

---

# FINANCIAL SUSTAINABILITY REVIEW

MIDCOAST COUNCIL

DECEMBER 2023

---

[aecgrouppltd.com](http://aecgrouppltd.com)



## DOCUMENT CONTROL

---

Job ID: J002734  
Job Name: Financial Sustainability Review  
Client: MidCoast Council  
Client Contact: Steve Embry  
Project Manager: Francis Mangru  
Email: [francis.mangru@aecgrouppltd.com](mailto:francis.mangru@aecgrouppltd.com)  
Telephone: 0404 751 328  
Document Name: AEC Final Report – MidCoast Council Financial Sustainability Review 2023  
Last Saved: 8/12/2023 8:27 AM

Version	Date	Reviewed	Approved
Draft Report	20 November 2023	FM	GJ
Final Report	4 December 2023	FM	GJ

Disclaimer:

Whilst all care and diligence have been exercised in the preparation of this report, AEC Group Pty Ltd does not warrant the accuracy of the information contained within and accepts no liability for any loss or damage that may be suffered as a result of reliance on this information, whether or not there has been any error, omission or negligence on the part of AEC Group Pty Ltd or their employees. Any forecasts or projections used in the analysis can be affected by a number of unforeseen variables, and as such no warranty is given that a particular set of results will in fact be achieved.

## EXECUTIVE SUMMARY

### BACKGROUND

This report presents the outcomes of an independent Financial Sustainability Review, commissioned by the MidCoast Council (Council), following concerns expressed by the Councillors and the Executive Management Team (MANEX) regarding the medium to long-term financial sustainability of the Council. The Council is seeking confirmation as to whether Council's current position and policy settings are sustainable for the future needs of the organisation and the community it serves, and if not, what actions should be taken to correct the financial sustainability of the Council.

The primary objective of the Financial Sustainability Review is to assess the long-term sustainability of the Council's current financial settings and direction, identify key drivers and determinants of future sustainability and facilitate the development of an improved sustainable long-term financial plan with strategies to avert potential issues from emerging in the future.

To address these concerns, the Council commissioned AEC Group Ltd (AEC) to undertake an independent review of their financial sustainability.

### PURPOSE & APPROACH

AEC's approach to delivering upon the Terms of Reference is guided by the following definition of financial sustainability:

*Financial sustainability is the ability of an entity to maintain financial capital and infrastructure capital over the long term. Maintaining financial capital is concerned with the ability to sustain availability of cash into the future to meet the service and infrastructure needs of the entity. Maintaining infrastructure capital is concerned with the entity's ability to provide physical assets over the long term to meet the service requirements and demand.*

Sustainability for local government includes the ability to manage likely developments (built development and socio-demographic development) and unexpected financial shocks in the future.

The AEC approach to assessing financial sustainability includes two fundamental tests:

- Test 1 - Maintaining Fiscal Capital – In delivering the adopted Community Strategic Plan and other service planning, can Council demonstrate the capacity to access cash as required for current and future needs of services and infrastructure?
- Test 2 - Maintaining Infrastructure Capital – In delivery the adopted Community Strategic Plan and other service planning, Can Council demonstrate the capacity to provide infrastructure at an acceptable level of performance as required by current and future services?

To be sustainable Council must satisfy both tests.

**Figure – AEC Approach to assessing financial sustainability**



## KEY FINDINGS

This report draws the following conclusions regarding the financial sustainability of the Council:

### Council's Historical Performance

- Council has produced a consolidated net operating deficit in the four of the past six financial years, due primarily to operating deficits produced in the General Fund. The audited financial statements for 2022/23 present a \$45.4 million consolidated deficit and \$48.0 million deficit in the General Fund – although it should be noted that Council has recognised \$22.1 million revaluation decrement in bridges and additional depreciation of \$5.0 million in 2022/23 following revaluation of assets that significantly deteriorates the operating result for 2022/23 only. The increased depreciation related to buildings (\$2.2 million), water supply network (\$1.2 million), roads network (\$1.0 million) and sewer network (\$0.6 million).
- The Water Fund has experienced operating surpluses except for 2019/20. Operating results have ranged from \$2.2 million deficit to \$1.8 million surplus during the past six financial years.
- The reported net operating result for the Sewer Fund is a surplus of between \$4.7 million and \$9.7 million over the past six financial years.
- AEC has predicted that the historical structural deficit within the General Fund whereby the recurrent revenue is not able to fund the recurrent expenditure is approximately \$20-\$25million.
- Council has the sixth lowest average rate for residential and fifth lowest for business rating categories comparable to neighbouring Councils. As per OLG Series Data 2021/22, MidCoast is the lowest for farmland average rates and second lowest for domestic waste management charges amongst the Group 5 councils (regional town/city councils).
- Council has in recent financial years increased the use of borrowings, increasing the interest expense and the requirement for repayment of the borrowings.
- At the end of 2022/23, Council had total cash, cash equivalents and investments of \$330.6 million, of which \$209.9 million is externally restricted, \$68.5 million is internally restricted and a further \$48.8 million is held in reserve for commitments in reported liabilities (mostly contracted grant liabilities). The residual amount of \$3.4 million is considered unrestricted and considered significantly insufficient to mitigate unplanned events or essential unplanned asset expenditure.
- The total cash, cash equivalents and investments increased from 2017/18 until 2022/23. Council has been prudent over the years not to deplete internal reserves, protecting the Council from delivering a negative unrestricted cash position. However, the Council does need to restore the unrestricted cash for future unforeseen and unplanned events like natural disasters.
- MidCoast Council has spent in total \$576.8 million over six years till 2022/23 on capital expenditure, at an average of \$96.1 million annually.
- Through the acquisition of new and upgraded assets the Council has significantly increased the annual cost of ownership, including operating costs, interest expense on borrowings, maintenance, and depreciation expense.
- The building and infrastructure renewals ratio indicates that Council has not invested in asset renewals sufficiently to meet the 100% target as set by Office of Local Government.
- Council has not met the infrastructure backlog performance measure in the last six years from 2017/18 to 2022/23.
- There is low confidence in the reported backlog in renewals, the condition of assets and the asset maintenance targets due to low maturity in asset management across Council.

**In terms of the AEC assessment, Council has historically demonstrated that despite producing operating deficits (recurrently estimated to be \$20-25M deficit), access to cash has been maintained with current healthy cash reserves (although lower unrestricted cash then would be ideal to mitigate risk). However the**

**Council is not investing sufficiently in the renewal of existing assets. This is not a sustainable approach over the longer term as assets will likely require even higher investments to restore as assets deteriorate and require more intensive restoration or full replacement.**

### **Forecast of Council's Financial Position**

- AEC developed a Baseline Scenario that forecasts the Council's financial position over the next ten years based on current policy settings and no change to the revenue or expenses incurred from the current range and levels of service.
- A key challenge confronted by AEC in developing the forecast was reconciling the conflicting asset management advice provided by the asset managers against Council current asset data.
- The historical operating deficit position is forecast by AEC to continue and to deteriorate further over the forecast period. AEC's forecast indicates that, under the Baseline Scenario the Council will deliver an average consolidated operating deficit of approximately \$30.2 million over the forecast period (excluding capital grants and contributions), with individual annual results ranging from approx. \$16.8 million to \$41.4 million in deficits.
- The impact of other new and upgraded assets in the capital works plan – being increase in operating expenditure and increase in the depreciation expense – further contributes to the projected deterioration in the structural deficit.
- The forecast for the Statement of Cashflows in the Baseline Scenario currently indicates a decline in total cash and investments from \$330.6 million based on 2022/23 actuals to \$275.1 million by the end of 2033/34.
- The Baseline Scenario includes a total of \$994.5 million over the next ten years on capital expenditure, comprising \$320.7 million (32.1%) of new and upgraded assets and \$677.4 million (67.9%) of asset renewals over the forecast period.
- Based on projected depreciation expense, Council's investment on asset renewals will achieve an average renewal ratio of 67% over the forecast period, which is substantially below the Office of Local Government target indicator of 100%. If continued over the longer term, this would result in further deterioration of assets.
- Insufficient investment in renewal of assets will result in a general deterioration of assets and continue to increase the backlog in renewals – which increases the likelihood of a range of risks related to assets in poor to very poor condition.
- A notable risk with the Baseline Scenario is that assets left to deteriorate past an optimal period for renewal will require substantially greater investment to bring the asset back to a satisfactory standard – for example, rather than resealing the urban roads, Council may be required in the short to medium-term to undertake heavy patching or medium to longer term early rehabilitation of the road at a much higher cost over the longer term.

**Under the Baseline Scenario, access to cash is forecast to deteriorate and there is continued under investment in asset renewals leading to further deterioration in condition and higher investment necessary to restore or replace assets. This is not a sustainable scenario – or a plausible scenario as Council will breach responsibilities and accountabilities for financial management as outlined in the Local Government Act and guidelines established by Office of Local Government. To comply with responsibilities outlined in the Local Government Act the Council must act to avoid the forecast as outlined in the Baseline Scenario from occurring.**

### **Vision of a Sustainable Scenario for Council**

The vision for a sustainable MidCoast Council is that Council will be able to achieve the community objectives outlined in the Community Strategic Plan while maintaining over the medium to long term both fiscal capital (access to cash) and the infrastructure capital (assets that the Council owns).

The following performance indicators were determined to measure whether the Council is likely to be maintaining fiscal capital and infrastructure capital:

- The terms of reference for this review is for Council to achieve an operating surplus in the General Fund within 4-6 years. As a growing council, it would be advisable to achieve and maintain an operating surplus that is

## MIDCOAST COUNCIL FINANCIAL SUSTAINABILITY REVIEW 2023

above the industry benchmark of at least a net balanced operating result for all fund types and a balanced net operating position for the consolidated position overall.

- MidCoast Council would like to have a minimum of \$10 million in unrestricted cash balance and restore this balance by 30 June 2027. This will assist Council to meet unexpected natural disasters cash outflows and to manage short-term liquidity issues especially in regard to cash shortfalls for grant funded expenses to be recovered.
- The Council aims to gradually achieve 100% asset renewal ratio over the next 10 financial years. This will likely need reviewing once Council has improved the asset register and has a more fully understood quantum of the infrastructure backlog and the renewal investment required.
- The Council would like to keep the infrastructure backlog below the industry benchmark of 2%. It was noted that further actions are required to better determine the backlog, including comprehensive asset condition assessments.

AEC developed two sustainable forecasts for the Council – “Achieve General Fund Surplus” and “Achieve Unrestricted Cash Reserve”.

- A correction to the cash generated from operations required in each scenario in terms of a permanent increase in general rate revenue for 2024/25. General rates do not include annual charges for water, sewer, waste, and stormwater operations although these may appear on Council’s rates notice.
- Whilst AEC has expressed the correction required to the generation of cash from operations in the form of the percentage equivalent stated to an increase in Ordinary Rates, this may be achieved through a combination of initiatives, including a Special Rate Variation (SRV) Application to IPART (Independent Pricing and Regulatory Tribunal), operational efficiencies, reduction in service provision, sale of assets to pay down borrowings, rationalisation of assets to reduce the total operating cost of assets and an increase in revenue from operations through increase in service fees and charges.
- The increase in general rates may be achieved in total in 2024/25, or through a staged implementation. This decision would be informed by a capacity to pay assessment and the planned time schedule over which the Council plans to increase the investment in asset renewals.
- Under the Financially Sustainable Scenario – Achieve General Fund Surplus, the net average consolidated operating position over the forecast period reflects a surplus of \$0.9 million. This corrects the net operating position and meets the Office of Local Government performance targets. Whilst the Financially Sustainable Scenario – Achieve Unrestricted Cash still produces operating deficit (average \$4.9 million) although this has majorly improved from historical average deficits of \$12.5 million including 2022/23 actuals and 2023/24 budget.
- Both scenarios have unrestricted cash forecast to remain in a positive balance that improves further in the later years of the 10-year forecast. Council achieves the minimum target by 2025/26 and this could be achieved even earlier by selling assets and using the revenue received to increase the balance of unrestricted cash to the targeted of \$10 million.
- The asset investment assumptions in these scenarios achieves an asset renewal ratio of 91%. Note that the Baseline Scenario had a renewal ratio of 67%. While less than 100% target as set by Office of Local Government, the proposed renewal investment achieves the investment target set through analysis of the renewal demand in workshops with Councillors and Executive members. Council gradually on an annual basis reach the OLG benchmark by 2033/34.
- The scenarios do not include a specific program to address the backlog for asset renewals which will need to be considered once the maturity of asset management has improved an a more accurate estimate of the backlog is provided and the risk of the backlog is well understood.

## RECOMMENDATIONS

There is no immediate (short-term) financial crisis as Council cash position is sound, but with the current asset management settings, the Council is not financially sustainable over the medium-to longer-term. The purpose of the financial sustainability review was to ensure that Council is financially sound in the long-term. Council should focus on the service and asset management planning to ensure increased availability of cash is invested optimally in the short to medium term, addressing the highest priority demand for cash investments, while developing the longer term modelling and developing a sustainable approach to the management of assets.

It should be noted that due to underinvestment in asset renewals, Council is likely to have assets in a stage of life where the condition of the asset is quickly deteriorating and exposing Council to higher investment needed to restore or replace the asset. Understanding this risk and quantifying the investment necessary to prevent a high risk scenario should be the highest priority of the Council.

Recommendations will require additional investment by Council to be implemented in full and for many of the recommendations it will take some time to realise the benefits. The recommendation to increase the general rate through the Special Rate Variation is essential to protect the cash position of the Council in the medium to long term while enabling sufficient funding to be allocated to renewing assets and implement the other recommendations outlined below. The recommendations provided by AEC address the following pillars for to improving the financial sustainability of Mid Coast Council:

- Improve the operating position
- Improve the availability of cash
- Improve investment in assets
- Enhance strategic service planning
- Improve the productivity and efficiency of services
- Enhance governance, prioritisation and decision-making

In terms of the time required to implement the recommendations, realistically the Council will need to stage the implementation over the next three years.

### **To improve the operating position Council should consider:**

#### 1. Increase generation of revenue through:

- Submit a Special Rate Variation (SRV) Application based on increasing General Fund rates revenue by approximately \$311.13million over the next 10 years. This can be achieved in the first financially sustainable scenario (Achieve General Fund Surplus) through a 42.7% increase (inclusive of rate peg) introduced over four years starting 2024/25 (which is a 12.7% (2024/25), 10.0% (2025/26), 10.0% (2026/27) and 10% (2027/28). The cumulative increase in general rates over the four years is 50.0%.
- Review the pricing for fees and charges and ensure they reflect full cost price for services, as far as it is practical to do so, without impacting significantly on access to services by the community.

#### 2. Decrease operating costs through:

- Establish a productivity and efficiency target to be achieved through the development of a Productivity and Efficiency Plan, which should include consideration of strategies outlined below under Enhanced Productivity and Efficiency of Services. Council could include this within the Business Transformation program target.
- Conduct a strategic review of services to assess the range and levels of service provided.
- Improve the strategic and technical asset management capability and practices with a focus on planning to manage assets at the most optimal whole of life cost.

#### 3. Develop the demand management approach in service planning to minimise the growth in service costs and avoid increased cost of assets, including:



## MIDCOAST COUNCIL FINANCIAL SUSTAINABILITY REVIEW 2023

- Continue to undertake service reviews, particularly for discretionary services and community service obligations (services that would not be provided if based on a commercial decision)
  - Implement a Strategic Service Planning framework, including the development of a Service Catalogue, that defines the approved range and levels of service.
  - Implement requirement for a Business Case and/or Capital Expenditure Review prior to approving to proceed with material new or upgraded services and assets (mandatory for proposed capital works for new or upgraded assets over \$1million).
  - Implement a framework for grant applications and acceptance to consider the impact of the grant on the Long-Term Financial Plan and financial sustainability.
4. Improve governance and financial controls.
- Maintain integration of the Annual Budget and Long-Term Financial Plan with the Delivery Program, Operational Plan, Asset Management Plans, Workforce Strategy, and other adopted plans – each plan should be updated when material decisions are made that impact on the respective plans.
  - Implement effective budget and other financial controls – including budget accountability, a project management framework with gateway controls, workforce plan outlining the funded staff establishment, contract management framework.
  - Develop an annual budget development process that is activity based rather than largely historical.

**To improve the availability of cash Council should consider:**

5. Council should budget for and maintain, at least in the short term, an unconstrained cash reserve of at least \$10.0 million as a contingency for unplanned asset renewals/replacements due to asset failure or other unknown or unplanned events.
6. If Council has assets (land or property) within its inventory that has no future strategic use, this should be used to replenish the unrestricted cash reserve.
7. Review internally restricted cash to ensure alignment with intended purpose of the reserves and that the reserves are adequate for the purpose.
8. Implement a monthly reconciliation and reporting process for all external restrictions.

**To improve investment in assets Council should:**

9. Enhance the capability and effectiveness of asset management, including:
  - Prepare an asset management strategy that provides guidance and direction to improve Council's asset management approach, improve resource allocation, increase the awareness of current asset performance/risk, establish asset management strategies, and integrate the Asset Management Plans and the Long-Term Financial Plan.
  - In the short term, develop the strategic asset management capability to better predict, prioritise and plan for asset renewal programs based on known risks, criticality, condition, and performance of each asset class.
  - Review and update the asset management plans for each asset class to determine and direct the optimal life cycle approach for each asset class.
  - Establish systems and practices that enhances and realises the value of asset management across the organisation.
  - Improve processes for asset data collection, standardisation, and componentisation.
  - Implement a condition inspection program with an initial focus on all critical assets, or assets with high risk, and sample condition assessment for less critical assets (or asset assessed with less risk). This is best through integrated plan with the asset valuation plan.



## MIDCOAST COUNCIL FINANCIAL SUSTAINABILITY REVIEW 2023

- Prepare a pavement management system with a detailed whole of life approach designed specifically for Council's sealed and unsealed road network, including optimised approach to maintenance and renewal of assets and estimated costing to inform the Long-Term Financial Plan.
10. Improve the integration of asset planning with the strategic service planning to better understand, manage and avoid where possible the demand for growth in assets.
  11. Explore opportunities to rationalise the land and facilities assets that are used to deliver Council's services, including the rationalisation of the number of locations services are provided and considering a regional approach to service delivery rather than service in each location.
  12. Require the development of a "State of Assets Report" to be prepared and presented to Council to ensure the Councillors understand the preparation of the Draft Report on Infrastructure Assets (schedule to the Annual Financial Statements) and enable discussion between Councillors and Management on progressing improvement in asset management and asset renewal planning.
  13. Consider reviewing its developer contributions plans, before undertaking any substantial asset programs to ensure that the current contribution levels are able to support the future development costs.

**To enhance the strategic service planning Council should:**

14. Develop a strategic service planning framework to guide and inform the development of the Delivery Program and Resourcing Strategies. A framework that includes an annual review of service performance and alignment to priorities will enable Council to better inform the development of the Annual Budget and review priorities in the allocation of constrained resources.
15. Council may wish to consider undertaking a review of the range of non-core services provided, to determine whether they continue to deliver value to the community and whether there remains a public policy rationale for Council delivery of such services.
16. Council may also wish to consider the levels of service provided within services that are not regulatory required services to reduce the cost of the services provided.
17. Council should implement the use of formal business cases to consider and determine undertaking new projects or service, or a change in current service levels. The financial implications should be a major determinant of the decision making.

**To enhance productivity and efficiency of services Council should:**

18. Review the efficiency and effectiveness of current corporate overhead functions, particularly the service with large operating expenditure and potential to support improvements in productivity and efficiencies such as ICT, fleet and plant operations, finance, and asset management.
19. Develop measures of productivity and efficiency when developing the Annual Budget and reporting to assist trend analysis and benchmarking with partner councils – for example \$/km of unsealed road graded, \$/km of road reseal, \$/hectare of mowing, cost/library member, median time taken to resolve customer requests, plant utilisation rates, median time taken to fill a vacancy.
20. Implement and fund productivity and efficiency improvement initiatives previously identified including the target efficiency benefits of the Business Transformation Project intended to achieve \$26.3 million in cash savings.
21. Council should embark on an initiative to target service efficiencies and increase productivity to contribute to the improvement in the operating position of Council. The initiatives should include corporate initiatives (such as improvement in procurement, salary benchmarking etc.) as well as focused review on the delivery of targeted services.
22. Services with higher net costs hold the greatest potential for efficiencies – including service areas within Water Services, Sewer Services, Transport Assets, Waste Services and Information & Communication Technology.
23. Report to Council on a quarterly basis the progress in achieving efficiency and implement process to track the achievement of the productivity and efficiencies target.

**To enhanced governance, prioritisation and decision-making Council should:**

24. Revise the Resourcing Strategy including the Long-Term Financial Plan informed by funding requirements from strategic asset management, workforce planning and strategic service planning.
25. Implement a comprehensive and robust budget development process with oversight by the Chief Financial Officer and the Executive Team.
26. Implement oversight and control of the funded organisation chart.
27. Implement a Project Management Framework, including appropriate gateways for project selection, planning, execution, and closure, and enforce the project management governance for all potential projects (including approval to proceed with grant applications).
28. Develop the organisational financial management governance and financial acumen of management to improve financial management at all levels of management.

# TABLE OF CONTENTS

---

<b>DOCUMENT CONTROL</b> .....	<b>I</b>
<b>EXECUTIVE SUMMARY</b> .....	<b>II</b>
<b>TABLE OF CONTENTS</b> .....	<b>X</b>
<b>1. INTRODUCTION</b> .....	<b>1</b>
1.1 BACKGROUND .....	1
1.2 PURPOSE OF THIS REPORT .....	2
1.3 APPROACH .....	2
<b>2. SOCIO-ECONOMIC PROFILE</b> .....	<b>4</b>
2.1 MIDCOAST LGA .....	4
2.2 SUMMARY .....	4
2.3 SOCIO-ECONOMIC ENVIRONMENT .....	5
2.4 MACROECONOMIC FORCES .....	11
2.5 TOURISM .....	11
<b>3. OVERVIEW OF SERVICE DELIVERY AND PROVISION OF INFRASTRUCTURE</b> .....	<b>12</b>
3.1 STRATEGIC OBJECTIVES .....	12
3.2 DELIVERY PROGRAM.....	16
3.3 OTHER KEY STRATEGIES AND PLANS .....	19
<b>4. BENCHMARKING</b> .....	<b>20</b>
4.1 DESKTOP BENCHMARKING.....	20
<b>5. ASSESSMENT OF FINANCIAL PERFORMANCE</b> .....	<b>24</b>
5.1 BACKGROUND .....	24
5.2 OPERATING POSITION .....	24
5.3 FINANCIAL PERFORMANCE MEASURES .....	32
5.4 AVAILABILITY OF CASH .....	38
5.5 INVESTMENT IN ASSETS.....	42
5.6 KEY FACTORS CONTRIBUTING TO THE HISTORICAL FINANCIAL PERFORMANCE .....	45
<b>6. SCENARIO PLANNING</b> .....	<b>48</b>
6.1 METHODOLOGY AND APPROACH .....	48
6.2 GUIDE TO INTERPRETATION OF AEC FINANCIAL REPORTS.....	49
<b>7. BASELINE FORECAST POSITION – BUSINESS AS USUAL</b> .....	<b>51</b>
7.1 ASSUMPTIONS AND QUALIFICATIONS.....	51
7.2 CONSOLIDATED OPERATING POSITION.....	51
7.3 AVAILABILITY OF CASH .....	58
7.4 INVESTMENT IN ASSETS.....	65
7.5 SUMMARY OF FINANCIAL SUSTAINABILITY.....	68

<b>8. SUSTAINABLE APPROACH TO INFRASTRUCTURE .....</b>	<b>69</b>
8.1 ASSET MANAGEMENT STRATEGY 2023-32 .....	69
8.2 PROPOSED OPTIMISED PREVENTATIVE APPROACH .....	74
8.3 ACTIVITY BASED COSTING APPROACH TO ACHIEVE SUSTAINABLE FUNDING REQUIREMENT .....	75
8.4 FINANCIAL ANALYSIS OF THE SUSTAINABLE APPROACH TO INFRASTRUCTURE .....	81
<b>9. FORECAST– FINANCIALLY SUSTAINABLE SCENARIO ONE – ACHIEVING A GENERAL FUND SURPLUS .....</b>	<b>85</b>
9.1 ASSUMPTIONS AND QUALIFICATIONS.....	85
9.2 CONSOLIDATED OPERATING POSITION.....	85
9.3 AVAILABILITY OF CASH .....	88
9.4 INVESTMENT IN ASSETS .....	96
<b>10. FORECAST– FINANCIALLY SUSTAINABLE SCENARIO TWO – ACHIEVE AND MAINTAIN UNRESTRICTED CASH.....</b>	<b>98</b>
10.1 ASSUMPTIONS AND QUALIFICATIONS .....	98
10.2 CONSOLIDATED OPERATING POSITION.....	98
10.3 AVAILABILITY OF CASH .....	101
10.4 INVESTMENT IN ASSETS .....	109
<b>11. VISION FOR A FINANCIALLY SUSTAINABLE COUNCIL .....</b>	<b>111</b>
11.1 FOCUS AREAS TO IMPROVE FINANCIAL SUSTAINABILITY .....	111
11.2 DEFINING A SUSTAINABLE FUTURE .....	114
11.3 RECOMMENDATIONS .....	114
<b>12. CHALLENGES, OPPORTUNITIES AND RISKS.....</b>	<b>120</b>
12.1 CHALLENGES AND OPPORTUNITIES.....	120
12.2 SIGNIFICANT RISKS.....	121
<b>13. IMPLEMENTATION ACTION PLAN .....</b>	<b>122</b>
<b>REFERENCES.....</b>	<b>128</b>
<b>APPENDIX A: STAKEHOLDER ENGAGEMENT .....</b>	<b>129</b>
<b>APPENDIX B: BENCHMARKING .....</b>	<b>132</b>
<b>APPENDIX C: 2022/23 REPORT ON INFRASTRUCTURE ASSETS.....</b>	<b>145</b>

# 1. INTRODUCTION

---

## 1.1 BACKGROUND

MidCoast Council (referred to as the “Council” from here onwards) is a local government area that is located in the Mid North Coast region of New South Wales, Australia. The Council was formed on 12 May 2016 through a merger of the Gloucester Shire, Great Lakes, and City of Greater Taree Councils.

The Council comprises an area of 10,053 square kilometres (3,881 sq mi) and occupies the southern portion of the Mid North Coast of New South Wales stretching 190 km (118 mi) between the coastal towns of Hawks Nest and Tea Gardens and northwards to Crowdy Bay National Park. The region includes the three great lakes, the coastal towns of Seal Rocks, Forster, Taree, and onto Crowdy Head north of Harrington. The LGA extends inland to the Barrington Tops National Park west of Gloucester, plus Stroud, Bulahdelah, and Wingham. It includes the Manning River and valley adjoining the Three Brothers mountains.

The population of MidCoast has increased over the decade to 2022, growing from approximately 89,300 residents in 2012 to over 97,000 in 2022 (ABS, 2023a). Like many other regional NSW councils, Council has in recent years faced challenges in the preparation of a sustainable Long Term Financial Plan that while maintaining cash balances, the Council does not meet all of the Office of the Local Government performance indicators – particularly the indicators relating to asset renewals and investment backlog in infrastructure assets.

Over the past five years, the Council has experienced disasters – most notably COVID pandemic, floods, storm damage and bushfires which has significantly impacted the normal business operations, including asset maintenance and asset renewal programs, as well as impacting upon the availability of cash. Related to the disasters, the Council has received large operating and capital grants, including economic stimulus funding from State and Federal governments and grant funding for the restoration and response to the emergencies. The Council’s revenue base was also impacted due to restricted operations during COVID. The concept of “business as usual” has not been reflected in the annual operations nor the annual capital works program for many years.

The Council has also produced historical deficits in the General Fund, which has been a growing concern, including the need to assess the long-term impact that the operating deficits would likely have upon the Council’s sustainability over the long term.

In May 2022 Council adopted the following resolution:

*That in view of the projected ongoing General Fund deficit position (Operating Result before Capital Grants & Contributions) identified in the Long-Term Financial Plan, Management prepare a plan of action for Council consideration so as to return the General Fund to a surplus position within a 4–6-year timeframe. This plan of action to consider, but not to be limited to, the following matters:*

- *Completion of works program identified within the Asset Management Strategy (including development of asset management plans) to inform discussion on asset service levels.*
- *Framework and Program for the conduct of service reviews to inform discussion on services provided by Council and the level/cost of those services.*
- *Identification of opportunities to achieve operational efficiencies through the Business Transformation Program and other relevant reviews.*
- *Engagement with the community.*
- *Timeframes.*

*Council has recently progressed with asset condition assessments and asset management plan development. A road Strategic Plan is also under development. A Service Optimisation methodology has been developed and preliminary analysis been undertaken. The 5-year Business Transformation Program has commenced.*

Given the acknowledged issues above and ongoing challenges in funding infrastructure renewal over the 10-year period of the Long-Term Financial Plan, Council commissioned AEC to conduct an independent Financial Sustainability Review (FSR).

## 1.2 PURPOSE OF THIS REPORT

On 28 September 2022, through a Council Resolution [367/2022] voted to commence a financial sustainability review and the following terms of reference was provided to AEC Group (AEC) to undertake the review:

1. *Document factors contributing to the current financial position.*
2. *Assess Council's current financial settings and oversight strategies from an efficiency, effectiveness, sustainability, and performance management perspective.*
3. *Identify potential opportunities for Council to increase revenue and reduce costs.*
4. *Develop, evidence-based options for Council's deliberation, with risks and benefits identified.*
5. *Recommend an implementation strategy and timeframe noting Council's goal to return the General Fund Operating Result before Capital Grants & Contributions to a surplus position within 4-6 Years. (noting the 2022 resolution date as the commencement of this timeframe)*
6. *Deliver a FSR final report, including an Executive summary suitable for public release, by December 2023.*

AEC's refined understanding of the FSR terms of reference accepted at the Project Inception are to:

1. Review MidCoast Council's past financial performance and the current financial position, including identifying trends, drivers, and other impacts upon the future financial position.
2. Undertake an in-depth review of the costs of services and in liaison with respective service managers identify the current community service levels (not technical), quantify current service activity, quantify future demand for the service and identify opportunities for improvement in service efficiency and productivity.
3. In liaison with Council's asset portfolio managers, conduct a review of the forward planned capital works, including the integration of the LTFP and asset management plans and identify the implication on the LTFP if there needs to be adjustments to asset management plans or capital works plan to sustainability maintain the Council infrastructure.
4. Based on findings of the above, develop an independent forecast of Council's forward financial position and comment on the sustainability of the financial position over the short, medium, and long term.
5. Identify strategic options for Council to improve the forecast position, including potential opportunities for Council to:
  - o Improve the strategic management of assets, including increased utilisation, asset recycling, rationalisation, and disposal of assets.
  - o Increase revenue through rates, fees, and charges.
  - o Decrease the cost of services through council management, operations, service delivery models, delivery of capital programs, procurement approaches and governance systems.
6. Develop recommended options for Council's deliberation, noting the potential risks and benefits of each with consideration of councils adopted risk appetite, plus a recommended implementation strategy.
7. Produce a clear and concise FSR final report, plus a summary report of findings suitable for public release.

## 1.3 APPROACH

AEC's approach to delivering upon the Terms of Reference is guided by the following definition of financial sustainability:

*Financial sustainability is the ability of an entity to maintain fiscal capital and infrastructure capital over the long term. Maintaining financial capital is concerned with the ability to sustain availability of cash into the future to meet the service and infrastructure needs of the entity. Maintaining infrastructure capital is concerned with the entity's ability to provide physical assets over the long term to meet the service requirements and demand.*

MIDCOAST COUNCIL FINANCIAL SUSTAINABILITY REVIEW 2023

Maintaining fiscal and infrastructure capital includes the ability to manage likely future developments (built development and socio-demographic development) and unexpected financial shocks or unplanned events.

The AEC approach to assessing financial sustainability includes two fundamental tests:

- Test 1 - Maintaining Fiscal Capital – In delivering the adopted Community Strategic Plan and other service planning, can Council demonstrate the capacity to access cash as required for current and future needs of services and infrastructure?
- Test 2 - Maintaining Infrastructure Capital – In delivery the adopted Community Strategic Plan and other service planning, Can Council demonstrate the capacity to provide infrastructure at an acceptable level of performance as required by current and future services?

To be sustainable Council must satisfy both tests.

**Figure 1.1 AEC Financial Sustainability Review Approach**



Source: AEC Proposal (unpublished)



## 2. SOCIO-ECONOMIC PROFILE

### 2.1 MIDCOAST LGA

This section provides a summary of the current socio-economic environment of the MidCoast Local Government Area (hereafter referred to as MidCoast), with comparisons made to other regions across New South Wales where relevant. The comparison regions include the following LGA's:

**Table 2.1 Group of Councils**

Council	Est Population (2021)	Total Residential Rate Assessments
Eurobodalla	40,453	24,335
Wingecarribee	52,456	22,448
Port Stephens	75,282	32,467
Shellharbour	76,443	28,629
Coffs Harbour	78,738	30,876
Port Macquarie-Hastings	86,585	34,743
Maitland	90,553	33,155
MidCoast	96,425	46,445
Tweed	97,151	38,132
Shoalhaven	108,497	55,982
Newcastle	169,317	66,487
Lake Macquarie	213,967	83,052
Wollongong	214,657	80,693

Source: OLG Series Data 2021-22

### 2.2 SUMMARY

#### 2.2.1 Current Capacity to Bear Cost of Living Shocks

- **Healthy Household Incomes:** MidCoast's average weekly household income is lower than the comparison regions by \$475. The low-income underscores MidCoast's relative economic well-being and potentially lower disposable household income against the comparison regions.
- **Higher Mortgage Stress:** MidCoast has higher mortgage stress rates and rental stress rates (11.3% and 43.1%) compared to the comparison regions (7.7% and 33.8%) indicating a higher cost of living and a lower capacity to bear cost of living shocks.
- **Resilient Labour Market:** Growth in key population service industries such as health care and social assistance, construction and public administration and safety highlights a resilient job market. A strong government sector provides stability against external commodity and macro-economic fluctuations.

#### 2.2.2 Industry Base and Growth

- **Robust Economy:** MidCoast has a robust economy with a Gross Regional Product (GRP) of approximately \$5.1 billion, underpinned by its health care and social assistance (15.0% of IVA), construction (10.6% of IVA) and retail trade industries (7.7%) provides a strong economic base.
- **Key Growth Industries:** MidCoast's fastest growing industries over the past five-years by industry value include health care and social assistance services, wholesale trade and public administration and safety industries. An increase in business activity and investment can attract new businesses and continued industry growth, leading to additional business-related fees and charges that may contribute to Council revenue over time.

- **Employment is a key driver of population and rate revenue:** Employment across all industries in MidCoast are projected to increase into the future. High income industries of professional, scientific and technical services, health care and social assistance and education and training are anticipated to experience the largest increases in employment.

### 2.2.3 Future Trends

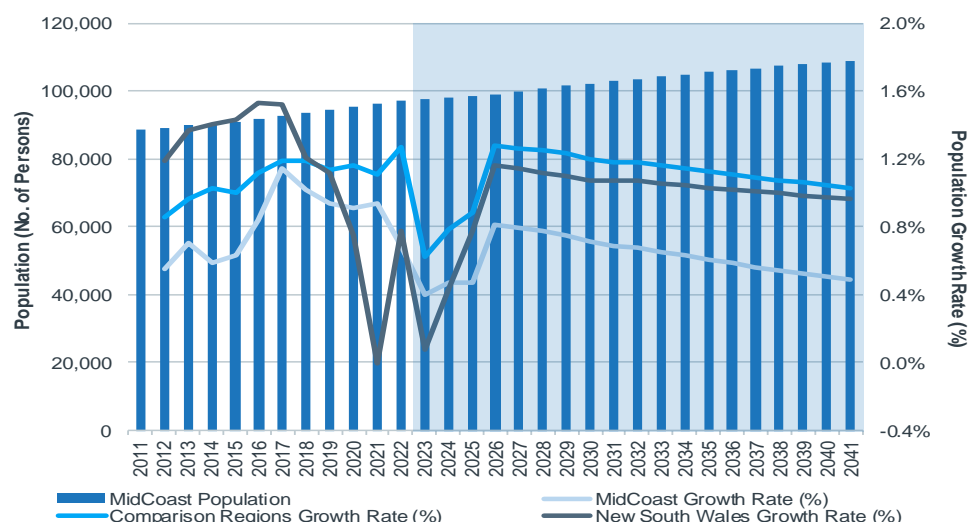
- **Projected Increase in Population:** MidCoast’s population is projected to reach 109,063 persons by 2041 at an average annual rate of 0.6% between 2022 and 2041, lower than the New South Wales growth rate of 1.0%. A result of this growing population may increase the demand for residential dwellings, which are projected to increase by 6,598 between 2021 and 2041 (based 1.9 persons per dwelling).
- **Future Macroeconomic Trends:** Macroeconomic trends, such as digital transformation, changing migration patterns to regional areas (including MidCoast) and a carbon neutral future will deliver significant future investment in the region to capitalise these trends. There is rising uncertainty due to recent natural disasters amongst the community with investment required to diversify the economy (particularly in agriculture) to soften the longer-term economic impacts when these disasters occur.

## 2.3 SOCIO-ECONOMIC ENVIRONMENT

The following are key attributes of the existing socio-economic environment in MidCoast:

- **MidCoast recorded a population of approximately 97,000 people in 2022, with historical population growth slower than the comparison regions and New South Wales:** The population of MidCoast has increased over the decade to 2022, growing from approximately 89,300 residents in 2012 to over 97,000 in 2022 (ABS, 2023a). The growth of approximately 7,700 residents, which corresponds to an average annual rate of 0.8%. This growth rate was softer than the comparison regions and New South Wales (which both grew at an average annual rate of 1.1%). The growth rate in MidCoast is anticipated to slow over the coming years to an average annual growth of 0.6% (from 2022 to 2041). This equates to an increase of approximately 12,000 people over the nineteen years to 2041, to reach a population of 109,063 persons (NSW Department of Planning and Environment, 2022). Meanwhile, the comparison regions and New South Wales are anticipated to continuing growing similar to their historical rate (1.1% and 1.0% respectively).

**Figure 2.1 Historical and Projected Population, MidCoast LGA, 2011 to 2041**



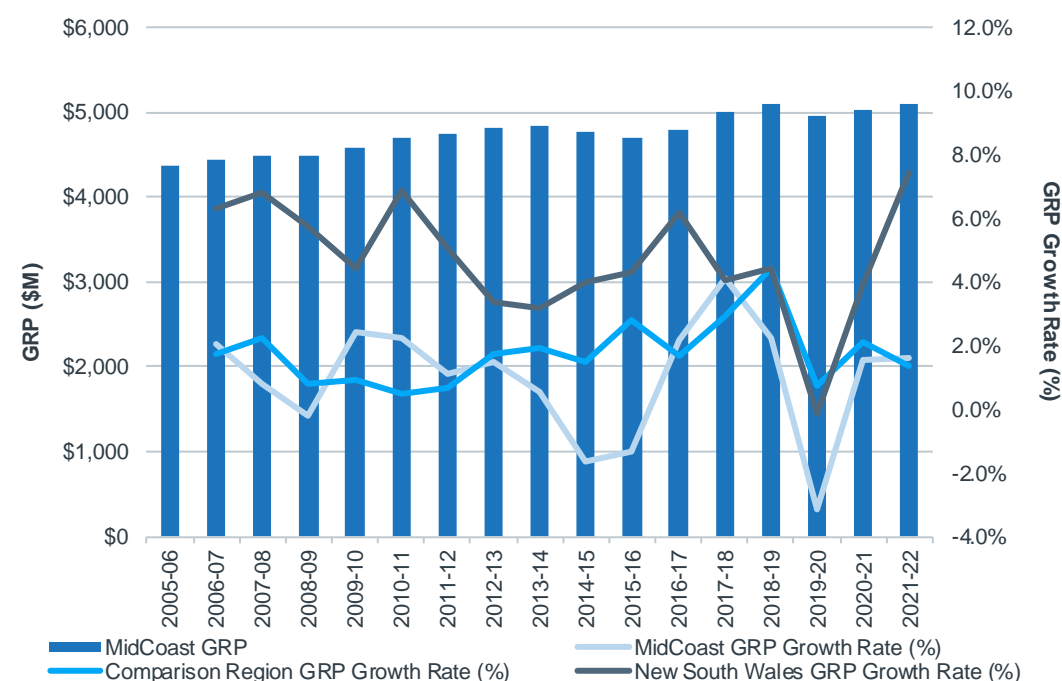
Source: ABS (2023a), NSW Department of Planning and Environment (2022), AEC.

- **MidCoast’s economy has grown at a lower rate than the comparison regions and New South Wales, reaching a Gross Regional Product of over \$5.1 billion by 2021-22:** MidCoast’s Gross Regional Product (GRP) increased from \$4.7 billion in 2011-12 to \$5.1 billion in 2021-22, which corresponds to an average annual rate of 0.7% per annum (AEC, unpublished a). GRP growth in MidCoast over the last ten years has

## MIDCOAST COUNCIL FINANCIAL SUSTAINABILITY REVIEW 2023

been more subdued in comparison to the comparison regions and New South Wales more broadly, where GRP growth has averaged 2.1% and 4.1% per annum respectively.

**Figure 2.2 Gross Regional Product, MidCoast, 2005-06 to 2021-22**



Source: AEC (unpublished a)

- **MidCoast's economy is predominantly underpinned by population servicing industries:** Health care and social assistance was the largest contributing sector to MidCoast's Industry Value Add (IVA) in 2021-22, contributing \$612.4 million (15.0%) to MidCoast's total IVA. This was followed by construction at \$433.8 million (10.6%) and retail trade at \$314.0 million (7.7%).

**Table 2.2 Industry Value Add (IVA) Contribution (%), 2016-17 & 2021-22**

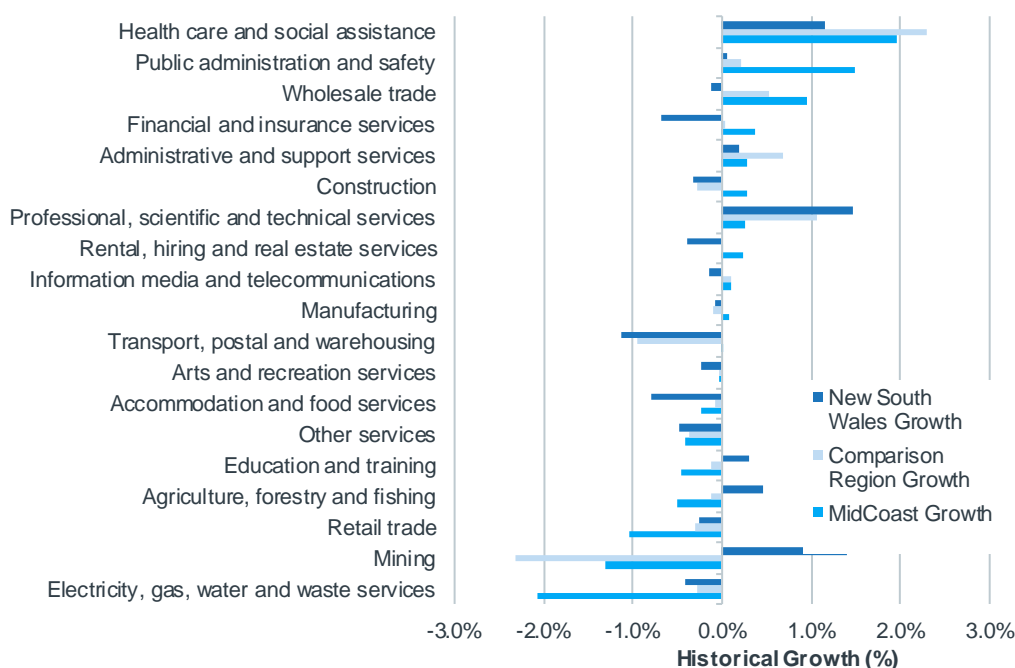
Industry	MidCoast		Comparison Regions		New South Wales	
	2016-17	2021-22	2016-17	2021-22	2016-17	2021-22
Health care and social assistance	13.1%	15.0%	10.4%	12.7%	7.5%	8.7%
Construction	10.4%	10.6%	11.5%	11.2%	8.7%	8.4%
Retail trade	8.7%	7.7%	6.3%	6.0%	5.1%	4.9%
Manufacturing	6.8%	6.9%	6.9%	6.8%	6.4%	6.3%
Mining	7.9%	6.6%	8.7%	6.4%	3.6%	5.0%
Education and training	6.4%	5.9%	7.3%	7.1%	5.5%	5.8%
Administrative and support services	5.4%	5.7%	4.6%	5.3%	4.5%	4.7%
Rental, hiring and real estate services	5.4%	5.7%	3.9%	3.9%	4.6%	4.2%
Professional, scientific and technical services	5.0%	5.3%	6.5%	7.6%	9.6%	11.0%
Agriculture, forestry and fishing	5.7%	5.2%	1.4%	1.3%	2.4%	2.9%
Public administration and safety	3.5%	5.0%	6.5%	6.7%	5.3%	5.3%
Accommodation and food services	4.4%	4.2%	3.5%	3.4%	3.1%	2.3%
Financial and insurance services	3.3%	3.7%	5.7%	5.8%	12.9%	12.2%

Industry	MidCoast		Comparison Regions		New South Wales	
	2016-17	2021-22	2016-17	2021-22	2016-17	2021-22
Transport, postal and warehousing	3.6%	3.6%	5.5%	4.6%	6.3%	5.1%
Wholesale trade	1.9%	2.9%	3.5%	4.0%	5.2%	5.1%
Other services	2.6%	2.1%	2.5%	2.1%	2.1%	1.6%
Electricity, gas, water and waste services	3.9%	1.9%	3.2%	3.0%	2.4%	2.0%
Information media and telecommunications	1.2%	1.3%	1.4%	1.5%	3.9%	3.8%
Arts and recreation services	0.8%	0.8%	0.7%	0.7%	0.9%	0.7%
<b>IVA</b>	<b>\$3,832.6</b>	<b>\$4,076.4</b>	<b>\$68,375.7</b>	<b>\$77,196.8</b>	<b>\$474,056.0</b>	<b>\$582,335.1</b>

Note: Industries are listed in order of highest contribution to MidCoast IVA in 2021-22.  
 Source: AEC (unpublished a), AEC.

- Largest growth predominately experienced in population servicing industries:** Growth in the MidCoast’s IVA between 2016-17 and 2021-22 was attributable to the health care and social services (2.0% increase), lower than the comparison regions but higher than New South Wales (2.3% increase and 1.2% increase respectively). MidCoast’s industries of public administration and safety (1.5% increase) and wholesale trade (1.0% increase) also experienced large growth, higher compared to the comparison regions (0.2% increase and 0.5% increase) and New South Wales (0.0% change and -0.1% decrease).

**Figure 2.3 Historical Growth (IVA), 2016-17 to 2021-22**



Source: AEC (unpublished a).

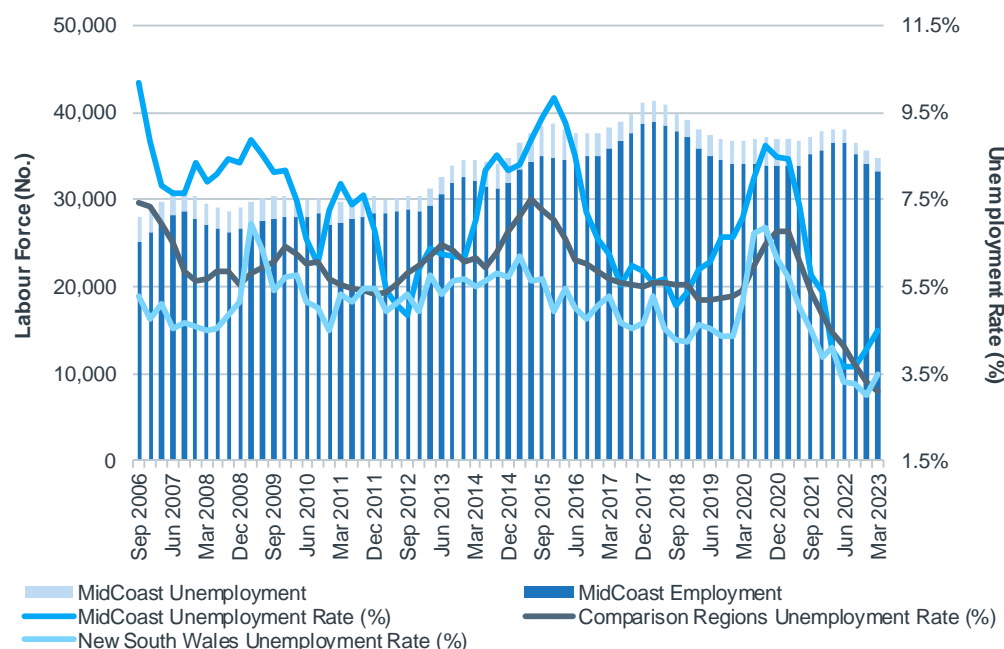
- The number of jobs in MidCoast has grown less than the comparison regions:** Employment in the MidCoast has grown from 27,128 in 2011-12 to 31,885 in 2021-22, representing an increase of 4,756 jobs (AEC, unpublished b). Employment growth in MidCoast (average annual rate of 1.6% over the 10 year period) was less pronounced than in the comparison regions (average annual growth of 2.4%) and New South Wales (average annual growth of 1.8%). Healthcare and social assistance was the largest employer by industry in MidCoast, representing 22.2% of jobs in 2021-22, followed by retail trade and construction at 12.4% and 9.5% of jobs, respectively. Over the last decade to 2021-22, the key population servicing industries of healthcare and social assistance and construction have recorded the largest increases in employment in MidCoast (1,500 and 716 jobs respectively).

- MidCoast has historically recorded a higher unemployment rate than the comparison regions and New South Wales:** The unemployment rate in MidCoast has typically been higher than both the comparison regions and New South Wales (ABS, 2023b; Jobs and Skills Australia, 2023), with high rates of unemployment typical in coastal cities (McDowell, 2019; Cunningham, 2011). Periods of elevated unemployment (over 7.5%) occurred between June 2006 and December 2009 and between June 2014 and June 2016.

MidCoast, experienced an increase in the unemployment rate during the COVID-19 pandemic, consistent with the increases experienced across Australia (and specifically in the comparison regions and New South Wales). Over the last year, the unemployment rate has risen from 4.1% in March 2022 to 4.5% in March 2023. During the same period, the comparison regions and New South Wales experienced a decrease in the unemployment rate, with both experiencing a lower unemployment rate than MidCoast, at 3.1% and 3.5%, respectively.

- MidCoast has weaker labour market resilience against adverse events:** During the largest economic crises of the last two decades, the Global Financial Crisis (GFC) and the COVID-19 pandemic, MidCoast has seen a sharp increase in unemployment, a decrease in the labour force, and slightly more pronounced population growth, indicating that MidCoast has weaker resilience to and residential attraction during economic crises.

**Figure 2.4 Labour Market, MidCoast, June 2006 to March 2023**



Source: ABS (2023b), Jobs and Skills Australia (2023).

- Weekly household incomes in MidCoast averaged approximately \$475 less than the comparison regions:** In 2021, weekly household income in MidCoast averaged approximately \$1,453 per week, which was around \$475 lower than the comparison regions average of \$1,928 per week (ABS, 2022a). The average incomes in both MidCoast and the comparison regions were lower than New South Wales, which recorded an average weekly household income of \$2,272 a week. This may be the result of the lower proportion of MidCoast residents employed in the professional, scientific and technical services (average weekly income of approximately \$1,368) and financial and insurance services (average weekly income of approximately \$1,568) industries in comparison to New South Wales and the relatively higher proportion of people employed in the health care and social assistance, agriculture and retail trade (average weekly income of approximately \$1,186, \$1,011 and \$775 respectively).
- MidCoast has higher levels of mortgage stress compared to the comparison regions and New South Wales over the past 10 years:** Despite a consecutive decrease across census reporting periods, MidCoast's mortgage stress rate has remained higher than the comparison regions and New South Wales. In 2021, the mortgage stress rate was 11.3%, higher than the comparison regions and New South Wales (7.7% and 8.7% respectively). MidCoast recorded a 4.6 percentage point decrease in mortgage stress rates over the 10-year

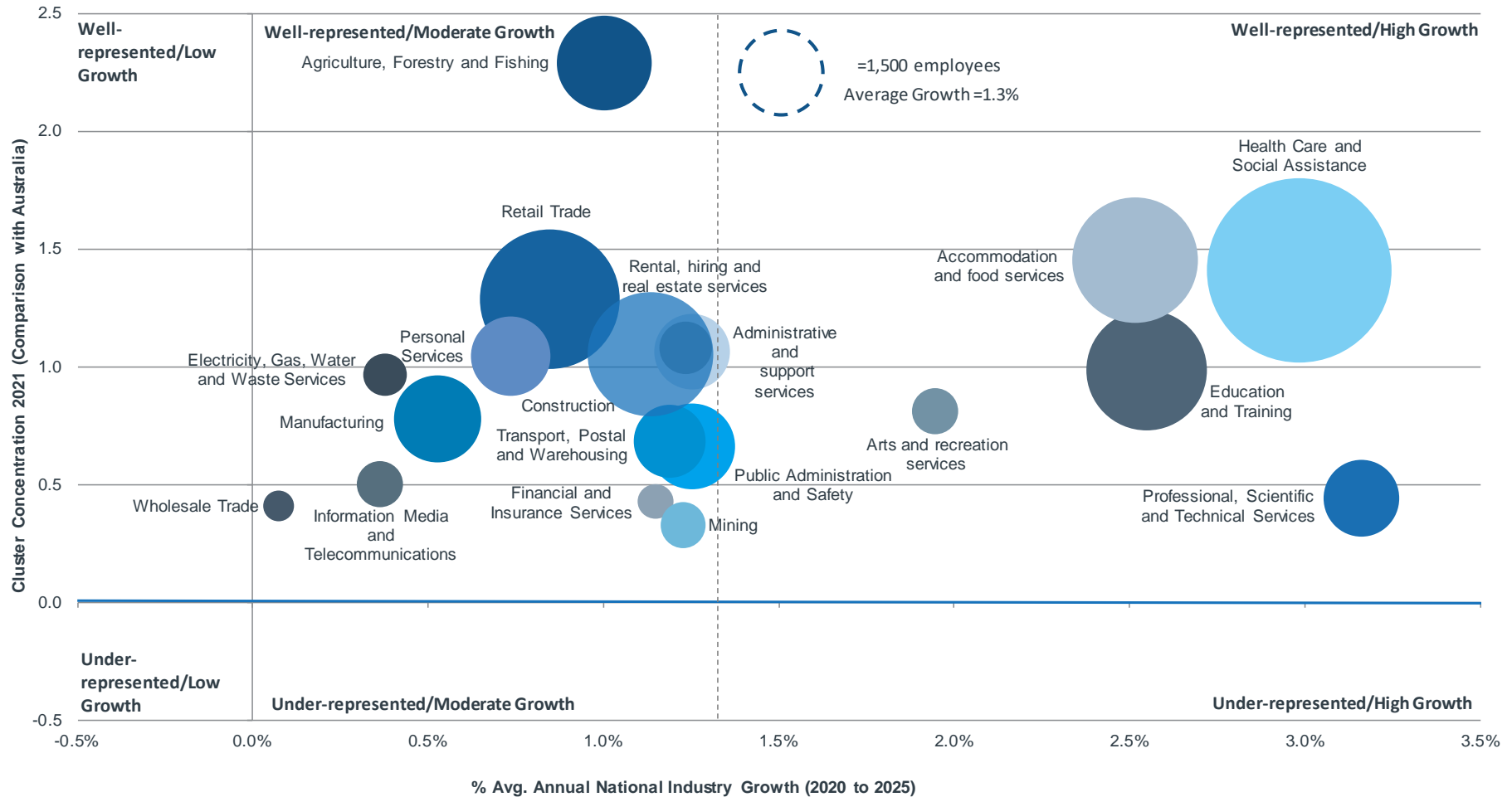
## MIDCOAST COUNCIL FINANCIAL SUSTAINABILITY REVIEW 2023

period between 2011 and 2021. Higher than the comparison regions and New South Wales (3.0 percentage point decrease and 2.4 percentage point decrease).

- **In 2021, 43.1% of renters in MidCoast experienced rental stress:** MidCoast has experienced a 5.1 percentage point increase in its rental stress rates between 2011 and 2021. MidCoast recorded a rental stress rate of 43.1% in 2021, higher than the comparison regions and New South Wales (33.8% and 27.8% respectively).
- **Residential building approvals in MidCoast have increased in value and volume from 2018-19 to 2021-22:** Residential building approvals have grown from 343 approvals in 2018-19 to 572 approvals in 2021-22 (ABS, 2023). The growth in residential building approvals over the last three years may reflect the adoption of residential home building initiatives in 2020 and 2021, including the Federal HomeBuilder grant in combination with low interest rates over the COVID-19 period (Reserve Bank of Australia, 2023).

**MidCoast is projected to experience an increase in employment between 2020 and 2025:** MidCoast's industries are projected to experience an increase between 2020 and 2025. Professional, scientific, and technical services is projected to experience the largest increase (3.2%) followed by health care and social assistance and education and training (3.0% and 2.5% respectively).

Figure 2.5 Employment Cluster Map, MidCoast, 2021-22



Source: AEC.



## 2.4 MACROECONOMIC FORCES

- **Digital Transformation Age:** MidCoast's connectivity infrastructure (in particular its blackspots) is constraining opportunities for residents in the region. There is a need to improve availability of health care services for residents by increasing telehealth offering within the region. Identifying and addressing these blackspots will assist in the acceleration of telehealth within the region as well as providing online employment and businesses within the region to maximise local business growth and efficiency.
- **Changing Migration Patterns:** The pandemic had a detrimental impact on labour supply across the region with a notable migration shift statewide towards regional areas and away from metropolitan areas, particularly for remote workers. Increased population growth can place pressure on housing availability and affordability, however, it increases the demand for goods and services from local businesses.
- **Carbon Neutral Future:** MidCoast is positioned between the New England and the Hunter-Central Renewable Energy Zones (REZs), this provides an opportunity to establish a transmission corridor between these two REZs and energy grids within coastal markets.
- **Rising Uncertainty:** MidCoast has recently experienced catastrophic natural disasters including drought, fire and floods which has raised uncertainty around future weather patterns with residents. Investing in resilient infrastructure assets will reduce the recovery cost and economic burden of these natural disasters. Continuing to support the diversification of the agriculture, forestry and fishing industry will aid in building the industries resilience from unpredictable weather pattern.

## 2.5 TOURISM

The following information represents key characteristics of the tourism sector in MidCoast:

- **MidCoast attracted 1.8 million visitors in 2021-22, down from the pre-pandemic visitation of 2.3 million in 2018-19:** From 2010-11 to 2018-19, visitation to MidCoast fluctuated between 1.7 million and 2.2 million visitations per year (TRA, 2023a; 2023b; 2023c). Over these eight years, visitation dipped to a low of 1.6 million in 2014-15 and a peak of 2.4 million visitors the following year in 2015-16.

Visitation remained steady over the first two years of the COVID-19 pandemic, reaching 2.1 million visitors in 2019-20 and 2.4 million visitors in 2020-21. Although visitation remained steady over these two years, visitation decline to 1.8 million visitors in 2021-22 and 1.3 million visitors in 2022-23.

- **In 2021-22, visitors to MidCoast stayed on average 3.4 nights:** In 2021-22, domestic overnight visitors stayed for an average of 3.3 nights and international visitors stayed for an average of 12.2 nights. The average length of stay for domestic overnight visitors has remained relatively steady since the COVID-19 pandemic, however, international average length of stay has increased.
- **The average visitor spend per trip to MidCoast is approximately \$277 in 2019:** Per trip, international visitors spent \$415, domestic overnight visitors spent \$455 and day trip visitors spent \$104 (TRA, 2023d). Comparing expenditure per night, international visitors spent \$53 per night and domestic overnight visitors spend \$133 per night.
- **Holiday and visiting friends and family are main drivers of visitation to MidCoast:** In 2021-22, almost 43% of domestic visitors to MidCoast came for a holiday (TRA, 2023b). This was followed by 30.0% of domestic visitors coming to visit friends and relatives, 7.0% visiting for medical reasons and 6.1% visiting for shopping. Meanwhile, 75.7% of international visitors came to visit friends and relatives and 18.4% came for a holiday.

### 3. OVERVIEW OF SERVICE DELIVERY AND PROVISION OF INFRASTRUCTURE

This section provides an overview of the Council's service delivery decisions, infrastructure managed by the Council, and other key service strategies. Decisions regarding the range and levels of services provided is a key determinant of Council's financial sustainability, including decisions made on the provision of infrastructure and other assets, and the management approach to acquiring, operating, maintaining, renewing/replacing and/or disposing of the assets.

#### 3.1 STRATEGIC OBJECTIVES

MidCoast 2022-2032: Shared Vision, Shared Responsibility is its community strategic plan (CSP). It sets out the vision and values for Council local government area. CSP outlines how Council must work with the community to make these become a reality. The plan includes five key values:

- *We value our unique, diverse and culturally rich communities.*
- *We value a connected community.*
- *We value our environment.*
- *We value our thriving and growing economy.*
- *We value strong leadership and shared vision.*

**Table 3.1 Council's Strategic Objectives - MidCoast 2022-2032**

Strategic Objective	Strategies	Council Role	Partners
<b>1.1 We celebrate our history, culture, creativity and diversity</b>	1.1.1 Celebrate, acknowledge, and empower our local Aboriginal heritage through sharing of art, stories, history and places	Capacity Builder Leader Partner Planner Provider	Local Aboriginal groups and artists, community members, TIDE
	1.1.2 Foster a welcoming community where everyone feels included and where cultural diversity is appreciated and valued	Capacity Builder Provider Leader	Manning Valley Neighbourhood Services/Migrant Settlement Service, Dept of Home Affairs, Multicultural NSW, community organisations, arts sector, business, community members
	1.1.3 Encourage community connection by supporting and delivering a diverse range of cultural, creative and community programs and events	Capacity Builder Leader Partner Planner Provider	Local and touring artists, community arts groups, local music venues, local markets, festivals, event organisers, Create NSW, Arts Mid North Coast, Regional Arts NSW, sporting and other clubs
	1.1.4 Celebrate and preserve the unique and distinctive character, history and cultural heritage of our towns, villages and significant places	Planner Partner Provider	Historical societies and museums, tourism operators, accommodation providers, volunteers, residents, businesses, heritage conservation groups, heritage reference groups, First Nations community members
<b>1.2 We have access to a wide range of services and activities that contribute to the wellbeing of all members of our community</b>	1.2.1 Provide accessible and safe local community spaces and facilities	Provider Advocate	Historical societies and museums, tourism operators, accommodation providers, volunteers, residents, businesses, National Parks, Crown Lands
	1.2.2 Deliver services and facilities to support the ageing population and people with disabilities	Provider Partner Advocate	YMCA, PCYC, Australian Lifeguard Services, private gyms, sporting clubs, advocacy groups, community organisations, disability sector service providers, men's sheds, Dept of Health
	1.2.3 Strengthen the capacity of our young people to participate and	Advocate Capacity Builder	Dept of Communities and Justice, youth sector service providers, schools,

Strategic Objective	Strategies	Council Role	Partners
	thrive in community life	Partner Planner Provider	community organisations, community groups, sporting groups, mental health organisations, Taree Universities Campus
	1.2.4 Provide learning hubs to support learning opportunities	Provider Partner Planner Capacity Builder	Education institutions, Dept of Community Services, men's sheds, NSW Public Libraries Association, local Aboriginal groups
	1.2.5 Advocate for regional health services to meet demand	Advocate Plan	Manning Great Lakes Community Health Action Group, Australian Medical Association, Hunter New England Health
<b>1.3 We work towards being a sustainable, resilient and socially connected community</b>	1.3.1 Encourage and support volunteering to enable community participation opportunities	Capacity Builder Provider	RFS, SES, community organisations, Bushfire Management Committee, sporting groups, Surf Life Saving clubs
	1.3.2 Support communities to identify priorities to ensure they are sustainable into the future	Capacity Builder Planner	Community groups, residents, local businesses, Dept of Communities and Justice, service providers, Resilience NSW, Services NSW, Dept of Primary Industries, MidCoast Business Chambers of Commerce
	1.3.3 Strengthen social connectedness through programs and partnerships with community groups, government agencies and other service providers	Advocate Capacity Builder Leader Partner Planner	Neighbourhood centres, police, education department, schools, Dept of Communities and Justice, Resilience NSW, Services NSW, Dept of Primary Industries, Hunter New England Health, Mental Health Services, MidCoast Business Chambers of Commerce, State Library of NSW, TAFE NSW, Taree Universities Campus, organisations that provide social support
	1.3.4 Support individuals, families and communities to prepare, respond and recover from natural disasters or emergency events	Provider Capacity Builder Planner	RFS, Fire & Rescue, SES, Police, Resilience NSW, Local Land Services (NSW); Red Cross, Health service providers including Hunter New England Health and Mental Health Services, Bushfire Management Committee
<b>1.4 We protect the health and safety of our communities</b>	1.4.1 Uphold public health and safety standards and increase the capacity of our community to understand and meet them	Provider Regulator	Local businesses (hairdressers, skin penetration - beauticians, food premises, brothels, community organisations, NSW Health, Office of Local Government, Dept of Planning and Environment (Companion Animal), Manning Valley Liquor Consultative Committee
	1.4.2 Provide safe and sustainable networks of water, sewer and stormwater systems to meet community needs and health and safety standards	Provider Regulator	NSW Dept of Industry and Environment (Office of Water), NSW Health, NSW EPA, NSW Water Directorate
	1.4.3 Encourage physical health and fitness and social connectedness by providing safe and appropriate recreational facilities	Partner Provider	NSW Sport and Recreation, The Y, PCYC, private gyms, sporting and other clubs, community groups and residents, National Parks, Crown Lands
<b>2.1 We protect, manage and restore our natural environment and our biodiversity</b>	2.1.1 Protect, maintain and rehabilitate natural areas	Provider Planner Partner Advocate Regulator	NSW Department of Planning and Environment, NSW National Parks and Wildlife Service, Hunter Regional Weeds Committee, Hunter Local Land Services, MidCoast 2 Tops Landcare Connections, Manning Coastcare, Dunecare, landowners, visitors, community members
	2.1.2 Encourage community involvement to care for our natural environment	Capacity Builder Leader Partner	MidCoast 2 Tops Landcare Connections, Manning Coastcare, Volunteers, Department of

Strategic Objective	Strategies	Council Role	Partners
			Education, schools
	2.1.3 Improve and maintain water quality for our beaches, lakes and waterways	Provider Capacity Builder Leader Partner	Environment Protection Authority (EPA), Hunter Local Land Services, Department of Planning and Environment, Manning Landcare, Manning Coastcare, Dunecare, NSW Fisheries, oyster farmers, commercial and recreation fishing community, farmers, industry and community members
<b>2.2 We understand and manage environment and climate change risks and impacts</b>	2.2.1 Promote understanding of place-based risks and vulnerabilities and develop resilience and adaptation plans	Provider Planner Advocate	SES, residents and rate payers, Resilience NSW, Fire Management
	2.2.2 Climate change risk management planning and adaptation frameworks are applied in development proposals, infrastructure planning and land use planning	Provider Leader	NSW Department of Planning and Environment, residents and rate payers
<b>2.3 Council works towards net zero emissions</b>	2.3.1 Incorporate renewable energy and energy efficiency in future design and planning	Provider Planner Regulator	NSW Department of Planning and Environment
	2.3.2 Promote energy and resource efficiency initiatives to our community	Capacity builder Leader Planner	Essential Energy, NSW Government, community organisations, residents, businesses, Energise Gloucester
	2.3.3 Invest in renewable energy efficient measures, power purchasing agreements and Carbon sequestration	Capacity builder Leader	Residents, businesses, community organisations
	2.3.4 Minimise waste through education, reduction, reuse, recycling and repurposing	Provider Capacity builder Leader	Residents, businesses, visitors
<b>2.4 We have an adequate and reliable water supply</b>	2.4.1 Manage all elements of the water cycle to deliver an adequate and reliable water supply that meets community needs now and into the future	Provider Planner	NSW Department of Planning and Environment
<b>2.5 We balance the needs of our natural and built environment</b>	2.5.1 Practice integrated land use planning that balances the environmental, social and economic needs of present and future generations and our existing natural, heritage and cultural assets	Planner	NSW Department of Planning and Environment, Heritage NSW, Joint Regional Planning Panels
	2.5.2 Plan, provide, manage and advocate for infrastructure that continues to meet the needs of our community	Provider Planner Advocate	NSW Department of Planning Development and Construction Sector
<b>2.6 We have a diverse range of housing options</b>	2.6.1 Plan and advocate for a range of housing options to meet the diverse needs of our community	Advocate Planner	Residents, Development Sector, Community Housing providers
<b>3.1 MidCoast is a great place to visit, work and invest</b>	3.1.1 Identify and harness opportunities for businesses and economic development	Advocate Planner Capacity Builder Provider	Destination NSW, Destination North Coast, Tourism Industry, Tourism Australia, Department of Regional NSW, MidCoast Business Chambers of Commerce, Aboriginal Development Organisations, Agribusiness, Farmers for Climate Change
	3.1.2 Advocate for and encourage local education and vocational training to cover skill and employment gaps	Advocate	Local universities, registered training providers, NSW Department of Education, MidCoast Business Chambers of Commerce, high schools, Taree Universities Campus, Department of Education, Skills and Employment
	3.1.3 Advocate for improved telecommunications and utilities	Advocate	NBN, telecommunications and utility providers, residents, Department of

Strategic Objective	Strategies	Council Role	Partners
	to provide consistency across the region		Infrastructure, Transport, Regional Development and Communications, MidCoast Business Chambers of Commerce
	3.1.4 Support and encourage the development and attraction of strategic events	Advocate	Community groups, sporting clubs, MidCoast Business Chambers of Commerce, Destination NSW
<b>3.2 Our villages and business precincts are vibrant commercial spaces</b>	3.2.1 Implement innovative programs and projects to support business precincts in creating and maintaining vibrant spaces	Advocate Planner Capacity Builder	MidCoast Business Chambers of Commerce, local business and commercial property owners, local artists, Department of Planning and Environment
<b>3.3 Our integrated transport networks meet the needs of our businesses and the community</b>	3.3.1 Plan, provide and advocate for safe and efficient regional transport networks	Provider Advocate Planner	Transport NSW, Department of Infrastructure, Federal Transport, Regional Development and Communications
	3.3.2 Design, construct and maintain safe and efficient local transport and mobility networks	Provider Advocate Planner	Federal Department of Infrastructure, Transport, Regional Development and Communications, Transport NSW
<b>4.1 The Community has confidence in Council decisions and planning for the future</b>	4.1.1 Enable the community to participate in decisions that affect them	Provider Capacity Builder	Residents, schools, service providers, community organisations
	4.1.2 Provide clear, accessible, timely and relevant information to the community about council projects and services	Provider Leader	Media outlets, government agencies, community organisations
<b>4.2 Council demonstrates good governance and financial management to ensure decisions and transactions are ethical, efficient, safe and fair</b>	4.2.1 Use governance frameworks and processes to guide our decisions and to ensure council is accountable to the community	Provider	NSW Office of Local Government, NSW Audit Office, Internal Auditors, Information Privacy Commission, Audit, Risk and Improvement, Committee
	4.2.2 Use business improvement, project management and risk management methodologies to ensure best outcomes	Planner Provider	NSW Office of Local Government, NSW Audit Office, Internal Auditors, Information Privacy Commission, Audit, Risk and Improvement, Committee
	4.2.3 Council manages our services and infrastructure in a sustainable manner to balance community need and expectations	Planner Provider	NSW Office of Local Government, NSW Audit Office
<b>4.3 Council builds a healthy and community-focused culture that contributes to our success</b>	4.3.1 Develop and grow a skilled, motivated, accountable and a 'high-performing' workforce	Provider Partner	Education & Training Sector, contracted service providers
	4.3.2 Provide a safe, accessible, fair and equitable work environment	Provider	SafeWork NSW, Unions
	4.3.3 Provide the community with an accessible, responsive, and efficient customer experience	Provider Partner	Service NSW, Services Australia
<b>4.4 We encourage community and civic leadership</b>	4.4.1 Inform, educate and empower community groups and leaders to respond and adapt to challenges and change	Capacity Builder Leader Planner	Service organisations, councillors and council committee members, Rotary and Lions Clubs, Local MPs
	4.4.2 Identify and participate in initiatives for regional cooperation and collaboration	Advocate Partner Capacity Builder	Hunter Joint Organisation, Department of Primary Industry, NSW Department of Planning and Environment, Community organisations, residents, Arts MidNorth Coast, MidCoast Waste, NSW Environment Protection Authority

Source: MidCoast Community Strategic Plan 2022-2032

## 3.2 DELIVERY PROGRAM

The Combined Delivery Program and Operational Plan (the Delivery Program) lays out the principal activities and projects that Council will undertake over the four years of the current elected term to achieve the vision and strategic objectives outlined in the Community Strategic Plan.

### 3.2.1 Planned Services

The Delivery Program outlines the projects and services to be delivered by each of the business units and service areas – see Table 3.1 below for an outline of the services provided. The measures also provide an insight into the levels of service required and to be funded through the Annual Budget and Long-Term Financial Plan.

**Table 3.1 Organisation of Planned Services**

Fund	Directorate	Department/Service Area
General Fund	General Manager	General Manager & Executive Team
		Mayor & Councillors
General Fund	Corporate Services	Procurement, Fleet & Stores
		Finance
		Corporate Performance & Development
		Governance
		Human Resources
		Information & Communication Technology
		Legal & Property
General Fund	Liveable Communities	Community Assets
		Community Development
		Open Spaces & Recreation
		Engagement, Communication & Education
		Resilience & Recovery Services
		Business
		Customer Services
		Libraries
		Arts & Culture
		Land Use Planning
		Building
		Development Assessment
		Health
		Regulatory Services
Natural Systems		
MidCoast Assist	Liveable Communities	Aged Care Support
		Disability Services
Waste Fund	Liveable Communities	Waste Services
Sewer Fund	Infrastructure & Engineering Services	Sewer Services
Water Fund	Infrastructure & Engineering Services	Water Services
General Fund	Infrastructure & Engineering Services	Transport Network
		Stormwater Drainage
		Emergency Management

Source: MidCoast Council Annual Budget 2023 & 2024.



## 3.2.2 Service Costs

Table 3.2 Operational Cost of Services – 2023/24 Budget

SERVICE	Employee benefits and on-costs	Materials and services	Borrowing costs	Depreciation, amortisation and impairment of non-financial assets	Other expenses	Internal expenditure	Net losses from the disposal of assets	Total expenses from continuing operation
<b>General Manager</b>								
General Manager & Executive Team	3,081,688	61,500	-	-	-	78,750	-	3,221,938
Mayor & Councillors	-	582,320	-	-	30,000	10,530	-	622,850
<b>Corporate Services</b>								
Procurement, Fleet & Stores	3,217,058	6,110,000	-	-	26,500	128,545	-	9,482,103
Finance	(2,230,033)	534,620	-	60,141,848	40,000	-	-	58,486,435
Corporate Performance & Development	806,320	345,850	-	-	-	10,500	-	1,162,670
Governance	1,708,201	4,099,390	-	-	-	10,500	-	5,818,091
Human Resources	2,435,200	1,103,500	-	-	19,500	73,500	-	3,631,700
Information & Communication Technology	4,543,230	11,283,386	-	-	-	85,125	-	15,911,741
Legal & Property	754,088	2,141,820	-	-	6,500	612,208	-	3,514,616
<b>Liveable Communities</b>								
Community Assets	5,099,513	4,509,236	6,602	57,279	94,500	1,816,601	-	11,583,731
Aged Care Support	2,434,272	220,791	2,615	30,767	-	148,676	-	2,837,120
Community Development	520,465	108,855	-	-	204,500	21,000	-	854,819
Disability Services	5,300,126	351,633	-	-	-	443,799	-	6,095,558
Open Spaces & Recreation	4,158,910	1,764,510	76,967	-	31,130	1,696,696	-	7,728,214
Engagement, Communication & Education	2,063,686	612,423	-	-	-	10,500	-	2,686,609
Resilience & Recovery Services	62,566	-	-	-	-	-	-	62,566
Business	2,151,253	623,700	-	-	17,500	40,581	-	2,833,034
Customer Services	3,682,215	4,650	-	-	-	31,500	-	3,718,365
Libraries	2,743,217	751,051	-	89,610	2,500	21,000	-	3,607,378
Arts & Culture	908,873	416,114	-	185	2,000	89,990	-	1,417,162
Land Use Planning	1,068,148	569,000	140,554	-	29,000	42,000	-	1,848,702
Building	1,830,473	6,000	-	-	-	147,000	-	1,983,473
Development Assessment	1,114,282	2,000	-	-	-	63,000	-	1,179,282
Health	1,681,660	8,000	-	-	-	272,280	-	1,961,940
Regulatory Services	1,554,360	175,200	-	-	-	118,455	-	1,848,015
Natural Systems	2,866,780	2,782,694	-	1,828	-	879,818	-	6,531,121
Waste Services	1,598,042	19,045,215	151,538	1,135,920	8,059,000	2,792,462	-	32,782,177
<b>Infrastructure &amp; Engineering Services</b>								
Sewer Services	9,146,526	11,040,504	2,317,896	11,154,398	41,000	6,754,596	195,000	40,649,920
Water Services	16,293,741	11,320,301	4,060,438	13,980,192	548,175	6,933,264	728,500	53,864,611
Transport Network	21,126,989	7,725,071	1,549,388	81,241	2,750	3,918,694	-	34,404,133
Stormwater Drainage	72,206	168,250	-	-	-	3,885	-	244,341
Emergency Management	49,869	809,608	-	20,600	2,550,113	170,020	-	3,600,210
<b>GRAND TOTAL</b>	<b>101,843,923</b>	<b>89,277,191</b>	<b>8,306,000</b>	<b>86,693,867</b>	<b>11,704,668</b>	<b>27,425,474</b>	<b>923,500</b>	<b>326,174,623</b>

Source: Council 2023/24 Budget



## 3.2.3 Financial Overview of Assets and Infrastructure

Table 3.3 Overview of Asset Financial Measures by Asset Category (as at 30 June 2023)

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2022/23 Required maintenance	2022/23 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Buildings</b>	Other Buildings	6,984	6,984	1,004	395	60,674	91,279
	Council Offices/Administration Centres	14,880	14,880	982	622	53,600	89,250
	Council Works Depots	2,100	2,100	139	86	6,460	12,673
	Council Public Halls	4,003	4,003	274	12	12,449	24,945
	Libraries	890	890	104	87	5,369	9,450
	Cultural/Community Facilities	31,734	31,374	2,706	1,837	135,683	245,962
	<b>Sub-total</b>	<b>60,591</b>	<b>60,591</b>	<b>5,209</b>	<b>3,039</b>	<b>274,235</b>	<b>473,559</b>
<b>Other structures</b>	Other structures Not Included In Buildings	1,268	1,268	166	736	10,680	15,102
	<b>Sub-total</b>	<b>1,268</b>	<b>1,268</b>	<b>166</b>	<b>736</b>	<b>10,680</b>	<b>15,102</b>
<b>Roads</b>	Sealed roads	150,566	150,566	13,575	33,143	951,408	1,523,619
	Unsealed roads	6,708	6,708	3,562	650	46,996	75,002
	Bridges	7,728	7,728	2,016	607	147,186	201,802
	Footpaths/Cycleways	3,084	3,084	672	160	34,290	49,092
	Kerb & Guttering	22,419	22,419	336	48	118,847	204,165
	Bulk earthworks					800,176	800,176
	<b>Sub-total</b>	<b>190,505</b>	<b>190,505</b>	<b>20,161</b>	<b>34,608</b>	<b>2,098,903</b>	<b>2,853,856</b>
<b>Water supply Network</b>	Water supply network	57,201	57,201	9,219	9,625	553,794	805,529
	<b>Sub-total</b>	<b>57,201</b>	<b>57,201</b>	<b>9,219</b>	<b>9,625</b>	<b>553,794</b>	<b>805,529</b>
<b>Sewerage Network</b>	Sewerage network	50,962	50,962	9,533	8,598	451,441	656,143
	<b>Sub-total</b>	<b>50,962</b>	<b>50,962</b>	<b>9,533</b>	<b>8,598</b>	<b>451,441</b>	<b>656,143</b>
<b>Stormwater Drainage</b>	Stormwater drainage	36,551	36,551	2,513	422	334,794	506,769
	<b>Sub-total</b>	<b>36,551</b>	<b>36,551</b>	<b>2,513</b>	<b>422</b>	<b>334,794</b>	<b>506,769</b>
<b>Open space/recreational</b>	Swimming pools	2,866	2,866	133	1,255	5,108	12,123
	Other Recreational/Open Space Assets	5,542	5,542	627	6,286	35,799	57,025
	<b>Sub-total</b>	<b>8,408</b>	<b>8,408</b>	<b>760</b>	<b>7,541</b>	<b>40,907</b>	<b>69,148</b>
<b>Assets</b>	<b>Total - all assets</b>	<b>405,486</b>	<b>405,486</b>	<b>47,561</b>	<b>64,569</b>	<b>3,764,754</b>	<b>5,380,106</b>

Source: Council Annual Financial Statements 2022/23, Report on Infrastructure assets as at 30 June 2023.

## 3.2.4 Asset Condition

The condition of Council's assets is shown in the Report on Infrastructure Assets, a special schedule attached to the Annual Financial Statements, and is summarised in the table below.

Table 3.4 Overview of Asset Financial Measures by Asset Category (as at 30 June 2023)

Asset Class	Asset Category	Assets in condition as a percentage of gross replacement cost					
		\$'000	1	2	3	4	5
<b>Buildings</b>	Other Buildings	6,984	7.0%	61.0%	19.0%	13.0%	0.0%
	Council Offices/Administration Centres	14,880	41.0%	5.0%	2.0%	52.0%	0.0%
	Council Works Depots	2,100	9.0%	7.0%	56.0%	28.0%	0.0%
	Council Public Halls	4,003	0.0%	16.0%	50.0%	34.0%	0.0%
	Libraries	890	0.0%	18.0%	75.0%	7.0%	0.0%
	Cultural/Community Facilities	31,734	4.0%	25.0%	47.0%	23.0%	1.0%
	<b>Sub-total</b>	<b>60,591</b>	<b>11.4%</b>	<b>27.1%</b>	<b>34.1%</b>	<b>26.9%</b>	<b>0.5%</b>

Asset Class	Asset Category	Assets in condition as a percentage of gross replacement cost					
		\$'000	1	2	3	4	5
<b>Other structures</b>	Other structures Not Included In Buildings	1,268	20.0%	52.0%	10.0%	18.0%	0.0%
	<b>Sub-total</b>	<b>1,268</b>	<b>20.0%</b>	<b>52.0%</b>	<b>10.0%</b>	<b>18.0%</b>	<b>0.0%</b>
<b>Roads</b>	Sealed roads	150,566	13.0%	39.0%	31.0%	14.0%	3.0%
	Unsealed roads	6,708	12.0%	28.0%	57.0%	2.0%	1.0%
	Bridges	7,728	20.0%	59.0%	16.0%	4.0%	1.0%
	Footpaths/Cycleways	3,084	29.0%	29.0%	39.0%	2.0%	1.0%
	Kerb & Guttering	22,419	11.0%	10.0%	74.0%	4.0%	1.0%
	Bulk earthworks		100.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>190,505</b>	<b>38.0%</b>	<b>26.9%</b>	<b>25.1%</b>	<b>8.1%</b>	<b>1.9%</b>
<b>Water supply Network</b>	Water supply network	57,201	36.0%	35.0%	16.0%	9.0%	4.0%
	<b>Sub-total</b>	<b>57,201</b>	<b>36.0%</b>	<b>35.0%</b>	<b>16.0%</b>	<b>9.0%</b>	<b>4.0%</b>
<b>Sewerage Network</b>	Sewerage network	50,962	36.0%	27.0%	24.0%	9.0%	4.0%
	<b>Sub-total</b>	<b>50,962</b>	<b>36.0%</b>	<b>27.0%</b>	<b>24.0%</b>	<b>9.0%</b>	<b>4.0%</b>
<b>Stormwater Drainage</b>	Stormwater drainage	36,551	20.0%	45.0%	30.0%	4.0%	1.0%
	<b>Sub-total</b>	<b>36,551</b>	<b>20.0%</b>	<b>45.0%</b>	<b>30.0%</b>	<b>4.0%</b>	<b>1.0%</b>
<b>Open space/recreational Assets</b>	Swimming pools	2,866	1.0%	5.0%	50.0%	39.0%	5.0%
	Other Recreational/Open Space Assets	5,542	11.0%	50.0%	25.0%	10.0%	4.0%
	<b>Sub-total</b>	<b>8,408</b>	<b>9.3%</b>	<b>42.1%</b>	<b>29.4%</b>	<b>15.1%</b>	<b>4.2%</b>
	<b>Total - all assets</b>	<b>405,486</b>	<b>33.0%</b>	<b>30.1%</b>	<b>24.9%</b>	<b>9.8%</b>	<b>2.3%</b>

Source: Council Annual Financial Statements 2022/23, Report on Infrastructure assets as at 30 June 2023.

Note: Condition score based on following criteria:

Condition 1 – Excellent (normal maintenance)

Condition 2 – Good (only minor maintenance work required)

Condition 3 – Satisfactory (maintenance work required)

Condition 4 – Poor (renewal required)

Condition 5 – Very Poor (urgent renewal/upgrade required)

### 3.3 OTHER KEY STRATEGIES AND PLANS

There are many other Council plans and strategies that support or inform the IP&R plans. Some of these are legislated (required by law). They include (but are not limited to):

- Asset Management Strategy
- Ageing Strategy
- Child Safety Plan\*
- Climate Change Strategy
- Coastal Management Plans\*
- Cultural Plan
- Disability Inclusion Action Plan\*
- Floodplain Risk Management Plans
- Greening Strategy
- Heritage Strategy
- Integrated Water Cycle Management Strategy\*
- Local Environmental Plans\*
- Local Strategic Planning Statement\*
- Pedestrian Access & Mobility Plan\* and Bike Plan
- Regional Economic Development Plan
- Destination Management Plan
- Water & Sewer Strategic Business Plan\*
- Youth Strategic Plan

\* Indicates the plans that are legislated

## 4. BENCHMARKING

Benchmarking of the financial performance of the Council and other relevant statistical information was undertaken for comparison purposes. Benchmarking was based on time series data published by the NSW Office of Local Government (OLG) - Your Council Report, 2020/21, completing a comparison across the Group 5 Councils (13 councils including MidCoast), as detailed below:

**Table 4.1: List of selected councils**

Council	Est Population (2021)	Total Residential Rate Assessments
Eurobodalla	40,453	24,335
Wingecarribee	52,456	22,448
Port Stephens	75,282	32,467
Shellharbour	76,443	28,629
Coffs Harbour	78,738	30,876
Port Macquarie-Hastings	86,585	34,743
Maitland	90,553	33,155
MidCoast	96,425	46,445
Tweed	97,151	38,132
Shoalhaven	108,497	55,982
Newcastle	169,317	66,487
Lake Macquarie	213,967	83,052
Wollongong	214,657	80,693

Source: OLG Time Series Data (2021/22)

Whilst the benchmarking is useful for assessing how Council compares with other similar councils, caution should be exercised when drawing any conclusions based on the observations alone without further investigation. Whilst the councils used for the benchmarking are within the same NSW Office of Local Government Group, it should be noted there are significant variations regarding population, demographics, geographical area and size, range and level of service provided, as well as the service delivery model, which impact on comparative analysis.

### 4.1 DESKTOP BENCHMARKING

Desktop benchmarking has been undertaken based on the time series data published by the NSW Office of Local Government. The results of the benchmarking are provided in the Appendix to this report. The performance of the Council is compared to the other Group 5 councils based on several measures and relative performance within these measures:

- Population
- General Rates and associated measures
- Total Operating Revenue
- Total Operating Expenses
- Full Time Equivalents
- Asset Maintenance Expenditure
- Road Length

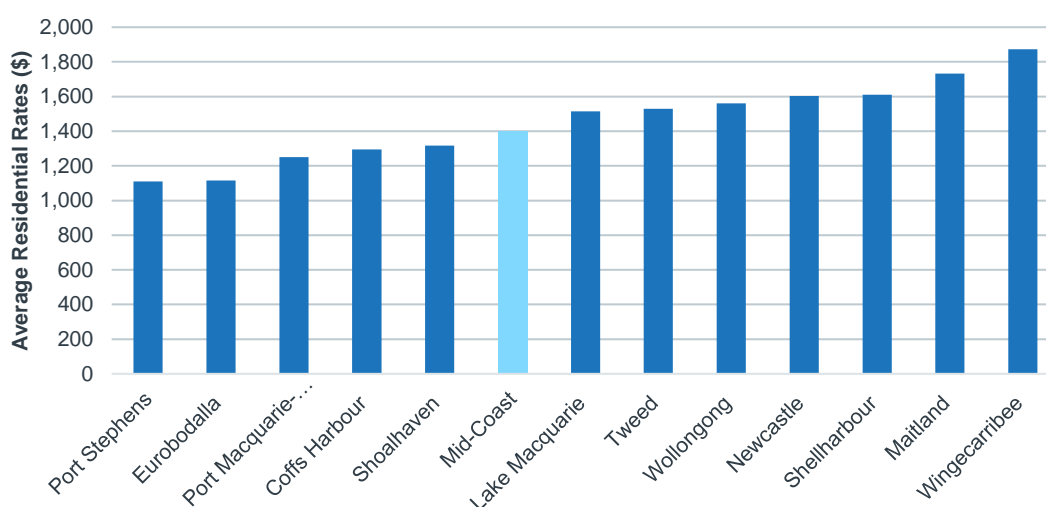
The key findings regarding the performance of the Council based on the desktop benchmarking are:

- MidCoast Council have the sixth lowest average residential rates, the fifth lowest average business rates and the lowest average farmland rates within identified group of councils.

MIDCOAST COUNCIL FINANCIAL SUSTAINABILITY REVIEW 2023

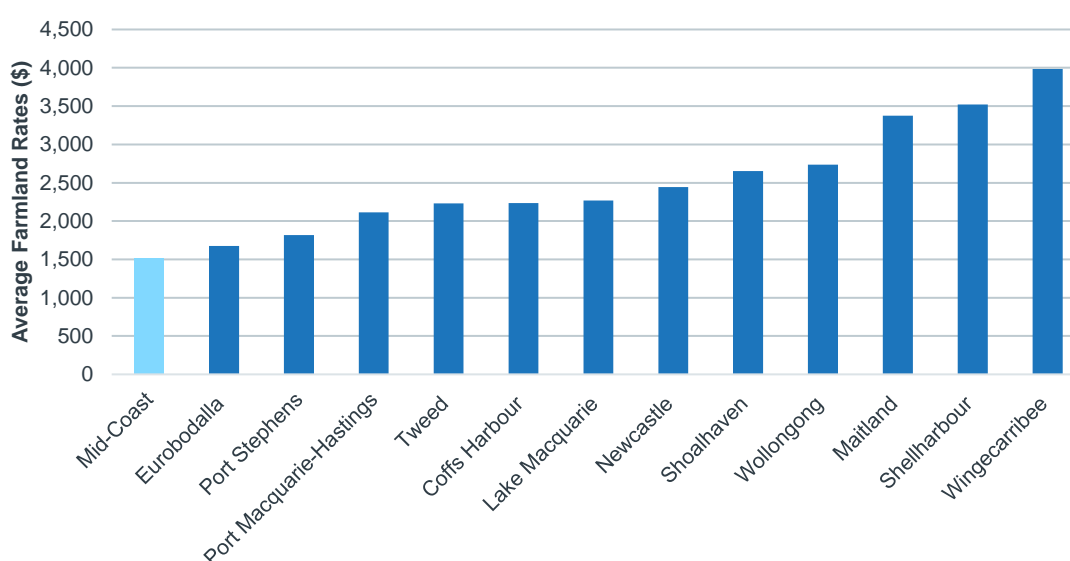
- The rating effort is based on the land value divided by the total rate income, and MidCoast Council has the third lowest rating effort within the group, while the average Domestic Waste Annual Charge is the second lowest within the group.
- For the outstanding rates and charges ratio, Council is ranked the highest of the Group. This is all outstanding rates and charges and not specific to overdue rates. Dependent on the timing of capturing this data, it would usually include the last quarter of water and sewer charges which have just been issues.
- MidCoast Council is third highest in the group for revenue generated from operations, and fifth highest for expenses incurred from continuing operations within the group.
- Council's net operating result before capital is the fourth highest in the group for 2021/22, and MidCoast Council is one of 9 councils that reported a surplus for 2021/22, the other 4 councils reported a deficit.

**Figure 4.1 Comparison of Average Residential Rate - Group 5 Councils (Regional Town/City)**



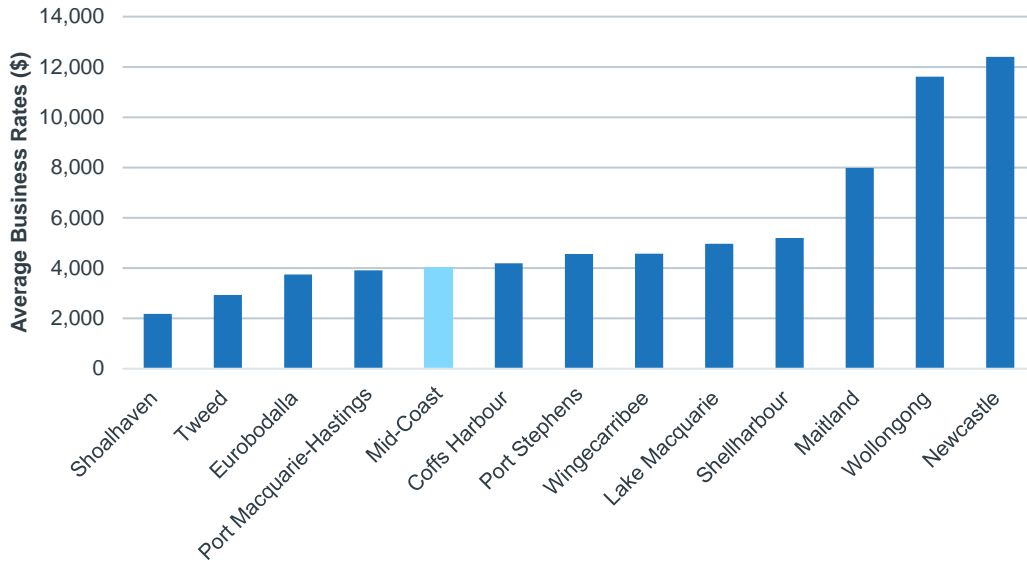
Source: OLG Time Series Data (2021/22)

**Figure 4.2 Comparison of Average Farmland Rate - Group 5 Councils (Regional Town/City)**



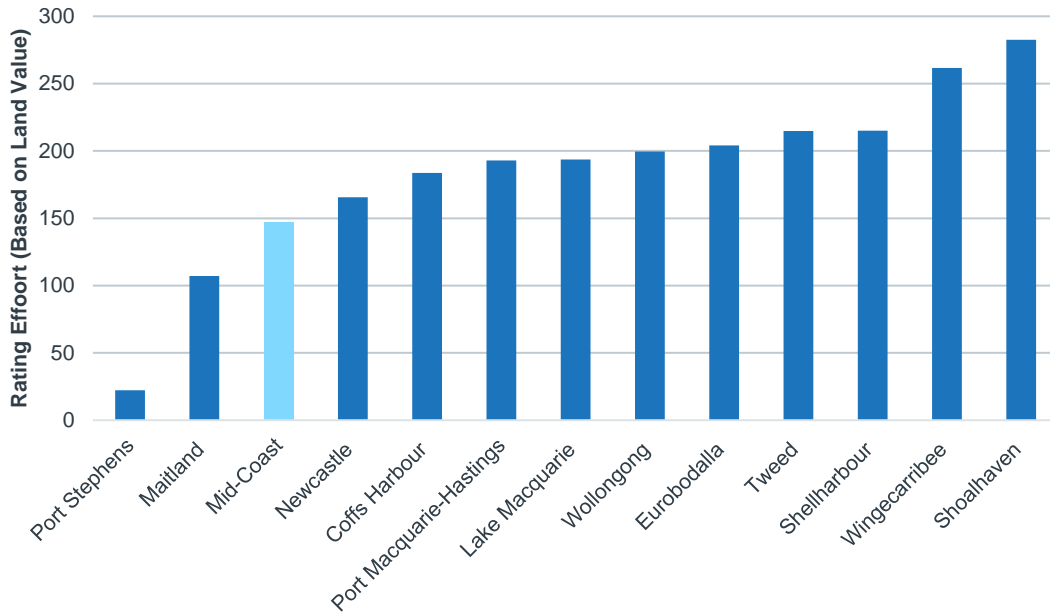
Source: OLG Time Series Data (2021/22)

**Figure 4.3 Comparison of Average Business Rate - Group 5 Councils (Regional Town/City)**



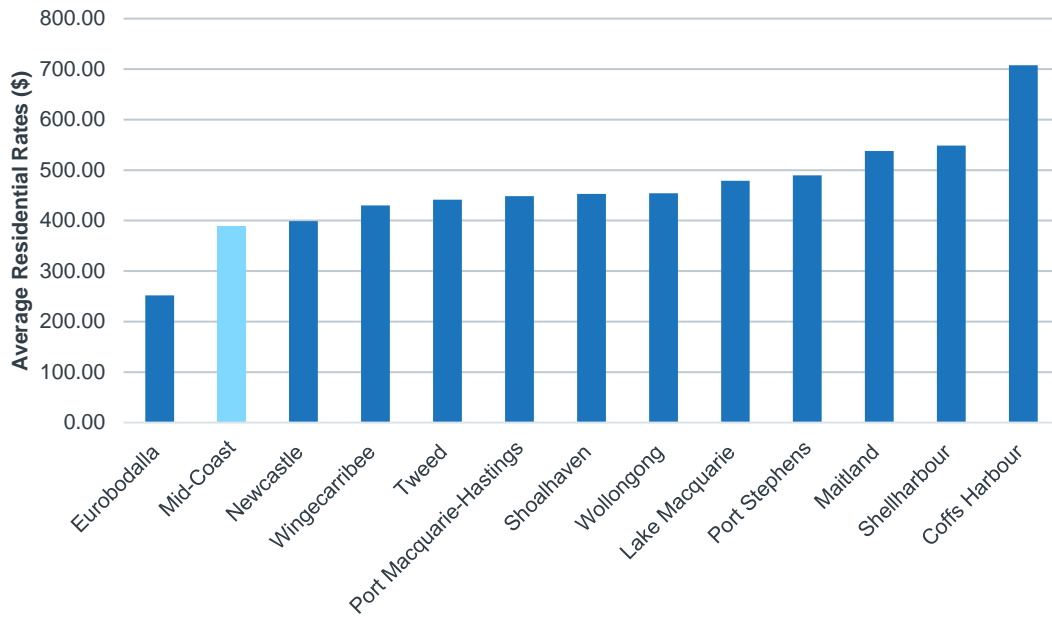
Source: OLG Time Series Data (2021/22)

**Figure 4.4 Comparison of Rating Effort (Based on land value) - Group 5 Councils (Regional Town/City)**



Source: OLG Time Series Data (2021/22)

**Figure 4.5 Comparison of Average Domestic Waste Annual charge - Group 5 Councils (Regional Town/City)**



Source: OLG Time Series Data (2021/22)

## 5. ASSESSMENT OF FINANCIAL PERFORMANCE

---

### 5.1 BACKGROUND

AEC's analysis of the historical and projected financial performance of Council, and the underlying drivers of financial performance, was based on the review of evidence in the form of audited financial statements, complimented through additional contextual information gained through engagement with Council's key staff.

Historically, Council has reported a consolidated position as well as three fund types that are included in the consolidated position:

- Water Fund – Provision of water network services to properties within the serviceable areas and funded through the water access charge, consumption charge and other water fees.
- Sewer Fund - Provision of sewer network services to properties within the serviceable areas and funded through the sewerage access charge and other sewerage fees.
- General Fund – All other services and infrastructure provided by Council not funded by water or sewerage revenue. Revenue for the general fund is predominantly general rate revenue and grant funding, as well as revenue earned from fees and charges for services provided.

It is noted that Council reports MidCoast Assist as a separate business activity within its Special Purpose Statements.

While analysis of Council's consolidated position is provided below, greater emphasis is placed on the analysis of the individual fund types that determine the consolidated position.

### 5.2 OPERATING POSITION

Council is required to prepare financial statements to report the operating result in two ways:

- Operating result from continuing operations, and
- Net operating result for the year before grants and contributions provided for capital purposes.

It is generally considered more appropriate to consider the operating result excluding the grants received for capital purposes, as such revenue is not able to be used to fund operating expenditure. However, a major expense contributing to the operating result is depreciation, and it should be noted that Council receives grants for capital purposes that are used to renew depreciating assets.

Furthermore, while the policy positions of State and Federal governments will almost certainly impact on the quantum and the recurrent nature of capital grants, sources of grant funding for capital such as Roads to Recovery, Regional Roads, and Block Grant, which are used by Council to renew depreciating assets, have been established for some time and likely to continue. Therefore, from an assessment of whether Council can fund all operating expenses, particularly when depreciation is a major expense item, some caution needs to be applied when just considering the financial operating position excluding all capital grant revenue.

#### 5.2.1 Consolidated Operating Position

Table 5.1 below outlines the reported consolidated income statement for Council from 2017/18 to 2022/23 actuals and 2023/24 original budget as adopted by Council. The consolidated position is determined by the aggregate net operating result of the three fund types.



**Table 5.1 Income Statement – Consolidated**

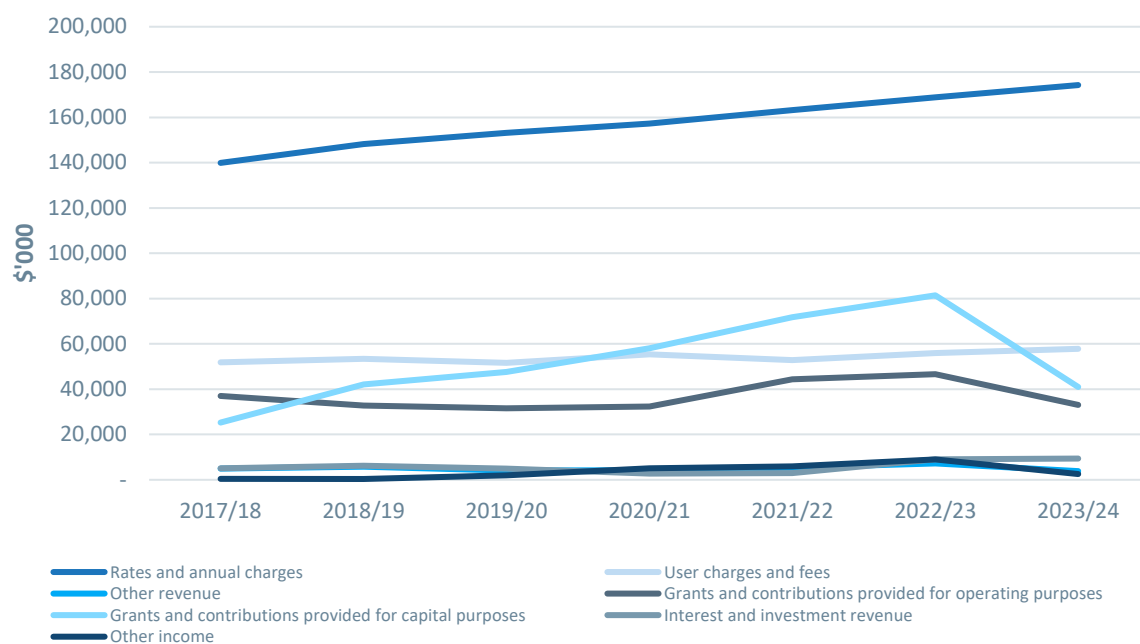
INCOME STATEMENT – CONSOLIDATED	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	<b>ACTUAL</b>						<b>BUDGET</b>
<b>Income from continuing operations</b>							
Rates and annual charges	139,902	148,220	153,224	157,280	163,221	168,844	174,245
User charges and fees	51,923	53,448	51,629	55,417	52,826	55,930	57,828
Other revenue	4,951	5,727	4,125	4,256	5,402	7,234	3,838
Grants and contributions provided for operating purposes	36,971	32,709	31,565	32,344	44,359	46,628	33,057
Grants and contributions provided for capital purposes	25,282	42,171	47,580	58,008	71,830	81,433	40,917
Interest and investment revenue	5,056	6,165	4,903	2,744	2,966	9,006	9,383
Other income	443	370	2,006	5,136	5,870	9,001	2,590
Net gains from the disposal of assets	57	-	-	-	-	-	-
<b>Total income from continuing operations</b>	<b>264,585</b>	<b>288,810</b>	<b>295,032</b>	<b>315,185</b>	<b>346,474</b>	<b>378,076</b>	<b>321,858</b>
<b>Expenses from continuing operations</b>							
Employee benefits and on-costs	68,757	74,418	72,351	84,892	77,604	85,196	110,974
Materials and services	46,770	51,757	54,366	81,918	82,668	101,565	89,112
Borrowing costs	14,330	11,960	12,427	11,331	9,757	9,193	8,542
Depreciation, amortisation, and impairment of non-financial assets	77,041	78,250	83,385	80,155	78,351	107,413	86,694
Other expenses	27,375	33,335	31,888	9,566	11,840	16,300	11,705
Net losses from the disposal of assets	391	2,424	4,103	10,246	5,509	22,373	729
<b>Total expenses from continuing operations</b>	<b>234,664</b>	<b>252,144</b>	<b>258,520</b>	<b>278,108</b>	<b>265,729</b>	<b>342,040</b>	<b>307,756</b>
<b>Operating result from continuing operations</b>	<b>29,921</b>	<b>36,666</b>	<b>36,512</b>	<b>37,077</b>	<b>80,745</b>	<b>36,036</b>	<b>14,102</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>4,639</b>	<b>(5,505)</b>	<b>(11,068)</b>	<b>(20,931)</b>	<b>8,915</b>	<b>(45,397)</b>	<b>(26,815)</b>

Source – Council Published Financial Statements

Council has produced an operating deficit of \$45.4 million in 2022/23. Total income from 2021/22 increased by \$31.6 million (9.1%) whilst total expenses increased by \$76.3 million (28.7%). Material increases in net losses from the disposal of assets (306.1%), other expenses (37.7%), depreciation and amortisation (37.1%) and materials and services (22.9%).

The increase in depreciation and amortisation costs was Council recognising \$22.1 million revaluation decrement in bridges assets and additional depreciation of \$5.0 million in 2022/23 following revaluation of assets that significantly deteriorates the operating result for 2022/23 only. The increased depreciation related to buildings (\$2.2 million), water supply network (\$1.2 million), roads network (\$1.0 million) and sewer network (\$0.6 million).

**Figure 5.1 Operating Revenue Trend - Consolidated**



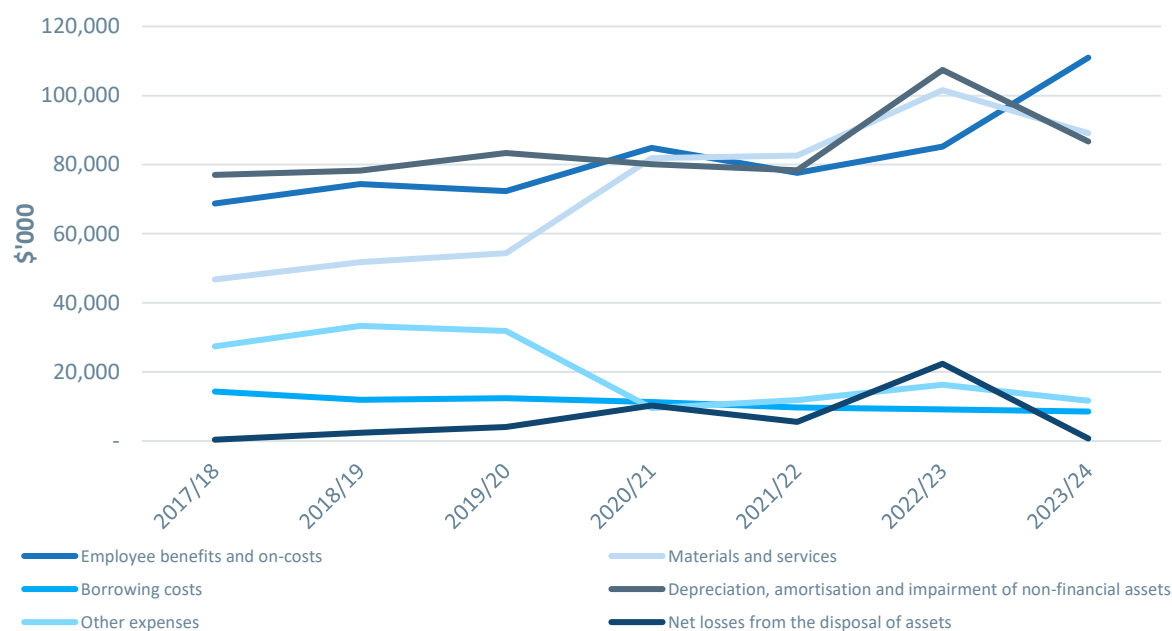
Source – Council Published Financial Statements

**Table 5.2 Income Percentage (%) Changes over 6-year period – Consolidated**

P&L Items	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Rates and annual charges	5.9%	3.4%	2.6%	3.8%	3.4%	3.2%
User charges and fees	2.9%	-3.4%	7.3%	-4.7%	5.9%	3.4%
Other revenue	15.7%	-28.0%	3.2%	26.9%	33.9%	-46.9%
Grants and contributions provided for operating purposes	-11.5%	-3.5%	2.5%	37.1%	5.1%	-29.1%
Grants and contributions provided for capital purposes	66.8%	12.8%	21.9%	23.8%	13.4%	-49.8%
Interest and investment revenue	21.9%	-20.5%	-44.0%	8.1%	203.6%	4.2%
Other income	-16.5%	442.2%	156.0%	14.3%	53.3%	-71.2%
Net gains from the disposal of assets	-100.0%					
<b>Total income from continuing operations</b>	<b>9.2%</b>	<b>2.2%</b>	<b>6.8%</b>	<b>9.9%</b>	<b>9.1%</b>	<b>-14.9%</b>

Source – Council Published Financial Statements

**Figure 5.2 Operating Expense Trend - Consolidated**



Source – Council Published Financial Statements

**Table 5.3 Expense Percentage (%) Changes over 5-year period - Consolidated**

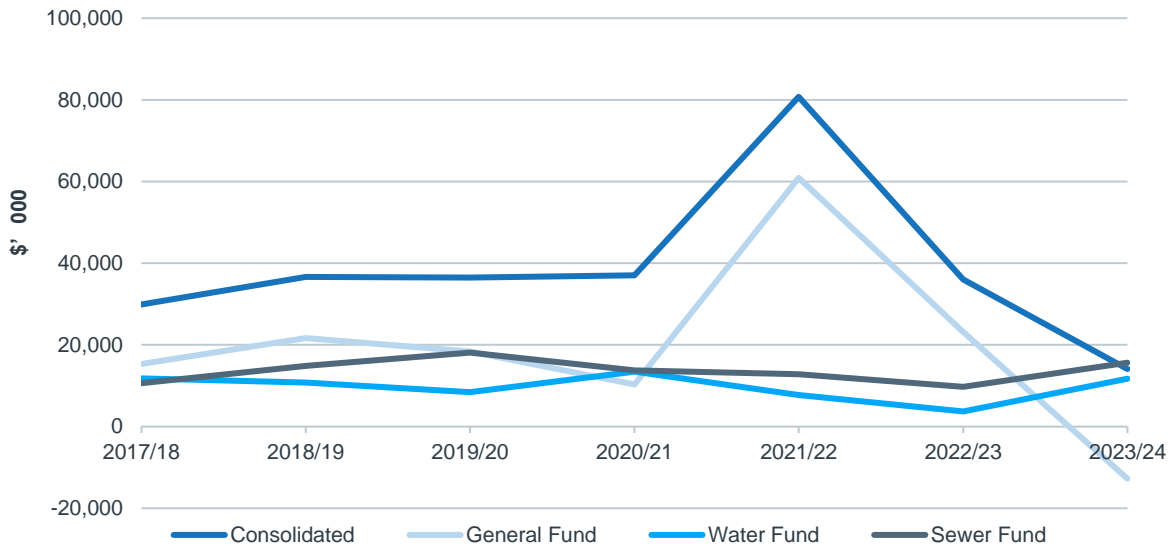
P&L Items	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Employee benefits and on-costs	8.2%	-2.8%	17.3%	-8.6%	9.8%	30.3%
Materials and services	10.7%	5.0%	50.7%	0.9%	22.9%	-12.3%
Borrowing costs	-16.5%	3.9%	-8.8%	-13.9%	-5.8%	-7.1%
Depreciation, amortisation and impairment of non-financial assets	1.6%	6.6%	-3.9%	-2.3%	37.1%	-19.3%
Other expenses	21.8%	-4.3%	-70.0%	23.8%	37.7%	-28.2%
Net losses from the disposal of assets	519.9%	69.3%	149.7%	-46.2%	306.1%	-96.7%
<b>Total expenses from continuing operations</b>	<b>7.4%</b>	<b>2.5%</b>	<b>7.6%</b>	<b>-4.5%</b>	<b>28.7%</b>	<b>-10.0%</b>

Source – Council Published Financial Statements

### 5.2.2 Overview by Fund

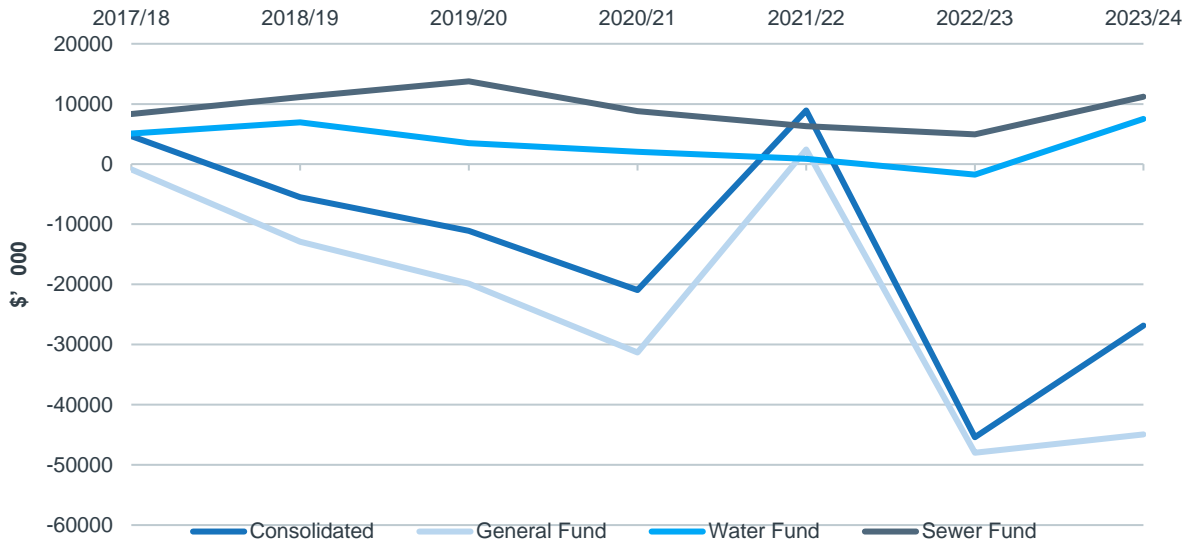
Below two graphs shows Operating Result and Operating Result before Capital Grants and Contributions by the different fund type.

**Figure 5.3 Operating Result by Fund**



Source – Council Published Financial Statements

**Figure 5.4 Operating Result before Capital Grants & Contributions by Fund**



Source – Council Published Financial Statements

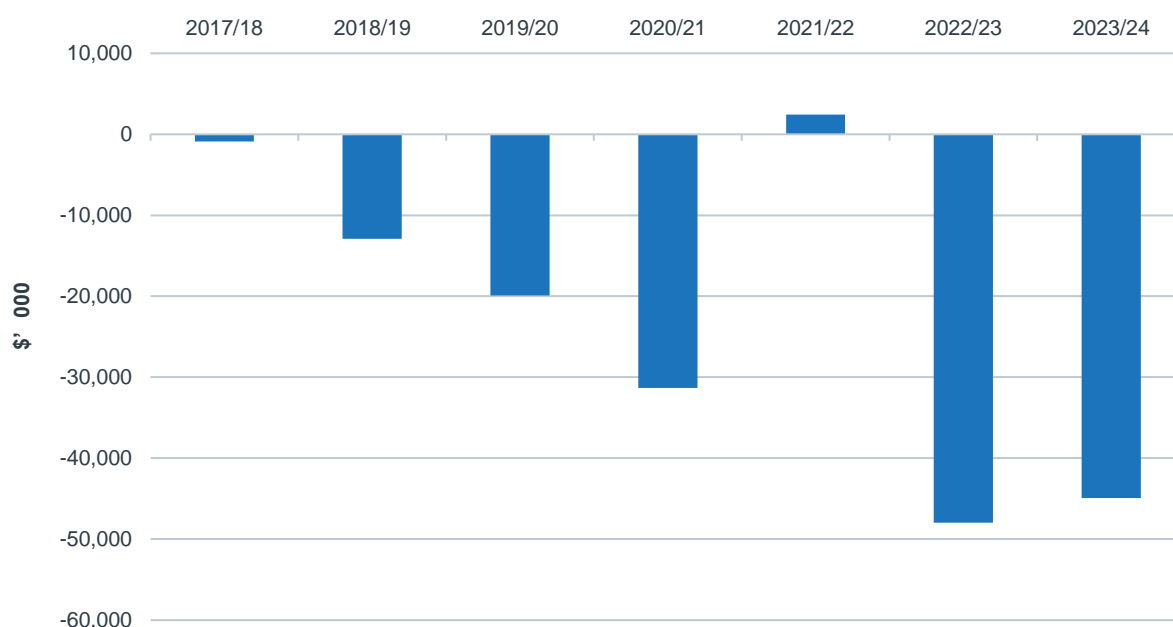
**5.2.3 General Fund**

Table 5.4 and Figure 5.5 below outline Council’s actual income statement for the General Fund from 2017/18 to 2022/23 and the original adopted budget for 2023/24.

**Table 5.4 Income Statement – General Fund**

INCOME STATEMENT – GENERAL	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	<b>ACTUAL</b>						<b>BUDGET</b>
<b>Income from continuing operations</b>							
Rates and annual charges	90,556	95,826	101,871	106,176	110,184	113,412	118,413
User charges and fees	20,696	21,949	21,411	24,137	21,998	23,818	25,184
Other revenue	4,616	2,392	3,130	3,925	4,502	6,324	3,762
Grants and contributions provided for operating purposes	36,034	31,751	30,057	31,341	44,359	46,628	33,057
Grants and contributions provided for capital purposes	16,218	34,569	38,252	41,619	58,470	71,169	32,167
Interest and investment revenue	3,752	4,170	3,270	1,771	2,137	6,568	5,372
Other income	443	370	2,006	5,136	5,870	9,001	2,420
Net gains from the disposal of assets	57	-	-	-	-	-	-
<b>Total income from continuing operations</b>	<b>172,372</b>	<b>191,027</b>	<b>199,997</b>	<b>214,105</b>	<b>247,520</b>	<b>276,920</b>	<b>220,375</b>
<b>Expenses from continuing operations</b>							
Employee benefits and on-costs	50,990	56,937	56,556	72,103	63,035	68,247	88,712
Materials and services	35,619	38,016	39,717	55,494	52,601	70,037	69,112
Borrowing costs	3,078	1,550	2,758	2,242	1,786	2,019	1,940
Depreciation, amortisation and impairment of non-financial assets	47,853	49,775	56,289	55,992	53,778	80,621	62,244
Other expenses	19,513	22,637	23,449	9,121	11,168	15,685	11,116
Net losses from the disposal of assets	-	443	2,872	8,867	4,253	17,121	-
<b>Total expenses from continuing operations</b>	<b>157,053</b>	<b>169,358</b>	<b>181,641</b>	<b>203,819</b>	<b>186,621</b>	<b>253,730</b>	<b>233,124</b>
<b>Operating result from continuing operations</b>	<b>15,319</b>	<b>21,669</b>	<b>18,356</b>	<b>10,286</b>	<b>60,899</b>	<b>23,190</b>	<b>(12,749)</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>(899)</b>	<b>(12,900)</b>	<b>(19,896)</b>	<b>(31,333)</b>	<b>2,429</b>	<b>(47,979)</b>	<b>(44,916)</b>

Source – Council Published Financial Statements

**Figure 5.5 Net Operating Result (before grants and contributions for capital) – General Fund**

Source – Council Published Financial Statements

The General Fund's net operating position has been in a deficit position over the past five of the six audited financial years. It is most notably impacted by accounting recognition of events such as losses on disposal of assets, asset revaluation decrements and the reversal of asset revaluation decrements.

Such adjustments can be an indication that the asset management approach requires improvement. Losses on disposal of assets can indicate assets are being renewed or replaced before reaching their end of useful life, and

## MIDCOAST COUNCIL FINANCIAL SUSTAINABILITY REVIEW 2023

therefore have carrying amount (fair value) that needs to be “disposed” when the asset is renewed or replaced. As outlined later in this report, Council’s asset management approach appears to be improving but still requiring improvement, which may be the cause of fluctuations in the reported net operating position.

The 2023/24 financial years are also predicted to produce significant deficits in the General Fund of \$44.9 million. This is not a sustainable position for the general fund. Through the project AEC further delved into the historical factors and drivers that are contributing to the deficit position and forecast the position and the impact on availability of cash and asset condition, assuming no action is taken to correct the deficit. This assists to communicate the significance of the problem, and to provide suitable recommendations for Council to implement that supports Council’s vision of being financially sustainable for the future.

#### 5.2.4 Water Fund

Table 5.5 below outlines Council’s actual income statement for the Water Fund from 2017/18 to 2022/23 Actuals and the original adopted budget for 2023/24.

Figure 5.6 depicts the actual operating result of the fund before capital grants and contributions over the seven years.

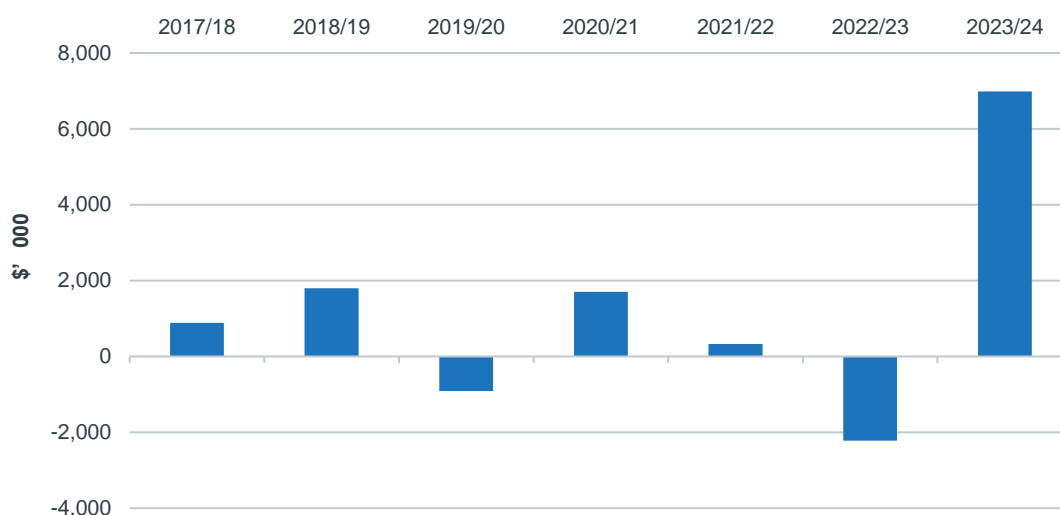
The Water Fund experienced surpluses in five of the six audited years and reported deficit in 2019/20 (\$0.9 million) and 2022/23 a deficit of \$2.2 million. The 2022/23 actuals show an increase in employee cost (\$1.3 million), materials and services (\$1.0 million) and depreciation costs (\$1.5 million).

In total contrast, the 2023/24 budget is forecasting an operational surplus of \$7.0 million.

**Table 5.5 Income Statement – Water Fund**

INCOME STATEMENT – WATER	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	<b>ACTUAL</b>						<b>BUDGET</b>
<b>Income from continuing operations</b>							
Rates and annual charges	11,912	13,614	13,095	13,082	14,076	14,694	14,925
User charges and fees	27,576	28,051	26,973	28,016	27,273	28,608	30,390
Other revenue	174	1,720	956	63	307	505	38
Grants and contributions provided for operating purposes	486	497	1,053	520	-	-	-
Grants and contributions provided for capital purposes	6,729	3,852	4,963	11,422	6,872	5,463	4,250
Interest and investment revenue	282	365	258	91	178	520	1,159
Other income	-	-	-	-	-	-	150
Net gains from the disposal of assets	-	-	-	-	-	-	-
<b>Total income from continuing operations</b>	<b>47,159</b>	<b>48,099</b>	<b>47,298</b>	<b>53,194</b>	<b>48,706</b>	<b>49,790</b>	<b>50,912</b>
<b>Expenses from continuing operations</b>							
Employee benefits and on-costs	8,866	9,032	9,779	7,122	7,577	8,829	11,139
Materials and services	5,583	6,800	8,969	12,882	14,357	15,353	9,495
Borrowing costs	6,329	5,903	5,477	5,237	4,553	4,194	3,939
Depreciation, amortisation and impairment of non-financial assets	14,291	14,373	13,750	13,713	13,963	15,486	13,850
Other expenses	4,193	5,168	4,420	330	525	470	523
Net losses from the disposal of assets	284	1,178	852	781	529	2,213	729
<b>Total expenses from continuing operations</b>	<b>39,546</b>	<b>42,454</b>	<b>43,247</b>	<b>40,065</b>	<b>41,504</b>	<b>46,545</b>	<b>39,675</b>
<b>Operating result from continuing operations</b>	<b>7,613</b>	<b>5,645</b>	<b>4,051</b>	<b>13,129</b>	<b>7,202</b>	<b>3,245</b>	<b>11,237</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>884</b>	<b>1,793</b>	<b>(912)</b>	<b>1,707</b>	<b>330</b>	<b>(2,218)</b>	<b>6,987</b>

Source – Council Published Financial Statements

**Figure 5.6 Net Operating Result (before grants and contributions for capital) – Water Fund**

Source – Council Published Financial Statements

### 5.2.5 Sewer Fund

Table 5.6 below outlines Council's actual income statement for the Sewer Fund from 2017/18 to 2022/23 and the original adopted budget for 2023/24.

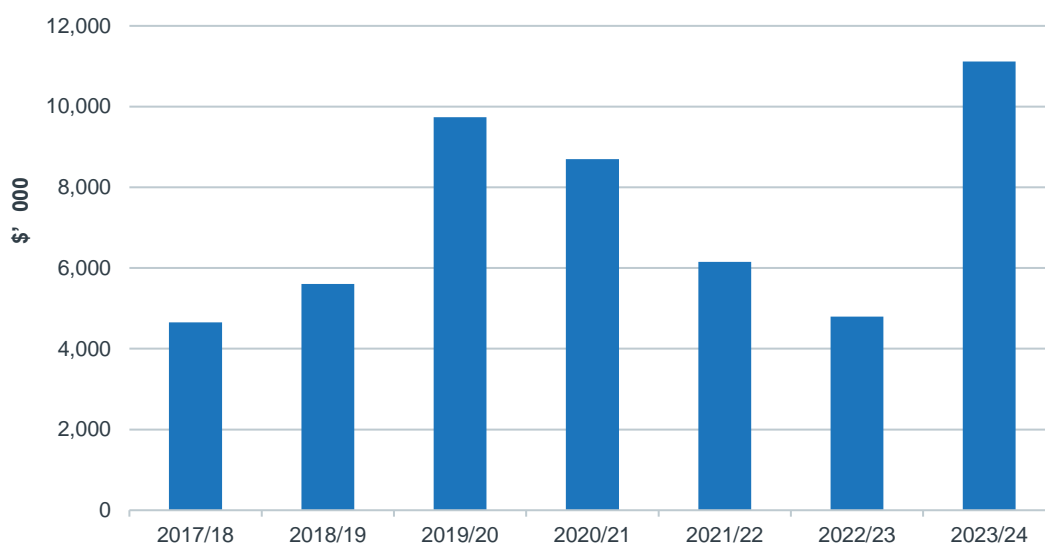
Figure 5.7 depicts the actual operating result of the fund before capital grants and contributions over the seven years.

**Table 5.6 Income Statement – Sewer Fund**

INCOME STATEMENT – SEWER	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	<b>ACTUAL</b>						<b>BUDGET</b>
<b>Income from continuing operations</b>							
Rates and annual charges	37,434	38,780	38,258	38,022	38,961	40,738	40,907
User charges and fees	3,651	3,448	3,245	3,264	3,555	3,504	2,254
Other revenue	161	1,615	39	268	593	405	38
Grants and contributions provided for operating purposes	451	461	455	483	-	-	-
Grants and contributions provided for capital purposes	2,335	3,750	4,365	4,967	6,488	4,801	4,500
Interest and investment revenue	1,022	1,630	1,375	882	651	1,918	2,852
Other income	-	-	-	-	-	-	20
Net gains from the disposal of assets	-	-	-	-	-	-	-
<b>Total income from continuing operations</b>	<b>45,054</b>	<b>49,684</b>	<b>47,737</b>	<b>47,886</b>	<b>50,248</b>	<b>51,366</b>	<b>50,571</b>
<b>Expenses from continuing operations</b>							
Employee benefits and on-costs	8,901	8,449	6,016	5,667	6,992	8,120	11,123
Materials and services	5,568	6,941	5,680	13,542	15,710	16,175	10,505
Borrowing costs	4,923	4,507	4,192	3,852	3,418	2,980	2,663
Depreciation, amortisation and impairment of non-financial assets	14,897	14,102	13,346	10,450	10,610	11,306	10,600
Other expenses	3,669	5,530	4,019	115	147	145	66
Net losses from the disposal of assets	107	803	379	598	727	3,039	-
<b>Total expenses from continuing operations</b>	<b>38,065</b>	<b>40,332</b>	<b>33,632</b>	<b>34,224</b>	<b>37,604</b>	<b>41,765</b>	<b>34,957</b>
<b>Operating result from continuing operations</b>	<b>6,989</b>	<b>9,352</b>	<b>14,105</b>	<b>13,662</b>	<b>12,644</b>	<b>9,601</b>	<b>15,614</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>4,654</b>	<b>5,602</b>	<b>9,740</b>	<b>8,695</b>	<b>6,156</b>	<b>4,800</b>	<b>11,114</b>



**Figure 5.7 Net Operating Result (before grants and contributions for capital) – Sewer Fund**



Source – Council Published Financial Statements

The reported net operating result for the Sewer Fund is a surplus of between \$4.7 million and \$9.7 million over the past six financial years. It is notable that, similar to the Water Fund, there has been a deterioration to the operating result of the Sewer Fund. In contrast, Council has budgeted to have a surplus of approximately \$11.1 million in 2023/24.

The 2022/23 position has deteriorated to as similar operating result as in 2017/18 – notable is the increase in employee cost of 16.1% (\$1.1 million) and an increase in depreciation costs of 6.6% (\$0.7 million). Contributing further to this position is a net loss on the disposal of assets of \$3.0 million.

## 5.3 FINANCIAL PERFORMANCE MEASURES

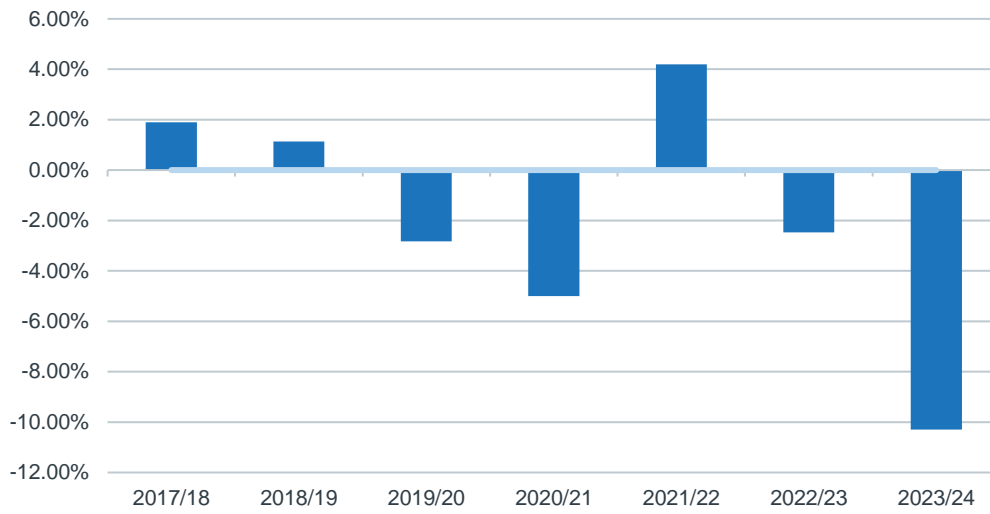
### 5.3.1 Operating Performance Ratio

This performance ratio measures Council's achievement of containing operating expenditure within operating revenue. The industry benchmark is for councils to be greater than 0%.

Council's operating performance ratio as a consolidated position has fluctuated over the last seven years with four of the last financial years producing deficits. The 2023/24 budget is forecasting an operating performance ratio of -10.3%. This is primarily in the General Fund of -25.5% whilst the Water and Sewer funds have a budget that is compliant with the operating performance ratio - 16.3% and 24.1% respectively.

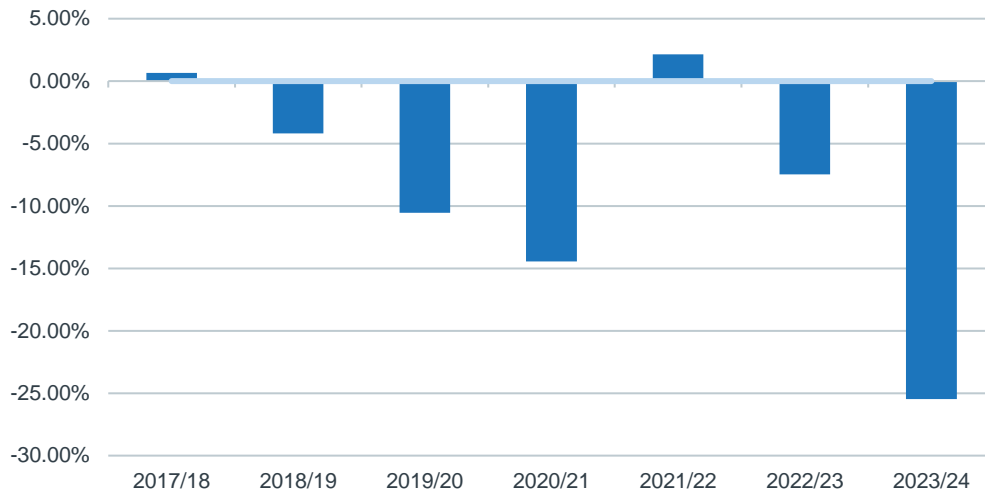
Recently trends of both the funds are very different to the 2023/24 budgeted position. Sewer has recently seen a decline in surpluses, whilst Water has had 2 years of non-compliance through the assessment period.

**Figure 5.8 Operating Performance Ratio – Consolidated**



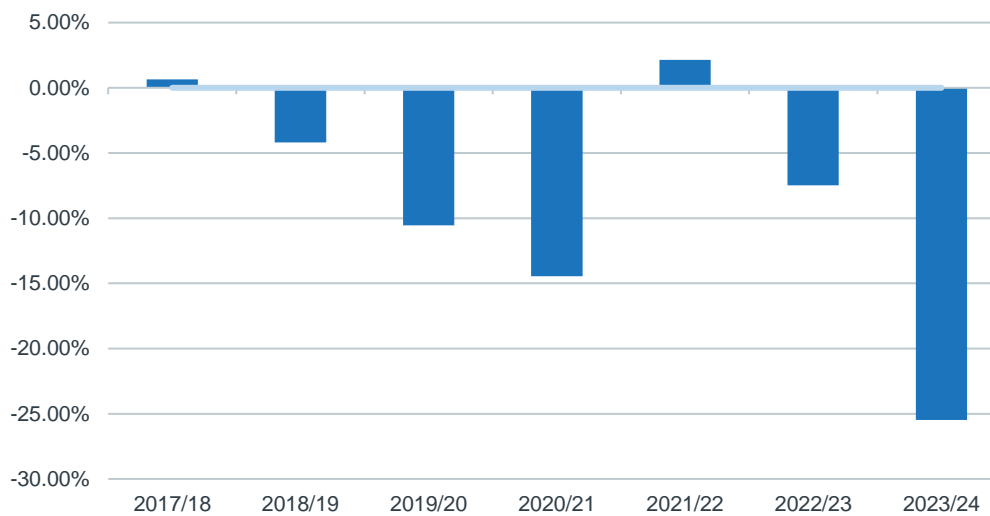
Source – Council Published Financial Statements

**Figure 5.9 Operating Performance Ratio – General Fund**



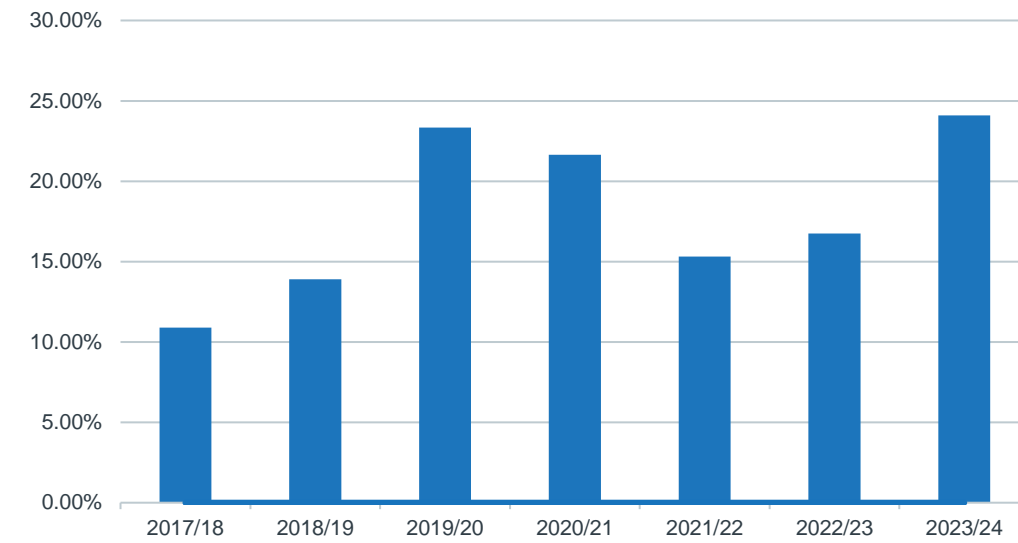
Source – Council Published Financial Statements

**Figure 5.10 Operating Performance Ratio – Water Fund**



Source – Council Published Financial Statements

**Figure 5.11 Operating Performance Ratio – Sewer Fund**

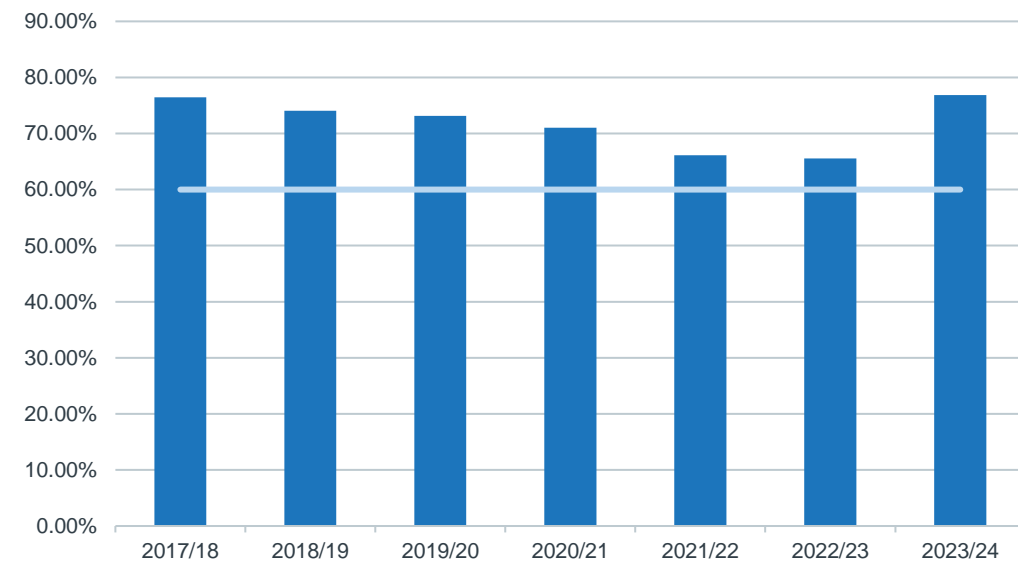


Source – Council Published Financial Statements

### 5.3.2 Own Source Operating Revenue Ratio

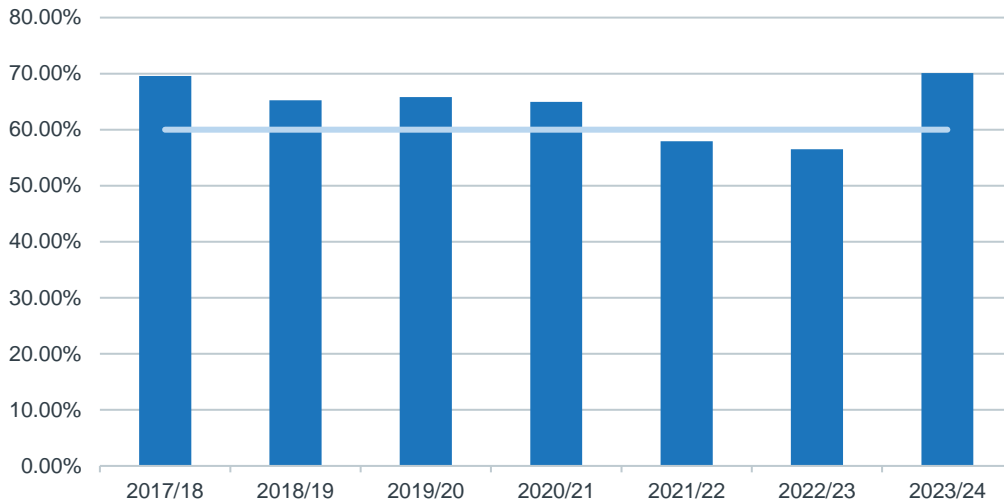
This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions. The benchmark is set at greater than 60%. Council has met this performance measure over the seven years, except for General Fund in 2021/22 and 2022/23. 2022/23 financials state the lowest over the period at 56.5% and this is due to an increase in capital grants and contributions received by Council especially for capital purposes. Grants and contributions in 2022/23 increased by \$14.9 million or 14.6%.

**Figure 5.12 Own Source Operating Revenue Ratio – Consolidated**



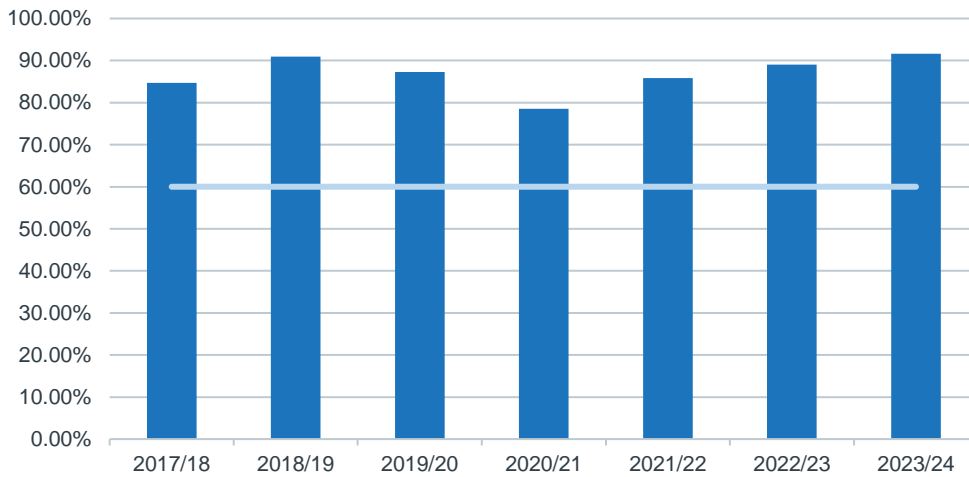
Source – Council Published Financial Statements

**Figure 5.13 Own Source Operating Revenue – General Fund**



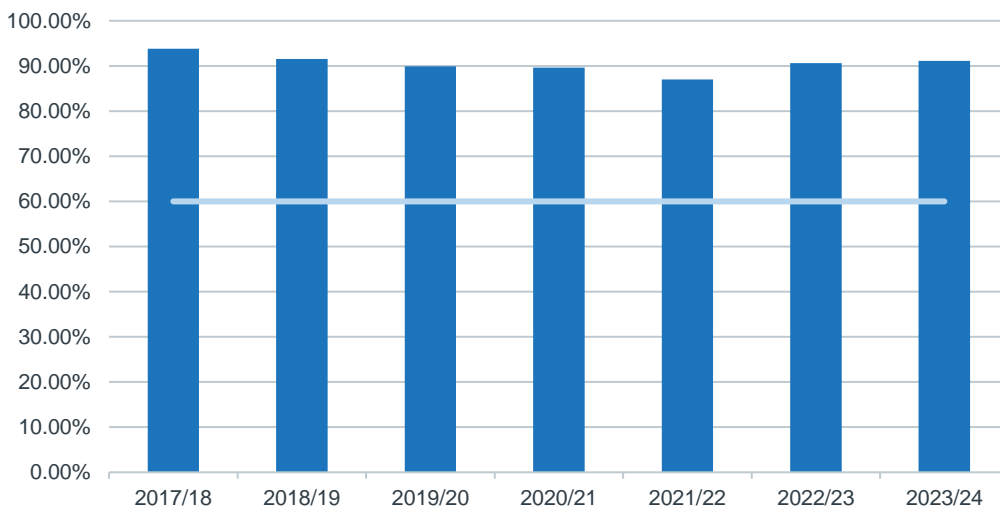
Source – Council Published Financial Statements

**Figure 5.14 Own Source Operating Revenue – Water Fund**



Source – Council Published Financial Statements

**Figure 5.15 Own Source Operating Revenue – Sewer Fund**



Source – Council Published Financial Statements

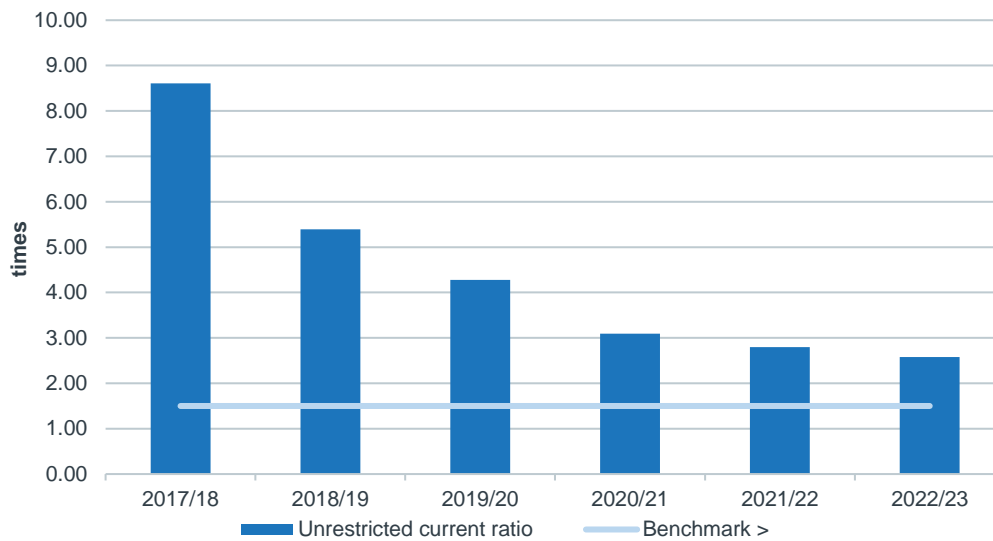
### 5.3.3 Unrestricted Current Ratio

The purpose of this ratio is to assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council. Benchmark been greater than 1.5.

Council has met this benchmark across all the fund types and across previous financial years - with the exception for Water Fund in 2017/18. Since then, Council has improved its performance and maintain a higher level of current assets over its current obligations or liabilities.

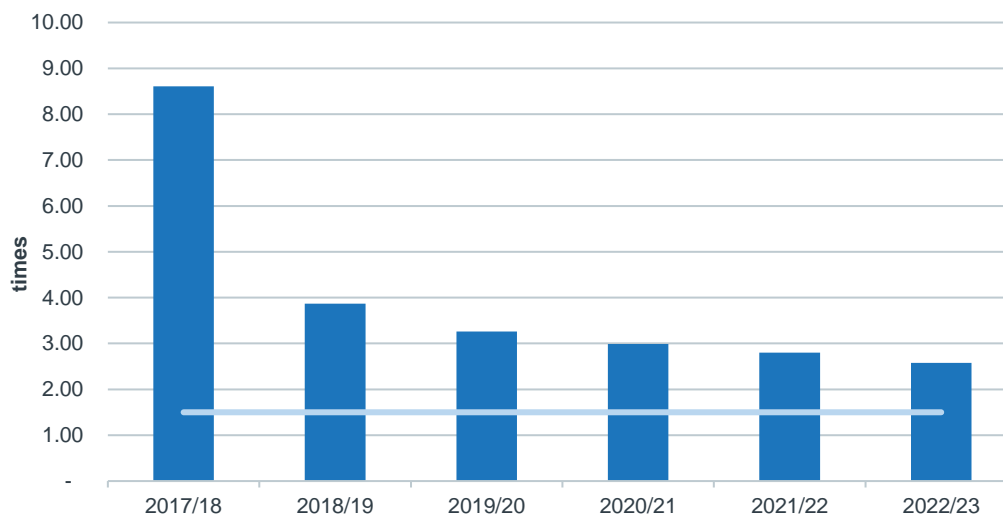
As a consolidated position and the General Fund, there is a declining trend indicating a decrease in current assets and/or increase in current liabilities. The Water and Sewer funds have a more fluctuating trend with 2023/24 budgets predicting an upward incline indicating an improvement to the ratio.

**Figure 5.16 Unrestricted Current Ratio – Consolidated**



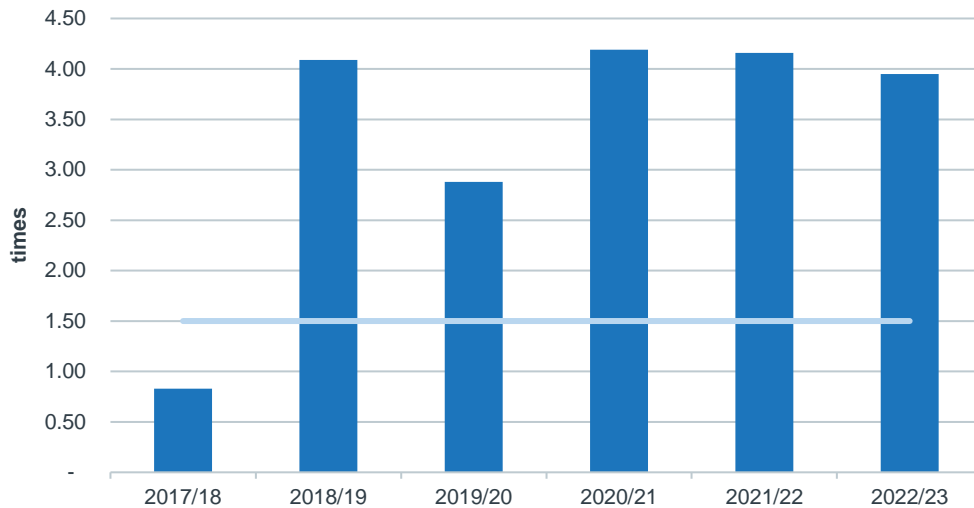
Source – Council Published Financial Statements

**Figure 5.17 Unrestricted Current Ratio – General Fund**



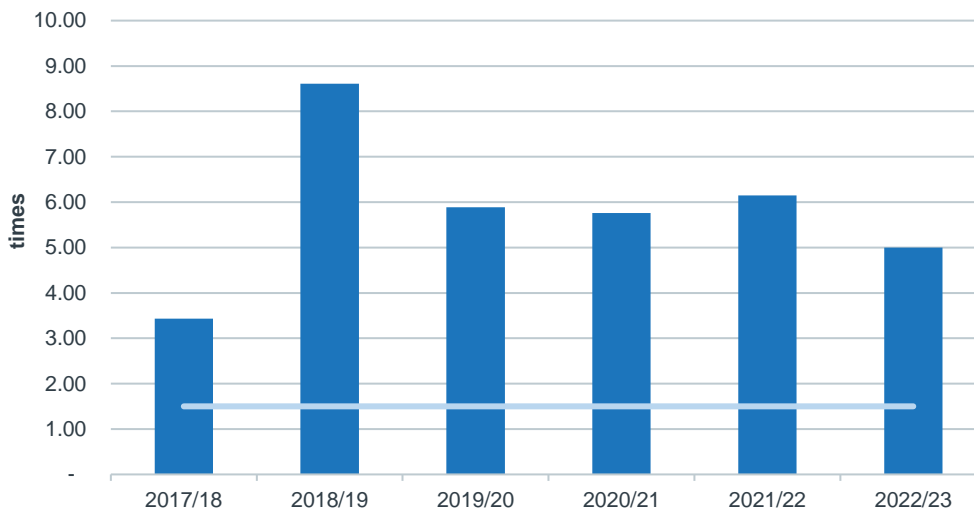
Source – Council Published Financial Statements

**Figure 5.18 Unrestricted Current Ratio – Water Fund**



Source – Council Published Financial Statements

**Figure 5.19 Unrestricted Current Ratio – Sewer Fund**

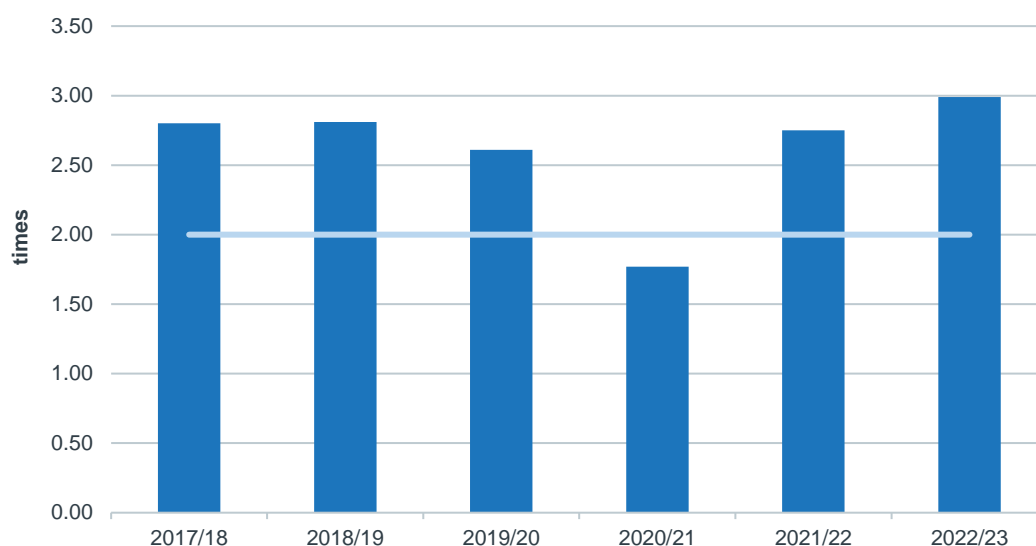


Source – Council Published Financial Statements

### 5.3.4 Debt Service Cover Ratio

The rationale of the debt service cover ratio measures the availability of operating cash to service debt including interest, principal, and lease payments. Council did not meet the benchmark of 2.00 in 2020/21 at 1.77. This would indicate that Council would not have been able to generate sufficient cash to cover its debt with a ratio of 1.77.

**Figure 5.20 Debt Service Cover Ratio – Consolidated**



Source – Council Published Financial Statements

## 5.4 AVAILABILITY OF CASH

The following sections provide analysis of Council’s historical performance in generating and using cash for operating, investing, and financing activities. Council does not report cashflow by fund type in the financial statements and therefore the following analysis is on a consolidated basis.

### 5.4.1 Cashflow

Table 5.6 below outlines the reported consolidated cashflows for financial years from 2017/18 to 2022/23 with the actuals for 2022/23 audited by 31 October 2023. The cash generated from operating activities fluctuated significantly over the period, most notably due to grants and contributions. The fluctuations in grants received differs from the Income Statement due to a change in accounting standards (reflected from 2019/20 onwards) that require Council to recognise the grants provided for specific purposes to be aligned with the delivery of the service or asset acquisition that the grant has been provided for. In the Statement of Cashflows, the grant is recognised when received. It is therefore important that Council accounts for grants within constrained reserves to ensure the cash received is quarantined for the purposes of the grant.

Total cash, cash equivalents and investments increased over the period and is approximately \$330.6 million as at 30 June 2023.

Figure 5.21 highlights the consolidated cash flows for operating, investing, and financing activities. Both the cash flows generated from operating activities and the cash flows used in investing activities fluctuate. The fluctuation is due to grant funding received and used in investment in assets, as well as the annual completion of other investments in the annual capital works plan.

Figure 5.22 highlights what proportion of the cash that has been accumulating is managed from within readily accessible cash accounts (cash & cash equivalent) and what is used in investments – investments return a higher return than cash within readily accessible bank accounts. Forward planning of the use of Council’s cash enables the interest earned from cash to be maximised by investing responsibly.

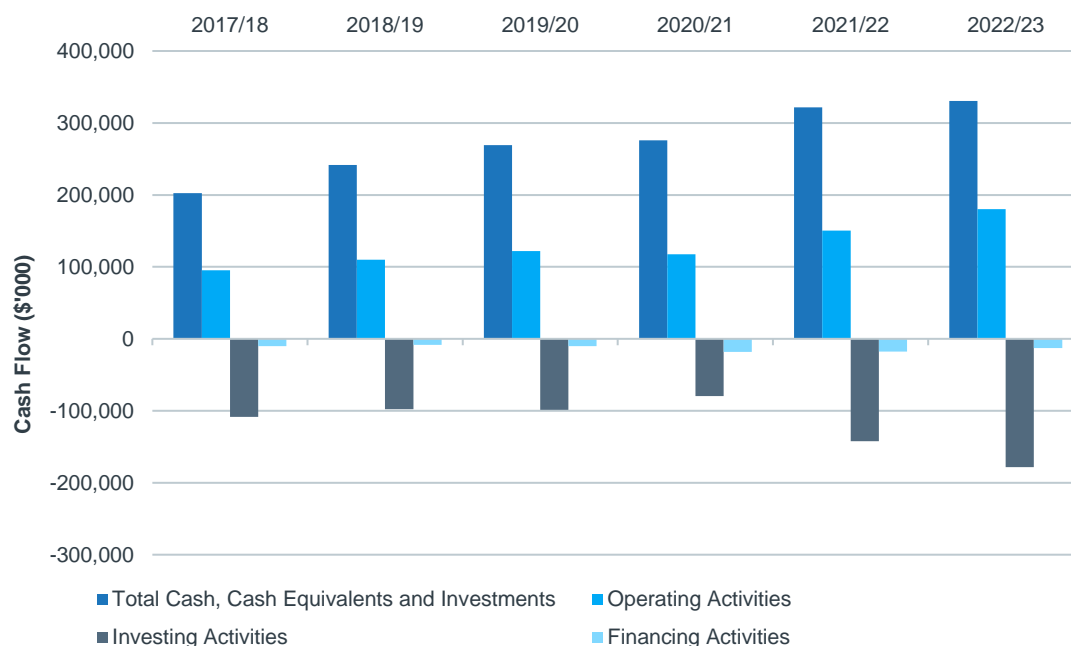


Table 5.7 Statement of Cash Flows – Consolidated

STATEMENT OF CASH FLOWS - CONSOLIDATED	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	<b>ACTUAL</b>					
<b>Cash Flows from operating activities</b>						
<i>Receipts:</i>						
Rates and annual charges	139,192	146,559	155,745	150,064	167,334	165,693
User charges and fees	55,760	54,981	48,073	55,813	55,766	56,569
Investment and interest revenue received	4,766	5,166	5,437	3,078	2,475	6,940
Grants and contributions	58,038	64,388	68,192	88,605	105,919	124,017
Bonds, deposits and retention amounts received	772	1,142	155	1,518	1,045	150
Other operating	11,235	14,828	19,703	23,283	23,346	30,478
<i>Payments:</i>						
Employee benefits and on-costs	(12,882)	(72,268)	(71,233)	(79,601)	(81,419)	(84,678)
Materials and services	(61,709)	(60,603)	(75,588)	(96,634)	(90,030)	(104,922)
Borrowing costs	(64,319)	(13,759)	(12,401)	(11,326)	(9,574)	(8,943)
Bonds, deposits and retention amounts refunded	-	-	-	-	-	-
Other operating	(35,404)	(30,703)	(16,217)	(17,247)	(24,273)	(5,126)
<b>Net cash provided (or used in) operating activities</b>	<b>95,449</b>	<b>109,731</b>	<b>121,866</b>	<b>117,553</b>	<b>150,589</b>	<b>180,178</b>
<b>Cash Flows from investing activities</b>						
<i>Receipts:</i>						
Sale of investments	319,618	186,200	246,013	148,013	81,570	99,740
Sale of infrastructure, property, plant and equipment	1,351	1,558	-	1,971	4,125	1,033
Deferred Debtors Receipts	11	-	-	-	-	-
Other investing	-	-	1,565	-	8,472	1,300
<i>Payments:</i>						
Purchase of investment securities	(357,679)	(221,250)	(260,603)	(134,620)	(136,850)	(120,000)
Purchase of infrastructure, property, plant and equipment	(71,731)	(64,264)	(85,738)	(94,883)	(99,697)	(160,510)
Purchase of intangible assets	-	-	-	-	-	-
Purchase of real estate assets	-	168	-	-	-	-
Deferred debtors and advances made	(33)	(10)	-	-	-	-
Other investing	-	-	-	-	-	-
<b>Net cash provided (or used in) investing activities</b>	<b>(108,463)</b>	<b>(97,598)</b>	<b>(98,763)</b>	<b>(79,519)</b>	<b>(142,380)</b>	<b>(178,437)</b>
<b>Cash Flows from financing activities</b>						
<i>Receipts:</i>						
New Residential Accommodation Bonds	-	-	-	-	-	-
Proceeds from borrowings	9,682	12,840	11,500	14,253	8,625	7,100
Other financing	-	-	-	-	-	-
<i>Payments:</i>						
Repayment of borrowings and advances	(19,871)	(21,000)	(21,243)	(32,117)	(25,677)	(19,233)
Principal component of lease payments	(88)	(92)	(354)	(383)	(694)	(772)
Other financing	-	-	-	-	-	-
<b>Net cash provided (or used in) financing activities</b>	<b>(10,277)</b>	<b>(8,252)</b>	<b>(10,097)</b>	<b>(18,247)</b>	<b>(17,746)</b>	<b>(12,905)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(23,291)</b>	<b>3,881</b>	<b>13,006</b>	<b>19,787</b>	<b>(9,537)</b>	<b>(11,164)</b>
Cash and cash equivalents - beginning of year	58,009	34,718	38,599	51,605	71,392	61,855
<b>Cash and cash equivalents - end of the year</b>	<b>34,718</b>	<b>38,599</b>	<b>51,605</b>	<b>71,392</b>	<b>61,855</b>	<b>50,691</b>
Investments on hand - end of year	167,900	202,950	217,540	204,458	259,667	279,927
<b>Total cash, cash equivalents and investments</b>	<b>202,618</b>	<b>241,549</b>	<b>269,145</b>	<b>275,850</b>	<b>321,522</b>	<b>330,618</b>

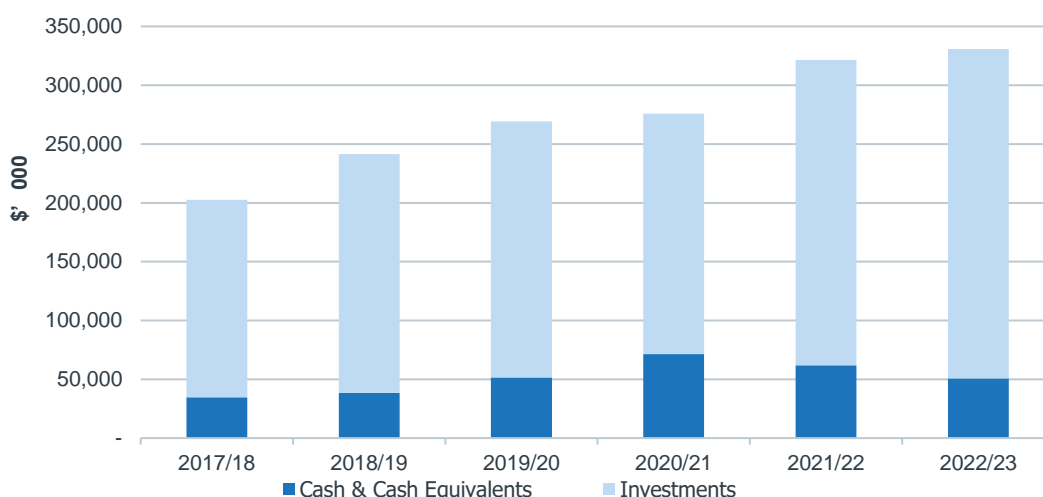
Source – Council Published Financial Statements

**Figure 5.21 Cash Flows for Operating, Investing and Financing Activities - Consolidated**



Source – Council Published Financial Statements

**Figure 5.22 Total Cash and Investments at end of financial year - Consolidated**



Source – Council Published Financial Statements

### 5.4.2 Cash restrictions

Table 5.8 below outlines the balance of cash held within the different reserves and what cash is unrestricted.

**Table 5.8 Cash Reserves – Consolidated – as at 30 June 2023**

	Fund	2018 \$'000	2019 \$'000	2020 \$'000	2021 \$'000	2022 \$'000	2023 \$'000
<b>External restrictions - included in liabilities</b>							
Specific purpose unexpended loans - general	General	2,940	7,755	12,275	835	7,829	2,630
Subdivision bonds	General	4,493	5,394	5,462	5,499	4,916	4,813
Sundry bonds and deposits	General	814	1,226	285	2,112	3,630	4,854
Other sale of land, planning guarantee and relocation, tender and sundry deposits	General	192	48	49	49	49	34
Specific purpose unexpended grants - general fund	General			3,974	14,028	24,945	36,504

## MIDCOAST COUNCIL FINANCIAL SUSTAINABILITY REVIEW 2023

	Fund	2018 \$'000	2019 \$'000	2020 \$'000	2021 \$'000	2022 \$'000	2023 \$'000
<b>External restrictions - included in liabilities</b>		<b>8,439</b>	<b>14,423</b>	<b>22,045</b>	<b>22,523</b>	<b>41,369</b>	<b>48,835</b>
<b>External restrictions – Other</b>							
Developer contributions – general	General	16,384	20,521	22,420	26,073	26,789	29,686
Developer contributions – water fund	Water			1,521	4,977	9,759	5,986
Developer contributions – sewer fund	Sewer	11,617	11,791	13,086	16,737	21,765	19,327
Specific purpose unexpended grants (recognised as revenue) – general fund	General	4,720	7,774	4,173	5,159	3,301	1,409
Water fund	Water	9,935	18,344	18,493	28,281	25,360	27,061
Water supplies –Employee Entitlements	Water	1,034	1,034	1,034	1,034		
Sewerage services –Employee Entitlements	Sewer	1,018	1,018	1,018	1,018		
Domestic waste management	Waste	29,430	33,919	36,876	40,758	44,789	41,888
Stormwater management	General	1,878	1,746	2,500	2,842	2,107	940
Sewer fund	Sewer	37,810	49,879	63,109	66,898	72,276	78,748
Stratford-Duralie Coal Contributions						1,504	1,490
Crown Lands Act – Section 106 (Forster Boat Harbour)	General	79	122	196	261	310	363
Other contributions to works	General	875	878	182	695	695	678
ARTC Rail Crossing	General	521	521	521	521	521	521
Cattai Wetlands – Environmental Trust	General	453	457	457	457	461	474
Nabiac Showground	General	65	114	161	185	204	213
MidCoast Assist	General	297	537	316			
Other - external restrictions	General	599	689	914	989	1,356	1,108
<b>External restrictions - Other</b>		<b>116,715</b>	<b>149,344</b>	<b>166,977</b>	<b>196,885</b>	<b>211,197</b>	<b>209,892</b>
<b>Total External Restrictions</b>		<b>125,154</b>	<b>163,767</b>	<b>189,022</b>	<b>219,408</b>	<b>252,566</b>	<b>258,727</b>
<b>Internally restricted</b>							
Plant and vehicle replacement	General	6,169	8,670	5,344	4,668	5,224	7,286
Employees leave entitlement	General	5,290	5,290	4,282	4,282	4,282	4,282
Carry over works	General	15,583	10,570	9,228	5,153	6,849	2,099
Building Infrastructure Reserves	General	1,193	1,278	7,379	3,465	3,700	2,385
Environmental Levy Reserve	General	4,332	5,181	5,087	5,794	5,826	6,021
Commercial Waste	General	3,519	2,359	1,413	1,413	2,473	1,823
Election	General	171	371	571	771	291	516
Emergency Management	General	217	305	305	305	1,335	1,263
Land & Property Reserves	General	2,801	3,096	2,514	3,609	3,820	4,468
IT Infrastructure Reserves	General	1,725	1,184	664	101	101	3,214
Budget Management Reserves	General	4,260	4,416	4,380	881	851	851
Parks Infrastructure Reserves	General	1,121	1,138	903	648	546	511
Road Infrastructure Reserves	General	4,435	3,366	2,631	2,424	2,236	2,226
SRV Infrastructure Reserve	General	1,388	2,872	5,156	10,461	12,828	13,249
FAG in advance	General	8,999	9,139	9,498	9,367	14,927	15,000
Government Merger Funding Reserve	General	12,245	7,979	1,547	52		
Other - internal restrictions	General	2,397	2,454	2,212	2,804	3,070	3,351
<b>Internally restricted</b>		<b>75,845</b>	<b>69,668</b>	<b>63,114</b>	<b>56,198</b>	<b>68,359</b>	<b>68,545</b>
<b>Total cash, cash equivalents and investments</b>		<b>203,061</b>	<b>241,953</b>	<b>269,518</b>	<b>275,850</b>	<b>321,522</b>	<b>330,618</b>
Externally restricted cash		116,715	149,344	166,977	196,885	211,197	209,892
Internally restricted cash		75,845	69,668	63,114	56,198	68,359	68,545
Externally restricted - included in liabilities		8,439	14,423	22,045	22,523	41,369	48,835
<b>Unrestricted and unallocated cash, cash equivalent and investments</b>		<b>2,062</b>	<b>8,518</b>	<b>17,382</b>	<b>244</b>	<b>597</b>	<b>3,346</b>

Source – Council Published Financial Statements

As reported in the 2022/23 financial statement, Council had total cash, cash equivalents and investments of \$330.6 million, of which \$209.9 million is externally restricted, \$68.5 million is internally restricted and a further \$48.8 million is held in reserve for commitments in reported liabilities (mostly contracted grant liabilities).

## MIDCOAST COUNCIL FINANCIAL SUSTAINABILITY REVIEW 2023

The residual amount of \$3.4 million is considered unrestricted which for an organisation the size of MidCoast Council is generally insufficient. An unrestricted cash balance of at least \$10 million is more appropriate to manage cashflow requirements and to enable sufficient mitigation for unplanned events.

Internal reserves have been created by historical Council resolutions. Council should review its internal reserves at least on an annual basis for its relevance.

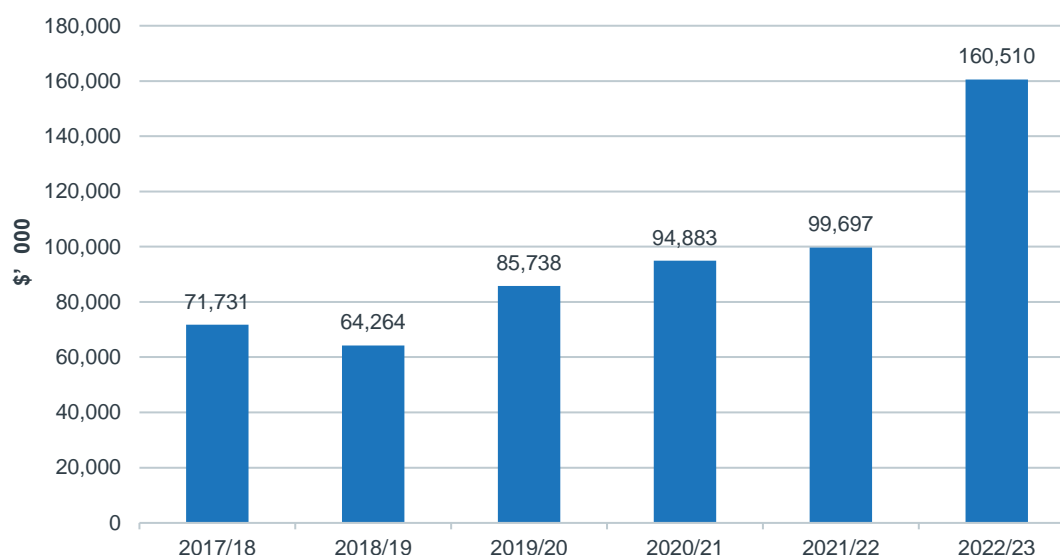
## 5.5 INVESTMENT IN ASSETS

The following sections outline Council's historical approach to investing in assets and performance measures achieved. Asset management is a core discipline and an essential management approach to ensuring Council's investment in assets delivers on both the sustainability of physical assets and fiscal capital (that is, Council's ability to access cash). The following analysis outlines Council's current approach to asset management, followed by analysis of Council's performance of investing in assets by fund type.

### 5.5.1 Capital Works Spend

MidCoast Council has spent in total \$576.8 million over six years on capital expenditure, an average of \$96.1 million annually.

**Figure 5.23 Capital Program Spend - Consolidated**



Source – Annual Financial Statements

### 5.5.2 Reported Condition of Assets

In preparing the Annual Financial Statements, Council is required to complete the Special Schedules, which includes the Report on Infrastructure Assets (Special Schedule 7). Figure 5.24 below is an extract from the 2021/22 Annual Financial Statements. Within the project timeline, the 2021/22 report was only available for review. A copy of the recently completed 2022/23 Infrastructure is provided in Appendix C.

Figure 5.24 Report on Infrastructure Assets – Extract

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard		Estimated cost to bring the assets to agreed level of service set by Council		2021/22 Required maintenance \$ '000	2021/22 Actual maintenance \$ '000	Net carrying amount \$ '000	Gross replacement cost (GRC) \$ '000	Assets in condition as a percentage of gross replacement cost				
		\$ '000	\$ '000	\$ '000	\$ '000					1	2	3	4	5
Buildings	Other Buildings	1,160	1,160	638	387	57,990	85,167	56.7%	14.8%	18.9%	9.2%	0.4%		
	Council Offices/Administration Centres	1,825	1,825	588	567	53,418	84,155	41.5%	7.2%	30.1%	19.8%	1.4%		
	Council Works Depots	149	149	71	449	6,484	12,001	8.7%	6.6%	59.0%	25.7%	0.0%		
	Council Public Halls	438	438	132	14	11,970	23,299	1.2%	13.1%	59.1%	26.6%	0.0%		
	Libraries	14	14	59	170	5,399	8,950	0.0%	35.5%	64.5%	0.0%	0.0%		
	Cultural/Community Facilities	3,022	3,022	1,390	1,809	126,399	225,032	3.7%	27.6%	40.4%	27.8%	0.5%		
	<b>Sub-total</b>		<b>6,608</b>	<b>6,608</b>	<b>2,878</b>	<b>3,396</b>	<b>261,660</b>	<b>438,604</b>	<b>21.2%</b>	<b>20.0%</b>	<b>36.2%</b>	<b>22.0%</b>	<b>0.6%</b>	
Other structures	Other structures Not Included In Buildings	339	339	160	106	10,781	14,587	58.2%	15.2%	12.2%	10.9%	3.5%		
	<b>Sub-total</b>	<b>339</b>	<b>339</b>	<b>160</b>	<b>106</b>	<b>10,781</b>	<b>14,587</b>	<b>58.2%</b>	<b>15.2%</b>	<b>12.2%</b>	<b>10.9%</b>	<b>3.5%</b>		
Roads	Sealed roads	58,072	58,072	13,433	14,604	696,830	1,285,183	19.2%	42.1%	23.9%	10.6%	4.2%		
	Unsealed roads	428	428	1,119	1,246	6,146	60,900	7.1%	28.5%	61.6%	2.3%	0.5%		
	Bridges	2,523	2,523	1,332	639	207,202	356,388	16.6%	59.7%	19.6%	3.9%	0.2%		
	Footpaths/Cycleways	311	311	149	136	16,999	37,378	28.4%	28.0%	40.5%	2.7%	0.4%		
	Kerb & Guttering	1,882	1,882	224	130	66,444	152,830	12.5%	12.6%	69.6%	4.2%	1.1%		
	Bulk earthworks	-	-	-	-	1,071,748	1,071,748	100.0%	0.0%	0.0%	0.0%	0.0%		
	<b>Sub-total</b>		<b>63,216</b>	<b>63,216</b>	<b>16,257</b>	<b>16,755</b>	<b>2,065,369</b>	<b>2,964,427</b>	<b>47.6%</b>	<b>27.0%</b>	<b>18.1%</b>	<b>5.4%</b>	<b>1.9%</b>	
Water supply network	Water supply network	21,429	21,429	8,838	8,180	526,649	929,657	6.9%	38.0%	30.7%	14.0%	10.4%		
	<b>Sub-total</b>	<b>21,429</b>	<b>21,429</b>	<b>8,838</b>	<b>8,180</b>	<b>526,649</b>	<b>929,657</b>	<b>6.9%</b>	<b>38.0%</b>	<b>30.7%</b>	<b>14.0%</b>	<b>10.4%</b>		
Sewerage network	Sewerage network	13,980	13,980	8,958	8,585	516,903	793,571	33.0%	11.9%	36.0%	18.7%	0.4%		
	<b>Sub-total</b>	<b>13,980</b>	<b>13,980</b>	<b>8,958</b>	<b>8,585</b>	<b>516,903</b>	<b>793,571</b>	<b>33.0%</b>	<b>11.9%</b>	<b>36.0%</b>	<b>18.7%</b>	<b>0.4%</b>		
Stormwater drainage	Stormwater drainage	4,271	4,271	1,841	366	204,899	388,805	19.4%	45.1%	30.5%	4.7%	0.3%		
	<b>Sub-total</b>	<b>4,271</b>	<b>4,271</b>	<b>1,841</b>	<b>366</b>	<b>204,899</b>	<b>388,805</b>	<b>19.4%</b>	<b>45.1%</b>	<b>30.5%</b>	<b>4.7%</b>	<b>0.3%</b>		
Open space / recreational assets	Swimming pools	783	783	123	1,253	4,769	11,168	0.7%	5.1%	43.3%	50.9%	0.0%		
	Other Recreational/Open Space Assets	1,199	1,199	600	6,578	35,692	54,558	17.1%	48.3%	24.5%	9.1%	1.0%		
	<b>Sub-total</b>	<b>1,982</b>	<b>1,982</b>	<b>723</b>	<b>7,831</b>	<b>40,461</b>	<b>65,726</b>	<b>14.3%</b>	<b>41.0%</b>	<b>27.7%</b>	<b>16.2%</b>	<b>0.8%</b>		
<b>Total – all assets</b>		<b>111,825</b>	<b>111,825</b>	<b>39,655</b>	<b>45,219</b>	<b>3,626,722</b>	<b>5,595,377</b>	<b>34.4%</b>	<b>27.5%</b>	<b>25.1%</b>	<b>10.1%</b>	<b>2.9%</b>		

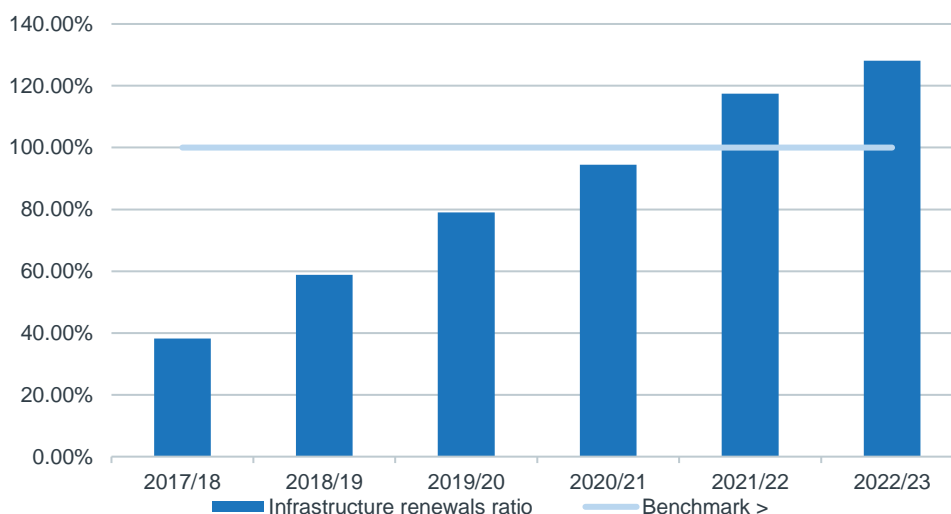
Source – Annual Financial Statements 2021/22

AEC reviewed the preparation of the Report on Infrastructure Assets as at 30 June 2022 and completed analysis to inform the assessment as to whether Council has been investing in assets in a sustainable manner. The following are standard observations:

- Reported condition of the assets is determined by a qualitative assessment, relying upon opinion of officers involved in the management of the assets.
- The estimated cost to bring assets to satisfactory standard is based on opinion of officers involved in the preparation of the report, not based on a quantitative assessment of Council’s asset register.
- Required maintenance is based on historical expenditure, not on a cost of required and planned maintenance.

5.5.3 Performance Measure – Building and Infrastructure Renewals Ratio

Figure 5.25 Building and Infrastructure Renewals Ratio – Consolidated



Source – Annual Financial Statements

MIDCOAST COUNCIL FINANCIAL SUSTAINABILITY REVIEW 2023

Figure 5.25 above outlines the Council’s consolidated historical performance based on the building and infrastructure renewals ratio. The ratio is calculated by the value of asset renewals on buildings and infrastructure divided by the depreciation of buildings and infrastructure. If the ratio is above 100%, the cost of renewals in the financial year exceeds the estimate of the value of the assets consumed within the year (that is, depreciation expense). Over the long term, the average building and infrastructure renewal need to be at least 100% to indicate that Council is replacing assets at the same rate as the assets are being consumed. The ratio will only be accurate if the calculation of annual depreciation expense materially reflects actual consumption.

The building and infrastructure renewals ratio indicated that Council has historically spent less on building and infrastructure asset renewals than its forecast depreciation of building and infrastructure assets. The 2021/22 financial year was the only year over the last five audited financial years that Council has complied with the infrastructure ratio.

This indicates that MidCoast Council’s renewal of building and infrastructure assets are less than the depreciation (or consumption) of assets. If most of Council’s assets are new, and in early years of life, that may not be a problem. However, if most assets are in later years of life than the renewal ratio is an indication of a significant underinvestment in asset renewals and an increase in the backlog of renewals would be expected (deferring the need to fund the treatments in future years).

It should also be noted, if renewal treatments are required to protect other asset components, such as reseals and roof replacements, deferring the renewal treatment increases the risk of early deterioration of the other asset components, which typically result in a significantly higher cost – for example, water penetrating into the pavement of the road and requiring rehabilitation of the pavement which is approximately \$200/m<sup>2</sup> compared to reseal at approximately \$8-10/m<sup>2</sup>.

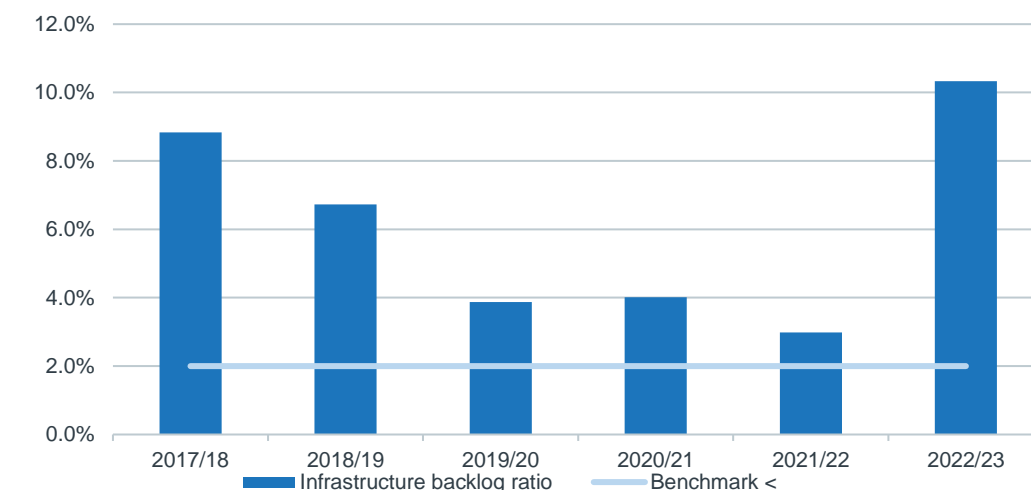
#### 5.5.4 Performance Measure – Infrastructure Backlog Ratio

The infrastructure backlog ratio is calculated by dividing the total estimated cost to bring assets back to satisfactory standard by the total gross replacement cost of assets. A target of below 2% is the established industry benchmark. The reported ratio for Council has seems to have a diminishing trend but this is contrary to what the renewal ratio is suggesting. The unusual trend most likely is due to a difference in the measurements used rather than being indicative of the investment made to reduce the actual backlog.

Council has not met the ratio in the assessment period.

The accuracy of the performance reported depends upon how accurate the Council has been in estimating the cost of the backlog. With the lack of asset condition data and updated AMPs, AEC was not able to determine the extent of Council’s infrastructure backlog. However, it is notable that Council has reported a large increase in the reported backlog for 2022/23, which AEC understands is due to a change in the calculation methodology.

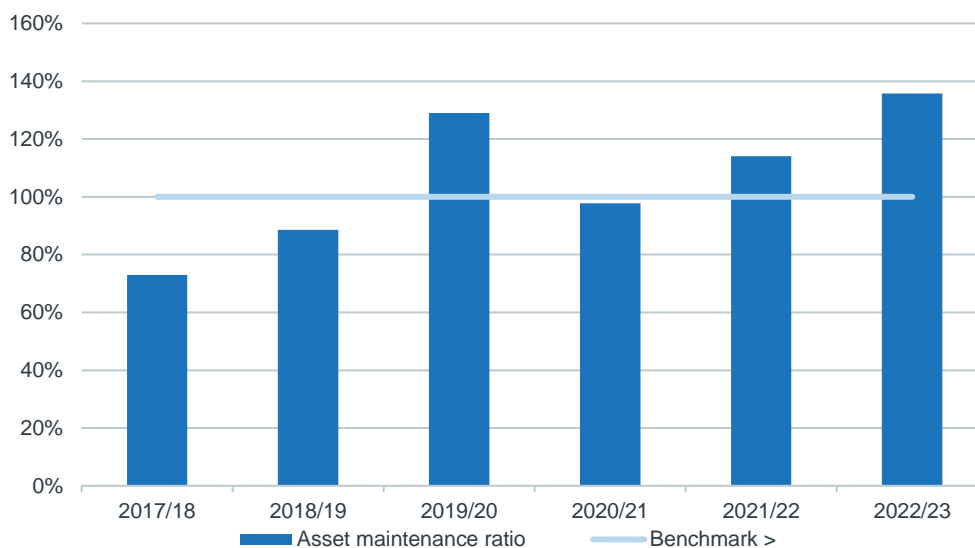
**Figure 5.26 Infrastructure Backlog Ratio – Consolidated**



Source – Annual Financial Statements

### 5.5.5 Performance Measure – Asset Maintenance Ratio

**Figure 5.27 Asset Maintenance Ratio – Consolidated**



Source – Annual Financial Statements

The asset maintenance ratio is calculated by dividing the actual maintenance spend for the reported financial year by the total cost of planned asset maintenance (as outlined in the Asset Management Plans). Figure 5.27 indicates that the Council's actual expenditure on maintenance has been under the planned maintenance, except for 2019/20 and 2021/22.

## 5.6 KEY FACTORS CONTRIBUTING TO THE HISTORICAL FINANCIAL PERFORMANCE

This section outlines the factors that most likely have contributed to the historical financial performance of the Council – these are based on observations throughout the review of documents and the processes of the council, and discussions held with key staff by the AEC project team.

### 5.6.1 A Structural Operating Deficit

MidCoast Council has produced operating deficits in its General Fund over recent financial years with forecast showing a further deterioration of the operating result in 2023/24. AEC has predicted that the historical structural deficit within the General Fund whereby the recurrent revenue is not able to fund the recurrent expenditure to have deteriorated to approximately \$25.0 to \$30.0 million.

The conclusion of a structural deficit of this amount is supported by the high reliance on grants to fund asset renewals, as recognised in the adopted Asset Management Strategy. The cash generated from operations is not sufficient to meet the asset renewal demand (as measured by depreciation) without the supplementation of grant funding.

### 5.6.2 Growing Gap Between Operating Revenue and Operating Expenditure

Not dissimilar to many other NSW rural councils, Council has experienced in recent years a growing gap between operating revenue and operating expenditure. The growth in the cost base of current services provided has exceeded the growth in revenue.

The growth in the cost base is due to several factors including:

- Growth in service demand
- Growth in levels of services (improvements to the range and quality of the services provided)



- New and upgraded assets (related to growth in levels of service) increasing operational costs and depreciation expense.
- Increased regulatory responsibilities imposed upon Council.
- Cost shifting – as outlined in the biannual LGNSW report - “The Impact of Cost Shifting on NSW local government: A Survey of Councils”.

Rate-pegging has limited the ability of the Council to increase its rating revenue to support increasing operating expenditure arising from escalating costs, increased depreciation, and cost-shifting.

Local Government NSW has recently published a report – Cost Shifting 2023: How State Costs Eat Council Rates – in which the report calculates the total amount of cost shifting to councils represents an average of around \$460 per ratepayer per years. For MidCoast Council that would suggest approximately \$23 million has been shifted from State and Federal governments onto MidCoast Council.

Limited asset management maturity across the organisation has also been a contributing factor to a higher use of reactive rather than planned approach to asset maintenance resulting in less-than-optimal asset maintenance costs. Generally, a heavy reliance upon reactive approach to asset maintenance can cost a Council up to 3.5 times the cost of planned maintenance, and up to 5 times for breakdown maintenance – and often the cost-of-service disruption (downtime) is not reflected in the estimates of maintenance costs.

While improvements to the efficiency and productivity of service delivery will assist in closing the gap between revenue and costs, there is a need for Council to significantly increase the cash generated from operations. Given the quantum of the correction required – as outlined further in this report - this will need to be predominantly through increases in the general rate revenue to improve the operation performance of the General Fund.

### 5.6.3 Lower Rating Revenue Comparable to Neighbouring Councils

Council has a lower average rate for residential, business and farmland rating categories comparable to most of its neighbouring Councils. This analysis is provided in the Benchmarking Report and a copy of this is attached on Appendix B.

### 5.6.4 Integrated Planning and Delivery

Based on the historical performance of the Council, and observations made by AEC of the planning documents and budget working papers, it appears that there is a lack of integration in the allocation of resources and the intended implementation of the Delivery Program and the Operational Plan. Inadequate budgeting for the delivery of infrastructure services and the maintenance of a long-term capital works program was observed by AEC. The absence of a well vetted and funded long term (10 year) capital works program was a major constraint in the completion of the review undertaken by AEC.

AEC reviewed the process for the development of the Resourcing Strategy documents and the 2023/24 Annual Budget to inform a view on the completeness and effectiveness of the resource plans (Long-Term Financial Plan, Workforce Plan and Infrastructure Plan and Other Plans) to control and effect sustainable financial management. The following observations were made of the development of resourcing plans:

- That most of the asset management plans lack mature approach to predicting asset renewals, with a high reliance upon age-based prediction rather than using recent condition data. Asset componentisation, hierarchy and criticality is not used effectively to inform renewal planning and the approach to maintenance of the assets is immature. Asset maintenance is mostly reactive. The renewal of road assets (Council’s largest asset class) is not informed by a pavement management system that outlines the optimal approach to managing the renewal and replacement of the region’s transport assets.
- The Contributions Plan is outdated, and the schedule of projects does not reflect current requirements. The costing of the projects is also not current.
- There seems to be no alignment between what is presented and projected in the Workforce Strategy and the financial implication presented in the LTFP. The documents seem to be made in isolation and no points of comparability.

#### 5.6.5 Increase in the Cost of Asset Ownership

Through the acquisition of new and upgraded assets the Council has increased the annual cost of ownership, including operating costs, maintenance, and depreciation expense. The increase in the cost of asset ownership is expected to continue through the delivery of the 2023/24 Operational Plan and future planned capital works program.

## 6. SCENARIO PLANNING

---

### 6.1 METHODOLOGY AND APPROACH

To enable assessment of long-term sustainability, AEC has developed scenarios to illustrate the long-term considerations of Council's financial position. Each scenario includes an assessment of the consolidated financial results, as well the financial results separately for the General Fund, Sewer Fund, Water Fund, Waste Fund and MidCoast Assist.

The scenarios are as follows:

**1) Baseline Scenario (Business as Usual) – continuation of current financing and asset investment practices.**

In this scenario, Council continues to produce both consolidated and General Fund deficits, averaging \$30.2 million and \$34.5 million, respectively. This is not a sustainable scenario. Council is reducing its total cash and investments balance over the forecast period even without sufficiently investing in its infrastructure.

Council is also exposed to further risk by not maintaining a sufficient level of unrestricted cash to counter for unforeseen and unplanned events.

Water Fund makes a surplus for most of the forecast (except 2030/31) but the surplus is also declining in the latter years.

Sewer Fund has a similar trend to Water with healthy surpluses in early forecast years and then deteriorates due to increased depreciation for new assets to an average of \$1.5 million in deficit from 2030/31 onwards.

Waste Fund produces surpluses through the forecast but with a declining trend.

The deterioration in the Water, Sewer and Waste Fund indicate that Council will need to undertake a review of the Fund's pricing path leading into the next 10-years.

MidCoast Assist Fund has 10 years of deficits averaging \$0.5 million annually, ranging from \$181,000 to \$683,000.

Council is well below the infrastructure assets renewal ratio benchmark set by OLG, which is 100%. The Baseline renewal ratio is 67%.

**2) Financially Sustainable Scenario – Achieving a General Fund Surplus is the dominant objective.**

This scenario proposes a range of actions that Council may wish to consider achieving the sustainable approach to assets, whilst also increasing the cash generated from operations significantly to meet the funding demand for increased renewals.

Council achieves a small surplus within its General Fund within the first four years of the forecast period as resolved by Council and stated in terms of reference for the Financial Sustainability Review. In this scenario there is surplus cash generated across the 10 years as the asset renewal demand is significantly less than the cash generated from operations – also indicated by an asset renewal ratio that is less than 100%. This may indicate that Council is not required to achieve a net operating surplus in the General Fund – although further development in the asset management planning may increase the renewal demand and the surplus cash may be required in further development of Councils Long Term Financial Plan.

**3) Financial Sustainable Scenario – Achieve and Maintaining an Unrestricted Cash Target (min \$10 million) is the dominant objective.**

This scenario proposes a range of actions that Council may wish to consider achieving the sustainable approach to assets, whilst also increasing the cash generated from operations significantly to meet the funding demand for increased renewals.

Through the project, Council's executive team have set a target of minimum \$10 million in unrestricted cash reserve to cover for any unexpected or unplanned events.

## MIDCOAST COUNCIL FINANCIAL SUSTAINABILITY REVIEW 2023

In this scenario, Council will improve the operating position in the General Fund sufficient to generate enough cash to maintain a minimum \$10 million in unrestricted cash through the duration of the financial plan. The General Fund does not achieve a net operating surplus.

Each of these scenarios has been developed through adopting the following methodology and approach:

- Configuration of the AEC LTFP tool to forecast Council's primary statements (income statement, balance sheet and the statement of cash flows) throughout the assessment period.
- Creating an additional fund for Waste, separating waste services from other services within the General Fund.
- Determining Council's current operational costs and revenues by referring to:
  - Previous years audited financial statements - 2017/18 to 2021/22
  - Council most recent audited financial statements for the 2022/23 financial year.
  - The 2023/24 adjusted budget advised by Council reflecting the current financial operating performance of Council services. Due to the major impact of indexation of depreciation costs, this expense was amended to reflect the correct cost based on 2022/23 audit indexation rates.
- Using the 2022/23 financial statements, establish the reserve balances as at 1 July 2023 and project forward the balance of the individual reserves based on services and assets the reserves are intended for.
- Developing assumptions for the indexation and growth of both operating and capital expenditure and revenue.
- Forecasting future non-cash costs, such as depreciation based on a thorough review of Council's non-financial assets under management (infrastructure, roads, buildings, etc), and including forecasting adjustments for future depreciation based on changes in the carrying value of assets under management within each asset class. AEC has assumed that the mix of asset lives / depreciation rates remains broadly consistent within each asset class as the value of assets under management is adjusted.
- AEC has also included forecasts for operating costs related to new and upgraded assets, such as operating and asset maintenance costs.
- AEC has forecast financial costs such as interest on borrowings and revenue from investments based on forecast rates of return and our calculated forecasts of the balance sheet position of Council throughout the forecast period.

## 6.2 GUIDE TO INTERPRETATION OF AEC FINANCIAL REPORTS

### 6.2.1 Reporting Format

AEC has sought to provide financial forecasting reports that are, to the extent possible, consistent with Council audited financial reports, as we anticipate that the audience for this report are familiar with Council's audited financial statements.

### 6.2.2 Breakdown by Fund

Historically, Council has reported a consolidated position as well as three fund types that are included in the consolidated position.

AEC has generally adopted a similar reporting hierarchy but have also separated waste related services into a separate 'Waste Fund'. This is also reflected in a separate reserve to manage the cash restrictions in relation to domestic waste management.

The funds reported (in addition to the consolidated position reflecting the sum of all funds) are therefore summarised as follows:

- Water Fund – Provision of water network services to properties within the serviceable areas and funded through the water access charge, consumption charge and other water fees.

MIDCOAST COUNCIL FINANCIAL SUSTAINABILITY REVIEW 2023

- Sewer Fund - Provision of sewer network services to properties within the serviceable areas and funded through the sewerage access charge and other sewerage fees.
- Waste Fund – all domestic and other waste management services provided by Council. Revenue for the waste fund is principally waste management charges levied by Council.
- MidCoast Assist - aged care and disability services provided by Council. As a registered provider of aged care services through the Department of Health and a registered provider of disability supports through the NDIS. MCA offer support for older people, their carers, and those living with disability across the MidCoast Region.
- General Fund – All other services and infrastructure provided by Council not funded by water, sewerage, or waste revenue. Revenue for the general fund is predominantly general rate revenue and grant funding, as well as revenue earned from fees and charges for services provided.

## 7. BASELINE FORECAST POSITION – BUSINESS AS USUAL

---

### 7.1 ASSUMPTIONS AND QUALIFICATIONS

The following key assumptions have been made in the compilation of the Baseline Scenario (Business as Usual), which represents the forecast position on the assumption that Council continues the implementation of current operations and practices throughout the forecast period:

- AEC has included Council's forecast capital works program (new assets and renewals) as provided by Council and with consultation with relevant asset management staff.
- Our calculation of the forecast position of internal and external reserves includes escalation of operating revenues and costs, together with other cash flows based on continuation of existing practices and capital works funding advised in Council's 10-year capital works program.
- AEC has used escalation to forecast Council's recurrent income and expenditure over the assessment period.
- AEC has also assumed CPI cost indexation based on Australian Government Budget 2023/24 indexation forecasts (where available) and continuation of trend increases thereafter.

### 7.2 CONSOLIDATED OPERATING POSITION

Council has produced a net operating deficit in the last four of the last six years in terms of Net Operating Result before grants and contributions. This deficit position is also to continue and even worsen through the budgeted and forecast period.

AEC's forecast indicates that, under the Baseline Scenario (continuation of current practices) Council is forecast to deliver an average operating deficit of approximately \$30.2 million over the forecast period (excluding capital grants and contributions), with individual annual results ranging from approx. \$16.8 million to \$41.4 million in deficits.

Table 7.1 below outlines the reported consolidated Income Statement for Council showing 2022/23 financial results, 2023/24 adopted budget and ten years forecast from 2024/25 to 2033/34. The consolidated position is determined by the aggregate net operating result of the five Funds.

Table 7.1 Income Statement – Consolidated

INCOME STATEMENT – CONSOLIDATED	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
	ACTUAL	BUDGET	FORWARD PLAN									
<b>Income from continuing operations</b>												
Rates and annual charges	168,844	174,095	180,548	184,688	188,419	192,240	195,741	199,320	202,978	206,717	210,540	214,448
User charges and fees	55,930	58,286	59,510	60,760	62,035	63,338	64,668	66,026	67,413	68,829	70,274	71,750
Other revenue	7,234	3,280	3,373	3,469	3,568	3,670	3,775	3,883	3,995	4,109	4,228	4,349
Grants and contributions provided for operating purposes	46,628	33,157	37,977	39,117	37,923	39,060	38,600	39,758	39,825	41,019	41,695	42,775
Grants and contributions provided for capital purposes	81,433	34,013	30,412	30,386	31,381	32,409	33,473	34,574	35,712	36,889	37,912	39,049
Interest and investment revenue	9,006	9,500	9,750	10,005	10,268	10,537	10,813	11,097	11,388	11,687	11,994	12,309
Other income	9,001	2,590	2,616	2,629	2,655	2,669	2,695	2,709	2,736	2,750	2,777	2,791
Net gains from the disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-
Internal Revenue	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total income from continuing operations</b>	<b>378,076</b>	<b>314,921</b>	<b>324,185</b>	<b>331,054</b>	<b>336,249</b>	<b>343,924</b>	<b>349,766</b>	<b>357,367</b>	<b>364,046</b>	<b>372,001</b>	<b>379,420</b>	<b>387,470</b>
<b>Expenses from continuing operations</b>												
Employee benefits and on-costs	85,196	101,844	106,614	109,847	113,162	116,577	120,094	123,119	126,219	129,397	132,654	135,994
Materials and services	101,565	89,277	94,479	98,233	101,390	104,451	107,593	110,648	113,751	116,776	119,860	123,022
Borrowing costs	9,193	8,306	8,073	7,182	6,416	5,802	5,178	4,545	3,905	3,259	2,642	2,061
Depreciation, amortisation and impairment of non-financial assets	107,413	86,694	89,364	92,342	95,094	97,684	100,333	102,875	105,443	107,911	110,413	112,969
Other expenses	16,300	11,705	12,056	12,417	12,790	13,174	13,569	13,976	14,395	14,827	15,272	15,730
Internal expenditure	-	-	-	-	-	-	-	-	-	-	-	-
Net losses from the disposal of assets	22,373	924	-	-	-	-	-	-	-	-	-	-
<b>Total expenses from continuing operations</b>	<b>342,040</b>	<b>298,749</b>	<b>310,585</b>	<b>320,021</b>	<b>328,852</b>	<b>337,688</b>	<b>346,767</b>	<b>355,164</b>	<b>363,713</b>	<b>372,170</b>	<b>380,841</b>	<b>389,776</b>
<b>Operating result from continuing operations</b>	<b>36,036</b>	<b>16,172</b>	<b>13,600</b>	<b>11,032</b>	<b>7,397</b>	<b>6,236</b>	<b>2,999</b>	<b>2,203</b>	<b>334</b>	<b>(169)</b>	<b>(1,421)</b>	<b>(2,305)</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>(45,397)</b>	<b>(17,841)</b>	<b>(16,812)</b>	<b>(19,354)</b>	<b>(23,983)</b>	<b>(26,173)</b>	<b>(30,474)</b>	<b>(32,371)</b>	<b>(35,378)</b>	<b>(37,058)</b>	<b>(39,333)</b>	<b>(41,354)</b>

Source – AEC (unpublished)



Table 7.2 Income Statement – General

INCOME STATEMENT – GENERAL	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
	<b>ACTUAL</b>	<b>BUDGET</b>	<b>FORWARD PLAN</b>									
<b>Income from continuing operations</b>												
Rates and annual charges	113,412	91,993	96,745	99,127	101,607	104,149	106,735	109,386	112,102	114,887	117,742	120,668
User charges and fees	23,818	9,421	9,619	9,821	10,027	10,238	10,453	10,672	10,896	11,125	11,359	11,597
Other revenue	6,324	2,045	2,101	2,159	2,219	2,280	2,343	2,409	2,476	2,545	2,616	2,690
Grants and contributions provided for operating purposes	46,628	32,021	36,807	37,911	36,681	37,782	37,283	38,401	38,427	39,580	40,213	41,248
Grants and contributions provided for capital purposes	71,169	24,763	21,399	21,103	21,819	22,561	23,330	24,126	24,950	25,805	26,495	27,289
Interest and investment revenue	6,568	5,490	5,634	5,781	5,933	6,089	6,248	6,412	6,581	6,753	6,931	7,113
Other income	9,001	2,362	2,386	2,398	2,422	2,434	2,458	2,470	2,495	2,508	2,533	2,545
Net gains from the disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-
Internal Revenue	-	36,565	26,844	27,649	28,340	29,049	29,775	30,519	31,282	32,064	32,866	33,687
<b>Total income from continuing operations</b>	<b>276,920</b>	<b>204,660</b>	<b>201,535</b>	<b>205,950</b>	<b>209,048</b>	<b>214,581</b>	<b>218,625</b>	<b>224,395</b>	<b>229,210</b>	<b>235,268</b>	<b>240,754</b>	<b>246,838</b>
<b>Expenses from continuing operations</b>												
Employee benefits and on-costs	68,247	73,995	77,325	79,645	82,034	84,495	87,030	89,206	91,436	93,722	96,065	98,466
Materials and services	70,037	49,662	52,205	53,831	55,236	56,678	58,155	59,670	61,224	62,816	64,447	66,120
Borrowing costs	2,019	1,491	1,976	1,757	1,544	1,333	1,118	922	739	549	383	186
Depreciation, amortisation and impairment of non-financial assets	80,621	61,133	62,551	64,000	65,480	66,991	68,535	70,112	71,722	73,367	75,045	76,759
Other expenses	15,685	3,106	3,200	3,296	3,395	3,496	3,601	3,709	3,821	3,935	4,053	4,175
Internal expenditure	-	10,361	10,819	11,119	11,381	11,650	11,926	12,208	12,497	12,793	13,096	13,407
Net losses from the disposal of assets	17,121	-	-	-	-	-	-	-	-	-	-	-
<b>Total expenses from continuing operations</b>	<b>253,730</b>	<b>199,748</b>	<b>208,075</b>	<b>213,647</b>	<b>219,071</b>	<b>224,643</b>	<b>230,366</b>	<b>235,827</b>	<b>241,438</b>	<b>247,182</b>	<b>253,090</b>	<b>259,114</b>
<b>Operating result from continuing operations</b>	<b>23,190</b>	<b>4,912</b>	<b>(6,541)</b>	<b>(7,697)</b>	<b>(10,023)</b>	<b>(10,062)</b>	<b>(11,741)</b>	<b>(11,432)</b>	<b>(12,228)</b>	<b>(11,914)</b>	<b>(12,336)</b>	<b>(12,276)</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>(47,979)</b>	<b>(19,851)</b>	<b>(27,940)</b>	<b>(28,800)</b>	<b>(31,842)</b>	<b>(32,623)</b>	<b>(35,070)</b>	<b>(35,558)</b>	<b>(37,178)</b>	<b>(37,720)</b>	<b>(38,831)</b>	<b>(39,566)</b>

Source – AEC (unpublished)

**Table 7.3 Expenses Percentage (%) Forecast Trend – Consolidated**

Expenses from continuing operations	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
Employee benefits and on-costs	4.7	3	3	3	3	2.5	2.5	2.5	2.5	2.5
Materials and services	5.8	4	3.2	3	3	2.8	2.8	2.7	2.6	2.6
Borrowing costs	-2.8	-11	-10.7	-9.6	-10.7	-12.2	-14.1	-16.5	-18.9	-22
Depreciation, amortisation, and impairment of non-financial assets	3.1	3.3	3	2.7	2.7	2.5	2.5	2.3	2.3	2.3
Other expenses	3	3	3	3	3	3	3	3	3	3
Net losses from the disposal of assets										
<b>Total expenses from continuing operations</b>	<b>4</b>	<b>3</b>	<b>2.8</b>	<b>2.7</b>	<b>2.7</b>	<b>2.4</b>	<b>2.4</b>	<b>2.3</b>	<b>2.3</b>	<b>2.3</b>

Source – AEC (unpublished)

**Table 7.4 Income Percentage (%) Forecast Trend – Consolidated**

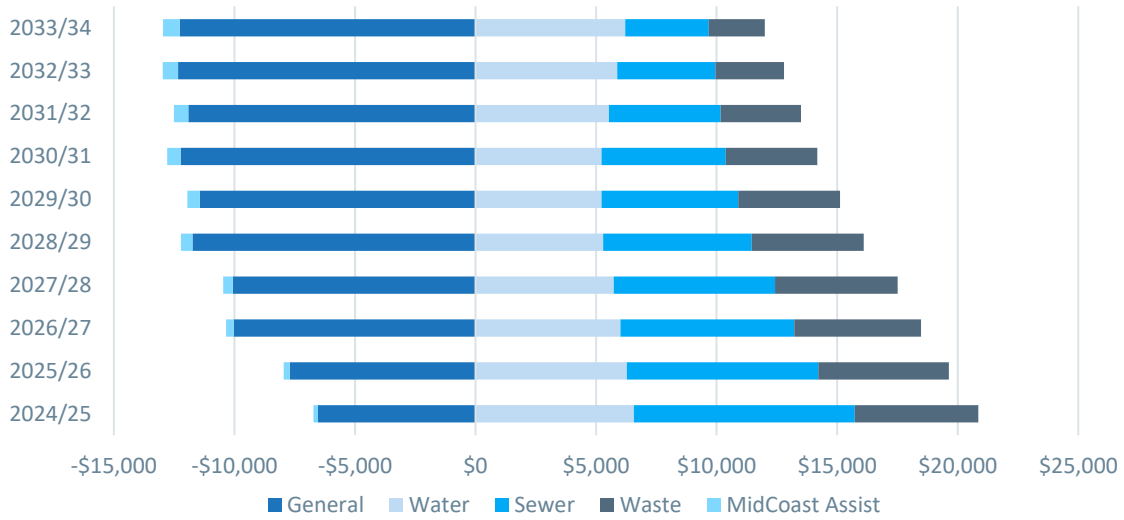
Income from continuing operations	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
Rates and annual charges	3.7	2.3	2	2	1.8	1.8	1.8	1.8	1.8	1.9
User charges and fees	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1
Other revenue	2.8	2.8	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9
Grants and contributions provided for operating purposes	14.5	3	-3.1	3	-1.2	3	0.2	3	1.6	2.6
Grants and contributions provided for capital purposes	-10.6	-0.1	3.3	3.3	3.3	3.3	3.3	3.3	2.8	3
Interest and investment revenue	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6
Other income	1	0.5	1	0.5	1	0.5	1	0.5	1	0.5
Net gains from the disposal of assets										
<b>Total income from continuing operations</b>	<b>2.9</b>	<b>2.1</b>	<b>1.6</b>	<b>2.3</b>	<b>1.7</b>	<b>2.2</b>	<b>1.9</b>	<b>2.2</b>	<b>2</b>	<b>2.1</b>

Source – AEC (unpublished)

### 7.2.1 Overview Results by Fund

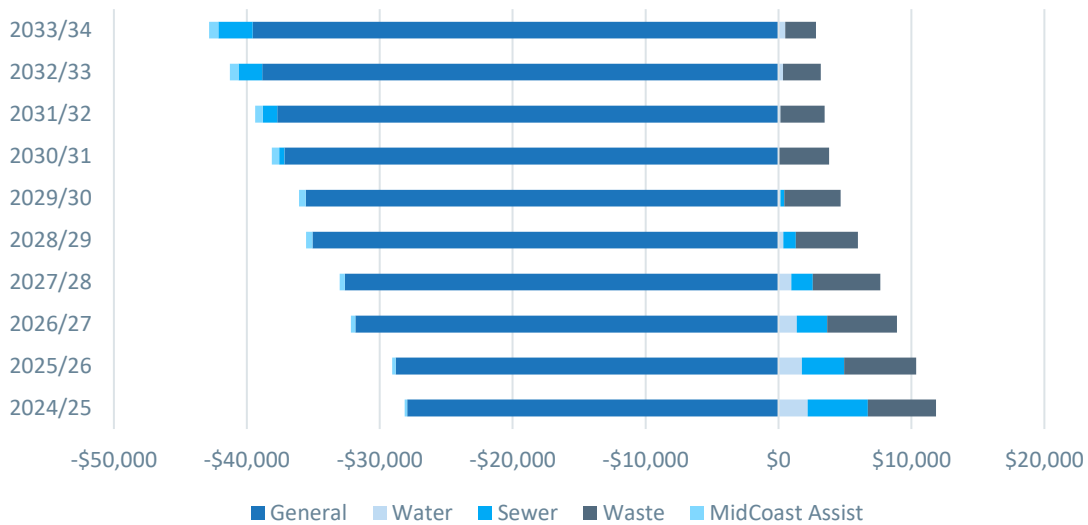
The following figures indicate the forecast contribution by Fund to the consolidated Forecast Operating Result in the Base Case Scenario.

**Figure 7.1 Operating Result from Continuing Operations by Fund (includes capital grants)**



Source – AEC (unpublished)

**Figure 7.2 Operating Result before Capital Grants & Contributions by Fund**



Source – AEC (unpublished)

### 7.2.2 Operating Performance by Service

Table 7.6 Service Catalogue – Net Operating Result by Service provides a listing of Council services within the four directorates including the General Manager’s office. Operating performance by service indicates the net operating result for each service and may be interpreted broadly as the cost to Council of providing each service.

The following Table outlines Council’s 32 services in order from highest to lowest in operating expenditure (excluding depreciation) in the 2023/24 Budget. Should Council seek to achieve efficiencies across the services in the General Fund, the services outlined in the Table below present the most material opportunity to reduce operating costs and improve the cash generated from operations to fund assets.

**Table 7.5 Top 10 Council services ranked by 2023/24 forecast operating expenditure.**

Council Service	Operating Expenditure (excluding depreciation) 2023/24 Budget - \$M	Portion of Total Expenses (%)
Water Services	53.9	16.5
Sewer Services	40.6	12.5
Transport Network	34.4	10.5
Waste Services	32.8	10.1
Information & Communication Technology	15.9	4.9
Community Assets	11.6	3.6
Procurement, Fleet & Stores	9.5	2.9
Open Spaces & Recreation	7.7	2.4
Natural Systems	6.5	2.0
Disability Services	6.1	1.9

Source: AEC (unpublished)

Table 7.6 Service Catalogue – Net Operating Result by Service (based on 2023/24 Forecast)

SERVICE	Total income from continuing operations	Total expenses from continuing operations	Net Operating Result Surplus/(Deficit)	Net Operating Result (less capital revenue)
<b>General Manager</b>				
General Manager & Executive Team	-	3,221,938	(3,221,938)	(3,221,938)
Mayor & Councillors	-	622,850	(622,850)	(622,850)
<b>Corporate Services</b>				
Procurement, Fleet & Stores	12,164,847	9,482,103	2,682,744	2,682,744
Finance	136,559,019	58,486,435	78,072,584	71,647,517
Corporate Performance & Development	-	1,162,670	(1,162,670)	(1,162,670)
Governance	160,700	5,818,091	(5,657,391)	(5,657,391)
Human Resources	630,000	3,631,700	(3,001,700)	(3,001,700)
Information & Communication Technology	2,001,250	15,911,741	(13,910,491)	(13,910,491)
Legal & Property	2,589,970	3,514,616	(924,646)	(924,646)
<b>Liveable Communities</b>				
Community Assets	1,739,285	11,583,731	(9,844,446)	(9,844,446)
Aged Care Support	3,215,017	2,837,120	377,897	377,897
Community Development	210,116	854,819	(644,703)	(644,703)
Disability Services	5,737,513	6,095,558	(358,045)	(358,045)
Open Spaces & Recreation	921,882	7,728,214	(6,806,332)	(6,806,332)
Engagement, Communication & Education	522,995	2,686,609	(2,163,614)	(2,163,614)
Resilience & Recovery Services	62,210	62,566	(356)	(356)
Business	110,335	2,833,034	(2,722,699)	(2,722,699)
Customer Services	164,050	3,718,365	(3,554,315)	(3,554,315)
Libraries	365,513	3,607,378	(3,241,865)	(3,241,865)
Arts & Culture	386,800	1,417,162	(1,030,362)	(1,030,362)
Land Use Planning	492,500	1,848,702	(1,356,202)	(1,356,202)
Building	492,000	1,983,473	(1,491,473)	(1,491,473)
Development Assessment	1,432,000	1,179,282	252,718	252,718
Health	1,291,600	1,961,940	(670,340)	(670,340)
Regulatory Services	690,000	1,848,015	(1,158,015)	(1,158,015)
Natural Systems	793,733	6,531,121	(5,737,388)	(5,737,388)
Waste Services	37,943,275	32,782,177	5,161,098	5,161,098
<b>Infrastructure &amp; Engineering Services</b>				
Sewer Services	50,673,085	40,649,920	10,023,165	5,388,165
Water Services	51,019,398	53,864,611	(2,845,213)	(7,222,713)
Transport Network	27,396,605	34,404,133	(7,007,528)	(24,552,961)
Stormwater Drainage	-	244,341	(244,341)	(244,341)
Emergency Management	2,598,485	3,600,210	(1,001,725)	(2,031,725)
<b>Council Total</b>	<b>342,364,182</b>	<b>326,174,623</b>	<b>16,189,559</b>	<b>(17,823,441)</b>

Source: Council Budget 2023/24



### 7.3 AVAILABILITY OF CASH

#### 7.3.1 Cashflow

The Cashflow forecast for the Baseline Scenario currently indicates a decline in total cash and investments from \$330.6 million based on 2022/23 actuals to \$275.1 million by the end of 2033/34. AEC has used the assumptions for the funding sources for the capital works as provided by Council. Council is not generating sufficient cash from operations in a consolidated position but the General Fund there is cash accumulation due to insufficient investment in assets.

**Table 7.7 Statement of Cash Flows – Consolidated (Baseline Scenario)**

STATEMENT OF CASH FLOWS – CONSOLIDATED	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
	<b>ACTUAL</b>	<b>BUDGET</b>	<b>FORWARD PLAN</b>									
<b>Cash Flows from operating activities</b>												
<i>Receipts:</i>												
Rates and annual charges	165,693	174,095	180,548	184,688	188,419	192,240	195,741	199,320	202,978	206,717	210,540	214,448
User charges and fees	56,569	58,286	59,510	60,760	62,035	63,338	64,668	66,026	67,413	68,829	70,274	71,750
Investment and interest revenue received	6,940	9,500	9,750	10,005	10,268	10,537	10,813	11,097	11,388	11,687	11,994	12,309
Grants and contributions	124,017	67,170	68,389	69,503	69,304	71,470	72,073	74,331	75,536	77,909	79,607	81,824
Bonds, deposits and retention amounts received	150	-	-	-	-	-	-	-	-	-	-	-
Other operating	30,478	5,870	5,989	6,098	6,224	6,339	6,470	6,592	6,731	6,859	7,005	7,140
<i>Payments:</i>												
Employee benefits and on-costs	(84,678)	(94,046)	(106,240)	(109,393)	(112,655)	(116,014)	(119,474)	(122,439)	(125,478)	(128,593)	(131,785)	(135,056)
Materials and services	(104,922)	(85,935)	(94,318)	(98,039)	(101,172)	(104,210)	(107,327)	(110,357)	(113,433)	(116,431)	(119,487)	(122,620)
Borrowing costs	(8,943)	(8,306)	(8,073)	(7,182)	(6,416)	(5,802)	(5,178)	(4,545)	(3,905)	(3,259)	(2,642)	(2,061)
Bonds, deposits and retention amounts refunded	-	-	-	-	-	-	-	-	-	-	-	-
Other operating	(5,126)	(11,705)	(12,056)	(12,417)	(12,790)	(13,174)	(13,569)	(13,976)	(14,395)	(14,827)	(15,272)	(15,730)
<b>Net cash provided (or used in) operating activities</b>	<b>180,178</b>	<b>114,929</b>	<b>103,498</b>	<b>104,022</b>	<b>103,216</b>	<b>104,724</b>	<b>104,218</b>	<b>106,049</b>	<b>106,834</b>	<b>108,891</b>	<b>110,234</b>	<b>112,003</b>
<b>Cash Flows from investing activities</b>												
<i>Receipts:</i>												
Sale of investments	99,740	-	-	-	-	-	-	-	-	-	-	-
Sale of infrastructure, property, plant and equipment	1,033	1,500	1,030	1,061	1,093	1,126	1,159	1,194	1,230	1,267	1,305	1,344
Deferred Debtors Receipts	-	-	-	-	-	-	-	-	-	-	-	-
Other investing	1,300	-	-	-	-	-	-	-	-	-	-	-

## MIDCOAST COUNCIL FINANCIAL SUSTAINABILITY REVIEW 2023

STATEMENT OF CASH FLOWS – CONSOLIDATED	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
	ACTUAL	BUDGET	FORWARD PLAN									
<b>Payments:</b>												
Purchase of investment securities	(120,000)	-	-	-	-	-	-	-	-	-	-	-
Purchase of infrastructure, property, plant and equipment	(160,510)	(116,584)	(120,947)	(114,458)	(97,790)	(90,101)	(93,665)	(92,358)	(101,138)	(96,453)	(94,184)	(97,010)
Purchase of intangible assets	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of real estate assets	-	-	-	-	-	-	-	-	-	-	-	-
Deferred debtors and advances made	-	-	-	-	-	-	-	-	-	-	-	-
Other investing	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net cash provided (or used in) investing activities</b>	<b>(178,437)</b>	<b>(115,084)</b>	<b>(119,917)</b>	<b>(113,397)</b>	<b>(96,697)</b>	<b>(88,976)</b>	<b>(92,506)</b>	<b>(91,164)</b>	<b>(99,908)</b>	<b>(95,187)</b>	<b>(92,879)</b>	<b>(95,666)</b>
<b>Cash Flows from financing activities</b>												
<b>Receipts:</b>												
New Residential Accommodation Bonds	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds from borrowings	7,100	11,000	-	-	-	-	-	-	-	-	-	-
Other financing	-	-	-	-	-	-	-	-	-	-	-	-
<b>Payments:</b>												
Repayment of borrowings and advances	(19,233)	(17,293)	(17,728)	(16,795)	(13,732)	(12,248)	(12,547)	(11,599)	(12,215)	(11,773)	(9,188)	(8,594)
Principal component of lease payments	(772)	-	-	-	-	-	-	-	-	-	-	-
Other financing	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net cash provided (or used in) financing activities</b>	<b>(12,905)</b>	<b>(6,293)</b>	<b>(17,728)</b>	<b>(16,795)</b>	<b>(13,732)</b>	<b>(12,248)</b>	<b>(12,547)</b>	<b>(11,599)</b>	<b>(12,215)</b>	<b>(11,773)</b>	<b>(9,188)</b>	<b>(8,594)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(11,164)</b>	<b>(6,448)</b>	<b>(34,147)</b>	<b>(26,170)</b>	<b>(7,213)</b>	<b>3,501</b>	<b>(835)</b>	<b>3,286</b>	<b>(5,289)</b>	<b>1,931</b>	<b>8,166</b>	<b>7,743</b>
Cash and cash equivalents - beginning of year	61,855	50,691	44,243	10,096	(16,075)	(23,288)	(19,788)	(20,623)	(17,336)	(22,625)	(20,695)	(12,528)
<b>Cash and cash equivalents - end of the year</b>	<b>50,691</b>	<b>44,243</b>	<b>10,096</b>	<b>(16,075)</b>	<b>(23,288)</b>	<b>(19,788)</b>	<b>(20,623)</b>	<b>(17,336)</b>	<b>(22,625)</b>	<b>(20,695)</b>	<b>(12,528)</b>	<b>(4,785)</b>
Investments on hand - end of year	279,927	279,927	279,927	279,927	279,927	279,927	279,927	279,927	279,927	279,927	279,927	279,927
<b>Total cash, cash equivalents and investments</b>	<b>330,618</b>	<b>324,170</b>	<b>290,023</b>	<b>263,852</b>	<b>256,639</b>	<b>260,139</b>	<b>259,304</b>	<b>262,591</b>	<b>257,302</b>	<b>259,232</b>	<b>267,399</b>	<b>275,142</b>

Source: AEC (unpublished)

**Table 7.8 Statement of Cash Flows – General Fund (Baseline Scenario)**

STATEMENT OF CASH FLOWS – GENERAL	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
	<b>BUDGET</b>	<b>FORWARD PLAN</b>									
<b>Cash Flows from operating activities</b>											
<i>Receipts:</i>											
Rates and annual charges	91,993	96,745	99,127	101,607	104,149	106,735	109,386	112,102	114,887	117,742	120,668
User charges and fees	9,421	9,619	9,821	10,027	10,238	10,453	10,672	10,896	11,125	11,359	11,597
Investment and interest revenue received	5,490	5,634	5,781	5,933	6,089	6,248	6,412	6,581	6,753	6,931	7,113
Grants and contributions	56,784	58,206	59,015	58,501	60,343	60,612	62,527	63,378	65,385	66,708	68,537
Bonds, deposits and retention amounts received	-	-	-	-	-	-	-	-	-	-	-
Other operating	40,972	31,330	32,205	32,980	33,762	34,576	35,398	36,253	37,117	38,015	38,922
<i>Payments:</i>											
Employee benefits and on-costs	(73,995)	(77,325)	(79,645)	(82,034)	(84,495)	(87,030)	(89,206)	(91,436)	(93,722)	(96,065)	(98,466)
Materials and services	(49,662)	(52,205)	(53,831)	(55,236)	(56,678)	(58,155)	(59,670)	(61,224)	(62,816)	(64,447)	(66,120)
Borrowing costs	(1,491)	(1,976)	(1,757)	(1,544)	(1,333)	(1,118)	(922)	(739)	(549)	(383)	(186)
Bonds, deposits and retention amounts refunded	-	-	-	-	-	-	-	-	-	-	-
Other operating	(13,467)	(14,019)	(14,415)	(14,776)	(15,147)	(15,527)	(15,917)	(16,318)	(16,728)	(17,150)	(17,582)
<b>Net cash provided (or used in) operating activities</b>	<b>66,045</b>	<b>56,011</b>	<b>56,303</b>	<b>55,457</b>	<b>56,929</b>	<b>56,794</b>	<b>58,679</b>	<b>59,494</b>	<b>61,453</b>	<b>62,709</b>	<b>64,483</b>
<b>Cash Flows from investing activities</b>											
<i>Receipts:</i>											
Sale of investments	-	-	-	-	-	-	-	-	-	-	-
Sale of infrastructure, property, plant and equipment	1,500	1,030	1,061	1,093	1,126	1,159	1,194	1,230	1,267	1,305	1,344
Deferred Debtors Receipts	-	-	-	-	-	-	-	-	-	-	-
Other investing	-	-	-	-	-	-	-	-	-	-	-
<i>Payments:</i>											
Purchase of investment securities	-	-	-	-	-	-	-	-	-	-	-
Purchase of infrastructure, property, plant and equipment	(68,749)	(61,831)	(43,364)	(43,626)	(45,254)	(46,960)	(48,729)	(50,570)	(52,554)	(54,892)	(56,538)
Purchase of intangible assets	-	-	-	-	-	-	-	-	-	-	-
Purchase of real estate assets	-	-	-	-	-	-	-	-	-	-	-
Deferred debtors and advances made	-	-	-	-	-	-	-	-	-	-	-
Other investing	-	-	-	-	-	-	-	-	-	-	-
<b>Net cash provided (or used in) investing activities</b>	<b>(67,249)</b>	<b>(60,801)</b>	<b>(42,303)</b>	<b>(42,533)</b>	<b>(44,128)</b>	<b>(45,800)</b>	<b>(47,535)</b>	<b>(49,340)</b>	<b>(51,287)</b>	<b>(53,587)</b>	<b>(55,194)</b>



## MIDCOAST COUNCIL FINANCIAL SUSTAINABILITY REVIEW 2023

STATEMENT OF CASH FLOWS – GENERAL	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
	BUDGET	FORWARD PLAN									
<b>Cash Flows from financing activities</b>											
<i>Receipts:</i>											
New Residential Accommodation Bonds	-	-	-	-	-	-	-	-	-	-	-
Proceeds from borrowings	11,000	-	-	-	-	-	-	-	-	-	-
Other financing	-	-	-	-	-	-	-	-	-	-	-
<i>Payments:</i>											
Repayment of borrowings and advances	(4,918)	(5,577)	(5,446)	(5,319)	(5,166)	(5,068)	(3,976)	(4,240)	(4,001)	(2,869)	(2,236)
Principal component of lease payments	-	-	-	-	-	-	-	-	-	-	-
Other financing	-	-	-	-	-	-	-	-	-	-	-
<b>Net cash provided (or used in) financing activities</b>	<b>6,082</b>	<b>(5,577)</b>	<b>(5,446)</b>	<b>(5,319)</b>	<b>(5,166)</b>	<b>(5,068)</b>	<b>(3,976)</b>	<b>(4,240)</b>	<b>(4,001)</b>	<b>(2,869)</b>	<b>(2,236)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>4,877</b>	<b>(10,368)</b>	<b>8,554</b>	<b>7,605</b>	<b>7,635</b>	<b>5,925</b>	<b>7,168</b>	<b>5,915</b>	<b>6,165</b>	<b>6,254</b>	<b>7,053</b>
Cash and cash equivalents - beginning of year	16,319	21,196	10,828	19,382	26,987	34,622	40,547	47,715	53,630	59,795	66,048
<b>Cash and cash equivalents - end of the year</b>	<b>21,196</b>	<b>10,828</b>	<b>19,382</b>	<b>26,987</b>	<b>34,622</b>	<b>40,547</b>	<b>47,715</b>	<b>53,630</b>	<b>59,795</b>	<b>66,048</b>	<b>73,101</b>
Investments on hand - end of year	183,177	183,177	183,177	183,177	183,177	183,177	183,177	183,177	183,177	183,177	183,177
<b>Total cash, cash equivalents and investments</b>	<b>204,373</b>	<b>194,005</b>	<b>202,559</b>	<b>210,164</b>	<b>217,799</b>	<b>223,724</b>	<b>230,892</b>	<b>236,807</b>	<b>242,972</b>	<b>249,225</b>	<b>256,278</b>

Source: AEC (unpublished)

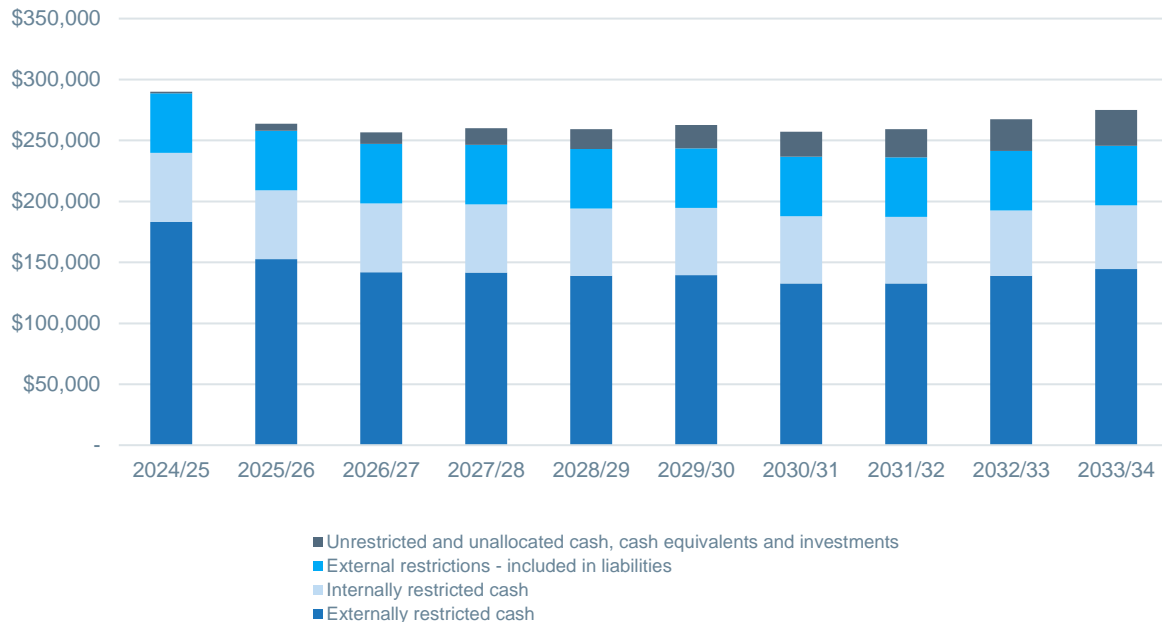
### 7.3.2 Cash Reserves and Unrestricted Cash Available

Council currently manages reports 39 separate internal and external cash reserves including externally restricted and internally restricted cash reserves (see Table 7.10). As noted above, the balance of cash in the externally and internally restricted cash reserves in the Baseline Scenario are projected to decrease slightly, but there are years where the unrestricted cash balance is very low and surely not sufficient to apply to any major unforeseen events. This is not sustainable, and this is also on the fact that Council is not sufficiently investing in its infrastructure assets which bear potential risk, financial and/or reputational.

The cash accumulating in the waste fund is due to Council not separating domestic waste from rest of Council's waste management services like commercial waste. most likely due to insufficient forward capital works planning. The negative balances in the Sewer and Water reserves are due to unrealistically funded capital projects. There is significant amount of developer contributions being accrued yet nothing within the 10-year Capital Works Program is funded out of this funding source.

Council will need to ensure that these funding source matters are sorted prior to presenting the next LTFP for Council approval.

**Figure 7.3 Restricted and Unrestricted Cash – (Baseline Scenario) – \$,000s**



Source: AEC (unpublished)

Table 7.9 Reserves Summary – Consolidated (Baseline Scenario)

RESERVES – CONSOLIDATED	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
		ACTUAL				BUDGET			FORWARD PLAN			
<b>Externally Restricted – Liabilities</b>												
Specific purpose unexpended loans – general	2,630	2,630	2,630	2,630	2,630	2,630	2,630	2,630	2,630	2,630	2,630	2,630
Subdivision bonds	4,813	4,813	4,813	4,813	4,813	4,813	4,813	4,813	4,813	4,813	4,813	4,813
Sundry bonds and deposits	4,854	4,854	4,854	4,854	4,854	4,854	4,854	4,854	4,854	4,854	4,854	4,854
Other sale of land, planning guarantee and relocation, tender and sundry deposits	34	34	34	34	34	34	34	34	34	34	34	34
Specific purpose unexpended grants - general fund	36,504	36,504	36,504	36,504	36,504	36,504	36,504	36,504	36,504	36,504	36,504	36,504
	-	-	-	-	-	-	-	-	-	-	-	-
<b>External restrictions included in liabilities</b>	<b>48,835</b>	<b>48,835</b>	<b>48,835</b>	<b>48,835</b>	<b>48,835</b>	<b>48,835</b>	<b>48,835</b>	<b>48,835</b>	<b>48,835</b>	<b>48,835</b>	<b>48,835</b>	<b>48,835</b>
<b>Externally Restricted – Other</b>												
Developer contributions – general	29,686	32,268	34,926	37,665	40,486	43,392	46,384	49,467	52,642	55,912	59,280	62,749
Developer contributions – water fund	5,986	8,986	12,076	15,259	18,537	21,913	25,391	28,973	32,663	36,463	40,378	44,409
Developer contributions – sewer fund	19,327	22,327	25,417	28,600	31,878	35,254	38,732	42,314	46,004	49,804	53,719	57,750
Specific purpose unexpended grants (recognised as revenue) – general fund	1,409	1,409	1,409	1,409	1,409	1,409	1,409	1,409	1,409	1,409	1,409	1,409
Water fund	27,061	10,050	10,802	(1,041)	(12,047)	(23,396)	(34,753)	(40,685)	(45,265)	(42,307)	(44,525)	(46,620)
Water supplies –Employee Entitlements	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage services –Employee Entitlements	-	-	-	-	-	-	-	-	-	-	-	-
Domestic waste management	41,888	45,306	48,614	52,216	55,666	58,955	61,854	64,357	66,447	68,108	69,321	70,068
Stormwater management	940	940	940	940	940	940	940	940	940	940	940	940
Sewer fund	78,748	76,645	44,175	12,761	268	(1,518)	(5,608)	(11,972)	(26,802)	(42,194)	(46,035)	(50,881)
Stratford-Duralie Coal Contributions	1,490	1,470	1,449	1,428	1,406	1,384	1,361	1,337	1,312	1,287	1,261	1,234
Crown Lands Act – Section 106 (Forster Boat Harbour)	363	363	363	363	363	363	363	363	363	363	363	363
Other contributions to works	678	678	678	678	678	678	678	678	678	678	678	678
ARTC Rail Crossing	521	521	521	521	521	521	521	521	521	521	521	521
Cattai Wetlands – Environmental Trust	474	474	474	474	474	474	474	474	474	474	474	474
Nabiac Showground	213	213	213	213	213	213	213	213	213	213	213	213
Other - external restrictions	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108
<b>Externally Restricted – Other</b>	<b>209,892</b>	<b>202,757</b>	<b>183,166</b>	<b>152,594</b>	<b>141,900</b>	<b>141,690</b>	<b>139,067</b>	<b>139,497</b>	<b>132,707</b>	<b>132,778</b>	<b>139,103</b>	<b>144,415</b>

## MIDCOAST COUNCIL FINANCIAL SUSTAINABILITY REVIEW 2023

RESERVES – CONSOLIDATED	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
	ACTUAL				BUDGET			FORWARD PLAN				
<b>Internally Restricted</b>												
Plant and vehicle replacement	7,286	7,501	7,666	7,831	7,907	7,930	7,888	7,786	7,628	7,345	6,492	5,490
Employees leave entitlement	4,282	4,282	4,282	4,282	4,282	4,282	4,282	4,282	4,282	4,282	4,282	4,282
Carry over works	2,099	2,099	2,099	2,099	2,099	2,099	2,099	2,099	2,099	2,099	2,099	2,099
Building Infrastructure Reserves	2,385	2,385	2,385	2,385	2,385	2,385	2,385	2,385	2,385	2,385	2,385	2,385
Environmental Levy Reserve	6,021	6,021	6,021	6,021	6,021	6,021	6,021	6,021	6,021	6,021	6,021	6,021
Commercial Waste	1,823	1,823	1,823	1,823	1,823	1,823	1,823	1,823	1,823	1,823	1,823	1,823
Election	516	516	516	516	516	516	516	516	516	516	516	516
Emergency Management	1,263	1,163	1,058	950	839	725	609	490	367	242	113	(19)
Land & Property Reserves	4,468	4,468	4,468	4,468	4,468	4,468	4,468	4,468	4,468	4,468	4,468	4,468
IT Infrastructure Reserves	3,214	3,214	3,214	3,214	3,214	3,214	3,214	3,214	3,214	3,214	3,214	3,214
Budget Management Reserves	851	851	851	851	851	851	851	851	851	851	851	851
Parks Infrastructure Reserves	511	511	511	511	511	511	511	511	511	511	511	511
Road Infrastructure Reserves	2,226	2,226	2,226	2,226	2,226	2,226	2,226	2,226	2,226	2,226	2,226	2,226
SRV Infrastructure Reserve	13,249	13,249	1,109	985	977	468	(41)	226	413	254	185	70
FAG in advance	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Government Merger Funding Reserve	-	-	-	-	-	-	-	-	-	-	-	-
Other - internal restrictions	3,351	3,351	3,351	3,351	3,351	3,351	3,351	3,351	3,351	3,351	3,351	3,351
<b>Internally Restricted</b>	<b>68,545</b>	<b>68,660</b>	<b>56,580</b>	<b>56,513</b>	<b>56,470</b>	<b>55,870</b>	<b>55,203</b>	<b>55,248</b>	<b>55,155</b>	<b>54,587</b>	<b>53,537</b>	<b>52,289</b>
<b>Total internal and external restrictions</b>	<b>327,272</b>	<b>320,252</b>	<b>288,581</b>	<b>257,942</b>	<b>247,205</b>	<b>246,396</b>	<b>243,105</b>	<b>243,580</b>	<b>236,697</b>	<b>236,201</b>	<b>241,475</b>	<b>245,539</b>
Total cash, cash equivalents and investments	330,618	324,170	290,023	263,852	256,639	260,139	259,304	262,591	257,302	259,232	267,399	275,142
Externally restricted cash	209,892	202,757	183,166	152,594	141,900	141,690	139,067	139,497	132,707	132,778	139,103	144,415
Internally restricted cash	68,545	68,660	56,580	56,513	56,470	55,870	55,203	55,248	55,155	54,587	53,537	52,289
External restrictions - included in liabilities	48,835	48,835	48,835	48,835	48,835	48,835	48,835	48,835	48,835	48,835	48,835	48,835
<b>Unrestricted and unallocated cash, cash equivalents and investments</b>	<b>3,346</b>	<b>3,918</b>	<b>1,441</b>	<b>5,910</b>	<b>9,434</b>	<b>13,744</b>	<b>16,199</b>	<b>19,010</b>	<b>20,604</b>	<b>23,031</b>	<b>25,924</b>	<b>29,603</b>

Source: AEC (unpublished)



## 7.4 INVESTMENT IN ASSETS

### 7.4.1 Capital Works Expenditure

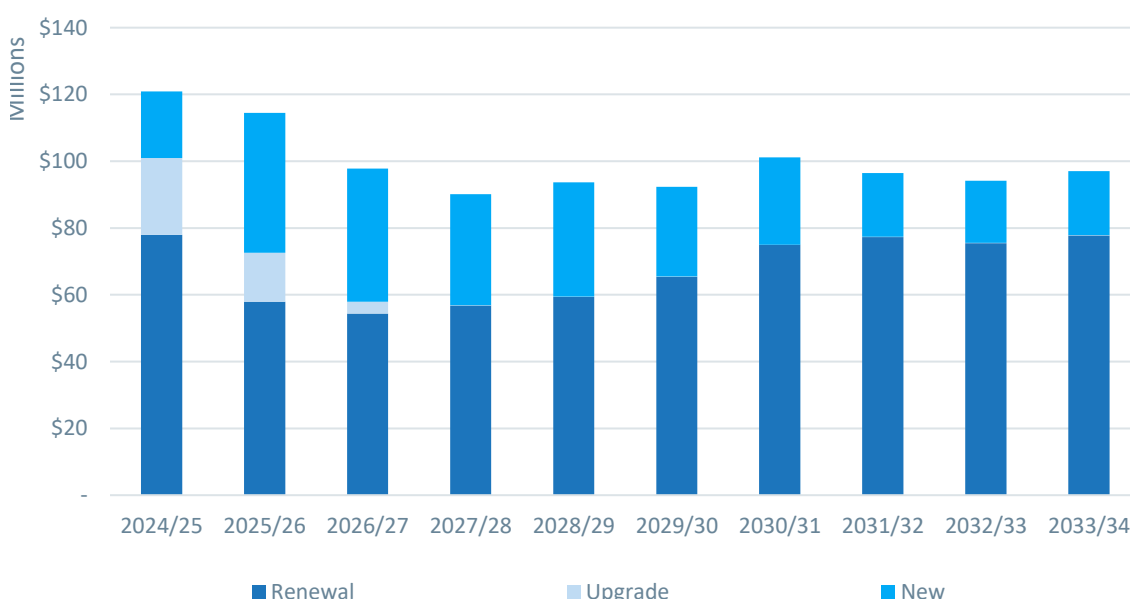
Council has currently prepared a capital works program (new assets, upgrades, and renewals) spanning only the first nine years of the forecast period. We note that the Integrated Planning and Reporting framework requires that Councils maintain a 10 year forward program. AEC have therefore extrapolated to the tenth year as being identical to the ninth year.

The Baseline Scenario includes a total of \$994.5 million over the next ten years on capital expenditure, comprising \$320.7 million of new and upgraded assets and \$677.4 million of asset renewals over the forecast period.

### 7.4.2 All Asset Groups

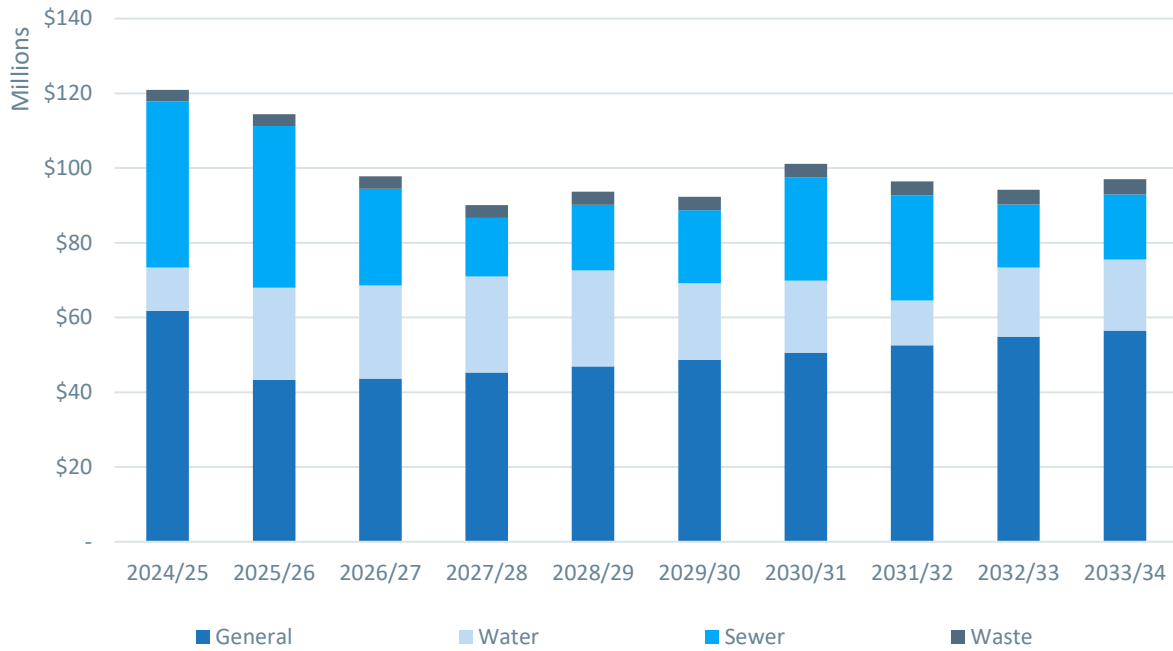
- AEC also analysed Council's asset register for all asset classes to calculate the annualised depreciation, based on the value of currently held assets and their respective asset lives. In order to maintain assets without loss of asset condition, the asset renewal program is required to keep pace with depreciation. The provided asset register was not componentised for a proper analysis of asset consumption and conditions. Our review indicates that depreciation on all assets held (all asset classes) is an average during the forecast period of \$101.4 million.
- By comparison, Council's annual programmed expenditure on asset renewals during the forecast period is at an average of \$67.7 million annually. This reflects a shortfall compared to depreciation expense of \$33.7 million annually.
- Based on AEC's calculation of depreciation expense, Council's current renewals expenditure represents an average renewal ratio over the forecast period of 67%, which is substantially below the Office of Local Government target value of 100%.
- Review of the Capital Works Program is necessary to prevent deterioration of the cash position over the medium term.
- Council requires an updated Contributions Plan, which an updated schedule of works. This is a high risk to the cash position of the General Fund until the Contributions Plan is updated.

**Figure 7.4 Capital Program Spend – Consolidated (Baseline Scenario)**



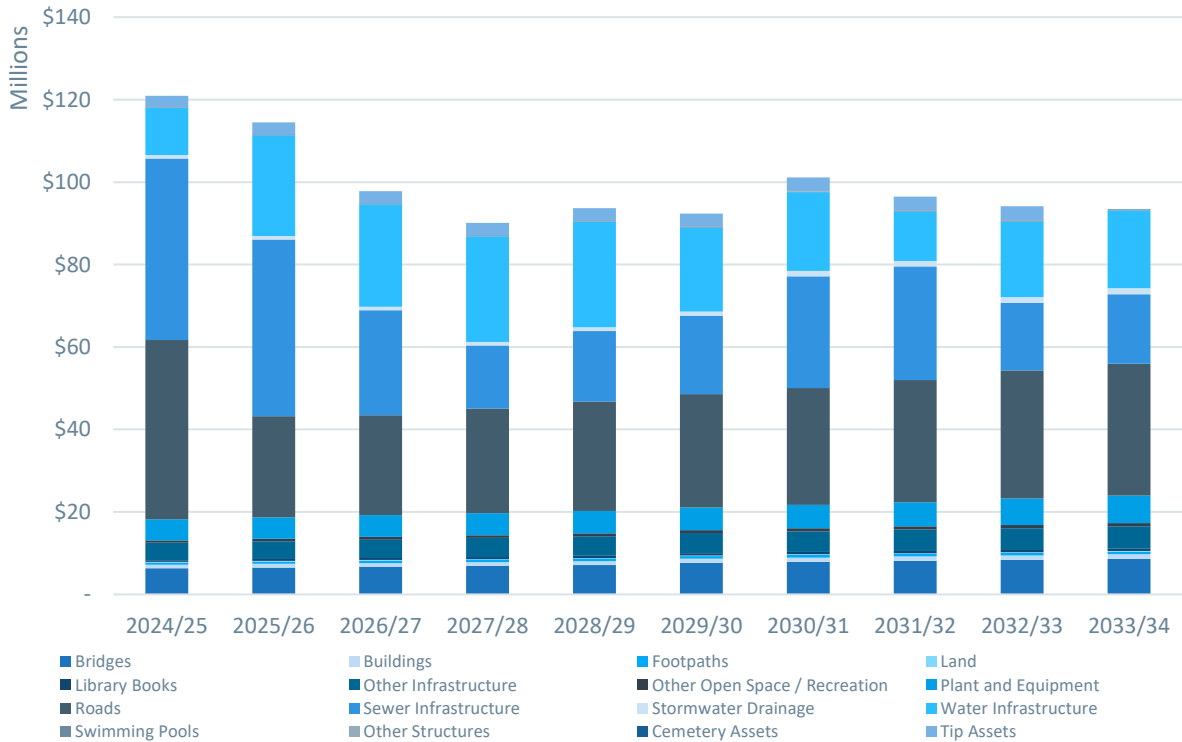
Source – AEC (unpublished)

**Figure 7.5 Capital Works Program by Fund (Baseline Scenario)**



Source – AEC (unpublished)

**Figure 7.6 Capital Program Spend – by Asset Class (Baseline Scenario)**



Source – AEC (unpublished)



**Table 7.10 Capital Program Spend – by Asset Class (Baseline Scenario)**

Planned Capital Works by Asset Class	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
Bridges	21,678,854	6,334,500	6,524,535	6,720,271	6,921,879	7,129,536	7,673,483	7,903,687	8,140,798	8,385,022	8,636,572
Buildings	604,500	849,235	874,712	900,953	927,982	955,821	984,496	1,014,031	1,044,452	1,075,785	1,108,059
Footpaths	482,350	580,866	598,292	616,241	634,728	653,770	673,383	693,585	714,392	629,357	648,238
Land	100,000	103,000	106,090	109,273	112,551	115,927	119,405	122,987	126,677	130,477	134,392
Library Books	485,000	448,050	461,492	475,336	489,596	504,284	519,413	534,995	551,045	567,576	584,604
Other Infrastructure	3,960,000	4,209,610	4,335,898	4,465,975	4,599,955	4,737,953	4,880,092	5,026,494	5,177,289	5,267,369	5,425,390
Other Open Space / Recreation	628,900	606,567	624,764	643,507	662,812	682,697	703,177	724,273	746,001	768,381	791,432
Plant and Equipment	5,369,977	5,124,877	5,160,176	5,285,713	5,376,798	5,480,948	5,579,904	5,678,072	5,845,269	6,458,908	6,652,675
Roads	35,178,968	43,435,707	24,534,527	24,261,301	25,375,307	26,542,278	27,434,722	28,358,807	29,680,037	31,064,705	31,996,647
Sewer Infrastructure	14,825,000	44,040,225	42,868,317	25,463,271	15,242,203	17,061,616	19,066,030	27,078,748	27,511,079	16,365,118	16,856,071
Stormwater Drainage	690,000	807,586	831,813	856,768	882,471	908,945	936,213	1,311,063	1,350,395	1,390,906	1,432,634
Water Infrastructure	29,205,000	11,444,330	24,486,633	24,848,612	25,637,965	25,557,356	20,353,815	19,154,056	11,922,840	18,328,149	18,877,993
Swimming Pools	125,932	129,710	133,601	137,609	141,738	145,990	150,369	154,880	159,527	164,313	169,242
Other Structures	70,000	72,100	74,263	76,491	78,786	81,149	83,584	86,091	88,674	91,334	94,074
Cemetery Assets	5,000	5,150	5,305	5,464	5,628	5,796	5,970	6,149	6,334	6,524	6,720
Tip Assets	3,175,000	2,755,250	2,837,908	2,923,045	3,010,736	3,101,058	3,194,090	3,289,913	3,388,610	3,490,268	
	<b>116,584,481</b>	<b>120,946,763</b>	<b>114,458,326</b>	<b>97,789,830</b>	<b>90,101,134</b>	<b>93,665,125</b>	<b>92,358,148</b>	<b>101,137,831</b>	<b>96,453,418</b>	<b>94,184,194</b>	<b>93,414,743</b>
New	17,968,282	19,992,949	41,887,122	39,819,387	33,225,729	34,222,501	26,890,810	26,098,698	19,027,685	18,613,936	19,172,354
Upgrade	21,115,000	22,983,163	14,641,746	3,567,754	77,379	79,700	82,091	84,554	87,090	89,703	92,394
Renewal	77,501,199	77,970,652	57,929,458	54,402,689	56,798,027	59,362,924	65,385,247	74,954,579	77,338,643	75,480,555	77,744,971
	<b>116,584,481</b>	<b>120,946,763</b>	<b>114,458,326</b>	<b>97,789,830</b>	<b>90,101,134</b>	<b>93,665,125</b>	<b>92,358,148</b>	<b>101,137,831</b>	<b>96,453,418</b>	<b>94,184,194</b>	<b>97,009,720</b>
Depreciation	86,693,867	89,363,697	92,341,552	95,094,306	97,683,890	100,332,761	102,875,164	105,442,718	107,910,693	110,412,566	112,969,181
Renewal Ratio	89%	87%	63%	57%	58%	59%	64%	71%	72%	68%	69%

Source – AEC (unpublished)

## 7.5 SUMMARY OF FINANCIAL SUSTAINABILITY

The preceding assessment of the Baseline Scenario indicates that Council operations are currently not able to generate sufficient cash from operations to fully fund an asset maintenance and renewal program capable of maintaining assets sustainably.

Key issues are summarised as follows:

- Council has produced consolidated operating deficits (excluding capital grants) for four years of the last six years, which is contributed to by significantly operating deficits in the General Fund, offset by operating surplus in the Water Fund, Sewer Fund and Waste Fund. 2022/23 actuals are showing a worsen position.
- The operating deficit in the General Fund has deteriorated in recent years to an AEC estimate of approximately \$19.9 million as at end of 2023/24 after separating Waste and MidCoast Assist (this could be considered as a “structural deficit” due to being recurrent in nature). This structural deficit in the General Fund is forecast to maintain steadily around an average of \$38.1 million deficit over the forecast period.
- The impact of new and upgraded assets – being increase in operating expenditure and increase in the depreciation expense – contributes to the deterioration in structural deficit.
- Council has a healthy cash and internal reserves position, but the operating deficits result in insufficient cash being generated from operations year to year to fund necessary asset renewals, to service borrowings (principal) repayments and for Council to invest in new or upgraded assets.
- Insufficient cash being generated from operations is forecast in the first few years to result in deterioration in the total cash position – in particular the unrestricted cash position. Unrestricted cash is important as a risk mitigation for unplanned events – the importance dependent upon the maintenance of sufficient cash constrained in the internal and external restrictions. Financial year 2026/27 onwards, Council is showing a net increase in cash due to decreased capital expenditure spend.
- Insufficient investment in renewal of assets will result in a general deterioration of assets and continue to increase the backlog in renewals – which increases likelihood of range of risks that deteriorated assets exposes the Council to.

As a result, Council will, over the mid to long term either:

1. Suffer a loss in asset condition (whilst maintaining reasonable cash balances) – this broadly reflects current practices and the Baseline Scenario
2. Need to increase its expenditure on asset renewals to maintain asset condition, but this will result in an unsustainable decline in cash availability required to fund operations.
3. Adopt a path of sustainable asset management and cash management, which will require both an increase in expenditure on asset management and an improvement in operating performance through a combination of:
  - a. Identification of operational efficiencies or productivity improvements.
  - b. Reduction in service provision – either by reducing the range and/or levels of service.
  - c. Sale of surplus assets to pay down debt.
  - d. Increase in revenue from operations through increase in service fees, rates and or charges.



## 8. SUSTAINABLE APPROACH TO INFRASTRUCTURE

---

Given that AEC has concluded that the Baseline Scenario (Business as Usual) is not financially sustainable given a projected overall deterioration of infrastructure and growing backlog in infrastructure renewals, to develop a forward strategy and plan to be sustainable requires consideration of a more sustainable approach the management and investment in assets.

This section considers the current asset management approach and in particular highlights areas where additional investment is necessary to achieve a more sustainable approach to maintaining infrastructure capital.

Below is analysis of the current Asset Management Strategy and the asset management plans, followed by AEC application of activity-based costing for a more sustainable approach to the management and investment in asset renewals (in consultation with asset custodians).

### 8.1 ASSET MANAGEMENT STRATEGY 2023-32

Council has adopted the Asset Management Strategy 2023-32 (the Strategy) that outlines how the Council plans to implement the Asset Management Policy and outlines the overarching plan for management of assets. Importantly for purposes of the Financial Sustainability Review, the Strategy also includes the financial forecasts that are integrated with the current Long Term Financial Plan. The financial forecast is aligned to the Office of Local Government prescribed performance indicators, as outlined in the following sections.

Of note is that the adopted Strategy outlines an unsustainable outcome for the Baseline Scenario – not unless Council is successful each year over the project 10 years in addressing the funding gap through grant funding.

#### 8.1.1 Planned Investment in Asset Renewals – the building and infrastructure renewal ratio

The building and infrastructure renewal ratio measures the investment made in asset renewals as a ratio of the total depreciation expense (a financial measure of the consumption of assets) over the same reporting period. Conceptually, over the long term if the Council invests in asset renewals less than the value that assets are being consumed it should be expected that the asset condition and performance will deteriorate.

Included in the Strategy is the proposed asset renewal investment under the Business as Usual scenario, as outlined in the following table. It is noted in the Strategy that the Council relies heavily on externally sourced grant funding to invest in infrastructure improvements and renewals. Therefore, the Council has higher confidence in the renewal programs two to three years in advance due to more certainty in grant funding. Hence there is a reduction in renewals planned in the below table in the year 2024/25 and again in the year 2026/27 reflecting the asset renewal investment which can be funded from the recurrent base of revenue (excluding non-recurrent grants).

It can therefore be concluded from the adopted Strategy that the Council is heavily reliance upon grant funding, with the outcome being the Council can only fund approximately \$38.0 million in asset renewals from the recurrent revenue base – which is well below the required investment of \$85.0 million as outlined later in this chapter.

The Strategy concluded under the Baseline Scenario that Council will achieve an asset renewal ratio above the desired 100% ratio for the 2022/23 and 2023/24 financial years, however in future years will achieve a deteriorated asset renewal ratio that decreases to approximately 65% in 2024/25 and further decrease to 48% from 2026/27 onwards.

It should be noted that AEC understands the required asset renewals outlined in the Strategy adopted by Council has based on two methods: depreciation expense as an estimate of the renewal required each year and an aged-based estimate using the useful life and the replacement cost of assets. Later in this section of the report AEC has prepared costings for asset renewals based on an activity-based costing approach to assess how much funding is required to adequately invest in each asset renewal program. While each method has strengths and weaknesses, AEC uses activity-based costing to estimate funding required based on actual asset treatments (applying an optimal approach) rather than other methods that rely on the accuracy and appropriateness of asset valuations and calculation of depreciation.

**Table 8.1 Proposed Asset Renewal Expenditure under Baseline Scenario - Extracted from Asset Management Strategy**

Renewal (\$'000s)	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Buildings	3,510	1,000	350	350	350	400	350	350	350	350
Recreation	2,373	1,626	399	316	477	488	289	400	411	441
Transport	58,962	58,533	38,342	37,685	26,130	26,456	26,788	27,086	27,164	27,437
Stormwater Drainage	2,601	2,375	1,988	1,960	1,474	1,488	1,502	1,505	1,790	1,802
Water	7,870	4,578	7,358	7,578	5,150	5,738	5,688	5,688	5,888	6,038
Sewer	11,353	10,488	3,975	3,975	3,975	4,025	3,975	3,975	3,975	5,475
<b>Total Renewal</b>	<b>86,669</b>	<b>78,600</b>	<b>52,412</b>	<b>51,864</b>	<b>37,556</b>	<b>38,595</b>	<b>38,592</b>	<b>39,004</b>	<b>39,578</b>	<b>41,543</b>

Source – MCC Asset Management Strategy 2023-2033

### 8.1.2 Projected Infrastructure Backlog – infrastructure backlog ratio

In the adopted Strategy Council has projected forward the infrastructure backlog to increase from an estimated \$130.0 million in 2023/24 to \$193.0 million in 2031/32 – this is outlined in the table below extracted from the Strategy.

Of note in the projected backlog from the Strategy is the value of the backlog in building assets is expected to deteriorate significantly. This is not consistent with the renewal demand outlined in the Buildings Asset Management Plan where the demand for asset renewals over the same period is minimal and therefore the backlog would not be expected to deteriorate as indicated in the Strategy.

It is also worth noting that the value of backlog for transport assets does not deteriorate significantly across the 10-year projection. This is not consistent with the Roads and Transport Asset Management Plan which indicates the current annual investment in asset renewals under Baseline is significantly less than required.

The projected deterioration in the backlog is likely to occur due to insufficient investment in asset renewals, as indicated by the asset renewal ratio, however there is inconsistency in the measurement of the backlog on the Strategy and the Asset Management Plans.

**Table 8.2 Projected Infrastructure Backlog under Baseline Scenario - Extracted from Asset Management Strategy**

Backlog (\$'000s)	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Buildings	25,655	27,302	29,111	30,966	32,869	34,813	36,815	38,869	40,977	43,138
Recreation	2,761	2,850	3,163	3,500	3,819	4,146	4,519	4,883	5,256	5,635
Transport	60,131	55,777	55,113	54,721	56,509	58,404	60,408	62,531	64,816	67,234
Stormwater Drainage	4,616	4,878	5,225	5,595	6,069	6,559	7,067	7,593	8,091	8,608
Water	19,892	21,580	22,899	24,265	26,139	28,161	30,450	32,844	35,290	37,801
Sewer	18,051	18,227	19,605	21,053	22,558	24,112	25,735	27,431	29,222	30,849
<b>Total Renewal</b>	<b>131,106</b>	<b>130,614</b>	<b>135,116</b>	<b>140,100</b>	<b>147,963</b>	<b>156,195</b>	<b>164,994</b>	<b>174,151</b>	<b>183,652</b>	<b>193,265</b>

Source – MCC Asset Management Strategy 2023-2033

### 8.1.3 Maintenance Expenditure – asset maintenance ratio

The Strategy outlines the total operations and maintenance expenditure required to sustain the asset in a functional state and to ensure the asset reached the predicted useful life.

While current funding on operations and maintenance outlined in the Strategy is adequate to meet the required amount for the 2022/23, the required amount increases in outer years at a greater rate than the funding available. This is due to an anticipated increase in the asset stock that increases the operating expenditure which is not matched by an increase in the funding allocated.

### 8.1.4 Financial Sustainability of the Asset Management Strategy

The adopted Asset Management Strategy clearly outlines a shortfall in funding available for asset maintenance and renewals in the Baseline Scenario – see table below extracted from the Strategy which has been prepared by the Council to report the funding required to meet the OLG benchmark ratios. As the table indicates the Strategy outlines a requirement for Council to significantly increase the funding available for asset renewals, which increases from a renewal gap of \$26.0 million in 2024/25 to \$55.0 million in 2031/32. As identified above, under the Baseline approach this gap would need to be addressed by achieving grant funding to address the gap.

The Strategy outlines that in order to respond to the funding gap the Council will focus on establishing community agreed levels of service and prioritise available funding. The Strategy notes that urgent need is to ensure that asset funding is based on risk, criticality and affordability.

**Table 8.3 Funding Requirement to Meet Benchmark Ratios - Extracted from Asset Management Strategy**

Backlog (\$'000s)	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
<b>Planned Funding under Business as Usual Scenario</b>										
Renewal	86,668	78,598	52,411	51,865	37,556	38,594	38,591	39,003	39,577	41,542
New and Expanded Assets	52,999	50,185	31,244	18,451	10,042	74,968	75,812	18,368	18,952	20,462
Operating and Maintenance	49,917	51,165	52,444	53,755	55,099	56,477	57,888	59,336	60,819	62,340
<b>Total</b>	<b>189,584</b>	<b>179,948</b>	<b>136,099</b>	<b>124,071</b>	<b>102,697</b>	<b>170,039</b>	<b>172,291</b>	<b>116,707</b>	<b>119,348</b>	<b>124,344</b>
<b>Required Funding</b>										
Renewal	73,281	75,767	78,141	80,344	82,491	85,632	88,864	91,335	93,863	96,476
New and Expanded Assets	52,999	50,185	31,244	18,451	10,042	74,968	75,812	18,368	18,952	20,462
Operating and Maintenance	49,915	51,719	53,320	54,839	56,302	58,433	60,625	62,325	64,087	65,909
<b>Total</b>	<b>176,195</b>	<b>177,671</b>	<b>162,705</b>	<b>153,634</b>	<b>148,835</b>	<b>219,033</b>	<b>225,301</b>	<b>172,028</b>	<b>176,902</b>	<b>182,847</b>
Difference (Gap)	13,389	2,277	-26,606	-29,563	-46,138	-48,994	-53,010	-55,321	-57,554	-58,503
Maintenance Gap	2	-554	-876	-1,084	-1,203	-1,956	-2,737	-2,989	-3,268	-3,569
Renewal Gap	13,387	2,831	-25,730	-28,479	-44,935	-47,038	-50,273	-52,332	-54,286	-54,934

### 8.1.5 Overview of Asset Management Plans

Following from the review of Council's adopted Asset Management Strategy, it is important to consider the management approach to each asset category as outlined in the asset management plans. AEC has been provided

with current asset management plans – some of which have been “approved” while others have been provided in a “draft” version.

Note – Asset management plans for water and sewer assets were prepared in 2012/13 and therefore not current for the purpose of this review.

Asset Management Plan	Observations
<p><b>Draft Roads and Transport Asset Management Plan 2023-20232</b></p>	<ul style="list-style-type: none"> <li>• States that allocation in the current planned budget is insufficient to continue providing existing services at current levels.</li> <li>• Under the “Planned Budget” roads and associated asset components expected to deteriorate at a faster rate, deteriorated assets will remain deteriorated and sub-standard roads will never be upgraded to current standards.</li> <li>• Population growth, demographic and lifestyle changes and climate change expected to impact on future demand, requiring upgrades to assets, new assets and non-asset solutions</li> <li>• Value of assets in condition 4 (Poor) is approximately \$120 million and assets in condition 5 (Very Poor) estimated to be approximately \$50 million.</li> <li>• The report does not state a value of the backlog in assets overdue for treatment.</li> <li>• Grading of unsealed roads appears to be missing from the planned maintenance Plan lack Council’s approach to large cost items such as grading, resurfacing and gravel resheet programs, and commentary on funding necessary to meet technical levels of service.</li> <li>• Costings in the financial summary (Table 7.1.2 in the Plan) difficult to understand from the costed technical levels of service (Table 3.6 in the Plan)</li> <li>• A condition assessment across the LGA was completed in 2022 – which is currently being used to correct the asset register and to improve confidence in the asset data.</li> <li>• Current available funding is estimated to be \$42.9 million on average per year over the forward 10 years, compared to an estimate cost to sustain the current level of services of \$50.3M – an annual shortfall of \$7.4 million</li> <li>• Current investment in renewal of asset results in an asset renewal funding ratio of 78.51%</li> <li>• The Plan estimates the required annual renewal investment to be \$30.7 million for the 2023/24 financial year and increasing over the forward plan due to increases asset stock.</li> <li>• Currently \$15.0 million allocated to operational maintenance in the budget and considered to be inadequate, however increased investment in renewals will reduce maintenance demands (such as pothole repair and heavy patching). Any such maintenance savings will be directed to fund neglected maintenance practices such as table drain maintenance and light patch of cracking bitumen seal.</li> <li>• Works and services that cannot be provided under current budget include reseal roads at the best point in asset life to protect the pavements beneath, renew pavements to meet expected service level, upgrade roads to meet standards and maintain the asset components to ensure asset meets the intended life</li> <li>• Main risks are increasing dissatisfaction by road users, loss of reputation, increased cost of road users (including damage and accidents) and deterioration beyond practical means of recovery.</li> </ul>
<p><b>Buildings Asset Management Plan 2023-20232</b></p>	<ul style="list-style-type: none"> <li>• States that allocation in the current planned budget is insufficient to continue providing existing services at current levels. Backlog for renewals of assets cannot be accommodated unless there is an increase in budget.</li> <li>• The community needs to be consulted so the expected level of service can be ascertained.</li> <li>• Main service consequences of current Planned Budget are increase in maintenance expenditure on ageing assets, risk to users of aged assets and impact of natural disasters on assets (reliance on grant funding to rectify).</li> <li>• The current funding is estimated to be an annual average of \$12.3 million which is \$1.9 million less than the estimated funding requirement of \$14.2 million (or 86.7%).</li> <li>• The Plan outlines minimal renewal investment required over the 2023-2033 period – an average of \$0.8 million – although averaging is misleading as the majority of</li> </ul>



Asset Management Plan Observations

the renewal is required in the later year of the period from 2030. The Plan does outline there is insufficient funding to meet expected renewals after 2030.

- Annual requirements for asset renewals from 2023-2030 include annual allocation of \$500,000 for community buildings, \$300,000 for water and sewer buildings, \$9,000 for MRAG and \$10,000 for Gloucester Sale Yards.
- Council has in the Plan \$14.3 million in approved grants that will be invested in the renewal of buildings that are not included in the forecast demand for renewals – e.g., Wingham Library Upgrade, Taree Albert Street Amenities Upgrade, Esmond Hogan (Clubhouse and Amenities), Cedar Party Rebuild, Pacific Palms Upgrade, Transfer Station, and Resource Recovery Stage 2.
- Of note is that depreciation for all buildings is approximately \$11 million each year. Planned renewals at less than \$1 million will significantly impact on the total consolidated asset renewal ratio reported by Council.
- Under the current Budget Plan, there is insufficient funding to retrofit the Manning Aquatic Centre, additional facilities to meet requirements within the Hawk Nest – Tea Gardens area, complete medium to large repair projects, carry out renewal of leased properties, renew assets that are in a condition 4 and reaching the end of useful life, impacting on risk to users and Councils regulatory obligations.
- Operational funding is currently estimated to be \$8.0 million, which is \$0.5 million short of the required funding of \$8.5 million.
- Maintenance funding at \$2.0 million is slightly less than the \$2.2 million required by the Plan.
- Current investment in renewal of buildings is significantly more than required by the Plan – mostly due to high level of grant funding.
- Although the Plan does not indicate high level of renewal demand in the first 10 years of the forecast period, the Plan does report that 29% of assets are in a poor condition and 1% in a very poor condition. The value of assets in a poor or very poor condition is estimated in the Plan to be approximately \$130 million

**Open Spaces and Swimming Pools 2023-2032**

- High community satisfaction for recreation (87%), however current levels of funding not sufficient continue providing at current level of service.
- Average expenditure required for open space and swimming pools is estimated to be an average of \$11.5 million per year, compared to current expenditure of \$8.5 million per year (74%) – an annual average shortfall of \$3.0 million per year.
- \$16 million of grant funding received in the first 3 years of the Plan – including \$2.3 million to replace flood damaged assets and \$13.9 million for various assets.
- Projections for asset renewals is based on acquisition year plus useful life (aged based) rather than current condition.
- A recurrent annual investment in asset renewals planned - \$150,000 for playgrounds, \$100,000 for aquatic infrastructure, \$50,000 for signage and \$150,000 for other assets.
- Required asset renewals outlined in the plan are estimated to include \$500,000 per playground refurbishments, \$250,000 for aquatic facilities, \$100,000 for signage and \$250,000 for other open space assets.
- Acquisitions in 2023-2025 is estimated to add \$6.4 million in assets due to constructed assets, and an additional \$3.4 million for donated assets. After 2025 is projected that Council will acquire each year \$500,000 in newly constructed assets and \$250,000 in donated assets.
- There is insufficient funding in the Plan for sports field lighting upgrades and shade sail installation.
- The maintenance budget required is \$1.3 million (current funding is \$1.1 million) and \$7.0 million in operational expenditure is required (current funding is \$5.8 million).
- Approximately \$11.0 million (or 14%) of assets are in a poor condition.
- The Plan estimates \$4.6 million of renewals are considered to be in backlog – which includes \$2.2 million for tennis courts, \$1.2 million for hockey field, \$0.9 million for wharfs/jetties/boat ramps and \$0.3 million for playgrounds and minor assets.
- Asset renewal funding ratio is estimated to be 79.37% based on current funding of renewals.
- The demand for asset renewal investment increases after the 2031 financial year.

Asset Management Plan Observations	
<b>Bridges Asset Management Plan 2023-2022</b>	<ul style="list-style-type: none"> <li>Plan estimates the funding available to be \$84.4 million or \$8.4 million on average over the forward 10-year period.</li> <li>Funding allocated to bridge upgrade each year (\$1.5 million) meets requirements but may be reduced in following years.</li> <li>Operational and maintenance expenditure each year is currently estimated to be \$1.0 million, whereas the Plan required \$1.6 million in annual expenditure.</li> <li>48 bridges are in condition 4 (Poor) or condition 5 (Very Poor) and 17 of the bridges are restricted – current funding achieves 5-7 bridges annually.</li> </ul>
<b>Draft Stormwater Asset Management Plan 2023-2032</b>	<ul style="list-style-type: none"> <li>Plan estimates current funding for assets to be average of \$3.2 million per year which is \$3.7 million less than estimated required average funding of \$6.9 million per year.</li> <li>Most of the stormwater assets are in better than fair condition with 4.5% of the total assets in poor or very poor condition. However, the Plan outlines a requirement to invest \$3.8 million in 2024 and increase over the forward years.</li> <li>Maintenance and operation expenditure budget is considered to be inadequate to meet projected service levels.</li> <li>Asset renewal ratio is estimated to be 50.3%</li> </ul>

## 8.2 PROPOSED OPTIMISED PREVENTATIVE APPROACH

It should be noted that AEC has facilitated the development of the preventative approach in consultation with the asset custodians. Council's staff have the professional and technical qualifications and the knowledge of the assets to develop an appropriate preventative approach, and therefore AEC has developed the following proposed program approach to asset renewal planning based on the advice and endorsement by the relevant asset custodians.

It is also noted that in the asset management plans Council has acknowledged that the maturity of asset management is not at a level that enables predictive modelling of asset deterioration or predicted timing for maintenance and renewal interventions. Therefore, in building a schedule of renewal programs outlined below it is acknowledged that the Council will increase over time the maturity of the planning and therefore the effectiveness of the approach to improving the long term sustainability of the Council.

Given the lack of the maturity in asset planning, it would be appropriate for the implementation of the proposed programs to be staged to ensure additional investment is allocated to prioritised assets. Simply increasing the expenditure on a program will not achieve significantly improved sustainability unless it is well planned and based on a logical approach to improving the long term sustainability. Inefficient allocation of additional funding to renewals may well have the opposite effect and deteriorate further sustainability by using cash inefficiently.

In developing a sustainable approach, and to ensure additional investment in renewals is efficient and effective to improve sustainability, AEC has sought advice from asset custodians on the most appropriate approach to achieve the following:

- Optimised preventative management rather than relying on reactive maintenance – planned preventative interventions are optimisation by monitoring asset condition, performance and risk and planning for maintenance interventions to occur only when the asset is nearing a minimum level of service or prior to deterioration that would require renewal or replacement. For example, frequency of grading and resheeting the unsealed roads will be different across the hierarchy of the unsealed road network and both too early or too late interventions will have a deleterious impact on sustainability.
- Lowest whole-of-lifecycle cost - an economic procedure used by asset managers to compare competing investment options over the life of the asset to identify the option that results in the minimum total life-cycle cost (i.e. the optimal option).

Acknowledging that initial design and construction are the most effective controls of whole-of-life costs, the approach applied to maintaining and renewing components of the existing assets can still reduce the total cost of owning the asset over the useful life, or potential extending the useful life, resulting in a lower whole of life cost and contributing to improving the long-term sustainability of the Council.



Generally, the preventative approach involves more frequent intervention at a lower cost while the asset is in operation, rather than treating the asset in a more deteriorated state or responding reactively to asset failure. It is also often the case that by treating components before they fail (for example, road surface or a building roof) avoids more significant deterioration in the asset which requires more invasive and mostly costly intervention (for example, rehabilitation of the road and replacement of building structure).

Both objectives require monitoring of asset condition and performance so that planned maintenance interventions occur only when the asset is nearing a minimum threshold (ideally defined in the documented technical levels of service for the asset class/type). The ability to predict and plan maintenance practices evolve as a result of better understanding the asset lifecycle and the expected deterioration, and the effectiveness of interventions.

The following section outlines the renewal programs developed by AEC by facilitating consideration by asset custodians of a more sustainable approach to the management of each asset class.

### 8.3 ACTIVITY BASED COSTING APPROACH TO ACHIEVE SUSTAINABLE FUNDING REQUIREMENT

AEC undertook engagement with the asset custodians and service managers with the objective of identifying and costing the asset treatments that would be necessary for a sustainable approach. The process included the following, where possible:

- Identify the individual interventions for each asset class (e.g. component renewal)
- Quantify the number of interventions required each year by referring to technical levels of service or expert opinion of the asset custodian
- Identify the cost of each intervention
- Calculating the total renewal cost each year by multiplying the quantity required by the treatment cost.

The following table outlines the renewal programs suggested by AEC, following consultation with the asset custodians, to be included in a sustainable approach to maintaining infrastructure.

**Table 8.4 Activity-based Costing Approach**

Asset Class	Program (Asset type)	Current Funding Available	Measurement Approach	Estimated Annual requirement
Transport	Re-sheeting Program – rural roads	Current annual budget is \$2.5M-\$2.8M.	Unsealed rural road network is 8,193,082m <sup>2</sup> , assumes average 8 metre road width, unit rate of \$45,000/km, useful life of 15 years	\$3,072,406
	Re-sheeting Program – urban roads		Unsealed urban road network, 113,325m <sup>2</sup> , assumes average 8 metre road width, unit rate of \$45,000/km, useful life of 15 years	\$42,497
	Reseal Program - Regional Roads	Current annual budget is \$0.45M-\$1.0M	Program has been developed based on the Regional Roads network of 375km, Urban roads 671km and Rural roads 763kms. Unit rates of \$40.00/m <sup>2</sup> for an asphalt seal, and \$8.00 spray seal. Useful life for asphalt of 25 years and for spray seal 10 years on regional roads, 12 years on urban roads and 15 years on rural roads. Asphalt is used for 17.7% of regional roads. 20.4% of urban roads and 3.7% of rural roads.	\$2,826,471
	Reseal Program - Urban Roads	Current annual budget is \$2M-\$2.4M		\$4,601,987
	Reseal Program - Rural Roads	Current annual budget is \$2M-\$2.4M		\$3,495,138
	Heavy Patching Program – sealed road	No annualised program. Some budget exists within operations for heavy patching.	10% of 3% of network or 5.4km, of heavy patching per year, dig out and overlay the stabilising (assumed patches are 1.25m width), at a rate of \$160.00/m <sup>2</sup>	\$1,085,481
	Heavy Patching Program – unsealed roads		10% of 3% of network or 3.1km, of heavy patching per year, dig out and overlay the gravel stabilising (assumed patches are 1.25m width), at a rate of \$80.00/m <sup>2</sup>	\$155,745
	Road Reconstruction Program	Current annual budget is \$3.5million to \$8.8million based on Council's LTFP – depends highly on grant funding.	Road reconstruction, based on pavement reconstruction at \$90/m. Estimated to cover 23km annually.	\$16,500,000
	Line Marking	Carried out as part of operations.	Annual requirement based on sealed road length, completed with reseal, at a rate of \$0.88 per meter for 100 mm lines. Line marking is also completed as part of the road rehabilitation program.	\$318,408
	Transverse & Shoulder Line marking	Carried out as part of operations.	Annual Budget of \$150,000 for Transverse & shoulder Line marking. As data is available and matures this program may need to be refined. Grant funding through the NSW Towards Zero Safer Roads Program to be considered.	\$150,000



Asset Class	Program (Asset type)	Current Funding Available	Measurement Approach	Estimated Annual requirement
	Kerb & Gutter Program	Currently replaced as part of reconstruction projects, with isolated pockets completed with a \$50-100K annual budget	Considered length of network, 940km, and assumed 80 year life (to align with the pavement life), with a unit rate of \$200/m. Estimated to require \$1.5million annually.	\$1,500,000
	Bus Shelter Program	No current program. Budget is sourced form Minor Works. Shelter inventory is fairly young.	Council has 231 bus shelters, this program is to ensure DDA compliance. Shelter cost estimated at \$15K/unit, budget includes access and connection requirements, as well as tactile etc. Life is currently at 30 years. Some shelters may be removed, not replaced, based on utilisation. most shelters are young in their life - not expecting a lot of renewals	\$40,425
	Guardrails	No current Program. Length is unknown. Safety barriers are reviewed as part of the rehab program.	Assumed guard rails are on 10% of rural and regional roads of the sealed road network of 1,336 km, and are double the length of roads, due to being on both edges/ sides. Total length is estimated at 134kms, with a replacement value estimated at \$150/meter, based on a 30 year life.	\$804,000
	Footpath & cycleways renewal program	Current annual budget is \$50,000 based on Council's LTFP	Based on network length being 283km for footpaths & cycleways, (340,000m2 with an average width of 1.2m), based on 80-year life, and cost of \$200.00/m2, estimate that \$0.85M required annually.	\$850,000
	Footpath Missing Network links Program	Current annual budget is \$432K to \$515K based on Council's LTFP	Annual requirement based on current program average. To be updated once data becomes available, such as total missing links, using metric of metres to be completed per year.	\$500,000
				<b>\$35,942,558</b>
Bridges	Concrete Bridge Renewal Program	Periodic funding, not annualised funding. Heavily reliant upon grant funding.	Council has 431 concrete bridges. Assuming an average cost of \$560,000, with a life of 100 years. As the condition is relatively good, 50% of the annual amount is assumed to be Council funded.	\$600,000
			Grant funding portion.	\$600,000
	Steel Bridge Renewal Program		Council has 27 steel bridges. Assuming an average cost of \$560,000. Annualised budget required is projected at \$0.108million.	\$108,000
	Timber Bridge Renewal Program		Council has 159 timber bridges. Assuming an average cost of \$560,000, with a life of 60 years, however, as the assets are in relatively good condition due to previously having bridge carpenters on staff. Still the full fleet of timber bridges is expected to be replaced	\$1,250,000

Asset Class	Program (Asset type)	Current Funding Available	Measurement Approach	Estimated Annual requirement
			in 20-30 years time. They will not last longer than that without significant maintenance expenditure. The Fixing Country Bridges Program is a \$500 million NSW Government program, enabling councils to replace hundreds of timber bridges in poor condition and better connect regional and rural communities, and this should be considered as a funding source for this program. (As of Nov 2023, \$500million is yet to be allocated).	
			Grant funding portion.	\$1,250,000
	Composite Bridge Renewal Program		Council has 49 composite bridges. Assuming an average cost of \$560,000. Annualised budget required is estimated at \$0.23million.	\$228,667
				<b>\$4,036,667</b>
Stormwater	Water Sensitive Urban Design (WSUDs) Program	Stormwater construction program averages \$0.86 million, however it is not clear if this is for newly constructed assets or renewal/ replacement of existing assets	323 WSUD assets, with an average value of \$26,000. Estimated life is an average of 30 years, due to bio filter replacements required more frequently	\$209,950
	GPT Replacement Program		51 GPTS (simple & complex), with an average value of \$33,000	\$33,660
	Surface Drains Replacement Program		16.6 km of surface drains, at a cost of \$100/m, assumes 250metres replaced annually	\$25,000
	Stormwater Pits Replacement Program		14,400 stormwater pits valued at approximately \$2,500 each	\$360,000
	Culverts Replacement Program		73.1 km of culverts, with an average value of \$2.2 million per km (combination of Timber, PVC & Concreate, however assumption that majority are concrete). Estimated \$1M per year.	\$1,000,000
	Stormwater Pipes Replacement Program		348.5 km of pipes with an average value of \$400,000 / km, with a 100 year life concrete. Condition of network is fair to good. Estimated \$1M per year.	\$1,000,000
				<b>\$2,628,610</b>
Open Space & recreation	Open Space Aquatic Infrastructure	Current annual budget is \$30,000 based on Council's LTFP	Based on Council's AMP, with additional on the ground knowledge from the asset custodian.	\$300,000
	Open Space - Sporting renewal program		Based on Council's AMP, with additional on the ground knowledge from the asset custodian.	\$350,000
	Open Space - Swimming pools program	GLS Olympic Swimming & Hydrotherapy Pool \$5K, Tuncurry\$21K,	Based on the condition report completed for Council, identifying a total of \$3.7million required, split between critical (assumed required in Year 1 & 2), moderate (assumed required from Yr 3 to 5), and non-	\$370,000

Asset Class	Program (Asset type)	Current Funding Available	Measurement Approach	Estimated Annual requirement
		and Manning Aquatic Centre \$100K annually, based on Council's LTFP	critical (assumed required from Yr6 to 10). This has been annualised to \$0.37 million.	
	Open Space - Recreation Parks, Playgrounds	Current annual budget is \$150,000 based on Council's LTFP	Based on Council's AMP, with additional on the ground knowledge from the asset custodian.	\$1,800,000
	Cemetery renewal program	Current Gloucester Cemetery annual budget is \$5,000 based on Council's LTFP	Based on Council's AMP, with additional on the ground knowledge from the asset custodian.	\$31,111
				<b>\$2,851,111</b>
Buildings	Roof Refurbishment program	Current annual budget is \$465.5K based on Council's LTFP, in addition to an annual budget of \$9K for MRAG (Manning Regional Art Gallery)	Program informed by on the ground knowledge of asset custodian, and componentisation and condition data from the recent valuation. Condition data requires further refinement to support, with expert assessment as opposed to financial valuation.	\$600,000
	Electrical Program		Program informed by on the ground knowledge of asset custodian. Includes solar, rewiring and RCD replacement.	\$150,000
	Fire/Security Program		Program informed by on the ground knowledge of asset custodian. Includes fire systems and security access.	\$50,000
	Hydraulic Program		Program informed by on the ground knowledge of asset custodian. Includes gutters, tanks, septic and plumbing.	\$150,000
	Internal Finishes Refurbishment program		Program informed by on the ground knowledge of asset custodian. Includes kitchens, toilets, flooring and painting.	\$500,000
	Mechanical Program		Program informed by on the ground knowledge of asset custodian. Includes HVACs.	\$150,000
	Superstructure Program		Program informed by on the ground knowledge of asset custodian. Includes Cladding, brick work etc.	\$500,000
	Transport Program		Program informed by on the ground knowledge of asset custodian. Includes carparks, driveways etc	\$50,000
	Office equipment renewal program		Depreciation as per the Financial Statements, Infrastructure, property, plant and equipment 30 June 2022 for Buildings.	\$88,000



Asset Class	Program (Asset type)	Current Funding Available	Measurement Approach	Estimated Annual requirement
	Furniture and fittings renewal program		Depreciation as per the Financial Statements, Infrastructure, property, plant and equipment 30 June 2022 for Buildings.	\$238,000
				<b>\$2,476,000</b>

Source: AEC (unpublished)

## 8.4 FINANCIAL ANALYSIS OF THE SUSTAINABLE APPROACH TO INFRASTRUCTURE

The sustainable approach to infrastructure outlined above was used by AEC to develop a revised Capital Works Plan for the Council. Total Capital Works Program increases from \$994.5 million to \$1,244.3 million, an increase of \$249.8 million.

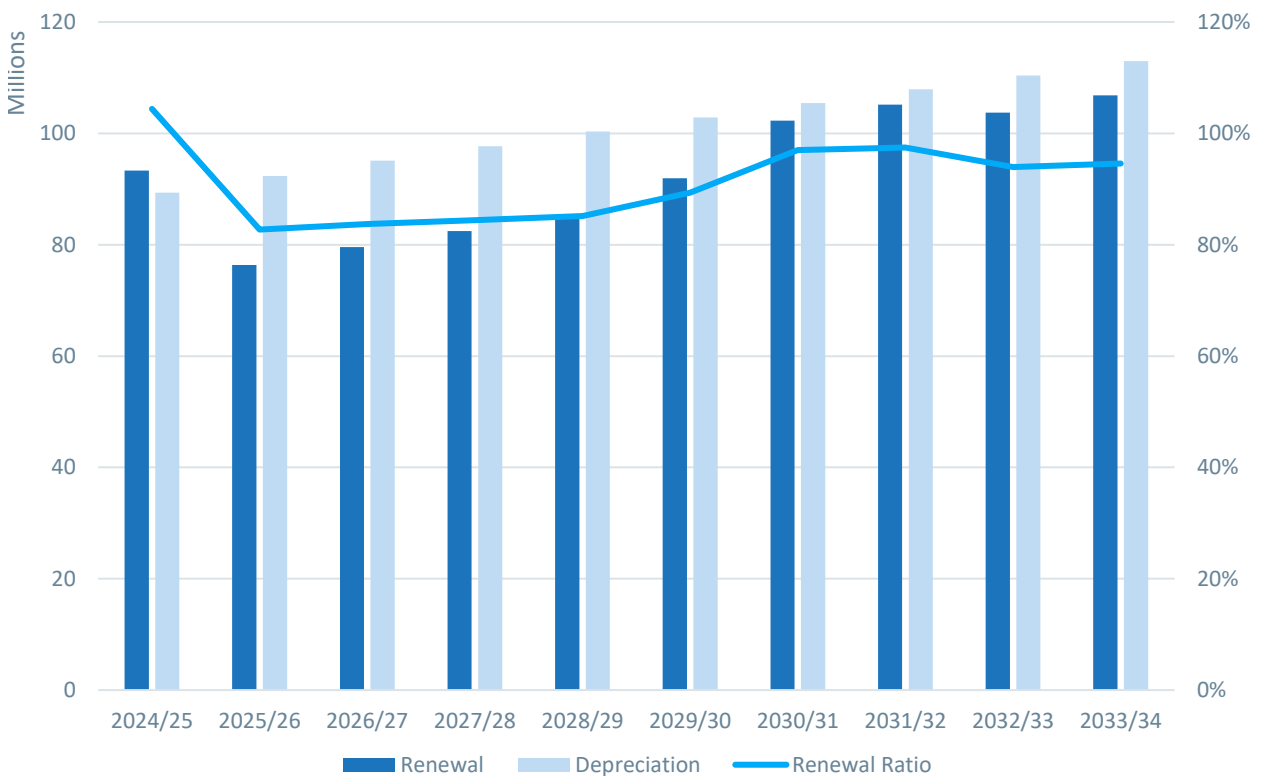
The level of renewals assumed raises the Capital Renewal Ratio to an average of 91% over the forecast period – while below the Office of Local Government recommended target of 100% it is a large improvement on the 67% in the Baseline Scenario (Business as Usual).

The tables below outline the proposed capital works program with the enhanced asset renewals, with a comparison to estimated depreciation expense.

It should be noted that the revised Capital Works Plan does not specifically address the backlog for replacements/renewals. Additional investment would be required over the short term to address the backlog. The reason investment in the backlog is not included is due to the uncertainty in the measurement and clarification of the quantum of the backlog for each asset and the priority for the backlog to be addressed.

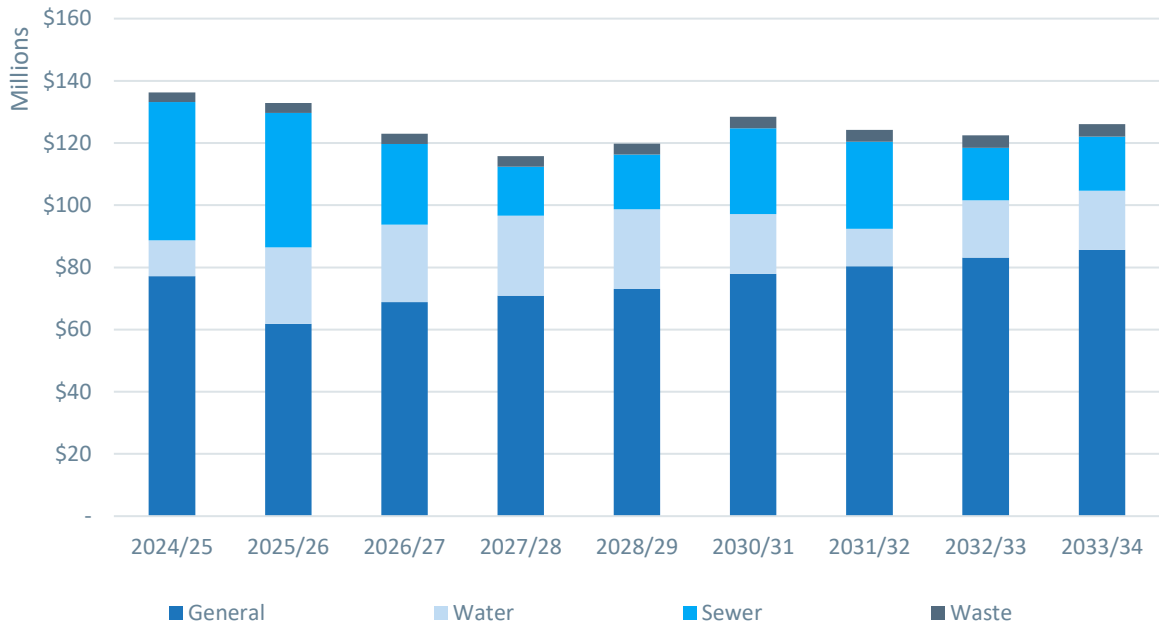
Without addressing a backlog, the following tables outline that the average increase in asset renewal investment over the 10-year period is \$25.0 million annually – that is, an additional \$25 million is required each year to achieve the sustainable approach to infrastructure.

**Figure 8.1 Capital Works Program – Depreciation versus Renewal (Sustainable Approach to Infrastructure Scenario)**



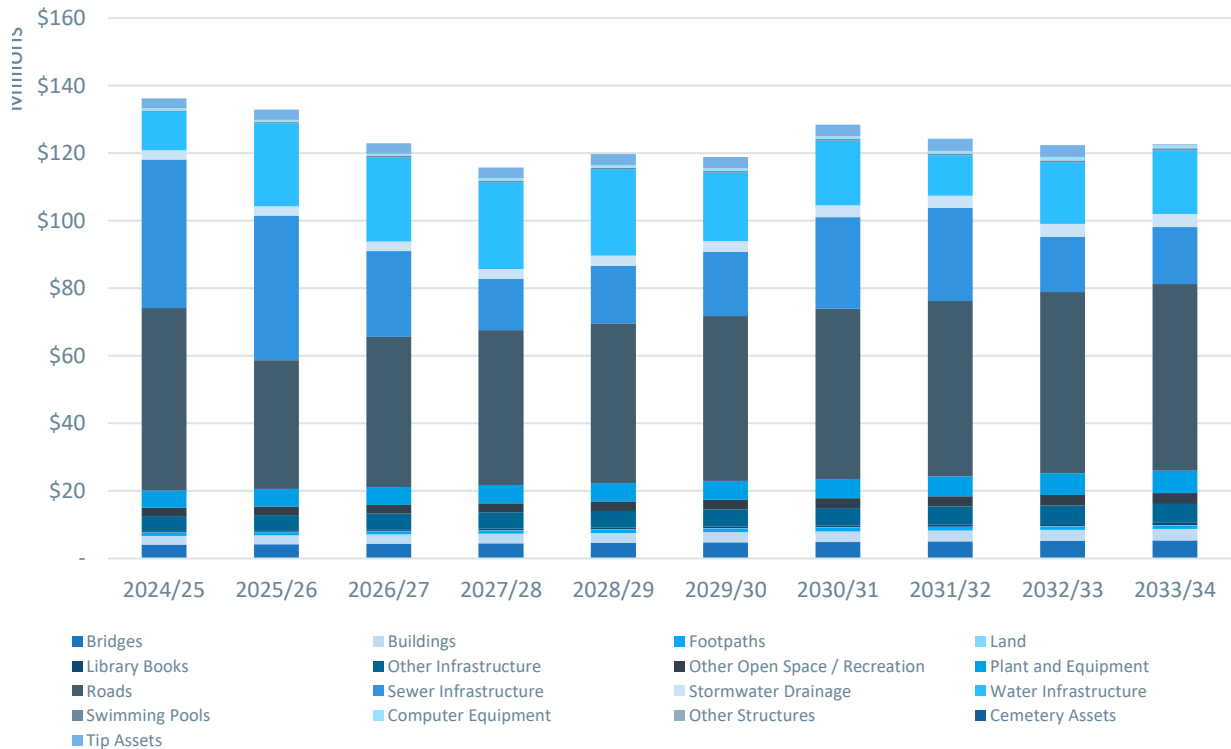
Source – AEC (unpublished)

**Figure 8.2 Capital Works Program by Fund (Sustainable Approach to Infrastructure Scenario)**



Source – AEC (unpublished)

**Figure 8.3 Capital Program Spend – by Asset Class (Sustainable Approach to Infrastructure Scenario)**



Source – AEC (unpublished)



**Table 8.5 Capital Program Spend – by Asset Class (Sustainable Approach to Infrastructure Scenario)**

Planned Capital Works by Asset Class	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
Bridges	21,678,854	4,120,000	4,243,600	4,370,908	4,502,035	4,637,096	4,776,209	4,919,495	5,067,080	5,219,093	5,375,666
Buildings	604,500	2,584,270	2,661,798	2,741,652	2,823,902	2,908,619	2,995,877	3,085,754	3,178,326	3,273,676	3,371,886
Footpaths	782,350	889,866	916,562	944,059	972,381	1,001,553	1,031,599	1,062,547	1,094,423	1,020,789	1,051,413
Land	100,000	103,000	106,090	109,273	112,551	115,927	119,405	122,987	126,677	130,477	134,392
Library Books	485,000	448,050	461,492	475,336	489,596	504,284	519,413	534,995	551,045	567,576	584,604
Other Infrastructure	3,960,000	4,364,110	4,495,033	4,629,884	4,768,781	4,911,844	5,059,200	5,210,976	5,367,305	5,463,085	5,626,978
Other Open Space / Recreation	628,900	2,483,845	2,558,360	2,635,111	2,714,164	2,795,589	2,879,457	2,965,841	3,054,816	3,146,461	3,240,854
Plant and Equipment	5,369,977	5,124,877	5,160,176	5,285,713	5,376,798	5,480,948	5,579,904	5,678,072	5,845,269	6,458,908	6,652,675
Roads	35,178,968	54,001,694	38,092,105	44,398,987	45,818,092	47,284,179	48,798,880	50,363,889	51,980,963	53,651,917	55,261,475
Sewer Infrastructure	14,825,000	44,040,225	42,868,317	25,463,271	15,242,203	17,061,616	19,066,030	27,078,748	27,511,079	16,365,118	16,856,071
Stormwater Drainage	690,000	2,678,000	2,758,340	2,841,090	2,926,323	3,014,113	3,104,536	3,544,435	3,650,768	3,760,291	3,873,100
Water Infrastructure	29,205,000	11,444,330	24,486,633	24,848,612	25,637,965	25,557,356	20,353,815	19,154,056	11,922,840	18,328,149	18,877,993
Swimming Pools	125,932	382,060	393,522	405,327	417,487	430,012	442,912	456,200	469,886	483,982	498,502
Computer Equipment	0	772,500	795,675	819,545	844,132	869,456	895,539	922,405	950,078	978,580	1,007,937
Other Structures	70,000	72,100	74,263	76,491	78,786	81,149	83,584	86,091	88,674	91,334	94,074
Cemetery Assets	5,000	5,150	5,305	5,464	5,628	5,796	5,970	6,149	6,334	6,524	6,720
Tip Assets	3,175,000	2,755,250	2,837,908	2,923,045	3,010,736	3,101,058	3,194,090	3,289,913	3,388,610	3,490,268	
	<b>116,884,481</b>	<b>136,269,328</b>	<b>132,915,178</b>	<b>122,973,769</b>	<b>115,741,559</b>	<b>119,760,596</b>	<b>118,906,421</b>	<b>128,482,553</b>	<b>124,254,172</b>	<b>122,436,228</b>	<b>122,514,339</b>
New	17,968,282	19,992,949	41,887,122	39,819,387	33,225,729	34,222,501	26,890,810	26,098,698	19,027,685	18,613,936	19,172,354
Upgrade	21,115,000	22,983,163	14,641,746	3,567,754	77,379	79,700	82,091	84,554	87,090	89,703	92,394
Renewal	77,801,199	93,293,216	76,386,310	79,586,628	82,438,451	85,458,395	91,933,520	102,299,301	105,139,397	103,732,589	106,844,567
	<b>116,884,481</b>	<b>136,269,328</b>	<b>132,915,178</b>	<b>122,973,769</b>	<b>115,741,559</b>	<b>119,760,596</b>	<b>118,906,421</b>	<b>128,482,553</b>	<b>124,254,172</b>	<b>122,436,228</b>	<b>126,109,315</b>
Depreciation	86,693,867	89,363,697	92,341,552	95,094,306	97,683,890	100,332,761	102,875,164	105,442,718	107,910,693	110,412,566	112,969,181
Renewal Ratio	90%	104%	83%	84%	84%	85%	89%	97%	97%	94%	95%

Source – AEC (unpublished)

**Table 8.6 Increase in Renewal Expenditure Required to Achieve the Sustainable Approach**

Year	Total Renewal Program - Baseline Scenario (\$m)	Sustainable Approach to Infrastructure (\$m)	Increase in Asset Renewal Program Required (\$m)
2024/25	78.0	93.3	15.3
2025/26	57.9	76.4	18.5
2026/27	54.4	79.6	25.2
2027/28	56.8	82.4	25.6
2028/29	59.4	85.5	26.1
2029/30	65.4	91.9	26.5
2030/31	75.0	102.3	27.3
2031/32	77.3	105.1	27.8
2032/33	75.5	103.7	28.3
2033/34	77.7	106.8	29.1

Source – AEC (unpublished)



## 9. FORECAST– FINANCIALLY SUSTAINABLE SCENARIO ONE – ACHIEVING A GENERAL FUND SURPLUS

### 9.1 ASSUMPTIONS AND QUALIFICATIONS

This scenario has been compiled based on the Sustainable Approach to Infrastructure, with similar investment in asset assumptions, but with the following modifications:

- The determining objective is to achieve an operating surplus in the General Fund, regardless of the cash position.
- We have assumed actions taken by Council that have the effect of improving the operating result by an equivalent to an increase in revenue of Ordinary Rates as stated below, implemented over a period of 4 years from 2024/25 to 2027/28, as follows:

**Table 9.1 Enhanced Cash Requirements - Achieve GF Surplus Scenario**

	2024/25	2025/26	2026/27	2027/28	Cumulative
Rate Peg (determined by IPART)	5.20%	2.50%	2.50%	2.50%	13.29%
Additional Variation Required	7.50%	7.50%	7.50%	7.50%	33.55%
% Adjustment to Ordinary Rates (or equivalent initiatives) – includes Rate Peg	12.70%	10.00%	10.00%	10.00%	50.00%

- As this scenario will accumulate cash in the later years of the financial plan, AEC has created an internal reserve for the purposes of future infrastructure asset renewals and backlog.
- Whilst we have expressed the change in net revenue assumed in the form of the percentage equivalent increase in Ordinary Rates, this may be achieved through a combination of initiatives, including:
  - a) Identification of operational efficiencies.
  - b) Reduction in service provision.
  - c) Sale of surplus assets (especially to pay down loan and/or fund one-off projects).
  - d) Increase in revenue from operations through increase in service fees, rates and or charges, such as through the application for and adoption of a Special Rates Variation.

### 9.2 CONSOLIDATED OPERATING POSITION

- Under the Financially Sustainable Scenario to Achieve General Fund Surplus as per Council Resolution and terms of reference of the Financial Sustainability Review, the net average consolidated operating position over the forecast period reflects a surplus of \$0.9 million annually.

Table 9.2 Income Statement – Consolidated

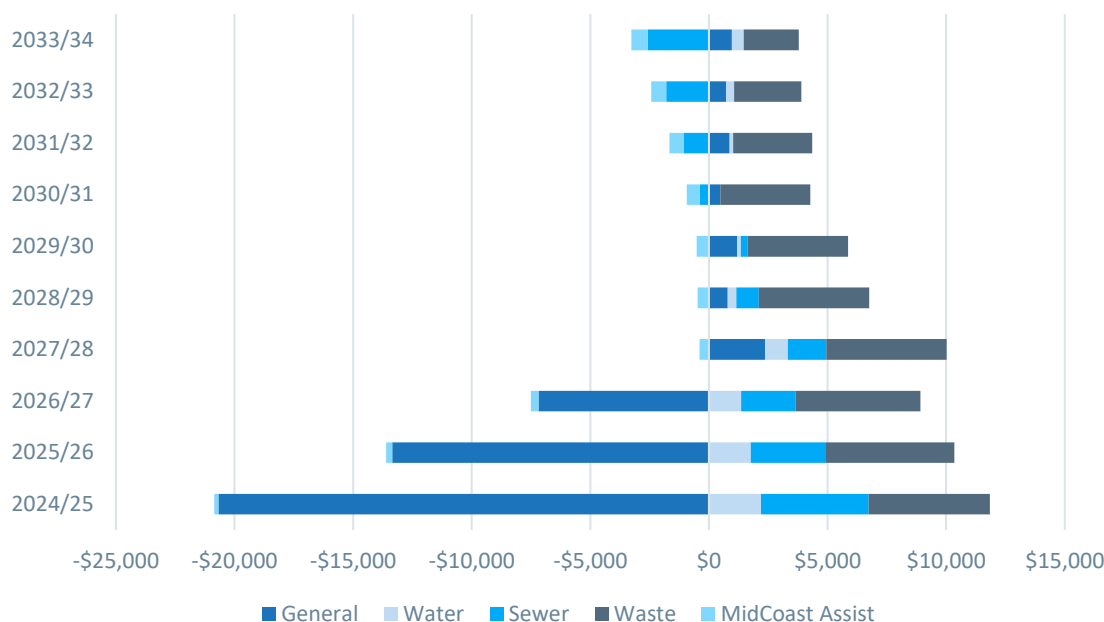
INCOME STATEMENT - CONSOLIDATED	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	ACTUAL	BUDGET	FORWARD PLAN									
<b>Income from continuing operations</b>												
Rates and annual charges	168,844	174,095	187,815	200,139	213,077	227,233	231,602	236,070	240,640	245,314	250,094	254,984
User charges and fees	55,930	58,286	59,510	60,760	62,035	63,338	64,668	66,026	67,413	68,829	70,274	71,750
Other revenue	7,234	3,280	3,373	3,469	3,568	3,670	3,775	3,883	3,995	4,109	4,228	4,349
Grants and contributions provided for operating purposes	46,628	33,157	37,977	39,117	37,923	39,060	38,600	39,758	39,825	41,019	41,695	42,775
Grants and contributions provided for capital purposes	81,433	34,013	28,455	28,371	29,305	30,271	31,271	32,305	33,375	34,482	35,433	36,495
Interest and investment revenue	9,006	9,500	9,750	10,005	10,268	10,537	10,813	11,097	11,388	11,687	11,994	12,309
Other income	9,001	2,590	2,616	2,629	2,655	2,669	2,695	2,709	2,736	2,750	2,777	2,791
Net gains from the disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-
Internal Revenue	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total income from continuing operations</b>	<b>378,076</b>	<b>314,921</b>	<b>329,496</b>	<b>344,490</b>	<b>358,831</b>	<b>376,779</b>	<b>383,425</b>	<b>391,848</b>	<b>399,372</b>	<b>408,191</b>	<b>416,495</b>	<b>425,453</b>
<b>Expenses from continuing operations</b>												
Employee benefits and on-costs	85,196	101,844	106,614	109,847	113,162	116,577	120,094	123,119	126,219	129,397	132,654	135,994
Materials and services	101,565	89,277	94,479	98,233	101,390	104,451	107,593	110,648	113,751	116,776	119,860	123,022
Borrowing costs	9,193	8,306	8,073	7,182	6,416	5,802	5,178	4,545	3,905	3,259	2,642	2,061
Depreciation, amortisation and impairment of non-financial assets	107,413	86,694	89,364	92,342	95,094	97,684	100,333	102,875	105,443	107,911	110,413	112,969
Other expenses	16,300	11,705	12,056	12,417	12,790	13,174	13,569	13,976	14,395	14,827	15,272	15,730
Internal expenditure	-	-	-	-	-	-	-	-	-	-	-	-
Net losses from the disposal of assets	22,373	924	-	-	-	-	-	-	-	-	-	-
<b>Total expenses from continuing operations</b>	<b>342,040</b>	<b>298,749</b>	<b>310,585</b>	<b>320,021</b>	<b>328,852</b>	<b>337,688</b>	<b>346,767</b>	<b>355,164</b>	<b>363,713</b>	<b>372,170</b>	<b>380,841</b>	<b>389,776</b>
<b>Operating result from continuing operations</b>	<b>36,036</b>	<b>16,172</b>	<b>18,911</b>	<b>24,468</b>	<b>29,979</b>	<b>39,091</b>	<b>36,658</b>	<b>36,685</b>	<b>35,659</b>	<b>36,021</b>	<b>35,655</b>	<b>35,678</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>(45,397)</b>	<b>(17,841)</b>	<b>(9,544)</b>	<b>(3,902)</b>	<b>675</b>	<b>8,820</b>	<b>5,387</b>	<b>4,380</b>	<b>2,284</b>	<b>1,538</b>	<b>222</b>	<b>(817)</b>

Source – AEC (unpublished)

Table 9.3 Income Statement – General

INCOME STATEMENT - GENERAL	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
	<b>ACTUAL</b>	<b>BUDGET</b>	<b>FORWARD PLAN</b>									
<b>Income from continuing operations</b>												
Rates and annual charges	113,412	91,993	104,013	114,579	126,265	139,142	142,596	146,136	149,765	153,484	157,296	161,204
User charges and fees	23,818	9,421	9,619	9,821	10,027	10,238	10,453	10,672	10,896	11,125	11,359	11,597
Other revenue	6,324	2,045	2,101	2,159	2,219	2,280	2,343	2,409	2,476	2,545	2,616	2,690
Grants and contributions provided for operating purposes	46,628	32,021	36,807	37,911	36,681	37,782	37,283	38,401	38,427	39,580	40,213	41,248
Grants and contributions provided for capital purposes	71,169	24,763	19,442	19,088	19,743	20,423	21,127	21,857	22,614	23,398	24,016	24,736
Interest and investment revenue	6,568	5,490	5,634	5,781	5,933	6,089	6,248	6,412	6,581	6,753	6,931	7,113
Other income	9,001	2,362	2,386	2,398	2,422	2,434	2,458	2,470	2,495	2,508	2,533	2,545
Net gains from the disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-
Internal Revenue	-	36,565	26,844	27,649	28,340	29,049	29,775	30,519	31,282	32,064	32,866	33,687
<b>Total income from continuing operations</b>	<b>276,920</b>	<b>204,660</b>	<b>206,845</b>	<b>219,386</b>	<b>231,630</b>	<b>247,436</b>	<b>252,283</b>	<b>258,877</b>	<b>264,536</b>	<b>271,458</b>	<b>277,830</b>	<b>284,821</b>
<b>Expenses from continuing operations</b>												
Employee benefits and on-costs	68,247	73,995	77,325	79,645	82,034	84,495	87,030	89,206	91,436	93,722	96,065	98,466
Materials and services	70,037	49,662	52,205	53,831	55,236	56,678	58,155	59,670	61,224	62,816	64,447	66,120
Borrowing costs	2,019	1,491	1,976	1,757	1,544	1,333	1,118	922	739	549	383	186
Depreciation, amortisation and impairment of non-financial assets	80,621	61,133	62,551	64,000	65,480	66,991	68,535	70,112	71,722	73,367	75,045	76,759
Other expenses	15,685	3,106	3,200	3,296	3,395	3,496	3,601	3,709	3,821	3,935	4,053	4,175
Internal expenditure	-	10,361	10,819	11,119	11,381	11,650	11,926	12,208	12,497	12,793	13,096	13,407
Net losses from the disposal of assets	17,121	-	-	-	-	-	-	-	-	-	-	-
<b>Total expenses from continuing operations</b>	<b>253,730</b>	<b>199,748</b>	<b>208,075</b>	<b>213,647</b>	<b>219,071</b>	<b>224,643</b>	<b>230,366</b>	<b>235,827</b>	<b>241,438</b>	<b>247,182</b>	<b>253,090</b>	<b>259,114</b>
<b>Operating result from continuing operations</b>	<b>23,190</b>	<b>4,912</b>	<b>(1,230)</b>	<b>5,739</b>	<b>12,559</b>	<b>22,792</b>	<b>21,917</b>	<b>23,049</b>	<b>23,097</b>	<b>24,275</b>	<b>24,739</b>	<b>25,707</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>(47,979)</b>	<b>(19,851)</b>	<b>(20,672)</b>	<b>(13,349)</b>	<b>(7,184)</b>	<b>2,370</b>	<b>791</b>	<b>1,192</b>	<b>484</b>	<b>877</b>	<b>723</b>	<b>971</b>

Source – AEC (unpublished)

**Figure 9.1 Net Operating Result before Capital – By Fund (Achieve GF Surplus Scenario)**


Source – AEC (unpublished)

- Council's General Fund begins to realise an operating surplus from 2027/28, averaging \$1.1 million in surplus from 2027/28 onwards.
- Water fund reports an average \$0.8 million in surplus annually across the forecast period. Sewer Fund projects a similar average (\$0.7 million) but from 2030/31 onwards the fund is producing deficits. Council would need to access the sewer pricing to ensure that this is producing enough cash for its operations, asset renewals and any future development.
- Waste fund profits average \$4.2 million across the 10 years but there is a declining trend. Council will need to monitor the pricing on domestic waste management service to ensure that this is funding its current operations and any future developments. Council is currently undertaking some work to separate the different waste operations into separate reserve.
- MidCoast Assist is generating a forecast position of \$0.5 million annual operating deficits.

### 9.3 AVAILABILITY OF CASH

- Under this scenario, total cash, cash equivalents and investments is forecast to remain steady, commencing at \$330.6 million in 2022/23 and decreasing to \$317.3 million in 2033/34.
- Under this scenario, internally restricted reserves increase from \$68.5 million (2023/24) to \$79.3 million (2033/34). The major changes in internal reserves relate to a decrease in SRV Infrastructure reserve (\$13.2 million), plant and vehicle replacement (\$1.8 million) and emergency management (\$1.3 million). The increase is due to the creation of a new reserve for future infrastructure renewal and backlog of \$27.0 million.
- Under this scenario, unrestricted cash is forecast to increase over the forecast period, from \$3.3 million in 2022/23 to \$42.8 million in 2033/34. Council will achieve its sustainability target for unrestricted cash at a minimum of \$10 million from 2026/27 onwards.

**Table 9.4 Statement of Cash flow - Consolidated (Achieve a General Fund Surplus Scenario)**

STATEMENT OF CASH FLOWS - CONSOLIDATED	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
	ACTUAL	BUDGET	FORWARD PLAN									
<b>Cash Flows from operating activities</b>												
<b>Receipts:</b>												
Rates and annual charges	165,693	174,095	187,815	200,139	213,077	227,233	231,602	236,070	240,640	245,314	250,094	254,984
User charges and fees	56,569	58,286	59,510	60,760	62,035	63,338	64,668	66,026	67,413	68,829	70,274	71,750
Investment and interest revenue received	6,940	9,500	9,750	10,005	10,268	10,537	10,813	11,097	11,388	11,687	11,994	12,309
Grants and contributions	124,017	67,170	66,432	67,487	67,227	69,331	69,870	72,063	73,200	75,502	77,128	79,270
Bonds, deposits and retention amounts received	150	-	-	-	-	-	-	-	-	-	-	-
Other operating	30,478	5,870	5,989	6,098	6,224	6,339	6,470	6,592	6,731	6,859	7,005	7,140
<b>Payments:</b>												
Employee benefits and on-costs	(84,678)	(94,046)	(106,240)	(109,393)	(112,655)	(116,014)	(119,474)	(122,439)	(125,478)	(128,593)	(131,785)	(135,056)
Materials and services	(104,922)	(85,935)	(94,318)	(98,039)	(101,172)	(104,210)	(107,327)	(110,357)	(113,433)	(116,431)	(119,487)	(122,620)
Borrowing costs	(8,943)	(8,306)	(8,073)	(7,182)	(6,416)	(5,802)	(5,178)	(4,545)	(3,905)	(3,259)	(2,642)	(2,061)
Bonds, deposits and retention amounts refunded	-	-	-	-	-	-	-	-	-	-	-	-
Other operating	(5,126)	(11,705)	(12,056)	(12,417)	(12,790)	(13,174)	(13,569)	(13,976)	(14,395)	(14,827)	(15,272)	(15,730)
<b>Net cash provided (or used in) operating activities</b>	<b>180,178</b>	<b>114,929</b>	<b>108,809</b>	<b>117,458</b>	<b>125,798</b>	<b>137,579</b>	<b>137,876</b>	<b>140,531</b>	<b>142,160</b>	<b>145,081</b>	<b>147,309</b>	<b>149,986</b>
<b>Cash Flows from investing activities</b>												
<b>Receipts:</b>												
Sale of investments	99,740	-	-	-	-	-	-	-	-	-	-	-
Sale of infrastructure, property, plant and equipment	1,033	1,500	1,030	1,061	1,093	1,126	1,159	1,194	1,230	1,267	1,305	1,344
Deferred Debtors Receipts	-	-	-	-	-	-	-	-	-	-	-	-
Other investing	1,300	-	-	-	-	-	-	-	-	-	-	-
<b>Payments:</b>												
Purchase of investment securities	(120,000)	-	-	-	-	-	-	-	-	-	-	-
Purchase of infrastructure, property, plant and equipment	(160,510)	(116,884)	(120,716)	(124,852)	(121,335)	(116,867)	(122,079)	(122,489)	(129,712)	(125,521)	(128,503)	(132,493)
Purchase of intangible assets	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of real estate assets	-	-	-	-	-	-	-	-	-	-	-	-

STATEMENT OF CASH FLOWS - CONSOLIDATED	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
	<b>ACTUAL</b>	<b>BUDGET</b>	<b>FORWARD PLAN</b>									
Deferred debtors and advances made	-	-	-	-	-	-	-	-	-	-	-	-
Other investing	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net cash provided (or used in) investing activities</b>	<b>(178,437)</b>	<b>(115,384)</b>	<b>(119,686)</b>	<b>(123,791)</b>	<b>(120,242)</b>	<b>(115,742)</b>	<b>(120,920)</b>	<b>(121,295)</b>	<b>(128,483)</b>	<b>(124,254)</b>	<b>(127,199)</b>	<b>(131,149)</b>
<b>Cash Flows from financing activities</b>												
<i>Receipts:</i>												
New Residential Accommodation Bonds	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds from borrowings	7,100	11,000	-	-	-	-	-	-	-	-	-	-
Other financing	-	-	-	-	-	-	-	-	-	-	-	-
<i>Payments:</i>												
Repayment of borrowings and advances	(19,233)	(17,293)	(17,728)	(16,795)	(13,732)	(12,248)	(12,547)	(11,599)	(12,215)	(11,773)	(9,188)	(8,594)
Principal component of lease payments	(772)	-	-	-	-	-	-	-	-	-	-	-
Other financing	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net cash provided (or used in) financing activities</b>	<b>(12,905)</b>	<b>(6,293)</b>	<b>(17,728)</b>	<b>(16,795)</b>	<b>(13,732)</b>	<b>(12,248)</b>	<b>(12,547)</b>	<b>(11,599)</b>	<b>(12,215)</b>	<b>(11,773)</b>	<b>(9,188)</b>	<b>(8,594)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(11,164)</b>	<b>(6,748)</b>	<b>(28,606)</b>	<b>(23,129)</b>	<b>(8,177)</b>	<b>9,589</b>	<b>4,409</b>	<b>7,637</b>	<b>1,462</b>	<b>9,053</b>	<b>10,923</b>	<b>10,243</b>
Cash and cash equivalents - beginning of year	61,855	50,691	43,943	15,337	(7,792)	(15,968)	(6,379)	(1,970)	5,668	7,129	16,182	27,105
<b>Cash and cash equivalents - end of the year</b>	<b>50,691</b>	<b>43,943</b>	<b>15,337</b>	<b>(7,792)</b>	<b>(15,968)</b>	<b>(6,379)</b>	<b>(1,970)</b>	<b>5,668</b>	<b>7,129</b>	<b>16,182</b>	<b>27,105</b>	<b>37,348</b>
Investments on hand - end of year	279,927	279,927	279,927	279,927	279,927	279,927	279,927	279,927	279,927	279,927	279,927	279,927
<b>Total cash, cash equivalents and investments</b>	<b>330,618</b>	<b>323,870</b>	<b>295,264</b>	<b>272,135</b>	<b>263,959</b>	<b>273,548</b>	<b>277,957</b>	<b>285,595</b>	<b>287,056</b>	<b>296,109</b>	<b>307,032</b>	<b>317,275</b>

Source – AEC (unpublished)

**Table 9.5 Statement of Cash flows - General (Achieve GF Surplus Scenario)**

STATEMENT OF CASH FLOWS - GENERAL	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
	<b>BUDGET</b>	<b>FORWARD PLAN</b>									
<b>Cash Flows from operating activities</b>											
<i>Receipts:</i>											
Rates and annual charges	91,993	104,013	114,579	126,265	139,142	142,596	146,136	149,765	153,484	157,296	161,204
User charges and fees	9,421	9,619	9,821	10,027	10,238	10,453	10,672	10,896	11,125	11,359	11,597
Investment and interest revenue received	5,490	5,634	5,781	5,933	6,089	6,248	6,412	6,581	6,753	6,931	7,113
Grants and contributions	56,784	56,249	56,999	56,424	58,204	58,409	60,258	61,041	62,978	64,229	65,984
Bonds, deposits and retention amounts received	-	-	-	-	-	-	-	-	-	-	-
Other operating	40,972	31,330	32,205	32,980	33,762	34,576	35,398	36,253	37,117	38,015	38,922
<i>Payments:</i>											
Employee benefits and on-costs	(73,995)	(77,325)	(79,645)	(82,034)	(84,495)	(87,030)	(89,206)	(91,436)	(93,722)	(96,065)	(98,466)
Materials and services	(49,662)	(52,205)	(53,831)	(55,236)	(56,678)	(58,155)	(59,670)	(61,224)	(62,816)	(64,447)	(66,120)
Borrowing costs	(1,491)	(1,976)	(1,757)	(1,544)	(1,333)	(1,118)	(922)	(739)	(549)	(383)	(186)
Bonds, deposits and retention amounts refunded	-	-	-	-	-	-	-	-	-	-	-
Other operating	(13,467)	(14,019)	(14,415)	(14,776)	(15,147)	(15,527)	(15,917)	(16,318)	(16,728)	(17,150)	(17,582)
<b>Net cash provided (or used in) operating activities</b>	<b>66,045</b>	<b>61,321</b>	<b>69,739</b>	<b>78,039</b>	<b>89,783</b>	<b>90,452</b>	<b>93,161</b>	<b>94,820</b>	<b>97,643</b>	<b>99,785</b>	<b>102,466</b>
<b>Cash Flows from investing activities</b>											
<i>Receipts:</i>											
Sale of investments	-	-	-	-	-	-	-	-	-	-	-
Sale of infrastructure, property, plant and equipment	1,500	1,030	1,061	1,093	1,126	1,159	1,194	1,230	1,267	1,305	1,344
Deferred Debtors Receipts	-	-	-	-	-	-	-	-	-	-	-
Other investing	-	-	-	-	-	-	-	-	-	-	-
<i>Payments:</i>											
Purchase of investment securities	-	-	-	-	-	-	-	-	-	-	-
Purchase of infrastructure, property, plant and equipment	(69,049)	(61,601)	(53,758)	(67,171)	(72,019)	(75,374)	(78,860)	(79,144)	(81,622)	(89,211)	(92,022)
Purchase of intangible assets	-	-	-	-	-	-	-	-	-	-	-
Purchase of real estate assets	-	-	-	-	-	-	-	-	-	-	-

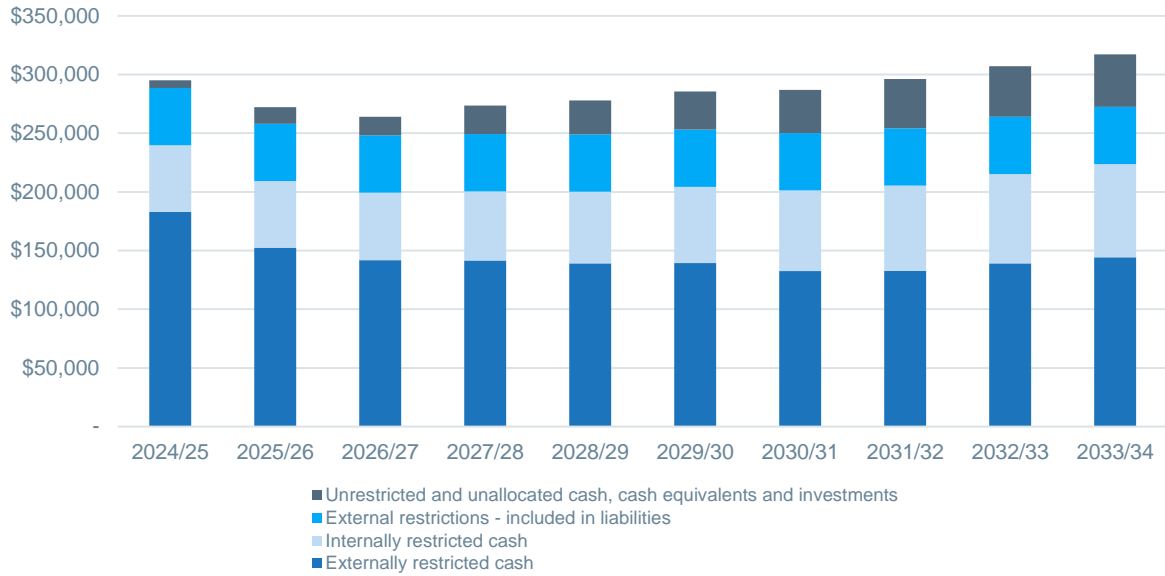
## MIDCOAST COUNCIL - FINANCIAL SUSTAINABILITY REVIEW 2023

STATEMENT OF CASH FLOWS - GENERAL	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
	<b>BUDGET</b>	<b>FORWARD PLAN</b>									
Deferred debtors and advances made	-	-	-	-	-	-	-	-	-	-	-
Other investing	-	-	-	-	-	-	-	-	-	-	-
<b>Net cash provided (or used in) investing activities</b>	<b>(67,549)</b>	<b>(60,571)</b>	<b>(52,697)</b>	<b>(66,078)</b>	<b>(70,894)</b>	<b>(74,214)</b>	<b>(77,666)</b>	<b>(77,914)</b>	<b>(80,355)</b>	<b>(87,906)</b>	<b>(90,678)</b>
<b>Cash Flows from financing activities</b>											
<i>Receipts:</i>											
New Residential Accommodation Bonds	-	-	-	-	-	-	-	-	-	-	-
Proceeds from borrowings	11,000	-	-	-	-	-	-	-	-	-	-
Other financing	-	-	-	-	-	-	-	-	-	-	-
<i>Payments:</i>											
Repayment of borrowings and advances	(4,918)	(5,577)	(5,446)	(5,319)	(5,166)	(5,068)	(3,976)	(4,240)	(4,001)	(2,869)	(2,236)
Principal component of lease payments	-	-	-	-	-	-	-	-	-	-	-
Other financing	-	-	-	-	-	-	-	-	-	-	-
<b>Net cash provided (or used in) financing activities</b>	<b>6,082</b>	<b>(5,577)</b>	<b>(5,446)</b>	<b>(5,319)</b>	<b>(5,166)</b>	<b>(5,068)</b>	<b>(3,976)</b>	<b>(4,240)</b>	<b>(4,001)</b>	<b>(2,869)</b>	<b>(2,236)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>4,577</b>	<b>(4,827)</b>	<b>11,596</b>	<b>6,642</b>	<b>13,723</b>	<b>11,169</b>	<b>11,520</b>	<b>12,665</b>	<b>13,287</b>	<b>9,010</b>	<b>9,553</b>
Cash and cash equivalents - beginning of year	16,319	20,896	16,069	27,665	34,307	48,030	59,200	70,719	83,385	96,672	105,682
<b>Cash and cash equivalents - end of the year</b>	<b>20,896</b>	<b>16,069</b>	<b>27,665</b>	<b>34,307</b>	<b>48,030</b>	<b>59,200</b>	<b>70,719</b>	<b>83,385</b>	<b>96,672</b>	<b>105,682</b>	<b>115,234</b>
Investments on hand - end of year	183,177	183,177	183,177	183,177	183,177	183,177	183,177	183,177	183,177	183,177	183,177
<b>Total cash, cash equivalents and investments</b>	<b>204,073</b>	<b>199,246</b>	<b>210,842</b>	<b>217,484</b>	<b>231,207</b>	<b>242,377</b>	<b>253,896</b>	<b>266,562</b>	<b>279,849</b>	<b>288,859</b>	<b>298,411</b>

Source – AEC (unpublished)

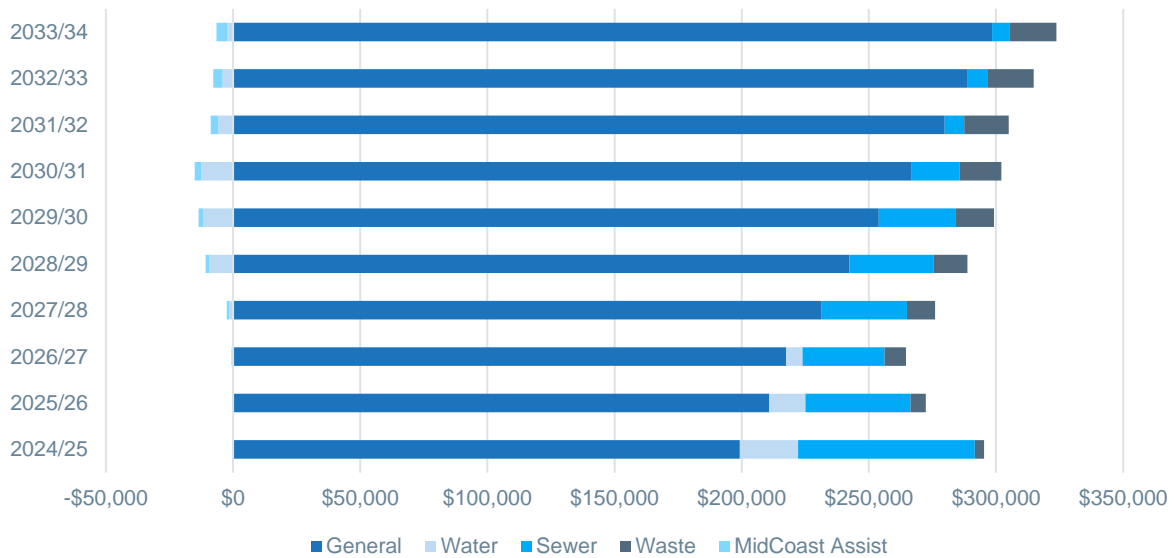


**Figure 9.2 Restricted and Unrestricted Cash (Achieve GF Surplus Scenario)**



Source – AEC (unpublished)

**Figure 9.3 Cash and cash equivalents by Fund (Achieve GF Surplus Scenario)**



Source – AEC (unpublished)

Table 9.6 Reserve Summary (Achieve GF Surplus Scenario)

RESERVES - CONSOLIDATED	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
	ACTUAL	BUDGET	FORWARD PLAN									
<b>Externally Restricted - Liabilities</b>												
Specific purpose unexpended loans - general	2,630	2,630	2,630	2,630	2,630	2,630	2,630	2,630	2,630	2,630	2,630	2,630
Subdivision bonds	4,813	4,813	4,813	4,813	4,813	4,813	4,813	4,813	4,813	4,813	4,813	4,813
Sundry bonds and deposits	4,854	4,854	4,854	4,854	4,854	4,854	4,854	4,854	4,854	4,854	4,854	4,854
Other sale of land, planning guarantee and relocation, tender and sundry deposits	34	34	34	34	34	34	34	34	34	34	34	34
Specific purpose unexpended grants - general fund	36,504	36,504	36,504	36,504	36,504	36,504	36,504	36,504	36,504	36,504	36,504	36,504
<b>External restrictions included in liabilities</b>	<b>48,835</b>	<b>48,835</b>	<b>48,835</b>	<b>48,835</b>	<b>48,835</b>	<b>48,835</b>	<b>48,835</b>	<b>48,835</b>	<b>48,835</b>	<b>48,835</b>	<b>48,835</b>	<b>48,835</b>
<b>Externally Restricted - Other</b>												
Developer contributions – general	29,686	32,268	34,926	37,665	40,486	43,392	46,384	49,467	52,642	55,912	59,280	62,749
Developer contributions – water fund	5,986	8,986	12,076	15,259	18,537	21,913	25,391	28,973	32,663	36,463	40,378	44,409
Developer contributions – sewer fund	19,327	22,327	25,417	28,600	31,878	35,254	38,732	42,314	46,004	49,804	53,719	57,750
Specific purpose unexpended grants (recognised as revenue) – general fund	1,409	1,409	1,409	1,409	1,409	1,409	1,409	1,409	1,409	1,409	1,409	1,409
Water fund	27,061	10,050	10,802	(1,041)	(12,047)	(23,396)	(34,753)	(40,685)	(45,265)	(42,307)	(44,525)	(46,620)
Water supplies –Employee Entitlements	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage services –Employee Entitlements	-	-	-	-	-	-	-	-	-	-	-	-
Domestic waste management	41,888	45,306	48,614	52,216	55,666	58,955	61,854	64,357	66,447	68,108	69,321	70,068
Stormwater management	940	940	940	940	940	940	940	940	940	940	940	940
Sewer fund	78,748	76,645	44,175	12,761	268	(1,518)	(5,608)	(11,972)	(26,802)	(42,194)	(46,035)	(50,881)
Stratford-Duralie Coal Contributions	1,490	1,470	1,449	1,428	1,406	1,384	1,361	1,337	1,312	1,287	1,261	1,234
Crown Lands Act – Section 106 (Forster Boat Harbour)	363	363	363	363	363	363	363	363	363	363	363	363
Other contributions to works	678	678	678	678	678	678	678	678	678	678	678	678
ARTC Rail Crossing	521	521	521	521	521	521	521	521	521	521	521	521
Cattai Wetlands – Environmental Trust	474	474	474	474	474	474	474	474	474	474	474	474
Nabiac Showground	213	213	213	213	213	213	213	213	213	213	213	213
Other - external restrictions	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108
<b>Externally Restricted - Other</b>	<b>209,892</b>	<b>202,757</b>	<b>183,166</b>	<b>152,594</b>	<b>141,900</b>	<b>141,690</b>	<b>139,067</b>	<b>139,497</b>	<b>132,707</b>	<b>132,778</b>	<b>139,103</b>	<b>144,415</b>

## MIDCOAST COUNCIL - FINANCIAL SUSTAINABILITY REVIEW 2023

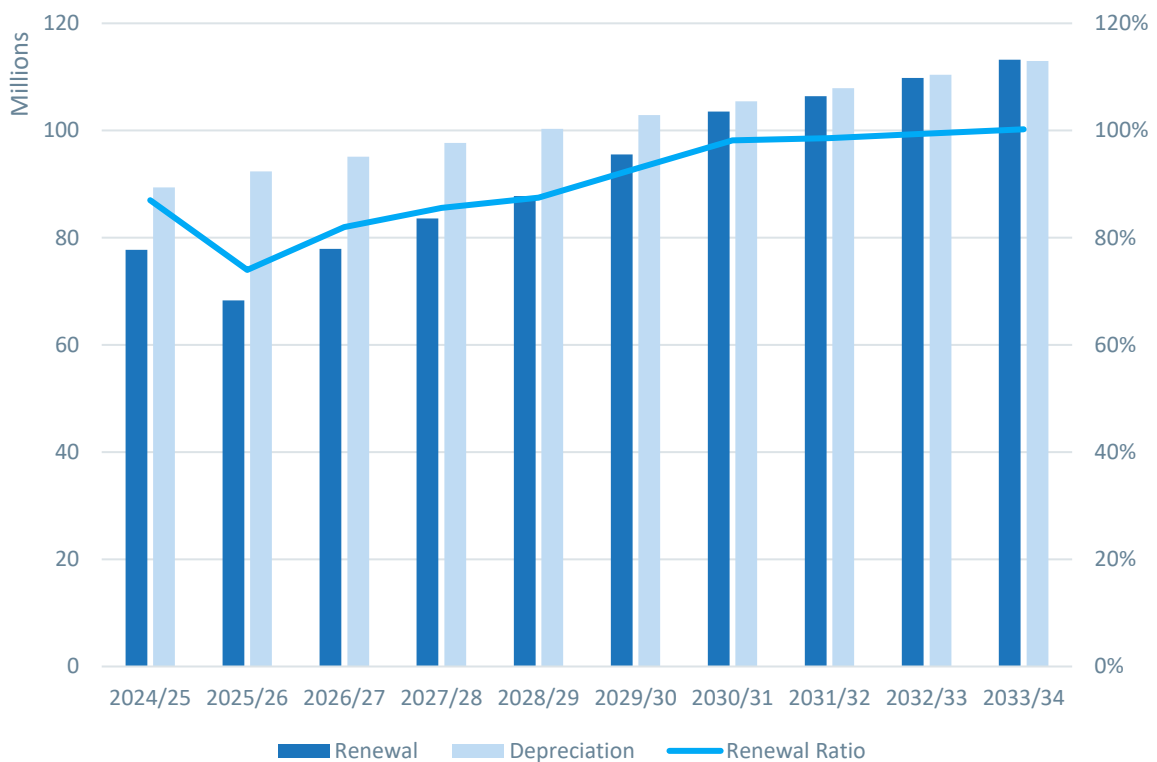
RESERVES - CONSOLIDATED	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	ACTUAL	BUDGET	FORWARD PLAN									
<b>Internally Restricted</b>												
Plant and vehicle replacement	7,286	7,501	7,666	7,831	7,907	7,930	7,888	7,786	7,628	7,345	6,492	5,490
Employees leave entitlement	4,282	4,282	4,282	4,282	4,282	4,282	4,282	4,282	4,282	4,282	4,282	4,282
Carry over works	2,099	2,099	2,099	2,099	2,099	2,099	2,099	2,099	2,099	2,099	2,099	2,099
Building Infrastructure Reserves	2,385	2,385	2,385	2,385	2,385	2,385	2,385	2,385	2,385	2,385	2,385	2,385
Environmental Levy Reserve	6,021	6,021	6,021	6,021	6,021	6,021	6,021	6,021	6,021	6,021	6,021	6,021
Commercial Waste	1,823	1,823	1,823	1,823	1,823	1,823	1,823	1,823	1,823	1,823	1,823	1,823
Election	516	516	516	516	516	516	516	516	516	516	516	516
Emergency Management	1,263	1,163	1,058	950	839	725	609	490	367	242	113	(19)
Land & Property Reserves	4,468	4,468	4,468	4,468	4,468	4,468	4,468	4,468	4,468	4,468	4,468	4,468
IT Infrastructure Reserves	3,214	3,214	3,214	3,214	3,214	3,214	3,214	3,214	3,214	3,214	3,214	3,214
Budget Management Reserves	851	851	851	851	851	851	851	851	851	851	851	851
Parks Infrastructure Reserves	511	511	511	511	511	511	511	511	511	511	511	511
Road Infrastructure Reserves	2,226	2,226	2,226	2,226	2,226	2,226	2,226	2,226	2,226	2,226	2,226	2,226
SRV Infrastructure Reserve	13,249	13,249	1,109	985	977	468	(41)	226	413	254	185	70
FAG in advance	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Government Merger Funding Reserve	-	-	-	-	-	-	-	-	-	-	-	-
Other - internal restrictions	3,351	3,351	3,351	3,351	3,351	3,351	3,351	3,351	3,351	3,351	3,351	3,351
Future Infrastructure Renewal & Backlog Reserve	-	-	-	-	1,000	3,000	6,000	9,500	13,500	18,000	22,500	27,000
<b>Internally Restricted</b>	<b>68,545</b>	<b>68,660</b>	<b>56,580</b>	<b>56,513</b>	<b>57,470</b>	<b>58,870</b>	<b>61,203</b>	<b>64,748</b>	<b>68,655</b>	<b>72,587</b>	<b>76,037</b>	<b>79,289</b>
<b>Total internal and external restrictions</b>	<b>327,272</b>	<b>320,252</b>	<b>288,581</b>	<b>257,942</b>	<b>248,205</b>	<b>249,396</b>	<b>249,105</b>	<b>253,080</b>	<b>250,197</b>	<b>254,201</b>	<b>263,975</b>	<b>272,539</b>
Total cash, cash equivalents and investments	330,618	323,870	295,264	272,135	263,959	273,548	277,957	285,595	287,056	296,109	307,032	317,275
Externally restricted cash	209,892	202,757	183,166	152,594	141,900	141,690	139,067	139,497	132,707	132,778	139,103	144,415
Internally restricted cash	68,545	68,660	56,580	56,513	57,470	58,870	61,203	64,748	68,655	72,587	76,037	79,289
External restrictions - included in liabilities	48,835	48,835	48,835	48,835	48,835	48,835	48,835	48,835	48,835	48,835	48,835	48,835
<b>Unrestricted and unallocated cash, cash equivalents and investments</b>	<b>3,346</b>	<b>3,618</b>	<b>6,683</b>	<b>14,193</b>	<b>15,754</b>	<b>24,152</b>	<b>28,852</b>	<b>32,514</b>	<b>36,859</b>	<b>41,908</b>	<b>43,057</b>	<b>44,736</b>

Source – AEC (unpublished)

### 9.4 INVESTMENT IN ASSETS

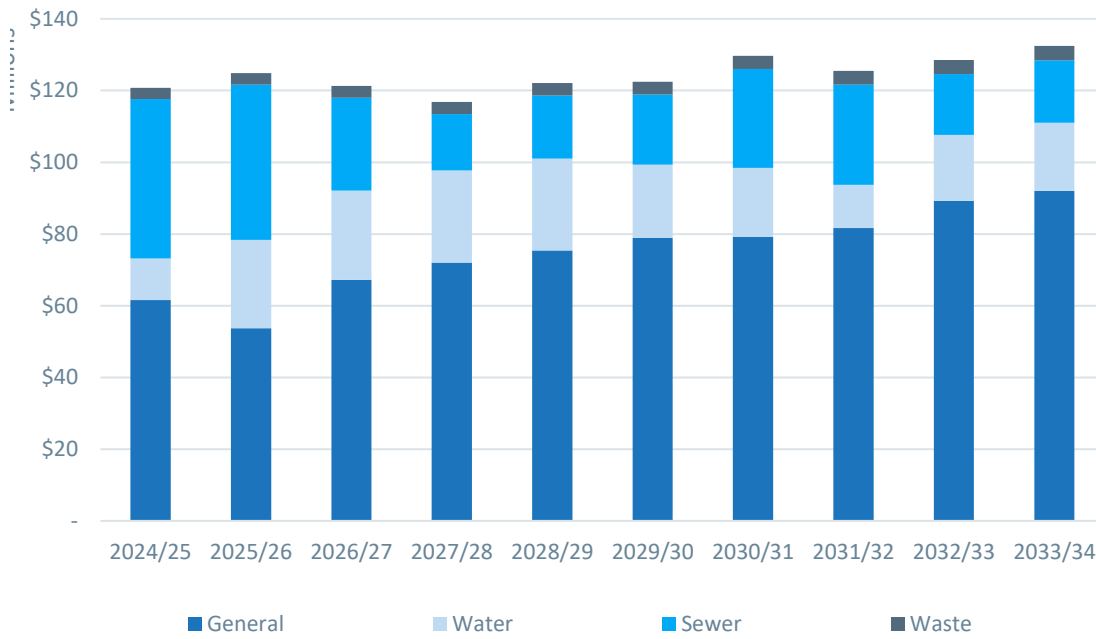
- The asset investment assumptions in this scenario are similar in quantum to the Sustainable Approach to Infrastructure across the 10-year plan but the asset renewals have been adjusted to gradually attain the 100% infrastructure asset renewal performance benchmark set by OLG.
- Similar to the Sustainable Approach to Infrastructure, the Renewal Ratio averages at 91% with average spend on renewals of \$92.4 million. The first five years averages only \$79.1 million annually whilst the second half averages \$105.7 million annually.
- We have not included, in this scenario for a specific program of backlog replacements to increase asset condition from its current state. Council needs to undertake further asset condition work to assist in informing the correct quantum of the infrastructure backlog.

**Figure 9.4 Depreciation versus Renewal Capital Program (Achieve GF Surplus Scenario)**



Source – AEC (unpublished)

**Figure 9.5 Capital Works Plan by Fund (Achieve GF Surplus Scenario)**



Source – AEC (unpublished)

## 10. FORECAST– FINANCIALLY SUSTAINABLE SCENARIO TWO – ACHIEVE AND MAINTAIN UNRESTRICTED CASH

### 10.1 ASSUMPTIONS AND QUALIFICATIONS

This scenario has been compiled based on the Sustainable Approach to Infrastructure, with similar investment in asset assumptions, but with the following modifications:

- The determining objective is for Council to achieve and maintain a minimum unrestricted cash balance of \$10 million, regardless of whether a General Fund net operating surplus is achieved or not.
- We have assumed actions taken by Council that have the effect of improving the operating result by an equivalent to an increase in revenue of Ordinary Rates as stated below, implemented over a period of 3 years from 2024/25 to 2026/27, as follows:

**Table 10.1 Enhanced Cash Requirements - Achieve Minimum UCR Scenario**

	2024/25	2025/26	2026/27	2027/28	Cumulative
Rate Peg (determined by IPART)	5.20%	2.50%	2.50%	2.50%	13.29%
Additional Variation Required	10.00%	7.50%	6.00%	0%	25.35%
% Adjustment to Ordinary Rates (or equivalent initiatives) – includes Rate Peg	15.20%	10.00%	8.50%	2.50%	40.93%

- This scenario maintains unrestricted cash of minimum \$10 million from 2025/26 onwards.
- Whilst we have expressed the change in net revenue assumed in the form of the percentage equivalent increase in Ordinary Rates, this may be achieved through a combination of initiatives, including:
  - e) Identification of operational efficiencies.
  - f) Reduction in service provision.
  - g) Sale of surplus assets (especially to pay down loan and/or fund one-off projects).
  - h) Increase in revenue from operations through increase in service fees, rates and or charges, such as through the application for and adoption of a Special Rates Variation.

### 10.2 CONSOLIDATED OPERATING POSITION

- Under the Financially Sustainable Scenario to Achieve Unrestricted Cash, the net average consolidated operating position over the forecast period reflects a deficit of \$4.9 million annually. The deficit is mainly contributed by deficits in the General Fund although the operating deficits are decreasing from \$18.2 million in 2024/25 to \$8.9 million in 2033/34.
- This scenario does not meet the terms of reference set by Council in undertaking this financial sustainability review.

Table 10.2 Income Statement – Consolidated

INCOME STATEMENT - CONSOLIDATED	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
	ACTUAL	BUDGET	FORWARD PLAN									
<b>Income from continuing operations</b>												
Rates and annual charges	168,844	174,095	190,238	202,808	214,212	218,678	222,835	227,085	231,432	235,877	240,424	245,073
User charges and fees	55,930	58,286	59,510	60,760	62,035	63,338	64,668	66,026	67,413	68,829	70,274	71,750
Other revenue	7,234	3,280	3,373	3,469	3,568	3,670	3,775	3,883	3,995	4,109	4,228	4,349
Grants and contributions provided for operating purposes	46,628	33,157	37,977	39,117	37,923	39,060	38,600	39,758	39,825	41,019	41,695	42,775
Grants and contributions provided for capital purposes	81,433	34,013	28,455	28,371	29,305	30,271	31,271	32,305	33,375	34,482	35,433	36,495
Interest and investment revenue	9,006	9,500	9,750	10,005	10,268	10,537	10,813	11,097	11,388	11,687	11,994	12,309
Other income	9,001	2,590	2,616	2,629	2,655	2,669	2,695	2,709	2,736	2,750	2,777	2,791
Net gains from the disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-
Internal Revenue	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total income from continuing operations</b>	<b>378,076</b>	<b>314,921</b>	<b>331,918</b>	<b>347,158</b>	<b>359,966</b>	<b>368,223</b>	<b>374,657</b>	<b>382,863</b>	<b>390,164</b>	<b>398,754</b>	<b>406,825</b>	<b>415,543</b>
<b>Expenses from continuing operations</b>												
Employee benefits and on-costs	85,196	101,844	106,614	109,847	113,162	116,577	120,094	123,119	126,219	129,397	132,654	135,994
Materials and services	101,565	89,277	94,479	98,233	101,390	104,451	107,593	110,648	113,751	116,776	119,860	123,022
Borrowing costs	9,193	8,306	8,073	7,182	6,416	5,802	5,178	4,545	3,905	3,259	2,642	2,061
Depreciation, amortisation and impairment of non-financial assets	107,413	86,694	89,364	92,342	95,094	97,684	100,333	102,875	105,443	107,911	110,413	112,969
Other expenses	16,300	11,705	12,056	12,417	12,790	13,174	13,569	13,976	14,395	14,827	15,272	15,730
Internal expenditure	-	-	-	-	-	-	-	-	-	-	-	-
Net losses from the disposal of assets	22,373	924	-	-	-	-	-	-	-	-	-	-
<b>Total expenses from continuing operations</b>	<b>342,040</b>	<b>298,749</b>	<b>310,585</b>	<b>320,021</b>	<b>328,852</b>	<b>337,688</b>	<b>346,767</b>	<b>355,164</b>	<b>363,713</b>	<b>372,170</b>	<b>380,841</b>	<b>389,776</b>
<b>Operating result from continuing operations</b>	<b>36,036</b>	<b>16,172</b>	<b>21,333</b>	<b>27,136</b>	<b>31,114</b>	<b>30,535</b>	<b>27,890</b>	<b>27,699</b>	<b>26,451</b>	<b>26,584</b>	<b>25,984</b>	<b>25,767</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>(45,397)</b>	<b>(17,841)</b>	<b>(7,122)</b>	<b>(1,234)</b>	<b>1,810</b>	<b>264</b>	<b>(3,381)</b>	<b>(4,605)</b>	<b>(6,924)</b>	<b>(7,898)</b>	<b>(9,449)</b>	<b>(10,728)</b>

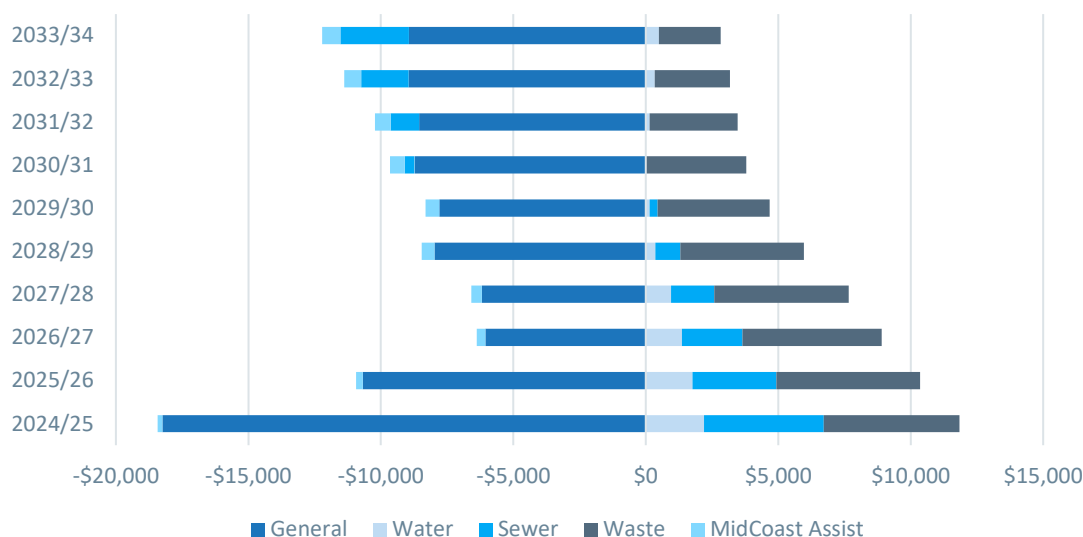
Source – AEC (unpublished)

Table 10.3 Income Statement – General

INCOME STATEMENT – GENERAL	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
	<b>ACTUAL</b>	<b>BUDGET</b>	<b>FORWARD PLAN</b>									
<b>Income from continuing operations</b>												
Rates and annual charges	113,412	91,993	106,436	117,247	127,400	130,587	133,828	137,151	140,556	144,047	147,626	151,293
User charges and fees	23,818	9,421	9,619	9,821	10,027	10,238	10,453	10,672	10,896	11,125	11,359	11,597
Other revenue	6,324	2,045	2,101	2,159	2,219	2,280	2,343	2,409	2,476	2,545	2,616	2,690
Grants and contributions provided for operating purposes	46,628	32,021	36,807	37,911	36,681	37,782	37,283	38,401	38,427	39,580	40,213	41,248
Grants and contributions provided for capital purposes	71,169	24,763	19,442	19,088	19,743	20,423	21,127	21,857	22,614	23,398	24,016	24,736
Interest and investment revenue	6,568	5,490	5,634	5,781	5,933	6,089	6,248	6,412	6,581	6,753	6,931	7,113
Other income	9,001	2,362	2,386	2,398	2,422	2,434	2,458	2,470	2,495	2,508	2,533	2,545
Net gains from the disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-
Internal Revenue	-	36,565	26,844	27,649	28,340	29,049	29,775	30,519	31,282	32,064	32,866	33,687
<b>Total income from continuing operations</b>	<b>276,920</b>	<b>204,660</b>	<b>209,268</b>	<b>222,054</b>	<b>232,765</b>	<b>238,880</b>	<b>243,515</b>	<b>249,892</b>	<b>255,328</b>	<b>262,021</b>	<b>268,159</b>	<b>274,910</b>
<b>Expenses from continuing operations</b>												
Employee benefits and on-costs	68,247	73,995	77,325	79,645	82,034	84,495	87,030	89,206	91,436	93,722	96,065	98,466
Materials and services	70,037	49,662	52,205	53,831	55,236	56,678	58,155	59,670	61,224	62,816	64,447	66,120
Borrowing costs	2,019	1,491	1,976	1,757	1,544	1,333	1,118	922	739	549	383	186
Depreciation, amortisation and impairment of non-financial assets	80,621	61,133	62,551	64,000	65,480	66,991	68,535	70,112	71,722	73,367	75,045	76,759
Other expenses	15,685	3,106	3,200	3,296	3,395	3,496	3,601	3,709	3,821	3,935	4,053	4,175
Internal expenditure	-	10,361	10,819	11,119	11,381	11,650	11,926	12,208	12,497	12,793	13,096	13,407
Net losses from the disposal of assets	17,121	-	-	-	-	-	-	-	-	-	-	-
<b>Total expenses from continuing operations</b>	<b>253,730</b>	<b>199,748</b>	<b>208,075</b>	<b>213,647</b>	<b>219,071</b>	<b>224,643</b>	<b>230,366</b>	<b>235,827</b>	<b>241,438</b>	<b>247,182</b>	<b>253,090</b>	<b>259,114</b>
<b>Operating result from continuing operations</b>	<b>23,190</b>	<b>4,912</b>	<b>1,193</b>	<b>8,407</b>	<b>13,694</b>	<b>14,237</b>	<b>13,150</b>	<b>14,064</b>	<b>13,889</b>	<b>14,839</b>	<b>15,069</b>	<b>15,796</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>(47,979)</b>	<b>(19,851)</b>	<b>(18,249)</b>	<b>(10,680)</b>	<b>(6,049)</b>	<b>(6,186)</b>	<b>(7,977)</b>	<b>(7,793)</b>	<b>(8,724)</b>	<b>(8,559)</b>	<b>(8,947)</b>	<b>(8,940)</b>

Source – AEC (unpublished)



**Figure 10.1 Net Operating Result before Capital – By Fund (Achieve Minimum UCR Scenario)**


Source – AEC (unpublished)

- Council's General Fund does not realise operating surplus, but it does decline over time, averaging \$9.2 million in deficits over the forecast period.
- Water fund reports an average \$0.8 million in surplus annually across the forecast period. Sewer Fund projects a similar average (\$0.7 million) but from 2030/31 onwards the fund is producing deficits. Council would need to access the sewer pricing to ensure that this is producing enough cash for its operations, asset renewals and any future development.
- Waste fund profits average \$4.2 million across the 10 years but there is a declining trend. Council will need to monitor the pricing on domestic waste management service to ensure that this is funding its current operations and any future developments. Council is currently undertaking some work to separate the different waste operations into separate reserve.
- MidCoast Assist is generating a forecast position of \$0.5 million annual operating deficits.

### 10.3 AVAILABILITY OF CASH

- Under this scenario, Total cash, cash equivalents and investments are forecast decline, commencing at \$330.6 million in 2022/23 and decreasing to \$259.0 million in 2033/34.
- Under this scenario, internally restricted reserves decrease from \$68.5 million (2023/24) to \$52.3 million (2033/34). The major changes in internal reserves relate to a decrease in SRV Infrastructure reserve (\$13.2 million), plant and vehicle replacement (\$1.8 million) and emergency management (\$1.3 million).
- Under this scenario, unrestricted cash is maintained over \$10 million from 2026/27 onwards, from \$3.4 million in 2022/23 to \$11.5 million in 2033/34. Council will achieve its sustainability target for unrestricted cash at a minimum of \$10 million from 2026/27 onwards.

**Table 10.4 Statement of Cash flow - Consolidated (Achieve Minimum UCR Scenario)**

STATEMENT OF CASH FLOWS - CONSOLIDATED	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
	<b>ACTUAL</b>	<b>BUDGET</b>	<b>FORWARD PLAN</b>									
<b>Cash Flows from operating activities</b>												
<i>Receipts:</i>												
Rates and annual charges	165,693	174,095	190,238	202,808	214,212	218,678	222,835	227,085	231,432	235,877	240,424	245,073
User charges and fees	56,569	58,286	59,510	60,760	62,035	63,338	64,668	66,026	67,413	68,829	70,274	71,750
Investment and interest revenue received	6,940	9,500	9,750	10,005	10,268	10,537	10,813	11,097	11,388	11,687	11,994	12,309
Grants and contributions	124,017	67,170	66,432	67,487	67,227	69,331	69,870	72,063	73,200	75,502	77,128	79,270
Bonds, deposits and retention amounts received	150	-	-	-	-	-	-	-	-	-	-	-
Other operating	30,478	5,870	5,989	6,098	6,224	6,339	6,470	6,592	6,731	6,859	7,005	7,140
<i>Payments:</i>												
Employee benefits and on-costs	(84,678)	(94,046)	(106,240)	(109,393)	(112,655)	(116,014)	(119,474)	(122,439)	(125,478)	(128,593)	(131,785)	(135,056)
Materials and services	(104,922)	(85,935)	(94,318)	(98,039)	(101,172)	(104,210)	(107,327)	(110,357)	(113,433)	(116,431)	(119,487)	(122,620)
Borrowing costs	(8,943)	(8,306)	(8,073)	(7,182)	(6,416)	(5,802)	(5,178)	(4,545)	(3,905)	(3,259)	(2,642)	(2,061)
Bonds, deposits and retention amounts refunded	-	-	-	-	-	-	-	-	-	-	-	-
Other operating	(5,126)	(11,705)	(12,056)	(12,417)	(12,790)	(13,174)	(13,569)	(13,976)	(14,395)	(14,827)	(15,272)	(15,730)
<b>Net cash provided (or used in) operating activities</b>	<b>180,178</b>	<b>114,929</b>	<b>111,231</b>	<b>120,126</b>	<b>126,933</b>	<b>129,023</b>	<b>129,108</b>	<b>131,546</b>	<b>132,951</b>	<b>135,644</b>	<b>137,638</b>	<b>140,075</b>
<b>Cash Flows from investing activities</b>												
<i>Receipts:</i>												
Sale of investments	99,740	-	-	-	-	-	-	-	-	-	-	-
Sale of infrastructure, property, plant and equipment	1,033	1,500	1,030	1,061	1,093	1,126	1,159	1,194	1,230	1,267	1,305	1,344
Deferred Debtors Receipts	-	-	-	-	-	-	-	-	-	-	-	-
Other investing	1,300	-	-	-	-	-	-	-	-	-	-	-
<i>Payments:</i>												
Purchase of investment securities	(120,000)	-	-	-	-	-	-	-	-	-	-	-
Purchase of infrastructure, property, plant and equipment	(160,510)	(116,884)	(120,716)	(124,852)	(121,335)	(116,867)	(122,079)	(122,489)	(129,712)	(125,521)	(128,503)	(132,493)
Purchase of intangible assets	-	-	-	-	-	-	-	-	-	-	-	-

## MIDCOAST COUNCIL - FINANCIAL SUSTAINABILITY REVIEW 2023

STATEMENT OF CASH FLOWS - CONSOLIDATED	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
	<b>ACTUAL</b>	<b>BUDGET</b>	<b>FORWARD PLAN</b>									
Purchase of real estate assets	-	-	-	-	-	-	-	-	-	-	-	-
Deferred debtors and advances made	-	-	-	-	-	-	-	-	-	-	-	-
Other investing	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net cash provided (or used in) investing activities</b>	<b>(178,437)</b>	<b>(115,384)</b>	<b>(119,686)</b>	<b>(123,791)</b>	<b>(120,242)</b>	<b>(115,742)</b>	<b>(120,920)</b>	<b>(121,295)</b>	<b>(128,483)</b>	<b>(124,254)</b>	<b>(127,199)</b>	<b>(131,149)</b>
<b>Cash Flows from financing activities</b>												
<b>Receipts:</b>												
New Residential Accommodation Bonds	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds from borrowings	7,100	11,000	-	-	-	-	-	-	-	-	-	-
Other financing	-	-	-	-	-	-	-	-	-	-	-	-
<b>Payments:</b>												
Repayment of borrowings and advances	(19,233)	(17,293)	(17,728)	(16,795)	(13,732)	(12,248)	(12,547)	(11,599)	(12,215)	(11,773)	(9,188)	(8,594)
Principal component of lease payments	(772)	-	-	-	-	-	-	-	-	-	-	-
Other financing	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net cash provided (or used in) financing activities</b>	<b>(12,905)</b>	<b>(6,293)</b>	<b>(17,728)</b>	<b>(16,795)</b>	<b>(13,732)</b>	<b>(12,248)</b>	<b>(12,547)</b>	<b>(11,599)</b>	<b>(12,215)</b>	<b>(11,773)</b>	<b>(9,188)</b>	<b>(8,594)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(11,164)</b>	<b>(6,748)</b>	<b>(26,183)</b>	<b>(20,460)</b>	<b>(7,042)</b>	<b>1,034</b>	<b>(4,358)</b>	<b>(1,348)</b>	<b>(7,746)</b>	<b>(384)</b>	<b>1,252</b>	<b>332</b>
Cash and cash equivalents - beginning of year	61,855	50,691	43,943	17,759	(2,701)	(9,742)	(8,709)	(13,067)	(14,415)	(22,161)	(22,545)	(21,293)
<b>Cash and cash equivalents - end of the year</b>	<b>50,691</b>	<b>43,943</b>	<b>17,759</b>	<b>(2,701)</b>	<b>(9,742)</b>	<b>(8,709)</b>	<b>(13,067)</b>	<b>(14,415)</b>	<b>(22,161)</b>	<b>(22,545)</b>	<b>(21,293)</b>	<b>(20,961)</b>
Investments on hand - end of year	279,927	279,927	279,927	279,927	279,927	279,927	279,927	279,927	279,927	279,927	279,927	279,927
<b>Total cash, cash equivalents and investments</b>	<b>330,618</b>	<b>323,870</b>	<b>297,686</b>	<b>277,226</b>	<b>270,185</b>	<b>271,218</b>	<b>266,860</b>	<b>265,512</b>	<b>257,766</b>	<b>257,382</b>	<b>258,634</b>	<b>258,966</b>

Source – AEC (unpublished)

**Table 10.5 Statement of Cash flows - General (Achieve Minimum UCR Scenario)**

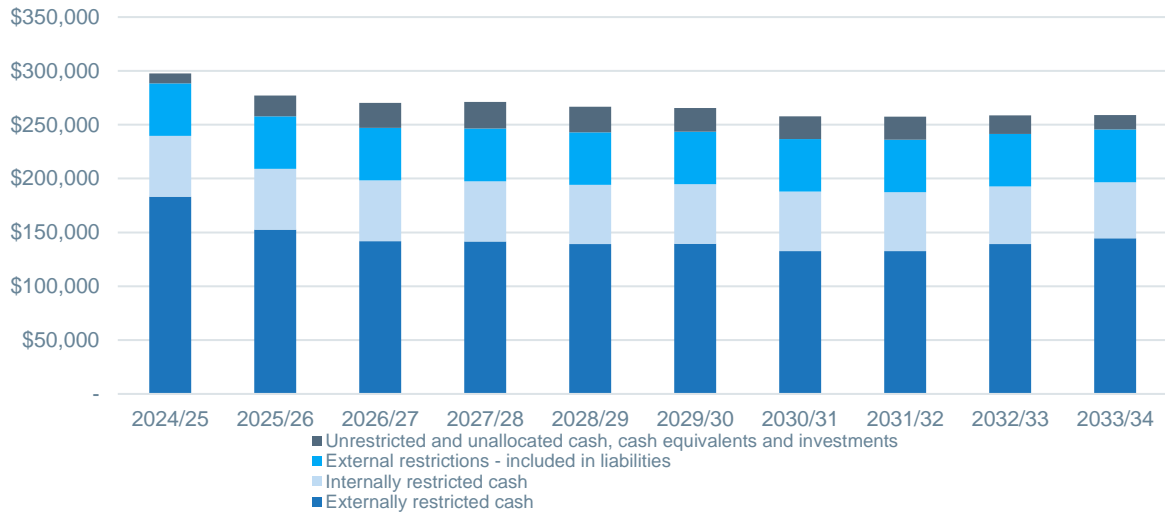
STATEMENT OF CASH FLOWS - GENERAL	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	<b>BUDGET</b>	<b>FORWARD PLAN</b>									
<b>Cash Flows from operating activities</b>											
<i>Receipts:</i>											
Rates and annual charges	91,993	106,436	117,247	127,400	130,587	133,828	137,151	140,556	144,047	147,626	151,293
User charges and fees	9,421	9,619	9,821	10,027	10,238	10,453	10,672	10,896	11,125	11,359	11,597
Investment and interest revenue received	5,490	5,634	5,781	5,933	6,089	6,248	6,412	6,581	6,753	6,931	7,113
Grants and contributions	56,784	56,249	56,999	56,424	58,204	58,409	60,258	61,041	62,978	64,229	65,984
Bonds, deposits and retention amounts received	-	-	-	-	-	-	-	-	-	-	-
Other operating	40,972	31,330	32,205	32,980	33,762	34,576	35,398	36,253	37,117	38,015	38,922
<i>Payments:</i>											
Employee benefits and on-costs	(73,995)	(77,325)	(79,645)	(82,034)	(84,495)	(87,030)	(89,206)	(91,436)	(93,722)	(96,065)	(98,466)
Materials and services	(49,662)	(52,205)	(53,831)	(55,236)	(56,678)	(58,155)	(59,670)	(61,224)	(62,816)	(64,447)	(66,120)
Borrowing costs	(1,491)	(1,976)	(1,757)	(1,544)	(1,333)	(1,118)	(922)	(739)	(549)	(383)	(186)
Bonds, deposits and retention amounts refunded	-	-	-	-	-	-	-	-	-	-	-
Other operating	(13,467)	(14,019)	(14,415)	(14,776)	(15,147)	(15,527)	(15,917)	(16,318)	(16,728)	(17,150)	(17,582)
<b>Net cash provided (or used in) operating activities</b>	<b>66,045</b>	<b>63,744</b>	<b>72,407</b>	<b>79,174</b>	<b>81,228</b>	<b>81,685</b>	<b>84,176</b>	<b>85,611</b>	<b>88,206</b>	<b>90,114</b>	<b>92,555</b>
<b>Cash Flows from investing activities</b>											
<i>Receipts:</i>											
Sale of investments	-	-	-	-	-	-	-	-	-	-	-
Sale of infrastructure, property, plant and equipment	1,500	1,030	1,061	1,093	1,126	1,159	1,194	1,230	1,267	1,305	1,344
Deferred Debtors Receipts	-	-	-	-	-	-	-	-	-	-	-
Other investing	-	-	-	-	-	-	-	-	-	-	-
<i>Payments:</i>											
Purchase of investment securities	-	-	-	-	-	-	-	-	-	-	-
Purchase of infrastructure, property, plant and equipment	(69,049)	(61,601)	(53,758)	(67,171)	(72,019)	(75,374)	(78,860)	(79,144)	(81,622)	(89,211)	(92,022)
Purchase of intangible assets	-	-	-	-	-	-	-	-	-	-	-
Purchase of real estate assets	-	-	-	-	-	-	-	-	-	-	-

## MIDCOAST COUNCIL - FINANCIAL SUSTAINABILITY REVIEW 2023

STATEMENT OF CASH FLOWS - GENERAL	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
	<b>BUDGET</b>	<b>FORWARD PLAN</b>									
Deferred debtors and advances made	-	-	-	-	-	-	-	-	-	-	-
Other investing	-	-	-	-	-	-	-	-	-	-	-
<b>Net cash provided (or used in) investing activities</b>	<b>(67,549)</b>	<b>(60,571)</b>	<b>(52,697)</b>	<b>(66,078)</b>	<b>(70,894)</b>	<b>(74,214)</b>	<b>(77,666)</b>	<b>(77,914)</b>	<b>(80,355)</b>	<b>(87,906)</b>	<b>(90,678)</b>
<b>Cash Flows from financing activities</b>											
<i>Receipts:</i>											
New Residential Accommodation Bonds	-	-	-	-	-	-	-	-	-	-	-
Proceeds from borrowings	11,000	-	-	-	-	-	-	-	-	-	-
Other financing	-	-	-	-	-	-	-	-	-	-	-
<i>Payments:</i>											
Repayment of borrowings and advances	(4,918)	(5,577)	(5,446)	(5,319)	(5,166)	(5,068)	(3,976)	(4,240)	(4,001)	(2,869)	(2,236)
Principal component of lease payments	-	-	-	-	-	-	-	-	-	-	-
Other financing	-	-	-	-	-	-	-	-	-	-	-
<b>Net cash provided (or used in) financing activities</b>	<b>6,082</b>	<b>(5,577)</b>	<b>(5,446)</b>	<b>(5,319)</b>	<b>(5,166)</b>	<b>(5,068)</b>	<b>(3,976)</b>	<b>(4,240)</b>	<b>(4,001)</b>	<b>(2,869)</b>	<b>(2,236)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>4,577</b>	<b>(2,404)</b>	<b>14,264</b>	<b>7,777</b>	<b>5,168</b>	<b>2,402</b>	<b>2,534</b>	<b>3,457</b>	<b>3,850</b>	<b>(661)</b>	<b>(358)</b>
Cash and cash equivalents - beginning of year	16,319	20,896	18,492	32,756	40,533	45,701	48,103	50,637	54,094	57,945	57,284
<b>Cash and cash equivalents - end of the year</b>	<b>20,896</b>	<b>18,492</b>	<b>32,756</b>	<b>40,533</b>	<b>45,701</b>	<b>48,103</b>	<b>50,637</b>	<b>54,094</b>	<b>57,945</b>	<b>57,284</b>	<b>56,926</b>
Investments on hand - end of year	183,177	183,177	183,177	183,177	183,177	183,177	183,177	183,177	183,177	183,177	183,177
<b>Total cash, cash equivalents and investments</b>	<b>204,073</b>	<b>201,669</b>	<b>215,933</b>	<b>223,710</b>	<b>228,878</b>	<b>231,280</b>	<b>233,814</b>	<b>237,271</b>	<b>241,122</b>	<b>240,461</b>	<b>240,103</b>

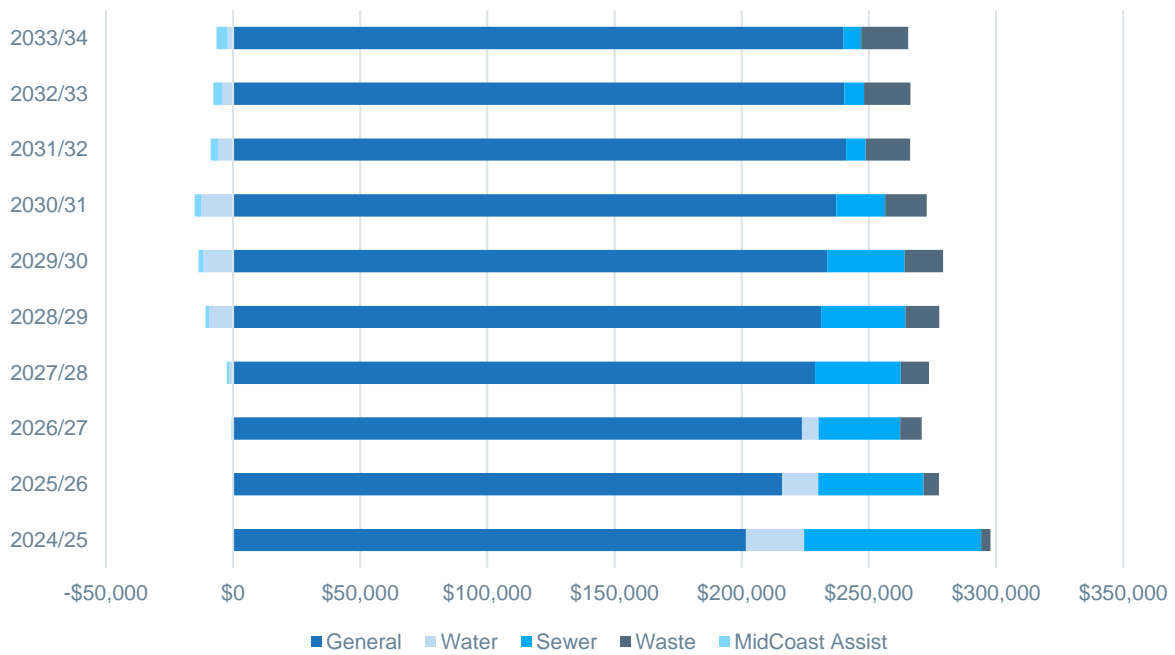
Source – AEC (unpublished)

**Figure 10.2 Restricted and Unrestricted Cash (Achieve Minimum UCR Scenario) - \$'000**



Source – AEC (unpublished)

**Figure 10.3 Cash and cash equivalents by Fund (Achieve Minimum UCR Scenario)**



Source – AEC (unpublished)

**Table 10.6 Reserve Summary (Achieve Minimum UCR Scenario)**

RESERVES - CONSOLIDATED	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
	ACTUAL	BUDGET	FORWARD PLAN									
<b>Externally Restricted - Liabilities</b>												
Specific purpose unexpended loans - general	2,630	2,630	2,630	2,630	2,630	2,630	2,630	2,630	2,630	2,630	2,630	2,630
Subdivision bonds	4,813	4,813	4,813	4,813	4,813	4,813	4,813	4,813	4,813	4,813	4,813	4,813
Sundry bonds and deposits	4,854	4,854	4,854	4,854	4,854	4,854	4,854	4,854	4,854	4,854	4,854	4,854
Other sale of land, planning guarantee and relocation, tender and sundry deposits	34	34	34	34	34	34	34	34	34	34	34	34
Specific purpose unexpended grants - general fund	36,504	36,504	36,504	36,504	36,504	36,504	36,504	36,504	36,504	36,504	36,504	36,504
<b>External restrictions included in liabilities</b>	<b>48,835</b>	<b>48,835</b>	<b>48,835</b>	<b>48,835</b>	<b>48,835</b>	<b>48,835</b>	<b>48,835</b>	<b>48,835</b>	<b>48,835</b>	<b>48,835</b>	<b>48,835</b>	<b>48,835</b>
<b>Externally Restricted - Other</b>												
Developer contributions – general	29,686	32,268	34,926	37,665	40,486	43,392	46,384	49,467	52,642	55,912	59,280	62,749
Developer contributions – water fund	5,986	8,986	12,076	15,259	18,537	21,913	25,391	28,973	32,663	36,463	40,378	44,409
Developer contributions – sewer fund	19,327	22,327	25,417	28,600	31,878	35,254	38,732	42,314	46,004	49,804	53,719	57,750
Specific purpose unexpended grants (recognised as revenue) – general fund	1,409	1,409	1,409	1,409	1,409	1,409	1,409	1,409	1,409	1,409	1,409	1,409
Water fund	27,061	10,050	10,802	(1,041)	(12,047)	(23,396)	(34,753)	(40,685)	(45,265)	(42,307)	(44,525)	(46,620)
Water supplies –Employee Entitlements	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage services –Employee Entitlements	-	-	-	-	-	-	-	-	-	-	-	-
Domestic waste management	41,888	45,306	48,614	52,216	55,666	58,955	61,854	64,357	66,447	68,108	69,321	70,068
Stormwater management	940	940	940	940	940	940	940	940	940	940	940	940
Sewer fund	78,748	76,645	44,175	12,761	268	(1,518)	(5,608)	(11,972)	(26,802)	(42,194)	(46,035)	(50,881)
Stratford-Duralie Coal Contributions	1,490	1,470	1,449	1,428	1,406	1,384	1,361	1,337	1,312	1,287	1,261	1,234
Crown Lands Act – Section 106 (Forster Boat Harbour)	363	363	363	363	363	363	363	363	363	363	363	363
Other contributions to works	678	678	678	678	678	678	678	678	678	678	678	678
ARTC Rail Crossing	521	521	521	521	521	521	521	521	521	521	521	521
Cattai Wetlands – Environmental Trust	474	474	474	474	474	474	474	474	474	474	474	474
Nabiac Showground	213	213	213	213	213	213	213	213	213	213	213	213
Other - external restrictions	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108
<b>Externally Restricted - Other</b>	<b>209,892</b>	<b>202,757</b>	<b>183,166</b>	<b>152,594</b>	<b>141,900</b>	<b>141,690</b>	<b>139,067</b>	<b>139,497</b>	<b>132,707</b>	<b>132,778</b>	<b>139,103</b>	<b>144,415</b>

## MIDCOAST COUNCIL - FINANCIAL SUSTAINABILITY REVIEW 2023

RESERVES - CONSOLIDATED	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
	ACTUAL	BUDGET	FORWARD PLAN									
<b>Internally Restricted</b>												
Plant and vehicle replacement	7,286	7,501	7,666	7,831	7,907	7,930	7,888	7,786	7,628	7,345	6,492	5,490
Employees leave entitlement	4,282	4,282	4,282	4,282	4,282	4,282	4,282	4,282	4,282	4,282	4,282	4,282
Carry over works	2,099	2,099	2,099	2,099	2,099	2,099	2,099	2,099	2,099	2,099	2,099	2,099
Building Infrastructure Reserves	2,385	2,385	2,385	2,385	2,385	2,385	2,385	2,385	2,385	2,385	2,385	2,385
Environmental Levy Reserve	6,021	6,021	6,021	6,021	6,021	6,021	6,021	6,021	6,021	6,021	6,021	6,021
Commercial Waste	1,823	1,823	1,823	1,823	1,823	1,823	1,823	1,823	1,823	1,823	1,823	1,823
Election	516	516	516	516	516	516	516	516	516	516	516	516
Emergency Management	1,263	1,163	1,058	950	839	725	609	490	367	242	113	(19)
Land & Property Reserves	4,468	4,468	4,468	4,468	4,468	4,468	4,468	4,468	4,468	4,468	4,468	4,468
IT Infrastructure Reserves	3,214	3,214	3,214	3,214	3,214	3,214	3,214	3,214	3,214	3,214	3,214	3,214
Budget Management Reserves	851	851	851	851	851	851	851	851	851	851	851	851
Parks Infrastructure Reserves	511	511	511	511	511	511	511	511	511	511	511	511
Road Infrastructure Reserves	2,226	2,226	2,226	2,226	2,226	2,226	2,226	2,226	2,226	2,226	2,226	2,226
SRV Infrastructure Reserve	13,249	13,249	1,109	985	977	468	(41)	226	413	254	185	70
FAG in advance	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Government Merger Funding Reserve	-	-	-	-	-	-	-	-	-	-	-	-
Other - internal restrictions	3,351	3,351	3,351	3,351	3,351	3,351	3,351	3,351	3,351	3,351	3,351	3,351
<b>Internally Restricted</b>	<b>68,545</b>	<b>68,660</b>	<b>56,580</b>	<b>56,513</b>	<b>56,470</b>	<b>55,870</b>	<b>55,203</b>	<b>55,248</b>	<b>55,155</b>	<b>54,587</b>	<b>53,537</b>	<b>52,289</b>
<b>Total internal and external restrictions</b>	<b>327,272</b>	<b>320,252</b>	<b>288,581</b>	<b>257,942</b>	<b>247,205</b>	<b>246,396</b>	<b>243,105</b>	<b>243,580</b>	<b>236,697</b>	<b>236,201</b>	<b>241,475</b>	<b>245,539</b>
Total cash, cash equivalents and investments	330,618	323,870	297,686	277,226	270,185	271,218	266,860	265,512	257,766	257,382	258,634	258,966
Externally restricted cash	209,892	202,757	183,166	152,594	141,900	141,690	139,067	139,497	132,707	132,778	139,103	144,415
Internally restricted cash	68,545	68,660	56,580	56,513	56,470	55,870	55,203	55,248	55,155	54,587	53,537	52,289
External restrictions - included in liabilities	48,835	48,835	48,835	48,835	48,835	48,835	48,835	48,835	48,835	48,835	48,835	48,835
<b>Unrestricted and unallocated cash, cash equivalents and investments</b>	<b>3,346</b>	<b>3,618</b>	<b>9,105</b>	<b>19,284</b>	<b>22,980</b>	<b>24,823</b>	<b>23,755</b>	<b>21,932</b>	<b>21,069</b>	<b>21,182</b>	<b>17,160</b>	<b>13,428</b>

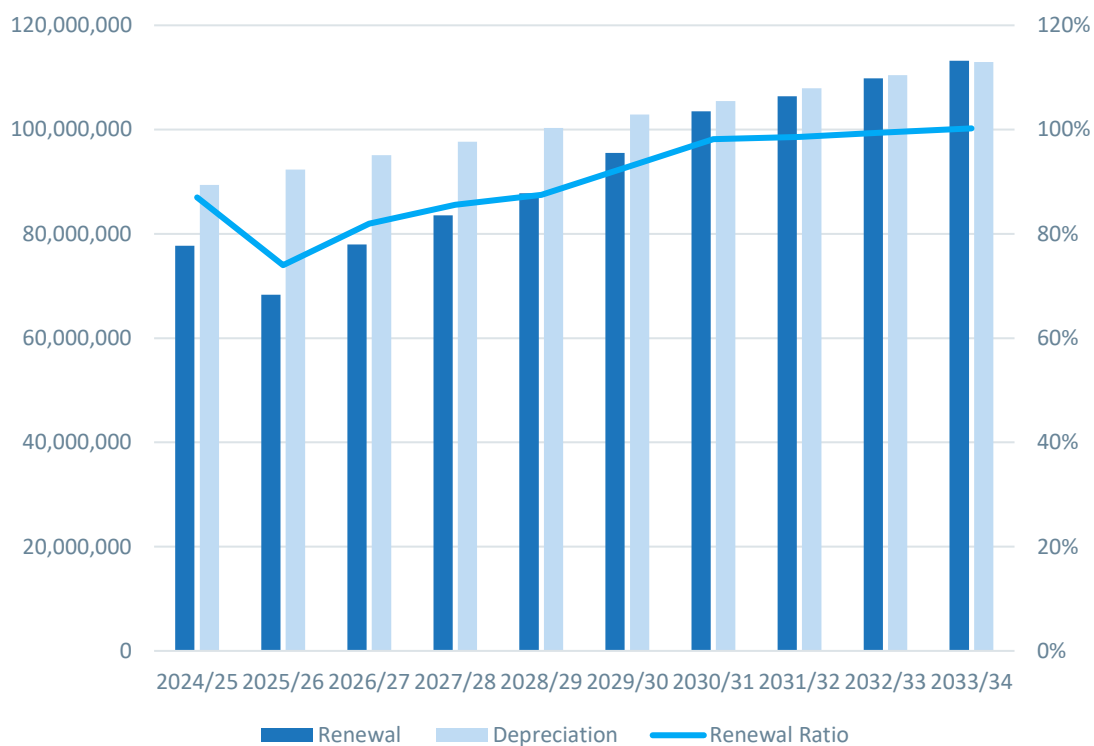
Source – AEC (unpublished)



### 10.4 INVESTMENT IN ASSETS

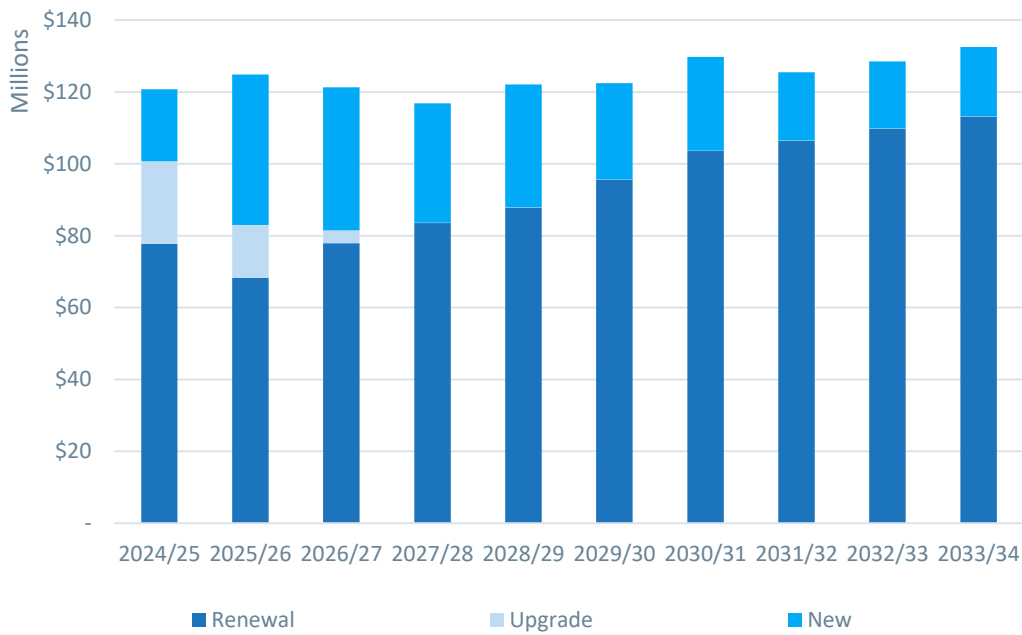
- The asset investment assumptions in this scenario are similar in quantum to the Sustainable Approach to Infrastructure across the 10-year plan but the asset renewals have been adjusted to gradually attain the 100% infrastructure asset renewal performance benchmark set by OLG.
- Similar to the Sustainable Approach to Infrastructure, the Renewal Ratio averages at 91% with average spend on renewals of \$92.4 million. The first five (5) years averages only \$79.1 million annually whilst the second half averages \$105.7 million annually.
- We have not included in this scenario for a specific program of backlog replacements to increase asset condition from its current state. Council needs to undertake further asset condition work to assist in informing the correct quantum of the infrastructure backlog.

**Figure 10.4 Depreciation versus Renewal Capital Program (Achieve Minimum UCR Scenario)**



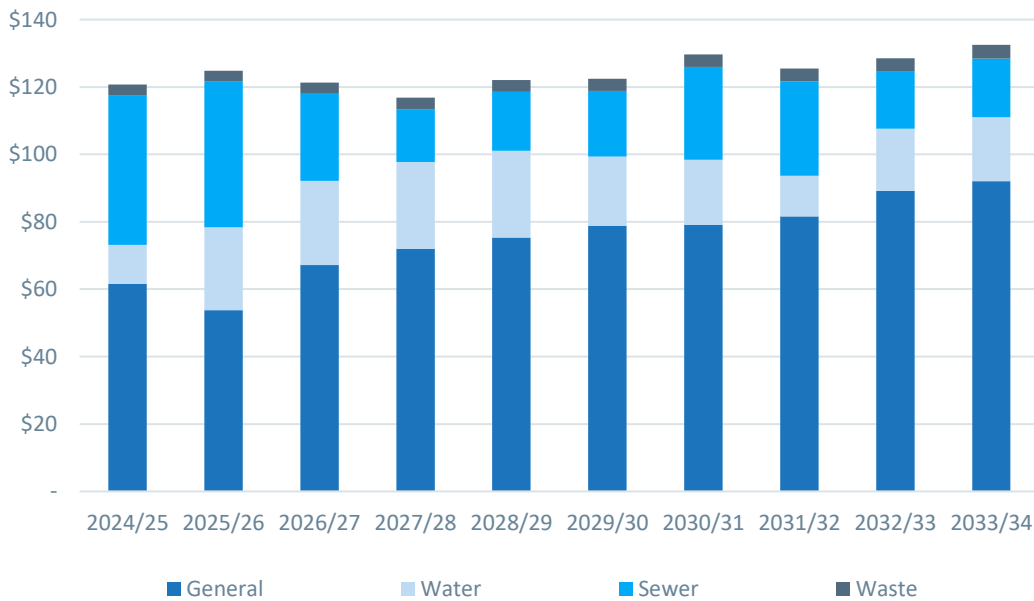
Source – AEC (unpublished)

**Figure 10.5 Capital Works Plan by Type (Achieve Minimum UCR Scenario)**



Source – AEC (unpublished)

**Figure 10.6 Capital Works Plan by Fund (Achieve Minimum UCR Scenario)**



Source – AEC (unpublished)

## 11. VISION FOR A FINANCIALLY SUSTAINABLE COUNCIL

---

The Council will be financially sustainable if it can deliver the Community Strategic Plan and Delivery Program whilst demonstrating capacity to maintain financial capital and infrastructure capital over the short (1-4 years), medium (4-10 years) and long term (10-25 years).

The Council can demonstrate capacity to delivery financial sustainability through the following:

- **Operating position** – the ability to generate sufficient revenue and control the cost of services and infrastructure to produce sufficient cash from operations to meet investment and financing requirements.
- **Availability of Cash** – the ability to maintain sufficient cash (or access to cash) to meet the needs of operations, investments, and financing (borrowings).
- **Investment in Assets** – the ability to renew or replace assets to maintain the desired level of service and the provision of new assets to meet demand for growth in services.

A financially sustainable Council can invest in developing and growing the local economy, and can withstand, react, and adapt to unplanned shocks. Good governance, effective decision-making frameworks and robust financial management practices are required to support the implementation of a financial sustainability strategy.

This section outlines the criteria that the Council needs to meet to achieve a financially sustainable position.

### 11.1 FOCUS AREAS TO IMPROVE FINANCIAL SUSTAINABILITY

Following the analysis of the current state and the forecast of the financial performance of MidCoast Council and establishing the desired sustainable position, AEC recommends four (4) focus areas to implement improvement strategies:

- Improved Operating Position to Generate Additional Cash from Operations
- Responsible Investment in Assets
- Improved Availability of Cash
- Enhancements to Governance, Prioritisation and Decision Making

#### 11.1.1 Improved Operating Position to Generate Additional Cash from Operations

The Council has produced underlying operating deficits for four of the six years since 2017/18, with annual operating deficits ranging from \$5.5 to \$45.7 million on a consolidated basis, and operating deficits ranging between \$0.9 to \$48.0 million for the General Fund. The revised sustainable forecast prepared by AEC projects ongoing annual General Fund deficits averaging \$34.5 million from 2024/25 onwards.

Recognition of a structural deficit can be measured by excluding one-off adjustments from the historical audited operating result and excluding revenue and expenditure on non-recurrent grant programs (capital and operating). The structural operating deficit for the Council exists primarily within the General Fund. However, it is noted that the Water Fund has a deteriorating trend in the operating result. Sewer Fund has produced an operating surplus over the assessment period.

To address the structural operating deficit Council needs to improve the historical operating position in the General Fund by in the order of an estimated \$33.0 to \$38.0 million each year. In addition to addressing the historical structure deficit, Council will need to address the further deterioration in the operating position due to increased

depreciation and other costs and impact of Council funded new assets and asset upgrades within the current capital works program. This would result in a structural deficit of approximately \$35.0 to \$40.0 million.

The identified required improvements do not contemplate the capacity to address the existing infrastructure backlog or any improvement in the current service levels. To be financially sustainable Council must produce operating surpluses to deliver services at an acceptable service level and at an acceptable risk exposure for the assets and infrastructure. Demand management is essential for long term sustainability – in particular the management of community expectations, legislative requirements, and other community service obligations. The recommended improvement in the operating position of the Council needs to support increased financial capacity accordingly.

Furthermore, Council has a very high dependency on grants and contributions to fund the capital projects.

### 11.1.2 Improved Availability of Cash

Council is required to manage and report on the reconciliation of the cash at bank to a register of restricted (internal and external) reserves and unrestricted cash. Control over the restricted reserves is necessary to ensure the funds are used for appropriate purposes, including quarantining the cash, and releasing the cash to be expended upon suitable approvals.

Council seems to have a reasonable cash balance and internal reserves but not sufficient unrestricted cash for unplanned and unbudgeted events. Council requires at least \$10 million in unrestricted cash.

To be financially sustainable Council must be able to generate sufficient cash from operations to fund operations and asset maintenance and renewal requirements. Cash levels must be sufficient to fund grant funded, reserve funded, and General Fund funded operations and projects.

MidCoast Council's current and forecast future state indicate that Council is not making enough cash on a regular basis from its operating activities every year to fund its capital works program (investing activities) and to pay off debt (financing activities). On average Council is losing \$4.9 million in cash and cash equivalents decreases over the forecast period.

There is also a very high reliance on borrowings to fund past capital works program, including the purchase and refurbishment of the Council administration building in Taree. Council could consider opportunities to sell surplus assets, or bring forward development and sale of land held in inventory, to reduce the level of borrowings.

### 11.1.3 Responsible Investment in Assets

Asset management is one of the key determinants of sustainability for local government. Councils with poor asset management have little foresight of sustainability and lack control over sustainability. The planning and management of assets across the lifecycle to achieve lowest whole of life costs and applying a preventative approach to investing in asset renewals are important components of financial sustainability for local government.

To achieve this aim, Council must have a good understanding of the current assets, the common failures and risks associated with the assets, the likely deterioration of the asset, the optimal time to intervene to achieve the lowest whole of life cost and be able to predict and cost future interventions.

Integration of the asset management planning with the Long-Term Financial Plan (LTFP) enables Council to plan for adequate funding to address the asset demands, and where insufficient funding is available, enabling Council to make decisions and prioritisations as appropriate to manage the impacts on long term sustainability of the assets (and the organisation more broadly).

To be financially sustainable Council must be able to hold and fund an asset portfolio to an acceptable standard and risk based on the services and service level requirements established with the community and informed by technical expertise and data.

The major issues that MidCoast Council faces within the asset management scope is:

- There is low confidence in the Council's current estimate of the value of assets in backlog as reported in the Special Schedule – Report on Infrastructure Assets.
- General awareness and value of the Special Schedule - Report on Infrastructure is low, when the report holds the potential to keep the body of elected members and the Councils executive better informed of the current state of assets and whether the current investment is sufficient or not. This could be enhanced further with a supporting "State of Assets Report" that considers in more detail the preparation and interpretation of the Special Schedule – Report on Infrastructure.
- Asset register is not componentised to enable planning, forecasting and future costing for renewal of components rather than replacement of the asset as a whole.
- Predicted renewal based on recent valuations (using consumption ratio as an indicator or condition) does not correspond with the anecdotal evidence of the condition of the assets.
- Most of the asset management plans (AMPs) use either depreciation or age-based forecast for renewal of assets.
- The maturity of the asset management plan in general needs to be improved to enable sufficient confidence in forward projections and costings, as well as defining the risk of not investing sufficiently in asset renewals and maintenance.
- There is little evidence or awareness of what would be included in an optimised maintenance and renewal plan. Current practice is too reliant upon reactive response to maintenance requirements.
- The current Contribution Plan also is not current and requires updating, with a schedule of works that is not reflective of what is currently required, and the costing is well underestimated.

#### 11.1.4 Enhancement to Governance, Prioritisation and Decision Making

Good governance and decision making is central to sustainability. The role of management is to sufficiently inform Council to enable good decision making. Planning for success is essential to sustainability. A performance reporting framework is necessary to ensure good governance and to ensure that what was planned is implemented as intended.

To support financial sustainability, a Financial Strategy must support the effective delivery of the Community Strategic Plan through documentation of financial leadership and direction from the Council and by setting standards for management performance. The Financial Strategy should be supported by other organisational frameworks including, but not limited to, a robust Project Management Framework (in particular a project selection and prioritisation process) to guide and support expenditure.

Council has several critical issues relating to governance, reporting and decision making that needs to be given immediate attention:

- There is a need for an enhanced Project Management Framework that requires project to proceed stages of selection and prioritisation before being funding in the Long-Term Financial Plan. This includes the requirement for a Capital Expenditure Review (including business case) to support investment in new assets. AEC understands Council is in the process of implementing a framework to manage this issue.
- Existing approved projects have not been assessed through a project management framework resulting in project delivery issues due to funding, capacity, and potential misalignment, or lack of alignment with Council's Community Strategic Plan.
- Project Delivery appears to be an issue considering a significant and increasing amount of unspent grants at the end of each financial year. At the end of 2022/23 financial year, there was \$37.9 million of unspent grants of which \$36.5 million was treated as a liability for the year end reporting.

## 11.2 DEFINING A SUSTAINABLE FUTURE

The following points describe a financially sustainable future for MidCoast Council:

- Within the 4-6 years, MidCoast Council is to return its General Fund into a surplus position. As a growing council, it needs to produce above the benchmark to support the growth within the organisation.
- MidCoast Council would like to have a minimum of \$10 million in unrestricted cash balance.
- The Council does not have to match investment in asset renewals with the annual depreciation expense in the short term (1-3 years). While more work is required to improve the asset data and analysis of the condition assessment, the Council is of the understanding that buildings are generally in a good condition and only require approximately \$2.5 million on average invested in asset renewals over the next 10 years. Given that depreciation for buildings is in excess of \$11 million, establishing an asset renewal ratio of 100% is considered to be inappropriate. An investment in renewals to achieve an average asset renewal ratio of at least 91% is considered appropriate over the next 10 financial years.
- MCC would like to keep its infrastructure backlog below the industry benchmark of 2%. On 30 June 2023, Council was not compliant with this asset performance ratio which was over 10.33% and the Report on Infrastructure Assets (Special Schedule 7) states this to be approximately \$405.5 million. With such a large backlog, Council needs a good understanding of the risk attached to this and if they are willing to accept this risk. Further actions relating to this should be informed by an expert comprehensive asset condition assessment and priority needs to be given to the highest risk and critical assets.

## 11.3 RECOMMENDATIONS

### 11.3.1 Increase in the General Rate Revenue

It is AEC view that the Council will need to consider a permanent Special Rate Variation (SRV) to fix the structural operating deficit position and to generate sufficient cash from operations. This is an unavoidable option, with the only variable being timing of the SRV application and the amount that is required – which is the residual amount after target improvements through other options presented below.

AEC has estimated that, excluding the impact of other options listed below, through the SRV Application process alone, the Council will need to achieve an increase in the 2024/25 general rate by 42.70% including the rate peg of 5.20% to produce an operating surplus in the General Fund. This could be staged over a 4-year period to comply with Council initial resolution with increases of 7.50% above the rate peg each of the four years implementing the SRV.

### 11.3.2 Implement a Staged Increase in Investment in Asset Renewals

In concurrence with the adopted Asset Management Strategy and outlined in the Asset Management Plans, the Council needs to invest more in asset renewals with aim to achieving an average asset renewal ratio over the next 10 years of at least 91%. This can only be achieved is Council improves the cash being generated from operations – predominately through an increase in general rate revenue. Reliance upon grant funding is not sustainable.

To ensure the increase in asset renewals is invested in an efficient manner and planned correctly, Council should pursue a path of improving its asset management maturity, particularly focusing on improved understanding of the lifecycle of each asset class and the optimal treatments across the lifecycle and the use of componentisation, asset hierarchy and criticality (or risk) in the asset registers to predict and plan for optimal interventions.

To achieve this goal, the following options should be considered:

- The maturity of asset management will need begin with improved leadership and governance, including addressing decision making frameworks, performance management, planning and prioritisation and lead a change the culture of the organisation to value good asset management approach.
- Better define (including risk) and measure the value of assets that are in backlog for treatment. Depending on the outcome of this action, a separate strategy and funding plan may need to be considered if the risk in the backlog is unacceptable.
- Enhancements to asset management systems and training will be needed to support the asset componentisation, hierarchy and criticality of the asset and the use of strategic asset management module to enable prediction of interventions.
- The Council should be provided with an annual “State of Assets Report” which is prepared by management to outline the Report on Infrastructure Assets (a Schedule to the Annual Financial Statements). The State of Assets Report should be provided to Council before the Draft Financial Statements. The State of Assets Report is an ideal opportunity for the Councillors to obtain a deeper understanding of the Council’s infrastructure assets, the quantum of the backlog in renewals and the current condition of the assets.
- Adopt a risk-based approach to asset management. Council should adopt a risk-based approach to asset management to ensure that resources are allocated to the assets that require the most attention – that being critical assets with the risk of failure being unacceptable. Conducting risk assessments of assets to identify their criticality and likelihood of failure, and prioritising maintenance and renewal activities based on the level of risk posed by each asset will assist with ensuring long-term sustainability.

### 11.3.3 Develop and Implement an Efficiency Plan

An option to reduce the increase in general rates required is to improve the efficiency and productivity of the council's operations in delivering the Operational Plan and Annual Budget. Council should implement this through the development of an Efficiency Plan that includes target measures for productivity improvements. The productivity measures could include metrics such as the cost per kilometre of grading, the cost per kilometre of resealing, or other relevant measures that can provide insights into the efficiency of Council's operations. By including these measures in the Annual Budget, Council can set specific targets for improving productivity and can monitor progress towards those targets. Council and Management can discuss the impact of resourcing decisions on levels of service by informed consideration of the activity costs of programs and the community can be informed about the activity the Council has funded (e.g., 65kms of resheeting of gravel roads, 55kms of reseal urban sealed roads, operating hours of customer services centres, libraries, visitor information centre etc).

To implement this strategy, the council should start by conducting a thorough review of the range of services provided and the current cost of operations (levels of service) to identify areas where productivity measures could be implemented and are most likely to achieve material improvements in the operating position – through a strategic service planning framework. This might involve analysing data on the cost and duration of various tasks, such as road maintenance or park upkeep, and identifying specific areas where improvements could be made and identifying the optimal (lowest cost) approach to delivery of the level of service. Once these areas have been identified, the council can work to develop specific productivity measures and set targets for improvement.

Investing in employee training and development is also critical for achieving productivity savings. By providing staff with the skills and knowledge they need to perform their jobs more effectively, Council can improve productivity, reduce errors, and increase employee engagement. This may include training on new technologies, process improvement methodologies, or management and leadership skills. In addition, investing in employee development can help retain top talent and attract new talent, which can bring long-term benefits to the organisation. Asset management needs to be a high priority for staff development, both in terms of asset management systems and

## MIDCOAST COUNCIL - FINANCIAL SUSTAINABILITY REVIEW 2023

the development of optimal technical levels of services (the lowest whole of life cost approach to maintaining assets).

Collaboration and partnerships with other organisations or neighbouring councils can also be explored to achieve productivity savings. By sharing resources and expertise, Council can achieve economies of scale, reduce costs, and improve service delivery. This may include joint procurement initiatives, shared services arrangements, or collaborative capital projects. Regular review and monitoring of these initiatives is crucial to ensure that the desired outcomes are being achieved and that resources are being used efficiently.

As part of this analysis, AEC examined the individual services and what a 1-5% efficiency dividend on employee costs and materials and services in each service area would achieve. It needs to be noted that this is purely an illustrative exercise as it would not be prudent to expect the same level of efficiency savings from all areas of Council.

In addition to the above, it is also important to note the Council services that are in the Water, Sewer, Waste and MidCoast Funds and therefore any efficiencies in these services will not improve the General Fund deficit position. Only exception being any dividend paid by the funds into the General Fund may increase up to the threshold through additional efficiencies in the other Funds.

**Table 11.1 Efficiency dividend by Council services**

SERVICE	1%	2%	3%	4%	5%
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>General Manager</b>	<b>37</b>	<b>75</b>	<b>112</b>	<b>149</b>	<b>186</b>
General Manager & Executive Team	31	63	94	126	157
Mayor & Councillors	6	12	17	23	29
<b>Corporate Services</b>	<b>369</b>	<b>737</b>	<b>1,106</b>	<b>1,474</b>	<b>1,843</b>
Procurement, Fleet & Stores	93	187	280	373	466
Finance	(17)	(34)	(51)	(68)	(85)
Corporate Performance & Development	12	23	35	46	58
Governance	58	116	174	232	290
Human Resources	35	71	106	142	177
Information & Communication Technology	158	317	475	633	791
Legal & Property	29	58	87	116	145
<b>Liveable Communities</b>	<b>728</b>	<b>1,456</b>	<b>2,184</b>	<b>2,912</b>	<b>3,639</b>
Community Assets	96	192	288	384	480
Aged Care Support*	27	53	80	106	133
Community Development	6	13	19	25	31
Disability Services*	57	113	170	226	283
Open Spaces & Recreation	59	118	178	237	296
Engagement, Communication & Education	27	54	80	107	134
Resilience & Recovery Services	1	1	2	3	3
Business	28	55	83	111	139
Customer Services	37	74	111	147	184
Libraries	35	70	105	140	175
Arts & Culture	13	26	40	53	66
Land Use Planning	16	33	49	65	82
Building	18	37	55	73	92
Development Assessment	11	22	33	45	56
Health	17	34	51	68	84
Regulatory Services	17	35	52	69	86
Natural Systems	56	113	169	226	282



SERVICE	1%	2%	3%	4%	5%
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Waste Services**	206	413	619	826	1,032
<b>Infrastructure &amp; Engineering Services</b>	<b>778</b>	<b>1,555</b>	<b>2,333</b>	<b>3,110</b>	<b>3,888</b>
Sewer Services***	202	404	606	807	1,009
Water Services****	276	552	828	1,105	1,381
Transport Network	289	577	866	1,154	1,443
Stormwater Drainage	2	5	7	10	12
Emergency Management	9	17	26	34	43
<b>Council Total</b>	<b>1,911</b>	<b>3,822</b>	<b>5,734</b>	<b>7,645</b>	<b>9,556</b>

Source: AEC (unpublished)

\*MidCoast Assist Fund, \*\*Waste Fund, \*\*\*Sewer Fund and \*\*\*\*Water Fund  
The remaining services are all within General Fund.

### 11.3.3.1 Continue to Implement the Business Transformation Program

The program will examine MidCoast Council's current technology ecosystem and devise a plan to achieve the desired future state which will be enabled by the Digital Transformation program. The business case presented on October 2021 captured the timeline and resourcing model for the program, and the associated investment and benefits that will enable MidCoast to make an informed decision on its future investment.

The qualitative benefits to be realised as a result of the Digital Transformation program have been classified into two categories i.e., benefits for Residents and Community, and benefits for Council Staff and Operations.

**Table 11.2 Benefits of Business Transformation Program**

Benefit for Residents and Community	Benefits for Council Staff and Operations
<b>Enhanced user experience</b> Improved user interface and systems will enhance the residents' user experience interacting with the council	<b>Accessible data and easy reporting</b> Clean and promptly available data and information, powered by a fit-for-purpose data analysis tool, will make reporting easy and efficient
<b>Reduced response time</b> Efficient internal ways of working will enable the council staff to support the residents in an efficient and timely manner	<b>Increased enterprise mobility and staff productivity</b> Well integrated systems, better network connectivity and streamlined processes will increase the efficiency and effectiveness of council operations
<b>Improved asset maintenance</b> Better tracking and management of requests and work in progress, will improve the overall customer satisfaction for asset maintenance at MidCoast Council	<b>Improved compliance and reduced error handling</b> Automated systems and processes with minimum manual intervention reduces the margin for error, hence enabling better compliance and reduced error mitigation
<b>Efficient and effective request management</b> Better systems and processes, and minimum manual interventions, will reduce the risk of errors in request management providing better and more fluid customer service	<b>Improved Organisation Culture</b> Well planned change management, training and upskilling of staff will improve cross-functional interaction at council and support a cohesive organisational culture
<b>Enhanced trust in MidCoast council brand</b> Improved and consistent user experience and efficient servicing will increase the community's trust in MidCoast Council's brand	<b>Talent Retention</b> Easy-to-use systems, clearly designed processes and a healthy organisation culture will help MidCoast retain current staff and attract more talent in the region

Source: MidCoast Council Business Transformation Program

The Transformation program is expected to realise a total of \$82.8 million in benefits over 10 years. These benefits are split into cashable benefits \$26.3 million and non-cashable \$56.5 million over 10 years. While cashable benefits provide a more tangible benefit for MidCoast Council, non-cashable benefits will have a large influence on the strategic initiatives and value add activities of the Council.

#### 11.3.4 Enhancing Governance and Financial Controls

To enhance the governance and financial controls, integrating the Project Management Framework, Asset Management Planning, and LTFP is an option that ensures effective management of assets through their lifecycle. The LTFP should be a living resource plan that is adjusted as required to ensure that Council decisions are informed by the impact upon long-term financial sustainability. To implement this option, the best practice provided by the NSW Office of Local Government in the IP&R Guidelines should be followed, which recommends making the projected income and expenditure spreadsheet of the LTFP available at council meetings to inform resourcing decisions.

By aligning project management and asset management activities, organisations can optimise resource allocation and improve efficiencies, resulting in reduced costs and improved outcomes. Operations involved during the project planning and design stages should focus on risk identification, contingency planning, stakeholder management, scope management, design reviews, and quality management to mitigate potential risks and ensure successful project delivery.

The integration of the Project Management Framework, Asset Management Planning, and LTFP would also provide a holistic view of the Council's financial position, ensuring that all decisions are made in consideration of long-term financial sustainability. By implementing this strategic option, councillors can make fully informed decisions, and understand the importance of the Resourcing Strategy documents to that decision-making. This approach will ensure that Councils can mitigate potential risks and manage assets effectively, resulting in long-term financial sustainability.

#### 11.3.5 Enhance Service Planning Approach (Service Optimisation Program)

Council in early 2023 has started a Service Optimisation Program which is currently in its final testing stage. The program objective is '*understand and design opportunities to improve the efficiency and effectiveness of the delivery of services at the level agreed with the community*'.

Council intends to realise the following outcomes from the program:

- Meet the IP&R and audit requirements for service reviews – by identifying service components and costs, establishing a program for service reviews and then engage with community in levels of service planning.
- Support strategic service planning and delivery – by aligning to community needs, identifying resourcing needs, encouraging long term financial sustainability, improved customer experience, ensuring intergenerational equity and improving data and analytics.
- Focus on optimisation – by engaging business in continuous improvement, support agility in service delivery, encouraging innovation and ideation, and supporting cultural change.

The Service Catalogue will define the range of services provided by Council and the associated service levels, costs, and performance indicators. This can provide a clear understanding of the services Council provides and ensure that service delivery is aligned with community needs and expectations.

The Service Review Program will involve regularly reviewing each service in the Service Catalogue to evaluate its performance and identify areas for improvement. Council can also engage stakeholders in the service planning process by consulting with the community and other stakeholders to identify service priorities and gather feedback on service performance.

By adopting and maintaining a service planning approach, Council can improve transparency and accountability in service delivery, better understand service performance, enhance stakeholder engagement, and increase efficiency and effectiveness in service delivery.

It is important for Council to regularly review and update its service planning approach (Service Optimisation Program) to ensure it remains aligned with community needs and strategic objectives. This can include investing

in staff training and development, infrastructure and technology, and other resources needed to support service delivery.

#### 11.3.6 Explore Opportunities to sell Assets to replenish Unrestricted Cash

Management should consider the sale of any asset (land or property) that is held in inventory thus have no future strategic use to replenish the depleted unrestricted cash position. The current unrestricted cash balance of \$3.4 million is not sufficient if Council was to experience a major unforeseen/unplanned event, like a natural disaster.

As identified through the financial sustainability review, Council would target to have a minimum of \$10 million as unrestricted cash to ensure there is sufficient untied cash available to manage any unplanned events.

AEC is aware of the recent decision to look at a strategic approach to the management of Council's operational land portfolio and to establish a commercial property reserve to facilitate this which contributes to Council's long term financial sustainability. Thus, the recommendation is only focusing on asset held in inventory.

## 12. CHALLENGES, OPPORTUNITIES AND RISKS

---

### 12.1 CHALLENGES AND OPPORTUNITIES

As Council implements the financial sustainability strategies outlined in the previous section, it is likely to confront the following list of challenges and opportunities.

#### 12.1.1 Challenges

- **Volatility in the economic environment** – During the preparation of this Financial Sustainability Strategy, the Australian economy was experiencing high volatility, with high inflation and supply chain issues, the continuation of which is likely to increase the cost of services and the cost of construction/acquisition of assets, as well as potentially delay the delivery of capital works, increase borrowing costs and potentially limit the availability of funding from external sources (e.g., grants).
- **Balancing demands for capital expenditure** – Council will need to balance the demands for new or upgraded assets to address population and economic growth, to comply with changes in regulatory requirements and/or to address changing community demands with the need to appropriately fund the renewal and replacement of deteriorating assets and infrastructure.
- **Productivity improvements limited by legislation** – For example, constraints on staff reduction in regional areas.
- **Natural disasters** – Council should expect that natural disasters will continue to occur, like recent bushfires and COVID pandemic. Council needs to build resilience and planned mitigation strategies, including the business continuity planning, to be able to manage the impact disaster are likely to have upon the financial position of the Council.
- **Policy changes from other levels of Government** – changes to policies and strategies set by the State and Federal Governments are likely to impact upon Council's financial sustainability, therefore requiring strong advocacy and engagement with key stakeholders to protect the interests of the Council and its community.
- **Capacity of the Council** – Council faces challenges in attracting and retaining skilled resources due to the geographical location of the council as well as significant competition by main employers in the area. Council will need to invest in its ability attract, develop, and retain skilled resourcing.

#### 12.1.2 Opportunities

- **Innovation and Technological Advancement** – Council can improve long term sustainability through enhanced productivity and efficiencies achieved through adopting innovation and technological advancements, which will require Council to maintain effective relationships and professional networks with industry leaders.
- **Regional Economic Development** – Economic development opportunities are outlined in the Regional Economic Development Strategy. Council can maximise the realised benefit through advocating and pursuing the Council's interests, as well as more broadly the community's economic and socio-demographic interests.
- **Enhancements to Project Management** – considering the large annual investment in the capital works program and other projects, significant improvements in Council sustainability may be achieved through implementation of the project management framework, including better decision making in the selection, prioritisation and initiation of projects, consideration, and comparison of whole-of-life costs, as well as in the more efficient delivery of projects.

- **Development of a Service Catalogue and Service Review Program** – through the development of a service catalogue, integrated with resource planning, and the engagement of Council and the community in strategic service planning, Council sustainability is likely to be improved through the continued review, prioritisation and rationalisation of the range and levels of services and infrastructure provided to meet community demands and community affordability.
- **Asset Recycling and Rationalisation** – through the process of developing the Asset Management Plans, Council is likely to be presented with opportunities to recycle under-utilised assets (e.g., buildings and land) to obtain better utilisation and improve overall sustainability by reducing the cost of under-utilised assets and achieving commercial returns through asset recycling.

## 12.2 SIGNIFICANT RISKS

The risks outlined below present a significant threat to the successful achievement of the Financial Sustainability Strategy.

- **Political Decision or Community Dissent toward SRV** – Council decision not to apply for a SRV in the near future will affect Council's capacity to deliver a sustainable asset renewal program and improve its operating and cash position.
- **Economic Conditions** - Council is impacted by the volatility of economic conditions. This has been experienced most significantly during the recent COVID-19 outbreak, where the income earned by Council for a range of services was significantly reduced. As such, any further impacts leading to significant change from the market assumptions adopted (will require further revision by Council of planned investments and service expenditure).
- **Funding Development** -The NSW Government regulates a cap on the per lot contributions paid and limits the types of infrastructure that a council can levy for development. This limitation has required Council to use other funding sources (including funding set aside for asset renewal) to provide infrastructure Council is responsible to provide for new development. This is particularly important for areas of greenfield development, which impact on the demands for Council infrastructure such as community centres, libraries, and recreational facilities.
- **Certainty of Revenue Streams** - Uncertainty in the projection of revenue streams is a significant concern for Council sustainability. While Council controls most of its annual operating revenue, Council has historically relied upon grants and contributions.
- **Expenditure Estimates** - A key risk to the accuracy of the long-term forecast of operating and capital expenditure is the accuracy of cost estimates and actual inflation in future years being above assumptions used in the forecast.
- **Impairment and Early Deterioration of Assets** - While renewals are planned through the asset management planning process, the actual deterioration and performance of assets may deteriorate faster than projected or be impacted through natural disasters or other unforeseen events, bringing forward the need to renew and replace assets. This will require either re-prioritisation across the capital works plan, or additional cash investment.

## 13. IMPLEMENTATION ACTION PLAN

The following table outlines the task required to implement financial sustainability strategies, responsibility for each task and the required timeframe for the task to be completed.

**Table 13.1 Implementation Plan**

Strategy	Task	Responsibility	2023/24				2024/25				2025/26				Future Years		
			1	2	3	4	1	2	3	4	1	2	3	4			
Improve the operating position of the general fund	<b>1. Increase generation of revenue through:</b>																
	Submit a Special Rate Variation (SRV) Application based on increasing General Fund rates revenue by approximately \$311.13million over the next 10 years. This can be achieved in the first financially sustainable scenario (Achieve General Fund Surplus) through a 42.7% increase (inclusive of rate peg) introduced over four years starting 2024/25 (which is a 12.7% (2024/25), 10.0% (2025/26), 10.0% (2026/27) and 10% (2027/28). The cumulative increase in general rates over the four years is 50.0%.	CFO/MANEX															
	Review the pricing for fees and charges and ensure they reflect full cost price for services, as far as it is practical to do so, without impacting significantly on access to services by the community.	CFO/MANEX															
	<b>2. Decrease operating costs through:</b>																
	Establish a productivity and efficiency target to be achieved through the development of a Productivity and Efficiency Plan, which should include consideration of strategies outlined below under Enhanced Productivity and Efficiency of Services. Council could include this within the Business Transformation program target.	MANEX															
	Conduct a strategic review of services to assess the range and levels of service provided.	MANEX/Council															
	Improve the strategic and technical asset management capability and practices to manage assets at the most optimal whole of life cost.	MANEX															
	<b>3. Develop the demand management approach in service planning to minimise the growth in service costs and avoid increased cost of assets, including:</b>																

Strategy	Task	Responsibility	2023/24				2024/25				2025/26				Future Years	
			1	2	3	4	1	2	3	4	1	2	3	4		
	Continue to undertake service reviews, particularly for discretionary services and community service obligations (services that would not be provided if based on a commercial decision)	MANEX/SMT														
	Implement a Strategic Service Planning framework, including the development of a Service Catalogue, that defines the approved range and levels of service.	MANEX/CFO														
	Implement requirement for a Business Case and/or Capital Expenditure Review prior to approving to proceed with material new or upgraded services and assets (mandatory for proposed capital works for new or upgraded assets over \$1million).															
	Implement a framework for grant applications and acceptance to consider the impact of the grant on the Long-Term Financial Plan and financial sustainability.															
	<b>4. Improve governance and financial controls:</b>															
	Maintain integration of the Annual Budget and Long-Term Financial Plan with the Delivery Program, Operational Plan, Asset Management Plans, Workforce Strategy, and other adopted plans – each plan should be updated when material decisions are made that impact on the respective plans.	MANEX/CFO														
	Implement effective budget and other financial controls – including budget accountability, a project management framework with gateway controls, workforce plan outlining the funded staff establishment, contract management framework.	MANEX/CFO														
	Develop an annual budget development process that is activity based rather than largely historical.	MANEX/CFO														
<b>To improve the availability of cash</b>	<b>5.</b> Council should budget for and maintain, at least in the short term, an unconstrained cash reserve of at least \$10.0 million as a contingency for unplanned asset renewals/replacements due to asset failure or other unknown or unplanned events.	MANEX														
	<b>6.</b> If Council has assets (land or property) within its inventory that has no future strategic use, this should be used to replenish the unrestricted cash reserve.	MANEX														

Strategy	Task	Responsibility	2023/24				2024/25				2025/26				Future Years		
			1	2	3	4	1	2	3	4	1	2	3	4			
	7. Review internally restricted cash to ensure alignment with intended purpose of the reserves and that the reserves are adequate for the purpose.	MANEX/Council															
	8. Implement a monthly reconciliation and reporting process for all external restrictions.	CFO															
<b>To improve investment in assets</b>	9. Enhance the capability and effectiveness of asset management, including:																
	Prepare an asset management strategy that provides guidance and direction to improve Council's asset management approach, improve resource allocation, increase the awareness of current asset performance/risk, establish asset management strategies, and integrate the Asset Management Plans and the Long-Term Financial Plan.	MANEX/Asset Managers															
	In the short term, develop the strategic asset management capability to better predict, prioritise and plan for asset renewal programs based on known risks, criticality, condition, and performance of each asset class.	MANEX/Asset Managers															
	Review and update the asset management plans for each asset class to determine and direct the optimal life cycle approach for each asset class.	MANEX/Asset Managers															
	Establish systems and practices that enhances and realises the value of asset management across the organisation.	MANEX/Asset Managers															
	Improve processes for asset data collection, standardisation, and componentisation.	MANEX/Asset Managers															
	Implement a condition inspection program with an initial focus on all critical assets, or assets with high risk, and sample condition assessment for less critical assets (or asset assessed with less risk). This is best through integrated plan with the asset valuation plan.	MANEX/Asset Managers															
	Prepare a pavement management system with a detailed whole of life approach designed specifically for Council's sealed and unsealed road network, including optimised approach to maintenance and renewal of assets and estimated costing to inform the Long-Term Financial Plan.	MANEX/Asset Managers															





Strategy	Task	Responsibility	2023/24				2024/25				2025/26				Future Years	
			1	2	3	4	1	2	3	4	1	2	3	4		
	10. Improve the integration of asset planning with the strategic service planning to better understand, manage and avoid where possible the demand for growth in assets.	MANEX/Asset Managers														
	11. Explore opportunities to rationalise the land and facilitates assets that are used to deliver Council's services, including the rationalisation of the number of locations services are provided and considering a regional approach to service delivery rather than service in each location.	MANEX/Asset Managers														
	12. Require the development of a "State of Assets Report" to be prepared and presented to Council to ensure the Councillors understand the preparation of the Draft Report on Infrastructure Assets (schedule to the Annual Financial Statements) and enable discussion between Councillors and Management on progressing improvement in asset management and asset renewal planning.															
	13. Council should consider reviewing its developer contributions plans, before undertaking any substantial asset programs to ensure that the current contribution levels are able to support the future development costs.	MANEX/Planning														
To enhance the strategic service planning	14. Develop a strategic service planning framework to guide and inform the development of the Delivery Program and Resourcing Strategies. A framework that includes an annual review of service performance and alignment to priorities will enable Council to better inform the development of the Annual Budget and review priorities in the allocation of constrained resources.	MANEX/CFO														
	15. Council may wish to consider undertaking a review of the range of non-core services provided, to determine whether they continue to deliver value to the community and whether there remains a public policy rationale for Council delivery of such services.	MANEX														
	16. Council may also wish to consider the levels of service provided within services that are not regulatory required services to reduce the cost of the services provided.															

Strategy	Task	Responsibility	2023/24				2024/25				2025/26				Future Years
			1	2	3	4	1	2	3	4	1	2	3	4	
	17. Council should implement the use of formal business cases to consider and determine undertaking new projects or service, or a change in current service levels. The financial implications should be a major determinant of the decision making.														
To enhance productivity and efficiency of services	18. Review the efficiency and effectiveness of current corporate overhead functions, particularly the service with large operating expenditure and potential to support improvements in productivity and efficiencies such as ICT, fleet and plant operations, finance, and asset management.	MANEX/SMT													
	19. Develop measures of productivity and efficiency when developing the Annual Budget and reporting to assist trend analysis and benchmarking with partner councils – for example \$/km of unsealed road graded, \$/km of road reseal, \$/hectare of mowing, cost/library member, median time taken to resolve customer requests, plant utilisation rates, median time taken to fill a vacancy.	MANEX/SMT													
	20. Implement and fund productivity and efficiency improvement initiatives previously identified including the target efficiency benefits of the Business Transformation Project intended to achieve \$26.3 million in cash savings.	MANEX/SMT													
	21. Council should embark on an initiative to target service efficiencies and increase productivity to contribute to the improvement in the operating position of Council. The initiatives should include corporate initiatives (such as improvement in procurement, salary benchmarking etc.) as well as focused review on the delivery of targeted services.	MANEX/SMT													
	22. Services with higher net costs hold the greatest potential for efficiencies – including service areas within Water Services, Sewer Services, Transport Assets, Waste Services and Information & Communication Technology.	MANEX/SMT													
	23. Report to Council on a quarterly basis the progress in achieving efficiency and implement process to track the achievement of the productivity and efficiencies target.	MANEX													



Strategy	Task	Responsibility	2023/24				2024/25				2025/26				Future Years	
			1	2	3	4	1	2	3	4	1	2	3	4		
To enhanced governance, prioritisation and decision-making	24. Revise the Resourcing Strategy including the Long-Term Financial Plan informed by funding requirements from strategic asset management, workforce planning and strategic service planning.	MANEX/CFO														
	25. Implement a comprehensive and robust budget development process with oversight by the Chief Financial Officer and the Executive Team.	MANEX/CFO														
	26. Implement oversight and control of the funded organisation chart.	MANEX/HR														
	27. Implement a Project Management Framework, including appropriate gateways for project selection, planning, execution, and closure, and enforce the project management governance for all potential projects (including approval to proceed with grant applications).	MANEX														
	28. Develop the organisational financial management governance and financial acumen of management to improve financial management at all levels of management.	MANEX														

## REFERENCES

---

- ABS (2022a). *Census of Population and Housing, 2021*. Australian Bureau of Statistics, Canberra
- ABS (2023a). *Regional Population, 2022*. Cat no. 3218.0. Australian Bureau of Statistics, Canberra
- ABS (2023b). *Labour Force, Australia, Detailed - Electronic Delivery, Dec 2022*. Cat no. 6291.0.55.001 Australian Bureau of Statistics, Canberra
- ABS (2023c). *Building Approvals, Australia, April 2023*. Cat no. 8731.0. Australian Bureau of Statistics, Canberra
- AEC (unpublished a). *Gross Regional Product Model 2021-22*. AEC Group, Brisbane.
- AEC (unpublished b). *Employment Estimates Model 2021-22*. AEC Group, Brisbane
- Behsudi, A. (2020). *Wish You Were Here*. International Monetary Fund, Washington D.C.
- Bruno, A. & Others (2022). *The Recovery in the Australian Tourism Industry*. Reserve Bank of Australia, Canberra.
- Cunningham, M. & Davis, K. (2011). *Labour Market Outcomes in Regional Australia*. Reserve Bank of Australia, Canberra. ‘
- Jobs and Skills Australia (2023). *Small Area Labour Markets - March Quarter 2023*. Department of Employment and Workplace Relations. Canberra.
- McDowell, L. & Bonner-Thompson, C. (2019). *The other side of coastal towns: Young men’s precarious lives on the margins of England*. *Environment and Planning A: Economy and Space*, 52(5), 916–932.
- New South Wales Department of Planning and Environment (2022). *2022 CPA Population and Dwelling Projections*. NSW Government, Sydney
- Reserve Bank of Australia (2023). *Cash Rate Target*. Reserve Bank of Australia, Canberra.
- TRA (2023a). *Daytrips, December 2022 Quarterly Results of the National Visitor Survey*. Tourism Research Australia, Canberra
- TRA (2023b). *Overnight Trips, December 2022 Quarterly Results of the National Visitor Survey*. Tourism Research Australia, Canberra
- TRA (2023c). *International Trips, December 2022 Quarterly Results of the International Visitor Survey*. Tourism Research Australia, Canberra
- TRA (2023d). *Local Government Area Profiles 2019*. Tourism Research Australia, Canberra

## APPENDIX A: STAKEHOLDER ENGAGEMENT

---

### STAKEHOLDER IDENTIFICATION

Stakeholder identification was completed to ensure those who have an interest in, or may be impacted by any changes proposed, were sufficiently engaged. Stakeholder groups included Councillors, Executive Management Team (MANEX), Leadership Team, and key Council staff.

#### Project Steering Committee and Project Sponsor

The steering committee and project sponsor play a crucial role in the project. The steering committee is responsible for overseeing the project, providing guidance and support, and ensuring that the project aligns with the organisation's objectives. The project sponsor is responsible for providing leadership and support to the project, being the primary decision-makers with accountability for the project's success.

The steering committee includes Council's Executive Management Team, with the additional roles of Project Sponsor being Council's General Manager (GM) and Project Lead being Council's Director Corporate Service.

#### Council's Elected Members

MidCoast Council governing body is made up of a Mayor and 10 Councillors – Councillors representing the whole local government area. The Councillors set the long-term direction of Council and ensure that money and other resources are used effectively, to enable long term financial sustainability.

#### Council's Executive Management

MidCoast Council is led by a General Manager, and comprises of three individual directorates, Corporate Service, Liveable Communities and Infrastructure and Engineering Services. MANEX was also the Project Steering Committee.

#### Key Council Staff

Council's Executive Management identified the Leadership Team as other key Council stakeholders to be engaged as part of the project.

#### Stakeholders External to Council

AEC undertook a presentation/discussion with the Audit, Risk, and Improvement Committee (ARIC) on the project key findings and options recommendations.

### ENGAGEMENT FRAMEWORK

The method of engagement included a combination of face-to-face meetings and online meetings via MS Teams. Prior to engaging with stakeholders, AEC reviewed previous plans and/or strategies to help inform engagement.

The information gathered during the engagement was used to verify the desktop analysis and inform the Preliminary Findings & Work-in-progress report.

Council is committed to engagement practices of delivering communication, and the framework AEC followed for engagement with external stakeholders was aligned to the International Association of Public Participation (IAP2) principles of the Public Participation Spectrum.

The table below outlines the different levels of input and influence external stakeholders and the community (not applicable to this plan) may have over a particular project.

Refer to Council's Community Engagement Plan.

**Figure A.13.1 IAP2’s Spectrum of Public Participation**

Increasing impact on the decision ----->					
	Inform	Consult	Involve	Collaborate	Empower
Public Participation Goal	To provide the public with balanced and objective information to assist them in understanding the problem, alternatives opportunities and/ or solutions	To obtain public feedback on analysis, alternatives and/or decisions	To work directly with the public throughout the process to ensure that public concerns and aspirations are consistently understood and considered	To partner with the public in each aspect of the decision including the development of alternatives and the identification of the preferred solution	To place final decision making in the hands of the public
Promise to the Public	We will keep you informed	We will keep you informed, listen to and acknowledge concerns and aspirations, and provide feedback on how public input influenced the decision	We will work with you to ensure that your concerns and aspirations are directly reflected in the alternatives developed and provide feedback on how public input influenced decision	We will look to you for advice and innovation in formulating solutions and incorporate your advice and recommendations into the decisions to the maximum extent possible	We will implement what you decide

## STAKEHOLDER ENGAGEMENT PLAN

This section outlines the stakeholder groups, their interest, influence, level, and method of engagement within the project, as well as the date for the engagement.

Stakeholder group	Interest	Influence	Level of Engagement	Engagement Method
Project Steering Committee	Advisors to Project team (including AEC)	Advice	Collaborate	<ul style="list-style-type: none"> <li>Online Inception Meeting</li> <li>Fortnightly Project meetings</li> </ul>
Councillors	Owner of Financial Sustainability Review Provide approval of the Strategies and recommendation	Decision Making	Empower	<ul style="list-style-type: none"> <li>Onsite Councillor Briefing – Project startup</li> <li>Online Councillor Briefing to seek feedback on preliminary findings and work-in-progress report.</li> <li>Onsite &amp; online Councillor Briefing to present Draft Report (may become online meeting, and the final report be an onsite meeting)</li> <li>Online Councillor Briefing to present Final Report</li> </ul>
Audit, risk and improvement committee (ARIC)	To provide independent advice to Council regarding compliance, risk management, financial management, governance, implementation of the strategic plan, delivery program and strategies, service reviews, collection of performance measurement data by the Council, and internal audit.	Advice	Collaborate	<ul style="list-style-type: none"> <li>Management responsibility to keep ARIC informed</li> </ul>
Executive Management Team	Responsible to implement the Strategies and recommendations	Advice	Collaborate	<ul style="list-style-type: none"> <li>Online Inception Meeting</li> <li>Onsite Executive Management Briefing – Project startup</li> <li>Online Councillor Briefing to seek feedback on preliminary findings and work-in-progress.</li> <li>Onsite &amp; online presentation of Key Findings, LTFP &amp; AMS (with Steering Committee)</li> <li>Onsite &amp; online Councillor Briefing to present Key Findings</li> <li>Onsite Councillor Briefing to present Final Report</li> </ul>
Staff in Identified Key Roles	Input into understanding current sustainability. Identification of options Implementing the outcomes	Advice	Collaborate	<ul style="list-style-type: none"> <li>Meetings on site (see schedule)</li> <li>Ongoing meetings, discussions, emails etc as required</li> </ul>

## APPENDIX B: BENCHMARKING

### INTRODUCTION TO BENCHMARKING REPORT

Benchmarking of the financial performance of the Council and other relevant statistical information was undertaken for comparison purposes. Benchmarking was based on time series data published by the NSW Office of Local Government (OLG) - Your Council Report, 2021/22, completing a comparison across the Group 5 Councils (13 councils including MidCoast) plus Eurobadalla and Wingecarribee, as detailed below:

**Table 1: List of selected councils**

Council	Est Population (2021)	Total Residential Rate Assessments
Eurobodalla	40,453	24,335
Wingecarribee	52,456	22,448
Port Stephens	75,282	32,467
Shellharbour	76,443	28,629
Coffs Harbour	78,738	30,876
Port Macquarie-Hastings	86,585	34,743
Maitland	90,553	33,155
MidCoast	96,425	46,445
Tweed	97,151	38,132
Shoalhaven	108,497	55,982
Newcastle	169,317	66,487
Lake Macquarie	213,967	83,052
Wollongong	214,657	80,693

Source: OLG Time Series Data (2021/22)

**Please Note** - Whilst the benchmarking is useful for assessing how Council compares with other similar councils, caution should be exercised when drawing any conclusions based on the observations alone without further investigation. Whilst the councils used for the benchmarking are within the same NSW Office of Local Government Group, it should be noted there are significant variations regarding population, demographics, geographical area and size, range and level of service provided, as well as the service delivery model, which impact on comparative analysis.

AEC will be undertaking much rigorous assessment of Council's financial position to understand the outcomes/results as produced by this benchmarking exercise.



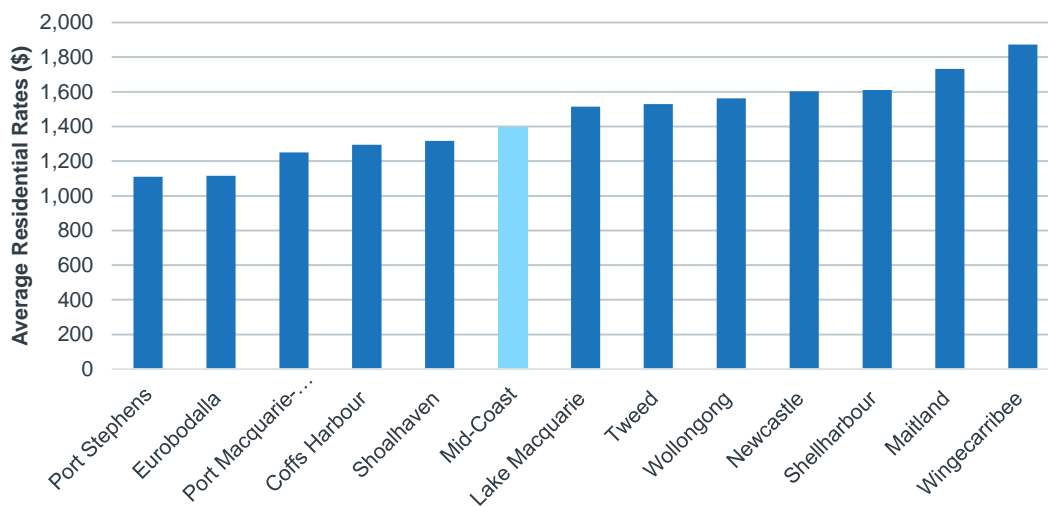
## BENCHMARKING RATES & CHARGES

Key findings from the following graphs identify that MidCoast Council have the sixth lowest average residential rates, the lowest average farmland rates and the fifth lowest average business rates within identified group of councils.

The rating effort is based on the land value divided by the total rate income, and MidCoast Council has the third lowest rating effort within the group, while the average Domestic Waste Annual Charge is the second lowest within the group.

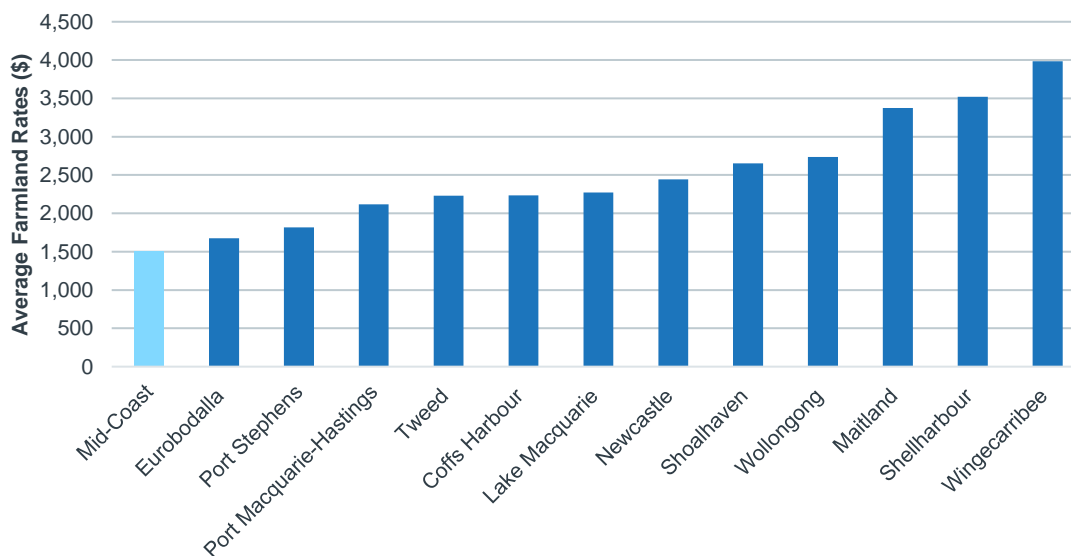
For the outstanding rates and charges ratio, Council is ranked the highest of the Group.

**Figure 1: Average Residential Rate across Selected Group of Councils – 2021/22**



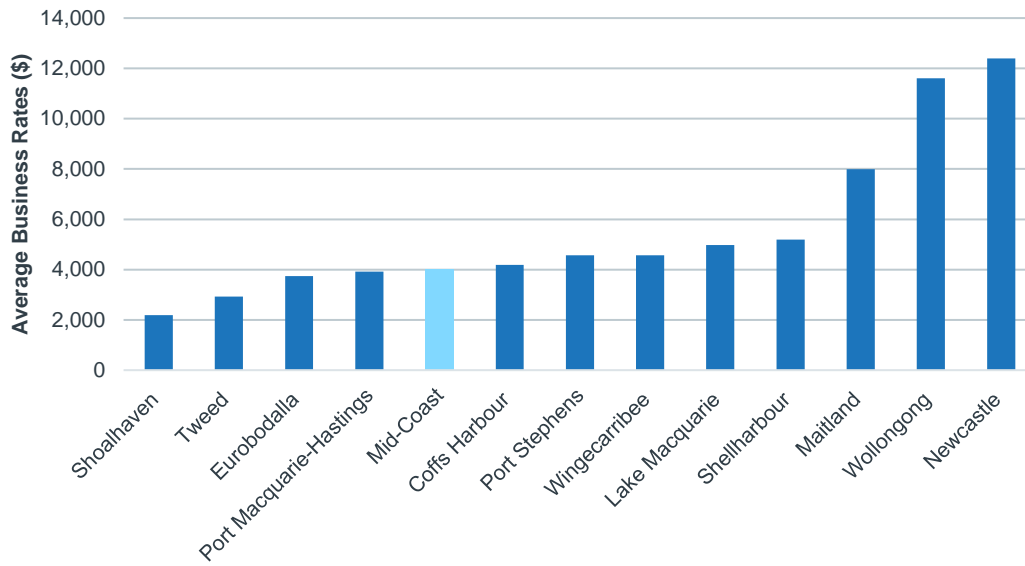
Source: OLG Time Series Data (2021/22)

**Figure 2: Average Farmland Rate across Selected Group of Councils – 2021/22**



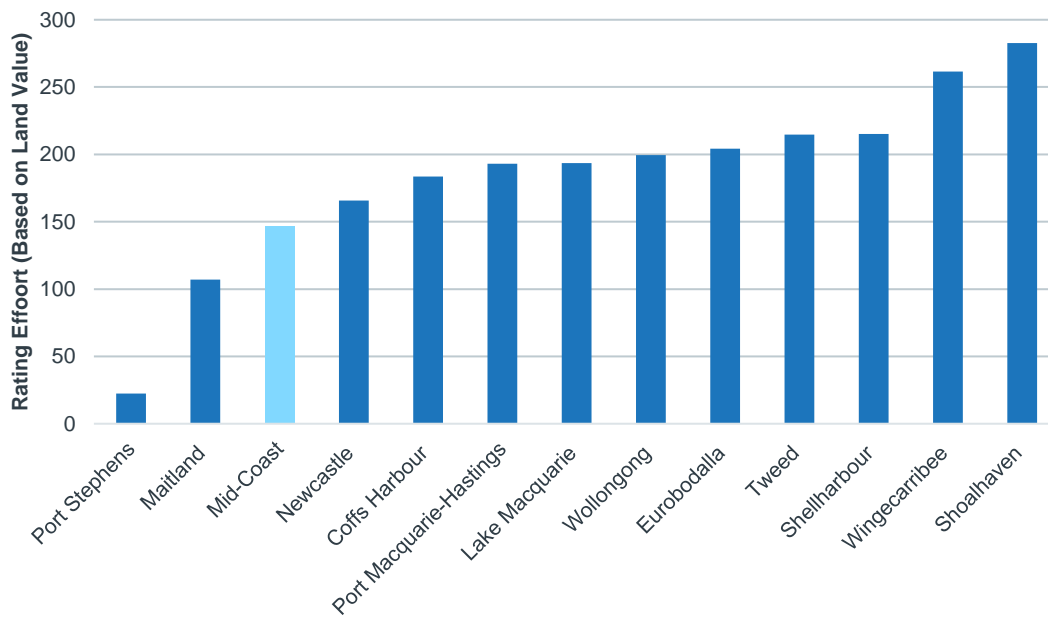
Source: OLG Time Series Data (2021/22)

**Figure 3: Average Business Rate across Selected Group of Councils – 2021/22**



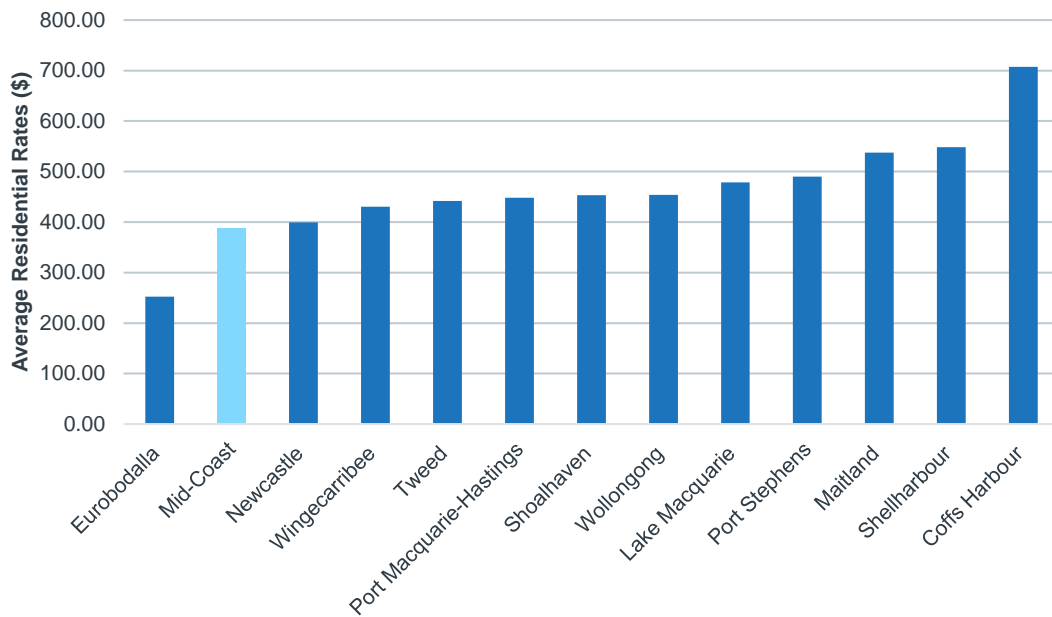
Source: OLG Time Series Data (2021/22)

**Figure 4: Rating Effort (Based on land value) across Selected Group of Councils – 2021/22**



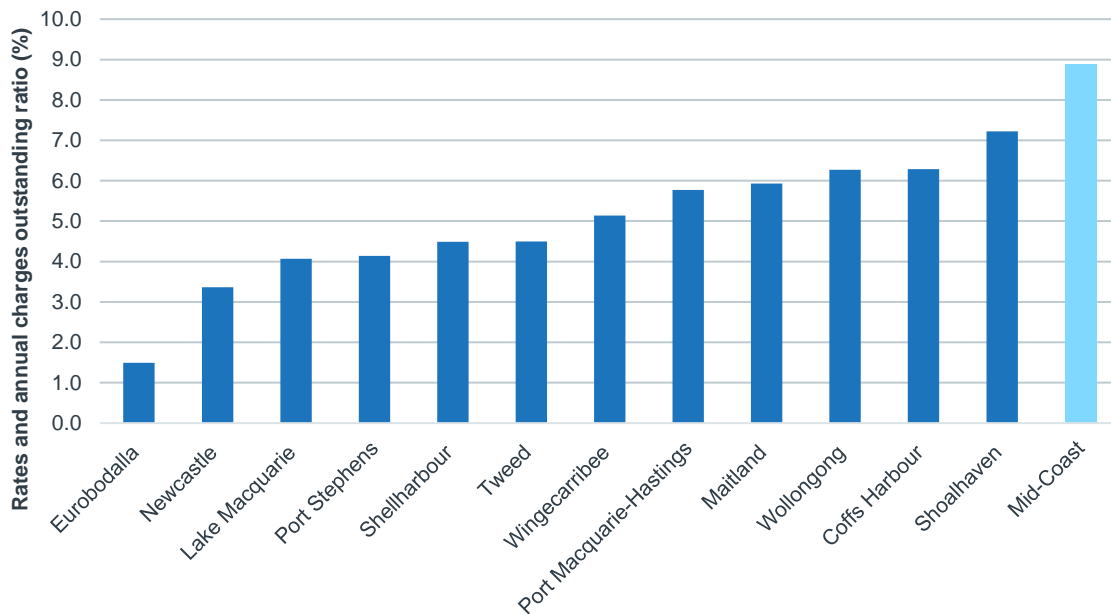
Source: OLG Time Series Data (2021/22)

**Figure 5: Average Domestic Waste Annual charge across Selected Group of Councils – 2021/22**



Source: OLG Time Series Data (2021/22)

**Figure 6: Outstanding Rates and Charges Ratio across Selected Group of Councils – 2021/22**



Source: OLG Time Series Data (2021/22)

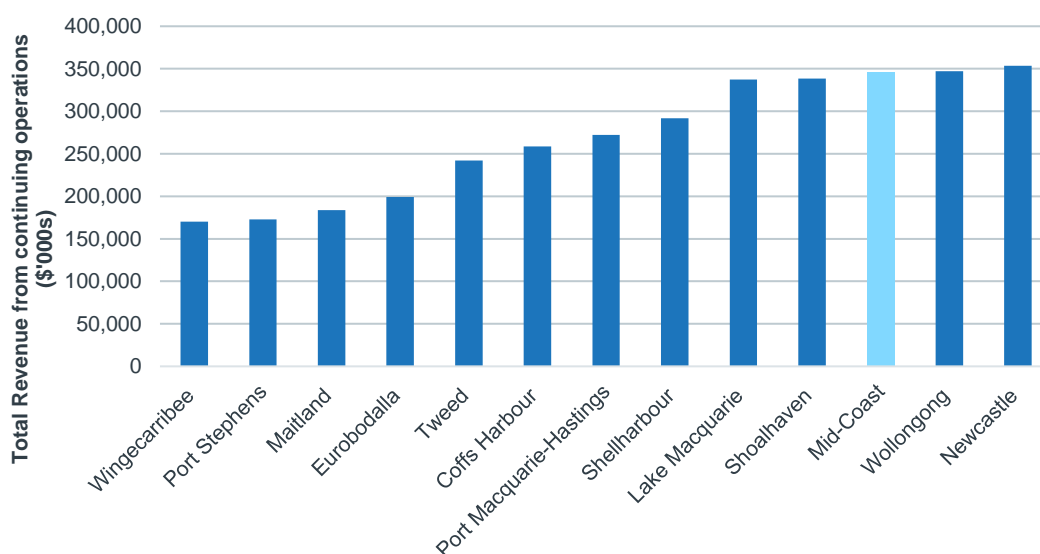
## BENCHMARKING OPERATIONAL REVENUE, EXPENSES & NET OPERATING POSITION

Key findings from the following graphs identify that MidCoast Council is third highest in the group for revenue generated from operations, and fifth highest for expenses incurred from continuing operations within the group.

Council’s net operating result before capital is the fourth highest in the group, and MidCoast Council is one of 9 councils that reported a surplus for 2021-22, the other 4 councils reported a deficit.

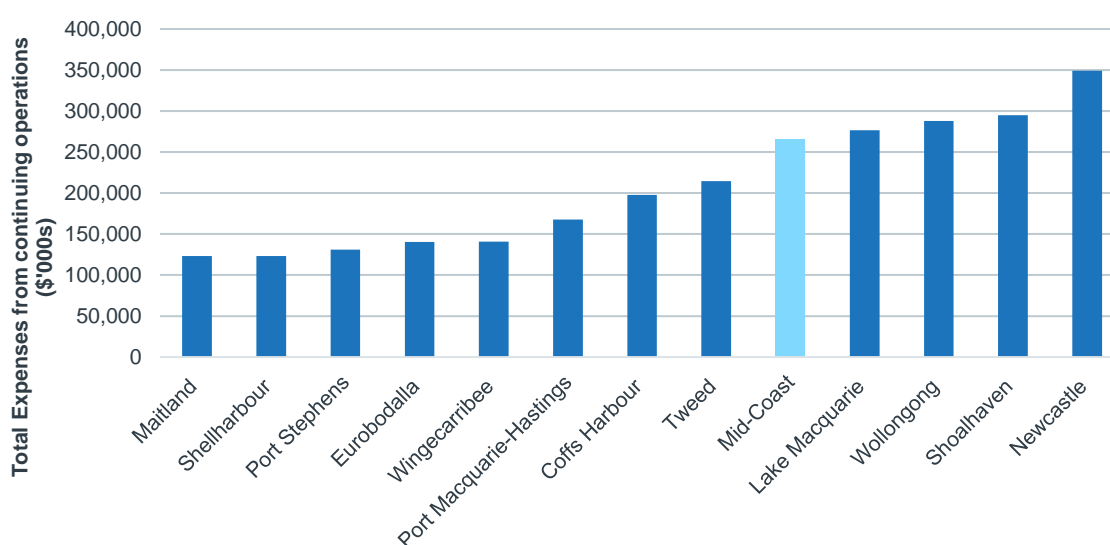
Note – caution should be applied in interpreting the operating result of a Council for one year in isolation due to impact of non-recurrent expenses/revenues for the year and other accounting treatments that may impacted the 2021-22 result.

**Figure 7: Revenue Generated from Operations across Selected Group of Councils – 2021/22**

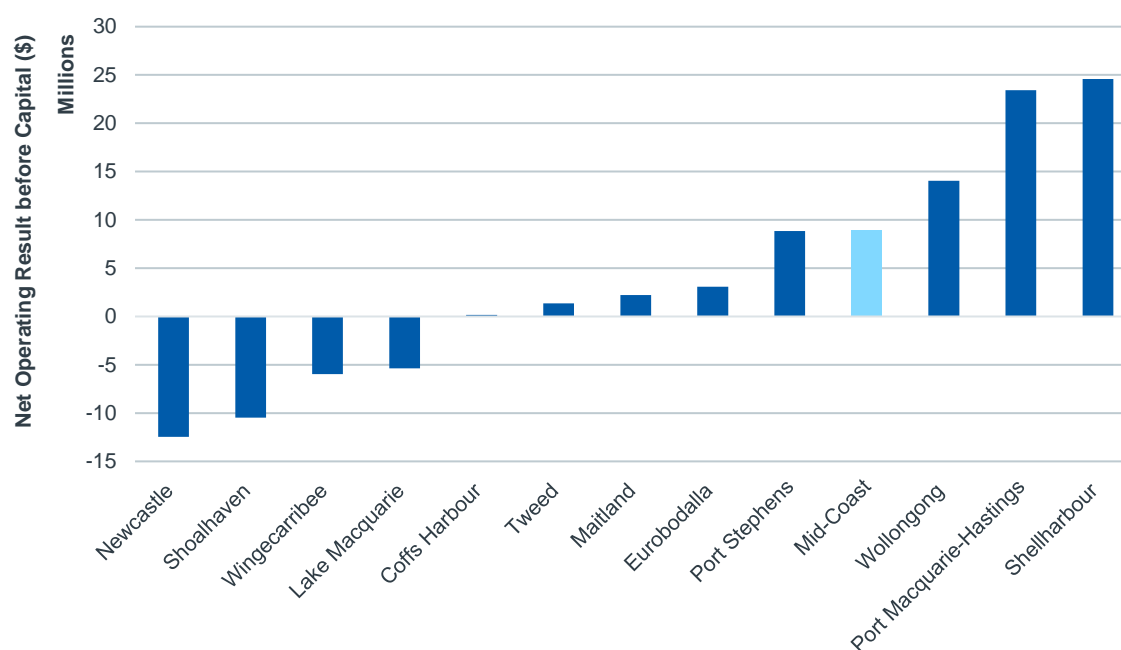


Source: OLG Time Series Data (2021/22)

**Figure 8: Expenses from Continuing Operations across Selected Group of Councils – 2021/22**



Source: OLG Time Series Data (2021/22)

**Figure 9: Net Operating Position (before Capital grants) across Selected Group of Councils – 2021/22**

Source: OLG Time Series Data (2021/22)

## BENCHMARKING OTHER RELATED INFORMATION

AEC Group have used the OLG benchmarking information for the Group 5 Councils and extended the analysis to compare different variables. In doing this the correlation coefficient was also used as a tool for understanding the strength of the relationship between two variables to assess whether the variables are an important contributing factor in the financial performance. However, it is important to note that just because two variables are correlated does not indicate the cause and effect relationship.

The following graphs visualise the relationship between variables, when benchmarking MidCoast Council with other councils within the group made of OLG Group 5 and other selected councils. A positive correlation coefficient means that the two variables move in the same direction; as one increases, so does the other. A negative correlation coefficient means that the two variables move in opposite directions; as one variable increases, the other variable decreases. Again, caution should be applied in making a causal relationship – ie that one causes the other.

Based on the measurement, we can also indicate the strength of the data relationship between the two variables, and the following table identifies this relevant to the graphs.

**Table 2: Evaluating the Strength of Association between Variables**

Comparison	Correlation Coefficient	Strength of Relationship
Population vs FTEs	0.85	Strong Positive
Total Operating Revenue vs FTEs	0.85	Strong Positive
Population vs Total Operating Revenue	0.72	Strong Positive
Population vs Total Operating Expenses	0.76	Strong Positive
Net operating result vs Total Road Length	-0.07	Weak Negative
Road length vs FTEs	0.36	Moderate Positive
Asset Maintenance Expenditure vs Road Length	0.64	Moderate Positive

Source: AEC (unpublished).

### Population & FTE (Full-time equivalent) Employee Comparison – 2021/22

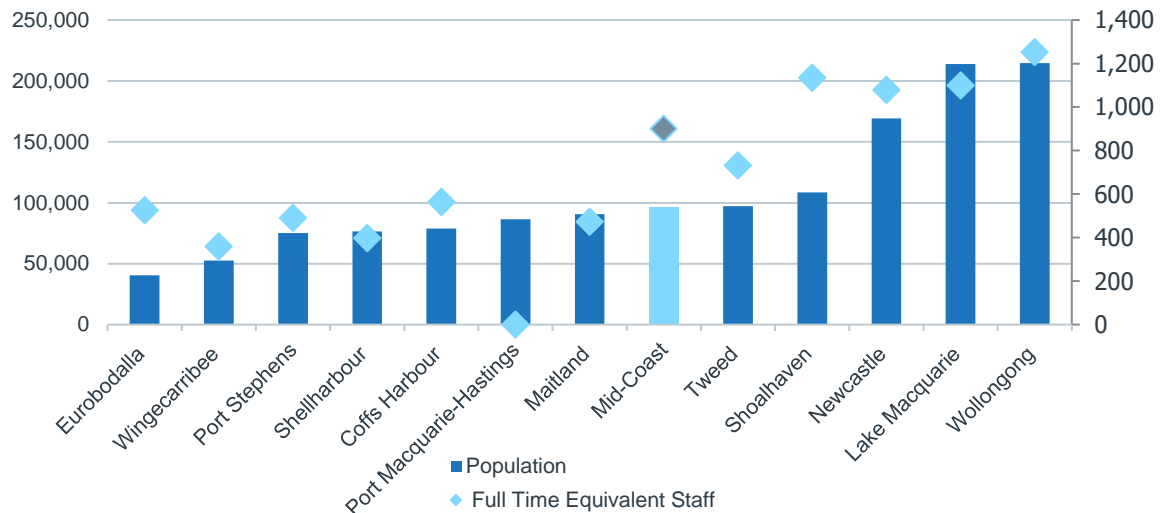
MidCoast Council has the sixth largest population within the Group and also ranks fifth in terms of full-time equivalent (FTE) count. Thus, showing a very strong correlation (high correlation coefficient) between population

MIDCOAST COUNCIL – FINANCIAL SUSTAINABILITY REVIEW

and FTE count, as evidenced by the strong visible trend or pattern in the scatter graph depicted in the figure below. While there is a strong correlation, there are some outliers including MidCoast, Shoalhaven and Eurobodalla with high FTE counts but low population – this may be due to additional services provided, such as holiday parks and accommodation and residential care facilities. It should also be noted that water and sewer services are not provided by all Councils within the group.

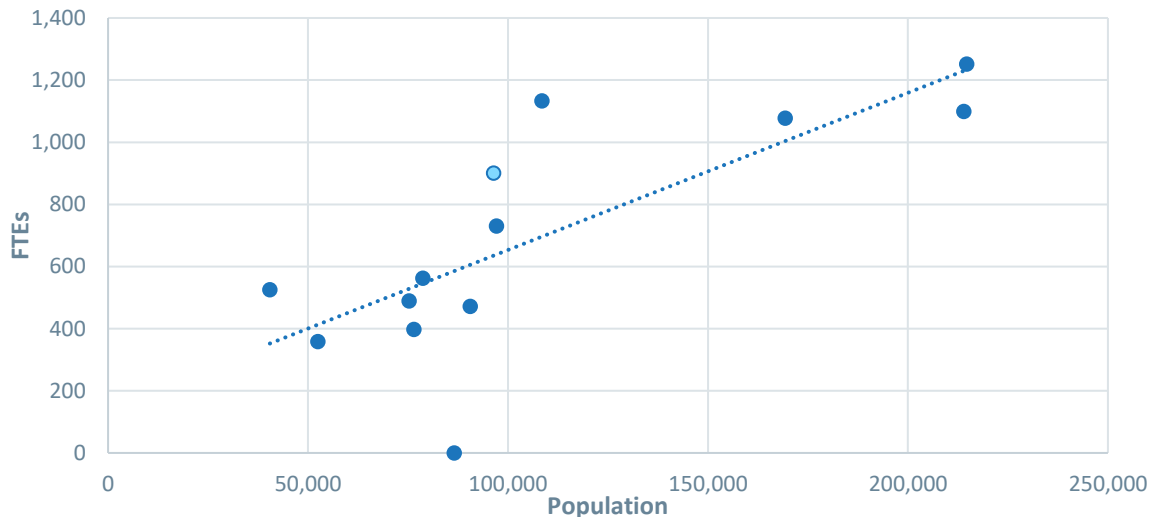
Size of the workforce (measures by FTE) is influenced by the mix of services and businesses provided by Council, the level of service provided, geographical density of the service provision, the use of external contractors to provide services and the productivity of the workforce.

**Figure 10: Population versus FTEs across Selected Group of Councils**



Source: OLG Time Series Data (2021/22)

**Figure 11: Population versus FTEs across Selected Group of Councils**



Source: OLG Time Series Data (2021/22)

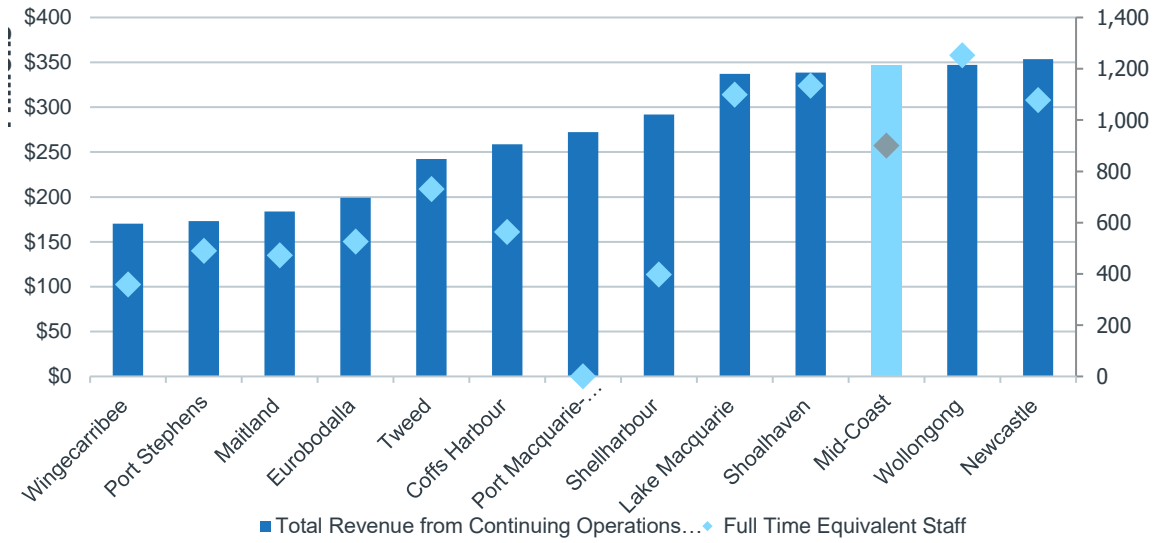
**Operating Revenue & FTE Comparison**

MidCoast Council ranks third in the group for operating revenue and fifth highest FTE count. A positive correlation (correlation coefficient of 0.85) between operating revenue and FTE exists, indicating that an increase in operating revenue is associated with a tendency for FTEs to rise across the group. This relationship is very strong, as evidenced by the clear upward trend in the scatter graph depicted in the Figure below.

MIDCOAST COUNCIL – FINANCIAL SUSTAINABILITY REVIEW

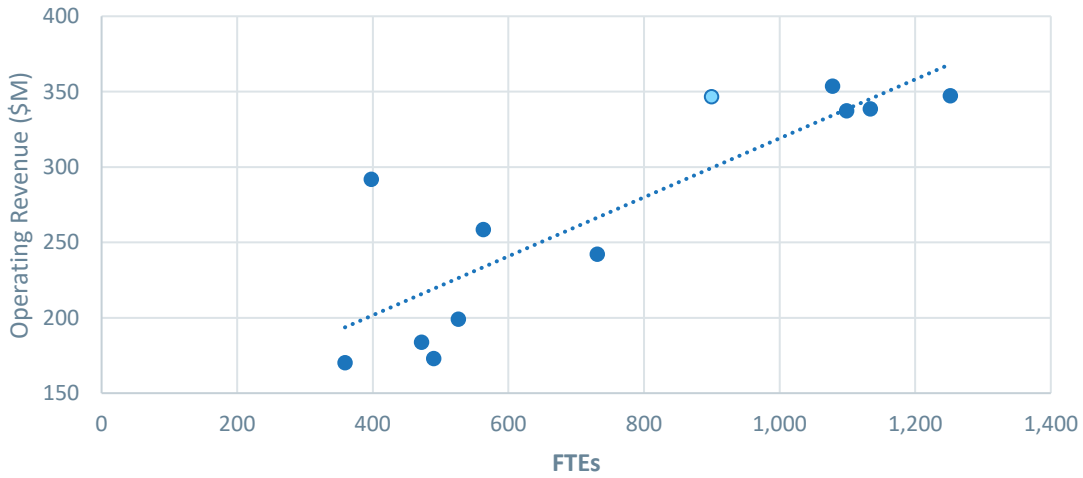
Similar to previous comparison of Population and FTE, comparability is impacted by the businesses provided by each Council.

**Figure 12: Operating Revenue (\$M) versus FTE across Selected Group of Councils**



Source: OLG Time Series Data (2021/22)

**Figure 13: Operating Revenue (\$M) versus FTE across Selected Group of Councils**



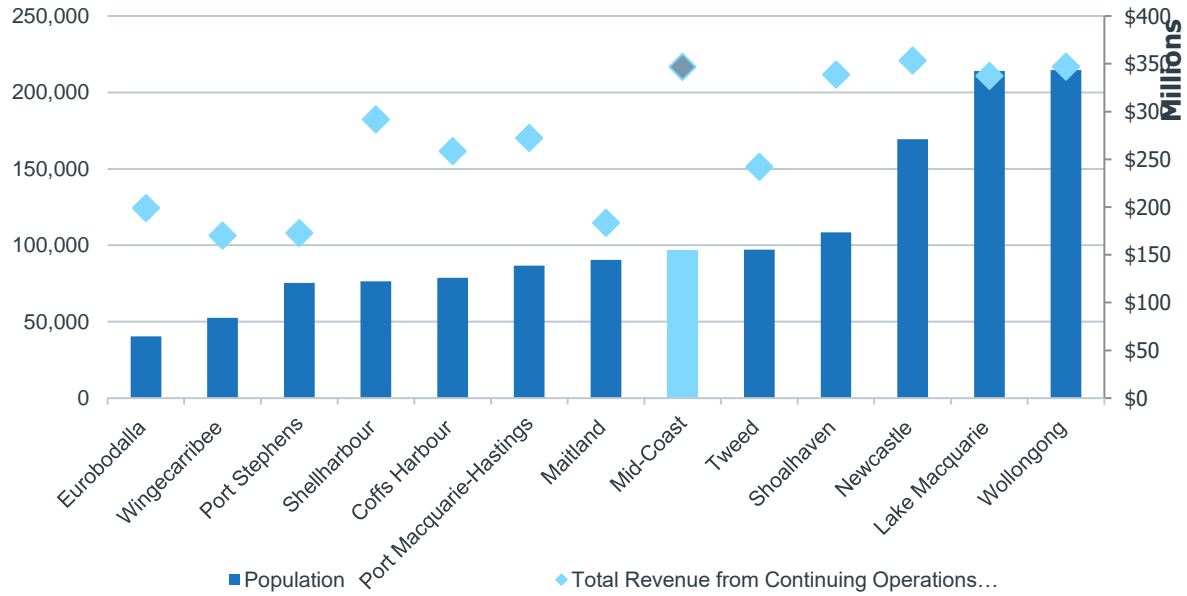
Source: OLG Time Series Data (2021/22)

Population vs Total Operating Revenue

There is another strong positive correlation shown for MidCoast Council being sixth highest population within the group, and third highest in regard to total operating revenue. A positive correlation (correlation coefficient of 0.72) exists between population and total revenue, indicating that the relationship between population and total revenue is very strong, as evidenced by the scatter graph in the figure below which shows obvious trend.

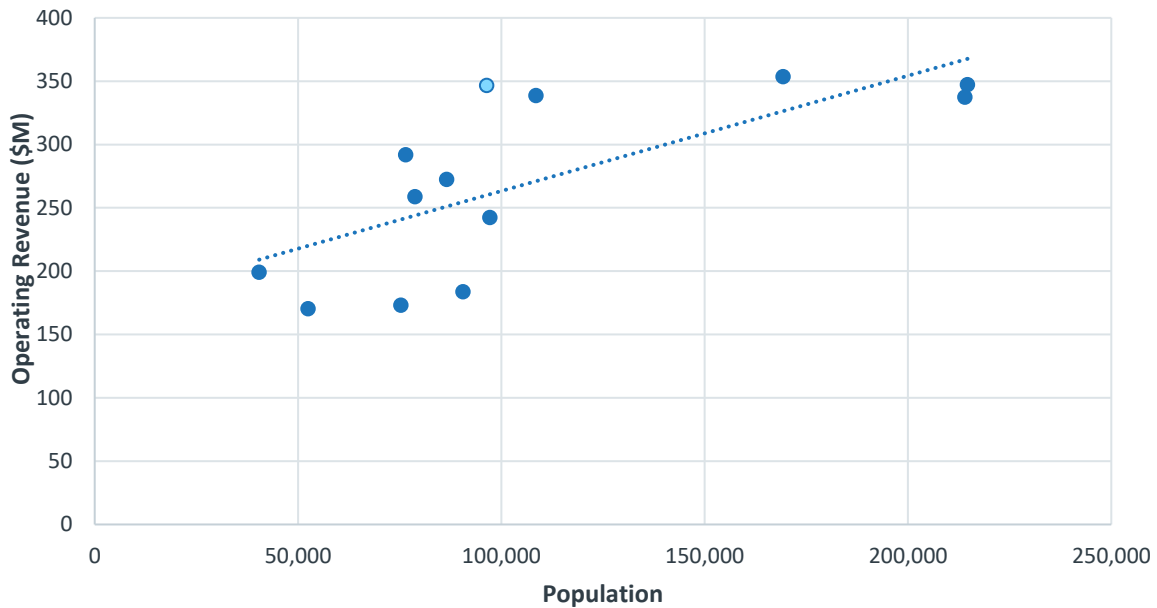
Similar to previous comparisons, comparability is impacted by the businesses provided by each Council.

Figure 14: Population versus Operating Revenue (\$M) across Selected Group of Councils



Source: OLG Time Series Data (2021/22)

Figure 15: Population versus Operating Revenue (\$M) across Selected Group of Councils



Source: OLG Time Series Data (2021/22)

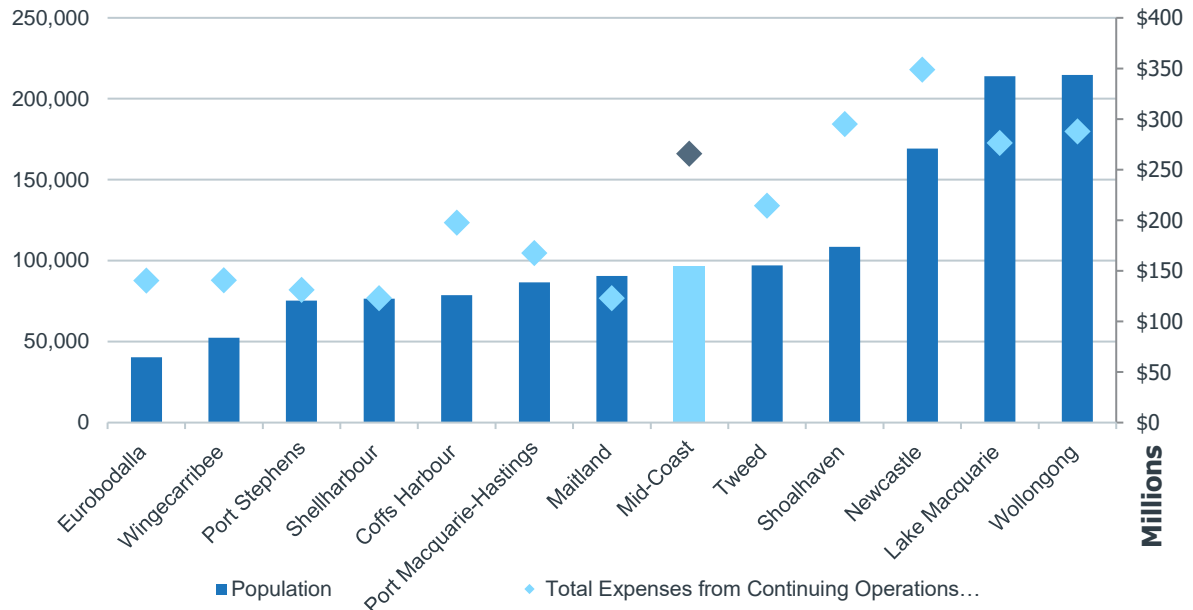


Population & Total Operating Expenses Comparison

MidCoast Council's population is ranked sixth and operating expenses is ranked at fifth within the group. A positive correlation (correlation coefficient of 0.76) exists between population and operating expenses, indicating that an increase in population is associated with a tendency for operating expenses to rise. This relationship is relatively strong, as evidenced by the slight upward trend in the scatter graph in the figure below.

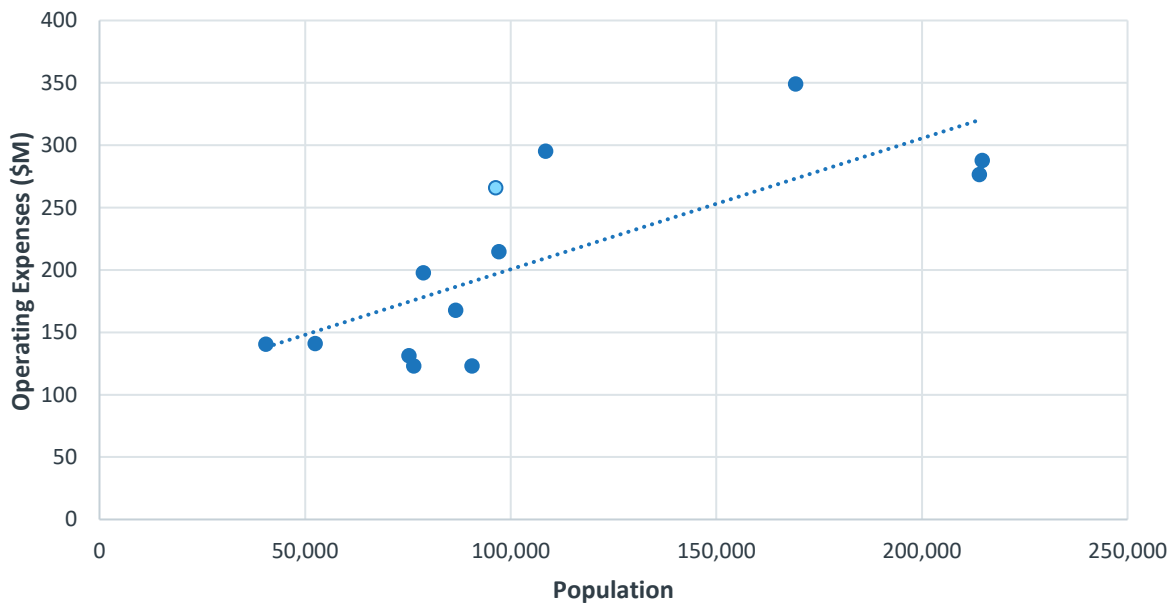
Similar to previous comparisons, comparability is impacted by the businesses provided by each Council.

Figure 16: Population versus Operating expenses (\$M) across Selected Group of Councils



Source: OLG Time Series Data (2021/22)

Figure 17: Population versus Operating expenses (\$M) across Selected Group of Councils



Source: OLG Time Series Data (2021/22)

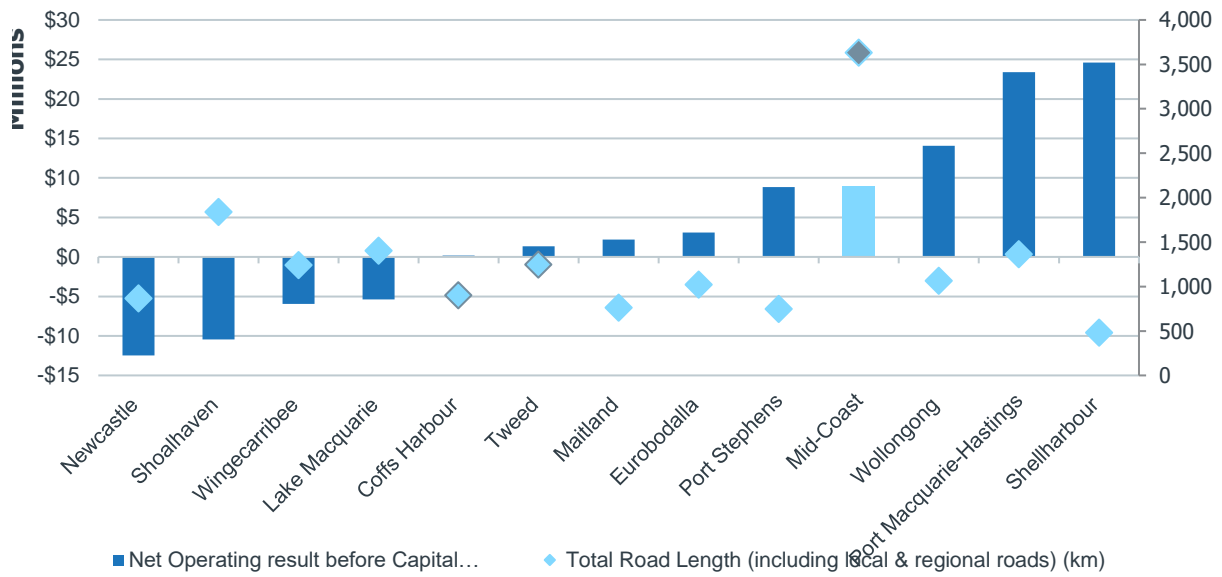
Net operating result vs Total Road Length

MidCoast Council has the fourth highest net operating result of the group, with only nine councils recording a surplus, while being positioned first in the group based on road length.

There is a negative correlation (correlation coefficient of -0.07) between net operating results and road length. This relationship is weak, as evidenced by some backward trend in the scatter graph in the Figure below.

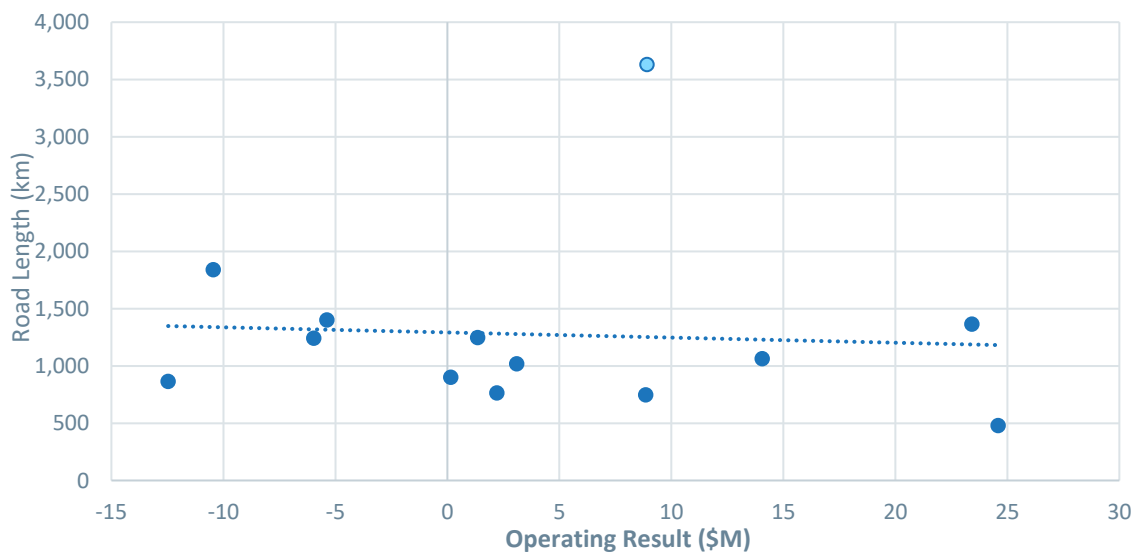
It is important to note that the negative correlation between net operating results and road length does not necessarily imply a connecting relationship. Other factors, such as infrastructure condition, may also affect a council's net operating result.

Figure 18: Net Operating Result versus Road Length across Selected Group of Councils



Source: OLG Time Series Data (2021/22)

Figure 19: Net Operating Result versus Road Length across Selected Group of Councils



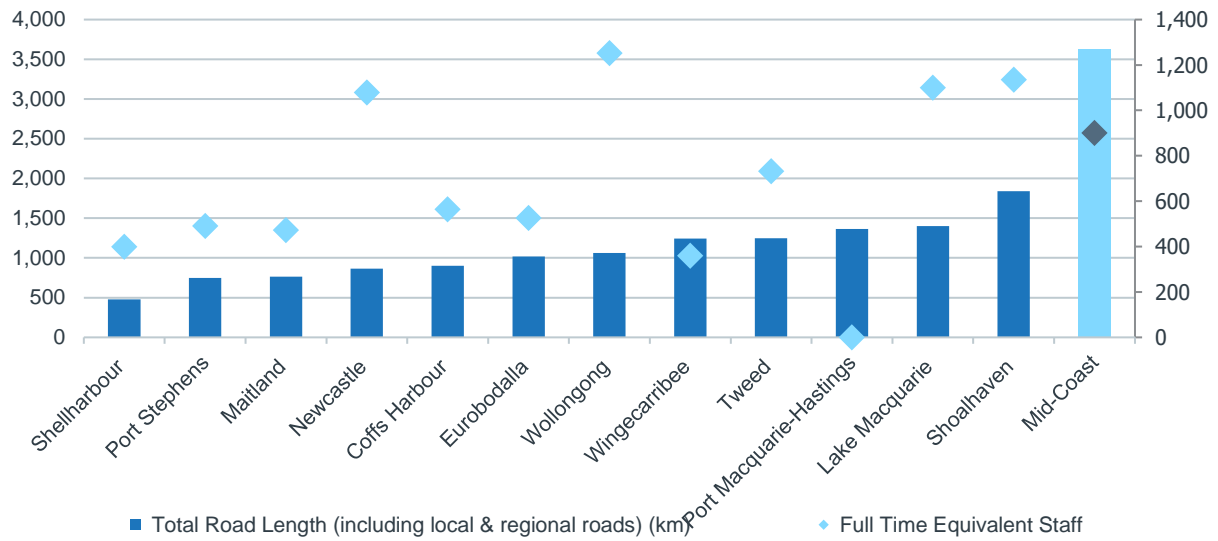
Source: OLG Time Series Data (2021/22)

Total Road Length vs FTE

MidCoast Council is positioned first in the group based on road length; however, it is positioned fifth for FTEs. There is a positive correlation (correlation coefficient of 0.36) between road length and FTEs, which means that within the group, councils with longer roads tend to have more FTE staff. This relationship is weak to moderate, as evidenced by the upward trend by not very definite in the scatter graph in the figure below.

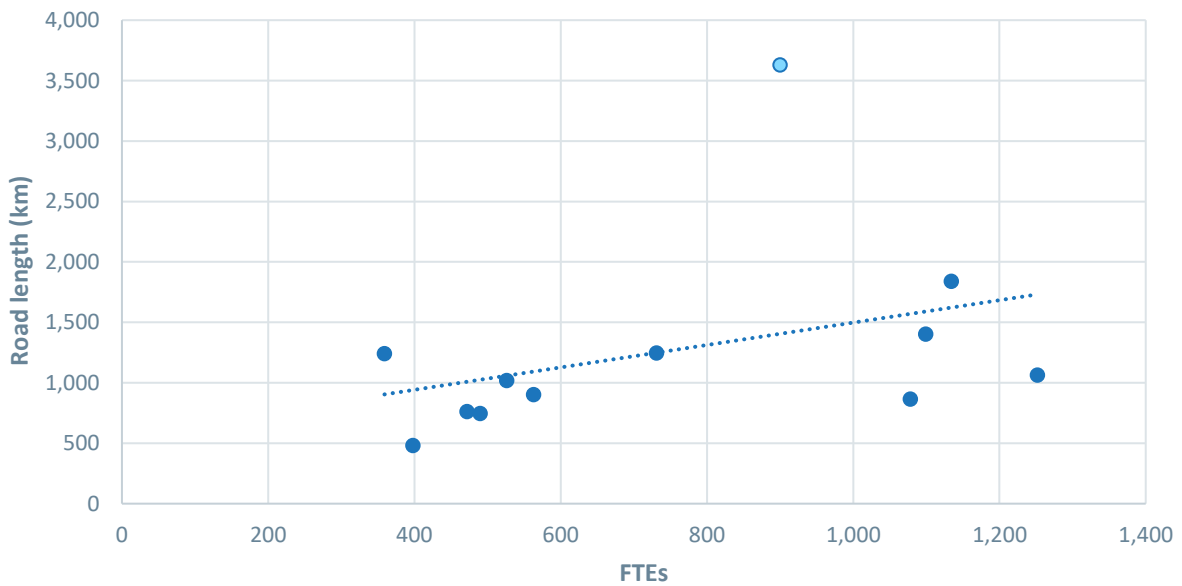
However, other factors such as the size and complexity of the council's operations, its budget constraints, and its service delivery model may also play a role in determining its staffing levels. This is clear by outliers like Newcastle, Wollongong, Lake Macquarie, and Shoalhaven whereby they all have very high FTE regardless of Council's Road length.

Figure 20: Total Road Length versus FTE across Selected Group of Councils



Source: OLG Time Series Data (2021/22)

Figure 21: Total Road Length versus FTE across Selected Group of Councils

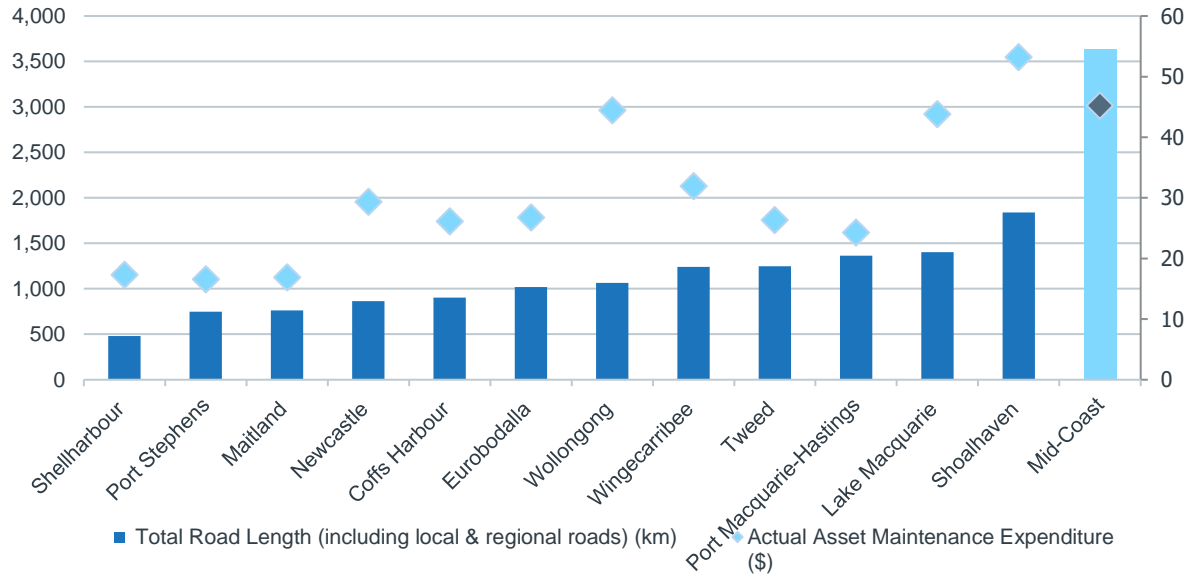


Source: OLG Time Series Data (2021/22)

Asset Maintenance Expenditure vs Road Length

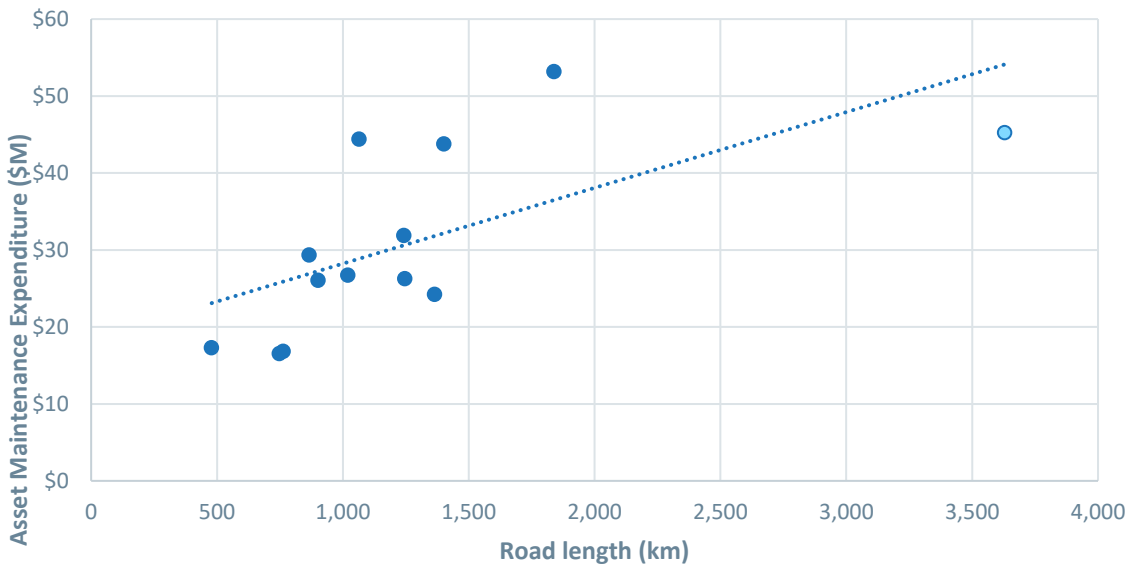
MidCoast Council is positioned second in the group, indicating that Council's spending on maintaining its assets is well above the average of the group. On the same note, it is positioned first in the group based on road length, implying that it has a relatively longer road network compared to other councils in the group. There is a positive correlation (correlation coefficient of 0.64) between asset maintenance expenditure and road length within the group, which means that councils with longer roads tend to have higher asset maintenance expenditure, on average. This relationship is moderate to strong, as evidenced by the upward trend, albeit with a reasonable gradient, in the scatter graph in the figure below

Figure 22: Asset Maintenance Expenditure versus Road Length across Selected Group of Councils



Source: OLG Time Series Data (2021/22)

Figure 23: Asset Maintenance Expenditure versus Road Length across Selected Group of Councils



Source: OLG Time Series Data (2021/22)

# APPENDIX C: 2022/23 REPORT ON INFRASTRUCTURE ASSETS

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard		Estimated cost to bring to the agreed level of service set by Council	2022/23 Required maintenance <sup>a</sup>	2022/23 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	1	2	3	4	5
Buildings	Other Buildings	6,984	6,984	1,004	395	60,674	91,279	7.0%	61.0%	19.0%	13.0%	0.0%	
	Council Offices/Administration Centres	14,880	14,880	982	622	53,600	89,250	41.0%	5.0%	2.0%	52.0%	0.0%	
	Council Works Depots	2,100	2,100	139	86	6,460	12,673	9.0%	7.0%	56.0%	28.0%	0.0%	
	Council Public Halls	4,003	4,003	274	12	12,449	24,945	0.0%	16.0%	50.0%	34.0%	0.0%	
	Libraries	890	890	104	87	5,369	9,450	0.0%	18.0%	75.0%	7.0%	0.0%	
	Cultural/Community Facilities	31,734	31,734	2,706	1,837	135,683	245,962	4.0%	25.0%	47.0%	23.0%	1.0%	
	<b>Sub-total</b>	<b>60,591</b>	<b>60,591</b>	<b>5,209</b>	<b>3,039</b>	<b>274,235</b>	<b>473,559</b>	<b>11.39%</b>	<b>27.07%</b>	<b>34.08%</b>	<b>26.93%</b>	<b>0.50%</b>	
Other structures	Other structures Not Included In Buildings	1,268	1,268	166	736	10,680	15,102	20.0%	52.0%	10.0%	18.0%	0.0%	
	<b>Sub-total</b>	<b>1,268</b>	<b>1,268</b>	<b>166</b>	<b>736</b>	<b>10,680</b>	<b>15,102</b>	<b>20.00%</b>	<b>52.00%</b>	<b>10.00%</b>	<b>18.00%</b>	<b>0.00%</b>	
Roads	Sealed roads	150,566	150,566	13,575	33,143	951,408	1,523,619	13.0%	39.0%	31.0%	14.0%	3.0%	
	Unsealed roads	6,708	6,708	3,562	650	46,996	75,002	12.0%	28.0%	57.0%	2.0%	1.0%	
	Bridges	7,728	7,728	2,016	607	147,186	201,802	20.0%	59.0%	16.0%	4.0%	1.0%	
	Footpaths/Cycleways	3,084	3,084	672	160	34,290	49,092	29.0%	29.0%	39.0%	2.0%	1.0%	
	Kerb & Guttering	22,419	22,419	336	48	118,847	204,165	11.0%	10.0%	74.0%	4.0%	1.0%	
	Bulk earthworks	–	–	–	–	800,176	800,176	100.0%	0.0%	0.0%	0.0%	0.0%	
	<b>Sub-total</b>	<b>190,505</b>	<b>190,505</b>	<b>20,161</b>	<b>34,608</b>	<b>2,098,903</b>	<b>2,853,856</b>	<b>37.99%</b>	<b>26.94%</b>	<b>25.14%</b>	<b>8.13%</b>	<b>1.90%</b>	
Water supply network	Water supply network	57,201	57,201	9,219	9,625	553,794	805,529	36.0%	35.0%	16.0%	9.0%	4.0%	
	<b>Sub-total</b>	<b>57,201</b>	<b>57,201</b>	<b>9,219</b>	<b>9,625</b>	<b>553,794</b>	<b>805,529</b>	<b>36.00%</b>	<b>35.00%</b>	<b>16.00%</b>	<b>9.00%</b>	<b>4.00%</b>	
Sewerage network	Sewerage network	50,962	50,962	9,533	8,598	451,441	656,143	36.0%	27.0%	24.0%	9.0%	4.0%	
	<b>Sub-total</b>	<b>50,962</b>	<b>50,962</b>	<b>9,533</b>	<b>8,598</b>	<b>451,441</b>	<b>656,143</b>	<b>36.00%</b>	<b>27.00%</b>	<b>24.00%</b>	<b>9.00%</b>	<b>4.00%</b>	
Stormwater drainage	Stormwater drainage	36,551	36,551	2,513	422	334,794	506,769	20.0%	45.0%	30.0%	4.0%	1.0%	
	<b>Sub-total</b>	<b>36,551</b>	<b>36,551</b>	<b>2,513</b>	<b>422</b>	<b>334,794</b>	<b>506,769</b>	<b>20.00%</b>	<b>45.00%</b>	<b>30.00%</b>	<b>4.00%</b>	<b>1.00%</b>	
Open space / recreational assets	Swimming pools	2,866	2,866	133	1,255	5,108	12,123	1.0%	5.0%	50.0%	39.0%	5.0%	
	Other Recreational/Open Space Assets	5,542	5,542	627	6,286	35,799	57,025	11.0%	50.0%	25.0%	10.0%	4.0%	
	<b>Sub-total</b>	<b>8,408</b>	<b>8,408</b>	<b>760</b>	<b>7,541</b>	<b>40,907</b>	<b>69,148</b>	<b>9.25%</b>	<b>42.11%</b>	<b>29.38%</b>	<b>15.08%</b>	<b>4.20%</b>	
	<b>Total – all assets</b>	<b>405,486</b>	<b>405,486</b>	<b>47,561</b>	<b>64,569</b>	<b>3,764,754</b>	<b>5,380,106</b>	<b>33.00%</b>	<b>30.13%</b>	<b>24.89%</b>	<b>9.75%</b>	<b>2.30%</b>	

(a) Required maintenance is the amount identified in Council's asset management plans.

Infrastructure asset condition assessment 'key'

#	Condition	Integrated planning and reporting (IP&R) description
1	Excellent/very good	No work required (normal maintenance)
2	Good	Only minor maintenance work required
3	Satisfactory	Maintenance work required
4	Poor	Renewal required
5	Very poor	Urgent renewal/upgrading required



THIS PAGE INTENTIONALLY LEFT BLANK

**BRISBANE**

Level 5, 131 Leichhardt Street  
Spring Hill QLD 4000  
Australia  
T: +61 (0)7 3831 0577

**TOWNSVILLE**

233 Flinders Street East  
Townsville QLD 4810  
Australia  
T: +61 (0)7 4771 5550

**SYDNEY**

Level 14, 25 Bligh Street,  
Sydney NSW 2000  
Australia  
T: +61 (0) 2 9283 8400

**AFFILIATED OFFICES:****BANGKOK**

2024/129-130 Sukhumvit 50  
Prakanong Klongtoey,  
Bangkok, Thailand 10260  
T: +66 2 107 0189

**DARWIN**

Level 1, 48-50 Smith Street  
Darwin NT 0800  
Australia  
T: 1300 799 343

**MELBOURNE**

Level 13, 200 Queen Street  
Melbourne VIC 3000  
Australia  
T: +61 (0)3 8648 6586

**PERTH**

Level 2, 580 Hay Street  
Perth WA 6000  
Australia  
T: +61 (0) 8 6555 4940

**SHANGHAI**

Level 35, 1st Building,  
700 Liquean Road, Putuo District,  
Shanghai, China 200333  
T: +8618 516293312

[aecgrouppltd.com](http://aecgrouppltd.com)

OUTCOME DRIVEN



OUTCOME DRIVEN