Interest and Investment Income	9,900	28.3	12,700	29,900	46,000	44,800	44,200	43,900	45,400	45,600	45,700	44,500
Other Income	179,500	(16.0)	150,800	162,800	104,100	85,100	87,200	89,300	91,500	93,700	96,000	98,400
Total Operating Income	189,400	(13.7)	163,500	192,700	150,100	129,900	131,400	133,200	136,900	139,300	141,700	142,900
Operating Expense												
Employee Benefits and On-Costs	20,900	(49.8)	10,500	10,700	11,000	11,300	11,600	11,900	12,200	12,500	12,800	13,100
Internal Overheads	50,800	9.4	55,600	56,900	58,300	44,700	45,800	33,000	33,800	34,700	35,600	36,500
Materials and Services - Materials and Consumables	0	0.0	0	0	0	0	0	0	0	0	0	0
Materials and Services - Contractors and Consultancy Fees	5,100	3.9	5,300	15,400	5,800	5,900	6,000	18,200	18,700	19,200	19,700	20,200
Materials and Services - Electricity	10,700	2.8	11,000	11,300	11,600	0	0	0	0	0	0	0
Materials and Services - Insurance	0	0.0	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	0	0	0
Materials and Services - Other	219,500	(14.5)	187,600	199,800	138,600	122,000	125,000	58,200	56,500	57,800	59,200	60,500
Borrowing Costs	0	0.0	0	0	0	0	0	0	0	0	0	0
Depreciation and Amortisation	62,900	(32.3)	42,600	43,200	43,800	44,500	45,200	45,900	46,600	47,300	48,000	48,700
Other Expenses	0	0.0	0	0	0	0	0	0	0	0	0	0
Gains or Losses	0	0.0	0	0	0	0	0	0	0	0	0	0
Total Operating Expense	369,900	(15.5)	312,600	337,300	269,100	228,400	233,600	167,200	167,800	171,500	175,300	179,000
Operating Result	(180,500)	(17.4)	(149,100)	(144,600)	(119,000)	(98,500)	(102,200)	(34,000)	(30,900)	(32,200)	(33,600)	(36,100)
Less Depreciation	62,900	(32.3)	42,600	43,200	43,800	44,500	45,200	45,900	46,600	47,300	48,000	48,700
Operating Result Excluding Non Cash	(117,600)	(9.4)	(106,500)	(101,400)	(75,200)	(54,000)	(57,000)	11,900	15,700	15,100	14,400	12,600
Add Capital Income	850,000	296.8	3,372,800	4,300,000	1,500,000	0	0	0	0	0	0	0
Less Capital Expense	290,800	708.5	2,351,200	3,066,900	2,268,600	69,400	70,200	71,900	73,600	74,400	76,200	76,700
Less Transfer to Reserve	441,600	107.2	915,100	1,131,700	0	0	0	0	0	0	0	0
Add Transfer from Reserve	0	0.0	0	0	843,800	123,400	127,200	60,000	57,900	59,300	61,800	64,100
Net Cash Movement	0		0	0	0	0	0	0	0	0	0	0
Estimated Property Reserves												
Description	2022 Estimate	%	2023 Estimate	2024 Estimate	2025 Estimate	2026 Estimate	2027 Estimate	2028 Estimate	2029 Estimate	2030 Estimate	2031 Estimate	2032 Estimate
Property Reserve	1,645,000		2,560,100	3,691,800	2,848,000	2,724,600	2,597,400	2,537,400	2,479,500	2,420,200	2,358,400	2,294,300

Recent history

The reporting unit has recorded operating surpluses before capital grants and contributions in two of the last three years. In 2018/19 the surplus was \$308,400, in 2019/20 the deficit was (\$47,500) and in 2020/21 the surplus was \$868,100. There are various reasons for these results, but one issue 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 2024/25. 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: Rous has contracted to purchase land in Ballina to relocate the administration centre. Rental income and expense associated with the sub-leases of the current administration building are estimated to cease in 2024/25.

Ten-year forecast

The forecast is for a continuation of operational deficits of approximately \$100,000 until 2027/28, when operational expenses associated with the Perradenya estate dwindle to \$2,000. At this time, the operating deficits continue in the \$30,000 to \$40,000 range, which is approximately the value of depreciation.

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. Importantly, the forecast is for a cash reserve in excess of \$2 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 23: Property forecast ratios*.

Table 23: Property forecast ratios

Rous County Council - Property		2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Financial Ratios		Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
Operating Performance Ratio Expressed as a Percentage		(95.30)	(91.19)	(75.04)	(79.28)	(75.83)	(77.78)	(25.53)	(22.57)	(23.12)	(23.71)	(25.26)
<u>Operating Income less Operating Expense</u>												
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	Fail
Comment		The benchmark is not achieved over the life of the model. 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	100.00
<u>Operating Income less Grants and Contributions</u>												
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		All income is classed as 'Own Source' so the benchmark will be achieved annually.										
Unrestricted Current Ratio		39.18	53.07	41.50	39.27	31.53	30.18	28.92	27.69	26.44	25.22	24.51
<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	>1.5
Result		Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass
Comment		The Repoting Unit achieves the benchmark.										

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 24 to 29*. 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 24: Bulk water capital works program

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Capital Works - Bulk Water Supply	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
Description											
Trunk											
Broadwater 150 Upgrade (250mm Pipe)	600,000	600,000	0	0	600,000	0	0	0	0	0	0
Byron 200 - Mains Renewal (375mm Pipe)	50,000	0	630,000	0	0	0	0	0	0	0	0
Coraki 225 - Mains Renewal	250,000	0	250,000	0	5,750,000	0	0	0	0	0	0
Valve Replacement	72,000	60,000	50,000	0	52,000	0	54,100	0	56,200	0	58,500
Knockrow 450	0	0	0	0	0	0	150,000	0	0	0	8,614,000
Ross St 375 Main	0	120,000	0	0	0	0	0	0	0	0	0
St Helena 300/600 Mains Renewal /Augmentation	11,338,100	3,155,900	0	0	0	0	0	0	0	0	0
St Helena 300 Upgrade - St Helena 375	0	0	0	355,000	0	0	8,000,000	0	0	0	0
St Helena 525 Corrosion Repairs	738,800	0	0	0	0	0	0	0	0	0	0
St Helena 525 Wilsons River Crossing Remediation	0	50,000	0	0	0	0	0	0	0	0	0
Instruments - Distribution	5,000	6,000	6,000	6,000	6,000	6,000	8,000	7,000	7,000	7,000	7,000
ICS - Wyreema Repeater	0	0	0	0	0	0	0	50,000	0	0	0
Source											
Rocky Creek Dam											
RCD - Installation of Catchment Signage (Regulatory/Information)	0	0	0	0	0	0	0	0	0	30,000	0
RCD - Destratification System	340,000	82,100	0	0	0	0	0	0	0	0	0
Emigrant Creek Dam											
ECD - Visitor Signage Renewal/Installation of Catchment Signage (Regulatory/Information)	0	15,000	15,000	0	0	0	0	0	0	20,000	0
ECD - Destratification System	0	30,000	264,000	0	0	0	0	0	0	0	0
ECD - Renewal of Park Furniture and Boardwalks	0	15,000	15,000	0	0	0	0	0	0	0	0
ECD - Outflow Monitoring/Causeway	0	0	160,000	0	0	0	0	0	0	0	0
ECD - Spillway Security Improvements	10,100	0	0	0	0	0	0	0	0	0	0
Wilsons River Source											
WRS - Low Lift Switchboard Modifications and Shielding	0	50,000	0	300,000	0	0	0	0	0	0	0
WRS - Howards Grass High Level Pump Station PLC	0	0	0	0	150,000	0	0	0	0	0	0
WRS - Howards Grass High Level Pump Station VSD	0	0	0	0	340,000	0	0	0	0	0	0
WRS - Howards Grass High Level Pump Station Switchboards	0	0	0	0	150,000	0	0	0	0	0	0
WRS - Howards Grass High Level Pump Station Ventilation Fan	0	0	0	0	75,000	0	0	0	0	0	0
WRS - Low Level Pump Station Vacuum Pump	0	0	0	0	29,000	0	0	0	0	0	0
WRS - Low Level Pump Station Backblast Compressor and Filters	0	0	0	0	63,000	0	0	0	0	0	0
Existing Groundwater											
Implementation of High Priority CMP Actions	5,000	0	0	0	0	0	0	0	0	0	0
Future Water Project 2060											
Alstonville Groundwater	1,560,000	3,522,500	16,861,300	17,204,200	0	0	0	0	0	0	0
Marom /Alstonville Renewals	0	0	0	0	174,500	180,700	187,100	193,900	200,800	269,900	215,100
Woodburn Existing Bores	208,000	212,200	0	0	0	0	0	0	0	0	0
Woodburn New Bores	868,000	885,900	1,119,900	0	0	0	0	0	0	0	0
Tyagarah Groundwater	936,000	973,700	1,103,300	1,125,800	5,741,000	10,535,800	22,329,600	8,164,400	0	0	0
Tyagarah Renewals	0	0	0	0	0	0	0	0	268,200	277,200	286,600
Groundwater Land Acquisition	520,000	4,031,800	5,085,400	5,520,000	3,941,000	0	0	0	0	0	0
Stage 3 Source Planning	0	0	0	0	0	0	0	0	0	2,293,300	0
DPR Pilot Scheme	624,000	636,600	649,200	2,208,000	2,252,000	0	0	0	0	0	0
Project Management	3,054,000	3,118,000	3,010,000	2,858,000	3,480,000	1,655,000	1,765,000	1,827,000	822,000	315,000	321,000
Dunoom Dam	-	0	0	0	0	0	0	0	0	0	0
General											
DIAP Priority Actions	78,500	0	0	0	0	0	0	0	0	0	0
Roof Height Safety	0	90,000	0	0	0	0	0	0	0	0	0
Corndale Fluoride Sidestream VSD	0	20,000	0	0	0	0	0	0	0	0	0
Lower River pH Correction (CO2 and CL2 Dosing Facilities)	0	0	250,000	0	0	0	0	0	0	0	0
Fluoride Plants	0	0	0	147,800	0	0	0	0	121,000	0	0
Greenhouse Gas Abatement	200,000	0	0	0	0	0	0	0	0	0	0
Easements	22,000	22,000	23,000	24,000	24,000	25,000	26,000	26,000	27,000	27,000	28,000
Water Loss Implementation	520,000	475,000	475,000	475,000	475,000	0	0	0	0	0	0
Bulk Meters - Renewals	25,000	80,000	30,000	48,000	25,000	48,000	50,000	53,000	30,000	31,000	39,000
Unplanned D&T Replacements	8,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000
Tools and Equipment (Organisational Wide)	5,000	6,000	6,000	6,000	6,000	6,000	6,000	20,000	21,000	22,000	9,000
Fosters Spur Shed	30,000	0	0	0	0	0	0	0	0	0	0
Water Filling Stations	26,200	91,000	0	0	0	0	0	0	0	0	0

Table 24 – Bulk water capital works program (continued)

Reservoirs												
Reservoirs Upgrade - St Helena Roof Refurbishment	300,000	0	0	0	0	0	0	0	0	0	0	0
Reservoirs Upgrade - City View Roof Repairs	0	0	60,000	0	0	0	0	0	0	0	0	0
Reservoirs Upgrade - Belvedere Drive	0	0	0	0	0	0	0	0	0	0	27,000	0
Reservoirs Upgrade - Coopers Shoot	0	0	0	0	0	0	0	0	0	0	26,000	0
Reservoirs Upgrade - Knockrow	0	0	0	0	0	0	0	0	0	0	20,000	0
ICS - Distribution Network	0	0	0	0	150,000	150,000	250,000	0	0	0	0	0
Treatment Plants												
Nightcap WTP												
Nightcap WTP PLC SB Upgrade	223,000	740,000	500,000	0	0	0	0	0	0	0	0	0
Nightcap WTP Ozone	0	35,000	0	500,000	0	0	0	0	0	0	0	0
Nightcap WTP BAC Renewals	0	0	0	0	363,000	0	0	0	0	0	0	0
Nightcap WTP BAC Filter Media Renewal	0	0	0	0	224,000	0	235,000	0	260,000	0	272,000	0
Nightcap WTP Buildings (LED Lighting Upgrades)	0	15,000	15,300	15,600	15,900	0	0	50,000	0	0	0	0
Nightcap WTP Coagulation Dose Pumps	0	0	79,000	41,000	0	0	0	0	0	0	0	0
Nightcap WTP DAFF	0	50,000	344,000	0	172,000	0	0	4,000	0	0	4,000	0
Nightcap WTP Stairs and Corrosion Repairs	0	125,000	0	0	0	0	0	0	0	0	0	0
Nightcap WTP DAFF Filter Media	0	0	0	0	0	378,000	378,000	0	0	0	0	0
Nightcap WTP Disinfection	3,000	0	0	0	0	0	0	0	0	0	0	0
Nightcap WTP Lime pH Correction	0	4,000	0	0	61,000	0	0	0	0	0	0	0
Nightcap WTP Jetty Corrosion	450,000	0	0	0	0	0	0	0	0	0	0	0
Nightcap WTP Raw Water Pump	64,200	15,000	0	0	0	0	0	0	0	0	0	0
Nightcap WTP Raw Water Structure	0	0	0	200,000	0	0	0	0	0	0	0	0
Nightcap WTP Site Services	0	0	0	0	1,500,000	1,500,000	1,500,000	1,500,000	0	0	425,000	0
Nightcap WTP Septic Renewal	15,000	0	0	0	0	0	0	0	0	0	0	0
Nightcap WTP Sludge	0	0	58,000	0	0	0	0	0	0	0	0	0
Nightcap WTP Treated Water	0	0	100,000	908,000	0	0	0	0	0	0	0	0
Nightcap WTP Wastewater	0	31,000	32,000	33,000	34,000	35,000	36,000	36,000	37,000	37,000	38,000	0
Nightcap WTP Bulk Chemical Storage	140,500	100,000	1,317,300	0	0	0	0	0	0	0	0	0
Instruments and Minor Items - NCWTP	25,000	25,500	26,000	26,500	27,000	27,500	28,100	28,700	29,300	29,900	30,500	0
Emigrant Creek WTP												
Emigrant Creek WTP - ICS	0	0	0	200,000	0	0	0	0	0	0	0	0
Emigrant Creek WTP - Ind Communications Upgrade	35,000	0	0	0	0	0	0	0	0	0	0	0
Emigrant Creek WTP Air System	0	0	0	0	0	0	35,000	0	0	0	0	0
Emigrant Creek WTP BAC	382,000	0	0	0	0	0	0	0	0	0	0	0
Emigrant Creek WTP Bisulphite Dosing	0	0	0	25,000	0	0	0	0	0	0	0	0
Emigrant Creek WTP Caustic pH Correction	0	0	0	39,000	0	0	0	0	0	0	0	0
Emigrant Creek WTP CEB	0	0	0	41,000	0	0	0	0	0	0	0	0
Emigrant Creek WTP Coagulation	0	0	0	15,000	0	0	0	0	0	0	0	0
Emigrant Creek WTP Fe/Mn Removal	0	0	0	15,000	0	0	0	0	0	0	0	0
Emigrant Creek WTP Filtered Water	0	0	0	13,000	0	0	0	0	0	0	0	0
Emigrant Creek WTP Flootation	0	0	0	13,000	0	0	0	0	0	0	0	0
Emigrant Creek WTP HCl Dosing	0	0	0	24,000	0	0	0	0	0	0	0	0
Emigrant Creek WTP Lime pH Correction	0	4,000	0	15,000	0	0	0	0	0	0	0	0
Emigrant Creek WTP Membrane Filtration	0	15,000	0	150,000	150,000	150,000	0	0	0	0	0	0
Emigrant Creek WTP Outlet Pipe	10,000	0	0	0	0	0	0	0	0	0	0	0
Emigrant Creek WTP Ozone	0	0	0	0	0	400,000	0	0	0	0	0	0
Emigrant Creek WTP Raw Water	0	0	0	0	0	0	35,000	0	0	0	0	0
Emigrant Creek WTP Raw Water	150,000	0	0	0	0	0	0	0	0	0	0	0
Emigrant Creek WTP Service Water	0	35,000	0	0	0	0	0	0	0	0	0	0
Emigrant Creek WTP Site Services	0	20,000	0	0	0	0	0	0	0	0	0	0
Emigrant Creek WTP Steel Tanks	125,000	0	0	0	0	0	0	0	0	0	0	0
Emigrant Creek WTP Sludge	0	0	58,000	0	0	0	0	0	0	0	0	0
Emigrant Creek WTP Sludge	0	0	0	0	0	0	50,000	0	0	0	0	0
Emigrant Creek WTP Treated Water	0	0	0	0	0	12,000	0	0	0	0	0	0
Instruments and Minor Items - ECWTP	22,000	22,400	22,800	23,300	23,800	24,300	24,800	25,300	25,800	26,300	26,800	0
Buildings												
Admin Building	250,000	0	0	0	0	0	0	0	0	0	0	0
Workplace Consolidation	7,487,500	1,087,500	2,200,000	0	0	0	0	0	0	0	0	0
Depot Improvements Initiative	100,000	0	0	0	0	0	0	0	0	0	0	0
Depot Procurement	50,000	0	0	0	0	0	0	0	0	0	0	0
ICT												
Drawing Management Solution	100,000	0	0	0	0	0	0	0	0	0	0	0
Electronic Business Paper	50,000	0	0	0	0	0	0	0	0	0	0	0
IT - Microwave Bridge	245,000	0	0	0	0	0	0	0	350,000	20,000	382,800	0
IT - Content Manager Improvement Program	0	100,000	100,000	0	0	0	0	0	0	0	0	0
IT - Computer Fleet	54,300	19,300	19,300	71,800	19,300	19,300	54,300	19,300	19,300	69,900	98,900	0
IT - Fibre Project	69,000	0	0	0	0	0	0	0	0	0	0	0
IT - Servers, Storage and UPS	79,000	189,000	76,000	167,000	71,000	189,000	76,000	176,000	76,000	78,100	218,900	0
IT - Communications	198,500	54,000	39,000	105,000	128,500	36,000	0	45,000	38,500	176,600	39,600	0
IT - Future Improvements	10,500	11,000	11,500	11,500	11,500	12,000	14,000	14,000	14,000	14,000	14,000	0
Indoor Staff Salaries Capitalised	442,500	429,100	437,700	383,300	377,900	349,900	334,200	340,900	347,700	354,700	361,800	0
	33,174,700	21,545,500	35,511,000	33,441,800	26,732,400	15,809,500	35,626,200	12,720,500	2,820,800	4,168,900	11,633,500	0

Table 25: Retail water capital works program

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Capital Works - Retail Water Supply	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
Description											
Meter Software/Smart Meters	946,000	212,000	0	0	0	0	0	0	0	0	0
Backflow	0	1,000,000	250,000	0	0	0	0	0	0	0	0
Reticulation	100,000	0	0	148,000	152,000	156,000	160,000	164,000	168,000	172,000	176,000
Reticulation Renewal - Planning Carney Place	15,000	0	0	0	0	0	0	0	0	0	0
Reticulation Renewal - Delivery Carney Place	65,000	0	100,000	0	0	0	0	0	0	0	0
Reticulation Renewal - Planning Muldoon Rd	3,000	0	0	0	0	0	0	0	0	0	0
Reticulation Renewal - Delivery Muldoon Rd	23,000	0	80,000	0	0	0	0	0	0	0	0
Reticulation Renewal - Planning Richmond Hill Various	5,000	0	0	0	0	0	0	0	0	0	0
Reticulation Renewal - Delivery Richmond Hill Various	50,000	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	258,000	0	0	0	0	0	0	0	0	0	0
Reticulation Renewal - Grace Road	0	350,000	0	0	0	0	0	0	0	0	0
Indoor Staff Salaries Capitalised	62,700	66,100	67,400	68,700	70,100	71,500	72,900	74,400	75,900	77,400	78,900
	1,527,700	1,628,100	497,400	216,700	222,100	227,500	232,900	238,400	243,900	249,400	254,900

Table 26: Flood mitigation capital works program

Capital Works - Flood Mitigation	2022 Estimate	2023 Estimate	2024 Estimate	2025 Estimate	2026 Estimate	2027 Estimate	2028 Estimate	2029 Estimate	2030 Estimate	2031 Estimate	2032 Estimate
Description											
Bridges	0	0	0	32,000	0	0	0	0	0	0	0
Fence	0	0	0	3,000	0	0	0	0	0	0	0
Floodgate - High/Medium Risk	22,000	30,000	31,000	32,000	33,000	34,000	35,000	36,000	37,000	38,000	39,000
Lifting Gear	11,000	12,000	13,000	14,000	15,000	16,000	17,000	18,000	19,000	20,000	21,000
Woodburn Depot Renewals	0	0	16,000	0	0	0	0	1,000	48,000	0	0
Levee Inspect and Heavy Maintenance	50,000	50,000	52,000	54,000	56,000	58,000	60,000	62,000	64,000	66,000	68,000
Pipe Medium Risk	0	20,000	0	21,000	0	5,000	95,000	115,000	110,000	115,000	110,000
Unplanned Replacements/Repairs	33,000	35,000	24,000	25,000	26,000	27,000	28,000	28,000	28,000	28,000	28,000
Indoor Staff Salaries Capitalised	34,300	35,700	36,400	37,100	37,800	38,600	39,400	40,200	41,000	41,800	42,600
	150,300	182,700	172,400	218,100	167,800	178,600	274,400	300,200	347,000	308,800	308,600

Table 27: Weed biosecurity capital works program

Capital Works - Weed Biosecurity	2022 Estimate	2023 Estimate	2024 Estimate	2025 Estimate	2026 Estimate	2027 Estimate	2028 Estimate	2029 Estimate	2030 Estimate	2031 Estimate	2032 Estimate
Description											
GIS Equipment Renewals (Toughbooks, PDA's etc.)	10,000	21,000	0	21,000	0	22,000	19,000	19,000	20,000	20,000	20,000
GIS Data Capture New System	75,000	0	0	0	0	0	0	0	0	0	0
Swan Bay Floodgated Pipe Investigation and Design	25,000	0	0	0	0	0	0	0	0	0	0
Depot Upgrades and Maintenance	0	22,000	0	0	0	0	25,000	25,000	0	0	0
	110,000	43,000	0	21,000	0	22,000	44,000	44,000	20,000	20,000	20,000

Table 28: Richmond Water Laboratories capital works program

Capital Works - RWL	2022 Estimate	2023 Estimate	2024 Estimate	2025 Estimate	2026 Estimate	2027 Estimate	2028 Estimate	2029 Estimate	2030 Estimate	2031 Estimate	2032 Estimate
Description											
RWL Equipment Renewals	44,100	50,000	150,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
	44,100	50,000	150,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000

Table 29: Property capital works program

Capital Works - Property	2022 Estimate	2023 Estimate	2024 Estimate	2025 Estimate	2026 Estimate	2027 Estimate	2028 Estimate	2029 Estimate	2030 Estimate	2031 Estimate	2032 Estimate
Description											
Perradenya Cycleway	35,000	0	0	1,200,000	0	0	0	0	0	0	0
Perradenya Release 7	200,000	2,290,000	0	0	0	0	0	0	0	0	0
Integrated Lots	0	0	3,000,000	0	0	0	0	0	0	0	0
Commercial Lot	0	0	0	1,000,000	0	0	0	0	0	0	0
Old Council Chambers (Envite)	0	0	0	0	0	0	0	0	0	0	0
Rural Properties House Removal	29,800	0	0	0	0	0	0	0	0	0	0
Rural Properties Unallocated Renewals	0	34,200	39,900	40,600	41,400	42,200	42,900	43,600	44,400	45,200	45,700
Rural Properties Upgrades	26,000	27,000	27,000	28,000	28,000	28,000	29,000	30,000	30,000	31,000	31,000
	290,800	2,351,200	3,066,900	2,268,600	69,400	70,200	71,900	73,600	74,400	76,200	76,700

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. Immediate price path correction scenario

What the model forecasts: The impacts of increasing the bulk water price in 2024/25 to a level that would correct operating deficits and allow future price increases to come in line with rate pegging.

What the model means: A 30.0% increase to the price path in 2024/25 would be required with future increases restricted to rate pegging at 2.5% throughout the model. The price path required is shown in *Table 30 – Price path – Immediate price path correction scenario*.

Table 30: Price path – Immediate price path correction scenario

Year	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Proposed % Increase	6.0%	6.0%	30.0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%

Operating results would achieve surplus in four of the ten years, with estimated reserves of \$26.5 million at the end of 2031/32.

Refer to *Table 31: Consolidated operating performance – Immediate price path correction scenario*.

Table 31: Consolidated operating performance – Immediate price path correction scenario

	Long-Term Financial Plan											
	Current Budget		Operational Plan	Delivery Program								
Name	2022 Estimate	% Change	2023 Estimate	2024 Estimate	2025 Estimate	2026 Estimate	2027 Estimate	2028 Estimate	2029 Estimate	2030 Estimate	2031 Estimate	2032 Estimate
Operating Income												
Flood Mitigation	2,112,000	(52.1)	1,011,600	1,089,100	1,165,200	1,217,700	1,263,000	1,309,500	1,346,400	1,383,200	1,415,300	1,449,000
Weeds Biosecurity	1,828,100	(11.5)	1,618,400	1,643,100	1,567,400	1,569,800	1,605,500	1,641,500	1,679,000	1,716,700	1,755,400	1,793,900
Retail Water Supply	2,897,700	7.0	3,099,200	3,580,500	3,842,200	4,075,400	4,292,000	4,521,800	4,767,300	5,027,900	5,305,100	5,598,500
Richmond Water Laboratories	767,700	13.1	868,300	890,700	913,800	937,400	963,300	987,900	1,013,200	1,039,000	1,065,500	1,092,400
Property	210,400	(22.3)	163,500	192,700	150,100	129,900	131,400	133,200	136,900	139,300	141,700	142,900
Bulk Water Supply	19,825,700	4.7	20,767,100	22,041,700	28,654,300	29,397,000	30,117,700	30,909,200	31,675,500	32,483,400	33,353,200	34,167,200
Fleet Operations	71,500	4.9	75,000	80,000	84,700	87,500	90,500	92,200	93,800	96,600	101,100	105,300
Total Operating Income	27,713,100	(0.4)	27,603,100	29,517,800	36,377,700	37,414,700	38,463,400	39,595,300	40,712,100	41,886,100	43,137,300	44,349,200
Operating Expense												
Flood Mitigation	3,184,200	(48.8)	1,629,500	1,653,100	1,682,400	1,662,600	1,698,200	1,734,500	1,771,400	1,842,400	1,827,700	1,862,000
Weeds Biosecurity	1,922,500	(11.3)	1,705,400	1,648,300	1,583,500	1,557,100	1,593,200	1,630,000	1,667,600	1,705,800	1,744,600	1,785,100
Retail Water Supply	2,997,500	6.0	3,176,500	3,645,800	4,410,800	4,527,900	4,647,700	4,770,200	4,895,500	5,023,700	5,154,500	5,288,700
Richmond Water Laboratories	769,300	9.7	843,800	867,300	891,200	915,600	940,600	966,100	992,200	1,018,800	1,046,000	1,073,800
Property	381,900	(18.1)	312,600	337,300	269,100	228,400	233,600	167,200	167,800	171,500	175,300	179,000
Bulk Water Supply	24,418,200	4.8	25,593,300	26,729,200	27,156,400	28,185,100	29,309,900	31,399,000	32,021,500	33,085,100	33,080,800	33,391,900
Fleet Operations (*net of internal income)	157,000	(52.2)	75,100	83,700	98,100	110,400	109,100	107,800	106,300	104,900	103,800	101,800
Total Operating Expense	33,830,600	(1.5)	33,336,200	34,964,700	36,091,500	37,187,100	38,532,300	40,774,800	41,622,300	42,952,200	43,132,700	43,682,300
Operating Result	(6,117,500)	(6.3)	(5,733,100)	(5,446,900)	286,200	227,600	(68,900)	(1,179,500)	(910,200)	(1,066,100)	4,600	666,900
Less Depreciation	7,416,500	5.4	7,813,800	8,308,700	8,685,100	8,967,000	9,259,800	9,760,200	10,023,800	10,191,400	10,349,900	10,495,100
Operating Result Excluding Non Cash	1,299,000	60.2	2,080,700	2,861,800	8,971,300	9,194,600	9,190,900	8,580,700	9,113,600	9,125,300	10,354,500	11,162,000
Add: Capital Income	4,930,000	561.2	32,595,800	38,671,000	41,024,000	19,682,000	19,846,000	35,016,000	10,196,000	5,374,000	5,562,000	5,757,000
Less: Loan Principal Repayments	3,419,700	31.3	4,488,600	5,763,600	7,019,400	7,589,000	7,562,500	6,565,100	6,511,500	6,773,100	7,045,400	7,328,900
Less: Capital Expense	35,802,600	(26.7)	26,236,800	39,819,100	36,766,200	27,509,700	16,717,100	36,750,400	13,862,700	3,851,100	5,168,300	12,638,700
Less: Transfer to Reserve	450,600	0.0	4,705,400	1,157,500	7,721,300	268,900	5,127,500	555,600	63,000	3,969,000	3,764,600	654,100
Add: Transfer from Reserve	33,443,900	(97.7)	754,300	5,207,400	1,511,600	6,491,000	370,200	274,400	1,127,600	93,900	61,800	3,702,700
Net Cash Movement	0		0	0	0	0	0	0	0	0	0	0

Estimated Reserves Whole Organisation

Description	2022 Estimate	2023 Estimate	2024 Estimate	2025 Estimate	2026 Estimate	2027 Estimate	2028 Estimate	2029 Estimate	2030 Estimate	2031 Estimate	2032 Estimate
Estimated Reserves Whole Organisation	16,386,900	20,338,000	16,288,100	22,497,800	16,275,700	21,033,000	21,314,200	20,249,600	24,124,700	27,827,500	24,778,900
Net Reserve Movement	(32,993,200)	3,951,100	(4,049,900)	6,209,700	(6,222,100)	4,757,300	281,200	(1,064,600)	3,875,100	3,702,800	(3,048,600)

6.2. Capital grant (\$25M) scenario

What the model forecasts: The impact of Rous receiving a capital grant of \$25.0 million for the FWP 2060. The model is based on the income being received over two years, \$15.0 million in 2024/25 and \$10.0 million in 2025/26.

What the model means: A reduced price path in the last three years to 6.0%, 2.5% and 2.5% respectively. Grant funding for future water sources is unknown at this stage, however if funding was obtained, it would significantly improve the forecasts. The price path required is shown in *Table 32: Price path – Capital grant (\$25M) scenario*.

Table 32: Price path – Capital grant (\$25M) scenario

Year	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Proposed % Increase	6.0%	6.0%	6.0%	6.0%	7.0%	7.0%	7.0%	6.0%	2.5%	2.5%

Operating results would still achieve surplus from 2030/31 onwards, while estimated reserves at the end of 2031/32 would reach \$25.1 million.

Refer to *Table 33: Consolidated operating performance – Capital grant (\$25M) scenario*.

Table 33: Consolidated operating performance – Capital grant (\$25M) scenario

	Long-Term Financial Plan											
	Current Budget		Operational Plan	Delivery Program								
Name	2022 Estimate	% Change	2023 Estimate	2024 Estimate	2025 Estimate	2026 Estimate	2027 Estimate	2028 Estimate	2029 Estimate	2030 Estimate	2031 Estimate	2032 Estimate
Operating Income												
Flood Mitigation	2,112,000	(52.1)	1,011,600	1,089,100	1,165,200	1,217,700	1,263,000	1,309,500	1,346,400	1,383,200	1,415,300	1,449,000
Weeds Biosecurity	1,828,100	(11.5)	1,618,400	1,643,100	1,567,400	1,569,800	1,605,500	1,641,500	1,679,000	1,716,700	1,755,400	1,793,900
Retail Water Supply	2,897,700	7.0	3,099,200	3,580,500	3,842,200	4,074,800	4,290,000	4,517,500	4,758,200	5,012,600	5,283,000	5,569,800
Richmond Water Laboratories	767,700	13.1	868,300	890,700	913,800	937,400	963,300	987,900	1,013,200	1,039,000	1,065,500	1,092,400
Property	210,400	(22.3)	163,500	192,700	150,100	129,900	131,400	133,200	136,900	139,300	141,700	142,900
Bulk Water Supply	19,825,700	4.7	20,767,100	22,041,700	23,354,700	24,753,800	26,503,200	28,361,700	30,323,400	32,168,700	33,060,700	33,898,400
Fleet Operations	71,500	4.9	75,000	80,000	84,700	87,500	90,500	92,200	93,800	96,600	101,000	105,300
Total Operating Income	27,713,100	(0.4)	27,603,100	29,517,800	31,078,100	32,770,900	34,846,900	37,043,500	39,350,900	41,556,100	42,822,600	44,051,700
Operating Expense												
Flood Mitigation	3,184,200	(48.8)	1,629,500	1,653,100	1,682,400	1,662,600	1,698,200	1,734,500	1,771,400	1,842,400	1,827,700	1,862,000
Weeds Biosecurity	1,922,500	(11.3)	1,705,400	1,648,300	1,583,500	1,557,100	1,593,200	1,630,000	1,667,600	1,705,800	1,744,600	1,785,100
Retail Water Supply	2,997,500	6.0	3,176,500	3,645,800	3,928,300	4,108,000	4,318,900	4,542,000	4,778,100	5,000,100	5,130,400	5,264,100
Richmond Water Laboratories	769,300	9.7	843,800	867,300	891,200	915,600	940,600	966,100	992,200	1,018,800	1,046,000	1,073,800
Property	381,900	(18.1)	312,600	337,300	269,100	228,400	233,600	167,200	167,800	171,500	175,300	179,000
Bulk Water Supply	24,418,200	4.8	25,593,300	26,729,200	26,778,900	27,773,000	28,835,900	30,854,800	31,398,300	32,401,200	32,432,000	32,779,600
Fleet Operations (*net of internal income)	157,000	(52.2)	75,100	83,700	98,100	110,400	109,100	107,800	106,300	104,900	103,800	101,800
Total Operating Expense	33,830,600	(1.5)	33,336,200	34,964,700	35,231,500	36,355,100	37,729,500	40,002,400	40,881,700	42,244,700	42,459,800	43,045,400
Operating Result	(6,117,500)	(6.3)	(5,733,100)	(5,446,900)	(4,153,400)	(3,584,200)	(2,882,600)	(2,958,900)	(1,530,800)	(688,600)	362,800	1,006,300
Less Depreciation	7,416,500	5.4	7,813,800	8,308,700	8,685,100	8,967,000	9,259,800	9,760,200	10,023,800	10,191,400	10,349,900	10,495,100
Operating Result Excluding Non Cash	1,299,000	60.2	2,080,700	2,861,800	4,531,700	5,382,800	6,377,200	6,801,300	8,493,000	9,502,800	10,712,700	11,501,400
Add: Capital Income	4,930,000	561.2	32,595,800	38,671,000	36,024,000	29,682,000	19,846,000	35,016,000	10,196,000	5,374,000	5,562,000	5,757,000
Less: Loan Principal Repayments	3,419,700	31.3	4,488,600	5,763,600	6,368,400	6,910,000	6,854,300	5,826,500	5,741,100	5,969,500	6,207,300	6,454,700
Less: Capital Expense	35,802,600	(26.7)	26,236,800	39,819,100	36,766,200	27,509,700	16,717,100	36,750,400	13,862,700	3,851,100	5,168,300	12,638,700
Less: Transfer to Reserve	450,600	0.0	4,705,400	1,157,500	54,400	768,500	2,779,000	159,700	151,300	5,150,100	4,960,900	650,000
Add: Transfer from Reserve	33,443,900	(97.7)	754,300	5,207,400	2,633,300	123,400	127,200	919,300	1,066,100	93,900	61,800	2,485,000
Net Cash Movement	0		0	0	0	0	0	0	0	0	0	0

Estimated Reserves Whole Organisation

Description	2022 Estimate	2023 Estimate	2024 Estimate	2025 Estimate	2026 Estimate	2027 Estimate	2028 Estimate	2029 Estimate	2030 Estimate	2031 Estimate	2032 Estimate
Estimated Reserves Whole Organisation	16,386,900	20,338,000	16,288,100	13,709,200	14,354,300	17,006,100	16,246,500	15,331,700	20,387,900	25,287,000	23,452,000
Net Reserve Movement	(32,993,200)	3,951,100	(4,049,900)	(2,578,900)	645,100	2,651,800	(759,600)	(914,800)	5,056,200	4,899,100	(1,835,000)

6.3. Interest rate increase of 2% scenario

What the model forecasts: The impacts of forecast interest rates increasing by 2.0%. While this has a positive effect on interest on investments given the significant loan funding in the model the increased interest on borrowings has a detrimental effect.

What the model means: Increase in price path to cover the extra repayments on borrowings. The price path required is shown in *Table 34: Price path – Interest rate increase of 2% scenario*.

Table 34: Price path – Interest rate increase of 2% scenario

Year	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Proposed % increase	6.0%	6.0%	11.0%	11.0%	10.0%	10.0%	3.0%	3.0%	3.0%	2.5%

Operating results would still achieve surplus from 2030/31 onwards, while estimated reserves at the end of 2031/32 would reach \$23.8 million.

Refer to *Table 35: Consolidated operating performance – Interest rate increase of 2% scenario*.

Table 35: Consolidated operating performance – Interest rate increase of 2% scenario

	Long-Term Financial Plan											
	Current Budget		Operational Plan	Delivery Program								
Name	2022 Estimate	% Change	2023 Estimate	2024 Estimate	2025 Estimate	2026 Estimate	2027 Estimate	2028 Estimate	2029 Estimate	2030 Estimate	2031 Estimate	2032 Estimate
Operating Income												
Flood Mitigation	2,112,000	(51.6)	1,021,900	1,098,300	1,174,400	1,228,200	1,276,300	1,325,100	1,363,500	1,401,100	1,434,300	1,451,300
Weeds Biosecurity	1,828,100	(9.4)	1,655,900	1,681,100	1,607,200	1,611,600	1,649,600	1,687,600	1,727,100	1,767,100	1,808,500	1,801,600
Retail Water Supply	2,897,700	7.6	3,119,100	3,595,700	3,885,100	4,147,400	4,394,200	4,654,800	4,934,400	5,238,500	5,525,500	5,818,700
Richmond Water Laboratories	767,700	14.1	875,900	897,500	920,000	944,400	971,000	996,300	1,022,500	1,049,200	1,076,500	1,093,800
Property	210,400	(1.9)	206,400	257,700	220,700	193,600	194,900	197,400	202,800	206,700	210,800	153,900
Bulk Water Supply	19,825,700	5.9	20,990,400	22,239,700	24,632,400	27,351,300	30,087,300	33,098,400	34,063,700	35,122,700	36,309,100	36,869,100
Fleet Operations	71,500	34.3	96,000	100,900	104,300	106,800	111,500	113,300	114,500	118,700	126,300	108,900
Total Operating Income	27,713,100	0.9	27,965,600	29,870,900	32,544,100	35,583,300	38,684,800	42,072,900	43,428,500	44,904,000	46,491,000	47,297,300
Operating Expense												
Flood Mitigation	3,184,200	(48.8)	1,629,500	1,653,100	1,682,400	1,662,600	1,698,200	1,734,500	1,771,400	1,842,400	1,827,700	1,862,000
Weeds Biosecurity	1,922,500	(11.3)	1,705,400	1,648,300	1,583,500	1,557,100	1,593,200	1,630,000	1,667,600	1,705,800	1,744,600	1,785,100
Retail Water Supply	2,997,500	6.0	3,176,500	3,645,800	4,028,900	4,326,100	4,626,600	4,952,900	5,097,800	5,246,400	5,398,700	5,539,100
Richmond Water Laboratories	769,300	9.7	843,800	867,300	891,200	915,600	940,600	966,100	992,200	1,018,800	1,046,000	1,073,800
Property	381,900	(18.1)	312,600	337,300	269,100	228,400	233,600	167,200	167,800	171,500	175,300	179,000
Bulk Water Supply	24,418,200	6.9	26,093,300	27,820,700	29,311,200	31,079,600	32,268,900	34,689,500	35,313,400	36,266,900	36,140,900	36,334,400
Fleet Operations (*net of internal income)	157,000	(52.2)	75,100	83,700	98,100	110,400	109,100	107,800	106,300	104,900	103,800	101,800
Total Operating Expense	33,830,600	0.0	33,836,200	36,056,200	37,864,400	39,879,800	41,470,200	44,248,000	45,116,500	46,356,700	46,437,000	46,875,200
Operating Result	(6,117,500)	(4.0)	(5,870,600)	(6,185,300)	(5,320,300)	(4,296,500)	(2,785,400)	(2,175,100)	(1,688,000)	(1,452,700)	54,000	422,100
Less Depreciation	7,416,500	5.4	7,813,800	8,308,700	8,685,100	8,967,000	9,259,800	9,760,200	10,023,800	10,191,400	10,349,900	10,495,100
Operating Result Excluding Non Cash	1,299,000	49.6	1,943,200	2,123,400	3,364,800	4,670,500	6,474,400	7,585,100	8,335,800	8,738,700	10,403,900	10,917,200
Add: Capital Income	4,930,000	561.2	32,595,800	38,671,000	41,024,000	29,682,000	19,846,000	35,016,000	10,196,000	5,374,000	5,562,000	5,757,000
Less: Loan Principal Repayments	3,419,700	26.4	4,321,600	5,410,600	6,467,000	7,232,600	7,169,500	6,054,800	6,050,100	6,401,400	6,773,900	7,168,800
Less: Capital Expense	35,802,600	(26.7)	26,236,800	39,819,100	36,766,200	27,509,700	16,717,100	36,750,400	13,862,700	3,851,100	5,168,300	12,638,700
Less: Transfer to Reserve	450,600	0.0	4,641,000	1,268,800	2,137,400	347,500	2,617,200	148,000	145,500	3,876,900	4,023,700	638,900
Add: Transfer from Reserve	33,443,900	(98.0)	660,400	5,704,100	981,800	737,300	183,400	352,100	1,526,500	16,700	0	3,772,200
Net Cash Movement	0		0	0	0	0	0	0	0	0	0	0

Estimated Reserves Whole Organisation

Description	2022 Estimate	2023 Estimate	2024 Estimate	2025 Estimate	2026 Estimate	2027 Estimate	2028 Estimate	2029 Estimate	2030 Estimate	2031 Estimate	2032 Estimate
Estimated Reserves Whole Organisation	16,386,900	20,367,500	15,932,200	17,087,800	16,698,000	19,131,800	18,927,700	17,546,700	21,406,900	25,430,600	22,297,300
Net Reserve Movement	(32,993,200)	3,980,600	(4,435,300)	1,155,600	(389,800)	2,433,800	(204,100)	(1,381,000)	3,860,200	4,023,700	(3,133,300)

6.4. Interest rate increase of 5% scenario

What the model forecasts: Forecasts the impacts of forecast interest rates increasing by 5.0%. While this has a positive effect on interest on investments given the significant loan funding in the model, the increased interest on borrowings has a detrimental effect.

What the model means: The price path is even more significantly increased to cover the extra repayments on borrowings. The price path required is shown in *Table 36: Price path – Interest rate increase of 5% scenario*.

Table 36: Price path – Interest rate increase of 5% scenario

Year	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Proposed % increase	6.0%	6.0%	20.0%	15.0%	10.0%	5.0%	2.5%	2.5%	2.5%	2.5%

Under this model, operating result surpluses would not be achieved during the 10-year model, while estimated reserves at the end of 2031/32 would reach \$24.5 million.

Refer to *Table 37: Consolidated operating performance – Interest rate increase of 5% scenario*.

Table 37: Consolidated operating performance – Interest rate increase of 5% scenario

	Long-Term Financial Plan											
	Current Budget		Operational Plan	Delivery Program								
Name	2022 Estimate	% Change	2023 Estimate	2024 Estimate	2025 Estimate	2026 Estimate	2027 Estimate	2028 Estimate	2029 Estimate	2030 Estimate	2031 Estimate	2032 Estimate
Operating Income												
Flood Mitigation	2,112,000	(50.9)	1,037,700	1,113,400	1,190,000	1,246,800	1,300,300	1,353,900	1,396,400	1,437,000	1,473,800	1,515,100
Weeds Biosecurity	1,828,100	(6.3)	1,713,700	1,742,500	1,674,600	1,685,800	1,731,400	1,777,000	1,824,700	1,873,800	1,925,500	1,977,400
Retail Water Supply	2,897,700	8.7	3,149,800	3,620,800	3,992,300	4,347,300	4,739,200	5,024,300	5,337,200	5,683,900	6,019,800	6,387,000
Richmond Water Laboratories	767,700	15.6	887,600	908,500	930,700	956,800	985,200	1,012,600	1,041,000	1,070,100	1,099,900	1,130,500
Property	210,400	29.4	272,300	361,300	338,200	306,600	314,000	324,100	339,100	353,400	368,600	382,800
Bulk Water Supply	19,825,700	7.5	21,319,700	22,499,800	26,785,200	30,845,800	34,022,900	35,791,700	36,574,500	37,481,100	38,570,800	39,434,800
Fleet Operations	71,500	79.6	128,400	134,800	137,800	141,800	151,000	155,200	158,200	167,100	182,200	198,300
Total Operating Income	27,713,100	2.9	28,509,200	30,381,100	35,048,800	39,530,900	43,244,000	45,438,800	46,671,100	48,066,400	49,640,600	51,025,900
Operating Expense												
Flood Mitigation	3,184,200	(48.8)	1,629,500	1,653,100	1,682,400	1,662,600	1,698,200	1,734,500	1,771,400	1,842,400	1,827,700	1,862,000
Weeds Biosecurity	1,922,500	(11.3)	1,705,400	1,648,300	1,583,500	1,557,100	1,593,200	1,630,000	1,667,600	1,705,800	1,744,600	1,785,100
Retail Water Supply	2,997,500	6.0	3,176,500	3,645,800	4,209,700	4,623,300	4,953,500	5,160,000	5,295,100	5,433,200	5,574,300	5,719,100
Richmond Water Laboratories	769,300	9.7	843,800	867,300	891,200	915,600	940,600	966,100	992,200	1,018,800	1,046,000	1,073,800
Property	381,900	(18.1)	312,600	337,300	269,100	228,400	233,600	167,200	167,800	171,500	175,300	179,000
Bulk Water Supply	24,418,200	9.9	26,843,300	29,466,200	31,815,500	34,200,100	35,784,100	39,189,400	39,925,400	40,827,800	40,635,800	40,730,000
Fleet Operations (*net of internal income)	157,000	(52.2)	75,100	83,700	98,100	110,400	109,100	107,800	106,300	104,900	103,800	101,800
Total Operating Expense	33,830,600	2.2	34,586,200	37,701,700	40,549,500	43,297,500	45,312,300	48,955,000	49,925,800	51,104,400	51,107,500	51,450,800
Operating Result	(6,117,500)	(0.7)	(6,077,000)	(7,320,600)	(5,500,700)	(3,766,600)	(2,068,300)	(3,516,200)	(3,254,700)	(3,038,000)	(1,466,900)	(424,900)
Less Depreciation	7,416,500	5.4	7,813,800	8,308,700	8,685,100	8,967,000	9,259,800	9,760,200	10,023,800	10,191,400	10,349,900	10,495,100
Operating Result Excluding Non Cash	1,299,000	33.7	1,736,800	988,100	3,184,400	5,200,400	7,191,500	6,244,000	6,769,100	7,153,400	8,883,000	10,070,200
Add: Capital Income	4,930,000	561.2	32,595,800	38,671,000	41,024,000	29,682,000	19,846,000	35,016,000	10,196,000	5,374,000	5,562,000	5,757,000
Less: Loan Principal Repayments	3,419,700	20.5	4,121,400	4,982,400	5,789,400	6,390,400	6,244,200	4,948,400	4,955,700	5,368,700	5,818,400	6,308,200
Less: Capital Expense	35,802,600	(26.7)	26,236,800	39,819,100	36,766,200	27,509,700	16,717,100	36,750,400	13,862,700	3,851,100	5,168,300	12,638,700
Less: Transfer to Reserve	450,600	0.0	4,505,100	1,484,500	2,547,400	1,143,500	4,177,800	409,200	593,400	3,307,600	3,458,300	1,568,700
Add: Transfer from Reserve	33,443,900	(98.4)	530,700	6,626,900	894,600	161,200	101,600	848,000	2,446,700	0	0	4,688,400
Net Cash Movement	0		0	0	0	0	0	0	0	0	0	0

Estimated Reserves Whole Organisation

Description	2022 Estimate	2023 Estimate	2024 Estimate	2025 Estimate	2026 Estimate	2027 Estimate	2028 Estimate	2029 Estimate	2030 Estimate	2031 Estimate	2032 Estimate
Estimated Reserves Whole Organisation	16,386,900	20,361,300	15,218,900	16,871,700	17,854,000	21,930,200	21,491,400	19,638,100	22,945,700	26,404,000	23,284,300
Net Reserve Movement	(32,993,200)	3,974,400	(5,142,400)	1,652,800	982,300	4,076,200	(438,800)	(1,853,300)	3,307,600	3,458,300	(3,119,700)