

LONG TERM FINANCIAL PLAN 2024-2034

DRAFT

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Shire Council

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Executive Summary

The LTFP provides the financial outlook of Council over the next 10 years across all three (3) funds – general fund, water fund and sewer fund. Detailed financial forecasts are included for all three funds, as well as at the consolidated level. Each fund is required to be ringfenced and separately accounted for, and income generated in one fund cannot be used to fund expenditure in other funds.

In recent years, Council's General Fund has recorded net operating deficits as rising costs have outpaced revenue growth, largely due to constraints imposed on Councils by the pricing regulator, the Independent Pricing and Regulatory Tribunal (IPART). Rising costs can be attributed to inflation, wage increases, the cost of construction, emerging costs like cyber security and new regulatory and compliance costs.

In the absence of fundamental changes, these General Fund operating deficits are projected to continue over the next 10 years.

Council has been implementing a Financial Sustainability Program since 2019. Given the maturity of the Council organisation, this program has focused on implementing a number of foundational system and process improvements, understanding and addressing key strategic and operational risks, and ensuring an appropriate level of corporate governance exists across all aspects of Council's operations.

These actions have resulted in financial improvements in a number of cases, as detailed in the 'Historical Financial Improvements' table within this document. However, these Financial Sustainability Program actions have also resulted in increased expenditure in some situations, where investment has been needed to better manage risk to acceptable levels, or to provide the structures, systems and information to simply manage Council's operations (e.g. asset management).

Council's Financial Sustainability Program ([Appendix 1](#)) has been revised to focus on areas that will have the most beneficial financial impact. The revised Financial Sustainability Program has been shaped by both community feedback received throughout the Special Rate Variation (SRV) investigation process and identified actions from Council's continued pursuit of operational and financial efficiencies. The Financial Sustainability Program now includes 24 initiatives with clear 2024-25 financial year actions and delivery targets. An internal steering committee will be established to oversee the delivery of these items, with quarterly updates reported to Council as part of the quarterly Corporate Performance report.

The implementation of the Financial Sustainability Program actions will be a primary focus for the 2024-25 financial year. While Council has applied to IPART to increase rates so that it can return to a sustainable operating result, thereby allowing Council to continue delivering existing services to the community, it is intended that financial improvements resulting from this program will enable any future SRV rate increases to be minimised.

It should be noted that Council is not alone in facing these challenges. Of note:

- 17 Councils applied to IPART for a SRV last financial year and a further 9 have applied this year;
- on average there have been 14 SRV applications each year to IPART;
- over the past five financial years 74 (58%) of the 128 NSW councils reported three or more General Fund operating deficits; and
- as a result, both the State and Federal Governments have recently launched inquiries into the financial sustainability of councils.

The outcome of Council's application to IPART for an SRV will be determined in May 2024. Until such time, the General Fund LTFP property rate forecasts include the proposed SRV increases over the next three years of 7.9%, 15% and 15%, which equates to 42.7% when compounded.

Council's strategy to apply for a lower increase of 7.9% in the 2024-25 financial year was to allow time to carefully consider further cost reduction options and reductions to services in order to not have to apply the full 15% increases in the 2025-26 and 2026-27 financial years. This commitment reflects the resolution at the November 2023 council meeting when the decision to apply for a SRV was made by Council.

The Environmental Levy, Domestic Waste charges, and Water and Sewer rates and charges are not subject to, or a part of, the proposed SRV increases. These rates are increasing at CPI, which is 3.3%, 3.1% and 2.6% for the 2024-25 to 2026-27 years respectively, as forecast and published by the RBA in February 2024. Beyond 2026-27 a standard 2.5% CPI rate has been applied across the remaining years of the LTFP.

Also included in this LTFP are scenarios showing the General Fund operating result without the SRV increases and removing expenditure to address asset backlog.

The base case LTFP statements can be found in [Appendix 2 through 5](#).

More detail on the Scenarios can be found in the [Scenarios](#) section and [Appendix 6](#).

Introduction

Integrated planning and reporting

The Integrated Planning and Reporting Framework requires every NSW council to undertake strategic planning that is based on community engagement and ensures that its activities are informed by long term plans for their finances, assets, and workforces.

The Integrated Planning and Reporting framework is designed so that the council and community both have a clear picture of:

1. Where we want to go (Community Strategic Plan);
2. How we plan to get there (Delivery Program, Operating Plan and Resourcing Strategy, including the Long-Term Financial Plan); and
3. How we will measure our progress (quarterly and annual reporting and the End of Term Report).

The planning and reporting process ensures that Council's planning is aligned with the community's vision for the future, and that the planning process and the implementation of the Delivery Program is transparent, and those charged with its delivery held accountable.



The Long-Term Financial Plan (LTFP) is an important part of Council's strategic planning process. The LTFP is where Council projects the financial implications of delivering the community's vision for the future; and the aspirations and goals of the community are tested against financial realities. It outlines the pressures and economic drivers behind Council's expected long-term future. Expected growth rates are aligned with community expectations of service delivery and community projects and the social outcomes outlined in the Community Strategic Plan.

Council will seek to answer the following questions with the LTFP:

- Can we survive the pressures of the future?
- What are the opportunities for future income and economic growth?
- Can we afford what the community wants?
- What efficiencies are we aiming for?
- How can we achieve the anticipated outcomes?

When developing the LTFP, consideration is given to:

- Planning assumptions used to develop the plan;
- Projected income and expenditure, balance sheet and cash flow statement;
- Sensitivity analysis (factors/assumptions most likely to affect the plan);
- Financial modelling for different scenarios; and
- Methods of monitoring financial performance.

The LTFP must be for a minimum of 10 years and is updated annually as part of the development of the Operational Plan. The LTFP is also reviewed in detail as part of the four-yearly review of the Delivery Program as part of the Community Strategic Plan.

The objectives of the Kempsey Shire Council LTFP are to:

- Respond to the changing aspirations and needs of the Macleay Valley, particularly as they are identified and prioritised in the Community Strategic Plan;
- Reflect the true financial position based on the current service levels;
- Ensure the financial sustainability of Council's services for the community;
- Support the implementation of Council's Community Strategic Plan and Delivery Program as an integral component of Council's Resourcing Strategy;
- Guide our future Operational Plan and Council's ability to invest in new services and infrastructure, and maintain existing assets; and
- Address Council's legislative requirements for integrated planning and reporting.

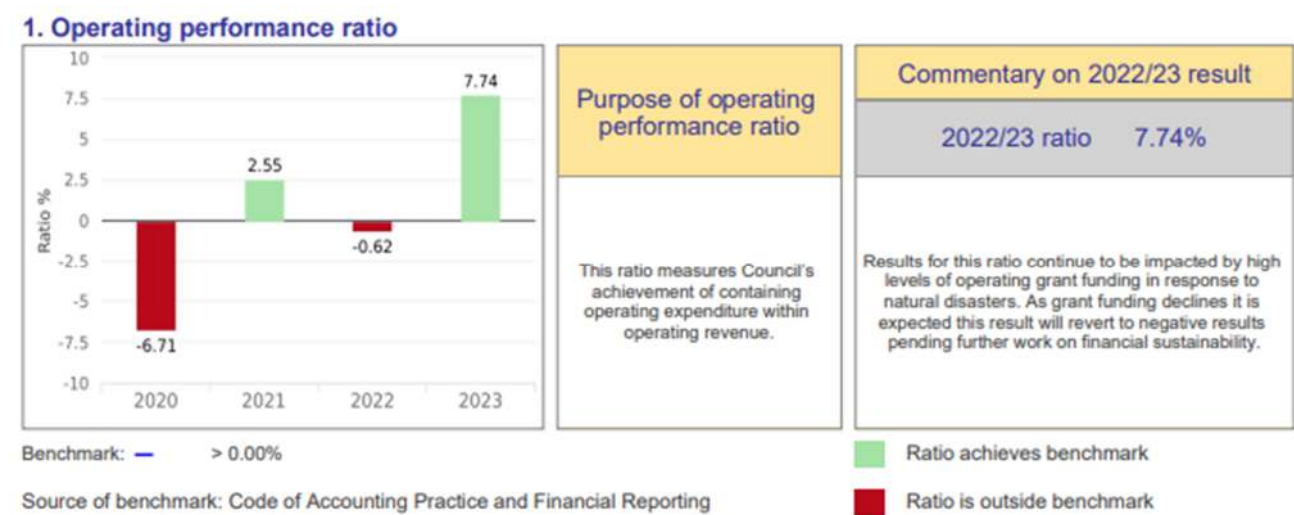
Current and Historical Financial Position

In March 2013 NSW Treasury Corporation issued a report on the independent assessment of Kempsey Shire Council’s financial capacity and its future sustainability.

The report observed that Council was in a weak and deteriorating operating position. This observation was largely a factor of consecutive operating deficits that had been posted (when capital grants and contributions were excluded). Additionally, NSW Treasury Corporation noted that there had been an increase in the Infrastructure Backlog and that the Asset Maintenance was consistently below benchmark.

Since the time of the NSW Treasury Corporation report, a 37.54% cumulative increase in rates has been implemented. The rate rise was approved by the Independent Pricing and Regulatory Tribunal (IPART) to sustain service levels to the community and to meet infrastructure maintenance costs (particularly the road network). This, along with lower operating expenditure levels as Council embarked on organisational transformation, resulted in an improved operating performance over the 2016-17 and 2017-18 financial years. However, the Operating Performance Ratio deteriorated in 2018-19 and 2019-20 due in part to timing of the receipt of operating grants and cost increases associated with historical staff competency assessments, as well as Council adequately resourcing critical functions, such as asset management.

The Operating Performance Ratio in the figure below has mostly been below or close the benchmark of breakeven (0%) for years before 2023. The improved result in 2023 was principally due to the timing of the receipt of operating grant funds rather than any permanent underlying financial improvements. Significant operating grant funding relating to Natural Disaster Recovery was received in June 2023. Furthermore, a large portion of the Federal Government Financial Assistance Grant was received in advance. These large injections of revenue overstate the underlying 2022-23 result. The ratios below are the consolidated result for all three funds, which includes the strong operating result in the Sewer Fund.



Source: 2022-23 Annual Report.

Note: The above chart reflects the consolidated result for all three funds (General, Water and Sewer).

Audited Financial Position

Council's audited financial reports for the year ended 30 June 2023 provide the starting point for reviewing the LTFP. The following tables summarise Council's most recently audited financial position:

Income Statement	2022-23	2021-22 Restated
	\$'000	\$'000
Income	130,554	116,248
Expenses	92,801	86,406
Net Operating Result for the Year	37,753	29,842
Net Operating Result before Grants and Contributions provided for Capital purposes	1,836	4,690

Statement of Financial Position	2022-23	2021-22 Restated
	\$'000	\$'000
Total Assets	1,504,650	1,343,655
Total Liabilities	116,670	109,281
Total Equity	1,387,980	1,234,374

Statement of Cash Flows	2022-23	2021-22
	\$'000	\$'000
Cash, Cash Equivalents and Investments - Opening Balance	104,720	87,987
Cash, Cash Equivalents and Investments - Closing Balance	113,113	104,720
Movement for Year	8,393	16,733

Note: The above tables reflect consolidated financial results.

Financial Performance Indicators

Included within the audited Financial Statements are the following ratios which indicate Council's performance compared to the previous year, together with the associated benchmarks.

Indicator	2022-23	2021-22 Restated	Benchmark
Operating performance ratio	7.7%	(0.6)%	> 0%
Own source operating revenue ratio	55.5%	57.5%	> 60%
Unrestricted current ratio	1.52	1.92	> 1.5
Debt service cover ratio	4.54	3.88	> 2.0
Rates and annual charges outstanding ratio	8.3%	9.6%	< 10%
Cash expense cover ratio (in months)	11.41	13.24	> 3.0
Building and infrastructure renewal ratio	40.6%	37.3%	> 100%
Infrastructure backlog ratio	7.0%	8.6%	< 2%
Asset maintenance	94.2%	96.5%	> 100%

Note: The above indicators reflect consolidated results.

Consistently achieving a positive operating performance ratio is one of Council's major challenges. This is made even more difficult due to the asset maintenance ratio being below benchmark which means more operating costs are required to meet this target which in turn will further negatively impact the operating performance ratio.

Over the last five years, Council's LTFPs have been forecasting increasing deficits into the future and has included scenarios with potential SRV rate increases in order to show the required increases in rates so that Council does not operate at a loss (deficit).

After an investigation into whether Council should apply for a SRV during April to November 2023, Council decided to apply to IPART to increase rates above the rate peg by way of an SRV to ensure Council does not continue to operate at a loss into the future and remains financially sustainable.

The outcome of this will not be known until May 2024.

Financial sustainability is a key issue for a number of NSW councils regardless of their size or location (urban vs regional vs rural), and 38% of Councils reported deficits in the 2021-22 year¹.

Longer Term Financial Position

Council's longer term financial goals are:

- Modest operating surpluses to insulate Council from unforeseen events.
- The provision of current service levels and where appropriate, increased service levels to meet community expectations.
- Reduce or eliminate the infrastructure backlog.
- Maintain adequate levels of debt/equity funding.
- A program of activity that see Council's assets appropriately leveraged for the long-term benefit of the Macleay Valley community.
- Ensure appropriate levels of cash reserves are maintained for future projects and asset renewal management.
- Ensure appropriate investment in the maintenance of assets.

A summary of the LTFP forecasts over the next 10 years from 2024-25 to 2033-34 are as follows:

- **Consolidated (all three funds):** \$47M cumulative surplus (\$6M for General Fund, \$18M for Water Fund and \$23M for Sewer Fund). The 10-year capital program across all three funds is \$650M requiring \$218M in new loans to fund the program. Council is expecting to receive \$168M in grant funding from external sources to assist in the funding of the program.
- **General Fund:** \$6M cumulative surplus over the next ten years. This is based on the proposed SRV rate increases for property rates. Without these increases the cumulative deficit would be \$80M (see [Scenario 1: General Fund – Rate peg only](#)). While a number of financial sustainability initiatives are being implemented, an SRV is the only realistic way to return the General Fund to a surplus position without substantial service reductions and significant reductions in asset maintenance. Significant reductions in asset maintenance would be a short-term financial solution only and would result in substantially greater asset maintenance spend in future years as more assets begin to fail and cost more to repair.

General Fund has a \$337M capital program over the next 10 years, which includes capital

¹ Excludes IPP&E fair value movements through the income statement (as per LG Debits and Credits March 2023)
Kempsey Shire Council | Long Term Financial Plan 2024-2025 to 2033-2034

works to ensure the backlog does not increase over this time. This prevents assets from not further deteriorating while improving those that are most in need. This program will effectively maintain current service levels for most assets across the Shire. Council will need to borrow \$48M in loans to fund the capital program. Some of the major works, such as flood repair works and the Kempsey Regional Saleyards upgrade project, are fully grant funded, so general ratepayer funds are not required. The General Fund is expecting to receive \$118M in grant funding from external sources to assist in the funding of the program over the next 10 years.

- **Water Fund:** \$17M cumulative surplus over the next ten years. Despite historical deficits, the Water fund is currently financially sustainable. It has a \$82M Capital program over the next 10 years which will require an additional \$25M in loans to assist in funding the program but can adequately service these loans. The Water Fund is also expecting to receive \$18M in grant funding from external sources to assist in the funding of the program.
- **Sewer Fund:** \$23M cumulative surplus over the next ten years. The Sewer Fund is forecasting a sizeable capital program of \$230M over the next 10 years. This is due to ageing sewer infrastructure assets that are close to or past their end of life and are expensive to replace. Also included in the program is the Stuarts Point Sewerage Scheme, which is expected to cost about \$55M.

The Sewer Fund has been steadily increasing rates and charges in recent years to fund this large capital program. This level of capital expenditure would require significant borrowings of about \$145M. Council is unlikely to be able to borrow, or service, that level of funding without significant changes. This is evidenced in the current forecast which shows the Sewer Fund going into deficit in the last three years of the LTFP due to high borrowing costs. Council is actively seeking additional external grant funding and advocating to higher levels of government to assist in the delivery of the program. Until funding has been secured, the forecast will need to show these deficits as the capital works cannot be further delayed.

The Sewer Fund is currently expecting to receive \$32M in grant funding from external sources (both State and Federal). The Sewer Fund requires significantly more funding to be financially sustainable. Council is currently reviewing options including additional funding options from the State and / or Federal governments. This remains a key risk to be managed.

Financial Sustainability

In response to the historical ongoing net operating deficits, and as an outcome from the organisational transformation that commenced in 2018, Council developed a Financial Sustainability Strategy to deliver long term financial sustainability. This strategy and the associated Financial Sustainability Roadmap were adopted by Council in April 2019.

The key objectives of the adopted Financial Sustainability Strategy were:

1. To provide Council and the Executive Leadership Team with a program that will deliver financial sustainability for Kempsey Shire Council; and
2. To achieve financial sustainability for Council through:
 - the integration and alignment of service and financial outcomes through the Long-Term Financial Plan, the Community Strategic Plan and Delivery Program;
 - enabling a culture of innovation, financial literacy, and accountability to ensure decision making at every level is aligned to positive community outcomes;
 - working with the community on determining service level expectations and agreed

- associated funding sources; and
- the development of better practices, enabling systems and processes.

Council's Financial Sustainability Strategy and Financial Sustainability Roadmap identified 28 key initiatives designed to deliver long term financial sustainability and were organised into three core themes as summarised below.

Figure 1: Financial Sustainability Strategy core themes



Strong progress in implementing the various financial improvement initiatives was achieved across the following key categories of the financial sustainability strategy and associated roadmap:

- Financial
- Asset management
- Information systems
- Strategic alignment
- Service delivery

Updates on the progress of implementing the Financial Sustainability Strategy were reported to Council on a quarterly basis. A number of financial sustainability initiatives were progressed to the point of being either complete or have become part of normal operations and where continuous improvement in these areas is now a normal part of business-as-usual activity. There are longer term initiatives that continue to progress as planned, such as asset management capability and water and sewer business planning and strategic alignment initiatives.

These initiatives delivered a number of significant foundational financial improvements, including the following:

- Implementation of a new finance system.
- Substantially improved budgeting and forecasting processes.
- Significantly improved financial management reporting to budget owners, the Executive Leadership Team and Council, enabling improved financial understanding, budget management and decision making.
- Implementation of asset management improvements, including strategy, increasing internal capability and systems to improve asset data capture and reporting.

- Implementation of a Project Management Office, including the development of a project management framework to assist in project prioritisation, governance and reporting related to project delivery and the establishment of a team of skilled project managers to deliver Council's significant capital program in a more efficient and cost-effective manner.
- A range of process improvements and training leveraging existing technologies.
- Engagement of an external investment advisor to better manage Council's cash and investments.
- Improved management of Council's commercial businesses resulting in Kempsey Regional Saleyards being leased to a private operator and significant capital and operating expenditure, and therefore, revenue improvements to the Council's Macleay Valley Coast Holiday Parks.
- Financial and environmental benefits have been recognised through:
 - Renegotiation of cheaper electricity contracts with locked in long term fixed prices.
 - Savings from rooftop solar projects at Council's Civic Centre and Slim Dusty Centre.
 - The replacement of streetlights with LED globes that use less energy and last longer.
- Significantly increased integration in Council's annual strategic planning processes.
- Development of master plans and key strategies.
- Establishment of a highly functioning internal audit function and Audit, Risk & Improvement Committee.
- A service review framework and toolkit has been developed and is in the process of being implemented.

Additionally, the implementation of the organisational transformation program, which was endorsed by Council in 2017 and commenced with the recruitment of the new Executive Leadership Team in 2018, over the past 6 years has delivered significant operational performance improvements, including:

- Stronger working relationships with the elected council representatives.
- Increased community satisfaction with council's performance and services.
- Increased employee engagement outcomes and improved organisational culture (as recognised with being awarded the Employer of Choice at the 2019 and 2021 Macleay Valley Business Awards).
- Greater financial management understanding and awareness.
- Improved risk management and corporate governance.
- Significantly improved work, health and safety outcomes – resulting in our employees being safer and lower costs through workers compensation claims and premiums.
- Better asset management practices leading to improved financial performance, better asset decision making, a decrease in risk, an improvement in service outcomes, and therefore maximising the assets contribution to the community.
- Technology improvements across the organisation.
- A 20% reduction in Executive Leadership Team positions (five reduced to four) and 28% reduction in Senior Leadership Team positions (18 reduced to 13).

The below 'Historical Financial Improvements' table shows some of the more material savings that Council has achieved over the last 5 years.

Year	Initiative	Description	Est. Saving
2018-19	Restructure	Managers reduced by four positions created ongoing savings.	\$600,000 per annum ongoing
2018-21	Workers Compensation Insurance cost reduction	Improved management of long-term injury claims and proactive return to work process delivered significant reductions in ongoing premiums.	\$335,000 per annum ongoing
2019-20	Definitiv (payroll system) implementation	Material paper savings and efficiency in staff time. Equivalent of one FTE gain.	\$100,000 per annum ongoing
2019-20 2021-22	Installation of Solar and LED lights	Civic Centre and Slim Dusty Centre	\$82,000 per annum ongoing
2020-21	Saleyards leased out	10+ 10-year lease for management, operation and maintenance of Saleyards facility.	\$120,000 additional income per annum ongoing
2020-21 2021-22	Depreciation reduction	A comprehensive review of assets lives was conducted which resulted in an extension of asset lives resulting in lower depreciation. \$3.7M General Fund and \$1.7M Water and Sewer Funds.	\$5.4M reduction to ongoing depreciation base.
2021-ongoing	Power Purchasing Agreement	Signed seven-year agreement to lock in a fixed price, achieved before significant market price increases. From 2025 large sites and street lighting will be 100% renewable energy. Avoiding recent retail and wholesale electricity price escalations	\$53,233 per annum ongoing
2021-22	Sale of Vacant Land	Sale of unused Council owned land in Kempsey.	\$343,000 one off
2022	Electricity tariff optimisation assessment	Reduced electricity costs	\$60,000 per annum ongoing
2022-23	Relocation of Kempsey Visitor Information Centre (VIC)	VIC now co-located at Slim Dusty Centre following Council's acquisition of the building. Promoting and staffing one inclusive visitor location created ongoing savings.	\$38,000 per annum ongoing
2022-23	Holiday Park profitability	Investment in Council's five holiday parks on Crown Land, generating increased profit, reducing need to supplement operations from General Fund.	\$230,000 per annum ongoing
2022-23	Microsoft Enterprise	Renegotiated corporate rates and Council package for Microsoft Enterprise software systems.	\$100,000 per annum ongoing
2022-23	LED Street light replacement program	Investing in LED bulbs resulting in lower electricity consumption and street light electricity usage bills	\$175,232 per annum ongoing
	Total	Total of per annum ongoing savings included in Long Term Financial Plan (LTFP)	\$7,294,324

Despite these improvements being implemented and the cost savings in a number of areas being achieved, Council is still forecasting General Fund operating deficits into the future without an increase in rates through an SRV.

This can be attributed to two primary factors:

- those operating items impacting ongoing **financial sustainability**; and

- the inclusion of capital and operating expenditure to address the **asset backlog**.

The factors impacting ongoing **financial sustainability** are:

- Costs growing at a faster rate than income. This is due to the following factors:
 - Council's rate revenue within the General Fund is pegged each financial year with the rate peg representing the maximum percentage amount councils may increase their general income in any given financial year. Councils must not increase their general income by more than the rate peg unless IPART approves a special variation. Rate pegs have been historically low with councils across NSW and peak Local Government Industry bodies for many years expressing concern around the methodology of rate pegging and Councils have been advised to use 2.5% in outer year forecasts. IPART recently implemented a new Rate Peg methodology which more accurately reflects the changes in costs that Councils incur in providing their services. The 2024-25 rate peg is 4.7% which is the highest it has ever been and the first time greater than 4%.
 - Labour costs represent more than 40% of Council's total General Fund costs, and even without any growth in underlying employee numbers, have historically increased at a rate greater than the rate peg. Council's labour costs increase in line with the current Local Government (State) Award which came into effect on 1 July 2023. Council has used the Award increases of 4.5%, 3.5% and 3.0% over the three years of the Award and added 0.5% to each year for salary progression and then assumed 3.0% per annum over the remaining life of the LTFP, all in excess of the future assumed rate peg. The LTFP also includes a \$1,000 one off payment to staff in both the 2024-25 and 2025-26 financial years, in line with the Award as well as the legislated increases in the Superannuation Guarantee Charges (SGC).
 - Other costs are growing at rates in excess of the 2.5% rate peg assumption. The LTFP assumes a CPI for the next three years of 3.3%, 2.1% and 2.6% as published by the RBA in February 2024.
- Council also has limited opportunity to develop own source revenue streams. While Council has several commercial businesses, these are:
 - either loss making or have limited ability to generate operating surpluses (e.g., Kempsey Airport, Kempsey Regional Saleyards, Slim Dusty Centre, Commercial Waste operations); or
 - require funds to be ringfenced with profits maintained in reserves with restrictions as to how those funds can be used (e.g., Macleay Valley Coast Holiday Parks and Domestic Waste Operations).
- The need for continued greater investment in key functions such as asset management, project management resourcing, strategic planning, risk management, internal audit, community engagement, information technology and cyber security. Historically, limited funds were allocated to these functions. Appropriate funding has been included within the LTFP in relation to these important corporate governance related functions. However, this results in an increased operating cost base going forward.

The inclusion of increased capital and operating costs in the LTFP to address the identified **asset backlog** relates to:

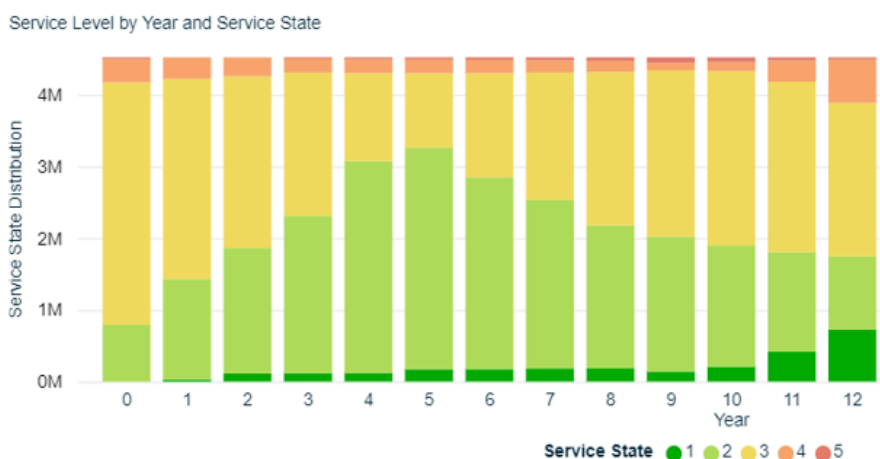
- Improved asset management systems and data which has enabled the more accurate identification and quantification of those assets requiring repair and / or replacement.
- Addressing the asset backlog will maintain Council's assets in a 'stable' condition. This approach will not significantly improve the overall quality of Council's assets but will result in them being maintained and prevent further deterioration. The projected asset condition

based on addressing the backlog is depicted in the chart below.

- Addressing the backlog increases required expenditure by \$7.0M in annual capital asset replacement and \$0.1M in annual repairs and maintenance costs. If the backlog is not addressed, these assets will deteriorate even further and cost even more to repair or replace in the future.
- In order to fund the backlog, Council will need to take out new loans as the current financial operating result does not generate sufficient cash flow to fund these costs. This is acceptable only in the situation where rate increases are approved and implemented. Without the SRV it is likely that Council would need to reconsider how much to invest in backlog, if at all.

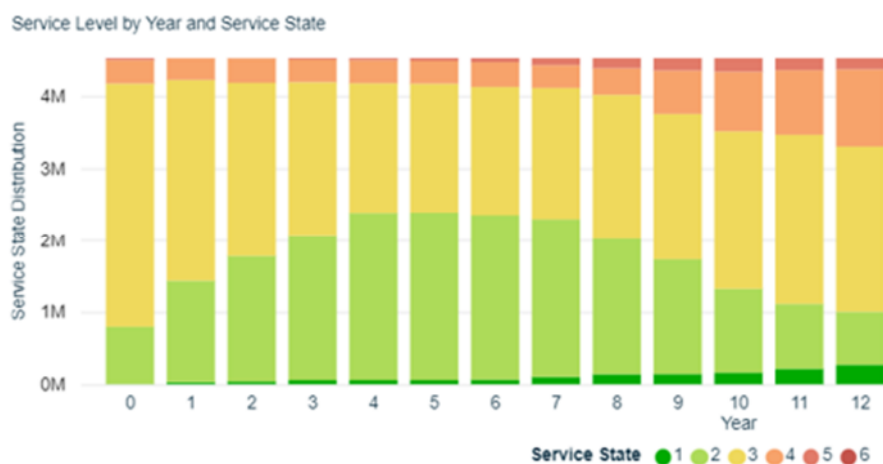
Additional expenditure has been included in the LTFP to address asset backlog. The below graphs show the predicted condition that sealed roads will be in over the next twelve years compared to if no investment was made in addressing the backlog.

Sealed roads with backlog investment.



Note: Service State 1 = Very good, whereas Service State 5 = Very poor

Sealed roads without backlog investment



The Council resolution to apply to IPART for an SRV at the November 2023 Council meeting included a commitment to undertaking further analysis and service reviews to identify additional cost savings and productivity improvements to improve Council's forecast financial position, potentially reducing the size of the future rate increases to be implemented. If Council can find additional savings, then Council may resolve not to increase rates to the proposed SRV levels (assuming IPART approves the SRV). The

revised Financial Sustainability Program has been further revised to focus on the critical items that may deliver real cost savings to Council.

The revised Financial Sustainability Program is largely focused on the General Fund given the large operating deficits forecast for that fund going forward. The development of the Integrated Water Cycle Management (IWCM) plan, which is currently being developed, will address the future planning, including financial sustainability, needed in relation to the Water and Sewer funds. Additionally, as noted earlier, significant proactive actions are being taken to secure additional grant funding to enable the Sewer Fund capital program to be delivered at the lowest possible cost to Council.

Appendix 1 contains the revised Financial Sustainability Program actions which will be reported on a quarterly basis to Council over the course of the 2024-25 financial year. The Financial Sustainability Program actions have been organised in accordance with the three core themes from the Financial Sustainability Strategy adopted in April 2019 (as noted in the chart on page 11), being:

1. Delivering best value to our community;
2. Striving to deliver better practices; and
3. Excellence in financial management.

Given the importance of the LTFP as a key component of Council's Integrated Planning & Reporting document suite, which is reviewed and updated annually, it is considered more appropriate to include financial sustainability strategies, initiatives, and actions within the LTFP going forward rather than within a separate strategy document. Consequently, future LTFPs will continue to incorporate Council's latest Financial Sustainability Program.

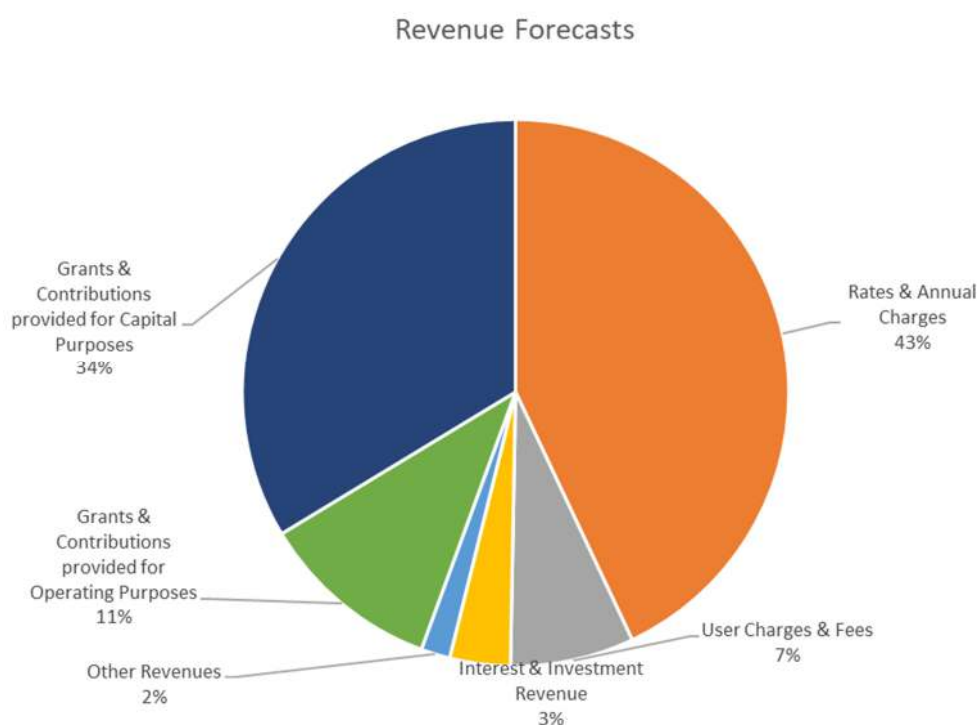
Assumptions

In seeking to project future financial position outcomes, Council reviewed the following planning assumptions which underpin the LTFP.

Planning Assumption	Assumption Basis
Population	Population growth within the local government area has been forecast at 1% per annum over the life of the LTFP. This is consistent with IPART population growth factor assumptions.
Inflation	The LTFP assumes a CPI of 3.3%, 3.1% and 2.6% for 2024-25 to 2026-27 as published by the RBA in February 2024. Beyond 2026-27 a standard 2.5% CPI rate has been applied across the remaining years of the LTFP.
Interest Rate Movements	Borrowing costs have used a long-term average of 6% for all new loans. Existing loans are forecast at their existing fixed rates. Interest on investments is assumed to be 1.5% less than borrowing costs (based on historical experience) at 4.5%.

Revenue Forecasts and Assumptions

The following chart shows the composition of Council's revenue for 2024-25 and provides an indication of the reliance on the various revenue streams.



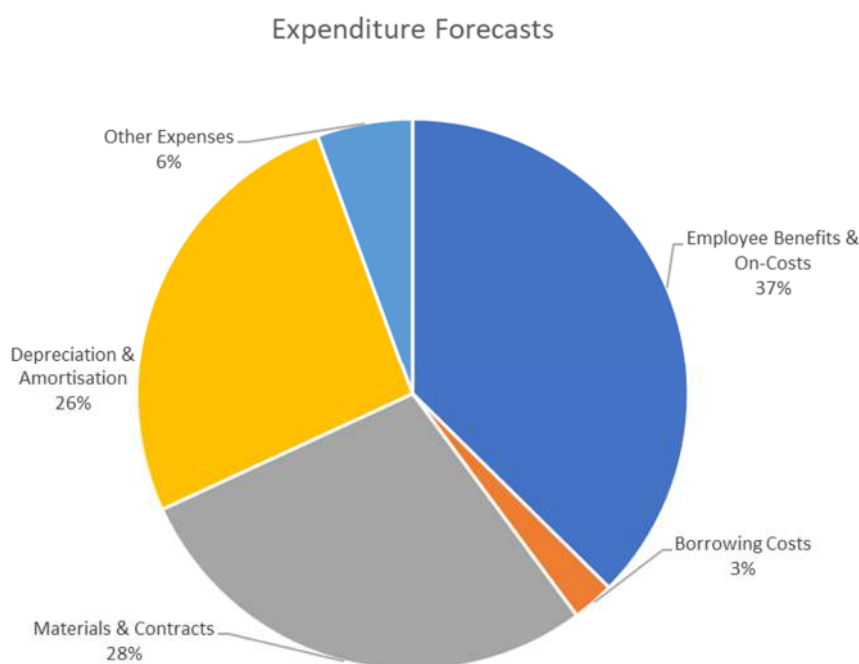
Key revenue related assumptions within the LTFP include the following:

Revenue area	Assumption Basis
Rates and Annual Charges	Rates and annual charges are a major component of Council's revenue base, comprising of approximately 43% of Council's revenue. It has been assumed that a continuation of the Environmental Levy Special Rate Variation, which is due to expire 30 June 2028, is approved.
(i) General Fund	The LTFP includes the proposed Special Rate Variation (SRV) increases of 7.9% (which is 3.2% above the approved rate peg of 4.7%) in 2024-25, and 15% increases for 2025-26 and 2026-27. From 2027-28 onwards, a rate peg amount of 2.5% has been assumed. This is consistent with long term CPI forecasts and historical actual rate pegs.
(ii) Water Fund	An increase of CPI (per the RBA) has been applied (3.3%, 3.1% and 2.6% for 2024-25 to 2026-27). A standard 2.5% CPI rate has been applied across the remaining years of the LTFP.
(iii) Sewer Fund	An increase of CPI (per the RBA) has been applied (3.3%, 3.1% and 2.6% for 2024-25 to 2026-27). A standard 2.5% CPI rate has been applied across the remaining years of the LTFP.
User Charges and Fees	Council annually establishes its fees and charges in accordance with the provisions of the <i>Local Government Act 1993</i> . A review of fees and charges has been undertaken with most fees and charges increasing at or around the 4.7% which accounts for the cost of labour to provide those services. Other fees have increased by CPI (for example Water and Sewer as mentioned above). Some fees and charges remained at 2023-24 levels due to legislative or other reasons, while certain categories of fees and charges increased by greater than CPI to reflect the cost of providing the service.

Revenue area	Assumption Basis
Grants – Operating and Capital	Council receives general purpose Financial Assistance Grants from the Commonwealth Government along with other grants and subsidies specific to programs. The LTFP assumes that the Federal Government Financial Assistance Grants and the Roads to Recovery Program will continue indefinitely based on the current arrangements. Other specific project grant income is included in the LTFP according to the year that the grant is forecast to be received and expended.
Interest on Investments	Interest on investments will vary depending on the amount of Council investments held at any point in time. The LTFP calculates the interest on investments based on an average of the beginning and ending investment balance in any one year. An assumed interest rate of 4.5% for all years has been applied for all years in the LTFP.
Other Revenues	Other revenue income has been budgeted based on increases in line with the CPI forecast.

Expenditure Forecasts and Assumptions

The following chart shows the composition of Council's expenditure for 2024-25. Much of Council's expenditure is regular and on-going.



Key expenditure related assumptions within the LTFP include the following:

Expenditure area	Assumption Basis
Employee Costs	Employee costs cover wages, all leave types, training, superannuation, and associated costs. The LTFP assumes growth in employee costs in accordance with the current Local Government (State) Award which took effect on 1 July 2023. Council has used the Award increases of 3.5% and 3.0% for the next two years and then added 0.5% for salary progression in each year, then 2.5% + 0.5% salary progression per annum over the remaining life of the LTFP. It also includes a \$1,000 one off payment to staff in the 2024-25 and 2025-26 financial years in line with the provisions of the Award.
Materials and Contracts	Materials and contracts costs cover all materials used in operational activities and major ongoing operational contracts, such as the domestic waste contract. These costs have been increased at CPI.
Depreciation	Council is required to revalue its assets on a five-year rolling program. Additionally, on an annual basis Council is required to undertake an assessment of the fair value of its assets in accordance with Australian Accounting Standards. This fair value assessment will impact depreciation to the extent that asset values increase or decrease. For the 2024-25 financial year the depreciation has been indexed based on the Rawlinson's Australian Construction handbook for various infrastructure types that align to Council's asset classes and the cost to construct in regional

Expenditure area	Assumption Basis
	areas. These indexes range between 8% to 13% depending on the asset class. For the outer years, an average rate using the historical Producer Price indexes has been used of 5.8% and then reduced by 2.5% to 3.3% and then kept at 2.5% for the remaining years. This is with the view that construction costs will start to align with expected reductions in inflation and return to the long-term target average of 2.5%. Council's forecasts are sensitive to these future unknown external factors and this can cause major impacts on Council's forecasts from one year to the next based on the most current data available at the time.
Borrowing Costs	Borrowing costs for each of Council's current loans have been calculated for each year and included in the LTFP. Borrowing costs for new loans assume an average long-term standard interest rate of 6%.
Other Expenses	Generally, other expenses have been budgeted to increase in line with the CPI forecast.

Scenarios and Sensitivities

Long-term financial plans are inherently uncertain as they contain a wide range of assumptions that are influenced by market forces beyond Council's control (for example interest rates and inflation). While some assumptions have a relatively limited impact if they are wrong, others could have a major impact on future financial plans.

Sensitivity analysis looks at "what if" scenarios. For example, what happens to Council's financial position if salary and wages increases are 1% higher than forecast, growth is half that forecast, or investment returns are 1% less than forecast in the plan.

Should the assumptions be inaccurate, Council will need to reconsider the current strategies on expenditure and revenue and realign the LTFP to fund any changes in expenses or revenues.

The following includes key areas of assumptions for potential impact in the 2024-2025 to 2033-2034 LTFP.

Rates and Annual Charges

Council is generally limited to a maximum increase for Rate and Annual Charges in line with the rate peg limit determined by the Independent Pricing and Regulatory Tribunal (IPART) unless approval is given for a Special Rate Variation (SRV) for General Fund rate income.

The rate peg has not kept pace with increasing costs and the 2.5% assumed future rate peg forecasts are also much lower than the expected short term cost increases as seen by recent high inflation and construction costs.

This has reached a point where many Councils are forecasting growing deficits driven by high expenditure forecasts and lower rates revenue. Council is in a similar position and has applied for a Special Rate Variation (SRV), with the proposed increases are factored into our rates revenue in the current LTFP.

Rates and annual charges make up approximately 43% (including SRV increases) of the consolidated budgeted 2024-25 operating revenue for Council.

Grants and Contributions

Council relies on income from both grants and contributions. The Federal Government Financial Assistance Grants and the Roads to Recovery grant programs combined constitute approximately 10% of Councils general fund revenue (excluding Capital Grant revenue).

Money provided under the Roads to Recovery Program is not intended to replace council spending on roads but to assist councils in their local road construction or maintenance.

The LTFP has been prepared with the assumption that the Federal Government Financial Assistance Grants and the Roads to Recovery Program will continue indefinitely based on the current arrangements.

Any changes to these contributions can have a large positive impact (if grant allowances are increased) or a large negative impact (if the allowances are reduced or withdrawn).

Employee Expenses

Employee costs make up 37% of the consolidated projected 2024-25 operating expenditure. This is reflective of the service-based nature of a significant proportion of Councils activities as well as

the construction and maintenance of the considerable infrastructure owned and operated by Council.

Council's ability to engage the necessary workforce to achieve the community's expectations are affected by internal and external forces. These include:

- Rising costs of employment
- Skills shortage
- Staff turnover
- Attraction and retention of quality staff
- Projected superannuation increases
- Movements in rates of pay being determined through industry wide award negotiations
- Award salary increases above CPI and rate pegging
- Changes in service levels.

Any significant changes in expenditure related to employee expenses will have a significant impact on Councils LTFP. Council will need to quickly adapt its original planned operations and offset a movement in this area.

Materials and Contracts

Materials and contracts make up a significant portion of projected 2024-25 operating expenditure. This is reflective of the considerable number of assets maintained by the Council and places the Council under considerable pressure from rising material costs including fuel. Any major unplanned events that increase these costs will also impact on the LTFP. Local government expenditure usually includes relatively high levels of materials and contracts expenditure. This places the Council under considerable pressure if items such as oil prices rise which impacts on both fuel and material prices. In addition, any new assets constructed or acquired will also increase material and contracts expenditure due to increased maintenance requirements.

Council Capital Works Program

The capital works program reflected in the LTFP is particularly sensitive to changes in the construction index. The construction index measures changes over time in the price of new construction, other than houses. Given that the renewal and construction of new infrastructure forms a substantial proportion of the budget any variations in the underlying pressures have the potential to significantly impact on Councils LTFP and/or the ability to deliver the capital works program. Many construction projects budgets have almost doubled since they were set a couple of years ago. This is most pronounced in the revised Sewer Fund capital program which has almost doubled from prior estimates of \$120M to \$230M. Roads, which is a large component of general fund capex, has seen the producer price index increase by about 21% over the last 5 years. This can impact on asset revaluations. This can have a flow on effect by restating current and forecast depreciation. This can pose a significant risk to depreciation and overall profitability.

Scenarios

Two scenarios have been included within Appendix 6 of the LTFP. The base case and these scenarios are detailed in the table below. They are General Fund scenarios only.

Scenario	Description	Rationale
Base Case	Proposed 10-year budget, using LTFP assumptions mentioned in the “Assumptions section”	This scenario represents Council’s proposed SRV rate increases and the best estimate of expenditure forecasts. The SRV rate increases included are 7.9%, 15% and 15% over the next three years, respectively. The base case assumes Council is successful in its SRV application.
Scenario 1	This scenario uses the proposed case above, but assumes Council is not successful in its SRV application. Rates are only increased by the 4.7% allowable rate peg in 2024-25 and then by 2.5% thereafter (which is currently the rate peg forecast generally used by Councils as advised by IPART). This may be subject to change going forward based on IPART’s new rate peg methodology.	The 4.7% rate peg increase means Council would be forecasting an \$80M cumulative deficit over the next 10 years. This is an increase of \$8M from the prior year LTFP. This reflects the expectation that the cumulative deficit would further deteriorate in the future; as the smaller deficit in the first year drops off and is effectively replaced by the new and even larger year 10 deficit. This occurs as a function of the LTFP advancing one more year into the future.
Scenario 2	This scenario uses scenario 1 (i.e. with only 4.7% rate increase) and removes expenditure related to keep future backlog under control as well as the \$0.5M per annum commitment to future savings.	By removing this expenditure, most of which is capital in nature, the deficit drops from \$80M in scenario 1 to \$68M. This is mainly due to lower loan borrowings which would be no longer required to fund the backlog capital works. This in turn reduces the borrowing costs and hence the overall deficit over the 10 years. It should be noted that the \$68M deficit is not far off the \$72M base case in the previously adopted LTFP. However, in this scenario, the backlog program would not be delivered and assets like roads would start to deteriorate. This means that when they eventually do have to be replaced it would cost a lot more as they will be in a very poor condition. Assets in a very poor condition can sometimes cost up to ten times more to replace than an asset in not so poor a condition. This is another reason the backlog program is part of our proposed case; as addressing it now saves a lot more in the future.

Appendix 1 Financial Sustainability Program

#	Theme	Program	Initiative(s)	Desired Outcome(s)	2024-25 Action(s)	Target	Responsible Department
1	Excellence in Financial Management	Vision for a financially sustainable future for Kempsey Shire Council	Facilitated workshop with Councillors and senior Council staff to define the future vision for a financially sustainable Kempsey Shire Council	Clearly defined and agreed vision that enables the vision of the Community Strategic Plan to be delivered while maintaining financial sustainability and infrastructure assets over the medium to long term Adopted integrated financial and asset management targets (note outcome of SRV process will have a significant impact on targets and their achievability)	1. Initial workshop within three months of 2024 council election 2. Finalise vision and updated Financial Sustainability Program adopted as part of IP&R document suite 3. Define and adopt integrated financial and asset management targets such as: (i) Operating Result %; (ii) unrestricted cash balance; (iii) asset renewal ratio; and (iv) infrastructure backlog %.	1. 31 December 2024 2. 30 June 2025 3. 30 June 2025	Executive Leadership Team (ELT)
2	Delivering Best Value to our Community	Delivery of identified cost savings	Implement actions to achieve the \$500,000 General Fund cost saving target included within the LTTP	Ongoing sustainable cost savings achieved	4. Cost saving items amounting to \$500,000 identified 5. Progress on achievement reported to Council as part of Quarterly Corporate Performance reporting	4. \$500,000 of General Fund cost savings achieved by 30 June 2025 5. August and November 2024, and February and May 2025	Corporate Performance + ELT

#	Theme	Program	Initiative(s)	Desired Outcome(s)	2024-25 Action(s)	Target	Responsible Department
3	Delivering Best Value to our Community	Asset management	Implementation of actions identified within Council's adopted Strategic Asset Management Plan (SAMP)	Better asset management practices that lead to improved financial performance, better asset decision making, a decrease in risk, an improvement in service outcomes, and therefore maximising the assets contribution to the community	6. SAMP reviewed 7. Asset management workshop with newly elected Council 8. Revised SAMP adopted as part of IP&R document suite	6. 31 October 2024 7. 31 January 2025 8. 30 June 2025	Strategic & Asset Planning + ELT
4	Delivering Best Value to our Community	Service reviews	Development and implementation of a prioritised service review framework	A service review process that ensures service delivery is undertaken in the most efficient and effective manner, demonstrating value for money to the community (i.e. quality and quantity aligns with community expectations). Identification of additional cost savings and productivity improvements to improve the Council's forecast financial position.	9. Service Review methodology, approach and prioritised plan reported to Council 10. Service reviews undertaken as per Council adopted plan and results reported to Council quarterly as part of the quarterly Corporate Performance report 11. Review non-core services and recommend to Council any that can be ceased and \$ savings that will be achieved	9. 31 July 2024 10. November 2024, and February and May 2025 11. 31 March 2025	Corporate Performance
5	Delivering Best Value to our Community	Fees and Charges	Review appropriateness of fees and charges	Pricing for fees and charges (excluding statutory fees set by NSW State Government) reflects full cost price of services without any significant adverse impacts on access to the services by the community. New fees (such as paid parking) are investigated	12. Fees and Charges reviewed as part of 2025-26 IP&R process and improved financial outcomes quantified and included in draft IP&R 2025-26 council report	12. 31 March 2025	All departments

#	Theme	Program	Initiative(s)	Desired Outcome(s)	2024-25 Action(s)	Target	Responsible Department
6	Excellence in Financial Management	Treasury management	a) Establish and adopt a Restricted Assets Policy b) Develop a Debt Policy outlining how debt will be used, linking intergenerational equity and the consumption of assets across the useful life c) Develop an Investment Strategy that outlines how Council will invest available resources	a) An appropriate level of cash and reserves is available to fund working capital requirements and internally restricted reserves are supported by Council resolutions to ensure optimal use of available cash b) The use of debt is understood and accepted by Council and the community as a way of funding long term assets that are consumed by current and future residents, thereby balancing asset costs across generations c) Investment strategy is developed that maximises the investment returns to Council	13. Strategies and policies presented to councillors and workshopped within three months of 2024 council election (note: this item ties into item 1 above)	13. 31 December 2024	Financial Services
7	Excellence in Financial Management	Treasury management	Obtain access to NSW Treasury Corporation (T-Corp) for future loan borrowings	Council is able to access loan borrowings through T-Corp reducing interest costs (note: every 25bp interest rate reduction equates to \$25,000 saving per annum on \$10M of borrowings)	14. Continue working with T-Corp to negotiate access for future loan borrowings	14. 30 June 2025	Corporate Performance + Financial Services

#	Theme	Program	Initiative(s)	Desired Outcome(s)	2024-25 Action(s)	Target	Responsible Department
8	Excellence in Financial Management	Employee cost management	Implementation of enhanced processes and controls to manage employee costs	Employee staffing levels are optimised and align with agreed service delivery levels and IP&R plans Employee leave management outcomes exceed targets	15. Review organisation establishment to baseline and align with service outcomes 16. Implement revised oversight and controls of establishment 17. Revised Workforce Management Plan adopted with clear actions to enable employee cost management 18. Leave management performance targets included in 2024-25 KPIs and reported to Council as part of Quarterly Corporate Performance reporting	15. Establishment reviewed and approved by 30 June 2024. 16. 31 July 2024 17. 30 June 2025 18. August and November 2024, and February and May 2025	ELT
9	Excellence in Financial Management	Grants	Grant funding strategy, policy and framework is developed to clearly align with long-term financial sustainability objectives	All grant applications are prioritised, align with adopted Delivery Programs and Operational Plans, consider impact on the LTFP, and are approved by ELT, and where required Council, prior to submission	19. Grants policy revised and adopted by Council 20. Grants procedures, framework and systems implemented to ensure improved grants management and that the impacts of grants on financial sustainability are considered before being lodged	19. 31 December 2024 20. 31 December 2024	Financial Services
10	Striving to Deliver Better Practices	Project Management	Continued implementation of project management improvements	Council's project management framework delivers ongoing financial and operational efficiencies	21. Identified Internal Audit actions (Q1 2024 internal audit report) are closed by due dates	21. All actions closed by due dates	Corporate Performance (Project Management Office)

#	Theme	Program	Initiative(s)	Desired Outcome(s)	2024-25 Action(s)	Target	Responsible Department
11	Excellence in Financial Management	Macleay Valley Coast Holiday Parks (MVCHP)	MVCHP commercial and financial management	MVCHPs continue to deliver year-on-year revenue growth	22. Where appropriate, revise and exhibit Holiday Park Concept Plans to improve profitability 23. Execute on 2024-25 financial year actions identified in adopted holiday park concept plans 24. Commence planning for end of current 10-year management agreement in 2027	22. 30 June 2025 23. 30 June 2025 24. 30 June 2025	Commercial Business
12	Excellence in Financial Management	Corporate governance	Audit, Risk & Improvement Committee (ARIC) scope is extended to include an increased focus on longer term financial sustainability outcomes	ARIC plays an active governance role in the delivery of Council's Financial Sustainability Program	25. Status of delivery of Financial Sustainability Program actions reported to ARIC quarterly	25. As per ARIC meeting timetable	Director Corporate & Commercial and Internal Audit
13	Striving to Deliver Better Practices	Fleet management	Fleet optimisation and efficiency improvements	Council's fleet usage is optimised, and financial savings identified	26. Investigate use of electric vehicles with recommended strategy developed 27. Implement fleet management system to optimise fleet utilisation and achieve increased diesel fuel rebates	26. 30 June 2025 27. 30 June 2025	Fleet & Logistics
14	Excellence in Financial Management	Financial management	Continuous improvements are made to Council's budgeting and forecasting processes	Surplus budgets are progressively worked towards; the capital program is sized appropriately to meet the capability and capacity of the workforce; and asset renewal and maintenance is prioritised over new builds within the budget in accordance with the SAMP	28. Further integration of annual budgets and LTFPs with Delivery Program, Operational Plan, SAMP and Workforce Management Plans	28. 30 June 2025	Corporate Performance

#	Theme	Program	Initiative(s)	Desired Outcome(s)	2024-25 Action(s)	Target	Responsible Department
15	Striving to Deliver Better Practices	Innovation portal	Develop and implement an innovation portal to allow capture and refinement of business improvement initiatives from staff across the organisation, inclusive of cost reduction opportunities.	Innovation is seen as a key attribute across Council, staff are empowered to identify and nominate improvement opportunities and the improvements are delivering value across the organisation.	29. Innovation portal developed and launched to staff 30. Ideas assessed and included in future IP&R documents where appropriate	29. 31 December 2024 30. 30 June 2025	Corporate Performance

#	Theme	Program	Initiative(s)	Desired Outcome(s)	2024-25 Action(s)	Target	Responsible Department
16	Delivering Best Value to our Community	Procurement & Contract Management	a) Develop and implement a procurement strategy to support sustainable service delivery, reduction in third party costs and improved supplier relationships b) Implement a contract management framework to support sustainable service delivery, reduction in third party costs and improved supplier relationships	Improved supplier relationships and management, and reduced procurement and contract management risks, while driving down third party spend	31. Procurement Strategy and updated Procurement Policy Reported to Council. 32. Plan and prepare for the implementation of Ready Community to replace SynergySoft and Altus, improving functionality, integration and data quality. 33. Review the service delivery model for Procurement services within Council. 34. Continued embedding of the Procurement and Contract Management Framework (PCMF) within Council. 35. Continue to optimise monitoring and reporting delivered to Management, the Executive, Procurement Advisory Committee and ARIC to deliver increased accountability and transparency of procurement processes.	31. 30 June 2024 32. 30 June 2025 33. 30 June 2025 34. Ongoing 35. Ongoing	Governance & Information Services

#	Theme	Program	Initiative(s)	Desired Outcome(s)	2024-25 Action(s)	Target	Responsible Department
17	Delivering Best Value to our Community	Development Contribution Plans	Develop rolling program of review and refinement of Developer Contribution Plans to ensure future development pays for growth related infrastructure	Developer Contribution Plans are in place, up to date and balance the future costs of asset provision between the existing and future populations	36. Implementation of developer contribution business process improvements	36. 30 June 2025	Strategic & Asset Planning
18	Striving to Deliver Better Practices	Financial management	Rating structure review	A fair, equitable and transparent property rating structure Note: this action will not deliver improved financial outcomes but rather ensures levying of rates is appropriate and aligned with other adopted strategies where relevant	37. Design, review, and implement rating structure(s) that are fair and equitable, across and within the residential, farmland and business categories	37. 30 June 2025	Financial Services
19	Delivering Best Value to our Community	Financial management	Sewer Funding Model	Secure funding sources for the Sewer Capital program that ensures the financial sustainability of the fund whilst having the lowest possible impact on ratepayers.	38. Continue to advocate to State and Federal governments to secure additional grant funding	38. Ongoing	ELT
20	Delivering Best Value to our Community	Kempsey Airport	Airport feasibility review	Current and potential usage, infrastructure capability requirements, operating costs and alternative service delivery models of the airport are understood and cost / benefit to the community is optimised	39. Project plan developed 40. Feasibility undertaken and recommendations reported to Council	39. 30 June 2024 40. 28 February 2025	Commercial Business
21	Delivering Best Value to our Community	Slim Dusty Centre (SDC)	Operational and business plan review of all SDC functions in café, retail, functions and events, gallery and museum	SDC operations and financial impacts optimised	41. Operational and business plan review completed and reported to Council with recommended financial improvements	41. 30 September 2024	Commercial Business

#	Theme	Program	Initiative(s)	Desired Outcome(s)	2024-25 Action(s)	Target	Responsible Department
22	Delivering Best Value to our Community	Aquatic facilities	Aquatic Strategy	Financially sustainable aquatic facilities	42. Develop a longer-term Aquatic Strategy that considers long-term suitability and financial sustainability of all swimming pools	42. 30 June 2025	Commercial Business
23	Delivering Best Value to our Community	Property portfolio	Review of property assets	Only properties of strategic or operational value are owned by Council	43. Undertake a review of Council's property portfolio to identify properties that are of no strategic or operational value 44. Develop a plan to dispose of unneeded properties to increase unrestricted cash reserves 45. Develop plan for properties that may be suitable for future development	43. 31 December 2024 44. 30 June 2025 45. 30 June 2025	Commercial Business
24	Excellence in Financial Management	Waste management	Commercial and operational review of waste services (including domestic waste, commercial waste, landfill operations, waste transfer stations)	Waste services meet community needs in a cost-effective manner	46. Undertake a review of the operational and commercial performance of waste services to identify operational and financial improvements	46. 30 June 2025	Director Utilities

Notes:

1. A number of these Financial Sustainability Program actions do not have specific Operational Plan actions, but rather fall within the financial sustainability related action *"Implement financial sustainability strategies, initiatives and actions as detailed within the Long-Term Financial Plan."*
2. There are a number of other initiatives that are in the process of being delivered as part of existing business as usual activities. Other initiatives may be introduced into the Financial Sustainability Program as and when they are identified as being a priority.

Appendix 2 Ratios

Kempsey Shire Council 10 Year Financial Plan for the Years ending 30 June 2034 KEY PERFORMANCE INDICATORS - CONSOLIDATED Scenario: Base Case			Current Year 2023/24	Projected Years									
				2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
				● Within green benchmark (green min and/or green max) ● Within amber benchmark (amber min and/or amber max) ● Not within benchmark (amber min and/or amber max) — Within green benchmark ↗ above green maximum and below amber maximum ↘ below green minimum and above amber minimum ↑ above amber maximum ↓ below amber minimum									
Council's Target Benchmarks													
New Note 13 Ratios													
Operating Performance Ratio 1)	Snapshot												
	Actual Ratio		4.78%	6.27%	6.94%	6.43%	5.75%	5.76%	5.11%	2.50%	1.25%	1.21%	1.40%
Own Source Operating Revenue Ratio 1)	Snapshot												
	Actual Ratio		59.18%	59.49%	64.55%	79.52%	81.14%	80.23%	74.62%	76.08%	80.92%	81.18%	81.18%
Unrestricted Current Ratio	Snapshot												
	Actual Ratio		4.54	6.16	3.60	3.72	3.88	3.86	3.81	3.76	3.56	3.48	3.42
Debt Service Cover Ratio 1)	Snapshot												
	Actual Ratio		4.61	4.92	4.41	3.00	2.71	2.89	3.07	2.33	2.00	2.01	2.08
Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage	Snapshot												
	Actual Ratio		9.12%	9.06%	9.12%	9.17%	9.12%	9.12%	9.12%	9.12%	9.12%	9.12%	9.12%
Cash Expense Cover Ratio 1)	Snapshot												
	Actual Ratio		3.30	3.31	3.22	2.95	2.81	2.77	2.06	1.91	1.79	1.75	1.72
1) <u>different</u> Calculation to TCorp's calculation for same ratio													
New Special Schedule 7 Ratios													
Building & Infrastructure Asset Renewal Ratio	Snapshot												
	Actual Ratio		236.96%	204.72%	414.24%	158.42%	89.72%	121.05%	313.79%	251.67%	91.72%	83.54%	84.32%
Infrastructure Backlog Ratio	Snapshot												
	Actual Ratio		0.03	0.03	0.02	0.02	0.03	0.02	0.02	0.02	0.02	0.02	0.02
Asset Maintenance Ratio	Snapshot												
	Actual Ratio		1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00

1. Own Source Operating Revenue Ratio: 2023-24 and 2024-25 results impacted by significant amount of capital grants.
2. Building & Infrastructure Asset Renewal Ratio: drops below target due to a combination of increased depreciation and reduced capex following delivery of major Sewer capital program.

Appendix 3 Income Statement

Kempsey Shire Council

10 Year Financial Plan for the Years ending 30 June 2034

INCOME STATEMENT - CONSOLIDATED

Scenario: Base Case

	Actuals	Current Year	Projected Years									
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Income from Continuing Operations												
Revenue:												
Rates & Annual Charges	47,737	52,127	55,560	60,231	65,331	66,964	68,638	70,354	72,113	73,916	75,763	77,657
User Charges & Fees	18,642	19,709	21,875	22,586	23,174	23,753	24,347	24,955	25,579	26,219	26,874	27,546
Other Revenues	2,647	2,308	2,228	2,297	2,357	2,415	2,476	2,538	2,601	2,666	2,733	2,801
Grants & Contributions provided for Operating Purposes	22,124	16,765	13,893	14,136	14,277	14,633	14,999	15,374	15,759	16,153	16,556	16,970
Grants & Contributions provided for Capital Purposes	35,917	38,067	43,499	34,498	10,014	7,975	9,560	19,064	16,853	9,130	8,852	9,041
Interest & Investment Revenue	3,487	5,357	4,633	3,449	3,461	4,156	4,228	3,384	3,442	4,405	4,215	4,204
Total Income from Continuing Operations	130,554	134,333	141,687	137,197	118,612	119,896	124,247	135,669	136,346	132,488	134,994	138,220
Expenses from Continuing Operations												
Employee Benefits & On-Costs	28,793	31,346	34,403	35,767	36,848	37,961	39,108	40,290	41,508	42,762	44,054	45,386
Borrowing Costs	2,727	1,889	2,269	3,131	6,502	7,627	7,352	7,353	10,343	12,630	12,079	11,629
Materials & Contracts	30,952	30,575	26,021	25,580	25,950	26,598	27,366	27,739	28,355	29,068	30,052	30,817
Depreciation & Amortisation	22,366	23,415	24,190	25,785	26,864	27,712	28,533	29,398	30,289	31,186	32,110	33,062
Impairment of receivables	2	-	-	-	-	-	-	-	-	-	-	-
Other Expenses	2,478	4,440	5,152	5,311	5,449	5,586	5,725	5,868	6,015	6,166	6,320	6,478
Net Losses from the Disposal of Assets	5,483	-	-	-	-	-	-	-	-	-	-	-
Total Expenses from Continuing Operations	92,801	91,665	92,034	95,573	101,613	105,484	108,085	110,649	116,510	121,811	124,614	127,371
Net Operating Result for the Year	37,753	42,668	49,653	41,624	16,999	14,412	16,162	25,020	19,836	10,677	10,380	10,849
Net Operating Result before Grants and Contributions provided for Capital Purposes	1,836	4,601	6,154	7,126	6,985	6,437	6,603	5,956	2,984	1,547	1,527	1,808

Kempsey Shire Council

10 Year Financial Plan for the Years ending 30 June 2034

INCOME STATEMENT - GENERAL FUND

Scenario: Base Case

	Actuals	Current Year	Projected Years									
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Income from Continuing Operations												
Revenue:												
Rates & Annual Charges	28,143	30,193	32,573	36,532	41,015	42,040	43,091	44,168	45,273	46,405	47,565	48,754
User Charges & Fees	8,382	7,828	9,461	9,788	10,042	10,293	10,551	10,815	11,085	11,362	11,646	11,937
Other Revenues	2,289	2,283	2,199	2,267	2,325	2,383	2,443	2,504	2,567	2,631	2,697	2,764
Grants & Contributions provided for Operating Purposes	21,579	16,369	13,493	13,724	13,854	14,200	14,555	14,919	15,292	15,674	16,066	16,468
Grants & Contributions provided for Capital Purposes	31,984	35,167	41,056	20,064	6,512	6,675	6,842	7,013	7,188	7,368	7,552	7,741
Interest & Investment Revenue	2,347	3,580	2,508	2,042	1,970	2,132	2,173	2,224	2,241	2,237	2,245	2,253
Total Income from Continuing Operations	94,724	95,420	101,290	84,416	75,718	77,724	79,655	81,643	83,646	85,677	87,771	89,917
Expenses from Continuing Operations												
Employee Benefits & On-Costs	22,803	24,466	26,166	27,204	28,027	28,874	29,746	30,645	31,572	32,526	33,509	34,521
Borrowing Costs	1,009	306	861	1,599	2,790	3,231	3,238	3,178	3,051	2,917	2,776	2,685
Materials & Contracts	19,704	19,154	14,385	14,241	14,318	14,675	15,146	15,213	15,516	15,907	16,562	16,991
Depreciation & Amortisation	4,090	14,972	15,273	16,308	17,049	17,604	18,123	18,658	19,209	19,777	20,361	20,963
Impairment of receivables	2	-	-	-	-	-	-	-	-	-	-	-
Other Expenses	2,478	4,440	5,152	5,311	5,449	5,586	5,725	5,868	6,015	6,166	6,320	6,478
Net Losses from the Disposal of Assets	4,870	-	-	-	-	-	-	-	-	-	-	-
Total Expenses from Continuing Operations	64,956	63,338	61,836	64,665	67,633	69,970	71,978	73,563	75,363	77,292	79,527	81,638
Net Operating Result for the Year	29,768	32,082	39,453	19,751	8,085	7,754	7,677	8,079	8,283	8,385	8,244	8,279
Net Operating Result before Grants and Contributions provided for Capital Purposes	(2,216)	(3,085)	(1,602)	(313)	1,573	1,079	835	1,066	1,094	1,017	692	538

Kempsey Shire Council
10 Year Financial Plan for the Years ending 30 June 2034
INCOME STATEMENT - WATER FUND
Scenario: Base Case

	Actuals 2022/23 \$'000	Current Year 2023/24 \$'000	2024/25 \$'000	2025/26 \$'000	2026/27 \$'000	2027/28 \$'000	Projected Years					
							2028/29 \$'000	2029/30 \$'000	2030/31 \$'000	2031/32 \$'000	2032/33 \$'000	2033/34 \$'000
Income from Continuing Operations												
Revenue:												
Rates & Annual Charges	5,521	5,895	6,149	6,340	6,504	6,667	6,834	7,005	7,180	7,359	7,543	7,732
User Charges & Fees	8,646	9,917	10,392	10,714	10,993	11,268	11,549	11,838	12,134	12,437	12,748	13,067
Other Revenues	147	20	24	25	25	26	27	27	28	29	29	30
Grants & Contributions provided for Operating Purposes	437	218	213	220	226	231	237	243	249	255	262	268
Grants & Contributions provided for Capital Purposes	2,687	1,355	1,623	9,625	800	800	800	800	800	800	800	800
Interest & Investment Revenue	588	842	973	765	757	1,042	1,032	1,023	1,040	1,086	1,135	1,191
Total Income from Continuing Operations	18,026	18,247	19,374	27,689	19,305	20,034	20,479	20,935	21,430	21,966	22,518	23,088
Expenses from Continuing Operations												
Employee Benefits & On-Costs	2,983	3,488	4,207	4,373	4,505	4,641	4,781	4,926	5,075	5,228	5,386	5,548
Borrowing Costs	994	924	834	1,040	1,885	1,985	1,845	1,729	1,626	1,520	1,405	1,293
Materials & Contracts	5,667	5,906	5,724	5,901	6,054	6,205	6,360	6,519	6,682	6,850	7,021	7,196
Depreciation & Amortisation	4,243	4,344	4,472	4,762	4,919	5,067	5,218	5,384	5,555	5,721	5,891	6,067
Impairment of receivables	-	-	-	-	-	-	-	-	-	-	-	-
Other Expenses	-	-	-	-	-	-	-	-	-	-	-	-
Net Losses from the Disposal of Assets	291	-	-	-	-	-	-	-	-	-	-	-
Total Expenses from Continuing Operations	14,178	14,662	15,237	16,076	17,363	17,899	18,205	18,558	18,938	19,317	19,702	20,105
Net Operating Result for the Year	3,848	3,584	4,138	11,612	1,942	2,136	2,274	2,377	2,492	2,649	2,815	2,983
Net Operating Result before Grants and Contributions provided for Capital Purposes	1,161	2,229	2,515	1,987	1,142	1,336	1,474	1,577	1,692	1,849	2,015	2,183

Kempsey Shire Council
10 Year Financial Plan for the Years ending 30 June 2034

INCOME STATEMENT - SEWER FUND

Scenario: Base Case

	Actuals	Current Year	Projected Years									
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Income from Continuing Operations												
Revenue:												
Rates & Annual Charges	14,073	16,039	16,838	17,360	17,811	18,257	18,713	19,181	19,660	20,152	20,656	21,172
User Charges & Fees	1,614	1,963	2,022	2,084	2,138	2,192	2,247	2,303	2,360	2,419	2,480	2,542
Other Revenues	211	5	5	6	6	6	6	6	6	7	7	7
Grants & Contributions provided for Operating Purposes	108	178	186	192	197	202	207	212	217	223	228	234
Grants & Contributions provided for Capital Purposes	1,246	1,546	821	4,809	2,702	500	1,918	11,251	8,864	962	500	500
Interest & Investment Revenue	552	935	1,152	642	734	982	1,022	138	161	1,082	835	760
Total Income from Continuing Operations	17,804	20,666	21,024	25,092	23,588	22,138	24,113	33,091	31,270	24,845	24,706	25,215
Expenses from Continuing Operations												
Employee Benefits & On-Costs	3,007	3,393	4,030	4,189	4,316	4,446	4,581	4,719	4,862	5,009	5,160	5,316
Borrowing Costs	724	659	575	491	1,827	2,411	2,269	2,446	5,665	8,193	7,899	7,651
Materials & Contracts	5,581	5,515	5,912	5,437	5,578	5,717	5,860	6,007	6,157	6,311	6,469	6,631
Depreciation & Amortisation	4,033	4,098	4,445	4,714	4,896	5,041	5,191	5,356	5,525	5,689	5,858	6,032
Impairment of receivables	-	-	-	-	-	-	-	-	-	-	-	-
Other Expenses	-	-	-	-	-	-	-	-	-	-	-	-
Net Losses from the Disposal of Assets	322	-	-	-	-	-	-	-	-	-	-	-
Total Expenses from Continuing Operations	13,667	13,664	14,961	14,832	16,617	17,616	17,902	18,527	22,209	25,201	25,385	25,629
Net Operating Result for the Year	4,137	7,002	6,062	10,260	6,971	4,522	6,211	14,564	9,062	(356)	(679)	(414)
Net Operating Result before Grants and Contributions provided for Capital Purposes	2,891	5,456	5,242	5,452	4,270	4,022	4,293	3,312	197	(1,318)	(1,179)	(914)

Appendix 4 Statement of Financial Position

Kempsey Shire Council 10 Year Financial Plan for the Years ending 30 June 2034 BALANCE SHEET - CONSOLIDATED Scenario: Base Case												
	Actuals	Current Year	Projected Years									
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS												
Current Assets												
Cash & Cash Equivalents	36,801	20,000	20,000	20,000	20,000	20,000	20,000	15,000	15,000	15,000	15,000	15,000
Investments	76,312	82,041	76,956	61,449	62,178	66,643	67,974	73,331	73,737	70,833	70,793	71,205
Receivables	26,895	15,334	16,307	15,429	14,505	14,555	15,110	16,770	16,810	16,100	16,427	16,827
Inventories	527	773	704	707	716	733	755	764	781	800	828	850
Contract assets and contract cost assets	4,666	4,666	4,666	4,666	4,666	4,666	4,666	4,666	4,666	4,666	4,666	4,666
Other	365	490	466	470	477	489	503	510	522	535	552	566
Non-current assets classified as "held for sale"	-	-	-	-	-	-	-	-	-	-	-	-
Total Current Assets	145,566	123,304	119,100	102,720	102,541	107,086	109,008	111,041	111,516	107,934	108,267	109,114
Non-Current Assets												
Investments	-	-	-	-	-	-	-	-	-	-	-	-
Receivables	1	143	152	94	57	58	60	61	63	64	66	67
Infrastructure, Property, Plant & Equipment	1,357,739	1,416,122	1,484,063	1,593,038	1,620,136	1,624,517	1,638,106	1,712,080	1,769,563	1,773,574	1,775,598	1,777,473
Intangible Assets	1,308	1,308	1,308	1,308	1,308	1,308	1,308	1,308	1,308	1,308	1,308	1,308
Right of use assets	36	36	36	36	36	36	36	36	36	36	36	36
Total Non-Current Assets	1,359,084	1,417,609	1,485,559	1,594,476	1,621,536	1,625,919	1,639,510	1,713,485	1,770,970	1,774,982	1,777,008	1,778,884
TOTAL ASSETS	1,504,650	1,540,913	1,604,659	1,697,197	1,724,077	1,733,005	1,748,518	1,824,526	1,882,486	1,882,916	1,885,274	1,887,998
LIABILITIES												
Current Liabilities												
Payables	14,353	14,212	14,090	14,804	15,387	15,670	16,011	16,476	16,961	17,244	17,625	17,939
Contract liabilities	35,073	23,126	23,713	17,962	9,193	9,212	9,562	10,630	10,649	10,178	10,382	10,633
Borrowings	4,592	4,359	5,050	6,937	7,793	7,347	6,550	8,387	10,065	10,616	10,700	10,983
Employee benefit provisions	7,381	7,423	7,423	7,423	7,423	7,423	7,423	7,423	7,423	7,423	7,423	7,423
Total Current Liabilities	61,404	49,120	50,276	47,125	39,796	39,652	39,546	42,916	45,099	45,460	46,129	46,978
Non-Current Liabilities												
Payables	-	275	261	264	268	274	282	286	293	300	310	318
Lease liabilities	35	40	40	40	40	40	40	40	40	40	40	40
Borrowings	47,177	52,818	65,768	119,831	137,038	131,690	131,140	178,753	214,688	204,072	195,372	186,389
Employee benefit provisions	1,212	1,170	1,170	1,170	1,170	1,170	1,170	1,170	1,170	1,170	1,170	1,170
Other provisions	6,842	6,842	6,842	6,842	6,842	6,842	6,842	6,842	6,842	6,842	6,842	6,842
Investments Accounted for using the equity method	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities associated with assets classified as "held for sale"	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-Current Liabilities	55,266	61,145	74,081	128,147	145,358	140,017	139,475	187,091	223,033	212,424	203,734	194,759
TOTAL LIABILITIES	116,670	110,265	124,357	175,272	185,154	179,669	179,020	230,008	268,131	257,884	249,863	241,737
Net Assets	1,387,980	1,430,648	1,480,301	1,521,925	1,538,924	1,553,336	1,569,498	1,594,518	1,614,355	1,625,032	1,635,411	1,646,260
EQUITY												
Retained Earnings	575,002	617,670	667,323	708,947	725,946	740,358	756,520	781,540	801,377	812,054	822,433	833,282
Revaluation Reserves	812,978	812,978	812,978	812,978	812,978	812,978	812,978	812,978	812,978	812,978	812,978	812,978
Other Reserves	-	-	-	-	-	-	-	-	-	-	-	-
Council Equity Interest	1,387,980	1,430,648	1,480,301	1,521,925	1,538,924	1,553,336	1,569,498	1,594,518	1,614,355	1,625,032	1,635,411	1,646,260
Non-controlling equity interests	-	-	-	-	-	-	-	-	-	-	-	-
Total Equity	1,387,980	1,430,648	1,480,301	1,521,925	1,538,924	1,553,336	1,569,498	1,594,518	1,614,355	1,625,032	1,635,411	1,646,260

Kempsey Shire Council
10 Year Financial Plan for the Years ending 30 June 2034

BALANCE SHEET - GENERAL FUND

Scenario: Base Case

	Actuals 2022/23 \$'000	Current Year 2023/24 \$'000	Projected Years									
	2024/25 \$'000	2025/26 \$'000	2026/27 \$'000	2027/28 \$'000	2028/29 \$'000	2029/30 \$'000	2030/31 \$'000	2031/32 \$'000	2032/33 \$'000	2033/34 \$'000		
ASSETS												
Current Assets												
Cash & Cash Equivalents	9,849	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Investments	47,396	49,937	43,336	35,609	35,805	36,121	36,576	36,709	36,246	36,424	36,118	35,584
Receivables	22,469	9,943	10,782	9,179	8,407	8,619	8,831	9,047	9,264	9,491	9,720	9,954
Inventories	527	773	704	707	716	733	755	764	781	800	828	850
Contract assets and contract cost assets	4,548	4,548	4,548	4,548	4,548	4,548	4,548	4,548	4,548	4,548	4,548	4,548
Other	323	476	452	456	463	475	488	495	506	519	536	550
Non-current assets classified as "held for sale"	-	-	-	-	-	-	-	-	-	-	-	-
Total Current Assets	85,112	70,676	64,823	55,499	54,939	55,496	56,199	56,562	56,345	56,782	56,751	56,486
Non-Current Assets												
Investments	-	-	-	-	-	-	-	-	-	-	-	-
Receivables	1	143	152	94	57	58	60	61	63	64	66	67
Infrastructure, Property, Plant & Equipment	1,024,636	1,071,950	1,130,300	1,170,770	1,181,240	1,188,542	1,194,613	1,200,151	1,206,431	1,212,063	1,218,985	1,225,937
Intangible Assets	1,308	1,308	1,308	1,308	1,308	1,308	1,308	1,308	1,308	1,308	1,308	1,308
Right of use assets	36	36	36	36	36	36	36	36	36	36	36	36
Total Non-Current Assets	1,025,981	1,073,437	1,131,796	1,172,208	1,182,641	1,189,944	1,196,016	1,201,556	1,207,838	1,213,471	1,220,395	1,227,348
TOTAL ASSETS	1,111,093	1,144,114	1,196,618	1,227,707	1,237,579	1,245,440	1,252,215	1,258,118	1,264,183	1,270,254	1,277,146	1,283,834
LIABILITIES												
Current Liabilities												
Payables	14,163	14,053	13,928	14,488	15,018	15,321	15,655	15,858	16,139	16,451	16,859	17,200
Contract liabilities	29,480	21,744	23,015	14,255	8,593	8,808	9,028	9,253	9,485	9,722	9,965	10,214
Borrowings	1,490	1,081	1,465	2,084	2,418	2,464	2,610	2,737	2,871	3,012	3,189	3,376
Employee benefit provisions	7,381	7,423	7,423	7,423	7,423	7,423	7,423	7,423	7,423	7,423	7,423	7,423
Total Current Liabilities	52,519	44,301	45,831	38,250	33,452	34,016	34,715	35,271	35,918	36,609	37,436	38,213
Non-Current Liabilities												
Payables	-	275	261	264	268	274	282	286	293	300	310	318
Lease liabilities	35	40	40	40	40	40	40	40	40	40	40	40
Borrowings	14,231	23,150	34,685	53,601	60,183	59,719	58,110	55,373	52,502	49,490	47,301	44,925
Employee benefit provisions	1,212	1,170	1,170	1,170	1,170	1,170	1,170	1,170	1,170	1,170	1,170	1,170
Other provisions	6,842	6,842	6,842	6,842	6,842	6,842	6,842	6,842	6,842	6,842	6,842	6,842
Investments Accounted for using the equity method	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities associated with assets classified as "held for sale"	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-Current Liabilities	22,320	31,477	42,998	61,917	68,503	68,045	66,444	63,711	60,847	57,842	55,663	53,295
TOTAL LIABILITIES	74,839	75,778	88,829	100,167	101,954	102,061	101,159	98,983	96,765	94,451	93,098	91,508
Net Assets	1,036,254	1,068,336	1,107,789	1,127,540	1,135,625	1,143,379	1,151,056	1,159,136	1,167,418	1,175,803	1,184,047	1,192,327
EQUITY												
Retained Earnings	443,061	475,143	514,596	534,347	542,432	550,186	557,863	565,943	574,225	582,610	590,854	599,134
Revaluation Reserves	593,193	593,193	593,193	593,193	593,193	593,193	593,193	593,193	593,193	593,193	593,193	593,193
Other Reserves	-	-	-	-	-	-	-	-	-	-	-	-
Council Equity Interest	1,036,254	1,068,336	1,107,789	1,127,540	1,135,625	1,143,379	1,151,056	1,159,136	1,167,418	1,175,803	1,184,047	1,192,327
Non-controlling equity interests	-	-	-	-	-	-	-	-	-	-	-	-
Total Equity	1,036,254	1,068,336	1,107,789	1,127,540	1,135,625	1,143,379	1,151,056	1,159,136	1,167,418	1,175,803	1,184,047	1,192,327

Kempsey Shire Council
10 Year Financial Plan for the Years ending 30 June 2034

BALANCE SHEET - WATER FUND

Scenario: Base Case

	Actuals 2022/23 \$'000	Current Year 2023/24 \$'000	Projected Years									
			2024/25 \$'000	2025/26 \$'000	2026/27 \$'000	2027/28 \$'000	2028/29 \$'000	2029/30 \$'000	2030/31 \$'000	2031/32 \$'000	2032/33 \$'000	2033/34 \$'000
ASSETS												
Current Assets												
Cash & Cash Equivalents	17,081	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Investments	14,116	18,306	19,420	15,068	15,550	16,023	16,426	17,419	19,064	20,795	22,665	25,026
Receivables	2,964	3,524	3,689	3,808	3,901	3,999	4,099	4,201	4,306	4,414	4,524	4,637
Inventories	-	-	-	-	-	-	-	-	-	-	-	-
Contract assets and contract cost assets	118	118	118	118	118	118	118	118	118	118	118	118
Other	21	9	9	9	9	10	10	10	10	11	11	11
Non-current assets classified as "held for sale"	-	-	-	-	-	-	-	-	-	-	-	-
Total Current Assets	34,300	26,957	28,236	24,003	24,579	25,149	25,653	26,749	28,498	30,337	32,318	34,792
Non-Current Assets												
Investments	-	-	-	-	-	-	-	-	-	-	-	-
Receivables	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure, Property, Plant & Equipment	198,327	203,984	210,090	242,554	242,401	241,109	240,316	239,467	237,977	236,447	234,826	233,137
Intangible Assets	-	-	-	-	-	-	-	-	-	-	-	-
Right of use assets	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-Current Assets	198,327	203,984	210,090	242,554	242,401	241,109	240,316	239,467	237,977	236,447	234,826	233,137
TOTAL ASSETS	232,627	230,941	238,326	266,557	266,980	266,259	265,968	266,215	266,475	266,784	267,144	267,929
LIABILITIES												
Current Liabilities												
Payables	97	95	103	146	151	143	136	131	125	119	112	106
Contract liabilities	4,032	520	607	3,256	339	341	343	345	347	349	351	353
Borrowings	1,757	1,848	2,073	2,607	2,851	2,559	2,126	2,229	2,335	2,450	2,195	2,121
Employee benefit provisions	-	-	-	-	-	-	-	-	-	-	-	-
Total Current Liabilities	5,886	2,464	2,784	6,010	3,341	3,044	2,606	2,704	2,807	2,918	2,658	2,580
Non-Current Liabilities												
Payables	-	-	-	-	-	-	-	-	-	-	-	-
Lease liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	21,897	20,049	22,976	36,369	37,518	34,959	32,832	30,604	28,268	25,818	23,623	21,502
Employee benefit provisions	-	-	-	-	-	-	-	-	-	-	-	-
Other provisions	-	-	-	-	-	-	-	-	-	-	-	-
Investments Accounted for using the equity method	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities associated with assets classified as "held for sale"	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-Current Liabilities	21,897	20,049	22,976	36,369	37,518	34,959	32,832	30,604	28,268	25,818	23,623	21,502
TOTAL LIABILITIES	27,783	22,513	25,760	42,379	40,859	38,002	35,438	33,308	31,075	28,736	26,281	24,083
Net Assets	204,844	208,428	212,566	224,178	226,121	228,256	230,530	232,907	235,400	238,048	240,864	243,847
EQUITY												
Retained Earnings	66,858	70,442	74,580	86,192	88,135	90,270	92,544	94,921	97,414	100,062	102,878	105,861
Revaluation Reserves	137,986	137,986	137,986	137,986	137,986	137,986	137,986	137,986	137,986	137,986	137,986	137,986
Other Reserves	-	-	-	-	-	-	-	-	-	-	-	-
Council Equity Interest	204,844	208,428	212,566	224,178	226,121	228,256	230,530	232,907	235,400	238,048	240,864	243,847
Non-controlling equity interests	-	-	-	-	-	-	-	-	-	-	-	-
Total Equity	204,844	208,428	212,566	224,178	226,121	228,256	230,530	232,907	235,400	238,048	240,864	243,847

Kempsey Shire Council
10 Year Financial Plan for the Years ending 30 June 2034

BALANCE SHEET - SEWER FUND

Scenario: Base Case

	Actuals	Current Year	Projected Years									
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS												
Current Assets												
Cash & Cash Equivalents	9,871	10,000	10,000	10,000	10,000	10,000	10,000	5,000	5,000	5,000	5,000	5,000
Investments	14,800	13,799	14,199	10,772	10,822	14,499	14,972	19,203	18,427	13,614	12,011	10,595
Receivables	1,462	1,868	1,836	2,443	2,197	1,937	2,180	3,522	3,240	2,195	2,182	2,235
Inventories	-	-	-	-	-	-	-	-	-	-	-	-
Contract assets and contract cost assets	-	-	-	-	-	-	-	-	-	-	-	-
Other	21	4	5	4	4	5	5	5	5	5	5	5
Non-current assets classified as "held for sale"	-	-	-	-	-	-	-	-	-	-	-	-
Total Current Assets	26,154	25,670	26,041	23,219	23,024	26,441	27,157	27,730	26,672	20,814	19,198	17,835
Non-Current Assets												
Investments	-	-	-	-	-	-	-	-	-	-	-	-
Receivables	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure, Property, Plant & Equipment	134,776	140,188	143,674	179,714	196,495	194,865	203,178	272,462	325,156	325,064	321,786	318,399
Intangible Assets	-	-	-	-	-	-	-	-	-	-	-	-
Right of use assets	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-Current Assets	134,776	140,188	143,674	179,714	196,495	194,865	203,178	272,462	325,156	325,064	321,786	318,399
TOTAL ASSETS	160,930	165,858	169,714	202,933	219,518	221,306	230,335	300,192	351,828	345,878	340,985	336,234
LIABILITIES												
Current Liabilities												
Payables	93	64	58	170	218	206	219	487	697	674	654	633
Contract liabilities	1,561	862	91	450	261	63	191	1,032	817	107	66	66
Borrowings	1,345	1,430	1,513	2,245	2,524	2,324	1,814	3,422	4,859	5,153	5,316	5,486
Employee benefit provisions	-	-	-	-	-	-	-	-	-	-	-	-
Total Current Liabilities	2,999	2,355	1,662	2,865	3,003	2,593	2,225	4,941	6,374	5,933	6,036	6,185
Non-Current Liabilities												
Payables	-	-	-	-	-	-	-	-	-	-	-	-
Lease liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	11,049	9,619	8,107	29,861	39,337	37,013	40,199	92,777	133,918	128,765	124,448	119,962
Employee benefit provisions	-	-	-	-	-	-	-	-	-	-	-	-
Other provisions	-	-	-	-	-	-	-	-	-	-	-	-
Investments Accounted for using the equity method	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities associated with assets classified as "held for sale"	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-Current Liabilities	11,049	9,619	8,107	29,861	39,337	37,013	40,199	92,777	133,918	128,765	124,448	119,962
TOTAL LIABILITIES	14,048	11,974	9,768	32,726	42,340	39,606	42,423	97,717	140,291	134,698	130,484	126,147
Net Assets	146,882	153,884	159,946	170,207	177,178	181,700	187,911	202,475	211,537	211,180	210,501	210,087
EQUITY												
Retained Earnings	65,083	72,085	78,147	88,408	95,379	99,901	106,112	120,676	129,738	129,381	128,702	128,288
Revaluation Reserves	81,799	81,799	81,799	81,799	81,799	81,799	81,799	81,799	81,799	81,799	81,799	81,799
Other Reserves	-	-	-	-	-	-	-	-	-	-	-	-
Council Equity Interest	146,882	153,884	159,946	170,207	177,178	181,700	187,911	202,475	211,537	211,180	210,501	210,087
Non-controlling equity interests	-	-	-	-	-	-	-	-	-	-	-	-
Total Equity	146,882	153,884	159,946	170,207	177,178	181,700	187,911	202,475	211,537	211,180	210,501	210,087

Kempsey Shire Council
10 Year Financial Plan for the Years ending 30 June 2034
BALANCE SHEET - SEWER FUND
Scenario: Base Case

	Actuals 2022/23 \$'000	Current Year 2023/24 \$'000	Projected Years									
			2024/25 \$'000	2025/26 \$'000	2026/27 \$'000	2027/28 \$'000	2028/29 \$'000	2029/30 \$'000	2030/31 \$'000	2031/32 \$'000	2032/33 \$'000	2033/34 \$'000
ASSETS												
Current Assets												
Cash & Cash Equivalents	9,871	10,000	10,000	10,000	10,000	10,000	10,000	5,000	5,000	5,000	5,000	5,000
Investments	14,800	13,799	14,199	10,772	10,822	14,499	14,972	19,203	18,427	13,614	12,011	10,595
Receivables	1,462	1,868	1,836	2,443	2,197	1,937	2,180	3,522	3,240	2,195	2,182	2,235
Inventories	-	-	-	-	-	-	-	-	-	-	-	-
Contract assets and contract cost assets	-	-	-	-	-	-	-	-	-	-	-	-
Other	21	4	5	4	4	5	5	5	5	5	5	5
Non-current assets classified as "held for sale"	-	-	-	-	-	-	-	-	-	-	-	-
Total Current Assets	26,154	25,670	26,041	23,219	23,024	26,441	27,157	27,730	26,672	20,814	19,198	17,835
Non-Current Assets												
Investments	-	-	-	-	-	-	-	-	-	-	-	-
Receivables	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure, Property, Plant & Equipment	134,776	140,188	143,674	179,714	196,495	194,865	203,178	272,462	325,156	325,064	321,786	318,399
Intangible Assets	-	-	-	-	-	-	-	-	-	-	-	-
Right of use assets	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-Current Assets	134,776	140,188	143,674	179,714	196,495	194,865	203,178	272,462	325,156	325,064	321,786	318,399
TOTAL ASSETS	160,930	165,858	169,714	202,933	219,518	221,306	230,335	300,192	351,828	345,878	340,985	336,234
LIABILITIES												
Current Liabilities												
Payables	93	64	58	170	218	206	219	487	697	674	654	633
Contract liabilities	1,561	862	91	450	261	63	191	1,032	817	107	66	66
Borrowings	1,345	1,430	1,513	2,245	2,524	2,324	1,814	3,422	4,859	5,153	5,316	5,486
Employee benefit provisions	-	-	-	-	-	-	-	-	-	-	-	-
Total Current Liabilities	2,999	2,355	1,662	2,865	3,003	2,593	2,225	4,941	6,374	5,933	6,036	6,185
Non-Current Liabilities												
Payables	-	-	-	-	-	-	-	-	-	-	-	-
Lease liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	11,049	9,619	8,107	29,861	39,337	37,013	40,199	92,777	133,918	128,765	124,448	119,962
Employee benefit provisions	-	-	-	-	-	-	-	-	-	-	-	-
Other provisions	-	-	-	-	-	-	-	-	-	-	-	-
Investments Accounted for using the equity method	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities associated with assets classified as "held for sale"	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-Current Liabilities	11,049	9,619	8,107	29,861	39,337	37,013	40,199	92,777	133,918	128,765	124,448	119,962
TOTAL LIABILITIES	14,048	11,974	9,768	32,726	42,340	39,606	42,423	97,717	140,291	134,698	130,484	126,147
Net Assets	146,882	153,884	159,946	170,207	177,178	181,700	187,911	202,475	211,537	211,180	210,501	210,087
EQUITY												
Retained Earnings	65,083	72,085	78,147	88,408	95,379	99,901	106,112	120,676	129,738	129,381	128,702	128,288
Revaluation Reserves	81,799	81,799	81,799	81,799	81,799	81,799	81,799	81,799	81,799	81,799	81,799	81,799
Other Reserves	-	-	-	-	-	-	-	-	-	-	-	-
Council Equity Interest	146,882	153,884	159,946	170,207	177,178	181,700	187,911	202,475	211,537	211,180	210,501	210,087
Non-controlling equity interests	-	-	-	-	-	-	-	-	-	-	-	-
Total Equity	146,882	153,884	159,946	170,207	177,178	181,700	187,911	202,475	211,537	211,180	210,501	210,087

Appendix 5 Cash Flow Statement

Kempsey Shire Council 10 Year Financial Plan for the Years ending 30 June 2034 CASH FLOW STATEMENT - CONSOLIDATED Scenario: Base Case												
	Actuals 2022/23 \$'000	Current Year 2023/24 \$'000	2024/25 \$'000	2025/26 \$'000	2026/27 \$'000	2027/28 \$'000	Projected Years					
							2028/29 \$'000	2029/30 \$'000	2030/31 \$'000	2031/32 \$'000	2032/33 \$'000	2033/34 \$'000
Cash Flows from Operating Activities												
Receipts:												
Rates & Annual Charges	48,416	51,075	55,382	60,019	65,106	66,873	68,545	70,259	72,015	73,816	75,661	77,553
User Charges & Fees	19,107	18,572	21,575	22,452	23,060	23,641	24,232	24,838	25,459	26,095	26,748	27,416
Investment & Interest Revenue Received	2,911	5,904	4,594	3,508	3,455	4,148	4,225	3,383	3,444	4,404	4,217	4,207
Grants & Contributions	52,265	46,392	57,626	44,066	16,944	22,889	24,668	34,167	32,914	25,859	25,628	26,213
Bonds & Deposits Received	678	-	-	-	-	-	-	-	-	-	-	-
Other	11,204	11,586	2,086	2,619	2,561	2,386	2,445	2,506	2,569	2,633	2,699	2,767
Payments:												
Employee Benefits & On-Costs	(28,704)	(31,577)	(34,390)	(35,761)	(36,843)	(37,956)	(39,103)	(40,285)	(41,502)	(42,756)	(44,048)	(45,379)
Materials & Contracts	(29,458)	(30,210)	(26,373)	(25,519)	(25,849)	(26,426)	(27,164)	(27,637)	(28,191)	(28,879)	(29,794)	(30,615)
Borrowing Costs	(2,712)	(1,736)	(2,159)	(2,801)	(6,388)	(7,652)	(7,360)	(7,116)	(10,164)	(12,687)	(12,125)	(11,677)
Other	(9,200)	(4,694)	(5,144)	(5,289)	(5,428)	(5,560)	(5,697)	(5,846)	(5,988)	(6,136)	(6,286)	(6,447)
Net Cash provided (or used in) Operating Activities	64,507	65,312	73,398	63,294	36,618	42,343	44,792	54,269	50,556	42,348	42,699	44,038
Cash Flows from Investing Activities												
Receipts:												
Sale of Investment Securities	-	1,001	6,600	15,508	-	-	-	-	1,238	4,813	1,910	1,949
Payments:												
Purchase of Investment Securities	(7,304)	(6,731)	(1,515)	-	(729)	(4,465)	(1,331)	(5,357)	(1,644)	(1,909)	(1,870)	(2,361)
Purchase of Investment Property	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of Infrastructure, Property, Plant & Equipment	(51,878)	(81,792)	(92,123)	(134,752)	(53,952)	(32,084)	(42,114)	(103,362)	(87,763)	(35,187)	(34,123)	(34,926)
Net Cash provided (or used in) Investing Activities	(60,009)	(87,521)	(87,038)	(119,244)	(54,682)	(36,550)	(43,445)	(108,719)	(88,169)	(32,283)	(34,083)	(35,338)
Cash Flows from Financing Activities												
Receipts:												
Proceeds from Borrowings & Advances	-	10,000	18,000	61,000	25,000	2,000	6,000	56,000	46,000	-	2,000	2,000
Payments:												
Repayment of Borrowings & Advances	(4,391)	(4,592)	(4,359)	(5,050)	(6,937)	(7,793)	(7,347)	(6,550)	(8,387)	(10,065)	(10,616)	(10,700)
Net Cash Flow provided (used in) Financing Activities	(4,409)	5,408	13,641	55,950	18,063	(5,793)	(1,347)	49,450	37,613	(10,065)	(8,616)	(8,700)
Net Increase/(Decrease) in Cash & Cash Equivalents	89	(16,801)	(0)	-	0	0	(0)	(5,000)	-	0	-	-
plus: Cash & Cash Equivalents - beginning of year	36,712	36,801	20,000	20,000	20,000	20,000	20,000	20,000	15,000	15,000	15,000	15,000
Cash & Cash Equivalents - end of the year	36,801	20,000	20,000	20,000	20,000	20,000	20,000	15,000	15,000	15,000	15,000	15,000
Cash & Cash Equivalents - end of the year	36,801	20,000	20,000	20,000	20,000	20,000	20,000	15,000	15,000	15,000	15,000	15,000
Investments - end of the year	76,312	82,041	76,956	61,449	62,178	66,643	67,974	73,331	73,737	70,833	70,793	71,205
Cash, Cash Equivalents & Investments - end of the year	113,113	102,041	96,956	81,449	82,178	86,643	87,974	88,331	88,737	85,833	85,793	86,205
Representing:												
- External Restrictions	98,234	92,104	74,695	66,915	68,204	72,337	73,902	74,833	76,425	74,086	75,113	76,838
- Internal Restrictions	8,791	5,215	5,215	5,215	5,366	5,514	5,652	5,793	5,938	6,086	6,238	6,394
- Unrestricted	6,088	4,722	17,046	9,319	8,608	8,793	8,421	7,705	6,374	5,661	4,442	2,972
	113,113	102,041	96,956	81,449	82,178	86,643	87,974	88,331	88,737	85,833	85,793	86,205

Kempsey Shire Council
10 Year Financial Plan for the Years ending 30 June 2034
CASH FLOW STATEMENT - GENERAL FUND
Scenario: Base Case

	Actuals 2022/23	Current Year 2023/24	2024/25	2025/26	2026/27	2027/28	Projected Years					
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
Cash Flows from Operating Activities												
Receipts:												
Rates & Annual Charges	-	29,499	32,481	36,379	40,842	42,001	43,051	44,127	45,230	46,361	47,520	48,708
User Charges & Fees	-	7,325	9,305	9,757	10,018	10,269	10,526	10,789	11,059	11,336	11,619	11,909
Investment & Interest Revenue Received	-	4,127	2,470	2,101	1,963	2,124	2,171	2,223	2,244	2,236	2,246	2,256
Grants & Contributions	-	47,351	55,567	26,770	15,830	21,047	21,574	22,113	22,666	23,232	23,813	24,408
Bonds & Deposits Received	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	11,490	2,060	2,593	2,533	2,357	2,416	2,477	2,539	2,602	2,667	2,734
Payments:												
Employee Benefits & On-Costs	-	(24,673)	(26,155)	(27,199)	(28,022)	(28,869)	(29,742)	(30,640)	(31,566)	(32,520)	(33,503)	(34,516)
Materials & Contracts	-	(18,838)	(14,727)	(14,173)	(14,209)	(14,495)	(14,935)	(15,102)	(15,343)	(15,709)	(16,295)	(16,778)
Borrowing Costs	-	(119)	(753)	(1,423)	(2,728)	(3,235)	(3,251)	(3,202)	(3,076)	(2,943)	(2,794)	(2,705)
Other	-	(4,694)	(5,144)	(5,289)	(5,428)	(5,560)	(5,697)	(5,846)	(5,988)	(6,136)	(6,286)	(6,447)
Net Cash provided (or used in) Operating Activities	-	51,468	55,104	29,516	20,799	25,640	26,113	26,938	27,763	28,458	28,988	29,570
Cash Flows from Investing Activities												
Receipts:												
Sale of Investment Securities	-	-	6,600	7,728	-	-	-	-	462	-	307	533
Payments:												
Purchase of Investment Securities	-	(2,541)	-	-	(197)	(316)	(455)	(132)	-	(178)	-	-
Purchase of Investment Property	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of Infrastructure, Property, Plant & Equipment	-	(62,286)	(73,623)	(56,779)	(27,519)	(24,906)	(24,194)	(24,196)	(25,489)	(25,409)	(27,283)	(27,914)
Net Cash provided (or used in) Investing Activities	-	(64,827)	(67,023)	(49,051)	(27,715)	(25,222)	(24,649)	(24,329)	(25,027)	(25,587)	(26,976)	(27,381)
Cash Flows from Financing Activities												
Receipts:												
Proceeds from Borrowings & Advances	-	10,000	13,000	21,000	9,000	2,000	1,000	-	-	-	1,000	1,000
Payments:												
Repayment of Borrowings & Advances	-	(1,490)	(1,081)	(1,465)	(2,084)	(2,418)	(2,464)	(2,610)	(2,737)	(2,871)	(3,012)	(3,189)
Net Cash Flow provided (used in) Financing Activities	-	8,510	11,919	19,535	6,916	(418)	(1,464)	(2,610)	(2,737)	(2,871)	(2,012)	(2,189)
Net Increase/(Decrease) in Cash & Cash Equivalents	-	(4,849)	-	-	0	0	(0)	0	(0)	0	0	0
plus: Cash & Cash Equivalents - beginning of year	-	9,849	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Cash & Cash Equivalents - end of the year	-	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Cash & Cash Equivalents - end of the year	9,849	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Investments - end of the year	47,396	49,937	43,336	35,609	35,805	36,121	36,576	36,709	36,246	36,424	36,118	35,584
Cash, Cash Equivalents & Investments - end of the year	57,245	54,937	48,336	40,609	40,805	41,121	41,576	41,709	41,246	41,424	41,118	40,584
Representing:												
- External Restrictions	42,366	45,000	26,075	26,075	26,831	26,815	27,504	28,211	28,935	29,677	30,438	31,218
- Internal Restrictions	8,791	5,215	5,215	5,215	5,366	5,514	5,652	5,793	5,938	6,086	6,238	6,394
- Unrestricted	6,088	4,722	17,046	9,319	8,608	8,793	8,421	7,705	6,374	5,661	4,442	2,972
	57,245	54,937	48,336	40,609	40,805	41,121	41,576	41,709	41,246	41,424	41,118	40,584

Kempsey Shire Council
10 Year Financial Plan for the Years ending 30 June 2034
CASH FLOW STATEMENT - WATER FUND
Scenario: Base Case

	Actuals 2022/23 \$'000	Current Year 2023/24 \$'000	2024/25 \$'000	2025/26 \$'000	2026/27 \$'000	2027/28 \$'000	Projected Years					
							2028/29 \$'000	2029/30 \$'000	2030/31 \$'000	2031/32 \$'000	2032/33 \$'000	2033/34 \$'000
Cash Flows from Operating Activities												
Receipts:												
Rates & Annual Charges	-	5,834	6,112	6,312	6,481	6,643	6,810	6,980	7,154	7,333	7,516	7,704
User Charges & Fees	-	9,419	10,264	10,627	10,918	11,194	11,473	11,760	12,054	12,356	12,664	12,981
Investment & Interest Revenue Received	-	842	973	765	757	1,042	1,032	1,023	1,040	1,086	1,135	1,191
Grants & Contributions	-	(1,940)	1,924	12,489	(1,886)	1,033	1,039	1,045	1,051	1,057	1,064	1,070
Bonds & Deposits Received	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	20	24	25	25	26	27	27	28	29	29	30
Payments:												
Employee Benefits & On-Costs	-	(3,488)	(4,207)	(4,373)	(4,505)	(4,641)	(4,781)	(4,926)	(5,075)	(5,228)	(5,386)	(5,548)
Materials & Contracts	-	(5,869)	(5,725)	(5,900)	(6,053)	(6,205)	(6,360)	(6,519)	(6,682)	(6,849)	(7,020)	(7,196)
Borrowing Costs	-	(952)	(824)	(998)	(1,881)	(1,994)	(1,853)	(1,735)	(1,633)	(1,527)	(1,412)	(1,300)
Other	-	-	-	-	-	-	-	-	-	-	-	-
Net Cash provided (or used in) Operating Activities	-	3,867	8,541	18,947	3,855	7,099	7,387	7,655	7,938	8,257	8,591	8,933
Cash Flows from Investing Activities												
Receipts:												
Sale of Investment Securities	-	-	-	4,353	-	-	-	-	-	-	-	-
Payments:												
Purchase of Investment Securities	-	(4,190)	(1,114)	-	(482)	(473)	(403)	(994)	(1,644)	(1,731)	(1,870)	(2,361)
Purchase of Investment Property	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of Infrastructure, Property, Plant & Equipment	-	(10,001)	(10,578)	(37,227)	(4,766)	(3,775)	(4,424)	(4,535)	(4,065)	(4,191)	(4,271)	(4,378)
Net Cash provided (or used in) Investing Activities	-	(14,191)	(11,693)	(32,874)	(5,248)	(4,248)	(4,828)	(5,529)	(5,709)	(5,922)	(6,141)	(6,739)
Cash Flows from Financing Activities												
Receipts:												
Proceeds from Borrowings & Advances	-	-	5,000	16,000	4,000	-	-	-	-	-	-	-
Payments:												
Repayment of Borrowings & Advances	-	(1,757)	(1,848)	(2,073)	(2,607)	(2,851)	(2,559)	(2,126)	(2,229)	(2,335)	(2,450)	(2,195)
Net Cash Flow provided (used in) Financing Activities	-	(1,757)	3,152	13,927	1,393	(2,851)	(2,559)	(2,126)	(2,229)	(2,335)	(2,450)	(2,195)
Net Increase/(Decrease) in Cash & Cash Equivalents	-	(12,081)	(0)	-	-	-	0	(0)	0	0	(0)	-
plus: Cash & Cash Equivalents - beginning of year	-	17,081	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Cash & Cash Equivalents - end of the year	-	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Cash & Cash Equivalents - end of the year	17,081	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Investments - end of the year	14,116	18,306	19,420	15,068	15,550	16,023	16,426	17,419	19,064	20,795	22,665	25,026
Cash, Cash Equivalents & Investments - end of the year	31,197	23,306	24,420	20,068	20,550	21,023	21,426	22,419	24,064	25,795	27,665	30,026
Representing:												
- External Restrictions	13,258	23,306	24,420	20,068	20,550	21,023	21,426	22,419	24,064	25,795	27,665	30,026
- Internal Restrictions	-	-	-	-	-	-	-	-	-	-	-	-
- Unrestricted	17,939	(0)	0	0	0	0	0	0	0	0	0	0
	31,197	23,306	24,420	20,068	20,550	21,023	21,426	22,419	24,064	25,795	27,665	30,026

Kempsey Shire Council
10 Year Financial Plan for the Years ending 30 June 2034
CASH FLOW STATEMENT - SEWER FUND
Scenario: Base Case

	Actuals 2022/23 \$'000	Current Year 2023/24 \$'000	2024/25 \$'000	2025/26 \$'000	2026/27 \$'000	2027/28 \$'000	Projected Years					
							2028/29 \$'000	2029/30 \$'000	2030/31 \$'000	2031/32 \$'000	2032/33 \$'000	2033/34 \$'000
Cash Flows from Operating Activities												
Receipts:												
Rates & Annual Charges	-	15,742	16,789	17,328	17,784	18,229	18,685	19,152	19,631	20,122	20,625	21,140
User Charges & Fees	-	1,828	2,006	2,068	2,124	2,178	2,232	2,288	2,346	2,404	2,464	2,526
Investment & Interest Revenue Received	-	935	1,152	642	734	982	1,022	138	161	1,082	835	760
Grants & Contributions	-	981	335	4,807	3,001	809	2,056	11,009	9,198	1,569	751	734
Bonds & Deposits Received	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	76	1	1	2	2	2	2	2	2	2	3
Payments:												
Employee Benefits & On-Costs	-	(3,416)	(4,028)	(4,189)	(4,316)	(4,446)	(4,580)	(4,719)	(4,861)	(5,008)	(5,160)	(5,315)
Materials & Contracts	-	(5,503)	(5,921)	(5,445)	(5,587)	(5,726)	(5,869)	(6,016)	(6,167)	(6,321)	(6,479)	(6,641)
Borrowing Costs	-	(665)	(582)	(380)	(1,779)	(2,423)	(2,256)	(2,179)	(5,455)	(8,217)	(7,919)	(7,672)
Other	-	-	-	-	-	-	-	-	-	-	-	-
Net Cash provided (or used in) Operating Activities	-	9,977	9,752	14,831	11,964	9,605	11,292	19,677	14,855	5,633	5,120	5,535
Cash Flows from Investing Activities												
Receipts:												
Sale of Investment Securities	-	1,001	-	3,427	-	-	-	-	776	4,813	1,603	1,416
Payments:												
Purchase of Investment Securities	-	-	(401)	-	(50)	(3,677)	(473)	(4,231)	-	-	-	-
Purchase of Investment Property	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of Infrastructure, Property, Plant & Equipment	-	(9,505)	(7,922)	(40,746)	(21,668)	(3,403)	(13,495)	(74,631)	(58,209)	(5,587)	(2,570)	(2,634)
Net Cash provided (or used in) Investing Activities	-	(8,503)	(8,323)	(37,319)	(21,718)	(7,080)	(13,968)	(78,862)	(57,433)	(774)	(967)	(1,218)
Cash Flows from Financing Activities												
Receipts:												
Proceeds from Borrowings & Advances	-	-	-	24,000	12,000	-	5,000	56,000	46,000	-	1,000	1,000
Payments:												
Repayment of Borrowings & Advances	-	(1,345)	(1,430)	(1,513)	(2,245)	(2,524)	(2,324)	(1,814)	(3,422)	(4,859)	(5,153)	(5,316)
Net Cash Flow provided (used in) Financing Activities	-	(1,345)	(1,430)	22,487	9,755	(2,524)	2,676	54,186	42,578	(4,859)	(4,153)	(4,316)
Net Increase/(Decrease) in Cash & Cash Equivalents	-	129	-	-	-	-	-	(5,000)	-	0	-	(0)
plus: Cash & Cash Equivalents - beginning of year	-	9,871	10,000	10,000	10,000	10,000	10,000	10,000	5,000	5,000	5,000	5,000
Cash & Cash Equivalents - end of the year	-	10,000	10,000	10,000	10,000	10,000	10,000	5,000	5,000	5,000	5,000	5,000
Cash & Cash Equivalents - end of the year	9,871	10,000	10,000	10,000	10,000	10,000	10,000	5,000	5,000	5,000	5,000	5,000
Investments - end of the year	14,800	13,799	14,199	10,772	10,822	14,499	14,972	19,203	18,427	13,614	12,011	10,595
Cash, Cash Equivalents & Investments - end of the year	24,671	23,799	24,199	20,772	20,822	24,499	24,972	24,203	23,427	18,614	17,011	15,595
Representing:												
- External Restrictions	7,256	23,799	24,199	20,772	20,822	24,499	24,972	24,203	23,427	18,614	17,011	15,595
- Internal Restrictions	-	-	-	-	-	-	-	-	-	-	-	-
- Unrestricted	17,415	(0)	(0)	0	0	0	0	0	0	0	0	0
Cash, Cash Equivalents & Investments - end of the year	24,671	23,799	24,199	20,772	20,822	24,499	24,972	24,203	23,427	18,614	17,011	15,595

Appendix 6 Scenarios

Scenario 1: General Fund – Rate peg only

Kempsey Shire Council 10 Year Financial Plan for the Years ending 30 June 2034 INCOME STATEMENT - GENERAL FUND Scenario: Scenario 1 - Rate Peg Rate Revenue only (assumes no SRV)												
	Actuals	Current Year	Projected Years									
	2022/23 \$'000	2023/24 \$'000	2024/25 \$'000	2025/26 \$'000	2026/27 \$'000	2027/28 \$'000	2028/29 \$'000	2029/30 \$'000	2030/31 \$'000	2031/32 \$'000	2032/33 \$'000	2033/34 \$'000
Income from Continuing Operations												
Revenue:												
Rates & Annual Charges	28,143	30,193	31,678	32,516	33,336	34,170	35,024	35,900	36,797	37,717	38,660	39,627
User Charges & Fees	8,382	7,828	9,461	9,788	10,042	10,293	10,551	10,815	11,085	11,362	11,646	11,937
Other Revenues	2,289	2,283	2,199	2,267	2,325	2,383	2,443	2,504	2,567	2,631	2,697	2,764
Grants & Contributions provided for Operating Purposes	21,579	16,369	13,493	13,724	13,854	14,200	14,555	14,919	15,292	15,674	16,066	16,468
Grants & Contributions provided for Capital Purposes	31,984	35,167	41,056	20,064	6,512	6,675	6,842	7,013	7,188	7,368	7,552	7,741
Interest & Investment Revenue	2,347	3,580	2,508	2,042	1,970	2,132	2,173	2,224	2,241	2,237	2,245	2,253
Total Income from Continuing Operations	94,724	95,420	100,395	80,401	68,040	69,854	71,588	73,374	75,170	76,990	78,866	80,790
Expenses from Continuing Operations												
Employee Benefits & On-Costs	22,803	24,466	26,166	27,204	28,027	28,874	29,746	30,645	31,572	32,526	33,509	34,521
Borrowing Costs	1,009	306	861	1,599	3,028	3,878	4,341	4,725	5,025	5,361	5,671	6,013
Materials & Contracts	19,704	19,154	14,385	14,241	14,318	14,675	15,146	15,213	15,516	15,907	16,562	16,991
Depreciation & Amortisation	14,090	14,972	15,273	16,308	17,049	17,604	18,123	18,658	19,209	19,777	20,361	20,963
Impairment of receivables	2	-	-	-	-	-	-	-	-	-	-	-
Other Expenses	2,478	4,440	5,152	5,311	5,449	5,586	5,725	5,868	6,015	6,166	6,320	6,478
Net Losses from the Disposal of Assets	4,870	-	-	-	-	-	-	-	-	-	-	-
Total Expenses from Continuing Operations	64,956	63,338	61,836	64,665	67,871	70,617	73,082	75,110	77,336	79,736	82,423	84,965
Net Operating Result for the Year	29,768	32,082	38,558	15,735	169	(763)	(1,493)	(1,736)	(2,166)	(2,747)	(3,557)	(4,176)
Net Operating Result before Grants and Contributions provided for Capital Purposes	(2,216)	(3,085)	(2,497)	(4,328)	(6,343)	(7,438)	(8,335)	(8,749)	(9,355)	(10,115)	(11,109)	(11,917)

Scenario 2: General Fund – Rate peg only and removing the backlog program.

Kempsey Shire Council 10 Year Financial Plan for the Years ending 30 June 2034 INCOME STATEMENT - GENERAL FUND Scenario: 2 - Rate Peg Rate Revenue, and base case back log and savings removed												
	Actuals	Current Year	Projected Years									
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Income from Continuing Operations												
Revenue:												
Rates & Annual Charges	28,143	30,193	31,678	32,516	33,336	34,170	35,024	35,900	36,797	37,717	38,660	39,627
User Charges & Fees	8,382	7,828	9,461	9,788	10,042	10,293	10,551	10,815	11,085	11,362	11,646	11,937
Other Revenues	2,289	2,283	2,199	2,267	2,325	2,383	2,443	2,504	2,567	2,631	2,697	2,764
Grants & Contributions provided for Operating Purposes	21,579	16,369	13,493	13,724	13,854	14,200	14,555	14,919	15,292	15,674	16,066	16,468
Grants & Contributions provided for Capital Purposes	31,984	35,167	41,056	20,064	6,512	6,675	6,842	7,013	7,188	7,368	7,552	7,741
Interest & Investment Revenue	2,347	3,580	2,508	2,042	1,970	2,132	2,173	2,224	2,241	2,237	2,245	2,253
Total Income from Continuing Operations	94,724	95,420	100,395	80,401	68,040	69,854	71,588	73,374	75,170	76,990	78,866	80,790
Expenses from Continuing Operations												
Employee Benefits & On-Costs	22,803	24,466	26,666	27,722	28,560	29,423	30,312	31,228	32,172	33,144	34,145	35,177
Borrowing Costs	1,009	306	861	1,599	2,612	3,058	3,129	3,193	3,245	3,344	3,429	3,618
Materials & Contracts	19,704	19,154	14,239	14,091	14,163	14,517	14,983	15,046	15,345	15,732	16,383	16,807
Depreciation & Amortisation	14,090	14,972	15,273	16,304	16,946	17,400	17,816	18,245	18,687	19,144	19,614	20,099
Impairment of receivables	2	-	-	-	-	-	-	-	-	-	-	-
Other Expenses	2,478	4,440	5,152	5,311	5,449	5,586	5,725	5,868	6,015	6,166	6,320	6,478
Net Losses from the Disposal of Assets	4,870	-	-	-	-	-	-	-	-	-	-	-
Total Expenses from Continuing Operations	64,956	63,338	62,190	65,027	67,730	69,983	71,965	73,580	75,464	77,529	79,890	82,178
Net Operating Result for the Year	29,768	32,082	38,204	15,374	310	(129)	(377)	(206)	(293)	(539)	(1,024)	(1,388)
Net Operating Result before Grants and Contributions provided for Capital Purposes	(2,216)	(3,085)	(2,851)	(4,690)	(6,202)	(6,804)	(7,219)	(7,219)	(7,482)	(7,907)	(8,576)	(9,129)

Appendix 7 Ratio Explanations

Ratio	Description
Operating Performance	The purpose of this ratio is to measure a council's achievement in containing operating expenditure within operating revenue.
Own Source Revenue	This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions. A Council's financial flexibility improves the higher the level of its own source revenue.
Unrestricted Current Ratio	This ratio is designed to represent Council's ability to meet short term obligations as they fall due.
Debt Service Cover	This ratio measures the availability of operating cash to service debt including interest, principal, and lease payments.
Rates and annual charges outstanding percentage	This ratio assesses the impact of uncollected rates and annual charges on liquidity and the adequacy of recovery efforts.
Cash Expenses Cover	This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash flow.
Buildings and infrastructure renewals ratio	To assess the rate at which assets are being renewed relative to the rate at which they are depreciating.
Infrastructure backlog ratio	This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.
Asset maintenance ratio	Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.