KIAMA MUNICIPAL COUNCIL
your council, your community

Long Term Financial Plan
2024/25 - 2033/34

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1. Executive summary

Kiama Municipal Council's Long-Term Financial Plan (LTFP) contains a set of long-range financial projections based on a set of assumptions and covers a 10-year time period from 2024/2025 to 2033/2034.

Sale of Bonaira site and services component of Blue Haven and a repayment of $15 million TCorp loan in September 2024 is a key assumption for this LTFP. As such, financial information presented in this plan includes only 3 months of Blue Haven Bonaira operations.

The LTFP was prepared based on the Financial Sustainability and Cashflow Strategy and Finance and Governance Report (adopted by Council on 19 March 2024).

Parameters and strategies set out in this LTFP also incorporate a key requirement and recommendation of the *Notice of Intention to Vary a Performance Improvement Order (NPIO)* dated 30 January 2024 and a Report to the Minister for Local Government – Review of Kiama Municipal Council - prepared by John Rayner (January 2024). This has since been followed by the Performance Improvement Order (PIO) from the Minister which essentially ratifies the earlier Notice Order. The PIO covers a 2-year period to June 2026 covering the remainder of this Council term and first part of the new upcoming Council term.

The LTFP of Kiama Council sets a crucial target - **achieving financial sustainability by the 2026/27 fiscal year.** This encompasses operating efficiencies over the next few years leading to several key goals by 2026/27:

- <u>Attainment of a Net Surplus Position:</u> achieving a surplus before capital grants and contributions.
- <u>Elimination of Structural Loss/Deficit:</u> the aim is to eradicate any structural loss, seeking a surplus before capital grants and contributions noted above and also excluding one-off property sales.
- <u>Establishment of a Balanced Budget:</u> the goal is to achieve an annual net positive movement in unrestricted funds.
- <u>Maintenance of Positive Unrestricted Cash Balance:</u> throughout this process, it is imperative to maintain a positive unrestricted cash balance.

The LTFP also takes into consideration key actions outlined in the NPIO in relation to addressing issues associated with Blue Haven Terralong and Council's Financial Accounting and Management Systems. Please refer to Section 2.3 for details.

To meet these targets within a relatively short timeframe, the following strategies have been devised:

- <u>Optimisation of Operational Expenditures:</u> minimising spending on materials and services, including consultancy and contractor costs.
- <u>Implementation of Budget Efficiencies:</u> through centralisation of services and rightsizing organizational corporate services, budget efficiencies are aimed for.

- Review of Service Provision: assessment of non-essential/desirable services provided by the Council, potentially discontinuing or temporarily suspending those deemed non-essential, and re-evaluation of operational models for essential services.
- Focus on Capital Works Program: Prioritisation of reserve-funded projects with minimal allocation from unrestricted cash in the Capital Works Program.
- Supplement unrestricted cash inflow by proceeds from asset sales over next three years to build up unrestricted cash balance.
- Establish a capital renewal reserve for Terralong ILUs with the annual transfers to the reserve of $2 million, in line with deemed annual depreciation.

In addition to the above strategies, the following longer term Strategic Initiatives supporting financial sustainability are underway:

- Continuation and finalisation of Property Plan to identify Strategic Property Opportunities: exploration of property divestment and other strategic property development opportunities. Council has identified a number of catalyst sites which could provide revenue opportunities, either via divestment or through redevelopment with future leasing arrangements.
- Ongoing Service Reviews: regular reviews of services to ensure efficiency and effectiveness.
- Exploration of New Revenue Streams: exploration of avenues such as implementing paid parking to generate additional revenue, and a special rate variation if all other internal strategies have been exhausted.

It is important to note that the LTFP will need to be updated to reflect an impact of strategic initiatives once financial implications are known.

Please refer to *Section 2.3 - Financial Sustainability Strategies* for more details.

The LTFP demonstrates that with the implementation of the strategies summarised above Kiama Council (consolidated) will achieve a balanced budget with a positive unrestricted cash movement in 2026/27. The positive unrestricted cash movement will continue in future years.

2. Introduction

2.1 Purpose of the Long-Term Financial Plan (LTFP)

The LTFP exists primarily to facilitate the delivery of the objectives and strategies expressed in the Community Strategic Plan. The LTFP is not an end in itself but is a means of ensuring the objectives of the integrated planning framework are matched by an appropriate resourcing strategy.

The LTFP will link to the Delivery Program 2022-2026 and the Operational Plans 2024-2025 under the broader Theme of “Financially Sustainable Council”. Under this theme, a Strategic goal is included in the plan that “*Public funds and assets are managed strategically, transparently and efficiently”.*

Identified actions under this goal include:

- Public funds are managed in accordance with Financial Management Standards and the Local Government Act
- Financial reporting is accurate, relevant and timely; to support decision makers and the community to understand how public funds and assets are managed.
- Council delivers the functions of local government sustainably and in accordance with community expectations. All services and functions delivered by Council will be reviewed in accordance with IP&R requirements within the 4-year cycle of council election.
- Assets are managed to understand the relevance, importance and lifecycle needs involved in the provision of infrastructure.
- Commercial investments are managed to maximise their value, and in accordance with legislative obligations.
- Build strong relationships and ensure our partners and community share the responsibilities and benefits of putting plans into practice.
- Communicate openly and honestly with the community to build a relationship based on transparency, understanding, trust and respect.
- Engage with the community in meaningful dialogue and demonstrate how community participation is being used to inform decisions.
- Council will build organisational capabilities and capacity to deliver excellent customer service.

This LTFP represents a comprehensive approach to documenting and integrating the various financial strategies of Council. The development of the Long Term Financial Projections represents the output of several strategy areas, that when combined, produce the financial direction of Council as shown below:

Figure 1: Integrated Strategic Approach

2.2 Objectives of the LTFP

The objectives that this LTFP is designed to achieve are:

- To sustainably return Council to an operational surplus.
- An ability to maintain funding of asset renewal requirements.
- To provide financial targets for the next 10 years.
- To allow various assumptions to be modelled.
- To ensure that external conditions are considered, for example changes in interest rates and population growth.
- An enhanced funding level for capital works from external sources.
- To progress Council towards maintaining a position of financial sustainability in the long term.
- Rate and fee increase that are both manageable and sustainable.
- Investment and funding strategies which promote intergenerational equity.

Kiama Municipal Council (KMC) has challenges in meeting the NSW Office of Local Government (OLG) benchmarks for financial sustainability on an annual and ongoing basis. Through this LTFP, Council will remain committed to the principles of financial sustainability and good financial management.

Available funds are a cornerstone of Council's financial sustainability and while usage was appropriate in the short term, the Financial Strategy requires these funds to be re-established over time to return to our former position to ensure we are prepared for any unplanned events in the future.

Council recognises that as a large provider of essential services, leadership and economic impact in the municipality our obligation is to strive to continue to provide our high level of services and works while continuing to improve Council's financial position.

In developing the LTFP, due regard has been given to promoting the financial sustainability of the council through:

- Progressive elimination of operating deficits.
- Ensuring that any proposed increase in services and/or assets is within the financial means of the council.
- Monitoring the adequacy of working capital/unrestricted cash and funding for infrastructure maintenance and renewal.
- The use of borrowings, where appropriate and financially responsible.

In doing so, Council is ensuring compliance with the requirements of section 403 of the Local Government Act 1993 which requires a council to have a long term resourcing strategy for the provision of the resources required to perform its functions (including implementing the strategies set out in the Community Strategic Plan that it has responsibility for); and Chapter 3 of the Local Government Act which requires Council to consider the long term and cumulative effects of its decisions on future generations.

The LTFP also satisfies requirements of Section 8B of Local Government Act 1993:

- Council spending should be responsible and sustainable, aligning general revenue and expenses.
- Councils should invest in responsible and sustainable infrastructure for the benefit of the local community.
- Councils should have effective financial and asset management, including sound policies and processes for the following:
  - (i) performance management and reporting,
  - (ii) asset maintenance and enhancement,
  - (iii) funding decisions,
  - (iv) risk management practices,
- Councils should have regard to achieving intergenerational equity, including ensuring the following:
  - (i) policy decisions are made after considering their financial effects on future generations,
  - (ii) the current generation funds the cost of its services.

Parameters and strategies set out in this LTFP also incorporate a key requirement and recommendation of the *Notice of Intention to Vary a Performance Improvement Order (NPIO)* dated 30 January 2024 and a Report to the Minister for Local Government – *Review of Kiama Municipal Council* - prepared by John Rayner (January 2024). This has since been followed by the Performance Improvement Order (PIO) from the Minister which essentially ratifies the earlier Notice Order. The PIO covers a 2-year period to June 2026 covering the remainder of this Council term and first part of the new upcoming Council term.

The LTFP of Kiama Council sets a crucial target - **achieving financial sustainability by the 2026/27 fiscal year.** This encompasses several key goals:

- <u>Attainment of a Net Surplus Position:</u> By 2026/27, achieving a surplus before capital grants and contributions is targeted.
- <u>Elimination of Structural Loss/Deficit:</u> Also, by 2026/27, the aim is to eradicate any structural loss, considering surplus before capital grants and contributions and excluding one-off property sales.
- <u>Establishment of a Balanced Budget:</u> By 2026/27, the goal is to achieve an annual net positive movement in unrestricted funds, ensuring a balanced budget.
- <u>Maintenance of Positive Unrestricted Cash Balance:</u> Throughout this process, it is imperative to maintain a positive unrestricted cash balance.

The LTFP also takes into account the following key actions outlined in the NPIO:

Terralong Independent Living Units

Address issues associated with Blue Haven Terralong ILUs including, but not limited to:

- The true costs, operational and capital, which should be applied and whether general rate revenue is subsidising its operation in the short term or long term.
- The adequacy of current and proposed future maintenance fees.
- Completing and making public a dilapidation/building report for Terralong and Havilah.
- Examining options to retain and refurbish Terralong to conform with contemporary

independent living units.
- Establishing a restricted reserve to meet the cost of replacement/renewal of assets.
- Examine the potential to subdivide and divest Havilah Place in accordance with the criteria contained in the Property Plan.
- Complete a Plan of Management.
- Monitor and report on compliance with the Retirement Villages Act NSW and other relevant legislation including building codes.

Council's Financial Accounting and Management Systems

- Review the Council's current financial accounting and management systems and implement any improvements to these systems.
- Fully implement TechnologyOne by mid-to-end 2027
- Restructure the presentation of the draft and published budgets to detail programs and activities compared to current and previous years and funding sources for each capital project.
- Implement the governance recommendations from the Hopwood Report and the Auditor's Letter from the 2021/22 audit and recent 2022/23 audit.

For the purposes of this Plan, financial sustainability is defined by the following hierarchy of needs approach:

Critical, Short-term Sustainability

- Working Capital.
- Cash Liquidity.
- Debt levels.

Medium-term Sustainability

- Operating surplus achieved net of abnormal items and capital funding.

Long-term Sustainability

- Spending more on asset renewals than consumption (i.e. depreciation).
- Fully funding replacement gap.
- Meeting community service needs.

It is necessary to state the importance of meeting community needs both now and in the future in terms of operational services. Council could achieve financial sustainability by ignoring this need and placing all of its emphasis on cash liquidity and asset management.

Future community service needs are frequently not documented in such a compelling manner as infrastructure requirements and need to be considered in conjunction with asset management strategies.

2.3 Financial Sustainability Strategies

KMC is structured around two distinct businesses, one being the aged care (residential facility and in-home care) and retirement village operations known as Blue Haven and the other being the traditional local government services. The matters facing KMC are not unusual to local governments, cash flow, asset management, governance issues are all issues that councils experience, however the added complexity of the aged care business presents an unusual circumstance.

Whilst the current LTFP is based on the assumption that the biggest component of aged care business, Blue Haven Bonaira, will be sold during the 2024/25 financial year, continued operating losses (significant in recent years since the new development) have had a cumulative negative impact on KMC. The development and project management itself has also caused significant balance sheet and liquidity problems.

Much good work has been done in the past by many involved in the business, however, many of the matters that are impacting on the business have occurred across the span of time to arrive at their current state. In summary there are three fundamental matters immediately affecting the business and future:

1. Financial sustainability – cash flow, liquidity, and financial management.
2. Organisational capability, culture and performance – investment in people, systems, performance management and culture has been weak.
3. Risk and governance – risk exposure created by lack of strategic direction, policy, poor decision making and lack of resources and revenue.

Given the suite of challenges facing the organisation there is a need to ensure that strategic decisions are made to help guide the future sustainability of the business. To this end, Council developed its Financial Sustainability and Cashflow Strategy in 2022/23 and recently its Finance and Governance Plan in March 2024, which incorporates actions from the previously adopted Strategic Improvement Plan (SIP).

Key strategies to [1]be achieved in next three financial years incorporated in the LTFP are:

- Optimisation of Operational Expenditures: Minimising spending on materials and services, including consultancy and contractor costs.
- Implementation of Budget Efficiencies: Through centralisation of services and rightsizing organizational corporate services, budget efficiencies are aimed for.
- Review of Service Provision: Assessment of non-essential/desirable services provided by the Council, potentially discontinuing (temporary suspend) those deemed unnecessary, and re-evaluation of operational models for essential services.
- Focus of Capital Works Program: Prioritisation of reserve-funded projects with minimal allocation from unrestricted cash in the Capital Works Program.
- Supplement unrestricted cash inflow by proceeds from sale of assets over next three years in order to build up unrestricted cash balance. The following properties were earmarked for sale and incorporated in the LTFP:

[1]

Property/Asset	2024-25	2025-26	2026-27
	Full year	Full year	Full year
Manning & Farmer St Kiama (Road closure - several lots)	x		
Pheasant Point Dr Kiama (Road closure - 1 lot)	x		
5 lots Glenbrooke drive	x		
Riverside Drive (6 lots)		x	
Noorinan Street (16 Lots)		x	
Eureka Ave - encroachmant lots x4			x
1 lot at Attunga		x	
11-12 lots at Iluka Reserve		-	x

- Create a reserve for Terralong ILUs capital works with the amount restricted annually being in line with the estimated annual depreciation.
- Allocate budget to complete implementation of TechnologyOne.

In addition, no CPI is applied for materials and services over year 2 and 3 of the LTFP. Ultimately this implies blanket organisation-wide budget savings of materials and services circa 4% in 2025/26 and 2026/27 financial years.

The implications of the short-term strategies noted above will have a direct impact on Council's ability to deliver services, including:

- Significant reductions in the delivery of master plans, strategic planning, projects, and programs, as well as other strategic documents.
- Slower business improvements and streamlining of business processes.
- Reduction in hours of operation of Council facilities.
- Reduction or discontinuation of some non-essential services.
- Increase in assets renewal backlog.

While the base case scenario of the LTFP indicates that the Council is on track to achieve its financial sustainability goal as narrowly defined, it is essential to recognise a broader perspective. This broader view, as outlined in the TCorp report "Financial Sustainability of the New South Wales Local Government Sector" and echoed in the methodology of the Independent Pricing and Review Tribunal (IPART), emphasises that financial sustainability encompasses more than just covering expenses and generating profits. It entails the ability of a local government to generate adequate funds to deliver the agreed-upon levels of service and infrastructure to its community over the long term.

Acknowledging the need for continual improvement, the Council has implemented long term **strategic initiatives aimed at achieving further long term budget improvements**:

Continuation and finalisation of Property Plan to identify Strategic Property Opportunities:
Exploration of property divestment and other strategic property development opportunities.

The council has identified a number of catalyst sites which could provide revenue opportunities, either via divestment or through redevelopment with future leasing arrangements. Work continues on developing strategic business cases and master plans for the following catalyst sites:

a. Council Administration Centre, 11 Manning Street, Kiama
b. Old Retirement Village, Havilah Place, Kiama
c. Council Works Depot, Belvedere Street, Kiama
d. Council Waste Depot, Riverside Drive, Minnamurra
e. Blue Haven Terralong precinct, Kiama
f. Spring Creek precinct, Kiama

<u>Ongoing Service Reviews:</u> Regular reviews of services to ensure efficiency and effectiveness.

To ensure continuous improvement of Council's operations, the Operational Plan identifies the areas of service which will be reviewed between July 2024 and June 2026. The future Delivery Program will need to identify the areas of service which will be reviewed during the term of the new Council. This is a requirement of the OLG's 'Integrated Planning and Reporting Guidelines'. During the 2023/24 financial year the following areas of Council's operations were reviewed:

a. Kiama Leisure Centre
b. The Pavilion Kiama
c. Kiama Library Services

Business plans will be finalised during the 2024/25 financial year to implement, where appropriate, the recommendations of these services reviews.

Service reviews for the following areas of Council's operations have commenced but are yet to be finalised:

a. Kiama Coast Holiday Parks
b. Waste Business Unit
c. Tourism and Events
d. Parks and Gardens

As per the NPIO, Council will review the timing of current and future service reviews.

Now and in the future, Council will be continually undergoing a comprehensive sustainability review process. This review involves analysing services provided so that it is clear what services are provided and how the services are delivered in a financially sustainable way. The purpose is to ensure that Council's services are affordable and reflect the local community needs and expectations.

<u>Exploration of New Revenue Streams:</u> Exploration of avenues such as implementing paid parking to generate additional revenue. Council's Infrastructure and Liveability Committee have commenced an analysis of opportunities associated with the implementation of paid parking.

The council will actively pursue both Federal and State Government grant opportunities. This includes lobbying State Government to review the rate pegging framework and Federal Government Review of the sustainability of Local Government to result in additional funding.

Special Rates Variation will also be considered as an additional source of revenue.

It is important to note that Council's LTFP will need to be updated to reflect the impact of the Strategic Initiatives listed above once financial implications become available.

Council is committed to realising all identified opportunities for improvement and working with the community and staff to identify further opportunities.

2.4 LTFP Structure

The LTFP is structured using the forecasted 2023/24 financial results, budget for 2024/25 financial year, and applying a series of assumptions to these numbers for forward financial years. In addition, asset renewal and maintenance have a direct correlation to the Council's Asset Management Plans.

Consolidated Financial models and statements have been prepared for the Council's key businesses: Blue Haven Terralong Retirement Village Operations and Holiday Parks.
Sale of Bonaira site and services component of Blue Haven and a repayment of $15 million TCorp loan in September 2024 is a key assumption for this LTFP. As such, the financial information presented in this (future) plan only includes 3 months of the Blue Haven Bonaira operations.

The LTFP incorporates operational savings identified from the 2024/25 financial year onwards. Additionally, estimated proceeds from identified property sales over the next three financial years are included.

However, it's noteworthy that the financial implications of Long-Term strategic initiatives, such as strategic site redevelopments, additional revenue sources, and the outcomes of major service reviews, were not accounted for in the current LTFP. This omission stems from the inability to estimate the financial implications and outcomes of these initiatives at the time of drafting the plan therefore, the LTFP will be updated to reflect new information when it becomes available.

Details of all assumptions and indices applied in this Plan are provided in Section 4.

The LTFP includes 3 scenarios:

Scenario 1- Base Case

This is the ultimate LTFP scenario that the Council is anticipating achieving.

This scenario represents the Council's preferred outcome and meets minimum financial goals within the timeframe set by the NPIO. Please refer to Section 2.2- *Objectives of the Long-Term Financial Plan* for more details on NPIO requirements.

Scenario 2 – 10% Special Rates Variation (SRV)

In this scenario, a 10% SRV is assumed to be implemented in 2026/27 (10% of additional permanent special rate variation on top of the rate peg).

This scenario, for obvious reasons, improves the Council's financial performance more than Scenario 1 and generates a surplus of unrestricted funds that could be used to start addressing the assets backlog issue at a faster pace.

Scenario 3 – Status Quo – Budget Savings Strategies not Implemented

This scenario demonstrates the implications for the Council not progressing further with implementation of strategies in the next three financial years as outlined in Section 2.3-Financial Sustainability Strategies.

Whilst strategies have been identified for budget savings over the next three financial years, specific decisions are yet to be formally approved by Council. If the implementation of these strategies with alternative options are not finalised in a timely manner, the Scenario 3 demonstrates the financial consequences.

In summary, this option not just fails to meet the NPIO requirements but will also breach requirements of Section 8B of the Local Government Act 1993 which stipulates that Council spending should be responsible and sustainable, aligning general revenue and expenses.

2.5 Sensitivity analysis

Long-Term financial plans are inherently uncertain given the lengthy period of time which they are required to cover and the assumptions that are required to be made. Some of these assumptions have a relatively limited impact if they are wrong, whereas others can have a major impact on future financial plans. If the assumptions are found to be inaccurate, then it will be necessary for the Council to reconsider.

The Council utilises the LTFP as a management tool and will review and update relevant sections and projections of the LTFP on an annual basis. In addition, Quarterly Budget Review amendments that have a permanent impact are processed into the model to assess the effect on the Plan.

This LTFP demonstrates three scenarios and their implications for the financial performance of the Council.

Sensitivity Analysis Summary – Surplus/(Deficit) before Capital Grants and Contributions

Scenario	**25/26**	**26/27**	**27/28**	**28/29**	**29/30**	**30/31**	**31/32**	**32/33**	**33/34**
Scenario 1 – Base Case - PIO Savings	1,612,720	11,130,414	2,268,841	2,448,300	2,358,860	2,874,444	3,435,197	4,046,184	4,445,265
Scenario 2 – 10% Special Rates Variation (SRV) in 2026/27	1,612,720	13,418,944	4,660,355	4,947,432	4,970,452	5,603,558	6,287,121	7,026,445	7,559,638
Scenario 3 – Status Quo - Council does not Implement Budget Savings Strategies	(27,280)	7,850,414	(1,011,159)	(831,700)	(921,140)	(405,556)	155,197	766,184	1,165,265

Sensitivity Analysis Summary – Change in Assumptions

Changes in Assumptions	**25/26**	**26/27**	**27/28**	**28/29**	**29/30**	**30/31**	**31/32**	**32/33**	**33/34**
Rates (0.5% below baseline)	1,149,288.97	1,315,207.36	1,374,165.61	1,435,776.97	1,500,160.85	1,567,442.00	1,637,750.81	1,711,223.51	1,788,002.48
Employee costs (0.5% increase)	1,361,802.85	1,373,955.92	1,415,174.60	1,457,629.84	1,501,358.72	1,546,399.49	1,592,791.47	1,640,575.22	1,689,792.48
Materials & Services (0.5% increase)	1,223,143.14	1,119,474.18	1,152,480.87	1,199,596.08	1,234,673.68	1,270,664.13	1,307,591.59	1,345,480.91	1,397,607.58
Combined Impact	**3,734,234.96**	**3,808,637.47**	**3,941,821.08**	**4,093,002.89**	**4,236,193.26**	**4,384,505.63**	**4,538,133.87**	**4,697,279.63**	**4,875,402.53**

2.6 Key outcomes of the LTFP

Financial sustainability is a major challenge faced by the majority of councils in New South Wales, including Kiama Municipal Council. However, Kiama Council faces an additional challenge due to the significant resources consumed by the Blue Haven aged care operations, which generate an annual deficit of over $3 million for the Bonaira site. Whilst the current LTFP is based on the assumption that the biggest component of the aged care business, Blue Haven Bonaira, will be sold in September 2024, significant losses in recent years have had a cumulative negative impact on Council liquidity.

According to the Plan, the Council's current financial position shows that it will face a structural deficit next year and will need to compensate for the reduction in unrestricted cash with the proceeds from the sale of various assets. With implementation of budget saving strategies earmarked for the next three financial years, the loss will gradually decline, and operational surplus will be achieved by 2026/27. A structural deficit (net loss when excluding capital revenue and gain on sale of assets) will be also eliminated by the end of 2026/27 financial year.

The Plan also shows that the Council will achieve an ongoing increase in working capital and positive unrestricted cash movement in the 2026/27 financial year. The Council will need to implement budget reduction strategies and minimise capital projects funded from the general revenue to achieve a net surplus by 2026/27.

The main reason for the ongoing need to reduce operational expenses in order to address the deficit, is rate pegging, which restrains the Council's ability to align rating revenue with the increased cost of providing services. Rate pegging is a legislative instrument where the maximum increase in rating revenue is set by the Independent Pricing and Regulatory Tribunal (IPART), the NSW State Government independent pricing regulator. For example, in developing the LTFP, Council has been advised by IPART that the rate peg for 2024/25 will be 4.5%, while during the same period of time, the CPI rose by 5.1%. The difference between the actual inflation impacting the cost of services and the rate peg must be addressed over the long term by the Council through budgetary consideration of the range and levels of services.

In summary, the LTFP demonstrates that Kiama Municipal Council can achieve financial sustainability by implementing a range of strategies. However, some of these strategies will limit Council’s ability to deliver strategic documents and projects which will result in an increase of assets backlog.

It is important to note that the introduction of an SRV is not a preferred scenario at this stage and Council will focus of achieving operational efficiencies and service reviews before considering SRV.

3. Link between LTFP and Council's planning framework

3.1 Workforce strategy

In order to deliver our Delivery Program and contribute to the Community Strategic Plan, the Council requires a clear Workforce Resourcing Strategy that sets out what type of organisation we need to be and how we plan to get there.

The Workforce Strategy is to be fully integrated with the LTFP. This integration includes:

- Compulsory superannuation guarantee rate increase.
- Vested sick leave.
- Long Service Leave liability.
- Learning and development.
- Workers' compensation.

3.1.1 Compulsory superannuation guarantee rate increase

The Federal government has changed the phasing of the increases in the superannuation guarantee levy as per the table below. The impact of this change has been factored into the LTFP.

Table 1: Superannuation Guarantee Levy

Year	Rate
2024-25	11.50%
2025-26 onwards	12.00%

3.1.2 Vested sick leave

Staff employed by the Council prior to or on 3 November 1993, who have not previously waived their right to this provision, continue to have an entitlement for the payment of unused sick leave arising out of the termination of employment. An estimated provision for vested sick leave of $301,000 has been included as a liability in the Statement of Financial Position. For the forecast, payments from the provision have been estimated when the eligible employee reaches the age of 65.

3.1.3 Long Service Leave liability

Long Service Leave entitlements are governed primarily by the Long Service Leave Act 1955. Kiama Municipal Council has not actively required employees to take long service leave as it falls due. However, if the amount of liability becomes excessive it is likely that employees will be encouraged to keep balances within reasonable limits. A provision of $3.6 million has been included as a liability in the Balance Sheet. For the forecast, payments from the provision have been estimated when the eligible employee reaches the age of 65.

3.1.4 Learning and development

Council provides a responsible training and development program to make sure Council staff have skills and that we are meeting legislative requirements.

A yearly expenditure on learning and development has been included in the salaries and wages expense in the Income Statement in this Plan.

3.1.5 Workers' compensation

Council is committed to maintaining a commitment to a safe workplace and ensuring that the workers' compensation premium remains stable. An additional risk is associated with the potential increase in workers' compensation insurance premium due to market conditions and unexpected events currently not factored in the LTFP.

3.2 Asset Management Plan (AMP)

Council is responsible for a large and diverse asset base. These assets include buildings, roads, bridges, footpaths, drains, libraries, holiday parks, convention centre, leisure centre, halls, parks, sporting facilities, fleet, land, and information communication technology related assets. The council manages its assets in accordance with the Guiding principles for councils (Section 8A) and Principles of sound financial management (Section 8B) under the Local Government Act 1993.

Over time, Council has progressively added to its assets, which has consequently added depreciation, operation and maintenance costs to an already large existing and ageing asset base.

In order to manage this asset base, the Strategic Asset Management Plan (SAMP) has been developed which is designed to address plans and priorities considering asset life cycles and risk. Such strategies and plans ensure that their content addresses priorities in line with organisational objectives. Maintenance and renewal expenditure is also planned and controlled in line with these priorities. Technical levels of service that relate to compliance requirements in legislation are also maintained. A specific body of asset management work is also underway for Blue Haven Terralong facilities to document and address upgrade, renewal and depreciation.

Council's SAMP analyses groups of assets generally in the following categories:

- Community buildings and facilities, including libraries, halls, leisure centre, surf clubs.
- Administration buildings including Depots.
- Information and Communication Technology (ICT).
- Library collection.
- Cemeteries.
- Parks and recreational assets including playgrounds, sporting facilities and ocean baths.
- Transport assets include roads, bridges, footpaths, cycleways, car parks, traffic facilities, guardrails and retaining walls.
- Stormwater drainage and culverts.
- Street lighting.
- Waste facility assets.
- Commercial assets – holiday parks and investment properties.
- Land (development).

3.2.1 Non-cash operating expenses

Council's major non-cash operating expense is depreciation. Council's property, plant and equipment assets are depreciated using the straight-line method which allocates an assets cost over its estimated useful life. The council has considerable stocks of assets with long but finite lives. These estimated useful lives are expected to remain constant over the life of this Plan and are provided in the table below.

It is important to note that the LTFP doesn't take into consideration contributed assets that could be transferred to the Council from developers and other government agencies and new assets that might be delivered by capital grants.

Progressive reviews of asset conditions and remaining useful lives are conducted on a scheduled basis with major reviews of buildings and roads assets undertaken in the last two years. The result of reviews has typically resulted in an increase in annual depreciation expense through increased valuations.

The straight-line method of depreciation is consistent with Council's Asset Accounting Policy and ensures that there will be no major peaks or troughs in depreciation expense from year to year as this method ensures a uniform rate of depreciation of infrastructure, property, plant and equipment (IPPE). For the model, the growth in the depreciation expense is linked to the annual investment in IPPE.

Table 2: Estimated Useful Lives for Each Asset Category

Plant and equipment	
Office equipment, furniture & fittings	2 to 50 years
Vehicles, Heavy plant / road marking equipment	5 to 8 years
Other plant and equipment	3 to 40 years
Other equipment	
Playground equipment	5 to 15 years
Benches, seats etc.	10 to 25 years
Buildings	
Buildings	50 to 117 years
Stormwater drainage	
Culverts	50 to 100 years
Drains	80 to 120 years
Flood control structures	20 to 120 years

Transportation assets	
Sealed roads: surface	15 to 60 years
Sealed roads: structure	80 to 120 years
Unsealed roads	20 years
Bridge: concrete	80 to 100 years
Bridge: other	60 to 100 years
Kerb, gutter and footpaths	25 to 60 years
Road traffic control devices	25 to 80 years
Traffic management assets	20 to 80 years
Other infrastructure	
Bulk earthworks	Infinite
Swimming pools	50 to 100 years
Other open space / recreational assets	10 to 95 years

3.2.2 IPPE revaluations

Council's IPPE are valued at fair value per Australian Accounting Standard 116 Property, Plant and Equipment and the Local Government Code of Accounting Practice and Financial Reporting (Code). The Code states that a comprehensive revaluation of each asset should be performed at a minimum every five years, however councils need to ensure that revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Previous years and planned revaluations are as follows:

Table 3: Asset Revaluation timetable

Note C1-8(i) Infrastructure, property, plant and equipment (IPPE)	2021/22	2022/23	**2023/24**	**2024/25**	2025/26
- Operational land					
- Community land					
Land improvements - non-depreciable					
Land improvements - depreciable					
- Bridges					
- Buildings					
- Bulk earthworks (non-depreciable)					
- Footpaths					
- Other structures					
- Stormwater drainage					
- Swimming pools					
- Other open space/recreational assets					
- Roads					

As IPPE are already valued at fair value as opposed to historical cost, the periodic revaluations to fair value are not likely to result in a material change to forward estimates. Therefore, it is not necessary to factor in any changes in IPPE values due to revaluations in this Plan.

3.2.3 Infrastructure supplied by developers

Council becomes liable for maintenance of assets and spaces provided and paid for by the developers of residential estates one year after they are created. There are a number of areas that have potential for future growth and potential for new residential estates to be built. Council may become liable for maintenance of assets and spaces provided by private developers of these residential estates.

Maintenance costs that may arise from future developments have not been quantified. When the costs are quantified, they will be included in future updates of the LTFP.

Due to environmental and conservation constraints of the Kiama LGA there are only limited opportunities for large scale residential and commercial developments. There has been and will continue to be increased infill development. It is expected that the developments mentioned above will eventuate; however, the estimated future increase in the number of rate assessments, as outlined below in 'financial assumptions' has been estimated conservatively with these environmental and conservation constraints in mind.

4. Financial Assumption

The LTFP is structured on a specific **Base Case Scenario** financial outlook associated with the following assumptions:

- A rate peg of 4.5% is applied to rating income for 2024/25 onwards.
- 50 new assessments per year.
- Continuation of Stormwater Levy.
- Minimal Waste Charges are increasing in 2024/25 and all ensuing years of the LTFP Waste Charges have been increased by 1%.
- Pensioner Rebate increase of 1.5% per year.
- An inflation forecast of 4% is applied to most sources of income for all years.
- Depreciation, asset renewal and asset maintenance aligned and integrated with Asset Management Plans.

Council has been conservative with income projections in order to not spend outside of Council's means when forecasting its financial future.

The statements are prepared based on current knowledge and service levels and will no doubt be affected by various events which will occur in future years. It is important that the long-term financial outlook is revisited and updated on an annual basis and as the situation is considered highly variable.

The table below summarises major economic parameters used in the LTFP.

Table 4: LTFP Parameters

Variable	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35
CPI	0.0%	0.0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Award/Salary Increase - Council	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%

Award/Salary Increase - ELT	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Superannuation	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%
Council Casual Loading	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
Depreciation	3.0%	3.0%	3.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
DWM Charges	0.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Fees - General	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Grants	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.0%
Insurances	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Ordinary Rates	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Utility Costs	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%

The LTFP includes capital expenditure listed in the Forward Capital Works Program as included in the Draft Delivery Program and Operations Plan.

4.1 Financial performance indicators

The financial performance indicators are intended to be indicative of financial health and the presence of good business management practices at Kiama Municipal Council.

4.1.1 Underlying operating result

Definition:	The issue for the Council is whether underlying operating surpluses are being achieved. This indicator is calculated by taking the income from continuing operations less grants and contributions provided for capital purposes less expenses from continuing operations.
Analysis:	Ideally Council would be operating with a small surplus. A surplus of $1.27 million was achieved for the 2021 financial year (consolidated). The 2022/23 projected consolidated result is $9.2 million surplus mainly due to gain on sale of assets, excluding one-off sales, the result is $9.4 million deficit. This followed a deficit being recorded for each financial period since 2017. LTFP demonstrates surplus results in the long-term.

4.1.2 Operating performance ratio

Definition:	This ratio measures a council's achievement of containing operating expenditure within operating revenue. Ratio = total continuing operating revenue excluding capital grants and contributions less operating expenses / total continuing operating revenue excluding capital grants and contributions.
Analysis:	The Code of Accounting Practice and Financial Reporting uses a benchmark for the operating performance ratio of greater than 0%.

4.1.3 Own source operating revenue ratio

Definition:	This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions. Ratio = total continuing operating revenue excluding all grants and contributions / total continuing operating revenue.
Analysis:	The Code of Accounting Practice and Financial Reporting uses a benchmark for the own source revenue ratio of greater than 60%.

4.1.4 Unrestricted current ratio

Definition:	This ratio assesses the adequacy of working capital and its ability to satisfy obligations in the short-term for the unrestricted activities of the Council. Ratio = current assets less all external restrictions / current liabilities less specific purpose liabilities.
Analysis:	The Code of Accounting Practice and Financial Reporting uses a benchmark for the unrestricted current ratio of greater than 1.5 times.

4.1.5 Debt service cover ratio

Definition:	This ratio measures the availability of operating cash to service debt including interest, principal and lease payments. Ratio = operating results before capital excluding interest and depreciation, impairment and amortisation / principal repayments (from the Statement of Cash Flows) + borrowing interest costs (from the Income Statement).
Analysis:	The Code of Accounting Practice and Financial Reporting uses a benchmark for the debt service cover ratio of greater than 2 times.

4.1.6 Building and infrastructure asset renewal ratio

Definition:	This ratio assesses the rate at which these assets are being renewed relative to the rate at which they are depreciating. Ratio = asset renewals (building and infrastructure) / depreciation, amortisation and impairment (building and infrastructure)
Analysis:	The Code of Accounting Practice and Financial Reporting uses a benchmark for the building and asset renewal ratio of greater than 100%.

4.1.7 Infrastructure backlog ratio

Definition:	This ratio measures what proportion the backlog is against the total value of the Council's infrastructure. Ratio = estimated cost to bring assets to a satisfactory standard / net carrying amount of infrastructure assets.
Analysis:	The Code of Accounting Practice and Financial Reporting uses a benchmark for the infrastructure backlog ratio of less than 2%.

4.1.8 Asset maintenance ratio

Definition:	This ratio compares the actual asset maintenance expenditure relative to the required asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing. Ratio = actual asset maintenance / required asset maintenance.
Analysis:	The Code of Accounting Practice and Financial Reporting uses a benchmark for the asset maintenance ratio of greater than 100%.

4.1.9 Cash Expense Cover Ratio

Definition:	This liquidity ratio indicates the number of months a council can continue paying for its immediate expenses without additional cash inflow. Ratio = current year's cash and cash equivalents plus all term deposits / monthly payments from cash flow operating and financing activities.
Analysis:	The Code of Accounting Practice and Financial Reporting uses a benchmark for a cash expense ratio of greater than 3 months.

4.1.10 Rates and annual charges outstanding percentage

Definition:	This ratio assesses the impact of uncollected rates and annual charges on Council’s liquidity and the adequacy of recovery efforts. Ratio = rates and annual charges outstanding / rates and annual charges collectable.
Analysis:	The Code of Accounting Practice and Financial Reporting uses a benchmark for the rates and annual charges outstanding percentage of less than 10%

4.1.11 Long-Term Operating Environment

The long-term operating environment over the next 10 years is uncertain. In a worst-case scenario another recession may occur, potentially triggered by global factors such as military conflict or continuing pandemic impacts. In a recession the Council is affected most by the reduction in value of its investments. The Council's cash investments are already held at their fair value. This is a conservative approach that takes into consideration the uncertainty of the long-term operating environment.

4.1.12 Future Borrowing Interest Rates

All of Council's loans are at a fixed interest rate rather than a floating interest rate and borrowing costs were incorporated in the LTFP.

4.1.13 Cash and Cash Equivalents

Any surplus cash will be invested in line with Council's Investment Policy. These investments will be limited to short-term deposits which are classified as cash equivalents rather than investments.

4.1.14 Investment Properties

The Office of Local Government has determined that investment properties are to be valued at fair value in all cases. Also, full revaluations should be done every three years with a desktop valuation performed each year between the full revaluations. Investment properties include Terralong Independent Living Units.

4.1.15 Rates Receivable

The rates receivable move in line with total rating income for each year.

4.1.16 Depreciation

Depreciation moves in line with the increase or disposals in total IPPE. The annual depreciation for 2024/25 is $9.6 million and for the purpose of forward planning it is forecast to increase at a rate of 2% - 3%. The impact of future contributed assets was not incorporated in the depreciation forecast due to the high level of uncertainty.

4.1.17 Provisions

In line with the Workforce Strategy, Council has a commitment to pay employee entitlements. Included in provisions is a liability to pay Annual Leave, Long Service Leave and Sick Leave. It is expected that Annual Leave will be taken within the year that it is earned, however the payments of accrued Long Service and Vested Sick Leave entitlements have been factored in when the employee reaches the age of 65.

4.1.18 Unexpected/Abnormal Events

During the next 10 years it is possible that some unexpected or abnormal events may occur. As these events are unknown, they cannot be quantified at this time; as events of this nature occur and become quantifiable, they will be incorporated annually into the LTFP.

4.1.19 Asset Backlog

The LTFP assumes that Council's capital and maintenance programs are sufficient in addressing the backlog. Maintenance programs are aimed at achieving 96-100% of the required asset maintenance each year and that the SAMP favours asset renewals which are greater than the depreciation expense incurred.

4.1.20 Financial results

According to the LTFP, Council's current financial position shows that it will face a structural deficit next year and will need to compensate for the reduction in unrestricted cash with the proceeds from the sale of various assets. With implementation of budget saving strategies earmarked for the next three financial years, the loss will gradually decline, and operational surplus will be achieved by 2026/27. Structural deficit (net loss when excluding capital revenue and gain on sale of assets) will be also eliminated by the end of 2026/27 financial year.

The LTFP also shows that Council will achieve an ongoing increase in working capital and positive unrestricted cash movement in the 2026/27 financial year.

5. Long-Term borrowing strategies

5.1 Background to Council's current debt portfolio

The table below outlines Council's current position in respect of all interest-bearing loans.

Table 5: Current debt portfolio

Loan Description/Purpose	Bank	Original Loan amount	2024-25 Principal Repayments	2024-25 borrowing costs
Surf Beach Holiday Park Redevelopment	NAB	5,000,000	501,374	60,873
Infrastructure Loan	TCorp	4,000,000	173,600	74,022
Total Included in LTFP		**9,000,000**	**674,973**	**134,895**
Bonaira Development loan	**TCorp**	**15,000,000**	**N/A**	**N/A**

** Assumes remaining $15 million T-Corp loan for Bonaira to be repaid in September 2024*

5.2 Future loan strategies

5.2.1 What is the Council's philosophy on debt?

Many NSW councils are debt averse and view the achievement of a low level of debt or even debt free status as a primary goal. Others see the use of loan funding as being a critical component of the funding mix to deliver much needed infrastructure to the community.

The use of loans to fund capital expenditure can be an effective mechanism to link the payment for the asset (via debt redemption payments) to the successive councils' populations who receive benefits over the life of that asset. This matching concept is frequently referred to as 'inter-generational equity'. Debt should not be used to cover operating or structural deficits.

There are no immediate plans for further loan borrowings.

5.2.2 Measuring what level of debt is appropriate

The 2006 Allen Inquiry into the Financial Sustainability of NSW Local Government gave significant consideration to the role of borrowings as a funding option for NSW councils. The Allen Inquiry's suggestion of using debt has been used by Council however it is not Council's strategy to use excessive levels of debt.

5.2.3 Future Borrowings

No new loans were incorporated in LTFP.

6. Long-Term restricted asset usage strategies

Councils in NSW have traditionally operated with Restricted Asset funds that are amounts of money set aside for specific purposes in later years. In general, these funds do not have bank accounts of their own but are a split up of the accumulated cash that a council has on hand.

6.1 Background

Local Governments continue to be challenged by a tightening cash position through increasing demands for cash for daily operations, restricted rate income levels, increasing demands for expenditure on new infrastructure and the maintenance and rehabilitation of existing infrastructure. Kiama Municipal Council is certainly subject to these same pressures, exacerbated by minimal growth in population and limited development activity, significant environmental responsibilities and attractiveness as a high-quality tourist destination.

In response to these pressures, Council has established a Restricted Assets Policy to detail the type and level of internal restrictions that Council should set aside out of available funds to meet cash outgoings. This provides strategic direction and support for Council and delivery of services to the community. The Policy is reviewed annually to ensure it remains current and is made available on Council's website.

The **Principles** set out in the Policy are that:

1. Reserves are accounts established and held within Council's Restricted Assets for the purpose of:
   - Reducing business risk.
   - Improved financial management.
   - Improved strategic capacity.
   - Meeting asset renewal needs.
   - Meeting statutory obligations and other external requirements.
2. Externally and Internally Restricted Reserve balances are reported annually in Council's Financial Statements and must be cash backed.

Externally Restricted Assets (Reserves) are those where there is a legislative obligation or contractual agreement to use funds for the purpose for which they were paid to the Council.

Internally Restricted Assets (Reserves) are restricted by a resolution of the Council. Internal restrictions are established by Council to cover commitments / obligations that are expected to arise in the future and where it is prudent for Council to hold dedicated cash in restrictions to cover those obligations.

Council may decide to review its internal restrictions at any time to meet financial obligations and requirements of Council's LTFP. A Council resolution is required to return funds no longer required to unrestricted cash.

6.2 Nature and purpose of current restricted assets

External and Internal Restricted Assets (Reserves) held by Kiama Municipal Council are detailed below. Current balances are provided to Council monthly as part of the Statement of Investments reporting.

Nature and purpose of current restricted assets held by Council	
Externally Restricted Cash Assets	
Developer Contributions	
Purpose:	Sections 7.11 and 7.12 of the *Environmental Planning & Assessment Act 1979* enable the Council to levy contributions on developments. These contributions are essential in providing quality facilities and services to an expanding local population. The Act requires the Council to set these funds aside to be used specifically for the provision of these facilities and services.
Source of funds:	Developer Contributions as levied in accordance with Council's adopted Section 7.11 and 7.12 Contributions Plans.
Specific Purpose Unexpended Grants	
Purpose:	An external restriction is placed on grant funding that has been received for a specific purpose that has not been spent by the end of the financial year.
Source of funds:	Grant funding that is for a specific purpose is provided to Council from various sources.
Domestic Waste Management	
Purpose:	By virtue of Section 496 of the *Local Government Act 1993* (as amended), Council must levy a separate charge for domestic waste management services, which include garbage and recycling services. Under the legislation Council cannot finance these services from ordinary rates so the charge must be sufficient to recover reasonable costs of providing these services. The council is obliged to set these funds aside and use them for their specific purpose.
Source of funds:	Domestic Waste Services and Management Levy.
Blue Haven Terralong Independent Living Units (ILU) Maintenance Levy	
Purpose:	By virtue of Section 20 of the *Retirement Villages Regulation 2017* recurrent charges from village residents can only be spent on items prescribed within the act and reported within the annual budget of each village.
Source of funds:	Maintenance Levy charges from residents at Blue Haven Terralong Village.

Blue Haven Bonaira Independent Living Units (ILU) Maintenance Levy	
Purpose:	By virtue of Section 20 of the *Retirement Villages Regulation 2017* recurrent charges from village residents can only be spent on items prescribed within the act and reported within the annual budget of each village.
Source of funds:	Maintenance Levy charges from residents at Blue Haven Bonaira Village.
Blue Haven Residential Aged Care (RAC) Prudential Liquidity Management	
Purpose:	Kiama Municipal Council as an approved aged care provider is required to comply with four (4) prudential standards, which are set out in the Fees and Payments Principles 2014 (No.2) (the Principles). A minimum liquidity is determined defined by expected payments due in the following 12 months in accordance with the Aged Care Act 1997.
Source of funds:	Accommodation payments for the Aged Care Home.
Community Transport Fund	
Purpose:	Funds are available for lease of assets under the Transport for New South Wales program. All unspent funds are to be returned if the program were not to continue.
Source of funds:	Funding from Transport for New South Wales.
Blue Haven Home Care Client Credit Balance	
Purpose:	Unspent funds from client home care packages.
Source of funds:	Surplus funds from Department of Health Funding and client contributions.
Crown Reserve	
Purpose:	Net profits from operations located on Crown Land (Holiday Parks and Pavilion) are retained for reinvestment back into Crown land (maintenance and capital works)
Source of funds:	Surplus from the Holiday Parks and Pavilion on Crown Land.
Unspent Loan Funding	
Purpose:	To restrict the use of cash which has been borrowed externally for a specific purpose but not yet spent.
Source of funds:	Proceeds from loans.

Roads Reserve	
Purpose:	Under the Roads Act 1993 Part 4 Division 6 Section 43.4, money received by council from the proceeds of sale of the land from closed council roads is restricted for use toward acquiring land for public roads or for carrying out road work on public roads.
Source of funds:	Sale of land comprising former public roads
Internally Restricted Cash Assets	
Carry Over Works	
Purpose:	Capital works projects that carry over from the previous financial year.
Source of funds:	Projects funded from general fund in previous year.
Long-Term Asset Management	
Purpose:	To accumulate funds for high value asset renewal programs that are beyond annual financial capacity
Source of funds:	General Revenue
Council Election Reserve	
Purpose:	To provide funds for the Local Government Elections which are conducted every four years.
Source of funds:	Funds transferred to reserve annually from general revenue.
Employee Leave Entitlements	
Purpose:	To provide funds for employee leave entitlements which have been accrued but not yet paid.
Source of funds:	General revenue.
Energy Efficiency	
Purpose:	The Revolving Energy Fund Reserve has been set up to provide capital to projects which will reduce Kiama Council's billed energy use, and work towards achieving greenhouse gas emissions reduction from the organisation.
Source of funds:	Savings from energy efficient projects.

Land Development Reserve	
Purpose:	Revenue generating investments/activities that provide a commercial rate of return whether in short, medium, or long-term.
Source of funds:	Land sales, investment activities. Transfers to reserve to be determined by Council based on recommendation from management which takes into consideration liquidity position of Council.
Plant Replacement	
Purpose:	To fund vehicles & plant replacements as scheduled and required.
Source of funds:	Plant hire charges.
Terralong ILU Capital Works	
Purpose:	Capital works required for Terralong Retirement Village in line with the Assets Management Plan.
Source of Funds:	General Fund (annual transfer to reserve = annual depreciation for this property).
Blue Haven ILU Prudential Cover	
Purpose:	Ensuring efficient and timely repayment of outgoing ILU deposits, in line with aged care Prudential Standards Policy.
Source of Funds:	General Fund (new deposits from ILUs)
Risk Improvement Incentive	
Purpose:	WHS incentive payment received from State Cover to promote WHS practices. Payment allocation for WHS improvements.
Source of funds:	State Cover incentive payments.
Working Capital	
Purpose:	To minimise the impact on Council operations in any one year from unanticipated events. Liquidity funds.
Source of funds:	General revenue. A target equating to 3 months operating cash flows ($14M) is the optimal reserve balance. However, Council acknowledges that given current budget constraints, this target will not be achieved in the near future. Effectively working capital reserve could be established in the long run after the Council achieves a balanced budget and has sufficient unrestricted cash balance to fund business as usual operations.

Waste Business Unit	
Purpose:	Business reserve for improvements at Minnamurra Recycling & Waste Depot that could not be funded by Domestic Waste Reserve.
Source of funds:	Waste Business Unit (excluding Domestic Waste) surplus funds.

Rating and Annual Charge Strategies

6.3 Assessment of Current Rating Levels

Comparison of rating between councils is affected by the rating and charging strategies each council has adopted. Some councils rely solely on the ordinary rate for rate income while others levy special rates for specific purposes that supplement ordinary rate income.

Income from ordinary rates, special rates and drainage services are subject to the Independent Pricing and Regulatory Tribunal (IPART) rate pegging while domestic waste management service annual charges are limited to recovering the reasonable cost of providing those services.

Councils may choose a mix of ordinary and special rates and vary those from year to year, however the annual increase in total rate income from all rates is not to exceed the percentage specified by IPART each year.

The NSW Office of Local Government (OLG) publishes annual comparative information on council rating, financial indicators, service costs and service performance. The information is separated into 11 groups of similar councils based on size and character. Kiama Municipal Council is placed within OLG category 4.

6.4 Rates and Annual Charges Income

6.4.1 Rate Pegging and Additional Special Variation

Councils are subject to rate pegging in New South Wales restricting total rate income to the prior year's notional income plus a percentage increase as allowed by IPART. The rate peg percentage increase allowed for Kiama Municipal Council is 4.5% for the 2024/25 financial year.

6.4.2 Potential Future Special Rate Variation

In context of the poor operating result modelled in this LTFP and considering the identified actions and strategies, Council must remain focused on cost reduction and revenue generation opportunities in the near future. These options will be explored prior to considering special rates variation.

Appendix 1 - Financial Statements

Income Statement – Consolidated - Base Case

Description	Current Year 23/24				Long Term Financial Plan (LTFP)									
	YTD Actual 24POACT	23/24 24POBR3	Var $	% of Budget	24/25 25PODRF	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34
Income														
Rates, Levies & Annual Charges	27,961,957	28,174,860	212,903	99.24%	29,179,110	29,925,543	30,944,624	32,009,563	33,122,424	34,285,365	35,500,638	36,770,598	38,097,706	39,484,534
User charges and fees	21,558,111	23,476,121	1,918,010	91.83%	21,074,498	20,720,412	21,549,229	22,411,198	23,307,646	24,239,952	25,209,550	26,217,932	27,266,649	28,357,315
Interest & Investment Revenue	1,946,035	2,387,133	441,098	81.52%	1,839,454	1,840,450	1,840,450	1,840,475	1,840,500	1,840,527	1,840,553	1,840,581	1,840,609	1,840,638
Other Revenue	5,785,028	6,250,736	465,708	92.55%	3,990,063	3,329,324	3,329,324	3,412,557	3,497,871	3,585,318	3,674,950	3,766,824	3,860,995	3,957,520
Grants, subsidies, contributions and donations - Operating	16,652,141	19,613,029	2,960,888	84.90%	8,268,110	4,271,778	4,364,345	4,459,226	4,556,480	4,087,078	4,189,255	4,293,986	4,401,336	4,511,369
Capital Grants & Contributions	7,922,213	14,345,789	6,423,576	55.22%	4,191,992	2,752,742	2,796,560	2,841,474	2,887,511	2,934,699	2,983,066	3,032,643	3,083,459	3,135,546
Other Income	0	100	100	0.00%	0	0	0	0	0	0	0	0	0	0
Profit/Loss from sale of assets	3,032,941	3,920,722	887,782	77.36%	2,946,200	4,374,200	10,400,200	1,174,200	1,174,200	1,174,200	1,174,200	1,174,200	1,174,200	1,174,200
Internal Revenue	7,458,463	9,144,203	1,685,741	81.56%	8,571,106	8,059,375	8,059,375	8,059,375	8,059,375	8,059,375	8,059,375	8,059,375	8,059,375	8,059,375
Total Income	92,316,887	107,312,693	14,995,806	86.03%	80,060,533	75,273,823	83,284,106	76,208,068	78,446,007	80,206,512	82,631,587	85,156,138	87,784,328	90,520,496
Expense														
Employee Benefits	37,136,466	38,027,468	891,002	97.66%	29,934,089	27,236,057	27,479,118	28,303,492	29,152,597	30,027,174	30,927,990	31,855,829	32,811,504	33,795,850
Borrowing Costs	937,434	548,926	-388,508	170.78%	362,933	120,406	104,339	88,086	71,645	55,909	49,055	44,443	39,725	34,898
Materials & Contracts	37,375,100	36,579,445	-795,655	102.18%	28,721,858	24,462,863	22,389,484	23,049,617	23,991,922	24,693,474	25,413,283	26,151,832	26,909,618	27,952,152
Depreciation & Amortization	11,130,845	12,370,079	1,239,234	89.98%	9,655,660	9,888,514	10,185,170	10,490,725	10,700,539	10,914,550	11,132,841	11,355,498	11,582,608	11,814,260
Other Expenses	869,882	1,164,825	294,943	74.68%	1,150,208	1,141,146	1,139,646	1,106,457	1,134,118	1,162,471	1,191,533	1,221,321	1,251,854	1,283,151
Internal Expenditure	7,460,467	9,144,203	1,683,736	81.59%	8,571,106	8,059,375	8,059,375	8,059,375	8,059,375	8,059,375	8,059,375	8,059,375	8,059,375	8,059,375
Total Expense	94,910,194	97,834,947	2,924,752	97.01%	78,395,854	70,908,361	69,357,132	71,097,752	73,110,196	74,912,953	76,774,077	78,688,299	80,654,685	82,939,685
Surplus/(Deficit)	**(2,593,307)**	**9,477,746**	**12,071,053**	**(27.36%)**	**1,664,678**	**4,365,462**	**13,926,974**	**5,110,316**	**5,335,811**	**5,293,559**	**5,857,511**	**6,467,840**	**7,129,644**	**7,580,811**
Surplus/(Deficit) before capital grants & contributions	**(10,515,520)**	**(4,868,043)**	**5,647,477**	**216.01%**	**(2,527,314)**	**1,612,720**	**11,130,414**	**2,268,841**	**2,448,300**	**2,358,860**	**2,874,444**	**3,435,197**	**4,046,184**	**4,445,265**
Surplus/(Deficit) before capital grants & contributions & one-off sales	**(13,548,460)**	**(8,788,765)**	**4,759,695**	**154.16%**	**(5,473,514)**	**(2,761,480)**	**730,214**	**1,094,641**	**1,274,100**	**1,184,660**	**1,700,244**	**2,260,997**	**2,871,984**	**3,271,065**

Projected Key Financial Indicators – Consolidated:

Ratio/(Benchmark)	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34
Operating Performance Ratio (>0%)	-3%	2%	14%	3%	3%	3%	4%	4%	5%	5%
Own Source Operating Revenue (>60%)	84%	91%	91%	90%	91%	91%	91%	91%	91%	92%
Unrestricted Current Ratio (>1.5x)	0.49	0.47	0.45	0.43	0.42	0.40	0.39	0.38	0.36	0.35
Debt Service Cover Ratio (>2x)	2.75	1.51	2.01	1.60	1.59	1.57	1.56	1.58	1.59	1.59
Rates and Annual Charges Outstanding %	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Cash Expense Cover Ratio (>3.00 months)	8.26	13.10	19.34	20.21	20.93	21.81	22.73	23.59	24.50	25.36

Statement of Cash Flow – Consolidated - Base Case

Description	Current Year 23/24				Long Term Financial Plan (LTFP)									
	YTD Actual 24POACT	23/24 24POBR3	Var $	% of Budget	24/25 25PODRF	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34
Operating Fund Flows														
Rates, Levies & Annual Charges	27,961,957	28,174,860	212,903	99.24%	29,179,110	29,925,543	30,944,624	32,009,563	33,122,424	34,285,365	35,500,638	36,770,598	38,097,706	39,484,534
User charges and fees	21,611,000	23,476,121	1,865,121	92.06%	21,074,498	20,720,412	21,549,229	22,411,198	23,307,646	24,239,952	25,209,550	26,217,932	27,266,649	28,357,315
Interest & Investment Revenue	1,946,335	2,387,133	440,798	81.53%	1,839,454	1,840,450	1,840,450	1,840,475	1,840,500	1,840,527	1,840,553	1,840,581	1,840,609	1,840,638
Other Revenue	5,775,102	6,250,736	475,634	92.39%	3,990,063	3,329,324	3,329,324	3,412,557	3,497,871	3,585,318	3,674,950	3,766,824	3,860,995	3,957,520
Grants, subsidies, contributions and donations - Operating	16,713,147	19,613,029	2,899,882	85.21%	8,268,110	4,271,778	4,364,345	4,459,226	4,556,480	4,087,078	4,189,255	4,293,986	4,401,336	4,511,369
Capital Grants & Contributions	7,962,957	14,345,789	6,382,832	55.51%	4,191,992	2,752,742	2,796,560	2,841,474	2,887,511	2,934,699	2,983,066	3,032,643	3,083,459	3,135,546
Other Income	0	100	100	0.00%	0	0	0	0	0	0	0	0	0	0
Internal Revenue	7,458,463	9,144,203	1,685,741	81.56%	8,571,106	8,059,375	8,059,375	8,059,375	8,059,375	8,059,375	8,059,375	8,059,375	8,059,375	8,059,375
Less: Deferred Management Fee (DMF)					-2,237,556	-2,259,932	-2,282,531	-2,305,356	-2,328,410	-2,351,694	-2,375,211	-2,398,963	-2,422,953	-2,447,182
Employee Benefits	-37,209,029	-38,027,468	-818,439	97.85%	-29,934,089	-27,236,057	-27,479,118	-28,303,492	-29,152,597	-30,027,174	-30,927,990	-31,855,829	-32,811,504	-33,795,850
Borrowing Costs	-937,434	-548,926	388,508	170.78%	-362,933	-120,406	-104,339	-88,086	-71,645	-55,909	-49,055	-44,443	-39,725	-34,898
Materials & Contracts	-37,902,165	-36,579,445	1,322,720	103.62%	-28,721,858	-24,462,863	-22,389,484	-23,049,617	-23,991,922	-24,693,474	-25,413,283	-26,151,832	-26,909,618	-27,952,152
Other Expenses	-869,882	-1,164,825	-294,943	74.68%	-1,150,208	-1,141,146	-1,139,646	-1,106,457	-1,134,118	-1,162,471	-1,191,533	-1,221,321	-1,251,854	-1,283,151
Internal Expenditure	-7,460,467	-9,144,203			-8,571,106	-8,059,375	-8,059,375	-8,059,375	-8,059,375	-8,059,375	-8,059,375	-8,059,375	-8,059,375	-8,059,375
Total Operating Fund Flows	5,049,982	17,927,103	12,877,120	28.17%	6,136,583	7,619,844	11,429,413	12,121,484	12,533,741	12,682,215	13,440,941	14,250,175	15,115,099	15,773,689
Investing Fund Flows														
Capital Works Program	-14,661,781	-18,300,520	-3,638,739	80.12%	-16,530,225	-9,487,887	-9,713,608	-9,946,100	-10,185,567	-10,432,218	-10,947,940	-11,217,462	-11,495,070	-11,495,070
Asset Sales	5,869,541	34,339,838	28,470,297	17.09%	21,496,200	5,374,200	20,400,200	1,174,200	1,174,200	1,174,200	1,174,200	1,174,200	1,174,200	1,174,200
Total Investing Fund Flows	-8,792,240	16,039,318	24,831,558	-54.82%	4,965,975	-4,113,687	10,686,592	-8,771,900	-9,011,367	-9,258,018	-9,773,740	-10,043,262	-10,320,870	-10,320,870
Financing Fund Flows														
Current Borrowings	0	-800,722	-800,722	0.00%	-15,674,973	-679,008	-683,124	-687,335	-691,643	-446,050	-200,559	-205,171	-209,889	-214,715
Movement in ILU Deposits (Net)					3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000
Total Financing Fund Flows	0	-800,722	-800,722	0.00%	-12,174,973	2,820,992	2,816,876	2,812,665	2,808,357	3,053,950	3,299,441	3,294,829	3,290,111	3,285,285
Net Inc/(Dec) in Funds before Transfers	**(3,742,258)**	**33,165,698**	**36,907,956**	**-11.28%**	**(1,072,416)**	**6,327,149**	**24,932,881**	**6,162,249**	**6,330,731**	**6,478,147**	**6,966,643**	**7,501,743**	**8,084,340**	**8,738,104**
Total Reserve Movements	0	-3,341,319	-3,341,319	0.00%	177,088	-3,333,940	-3,720,564	-3,681,935	-3,653,069	-3,877,307	-3,860,741	-3,825,325	-3,794,578	-4,026,777
Net Inc/(Dec) in Unrestricted Funds	**(3,742,258)**	**29,824,379**	**33,566,637**	**-12.55%**	**(895,328)**	**2,993,209**	**21,212,317**	**2,480,314**	**2,677,662**	**2,600,840**	**3,105,901**	**3,676,417**	**4,289,763**	**4,711,327**
Net Inc/(Dec) in Unrestricted Funds excluding one-off sales and loan repayment	**(9,611,799)**	**(4,515,459)**	**5,096,340**	**212.86%**	**(7,391,528)**	**(2,380,991)**	**812,117**	**1,306,114**	**1,503,462**	**1,426,640**	**1,931,701**	**2,502,217**	**3,115,563**	**3,537,127**
Cash, Cash Equivalents & Investments - end of the year		53,303,013			52,230,597	58,557,747	83,490,627	89,652,876	95,983,607	102,461,754	109,428,397	116,930,139	125,014,480	133,752,583
Representing:														
- External Restrictions		**41,806,022**			42,914,530	44,408,840	45,498,383	46,570,000	47,612,420	48,370,992	49,070,671	49,742,506	50,380,140	50,734,473
- Internal Restrictions		**11,430,169**			10,498,749	5,670,499	860,392	-3,893,159	-8,588,648	-13,224,527	-17,784,947	-22,282,107	-26,714,319	-31,095,429
- Unrestricted		**66,822**			-1,182,681	8,478,408	37,131,852	46,976,035	56,959,834	67,315,288	78,142,673	89,469,740	101,348,659	114,113,539
Total		**53,303,013**			**52,230,597**	**58,557,747**	**83,490,627**	**89,652,876**	**95,983,607**	**102,461,754**	**109,428,397**	**116,930,139**	**125,014,480**	**133,752,583**

Statement of Financial Position - Consolidated– Base Case

Description	Consolidated Statement of Financial Position									
	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34
Current Assets										
Cash and cash equivelents	5,896,389	5,896,389	5,896,389	5,896,389	5,896,389	5,896,389	5,896,389	5,896,389	5,896,389	5,896,389
Current Investments	38,087,000	38,087,000	38,087,000	38,087,000	38,087,000	38,087,000	38,087,000	38,087,000	38,087,000	38,087,000
Current Receivables	2,685,103	2,685,103	2,685,103	2,685,103	2,685,103	2,685,103	2,685,103	2,685,103	2,685,103	2,685,103
Inventories	331,773	331,773	331,773	331,773	331,773	331,773	331,773	331,773	331,773	331,773
Current Assets	1,162,660	1,162,660	1,162,660	1,162,660	1,162,660	1,162,660	1,162,660	1,162,660	1,162,660	1,162,660
Total Current Assets	48,162,925	48,162,925	48,162,925	48,162,925	48,162,925	48,162,925	48,162,925	48,162,925	48,162,925	48,162,925
Non Current Assets										
Non Current Investments	9,468,405	15,472,537	40,099,428	45,974,377	52,037,150	58,836,435	66,144,909	74,009,882	82,479,572	91,625,888
Non Current Receivables	5,814	5,814	5,814	5,814	5,814	5,814	5,814	5,814	0	0
Infrastructure, Property, Plant and Equipment	524,545,946	524,652,946	524,732,946	524,986,946	525,240,946	525,494,946	525,748,946	526,002,946	526,256,946	526,510,946
Investment Property	80,354,000	80,354,000	80,354,000	80,354,000	80,354,000	80,354,000	80,354,000	80,354,000	80,354,000	80,354,000
Right of Use Assets	35,907	85,907	78,764	71,621	64,478	57,335	50,193	43,050	35,907	35,907
Total Non Current Assets	614,410,072	620,571,204	645,270,952	651,392,759	657,702,388	664,748,530	672,303,862	680,415,691	689,126,425	698,526,740
Total Assets	**662,572,997**	**668,734,129**	**693,433,877**	**699,555,684**	**705,865,313**	**712,911,455**	**720,466,787**	**728,578,616**	**737,289,350**	**746,689,665**
Current Liabilities										
Current Payables	73,590,166	77,090,166	80,590,166	84,090,166	87,590,166	91,090,166	94,590,166	98,090,166	101,590,166	105,090,166
Current Borrowings	168,371	168,371	168,371	168,371	168,371	168,371	168,371	168,371	168,371	168,371
Current Provisions	4,875,844	4,875,844	4,875,844	4,875,844	4,875,844	4,875,844	4,875,844	4,875,844	4,875,844	4,875,844
Current Lease Liability	35,907	85,907	78,764	71,621	64,478	57,335	50,193	43,050	35,907	35,907
Total Current Liabilities	78,670,288	82,220,288	85,713,145	89,206,002	92,698,859	96,191,717	99,684,574	103,177,431	106,670,288	110,170,288
Non Current Liabilities										
Non Current Payables	18,057	18,057	18,057	18,057	18,057	18,057	18,057	18,057	18,057	18,057
Non Current Borrowings	5,388,744	4,709,736	4,026,612	3,339,276	2,647,633	2,201,583	2,001,024	1,795,853	1,585,965	1,371,250
Non Current Provisions	463,519	463,519	463,519	463,519	463,519	463,519	463,519	463,519	463,519	463,519
Total Non Current Liabilities	5,870,320	5,191,312	4,508,188	3,820,852	3,129,209	2,683,159	2,482,600	2,277,430	2,067,541	1,852,826
Total Liabilities	**84,540,608**	**87,411,600**	**90,221,333**	**93,026,855**	**95,828,068**	**98,874,875**	**102,167,174**	**105,454,860**	**108,737,829**	**112,023,114**
Net Assets	**578,032,389**	**581,322,529**	**603,212,544**	**606,528,829**	**610,037,245**	**614,036,580**	**618,299,613**	**623,123,756**	**628,551,521**	**634,666,552**
Equity										
Retained Earnings and Revaluation Reserve	578,032,389	581,322,529	603,212,544	606,528,829	610,037,245	614,036,580	618,299,613	623,123,756	628,551,521	634,666,552
Total Equity	578,032,389	581,322,529	603,212,544	606,528,829	610,037,245	614,036,580	618,299,613	623,123,756	628,551,521	634,666,552
Total Equity	**578,032,389**	**581,322,529**	**603,212,544**	**606,528,829**	**610,037,245**	**614,036,580**	**618,299,613**	**623,123,756**	**628,551,521**	**634,666,552**

Income Statement – General Fund - Base Case

Description	Current Year 23/24				Long Term Financial Plan (LTFP)									
	YTD Actual 24POACT	23/24 24POBR3	Var $	% of Budget	24/25 25PODRF	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34
Income														
Rates, Levies & Annual Charges	27,961,957	28,174,860	212,903	99.24%	29,179,110	29,925,543	30,944,624	32,009,563	33,122,424	34,285,365	35,500,638	36,770,598	38,097,706	39,484,534
User charges and fees	6,139,642	6,905,425	765,783	88.91%	7,589,742	7,893,332	8,209,065	8,537,428	8,878,925	9,234,082	9,603,445	9,987,583	10,387,086	10,802,569
Interest & Investment Revenue	1,939,244	2,386,133	446,889	81.27%	1,838,458	1,839,454	1,839,454	1,839,454	1,839,454	1,839,454	1,839,454	1,839,454	1,839,454	1,839,454
Other Revenue	1,187,696	1,236,413	48,717	96.06%	1,081,864	1,081,864	1,081,864	1,108,911	1,136,633	1,165,049	1,194,175	1,224,030	1,254,630	1,285,996
Grants, subsidies, contributions and donations - Operating	2,133,854	3,891,069	1,757,215	54.84%	4,181,468	4,271,778	4,364,345	4,459,226	4,556,480	4,087,078	4,189,255	4,293,986	4,401,336	4,511,369
Capital Grants & Contributions	7,962,957	14,345,789	6,382,832	55.51%	4,191,992	2,752,742	2,796,560	2,841,474	2,887,511	2,934,699	2,983,066	3,032,643	3,083,459	3,135,546
Profit/Loss from sale of assets	3,032,941	3,920,722	887,782	77.36%	2,946,200	4,374,200	10,400,200	1,174,200	1,174,200	1,174,200	1,174,200	1,174,200	1,174,200	1,174,200
Internal Revenue	6,281,566	7,821,110	1,539,544	80.32%	8,571,106	8,059,375	8,059,375	8,059,375	8,059,375	8,059,375	8,059,375	8,059,375	8,059,375	8,059,375
Total Income	56,639,857	68,681,520	12,041,663	82.47%	59,579,940	60,198,286	67,695,486	60,029,630	61,655,002	62,779,301	64,543,608	66,381,868	68,297,246	70,293,043
Expense														
Employee Benefits	24,299,756	24,716,477	416,721	98.31%	25,761,311	26,534,151	26,756,155	27,558,840	28,385,605	29,237,173	30,114,288	31,017,717	31,948,248	32,906,696
Borrowing Costs	83,699	82,953	-746	100.90%	77,022	70,605	66,489	62,278	57,970	53,563	49,055	44,443	39,725	34,898
Materials & Contracts	22,645,920	22,343,869	-302,051	101.35%	19,677,995	17,750,529	15,654,443	16,139,767	16,902,638	17,420,008	17,950,755	18,495,230	19,053,794	19,891,814
Depreciation & Amortization	8,756,575	9,569,648	813,074	91.50%	9,018,244	9,288,791	9,567,455	9,854,478	10,051,568	10,252,599	10,457,651	10,666,804	10,880,140	11,097,743
Other Expenses	449,740	725,662	275,922	61.98%	712,201	710,701	709,201	665,251	681,882	698,929	716,402	734,312	752,670	771,487
Internal Expenditure	4,391,511	4,812,656	421,145	91.25%	6,555,167	6,612,136	6,612,136	6,612,136	6,612,136	6,612,136	6,612,136	6,612,136	6,612,136	6,612,136
Total Expense	60,627,200	62,251,265	1,624,065	97.39%	61,801,939	60,966,913	59,365,878	60,892,750	62,691,799	64,274,408	65,900,287	67,570,642	69,286,713	71,314,774
Surplus/(Deficit)	**(3,987,343)**	**6,430,255**	**10,417,598**	**(62.01%)**	**(2,221,999)**	**(768,626)**	**8,329,608**	**(863,120)**	**(1,036,797)**	**(1,495,107)**	**(1,356,680)**	**(1,188,775)**	**(989,467)**	**(1,021,731)**

Surplus/(Deficit) before capital grants & contributions	**(11,950,300)**	**(7,915,534)**	**4,034,766**	**150.97%**	**(6,413,991)**	**(3,521,368)**	**5,533,047**	**(3,704,594)**	**(3,924,308)**	**(4,429,806)**	**(4,339,746)**	**(4,221,418)**	**(4,072,927)**	**(4,157,277)**

Surplus/(Deficit) before capital grants & contributions & one-off sales	**(14,983,241)**	**(11,836,257)**	**3,146,984**	**126.59%**	**(9,360,191)**	**(7,895,568)**	**(4,867,153)**	**(4,878,794)**	**(5,098,508)**	**(5,604,006)**	**(5,513,946)**	**(5,395,618)**	**(5,247,127)**	**(5,331,477)**

Income Statement – Blue Haven - Base Case

Description	Current Year 23/24				Long Term Financial Plan (LTFP)									
	YTD Actual 24POACT	23/24 24POBR3	Var $	% of Budget	24/25 25PODRF	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34
Income														
User charges and fees	5,342,377	5,507,366	164,989	97.00%	2,272,467	1,166,301	1,212,953	1,261,471	1,311,930	1,364,407	1,418,983	1,475,742	1,534,772	1,596,163
Interest & Investment Revenue	7,091	1,000	-6,091	709.07%	996	996	996	1,021	1,046	1,073	1,099	1,127	1,155	1,184
Other Revenue	4,578,176	5,012,607	434,431	91.33%	2,906,262	2,245,522	2,245,522	2,301,660	2,359,202	2,418,182	2,478,637	2,540,602	2,604,118	2,669,220
Grants, subsidies, contributions and donations - Operating	14,495,913	15,721,960	1,226,048	92.20%	4,086,642	-0	-0	-0	-0	-0	-0	-0	0	0
Other Income	0	100	100	0.00%	0	0	0	0	0	0	0	0	0	0
Internal Revenue	1,137,624	1,323,093	185,470	85.98%	0	0	0	0	0	0	0	0	0	0
Total Income	25,561,180	27,566,127	2,004,947	92.73%	9,266,367	3,412,819	3,459,471	3,564,152	3,672,178	3,783,661	3,898,719	4,017,472	4,140,045	4,266,567
Expense														
Employee Benefits	12,604,008	12,913,993	309,985	97.60%	3,733,979	249,943	257,441	265,165	273,120	281,313	289,752	298,445	307,398	316,620
Borrowing Costs	786,746	393,000	-393,746	200.19%	225,039	0	0	0	0	0	0	0	0	0
Materials & Contracts	9,866,171	8,310,627	-1,555,544	118.72%	2,815,764	467,384	472,644	486,071	499,898	514,139	528,806	543,914	559,476	575,507
Depreciation & Amortization	1,806,567	2,180,505	373,938	82.85%	55,161	0	0	0	0	0	0	0	0	0
Other Expenses	66,945	8,718	-58,227	767.90%	7,562	0	0	0	0	0	0	0	0	0
Internal Expenditure	2,822,881	3,992,558	1,169,678	70.70%	1,174,703	604,857	604,857	604,857	604,857	604,857	604,857	604,857	604,857	604,857
Total Expense	27,953,319	27,799,402	-153,917	100.55%	8,012,207	1,322,184	1,334,943	1,356,092	1,377,874	1,400,309	1,423,415	1,447,216	1,471,731	1,496,984
Surplus/(Deficit)	**(2,392,139)**	**(233,275)**	**2,158,864**	**1025.46%**	**1,254,160**	**2,090,635**	**2,124,529**	**2,208,060**	**2,294,304**	**2,383,353**	**2,475,304**	**2,570,256**	**2,668,314**	**2,769,583**

Surplus/(Deficit) before capital grants & contributions	**(2,392,139)**	**(233,275)**	**2,158,864**	**1025.46%**	**1,254,160**	**2,090,635**	**2,124,529**	**2,208,060**	**2,294,304**	**2,383,353**	**2,475,304**	**2,570,256**	**2,668,314**	**2,769,583**

Surplus/(Deficit) before capital grants & contributions & one-off sales	**(2,392,139)**	**(233,275)**	**2,158,864**	**1025.46%**	**1,254,160**	**2,090,635**	**2,124,529**	**2,208,060**	**2,294,304**	**2,383,353**	**2,475,304**	**2,570,256**	**2,668,314**	**2,769,583**

*****_It is important to note that for budgeting purposes refurbishment/upgrade of Terralong ILUs were classified as capital, these expenses will be reclassified as operational for the purpose of end of year financial reporting, in line with AASB116 (circa $2M/year). This will have significant unfavourable impact on financial results for Blue Haven shown above._

Income Statement – Holiday Parks - Base Case

Description	Current Year 23/24				Long Term Financial Plan (LTFP)									
	YTD Actual 24POACT	23/24 24POBR3	Var $	% of Budget	24/25 25PODRF	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34
Income														
User charges and fees	10,128,981	11,063,330	934,349	91.55%	11,212,288	11,660,780	12,127,211	12,612,299	13,116,792	13,641,463	14,187,122	14,754,607	15,344,791	15,958,582
Other Revenue	9,230	1,716	-7,514	537.88%	1,938	1,938	1,938	1,986	2,036	2,087	2,139	2,192	2,247	2,303
Grants, subsidies, contributions and donations - Operating	83,380	0	-83,380	0.00%	0	0	0	0	0	0	0	0	0	0
Capital Grants & Contributions	0	0	0	0.00%	0	0	0	0	0	0	0	0	0	0
Other Income	0	0	0	0.00%	0	0	0	0	0	0	0	0	0	0
Profit / Loss	0	0	0	0.00%	0	0	0	0	0	0	0	0	0	0
Internal Revenue	39,273	0	-39,273	0.00%	0	0	0	0	0	0	0	0	0	0
Total Income	10,260,863	11,065,046	804,182	92.73%	11,214,226	11,662,717	12,129,149	12,614,285	13,118,827	13,643,550	14,189,260	14,756,799	15,347,038	15,960,886
Expense														
Employee Benefits	314,349	396,998	82,649	79.18%	438,799	451,963	465,522	479,488	493,872	508,688	523,949	539,668	555,858	572,533
Borrowing Costs	66,989	72,973	5,984	91.80%	60,873	49,801	37,850	25,808	13,675	2,345	0	0	0	0
Materials & Contracts	5,437,875	5,924,949	487,074	91.78%	6,228,099	6,244,950	6,262,396	6,423,779	6,589,386	6,759,327	6,933,722	7,112,688	7,296,348	7,484,830
Depreciation & Amortization	567,703	619,926	52,222	91.58%	582,255	599,723	617,715	636,246	648,971	661,951	675,190	688,693	702,467	716,517
Other Expenses	353,197	430,445	77,248	82.05%	430,445	430,445	430,445	441,206	452,236	463,542	475,131	487,009	499,184	511,664
Internal Expenditure	246,075	338,989	92,914	72.59%	841,237	842,383	842,383	842,383	842,383	842,383	842,383	842,383	842,383	842,383
Total Expense	6,986,188	7,784,280	798,091	89.75%	8,581,708	8,619,265	8,656,311	8,848,910	9,040,523	9,238,237	9,450,374	9,670,441	9,896,240	10,127,927
Surplus/(Deficit)	**3,274,675**	**3,280,766**	**6,091**	**99.81%**	**2,632,518**	**3,043,453**	**3,472,838**	**3,765,375**	**4,078,304**	**4,405,313**	**4,738,886**	**5,086,358**	**5,450,797**	**5,832,959**

Surplus/(Deficit) before capital grants & contributions	**3,274,675**	**3,280,766**	**6,091**	**99.81%**	**2,632,518**	**3,043,453**	**3,472,838**	**3,765,375**	**4,078,304**	**4,405,313**	**4,738,886**	**5,086,358**	**5,450,797**	**5,832,959**

Surplus/(Deficit) before capital grants & contributions & one-off sales	**3,274,675**	**3,280,766**	**6,091**	**99.81%**	**2,632,518**	**3,043,453**	**3,472,838**	**3,765,375**	**4,078,304**	**4,405,313**	**4,738,886**	**5,086,358**	**5,450,797**	**5,832,959**

Scenario 2- Income Statement – Consolidated – 10% Permanent SRV Scenario (Effective 2026/27, application in 2025/26)

Description	Current Year 23/24				Long Term Financial Plan (LTFP)									
	YTD Actual 24POACT	23/24 24POBR3	Var $	% of Budget	24/25 25PODRF	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34
Income														
Rates, Levies & Annual Charges	27,961,957	28,174,860	212,903	99.24%	29,179,110	29,925,543	33,233,153	34,401,076	35,621,556	36,896,957	38,229,752	39,622,522	41,077,967	42,598,906
User charges and fees	21,558,111	23,476,121	1,918,010	91.83%	21,074,498	20,720,412	21,549,229	22,411,198	23,307,646	24,239,952	25,209,550	26,217,932	27,266,649	28,357,315
Interest & Investment Revenue	1,946,035	2,387,133	441,098	81.52%	1,839,454	1,840,450	1,840,450	1,840,475	1,840,500	1,840,527	1,840,553	1,840,581	1,840,609	1,840,638
Other Revenue	5,785,028	6,250,736	465,708	92.55%	3,990,063	3,329,324	3,329,324	3,412,557	3,497,871	3,585,318	3,674,950	3,766,824	3,860,995	3,957,520
Grants, subsidies, contributions and donations - Operating	16,652,141	19,613,029	2,960,888	84.90%	8,268,110	4,271,778	4,364,345	4,459,226	4,556,480	4,087,078	4,189,255	4,293,986	4,401,336	4,511,369
Capital Grants & Contributions	7,922,213	14,345,789	6,423,576	55.22%	4,191,992	2,752,742	2,796,560	2,841,474	2,887,511	2,934,699	2,983,066	3,032,643	3,083,459	3,135,546
Other Income	0	100	100	0.00%	0	0	0	0	0	0	0	0	0	0
Profit/Loss from sale of assets	3,032,941	3,920,722	887,782	77.36%	2,946,200	4,374,200	10,400,200	1,174,200	1,174,200	1,174,200	1,174,200	1,174,200	1,174,200	1,174,200
Internal Revenue	7,458,463	9,144,203	1,685,741	81.56%	8,571,106	8,059,375	8,059,375	8,059,375	8,059,375	8,059,375	8,059,375	8,059,375	8,059,375	8,059,375
Total Income	92,316,887	107,312,693	14,995,806	86.03%	80,060,533	75,273,823	85,572,635	78,599,581	80,945,139	82,818,105	85,360,701	88,008,063	90,764,589	93,634,869
Expense														
Employee Benefits	37,136,466	38,027,468	891,002	97.66%	29,934,089	27,236,057	27,479,118	28,303,492	29,152,597	30,027,174	30,927,990	31,855,829	32,811,504	33,795,850
Borrowing Costs	937,434	548,926	-388,508	170.78%	362,933	120,406	104,339	88,086	71,645	55,909	49,055	44,443	39,725	34,898
Materials & Contracts	37,375,100	36,579,445	-795,655	102.18%	28,721,858	24,462,863	22,389,484	23,049,617	23,991,922	24,693,474	25,413,283	26,151,832	26,909,618	27,952,152
Depreciation & Amortization	11,130,845	12,370,079	1,239,234	89.98%	9,655,660	9,888,514	10,185,170	10,490,725	10,700,539	10,914,550	11,132,841	11,355,498	11,582,608	11,814,260
Other Expenses	869,882	1,164,825	294,943	74.68%	1,150,208	1,141,146	1,139,646	1,106,457	1,134,118	1,162,471	1,191,533	1,221,321	1,251,854	1,283,151
Internal Expenditure	7,460,467	9,144,203	1,683,736	81.59%	8,571,106	8,059,375	8,059,375	8,059,375	8,059,375	8,059,375	8,059,375	8,059,375	8,059,375	8,059,375
Total Expense	94,910,194	97,834,947	2,924,752	97.01%	78,395,854	70,908,361	69,357,132	71,097,752	73,110,196	74,912,953	76,774,077	78,688,299	80,654,685	82,939,685
Surplus/(Deficit)	**(2,593,307)**	**9,477,746**	**12,071,053**	**(27.36%)**	**1,664,678**	**4,365,462**	**16,215,504**	**7,501,829**	**7,834,943**	**7,905,151**	**8,586,625**	**9,319,764**	**10,109,904**	**10,695,183**
Surplus/(Deficit) before capital grants & contributions	**(10,515,520)**	**(4,868,043)**	**5,647,477**	**216.01%**	**(2,527,314)**	**1,612,720**	**13,418,944**	**4,660,355**	**4,947,432**	**4,970,452**	**5,603,558**	**6,287,121**	**7,026,445**	**7,559,638**
Surplus/(Deficit) before capital grants & contributions & one-off sales	**(13,548,460)**	**(8,788,765)**	**4,759,695**	**154.16%**	**(5,473,514)**	**(2,761,480)**	**3,018,744**	**3,486,155**	**3,773,232**	**3,796,252**	**4,429,358**	**5,112,921**	**5,852,245**	**6,385,438**

Scenario 3 - Income Statement – Consolidated – Status Quo – Budget Savings Strategies not Implemented

Description	Current Year 23/24				Long Term Financial Plan (LTFP)									
	YTD Actual 24POACT	23/24 24POBR3	Var $	% of Budget	24/25 25PODRF	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34
Income														
Rates, Levies & Annual Charges	27,961,957	28,174,860	212,903	99.24%	29,179,110	29,925,543	30,944,624	32,009,563	33,122,424	34,285,365	35,500,638	36,770,598	38,097,706	39,484,534
User charges and fees	21,558,111	23,476,121	1,918,010	91.83%	21,074,498	20,720,412	21,549,229	22,411,198	23,307,646	24,239,952	25,209,550	26,217,932	27,266,649	28,357,315
Interest & Investment Revenue	1,946,035	2,387,133	441,098	81.52%	1,839,454	1,840,450	1,840,450	1,840,475	1,840,500	1,840,527	1,840,553	1,840,581	1,840,609	1,840,638
Other Revenue	5,785,028	6,250,736	465,708	92.55%	3,990,063	3,329,324	3,329,324	3,412,557	3,497,871	3,585,318	3,674,950	3,766,824	3,860,995	3,957,520
Grants, subsidies, contributions and donations - Operating	16,652,141	19,613,029	2,960,888	84.90%	8,268,110	4,271,778	4,364,345	4,459,226	4,556,480	4,087,078	4,189,255	4,293,986	4,401,336	4,511,369
Capital Grants & Contributions	7,922,213	14,345,789	6,423,576	55.22%	4,191,992	2,752,742	2,796,560	2,841,474	2,887,511	2,934,699	2,983,066	3,032,643	3,083,459	3,135,546
Other Income	0	100	100	0.00%	0	0	0	0	0	0	0	0	0	0
Profit/Loss from sale of assets	3,032,941	3,920,722	887,782	77.36%	2,946,200	4,374,200	10,400,200	1,174,200	1,174,200	1,174,200	1,174,200	1,174,200	1,174,200	1,174,200
Internal Revenue	7,458,463	9,144,203	1,685,741	81.56%	8,571,106	8,059,375	8,059,375	8,059,375	8,059,375	8,059,375	8,059,375	8,059,375	8,059,375	8,059,375
Total Income	92,316,887	107,312,693	14,995,806	86.03%	80,060,533	75,273,823	83,284,106	76,208,068	78,446,007	80,206,512	82,631,587	85,156,138	87,784,328	90,520,496
Expense														
Employee Benefits	37,136,466	38,027,468	891,002	97.66%	29,934,089	27,236,057	27,479,118	28,303,492	29,152,597	30,027,174	30,927,990	31,855,829	32,811,504	33,795,850
Borrowing Costs	937,434	548,926	-388,508	170.78%	362,933	120,406	104,339	88,086	71,645	55,909	49,055	44,443	39,725	34,898
Materials & Contracts	37,375,100	36,579,445	-795,655	102.18%	28,721,858	26,102,863	25,669,484	26,329,617	27,271,922	27,973,474	28,693,283	29,431,832	30,189,618	31,232,152
Depreciation & Amortization	11,130,845	12,370,079	1,239,234	89.98%	9,655,660	9,888,514	10,185,170	10,490,725	10,700,539	10,914,550	11,132,841	11,355,498	11,582,608	11,814,260
Other Expenses	869,882	1,164,825	294,943	74.68%	1,150,208	1,141,146	1,139,646	1,106,457	1,134,118	1,162,471	1,191,533	1,221,321	1,251,854	1,283,151
Internal Expenditure	7,460,467	9,144,203	1,683,736	81.59%	8,571,106	8,059,375	8,059,375	8,059,375	8,059,375	8,059,375	8,059,375	8,059,375	8,059,375	8,059,375
Total Expense	94,910,194	97,834,947	2,924,752	97.01%	78,395,854	72,548,361	72,637,132	74,377,752	76,390,196	78,192,953	80,054,077	81,968,299	83,934,685	86,219,685
Surplus/(Deficit)	**(2,593,307)**	**9,477,746**	**12,071,053**	**(27.36%)**	**1,664,678**	**2,725,462**	**10,646,974**	**1,830,316**	**2,055,811**	**2,013,559**	**2,577,511**	**3,187,840**	**3,849,644**	**4,300,811**

Surplus/(Deficit) before capital grants & contributions	**(10,515,520)**	**(4,868,043)**	**5,647,477**	**216.01%**	**(2,527,314)**	**(27,280)**	**7,850,414**	**(1,011,159)**	**(831,700)**	**(921,140)**	**(405,556)**	**155,197**	**766,184**	**1,165,265**
Surplus/(Deficit) before capital grants & contributions & one-off sales	**(13,548,460)**	**(8,788,765)**	**4,759,695**	**154.16%**	**(5,473,514)**	**(4,401,480)**	**(2,549,786)**	**(2,185,359)**	**(2,005,900)**	**(2,095,340)**	**(1,579,756)**	**(1,019,003)**	**(408,016)**	**(8,935)**