

Financial Sustainability Strategy



Hay Shire
COUNCIL

Document Version	Date	Comments	Author	Reviewer
1	24/10/25	Initial Draft	David Webb	
2	8/1/26	Draft	David Webb	Mark Dowling
3	21/1/2026	Revision/Update	David Webb	Mark Dowling

January 2026

Version No. 3

Contents

Financial Sustainability Strategy	1
Executive Summary.....	5
1. Hay Shire Council – Financial Snapshot 2025.....	8
1.1 Financial Snapshot.....	8
1.2 Economic Context.....	187
1.3 Financial Sustainability Outlook.....	18
1.4 Key Risks.....	198
1.5 Strategic Implications for the LTF.....	22
1.6 Long Term Financial Plan – Key Assumptions.....	243
1.7 Underlying Financial Outlook.....	265
1.8 External and Structural Pressures on Financial Sustainability.....	265
1.9 Council's Intent Includes.....	27
1.10 Key Focus Areas and Drivers for Financial Sustainability.....	28
2. Strategic Content.....	31
2.1 Local Government Context in Hay.....	31
2.2 Alignment with Council Planning Frameworks.....	33
2.3 Legislative and Policy Content.....	35
2.4 External Influences on Financial Sustainability.....	36
3. Guiding Principles.....	39
3.1 Intergenerational Equity.....	38
3.2 Prudent Financial Risk Management.....	38
3.3 Long-term Service Viability.....	38
3.4 Transparency and Accountability.....	38
3.5 Innovation and Continuous Improvement.....	38
4. Key Financial Sustainability Objectives.....	40
4.1 Maintain Long-term Operating Stability.....	39
4.2 Reduce Reliance on Grant Funding for Operational Expenditure.....	39
4.3 Ensure Sustainable Infrastructure Renewal and Maintenance.....	39
4.4 Effective Debt Management.....	40
4.5 Optimal Use of Reserves.....	40
4.6 Promote Efficiency in Service Delivery.....	40
5. Financial Performance Analysis.....	42
5.1 Historical Financial Trends (Last 5-10 Years).....	41
5.2 Performance Against Fit for Future Benchmarks.....	41
5.3 Sensitivity Analysis and Risk Scenarios.....	42
6. Revenue Strategy.....	44
6.1 Rates and Annual Charges.....	44
6.2 Fees and Charges.....	44
6.3 Grant Funding.....	44
6.4 Investment Income.....	44
6.5 Commercial Opportunities.....	45
6.6 Cost Recovery Policy Review.....	45
Summary.....	45
7. Expenditure Strategy.....	46
7.1 Expenditure Prioritisation Framework.....	46
7.2 Service-Based Budgeting Options.....	46
7.3 Digital Transformation for Process Efficiency.....	46
7.4 Own Workforce Optimisation over Outsourcing.....	47
Summary.....	47
8. Asset and Infrastructure Management.....	48

8.1 Link to Asset Management Plans and Long-Term Financial Plan.....	48
8.2 Focus on Renewals Over New Assets.....	48
8.3 Infrastructure Backlog Mitigation.....	48
8.4 Whole-of-Life Costing in Project Planning	49
8.5 Risk-Based Asset Prioritisation	49
Summary	49
9. Workforce and Capacity Planning	50
9.1 Efficient Resource Deployment.....	50
9.2 Workforce Succession and Skills Development (“Grow Within” Philosophy).....	50
9.3 Attraction and Retention in Rural Areas.....	50
Summary	51
10. Risk Management and Contingency Planning.....	51
10.1 Financial Risk Register.....	51
10.2 Disaster Resilience Funding and Recovery Financial Planning.....	51
10.3 Business Continuity in Financial Operations.....	51
Summary.....	51
11. Monitoring, Evaluation and Reporting	53
11.1 Key Performance Indicators and Scorecard	52
11.2 Annual Review Cycle Linked to Budget and Delivery Program.....	52
11.3 Community Reporting via Annual Report and Website.....	52
11.4 Continuous Improvement Feedback Loop.....	53
Summary.....	53
12. Implementation Roadmap	54
12.1 Action Plan – Financial Sustainability.....	55
12.2 Responsibility and Timelines.....	54
12.3 Resourcing and Funding Deeds.....	57
12.4 Governance Structure.....	58
12.5 Implementation Roadmap Action Table.....	59
Appendix A - Glossary of Financial Terms.....	62
Appendix B - Long Term Financial Plan	652
Appendix C – Asset Management Snapshot	67
Table 1: Building Assets Summary	67
Table 17: The LTFP funding available for operations, maintenance and infrastructure renewal.....	67
Table 22: Annual Asset Consumption.....	68
Table 1: Drainage and Flood Mitigation Assets Summary	69
Table 20: LTFP funding available for operations.....	69
Table 24: Annual Asset Consumption.....	70
Table 25: Annual Asset Renewal	70
Table 26: Annual New & Upgrade Ratio	71
Table 1: Recreation and other assets Summary.....	71
Table 17: Financial Forecasts.....	71
Table 21: Annual Asset Consumption.....	72
Table 1: Transport Assets Summary.....	74
Table 24: Long-Term Financial Plan Summary	75
Table 26: Operations & Maintenance Funding Ratio – to be assessed.....	75
Table 31: Annual Asset Consumption.....	75
Table 32: Annual Asset Renewal	75
Table 33: Annual New & Upgrade Ratio	76
Table 1: Water Assets Summary.....	76
Table 18: Long Term Financial Plan (000’s).....	77

Appendix D - Risk Assessment.....	79
Summary of Key Financial & Operational Risks	83
1. Structural Operating Deficits Persist.....	83
2. Revenue Reform and Pricing Changes Are Not Implemented or Delayed.....	84
3. Cost Escalation Outpaces Revenue Growth.....	84
4. Over-Reliance on Grant Funding and One-Off Revenues	85
5. Asset Maintenance and Renewal	85
6. Workforce Capacity and Capability Constraints.....	86
7. Community Expectations Exceed Financial Capacity	87
Overall Risk Posture	87
Appendix E - Benchmarking Data	89
1. Fit for the Future Benchmarks – Key Financial Ratios (2025).....	88
2. Peer Council Comparisons – Rates, Fees, and Cost Recovery	88
3. Infrastructure Renewal and Maintenance Benchmarks.....	89
4. Historical Performance Trends (Past 5–10 Years).....	89
Overall Assessment.....	89

Financial Sustainability Strategy

Hay Shire Council

Executive Summary

Hay Shire Council is currently navigating a challenging financial environment, influenced by both external economic pressures and internal operational considerations. The Council maintains a commitment to delivering essential services, infrastructure, and community programs while striving for long-term financial sustainability.

Financial sustainability is best defined, in the local government context, as the ability to meet the reasonable expectations of the current residents in a way that does not put at risk the capacity of future generations to meet their own needs (Professor Joseph Drew, 2025).

Traditionally, there has been a focus on Council's cost-efficient delivery of services. Local government is unable to achieve total efficiency due to factors outside of its control (i.e. rate pegging, legislation, government policy, community capacity to pay). Ultimately, Council has two levers it can pull – acquire more income or spend less.

What Financial Sustainability Means for Hay Shire Council

For Hay Shire Council, financial sustainability is not defined by surplus targets alone, but by Council's ongoing capacity to deliver essential services, maintain critical infrastructure, and respond to future challenges without placing unreasonable burden on the community or future generations. In practical terms, Council is financially sustainable when the following conditions are met:

- Council must be able to fully fund its Operational Plan. Day-to-day services need to be delivered from recurrent income, without reliance on short-term fixes, asset run-down, or unsustainable drawdowns on reserves. This ensures service stability and organisational credibility.
- Council's assets must be maintained to a satisfactory standard across their full lifecycle. Roads, water, sewer, buildings, stormwater and community facilities must be renewed at the right time and to the right standard, avoiding the accumulation of hidden costs and service risks that arise from deferred maintenance.
- Any use of debt must be affordable and transparent. Borrowing must be supported by a clear “quid pro quo sacrifice”, recognising that debt must be serviced from somewhere, either through higher income, reduced expenditure, or both. Debt should therefore be reserved for essential, long-life infrastructure and aligned with intergenerational equity principles.
- Essential asset backlogs must remain manageable. While some backlog is inevitable in a small rural council, it must be clearly understood, prioritised, and progressively addressed so that risks to safety, service delivery and community confidence are contained.

- Council’s Long Term Financial Plan must be plausible and achievable. Assumptions about income growth, grants, efficiencies, service levels and asset renewal must be realistic, evidence-based, and clearly linked to Council’s strategic decisions, rather than optimistic or aspirational.
- Future challenges must be “doable”. This includes responding to cost pressures, climate impacts, regulatory change, demographic ageing and technology shifts in a way that is within Council’s organisational and financial capacity, without relying on unlikely funding windfalls or unsustainable workload expectations.
- Rates and charges must be distributed fairly. Rates, fees and charges should reflect capacity to pay, cost of service delivery, and equity between community groups, ensuring that no one sector bears a disproportionate burden over time.
- Workforce sustainability must be addressed through effective staff succession planning. Council must be able to retain critical skills, manage retirements, and build internal capability to avoid escalating costs, service disruption or over-reliance on contractors.
- Financial sustainability depends on an engaged and understanding community. Council must actively educate and inform residents about the true cost of services, the limits of available funding, and the need for appropriate price signalling. Long-term sustainability cannot be achieved if services are continually expected to be provided “for free” or below cost without consequence.

Taken together, these elements form a practical and disciplined definition of financial sustainability for Hay Shire Council—one that supports service continuity, asset stewardship, fairness, and resilience now and into the future.

Local government services can be understood through four broad categories of economic “goods,” each with different funding and pricing implications. Recognising these distinctions is essential to achieving financial sustainability and equity.

Public Goods are funded principally through taxation. They are non-excludable and non-rival, meaning individuals cannot be prevented from using them and one person’s use does not reduce availability to others. Local roads are a typical example.

Merit Goods deliver strong community benefit but are only partially funded through user charges, with the remaining cost subsidised by taxation. Services such as libraries and swimming pools fall into this category, reflecting their social, health and wellbeing benefits.

Goods with Externalities generate broader impacts beyond the direct user. Services with positive externalities may be subsidised through taxation, while those with negative externalities may require levies or charges to offset wider costs. Waste services are a common example, where pricing is used to manage environmental and behavioural impacts.

Private Goods are rival and excludable and should generally be funded through full cost-recovery fees. Council typically provides these services only where there is market failure or limited private provision. If users do not pay the full cost, the subsidy is borne by taxpayers, effectively funding individual choices. Examples include childcare services and water and sewer services.

This framework assists Council in making transparent, consistent decisions about pricing, subsidies and the appropriate use of rates, supporting both financial sustainability and fairness across the community.

Key Aspects of the Current Financial Position:

1. Revenue Base and Dependence on Grants

Council's revenue is derived primarily from rates, fees and charges, and government grants. While rates provide a stable source of income, albeit this makes up 30-40% of Council's income in any given year, reliance on state and federal grants exposes Council to fluctuations in funding priorities and policy changes. Recent lack of grant funding announcements and policy adjustments have increased uncertainty around future revenue streams. In addition, some of Council's recurrent grant funding (economic development and youth) has now ceased placing further pressure on Council's finances. It is acknowledged that Council will always be reliant on grant funding for some asset renewal.

2. Expenditure Pressures

Operating and capital expenditures are subject to rising costs, particularly in infrastructure maintenance, energy, and service delivery. Delays in addressing maintenance and capital projects can escalate long-term costs, underscoring the need for proactive financial planning. Having a high-level understanding of our costs to do business is paramount for ongoing prudent budgeting.

3. Asset Management and Depreciation

Council manages a substantial portfolio of community and infrastructure assets. Changes in state government depreciation policy and potential non-compliance risks under Australian Accounting Standards present challenges in accurately reflecting asset consumption and financial obligations. The linking of lifecycle costs to the Long Term Financial Plan is critical for financial sustainability.

4. Liquidity and Reserves

Council maintains a moderate level of liquidity, supported by cash reserves and internal borrowing capacity. These reserves are critical for responding to emergencies, funding capital projects, and cushioning against revenue shortfalls. The building and maintaining of cash reserves to include 20% of operating revenue in unrestricted cash should be a focus.

5. External Economic Environment

Worsening general economic conditions, including inflationary pressures and fiscal constraints on state and federal governments, may impact Council's revenue growth and cost of borrowing. Council has seen a significant input cost increases in recent years. These conditions require vigilant financial oversight and adaptive strategies.

6. Financial Sustainability Outlook

The Council's current position necessitates careful fiscal management, strategic investment in infrastructure, and community engagement to ensure long-term sustainability. Education of the community on financial realities remains a critical element of sustaining support for necessary programs and projects.

In summary, while Hay Shire Council currently maintains a stable operating position, it faces increasing financial pressures from both external economic conditions and evolving policy environments. Over the last three years Council has seen its operating result before capital grants decline from negative 5% to negative 22%. Proactive management particularly around



cost control, sound asset planning, and transparent community communication are essential to preserving financial resilience and service delivery into the future.

1. Hay Shire Council – Financial Snapshot 2025

1.1 Financial Snapshot

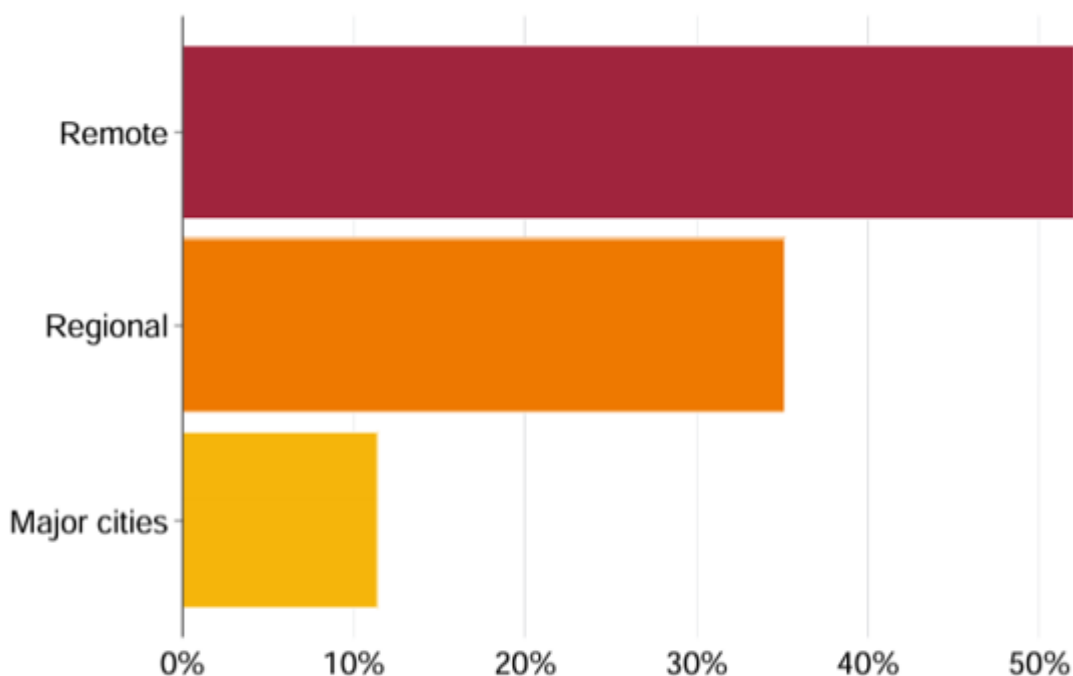
Revenue:

Financial Assistance Grants (FAGs) and *Roads to Recovery* (R2R) made up 41% of Council’s revenue in 2024/25, compared with 33% from Rates & Charges. These operating grants are essential for rural councils’ financial sustainability. Financial Assistance Grants (FAGs) are critical to Council’s annual budget, accounting for approximately 38% of Council’s income, excluding capital grants. Council has benefited from an increase in FAGs over the preceding years. For context, in 2024/25 our rate income (\$2.8M) was 60% of that which we receive from FAG’s (\$4.6M).

In real terms this means that 70% of the Council’s revenue (\$6.3M) is sourced from external grants, tied and untied, to deliver the Council’s delivery program and meet the Community’s vision and service level expectations. In the same year 80% of our capital work program (\$12.2M) was funded by external grant sources. This illustrates how susceptible Council finances are to change in funding models and government policy.

Illustrating this unsustainable level of external revenue, compare this to the median figures from councils across NSW and Victoria as outlined in an extract (Figure 1) of the Grattan Institute Report: *Potholes and Pitfalls: How to Fix Local Roads* of November 2023 below:

Grants as a percentage of total council revenue



Notes: Median council in each remoteness area. Data is for councils in NSW and Victoria.

Source: Grattan analysis of publicly available council budgets and financial statements.

Figure 1:1- Grants as a % of total council revenue

Additionally, Council has been fortunate in the past to receive grant income to fund other service delivery such as economic development and youth. This revenue has now ceased, meaning Council must fund these services from rates, charges and untied grant funding.

While rate pegging achieved some of what it was initially designed to do, historically except for few occasions, the cap was set below inflation. Moreover, the discrepancy is even larger than it might first appear if one considers a true measure of local government inflation rather than the Consumer Price Index. Cumulative effect of rate pegging over the past 20 years shows Hay Shire Council's rate income compared to inflation is \$400,000 less, equating to 15% of the 2023/24 rate income. This is demonstrated by the following graph:

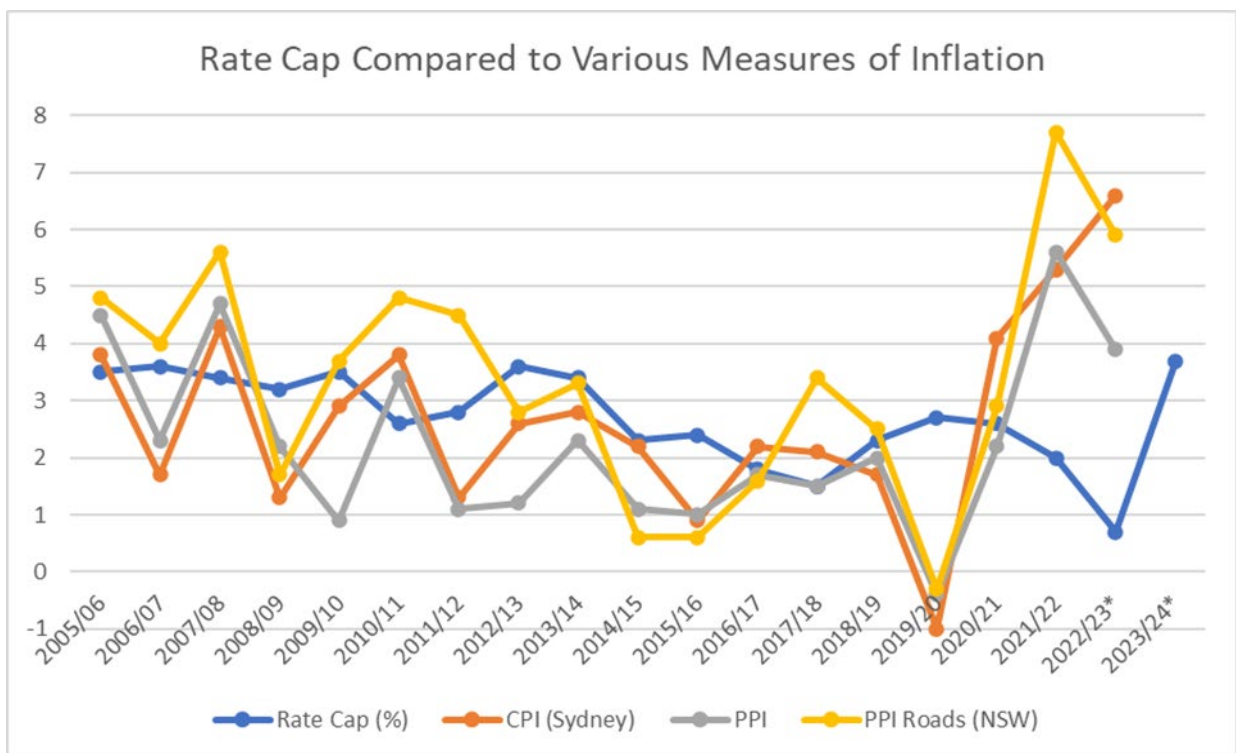


Figure 1:2 - Rate Cap Compared to Various Measures of Inflation

For context, Council's wages cost in 2023 increased 5%, while the rate peg is 3.7%. This has been the scenario since 2019 where wages costs have outstrip rate peg significantly. Inflation costs can go up daily, where councils' rates, fees and charges are set annually.

In addition, the NSW Government reviewed and changed the rate peg methodology in 2022/23, with the CPI factors used in the calculations, including employee costs, and is forward looking rather than backward looking which often has a lag, as well as a factor for ESL contribution increases. What appeared though is that the gap between cost increase in 2022/23 and 2023/24 year and the set rate peg will not be able to be caught up. Council has calculated it is forgoing \$180,900 in rate income lost as a result of the change in methodology, further exasperating the rate peg effect.

The following graphs represent an assessment of Council financial snapshot based up until 2024 when compared to peer group councils:

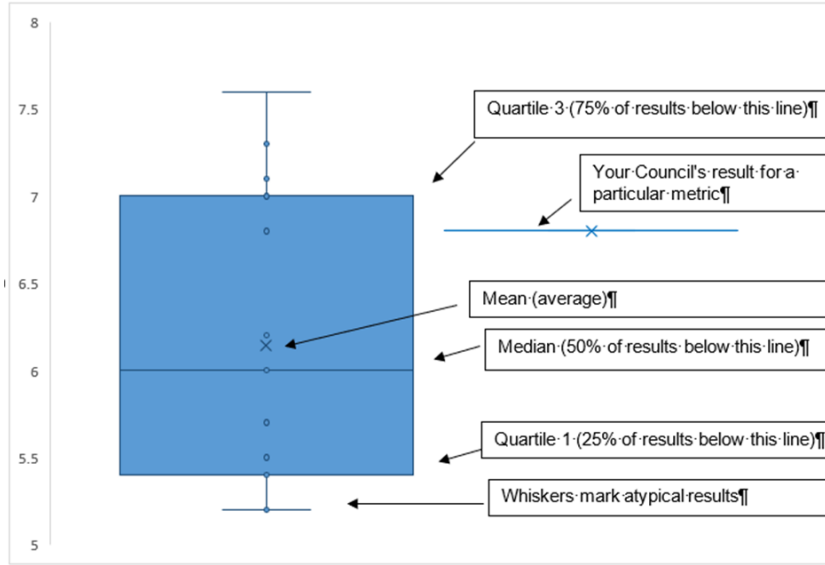


Figure 1:3 - How to read the graph

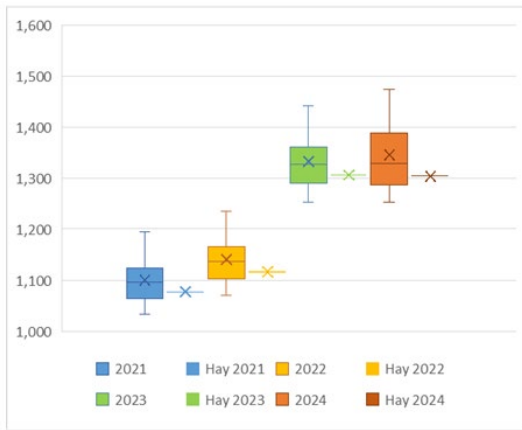


Figure 1:4 Road grant per kilometre (\$)

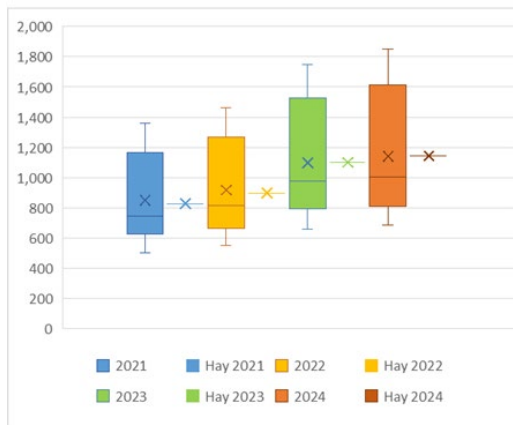


Figure 1:5 Financial Assistance Grant per person

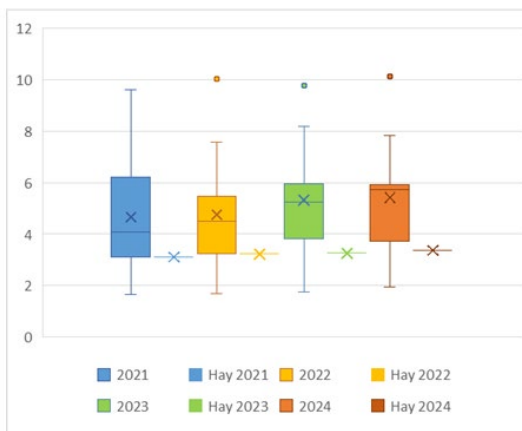


Figure 1:6 Rates, fees and charges per assessment

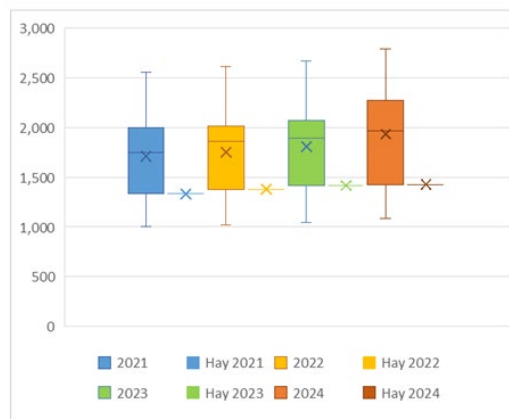


Figure 1:7 – Average rates per property (\$)

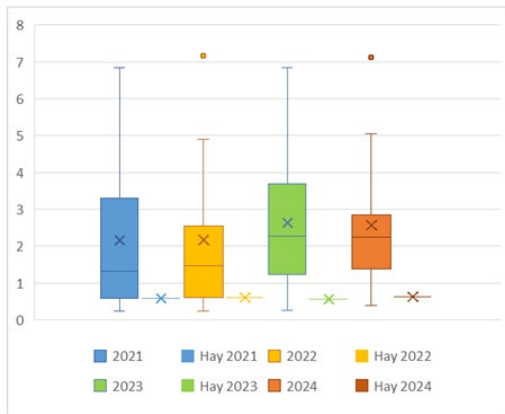


Figure 1:8 – Fees and charges per assessment (\$)

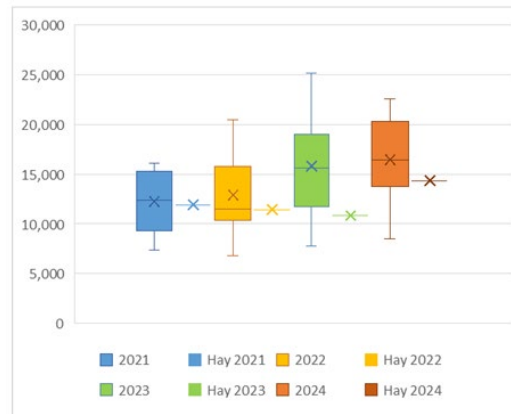


Figure 1:9 – Total income per assessment (\$)

These demonstrate the Council’s income can be described as low.

Expenditure Efficiency:

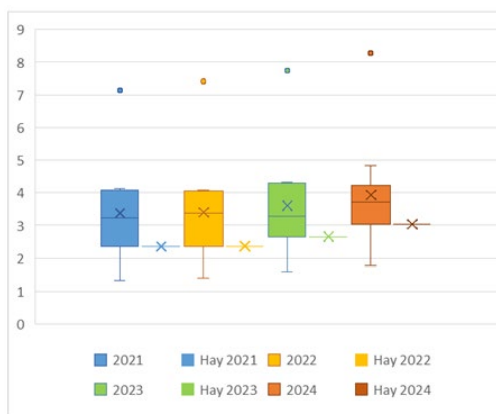


Figure 1:10 – Staff expenditure per assessment (\$000) expenses (5)

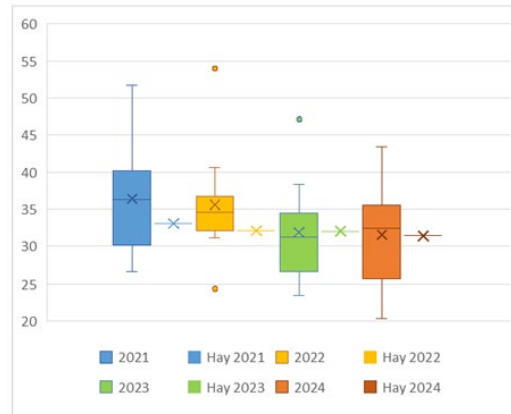


Figure 1:11 – Staff expenditure as a proportion of total expenses

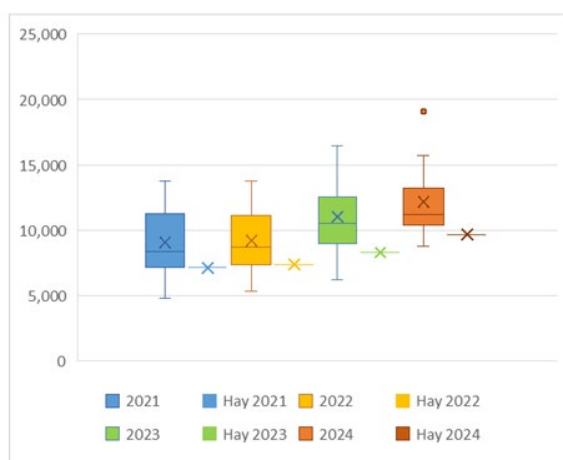


Figure 1:12 – Total expenditure per assessment

Council’s expenditure efficiency is very high. There is no meat on the bones to be trimmed.

Cash Position:

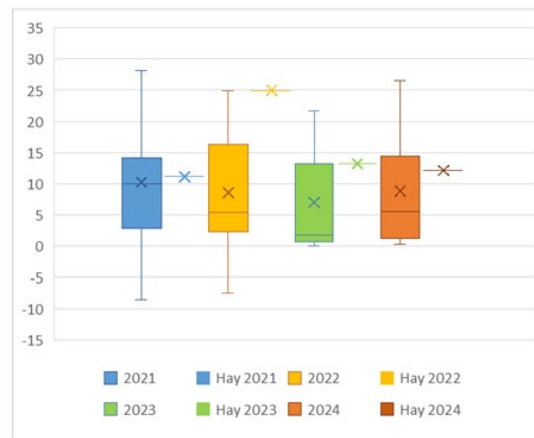
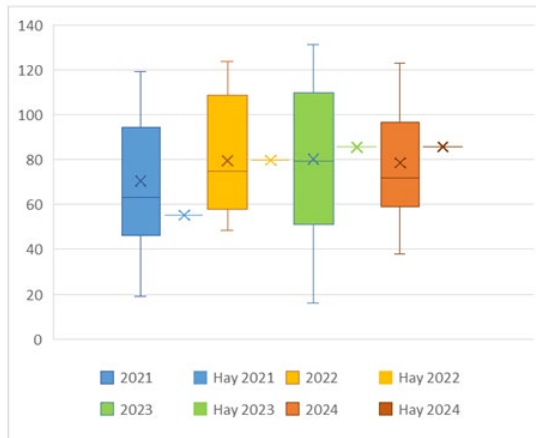


Figure 1:13 – Total cash and equity by total revenue (\$)

Figure 1:14 – Unrestricted cash by total revenue (\$)

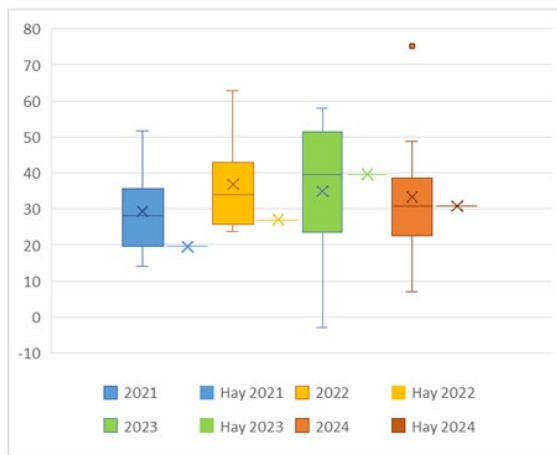


Figure 1:15 – Internally restricted cash by total revenue (\$)

While the Council’s cash position is sound it could be eroded quickly. Fortunately, in practice Council has shown it is willing to adapt to changing financial situations.

Demographic Risks:

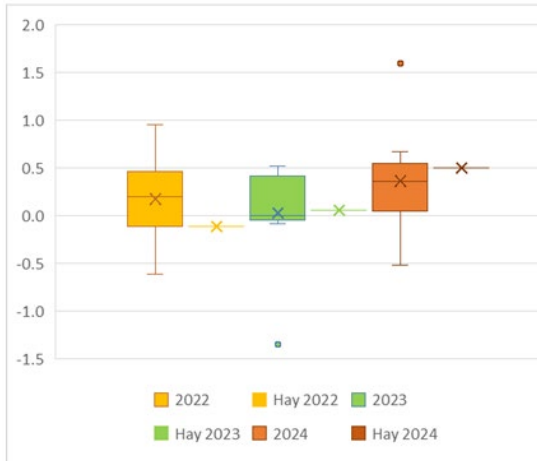


Figure 1:16 – Growth in number of assessments (%)

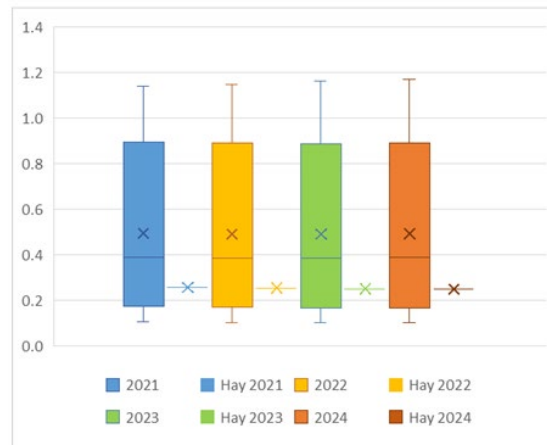


Figure 1:17 – Population density

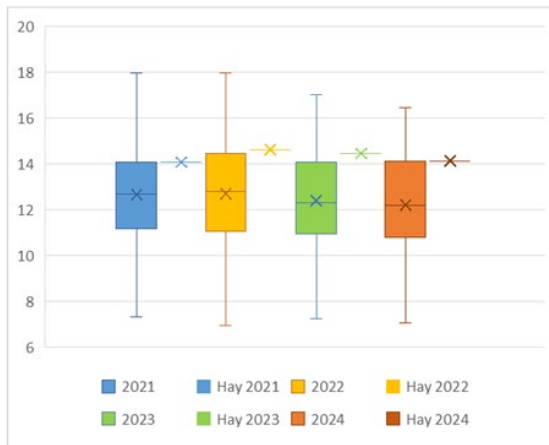


Figure 1:18 – Percentage of residents receiving aged pension (%)

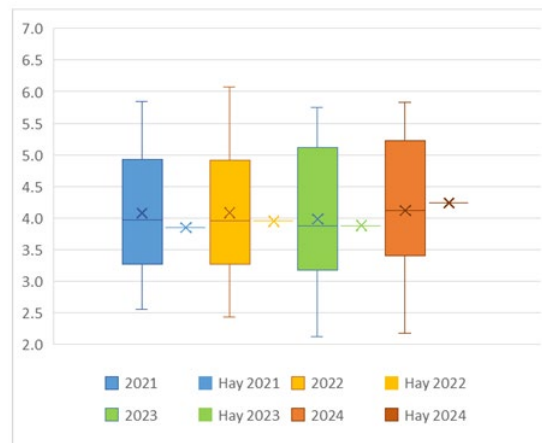


Figure 1:19 – Percentage of residents receiving disability support pension (%)

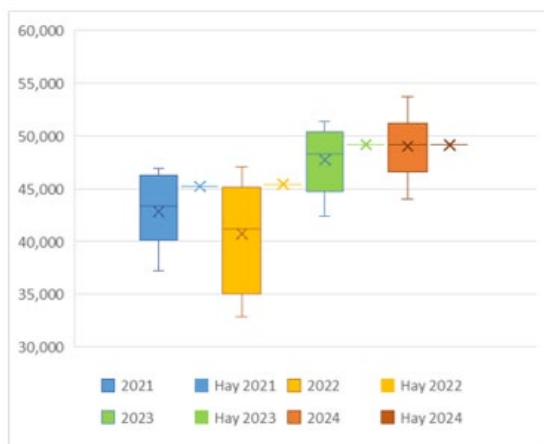


Figure 1:20 – Median employee income (\$)

The demographic data demonstrates that the community has limited capacity pay any increase in rates and charges.

The following is an overview of Council’s finances based on the 2024/25 Financial Statements.

Revenue Overview

- **Total Revenue:** \$20,012,000
- **Rates & Charges:** \$5,419,000 (27%) of total revenue
- **Government Grants:** \$12,229,000 (61%) of total revenue
- **Other Income:** \$2,364,000 (12%) includes user charges and interest

Note: Reliance on grants exposes Council to policy and funding fluctuations.

Expenditure Overview

- **Total Operating Expenditure:** \$19,391,000 includes depreciation of \$5,133,000
- **Capital Expenditure:** \$8,065,000
- **Key Cost Pressures:** Infrastructure maintenance, energy, and service delivery

Warning: Delays in capital projects can increase long-term costs.

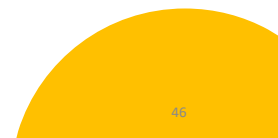
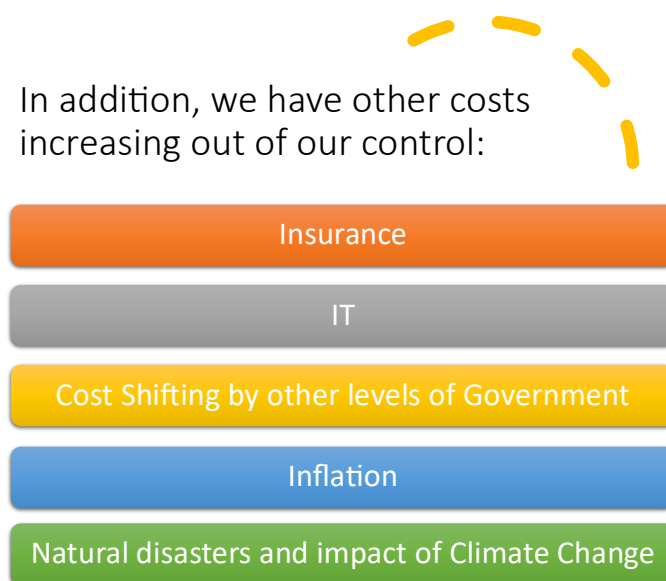


Figure 1:21 - Additional costs increasing out of our control

One of the major contributors to increase in costs is the increase in community expectations and the desire for Council to improve the liveability of the shire and act in a progressive way. Each upgraded facility or service expansion comes at a cost whether that's through increased resourcing, staff costs, insurance, depreciation or maintenance.

The following figures demonstrate the year-on-year increase in costs to councils far outstrips revenue. Each year rural councils are going backwards financially. For context, Hay Shire Council employee costs make up nearly 50% of its annual operating expenditure, however rate income is less than 40%. The rate peg income alone does not cover employee costs increase each year.

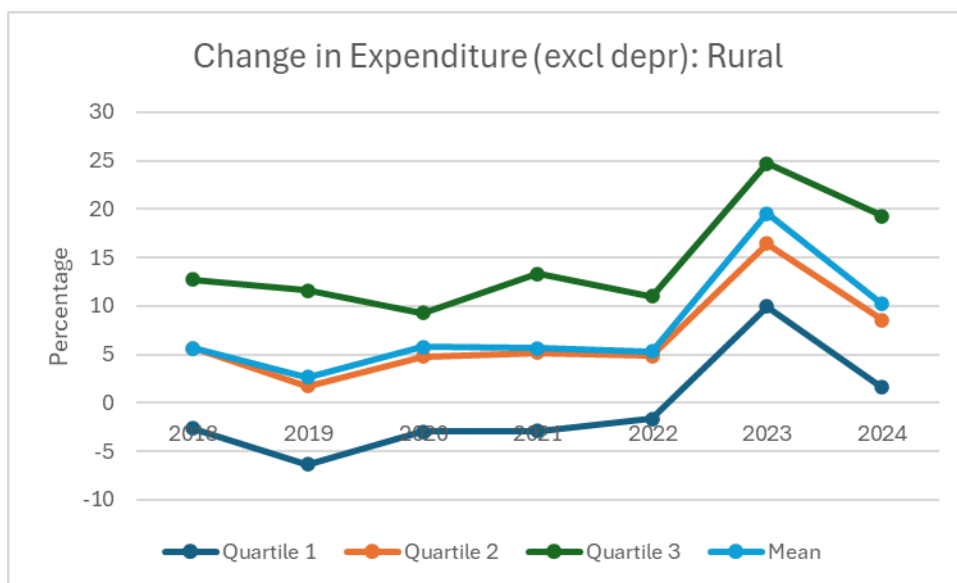


Figure 1:22 - Year on Year Percentage Change in Operational Expenditure (excluding depreciation), All Rural NSW Councils

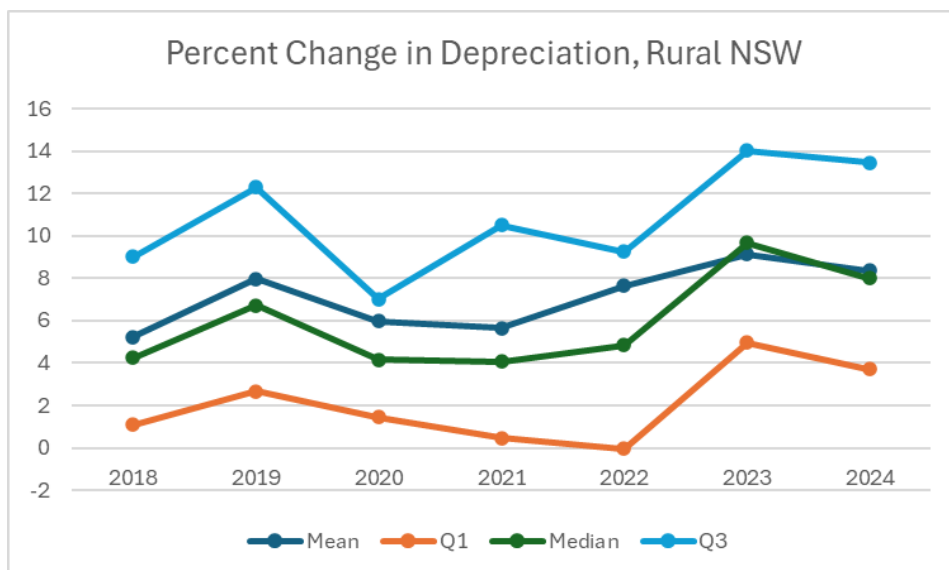


Figure 1:23 Year on Year Change to Depreciation Expense, All Rural Councils

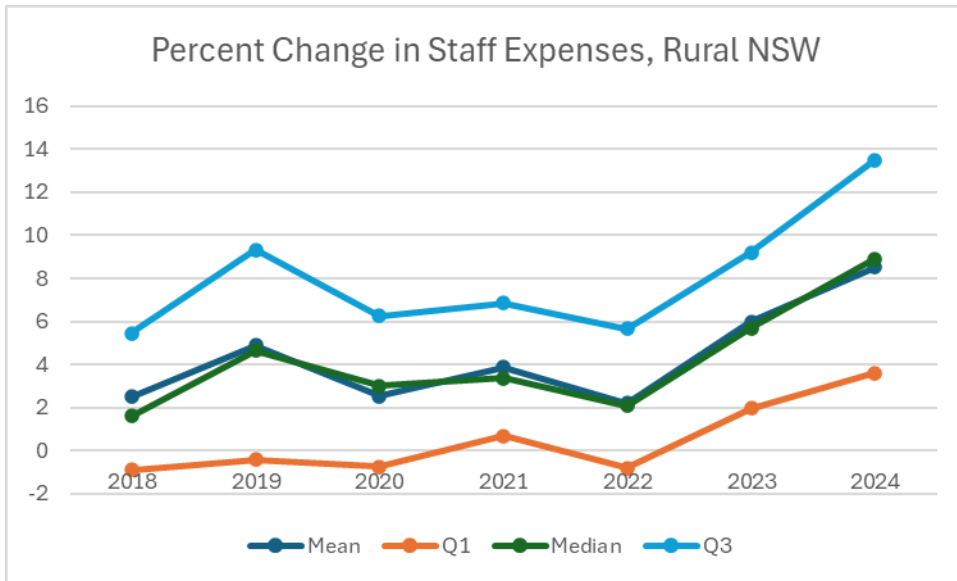


Figure 1:24 - Year on Year Change to Staff Expenditure, All Rural Councils

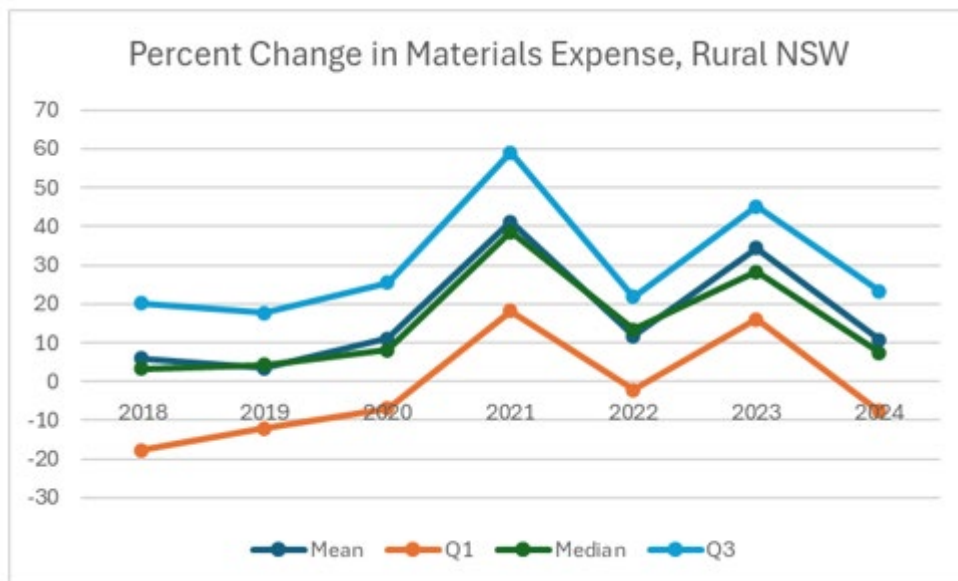


Figure 1:25 Year on Year Changes to Materials Expenses, All Rural Councils

Council has seen over the last three to four years (since COVID-19) substantial cost increases. This tied with the large amount of capital grant funded activity, staff turnover and high workloads, has meant the “new normal” is not understood. A reset of service delivery costs is required to stabilise the new financial position and LTFFP. Council can no longer set and forget its budgeting; it will need to more proactive in its financial management.

Assets & Liabilities

Council's assets value in 2018 was \$86M and in 2025 its \$247M. This also means Council's annual depreciation has increased from \$2,996,000 to \$5,133,000 in this time. This increase of \$2M hits Council's bottom line and is expected to be funded from the operating budget. By closing the gap on cost shifting, as well as rate peg adjustment and FAGs redistribution, as outlined above, this will allow Council to address the current financial shortfall of approximately \$1.8M in its operating budget (12% of total 2025/26 budget) to allow the fully funding of depreciation and satisfy asset renewal requirements.

- **Total Assets:** \$247,647,000
- **Cash Reserves & Liquidity:** \$21,521,000 (includes internal and external restrictions)
- **Key Risks:** Changes to depreciation policy; compliance with accounting standards

Financial sustainability – Asset renewal

It should be a policy of Council:



Figure 1:26 - Financial sustainability - Asset renewal

1.2 Economic Context

- **Worsening general economic conditions:** Hay Shire operates within a predominantly rural and agriculture-based economy. Drought, fluctuating commodity prices, and rising input costs are placing pressure on local businesses, farm incomes, and household budgets, which in turn affects council's revenue from rates and fees.
- **State and federal fiscal pressures:** With tighter fiscal settings at both state and federal levels, funding programs for local government are increasingly competitive and constrained. Grant allocations for infrastructure, community services, and disaster recovery are subject to stricter eligibility criteria and reduced certainty.
- **Policy volatility impacting grants and infrastructure funding:** Changes in planning, development contributions, and infrastructure funding policies (e.g.,

renewable energy projects, affordable housing, or regional workforce accommodation) create uncertainty for council in budgeting and long-term infrastructure planning. Policy shifts can delay or alter expected funding streams, complicating project delivery and financial forecasting.

Government policy settings and the rapid expansion of emerging industries, particularly large-scale renewable energy developments, are placing increasing and often unfunded pressures on rural communities and local governments. Hay Shire Council supports the national transition to renewable energy and recognises the long-term economic and environmental benefits of large-scale renewable developments. However, current government policy settings and the pace of project delivery are placing significant and largely unfunded pressures on Hay Shire's community, infrastructure and Council's limited organisational capacity.

1.3 Financial Sustainability Outlook

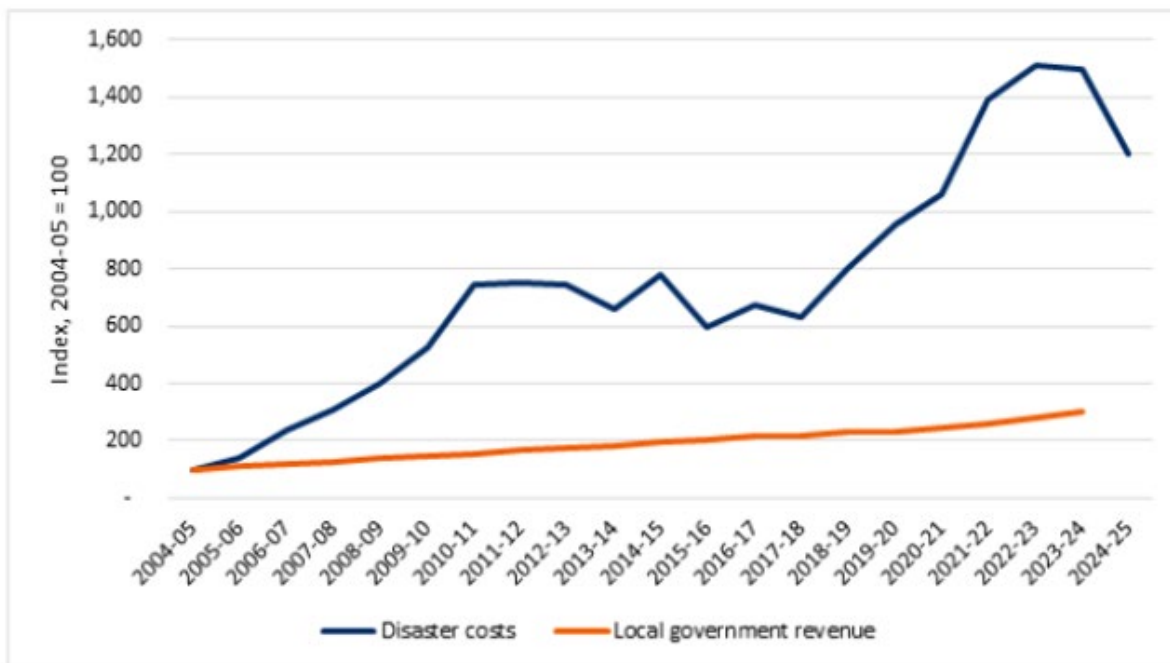
- **Moderate liquidity supports operational stability:** Hay Shire maintains sufficient cash reserves and liquidity to meet short-term obligations, but this is dependent on timely receipt of grants, developer contributions, and rate revenue. Sustained economic or demographic pressures could erode this buffer.
- **Community education critical for ongoing support:** Given the rural and aging population, ongoing communication and education are essential to ensure community understanding of rate adjustments, infrastructure priorities, and funding limitations. Community engagement helps maintain social license for sustainable financial management. A fiscal illusion exists when residents cannot see the true cost of what they demand nor the financial sustainability of Council. This is exacerbated by not sending clear price signals, not paying for what we consume and not educating our communities.
- **Proactive asset and expenditure management needed:** To maintain long-term sustainability, council must strategically manage assets and expenditure, prioritising maintenance, renewal, and efficiency initiatives. Investment in preventative maintenance and careful capital works programming can reduce lifecycle costs and avoid unplanned financial stress.

Council's services provisions have changed over time, with it now being as much about people services and governance as it is infrastructure, impacting the financial sustainability.

1.4 Key Risks

Effective implementation of the strategy depends on the active management of a range of financial, operational, and strategic risks. These risks have been assessed in accordance with ISO 31000:2018 risk management principles and are monitored through Council's regular governance and reporting processes.

1. **Revenue uncertainty from changing grant policies:** Dependence on external funding for major infrastructure projects makes council vulnerable to policy changes, delayed payments, or reduced allocations, which can disrupt delivery schedules and operational cash flow.
2. **Limited community capacity to pay due to demographics:** Hay Shire has a small, dispersed, and aging population (with a high portion of pensioners), which limits the capacity of ratepayers to absorb increases in rates and charges. This constrains council's ability to self-fund growth-related infrastructure or service expansion.
3. **Rising infrastructure and operational costs:** Inflation, labour shortages, and increasing construction costs, particularly in regional and remote locations, place upward pressure on both capital works and ongoing service delivery costs. The research Australia Institute conducted in 2025 found that local government revenue is not keeping pace with the rapidly rising costs of climate change, such as repairing roads, drainage, parks and community facilities after floods, storms and fires. The insured costs of climate change are now 12 times higher than 20 years ago, while local government revenue is only three times higher.



Source: Insurance Council of Australia (2025) ICA Historical Catastrophe List; Australian Bureau of Statistics (various years) Government Finance Statistics, Annual. Disaster costs are calculated as a five-year rolling average of insured losses due to catastrophes. 2024-25 local government revenue figure is not yet available.

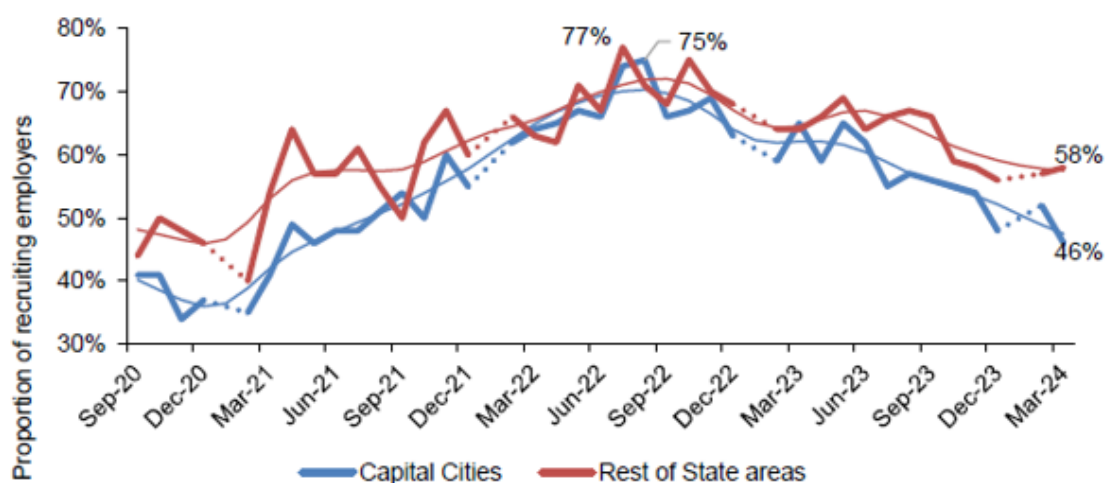
Figure 1:27 - Disaster costs in comparison to local government revenue

4. **Compliance challenges with new depreciation rules:** Changes in accounting standards for asset valuation and depreciation require accurate asset data and reporting. Non-compliance could impact financial statements, audit outcomes, and funding eligibility.

5. **Delays in capital works increasing future financial burden:** Project delays, whether due to funding uncertainty, contractor availability, or regulatory requirements, increase the cost of infrastructure delivery over time and can create backlogs that impact both service levels and long-term financial sustainability.
6. **Staffing and organisational capacity:** The attraction and retention of a skilled workforce is a real challenge for rural councils. Hay Shire Council has worked hard on its staff attraction and retention with a grow your own philosophy and other initiatives, which has resulted in currently zero vacancies in the organisation. Local government often requires specialist skills not necessary in other sectors, such as Planners, Building Surveyors, Water Treatment Plant Operators, Rangers, Chief Finance Officers, with all taking years to train and develop the mandatory skills required. Being financial sustainable allows councils to compete against other industries in an inadequate labour market and implement a grow your own philosophy.

The Labour Market update from Jobs and Skills Australia released in May 2024 outlined the greater challenges regional Councils and other employers face with recruitment, compared to capital cities:

Monthly recruitment difficulty rate (proportion of recruiting employers) by region, September 2020 to March 2024



Source: JSA, Recruitment Experiences and Outlook Survey, March 2024.

Notes: The recruitment difficulty rate is the proportion of recruiting employers who report having difficulty filling advertised roles.

Figure 1:28 Monthly recruitment difficulty rate by region, September 2020 to March 2024

The recent growth in the renewable energy sector, and in particular the South West Renewable Energy Zone, will place increased pressure on the already tight labour workforce, and quite likely will price councils out of both the lower and higher skilled staff market. Planned renewable energy developments within and near the Hay LGA are forecasting in excess of 850 workers are required to deliver projects. This represents a 30% increase in Hay's population during the peak construction period.

A risk assessment summary is provided below:

Risk	Key Mitigation Actions	Responsible Officers / Teams	Status
FS-01 – Continued declining Structural Operating Deficit	Cost and service reviews targeting improved multi-year operating result targets; embed sustainability tests	GM; Deputy GM; Finance; Executive Management Team	Ongoing
FS-02 – Revenue Reform Delays	Staged reform program including cost recover where possible; communication; peer benchmarking	GM; DGM; Finance Manager;	In progress
FS-03 – Cost Escalation	Improved budget construction and understanding of costs to deliver services; Conservative assumptions in LTFP; contract management; service efficiency initiatives	GM; Finance; Executive Management Team	Ongoing
FS-04 – Grant Reliance	Whole-of-life costing; advocacy for stable funding	GM; Finance; EM-E&O	Ongoing
FS-05 – Asset Renewal Program	Improved understanding and prioritisation of renewals; asset condition monitoring; service-level alignment	GM; Deputy GM; EM-E&O	In progress
FS-06 – Workforce Constraints	Workforce planning; upskilling; Allocate finance staff to each work area for support	GM; Deputy GM; EM-P&G	Ongoing
FS-07 – Community Expectations	Transparent engagement; service prioritisation; reporting on financial capacity	GM; Councillors; EM-P&G	Ongoing

Figure 1:29 - Risk Summary Table

Refer to Appendix D for detailed Risk Assessment and Summary.

The residual risk profile indicates that most risks are at a Moderate–High level, with structural operating deficits and cost escalation pressures representing the most significant exposures. Controls and mitigation strategies are actively managed, including through quarterly budget monitoring, LTFP updates, asset management planning, and workforce planning initiatives.

The strategy assumes that active governance, disciplined implementation, and regular reporting will maintain risks at acceptable levels and ensure that Council continues to operate within a financially sustainable framework.

Monitoring and Review of Risks:

The Financial Sustainability Strategy risks are monitored through the monthly internal budget meetings, Quarterly Budget Review Statements and annual LTFP refresh.

Risk owners are responsible for reporting progress on mitigation actions and updating risk ratings as part of Council’s ongoing risk management processes.

The Audit, Risk & Improvement Committee will continue to review risk management effectiveness and provide oversight on high-priority financial sustainability risks.

1.5 Strategic Implications for the LTFP

The above economic, policy, and financial factors have several direct implications for Hay Shire Council's Long Term Financial Plan:

- **Growth and revenue nexus:** Understanding the link between new development, rate income, and service demands is critical. Given the limited rate base, not all growth automatically strengthens council finances. A clear nexus ratio is required to ensure that new development contributes proportionally to the infrastructure and service costs it generates, protecting ratepayer equity and financial sustainability.
- **Revenue forecasting and planning:** Grant volatility and policy shifts increase the risk of under- or over-estimating revenue in the LTFP. Conservative assumptions, sensitivity analyses, and contingencies are required to maintain cash flow stability and ensure that commitments to capital and operational programs are realistic.
- **Expenditure prioritisation and efficiency:** Rising costs and constrained revenue necessitate proactive prioritisation of capital works and operating expenditure. The LTFP must balance renewal, growth, and service levels, ensuring essential infrastructure is delivered within financial capacity while avoiding deferred maintenance that could escalate future costs.
- **Community engagement and support for rates:** Limited community capacity to pay rates reinforces the need for transparency and education on how growth, contributions, and rate income support services. Engagement strategies help maintain the social licence for sustainable rate increases and funding models consistent with the LTFP.
- **Risk management and asset planning:** The nexus between assets, depreciation, and lifecycle costs must be integrated into the LTFP. Understanding which assets are growth-related versus renewal-related allows council to assign costs appropriately, apply developer contributions where possible, and reduce reliance on general rate revenue.
- **Long-term financial sustainability:** By explicitly linking growth, revenue, and expenditure in the LTFP, Hay Shire can maintain moderate liquidity, manage debt prudently, and ensure infrastructure and service obligations are met over the medium and long term, even in the face of demographic and economic pressures.

LTFP Objectives

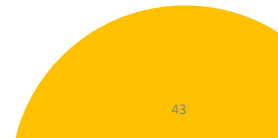
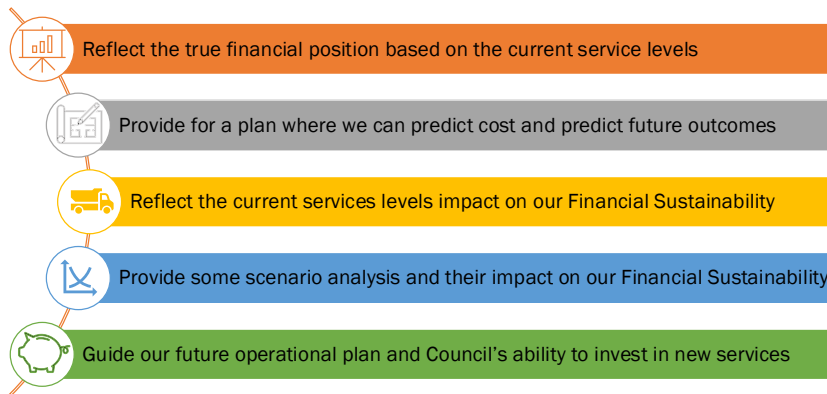


Figure 1:30 - Long Term Financial Plan

Financial sustainability policy

POSSIBLE PRINCIPLES – IDEAL WORLD

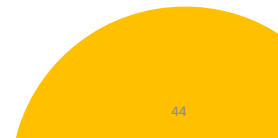
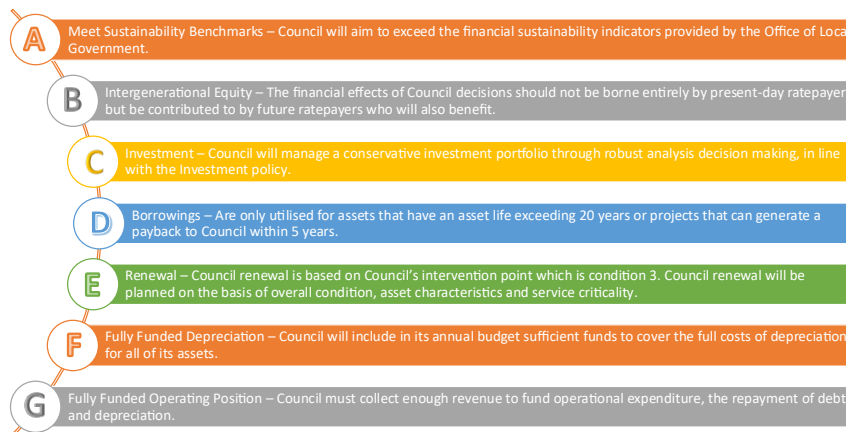


Figure 1:31 - Possible Principles - Ideal World

1.6 Long Term Financial Plan – Key Assumptions

Council's Long Term Financial Plan (LTFP) has been developed using a prudent and transparent set of assumptions designed to balance service continuity, asset stewardship, and long-term financial sustainability. These assumptions reflect both current operating realities and the need for structural reform over time.

Indexation and Cost Escalation

While detailed, asset-specific modelling has been undertaken over the ten-year period for major capital renewal programs and selected recurrent works (notably roads), a default indexation rate of 2.5 per cent per annum has been applied across other operating and capital expenditure items where detailed modelling was not available. This approach ensures consistency, realism, and alignment with long-term inflation expectations.

Revenue Assumptions

- Financial Assistance Grants (FAGs) are assumed to increase by 5 per cent per annum for the first five years, reflecting recent indexation trends and anticipated grant reforms, before reverting to increases in line with inflation for the remainder of the planning horizon.
- Rates revenue is assumed to increase in line with inflation only, consistent with Council's commitment to affordability and long-term community support.
- Fees and charges are assumed to increase through a combination of indexation and targeted reform, including:
 - Cemetery and waste fees increasing at 5 per cent per annum;
 - Review of aerodrome fees and charges;
 - Adjustments to companion animal fees; and
 - Expansion and appropriate pricing of fees for service, including septic inspections, private works, and environmental health inspections.

These changes are intended to improve cost recovery, reduce cross-subsidisation, and better align user charges with service delivery costs.

Expenditure Discipline and Budget Control

- Donations and discretionary contributions are assumed to be subject to tighter controls, with Council committing to operate strictly within adopted budgets and avoiding unplanned expenditure pressures.
- A fully funded plant replacement program is assumed, ensuring operational reliability and reducing long-term maintenance risk.
- Increased maintenance and capital investment in buildings and stormwater assets is assumed to address known backlogs and mitigate asset failure risk.

Grants and External Funding

The LTFP assumes that a proportion of capital works will continue to be supported by external funding, including:

- Ongoing and increased roads funding, including Roads to Recovery allocation;
- Crown Land grants, including CRIF funding;
- Footpath and active transport grants;
- Targeted aerodrome funding; and
- Funding support for flood levee upgrades.

These assumptions are conservative and do not rely on speculative or non-established funding programs.

Productivity, Efficiency and Transformation

A core assumption underpinning the LTFP is the gradual delivery of productivity and efficiency gains across Council operations. These include:

- Improved operational efficiency through staff upskilling and training, increased use of in-house delivery rather than contracting, service level reviews (e.g. mowing schedules and hours of operation), and rationalisation of plant and equipment.
- Implementation of a structured measurement and continuous improvement program, generating estimated savings of \$150,000 per annum by Year 6.
- Delivery of a staged digital transformation, guided by a developing strategy and roadmap. While initial investment costs are anticipated, long-term operational savings of approximately \$150,000 per annum by Year 6 are assumed through automation, process improvement, and reduced manual handling.

As these efficiency measures mature, Council has assumed a gradual reduction in staffing levels of approximately 1-2 positions, reflecting natural attrition, service delivery changes, and reduced reliance on face-to-face transactions.

1.7 Underlying Financial Outlook

Collectively, these assumptions embed productivity and efficiency gains across all Council operations without prematurely allocating savings to specific services or programs. This approach recognises that the precise source of future efficiencies will evolve over time as transformation initiatives are implemented.

Council's underlying financial strategy is clear: to maintain service levels and achieve long-term sustainability, Council must become more efficient and productive as well as an increase revenue. If these efficiency objectives are realised, and if Council's income continues to increase in real terms, operating results would be expected to gradually improve in line with set targets, over the life of the LTFP, strengthening financial resilience and reducing long-term risk.

1.8 External and Structural Pressures on Financial Sustainability

• General economic conditions are worsening

Australia's broader economic environment continues to challenge local government sustainability. Inflation remains persistent, increasing the cost of materials, labour, and contract services beyond indexation levels. Rising interest rates have also lifted borrowing costs, while rural councils like Hay face a narrower revenue base and limited opportunities to raise income. These pressures are eroding real spending capacity and

heighten the risk of service reduction or infrastructure underinvestment if left unmanaged.

- **State government policy making is becoming more chaotic**

Recent state-level interventions and inconsistent policy shifts are introducing uncertainty into long-term financial planning. The proposed changes to local government depreciation treatment—particularly those that appear inconsistent with Australian Accounting Standards—undermine transparency and comparability of financial statements. Such ad hoc policymaking creates difficulty for councils like Hay to forecast asset renewal funding needs accurately and compromises the credibility of long-term financial models.

The cost shifting report, produced by independent consultants Morrison Low for the 2023/2024 financial year, reveals that \$1.5 billion of expense has been imposed on councils. On average, this also now represents an inflated cost of \$497.40 for each ratepayer, an increase of \$36.72 from 2021/22. It is unfair to our communities that such a large portion of their rates are being diverted away from local priorities. For context, Hay Shire has 1806 ratepayers, which equates to \$898,304 cost impost to Council and the community each year.

Further, ‘Silent cost shifting’ is occurring via legislative changes where Local Government is forced to take on more and more areas of service, which is adding considerable costs to non-recoverable items such as staffing, insurance etc and also the spin-off costs. This is evidenced by areas now the responsibility of councils such as companion animals, environmental compliance (underground fuel storage systems), emergency services, biosecurity, which were never the original responsibility of local government.

- **State and federal governments are both under fiscal pressure**

Both levels of government are facing rising debt and expenditure constraints, leading to tighter grant programs, delayed funding rounds, and shifting priorities. For rural councils, which depend heavily on intergovernmental transfers for capital projects and service delivery, this means increasing uncertainty and potential funding shortfalls. Hay Shire must therefore plan for greater financial self-reliance, and proactive engagement to secure competitive grant outcomes.

- **Delay always results in increased pain**

Deferring action on financial sustainability only compounds long-term costs. Asset renewal backlogs grow, infrastructure deteriorates more rapidly, and the funding gap widens. Early and disciplined intervention—through service reviews, improved asset management, and realistic long-term financial planning—reduces the cumulative impact on ratepayers and ensures intergenerational equity. Hay Shire’s strategy must prioritise timely decision-making to prevent crisis-driven responses later.

- **Community education has always been key**

A sustainable financial future depends on community understanding and support. Residents must be informed about the true costs of service delivery, infrastructure renewal, and the trade-offs required to maintain financial health. Transparent communication and participatory budgeting approaches can help build trust and ensure

community expectations align with realistic fiscal capacity. For Hay Shire, investing in community education will be essential to maintain legitimacy for difficult but necessary financial decisions.

Hay Shire Council is committed to ensuring the long-term financial sustainability of the organisation while maintaining the delivery of essential services, infrastructure, and programs that support the wellbeing and prosperity of the community.

Council recognises that achieving financial sustainability requires a proactive, strategic approach that balances fiscal responsibility with community needs. This involves prudent management of revenue and expenditure, careful planning of capital works, maintenance of adequate reserves, and transparent reporting to the community.

1.9 Council's Intent Includes:

1. Prudent Financial Management

- Ensure operating and capital expenditure is consistently aligned with Council's revenue capacity, strategic objectives, and long-term service priorities.
- Implement robust, transparent budgeting, forecasting, and financial reporting processes to support informed decision-making and early identification of financial pressures.
- Build organisational financial capability by increasing staff financial acumen and strengthening capacity to effectively manage resources and deliver services efficiently.

2. Revenue Stability and Diversification

- Maintain a sustainable and equitable rates base that balances community affordability with the cost of service provision.
- Proactively pursue and assess alternative revenue streams, including grants, user charges, partnerships, and commercial opportunities, where appropriate and aligned with Council objectives.
- Advocate to State and Federal Governments for stable, predictable, and adequate funding arrangements, including a fair and needs-based distribution of Financial Assistance Grants.

3. Asset and Infrastructure Sustainability

- Manage Council's asset portfolio to maximise useful life, optimise maintenance and renewal investment, minimise whole-of-life costs, and ensure compliance with relevant accounting and asset management standards.
- Prioritise capital investment decisions based on risk, service criticality, and community need, with a clear focus on addressing infrastructure backlogs and supporting future growth and demand.

4. Risk Management and Resilience

- Identify, assess, and actively manage financial risks arising from economic uncertainty, policy and funding changes, climate impacts, and operational pressures.
- Maintain appropriate levels of reserves and liquidity to support financial resilience, manage cash flow volatility, and enable timely response to emergencies or unforeseen events.

5. Community Engagement and Transparency

- Foster community understanding of Council's financial position, constraints, and trade-offs, including clear communication around service delivery costs and price points.
- Promote strong governance, accountability, and transparency through clear reporting, open decision-making, and alignment with best practice local government financial management principles.

6. Staffing and Organisational Capacity

- Staffing and organisational capacity are critical to Hay Shire Council's long-term financial sustainability and effective service delivery.
- Council's ability to manage assets, control costs, and respond to emerging challenges depends on having the right skills, capability, and organisational structure in place.
- As a small rural council, Hay Shire faces workforce pressures including skills shortages, succession risks, an ageing workforce, and competition for specialist roles.
- Unmanaged workforce pressures can increase costs through reliance on contractors and consultants and elevate operational and delivery risks.
- Council will focus on building internal capability through targeted training, upskilling, and structured succession planning for critical roles.
- Where feasible, services will be delivered in-house to improve cost control, continuity, and organisational resilience.
- Service levels and delivery models will be regularly reviewed to ensure they remain affordable, efficient, and fit for purpose.
- Workforce planning will be aligned with digital transformation and service reform initiatives to drive productivity improvements.

Through the disciplined implementation of this strategy, Hay Shire Council intends to achieve a financially sustainable future, ensuring the ongoing delivery of services, the maintenance and growth of community assets, and the continued capacity to respond effectively to emerging opportunities and challenges.

1.10 Key Focus Areas and Drivers for Financial Sustainability

1. Asset Management and Strategic Investment

- Maintain and enhance Council's asset base through proactive Asset Management Plans covering transport, drainage, sewer, water, buildings and recreational facilities, including robust condition assessment of all asset classes

- Develop maintenance and renewal plans for high risk assets.
- Use debt exclusively for critical infrastructure (roads, sewer, water) to ensure sustainable borrowing.
- Implement long-term capital planning to optimise lifecycle costs and prioritise projects with the greatest community benefit and minimise ongoing operational costs
- Improve staff capacity to manage assets through training and capacity building

2. Revenue Enhancement and Diversification

- Increase fees and charges where appropriate, using cost recovery principles and market-based pricing.
- Undertake price signalling to the community (e.g., pool entry, user-pays models) to encourage fair contribution for services.
- Review fees and charges regularly, establishing a 4–5 year review program to ensure alignment with costs and service provision.
- Explore alternative revenue streams to reduce reliance on grants, advocate for a fairer distribution of Financial Assistance Grants

3. Cash Position and Reserves

- Improve unrestricted cash reserves to minimum of 20% of operational income, building resilience for unforeseen events or funding gaps.
- Maintain prudent liquidity to support both operational needs and strategic opportunities.

4. Rates Management and Community Engagement

- Implement targeted chase-up of outstanding rates, coupled with community education about the importance of timely payment.
- Introduce gradual base rate adjustments, using ad valorem rates to align income with capacity to pay and unrealised wealth.
- Freeze the base rate while adjusting components strategically to maintain fairness and sustainability.
- Continual evaluation and costing of service delivery in consultation with the community.

5. Cost Management and Efficiency

- Actively manage operational costs to ensure they do not outstrip revenue growth, especially in the context of population growth or service expansion.
- Implement ongoing review of costs relative to service levels, identifying opportunities for efficiency without compromising quality.

6. Grant Dependency and Advocacy

- Monitor and reduce dependency on grants where feasible, recognising the volatility in state and federal funding.
- Advocate for increased Financial Assistance Grants (FAGs) to offset pensioner rebates and support small rural councils with limited rate bases.

7. Long-Term Planning and Governance

- Develop financial targets (i.e. operating result) and adapt to changes.
- Align financial strategy with population growth trends or service expansion, ensuring Council services remain sustainable as costs and demographics evolve.

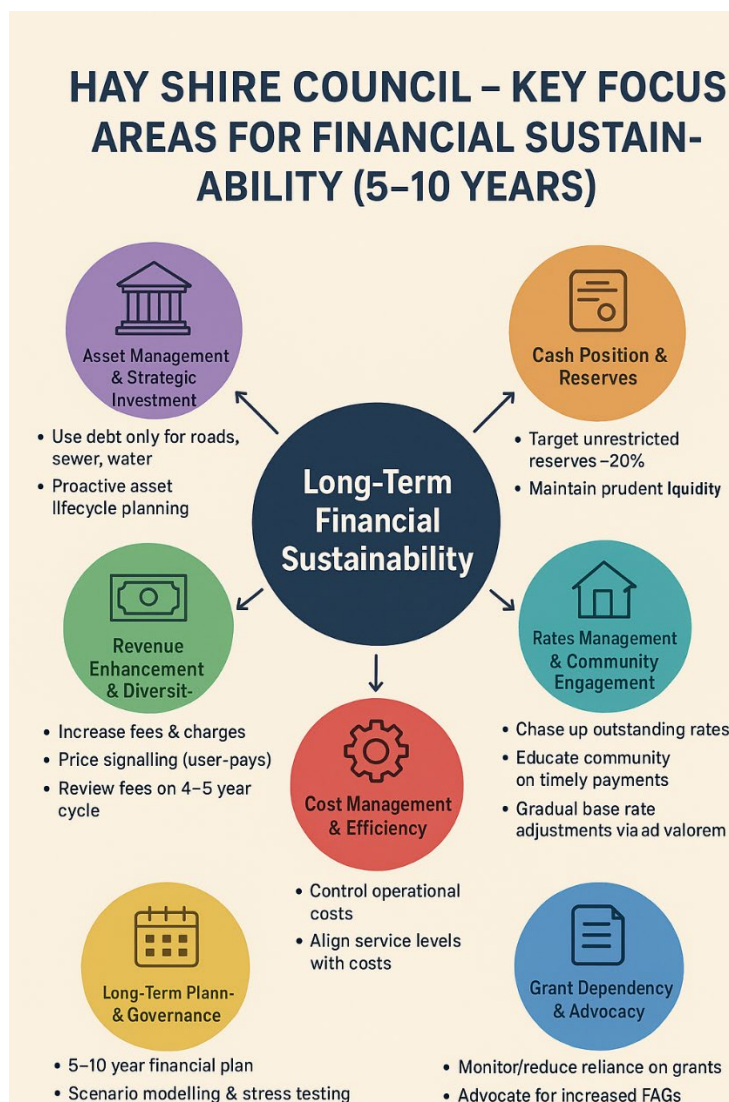


Figure 1:32 - Hay Shire Council - Key Focus Areas for Financial Sustainability

2. Strategic Context

2.1 Local Government Context in Hay

Hay Shire Council, like many small rural councils, delivers a broad range of high-quality services with consistently low levels of community complaints. As a small rural council, Hay Shire provides diverse, high-quality services efficiently, with minimal community concerns, while maintaining strong community satisfaction.



Figure 1:33 - Our Local Government Context in Hay



Figure 1:34 Our Local Government what is good In Hay

Local government must deliver services as required by legislation. The scale, quality, and frequency of these services are discretionary and shaped through community consultation. Council balances legal obligations, community expectations, and financial capacity to ensure sustainable service delivery.

What must Local Government deliver?



Figure 1:35 What must Local Government deliver

In addition to legislatively mandated services, Hay Shire Council also provides a range of discretionary services that are not required by law. These services often emerge in response to gaps left by other levels of government or the private sector, addressing local needs that might otherwise go unmet. By stepping in where the market or higher levels of government have not delivered, Council plays a vital role in supporting community wellbeing, enhancing quality of life, and fostering social and economic resilience.

What services are discretionary?



Figure 1:36 Discretionary Services

2.2 Alignment with Council Planning Frameworks

This strategy is developed in accordance with the NSW Local Government Integrated Planning and Reporting (IP&R) Framework, which establishes a comprehensive approach to strategic, financial, and asset planning. By aligning financial management with the IP&R Framework, Council ensures:

- Transparent and accountable financial reporting.
- Long-term financial planning over a minimum ten-year horizon.
- Integration of community expectations, legislative requirements, and operational priorities into a cohesive financial strategy.
- Continuous monitoring and evaluation to support adaptability in the face of changing circumstances.

By closely integrating with the broader strategic planning framework of the Council, it ensures the financial decision-making directly supports the community's long-term objectives. Key linkages include:

- **Community Strategic Plan (CSP):** The strategy underpins the delivery of Council's vision for a thriving, innovative, and resilient community. Financial planning ensures resources are allocated to priorities identified by the community, including infrastructure renewal, service delivery, and economic development initiatives.
- **Delivery Program and Operational Plans:** The Financial Sustainability Strategy informs the preparation of the Council's Delivery Program and Operational Plans, ensuring that all projects and initiatives are financially viable and aligned with

strategic objectives. Budgeting and funding decisions are guided by anticipated revenue streams, operational requirements, and long-term asset needs.

- **Asset Management Plans (AMPs):** Effective financial sustainability relies on coordinated asset management. The strategy ensures sufficient funding for the maintenance, renewal, and upgrade of Council assets, balancing community service expectations with long-term financial capacity. Integration with AMPs supports evidence-based prioritisation and lifecycle planning for infrastructure investment.

Asset Renewal: Asset Renewal



Assets Value in 2018 was \$86M and in 2023 its \$204M. This also means Council's annual depreciation has increased from 2,996,000 to 5,133,000. This increase of \$1M hits Councils bottom line and is expected to be funded from the operating budget.

Assets, if the community desires, should be renewed when they reach the end of their useful life.

Useful life varies depending on the asset type i.e. roads – reseals 15-25 years; swimming pools 50-60 years; Levee Bank – 100+ years

Maintenance is the work undertaken to ensure the asset reaches its expected/planned useful life.

The management of assets involves understanding the risk. What is the risk if maintenance is not undertaken? What is the risk if the asset is not renewed when it falls due?

Asset renewal often is undertaken on lifecycle (i.e. planned timeline for renewal). This is risky for a number of reasons and should also be based on asset condition (typically ranked from 1 (new) to 5 (failed)). Understanding condition of your assets is critical for good asset management. This can prove problematic for assets you cannot see (i.e. assets underground such as water mains, stormwater pipes, etc).

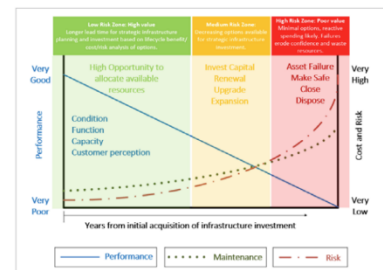


Figure XXIII: Strategic infrastructure planning risks over time

The table on the right best summarises the risk associated with asset management:



Figure 1:37 Asset Renewal

Asset Renewal Asset Renewal v's Depreciation Expense



Asset Renewal - Council report, as OLG's requirement, its asset renewal as a percentage of its annual depreciation expense, known as the "Building and Infrastructure Renewal Ratio". Theoretically, this should be 100% i.e. each year Council spends sufficient monies that matches the depreciation expense on the P&L.

Depreciation is the theoretical consumption of the asset each year (the deterioration of the asset), and typically is measured as a straight line.

While this seems logical, in practice this is difficult to achieve year after year. Assets are required to be renewed at different times; this leads to a cyclical expenditure.

Therefore, Councils should place into Reserves depreciation cost not expended that year for future years.

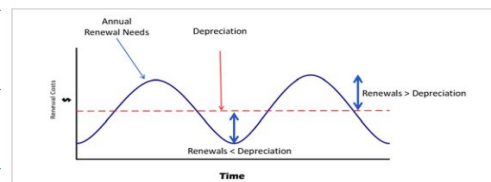


Figure XXV: Annual asset renewal is independent of depreciation



Figure 1:38 Asset Renewal v's Depreciation Expenses

Asset Renewal

Infrastructure Backlog

Councillors may here the term “Infrastructure Backlog” which has a different meaning to different people.

IPWEA definition is “High risk unfunded works essential to achieving the organisation’s strategic objectives.” High risk assets deemed non-essential to council’s Community Strategic Plan (CSP) should be disposed, closed or reclassified so they do not represent a risk to council and community.

To expand the concept a little further, an asset in poor condition with a high likelihood and consequence of failure would constitute a very high risk and demand a clear and present need to be managed effectively. Deferring such essential works lowers service levels, increases lifecycle costs and increase already high risks.

Hay’s swimming pool could be classified as an Infrastructure Backlog as it is at a high risk of failure and the service would cease in event of a failure. At the other end of the scale, a low use sealed local road with its seal peeling off and potholed, could be graded and brought back (reclassified) to an unsealed road. This is a lower risk and the community might expect the lower level of service in this instance.

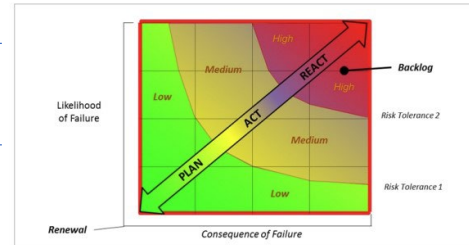


Figure XXVI: Infrastructure Backlog Definition

Figure 1.39 Infrastructure Backlog

Asset Renewal

Bring back to satisfactory

The NSW ‘Local Government Code of Accounting Practice and Financial Reporting’ requires NSW councils to report the estimated cost to bring assets to a satisfactory standard (BTS).

The Code defines BTS as: “ ... the amount of money that is required to be spent on an asset that is currently not at the condition determined to be satisfactory by the council and community.”

It goes on to say: “Unless the council has undertaken consultation with its community and has agreed to a condition level for council’s assets, the BTS should be measured against the condition 2 rating of ‘Good’ as stated in the Integrated Planning and Reporting Manual for local government in NSW.” It could be argued that a 3 is satisfactory– Level 3 condition is defined as satisfactory, and maintenance is required. A gravel road that needs a maintenance grade but does not need any re-gravelling. Again, this is for the community to decide on what it considers satisfactory.

Figure 1.40 Bring back to satisfactory

2.3 Legislative and Policy Context

The Financial Sustainability Strategy is framed by the statutory and policy environment governing local government in NSW, including:

- **Local Government Act 1993:** Establishes the requirement for councils to maintain long-term financial sustainability, implement sound financial management practices, and ensure accountability to the community.
- **Office of Local Government (OLG) Guidelines:** Provide operational guidance on financial reporting, long-term financial planning, depreciation, risk management, and sustainability benchmarks. The strategy adheres to these guidelines, including the application of ratios and indicators to monitor financial performance.
- **Other Relevant Legislation and Policies:** Financial strategy development also considers obligations under relevant state and federal legislation, including environmental management, infrastructure funding agreements, and disaster recovery obligations.

The NSW Legislative Council’s Standing Committee on State Development report on the ability of local governments to fund infrastructure and services, dated November 2024, provided seventeen recommendations on its examination of whether the level of income councils receive adequately meets the needs of their communities. It concluded that it is clear that local councils face significant revenue raising and cost pressures to adequately meet the needs of their communities. The evidence showed that the financial challenges councils are experiencing cannot be overcome through fiscal discipline alone and are threatening the long-term sustainability of the sector.

Further, the committee heard that for almost 50 years the rating system legislated in the Local Government Act 1993 has restricted the ability of local governments to set their own rates. Alongside this, community expectations of their local councils have changed over time. More than ‘roads, rates, and rubbish’, councils have responded to community demands by offering services like childcare, aged care, arts and culture. In regional and remote communities, councils are the ‘provider of last resort’, offering services like post offices and even medical facilities where there is no service delivery alternative available from State or Federal Governments, or the private sector. The provision of these services, under a system where rating income is externally fixed, has in many cases led to an erosion of the broader budgetary and financial sustainability of these councils.

2.4 External Influences on Financial Sustainability

The Council’s financial strategy is shaped not only by internal priorities but also by a range of external factors that affect revenue, expenditure, and financial risk. Key influences include:

- **Population Change:** Shifts in population size and demographics directly impact service demand, rating revenue, and infrastructure requirements. Growth or decline in the local population must be reflected in long-term financial planning. Temporary increases in population, such as through large scale renewable energy developments, place increased pressure on Council’s finances.
- **Inflation and Cost Pressures:** Rising costs in labour, materials, and energy can place significant pressure on operational budgets and capital projects. The strategy incorporates prudent assumptions and indexation to maintain financial resilience.
- **Cost Shifting from Other Levels of Government:** Increasingly, responsibilities and service delivery costs are transferred from state or federal governments to local

councils. The strategy considers the financial implications of unfunded mandates and seeks mitigation strategies where possible.

- **Disaster Recovery and Climate Risks:** The region is vulnerable to natural disasters such as flooding and drought. Contingency planning, insurance, and reserve management are incorporated to ensure financial capacity for emergency response and recovery.
- **Regional Economic Pressures:** Broader economic condition, including fluctuations in regional employment, agriculture, tourism, and investment, directly influence Council's revenue and expenditure forecasts. Government policies, including funding frameworks, grants, and regulatory changes, can further affect Council's financial position and planning flexibility. The development of the South West Renewable Energy Zone (SW REZ) presents both opportunities and challenges for the region, potentially driving population growth, increased economic activity, and higher service demand, while also requiring strategic infrastructure investment. Council's financial sustainability strategy is designed to remain adaptive to these evolving regional conditions, policy shifts, and emerging industry developments, ensuring ongoing resilience and the capacity to meet community needs.
- **Community Expectations:** Community expectations have evolved, with increasing recognition that Council is often required to provide modern facilities or services where government or the private market is unable or unwilling to do so.

3. Guiding Principles

Hay Shire Council's Financial Sustainability Strategy is underpinned by a set of guiding principles that ensure all financial decisions support long-term community wellbeing, resilience, and accountability. These principles guide the allocation of resources, management of risks, and planning for future generations.

3.1 Intergenerational Equity

Council is committed to ensuring that financial decisions made today do not place an undue burden on future generations. This principle underpins sustainable budgeting, responsible borrowing, and strategic investment in assets and services, ensuring that the benefits of current expenditure are shared equitably with the community over time. Improving Council's operating result is a key step in strengthening intergenerational equity.

3.2 Prudent Financial Risk Management

Financial sustainability requires careful identification, assessment, and management of risks that may impact Council's operations or financial position. This includes exposure to interest rate fluctuations, inflation, cost shifting, disaster events, and changes in revenue streams. Council adopts a cautious and proactive approach to mitigate financial risks, while also investing in staff capacity, upskilling, and knowledge transfer to ensure the organisation has the capability to respond effectively to emerging challenges. By strengthening internal skills and expertise, Council preserves both operational resilience and flexibility, supporting long-term financial sustainability.

3.3 Long-term Service Viability

Council prioritises the ongoing delivery of services in a manner that is financially sustainable over the long term. This principle ensures that service levels, infrastructure maintenance, and capital investment are planned and funded with a forward-looking perspective, maintaining community confidence and service continuity.

3.4 Transparency and Accountability

Transparent financial reporting and accountability to the community are central to Council's approach. This principle underpins all budgeting, planning, and reporting processes, ensuring that decisions are clearly documented, publicly communicated, and aligned with statutory and policy requirements. Community confidence is strengthened when financial performance, priorities, and challenges are openly shared.

3.5 Innovation and Continuous Improvement

Council recognises the importance of innovation and ongoing improvement in financial management practices. By exploring new technologies, revenue models, and operational efficiencies, Council seeks to enhance service delivery, optimise asset utilisation, and strengthen financial sustainability. Continuous improvement ensures that the organisation adapts to evolving community needs, economic conditions, and governance standards.

4. Key Financial Sustainability Objectives

Building on the guiding principles outlined in Section 3, Hay Shire Council has identified strategic objectives that directly support long-term financial sustainability. Each objective is linked to measurable financial and operational targets to ensure accountability, transparency, and continuous improvement.

4.1 Maintain Long-term Operating Stability

Objective: Ensure Council generates a sustainable operating result over the long term to fund services and infrastructure renewal.

Key Financial Targets:

- Set target of improving the operating result each year by 2%, with a minimum of less than -20% in 2026/27, to achieve a sustainable operating result over rolling 3–5 year periods, acknowledging that an operating surplus is unlikely to be feasible
- Maintain operating result that support asset renewal, reserve replenishment, and debt reduction.
- Reduce reliance on one-off revenue sources to fund recurrent expenditure.

4.2 Reduce Reliance on Grant Funding for Operational Expenditure

Objective: Strengthen financial independence by funding recurrent operations primarily from own-source revenue and non-tied grant funding (i.e. Financial Assistance Grants, Roads to Recovery).

Key Financial Targets:

- Limit grant dependency to no more than 20% of recurrent operational income, recognising that grants remain critical for discrete projects.
- Ensure core services can be sustainably delivered without reliance on ad hoc or untied grants.
- Establish a clear framework to evaluate new grant opportunities for alignment with long-term financial capacity.

4.3 Ensure Sustainable Infrastructure Renewal and Maintenance

Objective: Maintain and renew Council assets within sustainable financial limits to support ongoing service delivery.

Key Financial Targets:

- Fully fund asset renewal programs in accordance with Asset Management Plans. If asset renewal is unable to be fully funded, undertake risk assessment and community consultation as to action plan for these assets.
- Maintain an asset sustainability ratio (renewal expenditure vs. depreciation) within recommended benchmarks, with a minimum of >80% as target.

- Prioritise infrastructure investment based on risk, community benefit, and lifecycle planning to avoid deferred maintenance.

4.4 Effective Debt Management

Objective: Manage debt prudently to ensure affordability, flexibility, and minimal risk exposure.

Key Financial Targets:

- Maintain debt service ratios within OLG benchmarks.
- Limit total borrowing to essential capital projects delivering long-term community benefit.
- Ensure new debt is aligned with asset longevity and repayable within sustainable timeframes.

4.5 Optimal Use of Reserves

Objective: Leverage cash and reserves strategically to manage risks, fund priorities, and maintain financial flexibility.

Key Financial Targets:

- Build and maintain unrestricted cash and reserve levels sufficient to cover 20% of general fund operating income.
- Allocate reserves to support strategic projects, disaster recovery, and operational contingencies without compromising long-term liquidity.
- Monitor reserve drawdowns annually to ensure long-term sustainability.

4.6 Promote Efficiency in Service Delivery

Objective: Enhance operational efficiency to optimise resource use and maintain or improve service levels.

Key Financial Targets:

- Undertake review services on a 4-5 year cycle for cost-effectiveness, performance, and alignment with community priorities.
- Implement continuous improvement initiatives across operational and capital programs.

5. Financial Performance Analysis

5.1 Historical Financial Trends (Last 5–10 Years)

A review of Hay Shire Council’s historical financial performance provides insight into long-term sustainability, key pressures, and emerging risks. Over the past decade, the Council has experienced:

- **Revenue trends:** Minor growth in rates (rate peg) and user charges (typically by rate peg or inflation), steady growth in Financial Assistance Grants, offset by significant capital grant income.
- **Expenditure patterns:** Increasing operating costs driven by additional service delivery, moderate to high costs increases due to inflation and market forces, and compliance obligations.
- **Surplus/deficit trends:** Operating deficits have increased in most years, with most years relying heavily on grant funding to balance operations.
- **Asset investment:** Infrastructure renewal has been higher than planned due to significant capital grant income.

This historical perspective is difficult to inform projections due to not understanding what our new normal looks like, creating the need for improved long-term planning to maintain financial resilience.

5.2 Performance Against Fit for the Future Benchmarks

Hay Shire Council evaluates its financial sustainability using benchmarks established under the NSW **Fit for the Future (FFF)** framework. The key indicators from Council 2024/25 Financial Statements are:

Indicator	Target / Benchmark	Council Performance	Comments
Operating Performance Ratio	≥0%	-22.54%	Reflects the Council’s ability to cover operating expenses from operating revenue. Recent trends and one offs indicate the decline in Council’s operating result.
Own Source Revenue Ratio	≥60%	38.89%	Indicates financial independence from grants. Hay Shire Council’s ratio reflects Council’s reliance on external funding.
Infrastructure Backlog Ratio	≤2%	0.6%	Measures the backlog of essential maintenance against total asset value. Current backlog ration shows Council’s assets are in good condition and being renewed as they fall due.
Asset Maintenance Ratio	≥100%	79.5%	Assesses adequacy of expenditure on maintaining assets. Council’s maintenance levels are slightly lower than the benchmark.
Debt Service Ratio	≤10%	2.2%	Indicates capacity to service debt from operating revenue. Council’s debt service position is sound.

Figure 1.41 This benchmark analysis highlights strengths and identifies areas requiring focused action, particularly in increasing revenue and addressing infrastructure asset maintenance.

5.3 Sensitivity Analysis and Risk Scenarios

To ensure financial resilience, the Council undertakes scenario analysis to assess exposure to potential risks:

1. **Rate capping or revenue constraints**
 - Impact: Limiting annual rate increases could reduce operating flexibility and delay infrastructure renewal.
 - Mitigation: Prioritising essential services, efficiency measures, redistribution (increase) in Financial Assistance Grants and community consultation on long-term financial plans.
2. **Natural disasters (floods, drought, bushfires)**
 - Impact: Unexpected expenditure on emergency response and infrastructure repair.
 - Mitigation: Maintaining adequate reserves, robust insurance coverage, and access to disaster recovery grants.
3. **Economic downturns or reduced grant funding**
 - Impact: Reduced income from fees, charges, and external grants, impacting operating surpluses.
 - Mitigation: Diversifying revenue streams and implementing cost management strategies.
4. **Policy or regulatory changes**
 - Impact: Changes in state or federal policy or legislation, depreciation standards, or local government regulations.
 - Mitigation: Active advocacy, scenario planning, and flexible financial strategies.

Summary:

Historical performance demonstrates Hay Shire Council's capacity to maintain balanced operations, but challenges such as costs increases, infrastructure maintenance, grant dependency, and exposure to external shocks remain. Benchmarking against Fit for the Future indicators and scenario testing provides a clear framework for informed decision-making, guiding strategies to strengthen long-term financial sustainability.

6. Revenue Strategy

A resilient and diversified revenue base is essential for Hay Shire Council to maintain service delivery, renew infrastructure, and reduce reliance on external funding. This strategy focuses on strengthening self-generated income, improving cost recovery, and ensuring fairness, transparency, and long-term sustainability across all revenue streams.

6.1 Rates and Annual Charges

- **Structure review:** The Council regularly evaluates the rating structure to ensure it is equitable across residential, commercial, and rural properties, reflecting property values, land use, and service access.
- **Affordability and equity:** Rate modelling is undertaken to balance fairness with capacity to pay, ensuring that the financial burden on residents is reasonable and proportionate.
- **Sustainability:** Maintaining modest, predictable rate increases aligned with the Long Term Financial Plan supports fiscal stability for both the Council and the community, while providing sufficient funding for service delivery and infrastructure renewal.

6.2 Fees and Charges

- **Regular reviews:** All fees and charges are reviewed on an annual basis and indexed to CPI where appropriate to maintain value, ensure adequate cost recovery, and respond to changing service delivery costs.
- **Benchmarking:** Fees are compared with similar councils and regional benchmarks to ensure competitiveness, transparency, and fairness.
- **Transparency:** The purpose, methodology, and application of all fees and charges are clearly communicated to the community, fostering accountability and trust.

6.3 Grant Funding

- **Advocacy for fair allocation:** Council actively engages with State and Federal governments to secure sustainable and equitable funding arrangements, including Financial Assistance Grants and other recurrent funding.
- **Diversification:** Council seeks a broad range of grant opportunities across infrastructure, community development, economic programs, and environmental initiatives, reducing dependency on any single funding source.
- **Alignment:** Grant applications are prioritised to support projects that directly advance strategic objectives, strengthen community outcomes, and contribute to long-term financial sustainability.

6.4 Investment Income

- **Cash and term deposits:** Council actively manages its cash and investment portfolio to optimise returns while maintaining liquidity, security, and compliance with statutory and internal investment policies.

- **Risk management:** Investments are undertaken within Council’s conservative, prudent framework, ensuring the protection of capital while generating predictable income streams.
- **Reinvestment:** Investment income is strategically allocated to support infrastructure renewal, service enhancements, and key community initiatives, contributing to the Council’s financial sustainability and resilience.

6.5 Commercial Opportunities

- **Existing assets:** Council aims to maximise returns from existing commercial assets, including reserves, water utilities, leased facilities, and other property holdings. As an example, the roll out of digital metering to the water supply network is expected to significantly increase water fund revenue due to the current high non-revenue water loss (35%).
- **New ventures:** Opportunities for innovative, community-aligned commercial initiatives are explored to generate sustainable income, strengthen economic activity, and support service delivery.
- **Due diligence:** All commercial initiatives are assessed for financial viability, risk exposure, and strategic alignment to ensure they complement Council objectives and do not jeopardise core services.

6.6 Cost Recovery Policy Review

- **Policy refresh:** Cost recovery policies are regularly reviewed to ensure they remain up-to-date, equitable, and consistently applied across all services.
- **Recovery balance:** Council distinguishes between full and partial cost recovery depending on the type of service and the extent of community benefit, ensuring essential community services are not underfunded.
- **Monitoring and reporting:** Ongoing monitoring, reporting, and benchmarking identify opportunities for efficiency improvements and revenue optimisation, supporting evidence-based decision making.

Summary

Hay Shire Council’s revenue strategy is designed to strengthen long-term financial sustainability by enhancing core revenue streams, improving cost recovery, and exploring additional income opportunities. Through prudent financial management, equity, transparency, and diversification, the strategy ensures that Council can continue to deliver high-quality services, maintain and renew infrastructure, and invest in community priorities over the long term.

7. Expenditure Strategy

Hay Shire Council's expenditure strategy ensures that resources are allocated efficiently, services are delivered effectively, and financial decisions support long-term sustainability. This approach balances fiscal discipline with service quality, guided by clear priorities, modern processes, and a commitment to building local capability. The strategy promotes transparency, accountability, and evidence-based decision-making across all areas of Council operations.

7.1 Expenditure Prioritisation Framework

- **Strategic alignment:** All expenditure decisions are guided by the Council's Community Strategic Plan, Long-Term Financial Plan, and other relevant strategies and operational plans, ensuring resources are directed toward initiatives that deliver the greatest community benefit.
- **Evidence-based decision-making:** Funding allocations are supported by robust business cases, performance data, risk assessments, and cost-benefit analysis to justify investment and prioritise high-impact projects.
- **Value for money:** Operating and capital projects are assessed against whole-of-life costs and community outcomes, ensuring that every dollar spent contributes to sustainable, long-term benefits.
- **Financial discipline:** Expenditures are regularly monitored and reviewed to maintain efficiency, avoid structural deficits, and provide flexibility to respond to emerging priorities or financial pressures.

7.2 Service-Based Budgeting Options

- **Activity-level transparency:** Adopting service-based budgeting provides detailed insight into the true cost of delivering each service, promoting accountability and informed decision-making.
- **Performance linkages:** Budget allocations are linked to service outcomes, key performance indicators, and community satisfaction measures to ensure that resources drive tangible results.
- **Continuous review:** Service levels are regularly assessed to confirm alignment with community expectations, statutory obligations, and available financial capacity.
- **Flexibility:** Resources can be reallocated efficiently in response to shifting priorities, changing service demands, or identified opportunities for cost savings.

7.3 Digital Transformation for Process Efficiency

- **Automation and technology:** Council invests in digital tools and platforms to streamline workflows, reduce manual processing, and enhance the speed and accuracy of financial and operational transactions.
- **Data-driven insights:** Advanced analytics are used to monitor expenditure trends, assess service performance, identify efficiency opportunities, and support evidence-based financial planning.

- **Customer-focused systems:** Enhancements to online and mobile platforms improve community access to services, reduce administrative overhead, and create a more responsive and user-friendly experience.
- **Integration:** Financial management systems, asset management platforms, and service delivery tools are interoperable, enabling more efficient reporting, analysis, and resource planning.

7.4 Own Workforce Optimisation over Outsourcing

- **Building local capability:** Council prioritises investment in its workforce to retain institutional knowledge, maintain high service quality, and strengthen local employment outcomes.
- **Cost efficiency:** Outsourcing is considered only when it provides demonstrable value, access to specialist expertise, or efficiencies that cannot be achieved internally.
- **Workforce planning:** Staffing structures, succession planning, and resource allocation are aligned with strategic objectives and operational priorities, ensuring the right people are in the right roles.
- **Training and innovation:** Council supports ongoing staff development, cross-skilling, and process improvement initiatives to maximise productivity, innovation, and job satisfaction.

Summary

Hay Shire Council's expenditure strategy emphasises disciplined financial management, operational efficiency, and investment in local capability. By applying a structured prioritisation framework, adopting service-based budgeting, embracing digital transformation, and strengthening the internal workforce, Council ensures that resources are deployed strategically, services are delivered effectively, and value for money is maximised for the community. This approach underpins long-term financial sustainability while supporting high-quality, responsive, and resilient service delivery.

8. Asset and Infrastructure Management

Effective asset and infrastructure management is central to Hay Shire Council's long-term financial sustainability. Council is responsible for a diverse portfolio of community, transport, water, sewer, waste, and recreational assets that underpin the region's liveability, service delivery, and economic productivity. This strategy focuses on maintaining assets in a fit-for-purpose condition, prioritising renewals, and integrating asset planning with financial decision-making to ensure that the community receives sustainable, reliable, and safe services.

8.1 Link to Asset Management Plans and Long-Term Financial Plan

- **Integration:** Asset Management Plans (AMPs) are fully aligned with the Long-Term Financial Plan (LTFP), ensuring that projected renewal, maintenance, and replacement needs are accurately costed, prioritised, and funded over time.
- **Strategic coordination:** Asset planning underpins the achievement of the Community Strategic Plan outcomes and informs the timing and scope of capital works programs, enabling investments to support community objectives and regional development.
- **Lifecycle alignment:** Regular review and updating of AMPs and the LTFP ensures that emerging asset requirements, demographic changes, service demand, and financial constraints are incorporated into future budgets, maintaining the long-term affordability of the asset base.

8.2 Focus on Renewals Over New Assets

- **Sustainability first:** Council prioritises the renewal and maintenance of existing infrastructure before committing to new capital projects, ensuring long-term sustainability and the optimisation of previous investments.
- **Demand management:** New assets are only pursued where a clearly demonstrated community need exists, supported by robust business cases, cost-benefit analysis, and sustainable funding models.
- **Minimising legacy costs:** This approach prevents the accumulation of unfunded maintenance liabilities, ensures existing assets continue to perform effectively, and safeguards the Council against unplanned expenditure pressures in the future.

8.3 Infrastructure Backlog Mitigation

- **Backlog monitoring:** Council continually reviews and reports on the level and condition of its infrastructure backlog to identify assets requiring urgent attention or those posing the highest financial or operational risk.
- **Targeted investment:** Renewal and maintenance programs are prioritised to address critical assets first, focusing on safety, service continuity, and economic function to maximise community benefit.
- **Funding strategies:** Dedicated renewal funding, efficiency savings, and targeted grant programs are applied strategically to address backlog issues, prevent further deterioration, and optimise the long-term performance of Council's asset base.

8.4 Whole-of-Life Costing in Project Planning

- **Comprehensive evaluation:** All capital projects are assessed using whole-of-life costing, including the full spectrum of design, construction, operation, maintenance, and eventual disposal or replacement costs.
- **Informed decision-making:** Considering the full lifecycle costs ensures that projects are affordable to both build and sustain, preventing future financial pressure on Council budgets.
- **Optimisation:** Lifecycle analysis informs the selection of asset standards, materials, and maintenance strategies, ensuring long-term value for money while minimising ongoing operational and renewal costs.

8.5 Risk-Based Asset Prioritisation

- **Risk management:** Asset renewal and maintenance programs are prioritised based on risk to service delivery, safety, community wellbeing, and financial exposure.
- **Criticality assessment:** Assets essential to community services, such as transport corridors, water supply, sewer systems, and recreational facilities, are given higher priority in planning and renewal schedules.
- **Data-driven planning:** Asset condition data, performance measures, and service risk assessments guide objective, transparent prioritisation, enabling Council to make evidence-based investment decisions and communicate priorities clearly to the community.

Summary

Hay Shire Council's asset and infrastructure management strategy ensures that community assets are maintained responsibly, renewed strategically, and funded sustainably. By integrating asset planning with the Long-Term Financial Plan, prioritising renewals over new acquisitions, applying whole-of-life costing, and using risk-based decision-making, Council is building a resilient, safe, and affordable infrastructure network that meets current community needs and supports sustainable growth into the future.

9. Workforce and Capacity Planning

Hay Shire Council's workforce is its most valuable asset. A skilled, motivated, and adaptable workforce underpins the delivery of quality services, operational efficiency, and the achievement of strategic outcomes. Council's workforce strategy focuses on efficient resource deployment, building internal capability, and addressing the unique challenges associated with attracting and retaining staff in a rural and regional context. This approach supports organisational resilience, continuity of service delivery, and long-term financial sustainability.

9.1 Efficient Resource Deployment

- **Right people, right roles:** Workforce capacity is aligned with strategic priorities and operational requirements to ensure resources are deployed where they deliver the greatest value to the community.
- **Optimised structures:** Team structures, role design, and work practices are regularly reviewed to reduce duplication, improve coordination across functions, and enhance productivity and accountability.
- **Flexible resourcing:** Council encourages multi-skilling, cross-department collaboration, and flexible work arrangements to respond efficiently to changing service demands and emerging priorities.

9.2 Workforce Succession and Skills Development (“Grow Within” Philosophy)

- **Succession planning:** Council identifies critical roles and proactively develops internal talent pipelines to ensure continuity of corporate knowledge, leadership capability, and service delivery.
- **Professional development:** Targeted training, mentoring, and professional education programs are supported to strengthen both technical expertise and leadership capability across the organisation, including the allocation of finance staff to each work area for support and mentoring.
- **Grow within approach:** Priority is given to internal development and progression opportunities, fostering staff engagement, loyalty, and long-term organisational capability.
- **Performance culture:** A strong performance culture is promoted through regular performance reviews, clear expectations, and encouragement of innovation, accountability, and continuous improvement.

9.3 Attraction and Retention in Rural Areas

- **Rural workforce challenges:** Council recognises the additional challenges in recruiting and retaining specialised and skilled staff in rural and remote locations, including competition from large scale developments, metropolitan employers and limited labour pools.

- **Targeted attraction:** Hay Shire Council promotes itself as an employer of choice by highlighting local lifestyle benefits, community connection, career development opportunities, and the ability to make a meaningful local impact.
- **Retention initiatives:** Flexible work practices, career pathways, professional development, and wellbeing initiatives are supported to encourage long-term staff retention and job satisfaction.
- **Community connection:** Council fosters a strong sense of belonging by supporting employee integration into the local community, encouraging participation in community networks, and reinforcing pride in serving the Hay Shire.

Summary

Hay Shire Council’s workforce and capacity planning strategy ensures the organisation remains capable, resilient, and future-ready. Through efficient resource deployment, a strong “grow within” development philosophy, and targeted rural attraction and retention initiatives, Council is investing in its people as the foundation of long-term financial sustainability, organisational performance, and high-quality service delivery for the community.

10. Risk Management and Contingency Planning

Proactive risk management is essential to maintaining Hay Shire Council's financial sustainability and operational stability. Council's approach integrates financial risk identification, mitigation, and contingency planning to ensure resilience against both foreseeable and unexpected challenges such as economic shocks, policy changes, or natural disasters.

10.1 Financial Risk Register

- **Comprehensive identification:** Council maintains a financial risk register capturing key risks related to revenue, expenditure, cash flow, debt, and external funding.
- **Regular review:** The register is reviewed and updated annually to reflect changing conditions, emerging risks, and mitigation outcomes.
- **Accountability:** Each identified risk is assigned to a responsible officer or team for monitoring, mitigation, and reporting.
- **Integration:** Financial risks are embedded within Council's enterprise risk management framework, ensuring alignment between operational, strategic, and financial risk oversight.

10.2 Disaster Resilience Funding and Recovery Financial Planning

- **Preparedness:** Council proactively plans for financial exposure to natural disasters such as floods, droughts, and bushfires.
- **Resilience funding:** Allocating funds and maintaining reserves to support rapid recovery and essential repairs following disaster events.
- **Access to external support:** Ensuring eligibility and readiness for State and Federal disaster recovery funding programs.
- **Long-term recovery planning:** Incorporating post-disaster financial restoration into the Long-Term Financial Plan to ensure sustained recovery without compromising other priorities.

10.3 Business Continuity in Financial Operations

- **Continuity planning:** Developing and testing business continuity plans to maintain essential financial operations during disruption.
- **System redundancy:** Ensuring secure, cloud-based financial systems with data backup, cybersecurity protection, and disaster recovery capability.
- **Cross-training:** Building staff capacity across critical financial functions to ensure continuity during absences or emergencies.
- **Scenario testing:** Conducting periodic financial stress tests to assess Council's ability to operate under constrained revenue or unplanned expenditure scenarios.

Summary:

Hay Shire Council's risk management and contingency planning framework strengthens organisational resilience and financial integrity. By maintaining a robust financial risk register, planning for disaster recovery, and safeguarding business continuity, Council is well-positioned to respond effectively to disruption while maintaining essential services and fiscal stability.

11. Monitoring, Evaluation and Reporting

Effective monitoring, evaluation, and reporting are critical to ensuring that Hay Shire Council's financial sustainability strategy remains relevant, responsive, and accountable. By systematically tracking performance against clear targets, regularly reviewing outcomes, and engaging with the community, Council can make informed decisions and continuously enhance financial management practices. This framework supports transparency, drives continuous improvement, and ensures that financial planning is aligned with strategic priorities.

11.1 Key Performance Indicators and Scorecard

- **Performance measurement:** Establish a comprehensive set of financial and operational KPIs directly aligned with Council's strategic objectives. Key indicators may include operating result, infrastructure renewal ratio, cash reserve levels, cost recovery levels, and efficiency measures.
- **Scorecard approach:** Consolidate KPIs into an integrated scorecard to provide a concise and visually accessible snapshot of Council's financial performance. This enables quick assessment of progress and identification of areas requiring attention.
- **Benchmarking:** Regularly compare outcomes against historical trends, peer councils, and Fit for the Future benchmarks. This contextualises performance, highlights achievements, and identifies opportunities for improvement.

11.2 Annual Review Cycle Linked to Budget and Delivery Program

- **Integrated planning:** The financial sustainability strategy is reviewed annually as part of the broader budget process and Council Delivery Program, ensuring alignment between strategic objectives, service delivery, and resourcing.
- **Accountability:** Council evaluates whether financial objectives are being achieved, updating forecasts, strategies, and resource allocations accordingly to maintain financial discipline.
- **Agility:** The quarterly and annual review processes allows timely adjustments in response to changing economic conditions, policy settings, or operational priorities, enhancing resilience and adaptability.

11.3 Community Reporting via Annual Report and Website

- **Transparency:** Financial performance, risks, and outcomes are communicated clearly and comprehensively to the community through monthly council reports, the Annual Report and Council website.
- **Engagement:** Reporting helps the community understand how rates, fees, charges, and grants are applied to deliver services and maintain infrastructure.
- **Accessibility:** Information is presented in clear, concise, and visually engaging formats, supporting comprehension and fostering trust between Council and the community.

11.4 Continuous Improvement Feedback Loop

- **Learning and adaptation:** Monitoring outcomes and soliciting community feedback informs refinements to financial strategies, policies, and operational processes.
- **Innovation:** The feedback loop identifies opportunities to enhance efficiency, improve or modify service delivery, and optimise resource allocation.
- **Governance:** Insights from monitoring and feedback are integrated into decision-making processes, ensuring lessons learned strengthen long-term financial management and strategic planning.

Summary:

Hay Shire Council's monitoring, evaluation, and reporting framework embeds accountability, transparency, and continuous improvement across financial management practices. By linking KPIs to strategic objectives, conducting annual reviews, reporting openly to the community, and incorporating feedback into decision-making, Council ensures that its financial sustainability strategy remains effective, resilient, and responsive to both internal and external change. This structured approach positions Council to maintain financial health, support service delivery, and respond proactively to emerging challenges and opportunities.

12. Implementation Roadmap

The Implementation Roadmap translates Hay Shire Council's financial sustainability strategy into actionable steps, assigning responsibility, timelines, and resources to ensure effective delivery. By clearly defining short, medium, and long-term actions, Council can track progress, maintain accountability, and achieve its financial and service objectives.

The 2026/27 financial year is to be the year of consolidation and review, to provide a reset for the organisation.

12.1 Action Plan – Financial Sustainability

Hay Shire Council's financial sustainability strategy balances revenue reform, prudent budgeting and expenditure, and long-term resilience with community engagement and transparency. The strategy focuses on the areas Council can influence while recognising external constraints, ensuring a realistic, actionable pathway to improved financial health.

➤ Revenue Reform and Pricing Strategy

Council will progressively align fees, charges, and rates with the true cost of service delivery while considering community capacity to pay.

Actions:

- Conduct a structured review of all fees and charges over 4–5 years, informed by full cost recovery analysis and peer benchmarking.
- Implement price signalling to influence service demand and user behaviour, supported by clear, accessible messaging on subsidies and costs.
- Review rating structure, freezing the base rate while adjusting ad valorem rates to better reflect property wealth and capacity to pay.
- Focus increases on areas where Hay Shire is currently below peers, ensuring staged, transparent implementation.

Expected Outcomes:

- Increased cost recovery and more equitable pricing.
- Community understanding of service costs and the role of rates in sustaining services.

➤ Rates Management and Cash Flow Improvement

Council will strengthen collection and management of outstanding rates to support liquidity and operational stability.

Actions:

Introduce early intervention strategies and education-based communication rather than punitive measures.

- Implement targeted campaigns explaining the importance of rates to service delivery and sustainability.
- Provide clearer information on rate notices to improve understanding and compliance.

Expected Outcomes:

- Improved cash flow and reduced reliance on reserves.
- Greater community awareness and engagement in supporting Council's financial sustainability.

➤ Reserves and Financial Resilience

Building financial resilience through adequate reserves and risk management.

Actions:

- Increase unrestricted cash reserves progressively to minimum of 20% of operating income.
- Use reserves strategically to manage shocks, co-fund grant projects, and smooth cash flow volatility.
- Maintain liquidity buffers for operational and capital needs.

Expected Outcomes:

- Enhanced capacity to manage financial risk and unexpected events.
- Strengthened long-term financial stability.

➤ Prudent Debt Management

Council will limit borrowing to essential, long-life infrastructure projects to ensure intergenerational equity and financial flexibility.

Actions:

- Restrict debt to critical infrastructure, including roads, water, and sewer assets.
- Avoid borrowing for operational expenditure or discretionary projects.
- Integrate debt management with long-term financial planning.

Expected Outcomes:

- Controlled debt levels and reduced risk exposure.
- Preserved future financial flexibility.

➤ Growth and Asset/Service Cost Management

Council will carefully manage growth and new investments, ensuring sustainable service delivery.

Actions:

- Council continually reviews the level and condition of its infrastructure backlog to identify assets requiring urgent attention or those posing the highest financial or operational risk
- Renewal and maintenance programs are prioritised to address critical assets first, focusing on safety, service continuity, and economic function to maximise community benefit.
- Assess full lifecycle costs of new assets and services before commitment.
- Prioritise optimisation and maintenance of existing assets over expansion.
- Align growth decisions with service cost implications to avoid unsustainable expenditure.

Expected Outcomes:

- Balanced growth without compromising financial sustainability.
- Better-informed investment and service decisions.

➤ **Advocacy and Structural Reform**

Council will pursue fairer funding arrangements to reduce disproportionate impacts on rural communities.

Actions:

- Advocate for increased Financial Assistance Grants and fair rebate funding arrangements.
- Use evidence-based approaches through local government sector channels.
- Focus advocacy on areas within Council’s influence.

Expected Outcomes:

- Improved funding equity for Hay Shire.
- Reduced reliance on inefficient or unfunded programs.

➤ **Community Education, Engagement, and Transparency**

Council will enhance understanding, trust, and support for financial sustainability initiatives.

Actions:

- Develop plain-English communication tools, including videos, visual summaries, and infographics.
- Share concise “snippets” explaining revenue sources, expenditure, and reform rationale.
- Report financial performance and risks via Annual Report and Council website.

Expected Outcomes:

- Increased community understanding and support.
- Greater transparency and trust in Council’s financial management.

➤ **Monitoring, Evaluation, and Continuous Improvement**

Council will embed robust monitoring, evaluation, and feedback to ensure accountability and adaptability.

Actions:

- **KPIs and Scorecard:** Track financial and operational KPIs (operating result, infrastructure renewal, cash reserves, cost recovery) consolidated into a scorecard.
- **Benchmarking:** Compare outcomes against historical data, peers, and Fit for the Future benchmarks.
- **Annual Review Cycle:** Integrate strategy review with budget and Delivery Program; adjust forecasts and resource allocations as needed.
- **Feedback Loop:** Use monitoring outcomes and community feedback to inform policy, process improvements, and innovation.

Expected Outcomes:

- Continuous refinement of financial management practices.
- Agile, evidence-based decision-making and stronger governance.

➤ **Focus on What Council Can Control**

Given efficiency levels are already high, Council will focus on actions within its control to drive sustainability.

Actions:

- Improving Council's operating result by setting target of reducing the operating deficit each year by 2%, with a minimum less than -20% in 2026/27
- Prioritise pricing, revenue mix, reserve management, service levels, advocacy, and community engagement.
- Improve financial management capacity of the organisation, including systems and skill development to manage operational and maintenance budgets.
- Implement process and capability improvements through digital transformation where feasible.
- Recognise that sustainability depends more on strategic revenue and asset decisions than further cost-cutting.

Expected Outcomes:

- Realistic, achievable financial improvements.
- Strengthened long-term sustainability without compromising essential services.

12.2 Responsibility and Timelines

- **Executive oversight:** The Executive Management Team is accountable for strategy delivery and progress reporting to Council.

- **Functional leads:** Department managers and project owners are responsible for implementing assigned actions within specified timelines.
- **Regular review:** Progress is monitored quarterly, with adjustments made as required to address emerging risks or opportunities.

12.3 Resourcing and Funding Needs

- **Budget allocation:** Annual budgets will include funding to implement the strategy's priority initiatives.
- **Workforce resources:** Staffing, training, and skills development will be aligned to support execution of strategic actions.
- **External funding:** Targeted grants and partnerships may supplement Council resources where aligned with strategy objectives.
- **Efficiency gains:** Cost savings from process improvements and digital transformation will be reinvested to support long-term priorities.

12.4 Governance Structure

- **Internal audit:** Independent review through ARIC of financial management, risk mitigation, and compliance to ensure accountability.
- **Executive oversight:** The Executive Management Team monitors implementation, resolves issues, and reports progress to Council.
- **Council oversight:** Elected members receive regular updates on milestones, performance against KPIs, and financial outcomes.
- **Continuous review:** Governance arrangements incorporate feedback loops to ensure the strategy remains responsive to changing conditions and emerging risks.

12.5 Implementation Roadmap Action Table

Action Area	Short-Term (0–2 yrs)	Medium-Term (3–5 yrs)	Long-Term (5+ yrs)	Expected Outcomes
Revenue Reform & Pricing Strategy	Conduct initial review of fees/charges; implement early price signalling; review the freezing of the base rate and adjust ad valorem where feasible	Continue structured review of all fees/charges; benchmark against peers; implement staged increases; Target own source revenue of >45%	Fully implement cost-reflective pricing; align rates with property wealth and service costs	Increased cost recovery; equitable pricing; improved community understanding of service costs
Rates Management & Cash Flow	Introduce early intervention and education-based communication; launch targeted campaigns; improve clarity of rate notices; Implement digital tools to engage with the community	Monitor and optimise collection performance; refine communication strategy based on community feedback	Maintain strong collection rates; sustain cash flow improvements	Improved liquidity; reduced reliance on reserves; community engagement in financial sustainability
Reserves & Financial Resilience	Begin building unrestricted cash reserves; establish liquidity buffers; use reserves strategically for minor shocks	Increase reserves progressively towards target (minimum ~20% operating income); continue smoothing cash flow	Maintain target reserves; use reserves to support long-term capital projects and shocks	Enhanced risk management; strengthened financial stability and resilience
Prudent Debt Management	Restrict new debt to essential, long-life infrastructure; integrate with financial planning	Monitor and manage debt levels; review funding options for major projects	Maintain sustainable debt levels; avoid debt for operational or discretionary spending	Controlled debt; preserved financial flexibility; intergenerational equity
Growth & Asset/Service Cost Management	Review infrastructure renewal; prioritise urgent maintenance; assess lifecycle costs of new assets; Begin building staff capability in understanding and managing assets	Increase asset management to target >80% asset maintenance ratio; Monitor and optimise renewal programs; optimise existing assets; align new growth with cost sustainability	Maintain balanced growth; ensure investments and services remain financially sustainable	Better-informed investment decisions; balanced growth without compromising finances
Advocacy & Structural Reform	Advocate for increased Financial Assistance Grants; review rebate funding arrangements; focus advocacy within Council's control	Use evidence-based sector channels to influence state/federal funding; monitor policy outcomes	Sustain advocacy for fair funding; integrate outcomes into long-term financial strategy	Improved funding equity; reduced reliance on inefficient/unfunded programs

Action Area	Short-Term (0–2 yrs)	Medium-Term (3–5 yrs)	Long-Term (5+ yrs)	Expected Outcomes
Community Education, Engagement & Transparency	Develop plain-English communication tools (infographics); launch brief “snippets” explaining revenue & expenditure	Continue community engagement; refine tools and messaging; report regularly via Annual Report/website	Maintain high levels of transparency and community understanding; embed financial literacy initiatives	Greater community support; transparency; trust in Council’s financial management
Monitoring, Evaluation & Continuous Improvement	Establish KPIs and scorecard; benchmark against peers; implement initial review cycle; build staff financial capability; Allocate finance staff to each work area for support and mentoring.	Integrate annual review with budget & Delivery Program; use feedback to refine policies; Continue to allocate finance staff to each work area for support and mentoring.	Fully embed continuous improvement in financial processes; innovate based on performance data	Agile, evidence-based decision-making; continuous refinement of practices; stronger financial management
Focus on What Council Can Control	Improving Council’s operating result by setting target of reducing the operating deficit each year by 2%, with a minimum less than -20% in 2026/27; Prioritise pricing, revenue mix, reserves management, service levels, advocacy, staff financial acumen and community engagement; implement digital transformation where feasible	Build towards operating result of minimum of -10%; Optimise processes and workforce capability; refine strategies based on monitoring	Sustain improvements; focus on strategic revenue and asset decisions rather than further cost-cutting	Realistic, achievable financial improvements; strengthened long-term sustainability without service compromise

Summary:

The Implementation Roadmap provides a structured pathway to deliver Hay Shire Council’s financial sustainability objectives. By defining clear actions, assigning responsibilities, allocating resources, and maintaining strong governance, Council ensures that strategic financial priorities are translated into tangible outcomes for the community.

Appendices

- A. Glossary of financial terms
- B. Long-Term Financial Plan summary
- C. Asset Management snapshot
- D. Risk Assessment
- E. Benchmarking data

Appendix A – Glossary of Financial Terms

A reference for key financial and accounting terminology used throughout the strategy, such as:

- **Operating Surplus:** The difference between total operating revenue and total operating expenditure.
- **Own Source Revenue:** Revenue generated from rates, fees, charges, and investments, excluding grants.
- **Infrastructure Backlog:** The total value of infrastructure maintenance or renewal required to meet service standards.
- **Asset Renewal Ratio:** Expenditure on renewing assets relative to the depreciation of those assets.
- **Debt Service Ratio:** The proportion of operating revenue required to meet principal and interest obligations.

Appendix B – Long-Term Financial Plan Summary

A high-level overview of the Council’s Long-Term Financial Plan, as at June 2025.

Consolidated Fund:

Hay Shire Council Consolidated Income Statement										
Budget Item	2025/2026 Budget	2026/2027 Budget	2027/2028 Budget	2028/2029 Budget	2029/2030 Budget	2030/2031 Budget	2031/2032 Budget	2032/2033 Budget	2033/2034 Budget	2034/2035 Budget
Income from Continuing Operations										
Revenue										
Rates & Charges	5643219	5899992	6151123	6399403	6659200	6929783	7212060	7506553	7813813	8134719
Statutory Fees & Charges	84000	86100	88200	90300	92400	94500	96600	98700	100800	102900
User Fees & Charges	1163500	1192587	1221675	1250763	1279850	1308937	1338025	1367113	1396200	1425287
Grants & Subsidies Recurrent	7796501	8218012	8432787	8476290	8687797	9036084	9399787	9779658	10176490	10591112
Interest & Investment Income	565000	460375	405750	407375	409000	410625	412250	413875	415500	417125
Other revenues	100000	102500	105000	107500	110000	112500	115000	117500	120000	122500
Other Income	110000	112750	115500	118250	121000	123750	126500	129250	132000	134750
Capital Grants Received	7386614	1355718	0	0	0	0	0	0	0	0
Total Income from Continuing Operations	22,848,834	17,428,034	16,520,035	16,849,881	17,359,247	18,016,179	18,700,222	19,412,649	20,154,803	20,928,393
Expenditure										
Employee Costs	6,420,694	6,638,911	6,337,103	6,400,256	6,560,495	6,727,683	6,889,337	7,067,434	7,245,644	7,430,967
Depreciation	4,736,100	4,952,002	5,077,905	5,203,808	5,329,710	5,455,612	5,581,515	5,707,418	5,833,320	5,959,223
Other Costs	294,500	301,862	309,225	316,588	323,950	331,312	338,675	346,038	353,400	360,763
Materials and Contracts	5711785	5936057	5399348	5354725	5344856	5452805	5430612	5655419	5657372	5761297
Borrowing Costs	39372	28917	17790	6419	0	0	0	0	0	0
Total Expenses from Continuing Operations	17,202,451	17,857,749	17,141,371	17,281,796	17,559,011	17,967,412	18,240,139	18,776,309	19,089,736	19,512,250
Net Operating Result For the Year	5,646,383	(429,715)	(621,336)	(431,915)	(199,764)	48,767	460,083	636,340	1,065,067	1,416,143
Net Operating Result Before Grants and Contributions provided for Capital Purposes	(1,740,231)	(1,785,433)	(621,336)	(431,915)	(199,764)	48,767	460,083	636,340	1,065,067	1,416,143

General Fund:

Hay Shire Council General Fund Income Statement										
	2025/2026	2026/2027	2027/2028	2028/2029	2029/2030	2030/2031	2031/2032	2032/2033	2033/2034	2034/2035
	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget
Income from Continuing Operations										
Revenue										
Rates & Charges	3691467	3849644	3997201	4137080	4282179	4432702	4588865	4750888	4919005	5093761
Statutory Fees & Charges	84000	86100	88200	90300	92400	94500	96600	98700	100800	102900
User Fees & Charges	573500	587837	602175	616513	630850	645187	659525	673863	688200	702537
Grants & Subsidies Recurrent	7774001	8194950	8409162	8452103	8663047	9010771	9373912	9753221	10149490	10563549
Interest and Investment Income	435000	340625	296250	296875	297500	298125	298750	299375	300000	300625
Other Revenues	100000	102500	105000	107500	110000	112500	115000	117500	120000	122500
Other Income	100000	102500	105000	107500	110000	112500	115000	117500	120000	122500
Capital Grants Received	7386614	1355718								
Total Income from Continuing Operations	20,144,582	14,619,874	13,602,988	13,807,871	14,185,976	14,706,285	15,247,652	15,811,047	16,397,495	17,008,372
Expenditure										
Employee Costs	6,011,269	6,219,251	5,907,207	5,960,124	6,110,128	6,267,080	6,418,499	6,586,359	6,754,334	6,929,422
Depreciation	3,911,100	4,106,377	4,211,655	4,316,933	4,422,210	4,527,487	4,632,765	4,738,043	4,843,320	4,948,598
Materials and Services	4,381,110	4,572,118	4,002,139	3,924,248	3,881,113	3,955,797	3,900,337	4,091,874	4,060,562	4,131,218
Other Costs	294,500	301,862	309,225	316,588	323,950	331,312	338,675	346,038	353,400	360,763
Borrowing Costs	24,464	18,430	11,871	5,220						
Total Expenses from Continuing Operations	14,622,443	15,218,038	14,442,097	14,523,113	14,737,401	15,081,676	15,290,276	15,762,314	16,011,616	16,370,001
Net Operating Result For the Year	5,522,139	(598,164)	(839,109)	(715,242)	(551,425)	(375,391)	(42,624)	48,733	385,879	638,371
Net Operating Result Before Grants and Contributions provided for Capital Purposes	(1,864,475)	(1,953,882)	(839,109)	(715,242)	(551,425)	(375,391)	(42,624)	48,733	385,879	638,371
Performance Indicators										
Own Source	24.74%	34.67%	38.18%	38.79%	38.93%	38.73%	38.52%	38.31%	38.10%	37.89%
Operating performance ratio	(1,864,475)	(1,953,882)	(839,109)	(715,242)	(551,425)	(375,391)	(42,624)	48,733	385,879	638,371
	12,757,968	13,264,156	13,602,988	13,807,871	14,185,976	14,706,285	15,247,652	15,811,047	16,397,495	17,008,372
	-14.61%	-14.73%	-6.17%	-5.18%	-3.89%	-2.55%	-0.28%	0.31%	2.35%	3.75%

Water Fund:

Hay Shire Council Water Fund Income Statement										
Budget Item	2025/2026	2026/2027	2027/2028	2028/2029	2029/2030	2030/2031	2031/2032	2032/2033	2033/2034	2034/2035
	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget
Income from Continuing Operations										
Revenue										
Rates & Charges	840,000	882,500	927,150	974,058	1,023,335	1,075,102	1,129,482	1,186,606	1,246,612	1,309,642
User Charges and Fees	545,000	558,625	572,250	585,875	599,500	613,125	626,750	640,375	654,000	667,625
Grants & Subsidies Recurrent	11,000	11,275	11,550	11,825	12,100	12,375	12,650	12,925	13,200	13,475
Interest	55,000	51,875	48,750	49,375	50,000	50,625	51,250	51,875	52,500	53,125
Other	10,000	10,250	10,500	10,750	11,000	11,250	11,500	11,750	12,000	12,250
Total Income from Continuing Operations	1,461,000	1,514,525	1,570,200	1,631,883	1,695,935	1,762,477	1,831,632	1,903,531	1,978,312	2,056,117
Expenditure										
Employee Costs	249,400	255,635	261,870	268,105	274,340	280,575	286,810	293,045	299,280	305,515
Depreciation	405,000	415,125	425,250	435,375	445,500	455,625	465,750	475,875	486,000	496,125
Other Costs										
Materials and Services	806,600	826,763	846,930	867,096	887,260	907,424	927,590	947,756	967,920	988,086
Borrowing Costs										
Total Expenses from Continuing Operations	1,461,000	1,497,523	1,534,050	1,570,576	1,607,100	1,643,624	1,680,150	1,716,676	1,753,200	1,789,726
Net Operating Result For the Year	0	17,002	36,150	61,307	88,835	118,853	151,482	186,855	225,112	266,391
Net Operating Result Before Grants and Contributions provided for Capital Purposes	0	17,002	36,150	61,307	88,835	118,853	151,482	186,855	225,112	266,391

Sewer Fund:

Hay Shire Council										
Sewer Fund Income Statement										
Budget Item	2025/2026 Budget	2026/2027 Budget	2027/2028 Budget	2028/2029 Budget	2029/2030 Budget	2030/2031 Budget	2031/2032 Budget	2032/2033 Budget	2033/2034 Budget	2034/2035 Budget
Income from Continuing Operations										
Revenue										
Rates & Charges	1,111,752	1,167,848	1,226,772	1,288,265	1,353,686	1,421,979	1,493,713	1,569,059	1,648,196	1,731,316
User Charges and Fees	45,000	46,125	47,250	48,375	49,500	50,625	51,750	52,875	54,000	55,125
Grants & Subsidies Recurrent	11,500	11,787	12,075	12,362	12,650	12,938	13,225	13,512	13,800	14,088
Interest & Investment Income	75,000	67,875	60,750	61,125	61,500	61,875	62,250	62,625	63,000	63,375
Capital Grants Received										
Total Income from Continuing Operations	1,243,252	1,293,635	1,346,847	1,410,127	1,477,336	1,547,417	1,620,938	1,698,071	1,778,996	1,863,904
Expenditure										
Employee Costs	160,025	164,025	168,026	172,027	176,027	180,028	184,028	188,030	192,030	196,030
Depreciation	420,000	430,500	441,000	451,500	462,000	472,500	483,000	493,500	504,000	514,500
Other Costs										
Materials and Services	524,075	537,176	550,279	563,381	576,483	589,584	602,685	615,789	628,890	641,993
Borrowing Costs	14,908	10,487	5,919	1,199						
Total Expenses from Continuing Operations	1,119,008	1,142,188	1,165,224	1,188,107	1,214,510	1,242,112	1,269,713	1,297,319	1,324,920	1,352,523
Net Operating Result For the Year	124,244	151,447	181,623	222,020	262,826	305,305	351,225	400,752	454,076	511,381
Net Operating Result Before Grants and Contributions provided for Capital Purposes	124,244	151,447	181,623	222,020	262,826	305,305	351,225	400,752	454,076	511,381

Long Term Financial Plan – Key Assumptions

Council's Long Term Financial Plan (LTFP) has been developed to give effect to Council's Financial Sustainability Strategy, particularly the principles of prudent financial management, revenue stability and diversification, expenditure discipline, and continuous productivity improvement. The assumptions underpinning the LTFP balance service continuity and asset stewardship with long-term affordability and financial resilience.

Prudent Financial Management and Indexation

Detailed modelling has been undertaken for major asset renewal programs and selected recurrent works, notably roads. Where detailed modelling is not available, a default indexation rate of 2.5 per cent per annum has been applied to operating and capital expenditure. This approach supports consistent, realistic forecasting and aligns with long-term inflation expectations.

Revenue Stability and Diversification

Financial Assistance Grants are assumed to increase by 5 per cent per annum for the first five years, reflecting recent trends and anticipated reforms, before reverting to inflation-based growth. Rates revenue is assumed to increase in line with inflation only, consistent with Council's commitment to affordability. Fees and charges are assumed to increase through a combination of indexation and targeted reform to improve cost recovery and reduce cross-subsidisation, including higher growth in cemetery and waste fees, reviews of aerodrome and companion animal fees, and expansion of appropriately priced fees for service.

Expenditure Discipline and Asset Stewardship

The LTFP assumes strong budget discipline, including constrained discretionary expenditure, a fully funded plant replacement program, and increased maintenance and capital investment in buildings and stormwater assets to address known backlogs and reduce long-term risk.

Grants and External Funding

Consistent with the Financial Sustainability Strategy, the LTFP assumes continued use of established external funding programs to support capital works, including roads, Crown Land and CRIF funding, active transport, aerodrome improvements, and flood levee upgrades. The plan does not rely on speculative or non-established funding sources.

Productivity, Efficiency and Transformation

A core assumption of the LTFP is the progressive delivery of productivity and efficiency gains through workforce upskilling, increased in-house delivery, service level reviews, continuous improvement, and staged digital transformation. These initiatives are assumed to deliver combined ongoing savings of approximately \$300,000 per annum by Year 6, supported by a gradual reduction of 1–2 staffing positions through natural attrition and service delivery changes.

Financial Outlook

Collectively, these assumptions reflect Council’s strategic intent to maintain service levels while improving efficiency and increasing revenue over time. If realised, they are expected to progressively improve operating results across the life of the LTFP, strengthening financial sustainability and reducing long-term financial risk.

Appendix C – Asset Management Snapshot

An overview of Council’s assets and infrastructure as at April 2025:

Buildings:

The Assets

The building assets are valued at \$28,580,508 and are apportioned into asset categories as detailed in Table 1.

Table 1: Building Assets Summary

<i>Asset Type</i>	<i>Replacement Value (June 2024)</i>
Residential	\$1,447,898
Operational	\$16,346,549
Community	\$10,786,061
<i>Total</i>	<i>\$28,580,508</i>

Their Condition

Council has adopted a condition assessment method using a 5-point rating, varying from ‘Very Good’ to ‘Very poor’ condition.

Council’s condition rating indicates that 98% of Council’s Building assets are in satisfactory condition or better and require only standard maintenance.

These figures that whilst almost all our assets are providing adequate service ongoing renewal will be required to prevent assets slipping from fair to poor.

Long -Term Financial Plan Summary

The LTFP funding available for operations, maintenance and infrastructure renewals is shown in table 17: The total allocation over the term of the LTFP is \$3.95M or \$393k per annum.

Table 17: The LTFP funding available for operations, maintenance and infrastructure renewals

Financial Year Ending	Operations Expenditure	Maintenance Expenditure	Total
2024/25	\$219,000	\$146,000	\$368,000
2025/26	\$227,000	\$171,000	\$398,000
2026/27	\$233,000	\$142,000	\$375,000
2027/28	\$239,000	\$189,000	\$428,000
2028/29	\$243,000	\$174,000	\$417,000
2029/30	\$250,000	\$165,000	\$415,000
2030/31	\$255,000	\$101,000	\$356,000

2031/32	\$261,000	\$142,000	\$403,000
2032/33	\$256,000	\$118,000	\$384,000
2033/34	\$227,000	\$119,000	\$391,000
<i>Total</i>	<i>\$2,468,000</i>	<i>\$1,467,000</i>	<i>\$3,935,000</i>

An independent assessment by Cumberland City Council asset team have assessed the required annual maintenance/operations expenditure over the 10-year period to be \$249,321 per annum and 10-year asset renewal of \$5,229,458. These amounts vary considerably from Councils budget allocation, being in order of 50% for maintenance and 75% for renewal.

Renewals Planning

Analysis Approach

Renewals expenditure does not increase the asset's design capacity but restores, rehabilitates, replaces, or renews an existing asset to its original or lesser required service potential. Work over and above restoring and asset to original service potential is classed as upgrade or new works expenditure. The current LTFP shows a significant gross underspend on building renewal, in the order of 75% less than what is required long term.

A strategy to manage this underspend is for Council to fund the buildings on Council owned land and seek external funding for buildings on Crown Land, with 35% of the replacement value of buildings being on Crown Land. In addition, further assessment of renewal works at the end of the LTFP is required.

Furthermore, there are building assets that might not be replaced once they reach their end of useful life, such as the museums, old fire station and SES building for example.

Consumption Ratio

The consumption ratio provides a measure of the percentage of the asset base consumed to date and an indication of how fast the assets are being consumed each year and whether investment may require adjustment.

Table 22: Annual Asset Consumption

Annual Asset Consumption (Depreciation/Depreciable Amount)	40.5%
---	-------

This provides a measure of the percentage of the asset base remaining (yet to be consumed). It is derived by dividing the written down value of the assets by the gross current renewal cost.

The asset renewal ratio is currently below what is considered satisfactory. Long term asset renewal plans need to be implemented that move towards a 80-100% ratio.

Drainage and Flood Mitigation:

The Assets

The Drainage and Flood Mitigation Assets are valued at \$22.70M and are apportioned into asset categories as detailed in Table 1 below.

Table 1: Drainage and Flood Mitigation Assets Summary

<i>Asset Type</i>	<i>Replacement Value (June 2024)</i>
Rural Culvert	\$6,490,541
Stormwater Pipe	\$13,135,761
Stormwater Pit	\$2,991,874
Urban Culvert	\$80,063
Flood Levee System	\$0
<i>Total</i>	<i>\$22,698,239</i>

Council is currently undertaking a flood study which will include developing plans to construct licensed levee systems within the Shire. The current unlicensed levees have not been valued or included in Councils asset register.

Asset Condition

The majority of the Drainage and Flood Mitigation Assets are in satisfactory condition and do not require any immediate attention other than routine maintenance. However, Council's asset data indicates that its stormwater pipes are on average well into their current life cycle due to the age of the network. Further analysis and assessment is been carried out to assess the remaining life of these assets.

The majority 90% of the poor and very poor assets are rural culverts.

Council's Long-Term Financial Plan (LTFP) has allocated funding for Drainage and Flood Mitigation Capital expenditure as shown in Table 2 Long Term Financial Plan below. In preparing this plan is has been assumed that Current levels of operation and maintenance funding will continue.

Long -Term Financial Plan Summary

The LTFP funding available for operations, maintenance and CAPEX (new, upgrade, renewals) projects is shown in table 20

Table 20: LTFP funding available for operations

<i>Financial Year Ending</i>	<i>Operations & Maintenance</i>	<i>Renewals</i>	<i>Total</i>
2025/26	110,000	\$55,000	\$166,000
2026/27	111,500	\$30,000	\$141,500
2027/28	\$113,037	\$75,000	\$188,037
2028/29	\$114,613	\$85,000	\$199,613
2029/30	\$116,229	\$55,000	\$171,229
2030/31	\$117,884	\$55,000	\$172,884
2031/32	\$119,501	\$5,000	\$125,501
2032/33	\$121,321	\$5,000	\$126,321
2033/34	\$123,104	\$5,000	\$128,104

2034/35	\$124,932	\$5,000	129,932
Total	\$1,172,121	\$492,500	\$1,664,621

This has been verified as underestimated with the assistance of Cumberland City Council asset team, confirming LTFP allocation required is \$4,659,761 (Operations/maintenance - \$79,443 per annum and 10-year asset renewal of \$3,865,331). The LTFP shows a significant shortfall in renewal works compared with asset valuation/consumption. Continued further analysis and inspections are required to achieve a higher level of confidence in these figures and confirmation if this is the reality.

Maintenance Expenditure Ratio

A high order assessment of the maintenance ratio expenditure shows a medium confidence in the annual expenditure. Current LTFP show we have estimating 50% maintenance expenditure each year compared with assessment by Cumberland. A continued further assessment through inspections and analysis is required.

Renewals Planning

Renewal expenditure does not increase the assets design capacity but restores, rehabilitates or renews existing asset to its original or lesser required service level.

The renewal expenditure \$492K in the LTFP is based on historical figures and has not been subject to a rigorous evaluation.

Analysis by Cumberland City Council shows a renewal budget over the life of the LTFP of \$3,865,331, or \$386,533 per annum. Current levels of renewal is \$103,500. This may result in the deterioration of the stormwater assets if the financial commitment is not increased.

What is not considered in this Plan is the replacement/upgrade of the Flood Levees of Hay and Maude. Council has recently completed the Hay & Maude Floodplain Risk Management Study & Plan, with a high order cost estimate for the levee works of \$25M being required. Council, at this point, has insufficient reserves to fund its contribution, estimated to be \$3.6M, towards levee upgrade works. The current levee reserve is 524,000.

Consumption Ratio

The consumption ratio provides a measure of the percentage of the asset base consumed to date and an indication of how fast the assets are being consumed each year and whether investment may require adjustment.

Table 24: Annual Asset Consumption

Annual Asset Consumption (Depreciation/Depreciable Amount)	1.05%
---	-------

The Annual Asset Renewal Ratio provides a measure of the rate of investment in renewals.

Table 25: Annual Asset Renewal

Annual Asset Renewal (Capital Renewal Expenditure/Depreciable Amount)	26.8%
--	-------

The current renewal expenditure is based on historical expenditure is based on historical expenditure which needs to be reviewed in terms of risk and adequacy.

The Annual New & Upgrade ratio provides an indication of the rate of growth of the asset base.

Table 26: Annual New & Upgrade Ratio

Annual New/Upgrade (Capital New & Upgrade/Depreciable Amount)	15%
--	-----

Sustainability Ratio (Levels of Service)

Assessed sustainability ratio is currently not achieving the required 80%.

Recreation and Other Assets:

The Assets

The Recreation and other assets are valued at \$28.3M and are apportioned into asset categories as detailed in Table 1.

Table 1: Recreation and other assets Summary

Asset Type	Replacement Value (June 2024)
Aerodrome	\$9,100,103
Pool Assets	\$4,252,643
Parks & Recreation	\$15,001,797
Total	\$28,354,543

Asset Condition

Council has adopted a condition assessment method using a 5-point scale varying from very good to very poor. Generally, this class of asset is in reasonably good position with only \$3,230,413 (11.4%) considered to be in poor condition. (Rating of 3.5 to 5).

Financial Forecasts

The financial forecasts in this plan in relation to operations and maintenance are extracted direct from Council's plan. Based on historical evidence and known requirements they are considered reasonable amounts to maintain service levels into the future. The renewals and upgrades however need a complete reassessment of future requirements, and these expenditures are only addressing known urgent needs. Council intends to undertake a comprehensive review of future requirements.

Table 17: Financial Forecasts

Financial Year	Operations &	Renewals	Total
----------------	--------------	----------	-------

Ending	Maintenance		
2025/26	\$1,132,300	\$4,032,000	\$5,164,300
2026/27	\$1,173,414	\$205,000	\$1,378,414
2027/28	\$1,203,040	\$220,000	\$1,423,040
2028/29	\$1,232,650	\$60,000	\$1,292,650
2029/30	\$1,263,282	\$50,000	1,313,282
2030/31	\$1,292,904	\$74,000	\$1,366,904
2031/32	\$1,323,517	\$220,000	\$1,543,517
2032/33	\$1,354,136	\$40,000	\$1,394,136
2033/34	\$1,384,760	\$40,000	\$1,424,760
2034/2035	\$1,415,384	\$150,000	1,565,384
Total	\$12,775,393	\$5,091,000	\$17,866,393

If Council's assets are well maintained and renewed in a timely manner, the forecast expenditure is expected to remain at a timely relatively constant level.

This has been verified with the assistance of Cumberland City Council asset team, confirming LTFP allocation required is \$6,738,772 (Operations/maintenance - \$212,659 per annum and 10-year asset renewal of \$4,612,182). It should be noted that at time of updated this Version 4 of the AMP, the pool replacement project is in progress.

Other than the pool replacement no major capital renewal works are planned in the current LTFP. While this is considered satisfactory, a further analysis and detailing of a capital works program will be required before the next version of the AMP.

New/Upgrade Program

Data for 10- year capital replacement shows a spend of \$4,612,182 is required over the life of the plan. This is significantly less than what has been included in the LTFP. This is manageable in the sort to medium term as our recreational assets are mostly in satisfactory or better condition. A further analysis and detailing of a capital works program will be required before the next version of the AMP.

Consumption Ratio

The consumption ratio provides a measure of the percentage of the asset base consumed to date and an indication of how fast the assets are being consumed each year and whether investment may require adjustment.

Table 21: Annual Asset Consumption

Annual Asset Consumption (Depreciation/Depreciable Amount)	62.0%
---	-------

This provides a measure of the percentage of the asset base remaining (yet to be consumed). It is derived by dividing the written down value of the assets by the gross current renewal cost.

The consumption ratio is currently 62% which is considered satisfactory.

Sewerage:

The Assets

The Sewerage Assets are valued at \$29.35M and are apportioned into asset categories as detailed in Table 1 below.

Table 1 Sewerage Assets Summary

Asset Type	Replacement Value (June 2024)
Treatment Plant	\$8,506,500
Pump Station	\$3,864,100
Sewer Mains & Points	\$16,984,030
Total	\$29,354,530

Asset Condition

Generally, 95% of Council's Sewerage Assets are in "as New", "Good" or "Fair" condition. The assets in very poor condition represent 5% (less than \$1M) of the Sewerage asset base.

Long -Term Financial Plan Summary

The LTFP funding available for New/upgrade, operations, maintenance and infrastructure renewals is shown in table 16. The total allocation over the term of the LTFP is \$11.63M or \$1.63M per annum

Table 18: The LTFP funding available for New/upgrade, operations, maintenance and infrastructure renewals

Financial Year Ending	Operations & Maintenance	Renewals	Total
2025/26	\$408,600	\$318,000	\$726,600
2026/27	\$418,815	\$412,500	\$731,315
2027/28	\$429,030	\$340,000	\$769,030
2028/29	\$439,245	\$276,000	\$715,245
2029/30	\$449,460	\$327,000	\$776,460
2030/31	\$459,675	\$277,000	\$736,675
2031/32	\$469,890	\$298,000	\$767,890
2032/33	\$480,105	\$258,000	\$738,105
2033/34	\$490,320	\$259,000	\$749,320
2034/35	\$500,535	\$259,000	\$759,535
Total	\$4,545,675	\$3,024,500	\$7,570,175

The new/upgrade CAPEX allowance is to fund planning, design and construction activities relating to the sewerage treatment plant project.

The current LTFP shows a total planned expenditure on both operations/maintenance and capital renewal of \$7,570,175. This amount is to be funded from Council sources.

The allocation in the LTFP is considered satisfactory for the ongoing operations and maintenance of the sewerage network.

The current LTFP shows a capital renewal expenditure spend of \$3,024,500, well short of that required based on consumption. While this is satisfactory in the short to medium term, this requires continued further analysis and understanding. The main risk rests with mechanical and electrical components of the networks (i.e. areas with shorter lifecycles).

Transport:

The Assets

The Transport assets are valued at \$132,822,495 and are apportioned into asset categories as detailed in Table 1.

Table 1: Transport Assets Summary

Asset Type	Quantity	Gross or Mv
Bridge Asset	19	\$10,449,129
Footpath Assets	176	\$6,506,355
Carpark	6	\$1,033,086
Kerb Assets	334	\$6,875,542
Regional Road	200	\$38,126,409
Rural Road	596	\$51,151,084
Urban Street	804	\$18,680,888
Total		\$132,822,495

Asset Condition

The vast majority of Council's transport assets are either in New, Good or fair condition. Of the remaining assets that are in poor condition they relate to culverts. On this basis it is considered that the road and transport assets are in good condition and that the assets are being effectively managed having regard to our resources and the use of the asset.

Demand

Factors affecting demand include population change, changes in demographics, seasonal factors, vehicle ownership, consumer preferences and expectations, economic factors, agricultural practices and environmental.

Demand Driver	Current Position	Projected Position	Potential Impact	Response Required
Large Scale Infrastructure	With likelihood of renewable energy transition, predicted increase in infrastructure works	<ul style="list-style-type: none"> Increase significantly 	Major impact on transport network due to construction traffic as well as increase in visitors/workers to the region	This is currently being assessed by both the State and Council

Long -Term Financial Plan Summary

The LTFP funding available for operations, maintenance and CAPEX (new, upgrade, renewals) projects is shown in table 24: - The total allocation over the term of the LTFP is \$34.7M or \$3.47M per annum.

Table 24: Long-Term Financial Plan Summary

Financial Year Ending	New/Upgrade	Operations & Maintenance	Total
2025/26	\$5,228,718	\$1,937,348	\$7,166,066
2026/27	\$3,176,228	\$2,153,856	\$5,330,084
2027/28	\$1,569,905	\$1,207,799	\$2,777,604
2028/29	\$1,535,808	\$1,219,863	\$2,755,701
2029/30	\$1,456,707	\$1,212,173	\$2,668,880
2030/31	\$1,480,122	\$1,224,273	\$2,704,395
2031/32	\$1,569,399	\$1,197,842	\$2,767,241
2032/33	\$1,594,685	\$1,209,576	\$2,804,261
2033/34	\$1,620,628	\$1,221,605	\$2,842,233
2034/35	\$1,682,745	\$1,682,745	\$2,916,668
Total	\$20,914,875	\$13,818,258	\$34,733,133

This has been verified with the assistance of Cumberland City Council asset team, confirming LTFP allocation required is \$23,058,899 (Operations/maintenance - \$1,152,136 per annum and 10-year asset renewal of \$11,537,539).

Maintenance Expenditure Ratio

A following ratio is calculated based on the current transport maintenance expenditure as a percentage of the current replacement value of the transport assets.

Table 26: Operations & Maintenance Funding Ratio – to be assessed.

Maintenance Expenditure Ratio	1.00
-------------------------------	------

This compares favourably to the estimated maintenance expenditure levels based on the depreciation of assets with a condition greater than or equal to 3.

Consumption Ratio

The consumption ratio provides a measure of the percentage of the asset base consumed to date and an indication of how fast the assets are being consumed each year and whether investment may require adjustment.

Table 31: Annual Asset Consumption

Annual Asset Consumption (Depreciation/Depreciable Amount)	1.5%
---	------

The Annual Asset Renewal Ratio provides a measure of the rate of investment in renewals.

Table 32: Annual Asset Renewal

Annual Asset Renewal (Capital Renewal Expenditure/Depreciable Amount)	98.5 % - average of LTFP
--	--------------------------

The Annual New & Upgrade ratio provides an indication of the rate of growth of the asset base.

Table 33: Annual New & Upgrade Ratio

Annual New/Upgrade (Capital New & Upgrade/Depreciable Amount)	Bridges/Culverts to be upgraded – in progress
--	--

Water:

The Assets

The Water Assets are valued at \$31.046M and are apportioned into asset categories as detailed in Table 1 below:

Table 1: Water Assets Summary

Asset Type	Replacement Value (June 2024)
Intake Works	2,233,114
Mains	16,375,402
Reservoirs	6,182,015
Treatment Plant	16,375,402
<i>Total</i>	<i>31,046,531</i>

Asset Condition

65% of Council's assets are in excellent or good condition with the remaining 35% in either satisfactory or poor condition. Council's water mains and treatment plant are the areas in most need of attention.

Demand

Factors affecting demand include population change, changes in demographics, seasonal factors, vehicle ownership, consumer preferences and expectations, economic factors, agricultural practices and environmental. Specific to Council, the demand factor that may impact on service delivery are summarised in Table 16.

Demand Driver	Current Position	Projected Position	Potential Impact	Response Required
Industry/Infrastructure	Increase in infrastructure spend and industry	<ul style="list-style-type: none"> Predicted to increase significantly with the renewable energy transition 	Have a large impact on our water supply service	Council to monitor project impact and respond accordingly

Long -Term Financial Plan Summary

The LTFP funding available for operations, maintenance and infrastructure renewals is shown in table 18.

The total allocation over the term of the LTFP is \$9.06M or \$.906M per annum.

Table 18: Long Term Financial Plan (000's)

Financial Year Ending	New/Upgrade	Renewals	Operations & Maintenance	Total
2025/26		437,000	553,000	990,000
2026/27		424,000	566,825	990,825
2027/28		290,425	580,650	871,075
2028/29		154,466	594,475	748,941
2029/30		219,568	608,300	827,868
2030/31		224,796	622,125	846,921
2031/32		255,136	635,950	891,086
2032/33		235,593	649,775	885,368
2033/34		181,173	663,600	844,773
2034/35		486,882	677,425	1,164,307
<i>Total</i>		<i>2,909,039</i>	<i>6,152,125</i>	<i>9,061,164</i>

The current LTFP shows a capital renewal expenditure spend of \$2,909,039, well short of that required based on consumption of \$450,000 per annum. This is 70% of the current calculated renewal expenditure over the life of the LTFP. The shortfall is attributed to an underspend on watermain renewals. This requires further assessment and addressing the next version of this AMP. While the operations and maintenance are largely funded over the life of the LTFP, continued assessment is required in the process of dissecting and calculating its actual and required operational and maintenance costs, including assessment on water sales/consumption.

Evaluation of findings

Whilst Council does not have any high-risk water assets it does have a number that require renewal works to ensure that they remain in at least a satisfactory condition. Council's assessed renewal and maintenance works can be financed within existing pricing structures revenue policies however growth assets and new requirements would need a reassessment of pricing strategies.

Way Forward

1. Comprehensive risk analysis be conducted on assets in relation to criticality and asset condition, particularly around watermain condition.
2. Evaluation of maintenance and operational costs and requirements to calculate maintenance ratio
3. Further development of asset inspection, coordination analysis and asset management techniques
4. Establish asset management planning regime and responsibilities
5. Analysis of revenue from water sales, particularly around non-revenue water loss and meter reading.

Summary of Asset Management Position:

Council's Financial Sustainability Strategy is underpinned by its Asset Management Plans and Long-Term Financial Plan (LTFP), recognising that effective stewardship of a large and diverse asset base is critical to maintaining service levels while managing long-term financial risk.

Across all asset classes, Council generally maintains assets in satisfactory or better condition, with most networks continuing to deliver required levels of service. However, independent verification (Cumberland City Council) consistently identifies material gaps between current LTFP allocations and the long-term funding required to sustainably maintain and renew assets, particularly for buildings, drainage and flood mitigation, water, and some recreation assets.

Key themes emerging from the AMPs include:

- **Strong current condition, emerging renewal risk:**
Most asset classes (buildings, transport, sewerage, recreation, and water) are largely in good or fair condition. However, asset consumption and lifecycle analysis show that without increased renewal investment, a growing proportion of assets will deteriorate from fair to poor over the medium to long term.
- **Systemic renewal underfunding:**
The LTFP generally funds operations and maintenance at or near required levels but significantly underfunds asset renewals in several portfolios:
 - Buildings renewal funding is approximately **75% below** assessed long-term need.
 - Drainage and flood mitigation renewal funding is materially understated, with a major gap identified between historical spend and asset consumption.
 - Water renewals, particularly water mains, are underfunded relative to consumption.
 - Recreation assets are currently manageable due to condition, but renewal forecasts require reassessment beyond urgent works.
 - Sewerage and transport assets are comparatively better funded.
- **Consumption and renewal ratios below target:**
Several asset classes have renewal and sustainability ratios well below the benchmark 80–100%, indicating that assets are being consumed faster than they are being renewed. Transport assets perform strongly, while buildings, drainage, and water require corrective action.
- **Exposure to major unfunded liabilities:**
Significant future obligations are not fully reflected in the LTFP, most notably:
 - Flood levee upgrades at Hay and Maude (estimated at ~\$25M, with a Council contribution of ~\$3.6M against limited reserves).
 - Assets located on Crown land, where renewal responsibility and funding require alternative delivery and funding models.
- **Managing affordability and prioritisation:**
Council recognises that not all assets will be replaced at end of life. Rationalisation, service reviews, and decisions not to renew certain low-criticality assets will be essential to maintaining financial sustainability.

Strategic direction and response

To address these challenges, Council's Financial Sustainability Strategy focuses on:

1. **Aligning asset renewal funding with asset consumption and risk**, progressively closing identified gaps in the LTFP.

2. **Prioritising renewals based on criticality, risk, and service impact**, rather than uniform asset replacement.
3. **Leveraging external funding**, particularly for Crown land assets and major flood mitigation infrastructure.
4. **Improving asset data, inspections, and lifecycle modelling** to increase confidence in funding forecasts.
5. **Reviewing pricing, fees, and revenue strategies** (notably for water and sewer services) to ensure long-term cost recovery.
6. **Embedding asset management discipline** into budgeting, decision-making, and long-term planning.

Overall, Council's asset base remains functional and serviceable today, but achieving long-term financial sustainability will require deliberate increases in renewal investment, improved prioritisation, and strategic funding and service delivery decisions to avoid transferring unsustainable risks to future councils and communities.

Appendix D – Risk Assessment

Below is a formal risk register table aligned to NSW local government risk management practice and consistent with ISO 31000:2018.

Risk ID	Risk Category	Risk Description	Causes	Consequences	Inherent Risk (L×C)	Existing Controls	Residual Risk (L×C)	Risk Level	Key Mitigation Actions	Responsible Officer / Team	Status
FS-01	Financial	Council continues to operate with an unsustainable structural operating deficit	Historic service levels and costs escalation exceed revenue capacity; constrained funding growth; reliance on external grants	Depletion of reserves; reduced service quality; intervention risk	4 × 4 = 16	LTFP; annual budget process; quarterly budget reviews	3 × 4 = 12	High	Implement multi-year operating result targets, starting with minimum of -20% for 2026/27; service reviews; embed sustainability tests in decision-making	GM; Deputy GM; Finance	Ongoing
FS-02	Financial / Governance	Revenue reform and pricing changes are delayed or not implemented	Community resistance; political sensitivity; change fatigue	Continued under-recovery of costs; increased reliance on reserves or external funding	3 × 4 = 12	Fees & charges reviews; benchmarking; Council resolutions	3 × 3 = 9	Moderate	Staged reform program; clear communication; cost-of-service transparency	GM; Deputy GM; Finance Manager; Executive Management Team	In progress
FS-03	Financial	Cost escalation outpaces revenue growth	Inflation; wage growth; contractor and energy cost increases	Budget overruns; reduced capacity to fund services and renewals	4 × 4 = 16	Conservative LTFP assumptions; contract management	3 × 4 = 12	High	Improved budget building practices; Procurement reform; service efficiency	GM; Deputy GM; Finance; Executive Management Team	Ongoing

Risk ID	Risk Category	Risk Description	Causes	Consequences	Inherent Risk (L×C)	Existing Controls	Residual Risk (L×C)	Risk Level	Key Mitigation Actions	Responsible Officer / Team	Status
FS-04	Financial / Strategic	Over-reliance on grant funding and one-off revenues	Limited own-source revenue growth; capital-driven funding environment	Unfunded operating costs; asset lifecycle pressure	3 × 3 = 9	Business case assessments; capital planning framework	2 × 3 = 6	Moderate	initiatives; regular assumption reviews Whole-of-life costing for all grants; advocacy for sustainable funding; Build towards unrestricted cash reserve minimum of 20% of operational income	GM; Finance; EM-E&O	Ongoing
FS-05	Asset / Financial	Asset maintenance and renewal increases	Insufficient maintenance; Insufficient renewal funding; ageing asset base	Asset failure; service disruption; higher long-term costs	3 × 4 = 12	Asset Management Plans; condition assessments	3 × 3 = 9	Moderate	Prioritise renewals; align service levels to affordability; Set target of >80% asset maintenance ratio	GM; EM-E&O; Finance	In progress
FS-06	Workforce / Operational	Workforce capacity and capability constraints limit implementation	Rural labour market; skills shortages; workload pressure	Delayed reforms; reliance on consultants; reduced organisational capability	4 × 3 = 12	Workforce strategy; training programs	3 × 3 = 9	Moderate	Targeted upskilling; shared services; selective outsourcing; Allocate finance staff to each work area for support and mentoring	GM; EM-P&G	Ongoing

Risk ID	Risk Category	Risk Description	Causes	Consequences	Inherent Risk (L×C)	Existing Controls	Residual Risk (L×C)	Risk Level	Key Mitigation Actions	Responsible Officer / Team	Status
FS-07	Reputational / Strategic	Community expectations exceed Council's financial capacity	Limited understanding of financial constraints; legacy service expectations	Reputational damage; resistance to reform; decision paralysis	4 × 3 = 12	Community engagement; Council reporting	3 × 3 = 9	Moderate	Transparent communication; service prioritisation framework	GM; Councillors; EM-P&G	Ongoing

		Likelihood → Rare (1) Unlikely (2) Possible (3) Likely (4) Almost Certain (5)				
Consequence ↓	Insignificant (1)	Low	Low	Low	Low	Moderate
	Minor (2)	Low	Low	Moderate	Moderate	Moderate
	Moderate (3)	Low	Moderate	Moderate	Moderate	High
	Major (4)	Moderate	Moderate	Moderate	High	High
	Severe (5)	Moderate	Moderate	High	High	High

- Highest residual risks:
 - Structural operating deficit (FS-01)
 - Cost escalation exceeding revenue growth (FS-03)
- Risk profile:
 - No Extreme risks
 - Multiple High and Moderate risks requiring ongoing active management
- Control effectiveness:
 - Strong governance controls in place; growing staff capability and financial acumen
 - Primary exposure relates to implementation discipline and external economic factors
- Next review:
 - Use 2026/27 year as year of consolidation and reset
 - Align risk updates with Quarterly Budget Review Statements and annual LTFP refresh
 -

Summary of Key Financial & Operational Risks

1. Structural Operating Deficits Persist

Risk Description

Operating expenditure continues to exceed sustainable revenue capacity, eroding reserves and long-term financial viability.

- **Likelihood:** Likely (4)
- **Consequence:** Major (4)
- **Risk Rating:** High

Key Mitigation Measures

- Implement multi-year operating result improvement targets, commencing with minimum of -20% for 2026/27 year and target 2% improvement each year
- Align service levels and delivery models with funding capacity.
- Embed financial sustainability checks in business cases and service reviews.

Responsible Officer / Team

- General Manager
- Deputy General Manager
- Finance Team
- Executive Management Team

Status

- **Active** – embedded in LTFP and annual budget development; ongoing monitoring required.

2. Revenue Reform and Pricing Changes Are Not Implemented or Delayed

Risk Description

Political, community, or organisational resistance delays fee, charge, and rate reforms, limiting Council's ability to recover costs.

- **Likelihood:** Possible (3)
- **Consequence:** Major (4)
- **Risk Rating:** High

Key Mitigation Measures

- Staged implementation of pricing reforms over 4–5 years.
- Clear communication of cost-of-service and community benefit.
- Peer benchmarking to support transparency and defensibility.

Responsible Officer / Team

- General Manager
- Deputy General Manager
- Finance Manager
- Executive Management Team

Status

- **In progress** – initial reviews underway; further implementation required.

3. Cost Escalation Outpaces Revenue Growth

Risk Description

Inflation, wage growth, energy costs, materials and contractor pricing exceed revenue growth assumptions, placing pressure on operating budgets.

- **Likelihood:** Likely (4)
- **Consequence:** Major (4)
- **Risk Rating:** High

Key Mitigation Measures

- Improve budget building practices
- Conservative inflation assumptions in LTFP.
- Regular review of service delivery models.
- Active contract management and procurement strategies.

Responsible Officer / Team

- General Manager

- Finance Team
- Executive Management Team

Status

- **Ongoing** – monitored through monthly budget meetings and quarterly budget reviews.

4. Over-Reliance on Grant Funding and One-Off Revenues

Risk Description

Council becomes financially exposed due to reliance on short-term or competitive grant funding that does not support ongoing operating costs.

- **Likelihood:** Possible (3)
- **Consequence:** Moderate (3)
- **Risk Rating: Moderate–High**

Key Mitigation Measures

- Separate assessment of capital vs operating funding impacts.
- Ensure grant-funded assets include whole-of-life cost analysis.
- Advocate for stable, predictable intergovernmental funding, including reallocation of Financial Assistance Grants

Responsible Officer / Team

- General Manager
- Deputy General Manager
- Finance Manager
- EM-E&O

Status

- **Active** – embedded in capital planning and grant assessment processes, advocacy in progress.

5. Asset Maintenance and Renewal

Risk Description

Insufficient funding for renewals and maintenance leads to asset degradation, higher future costs, and service disruption.

- **Likelihood:** Possible (3)
- **Consequence:** Major (4)

- **Risk Rating: High**

Key Mitigation Measures

- Appropriate asset maintenance and management, target asset maintenance ratio >80%
- Prioritise renewals in capital works program.
- Use asset condition data to inform funding decisions.
- Align asset service levels with community affordability.

Responsible Officer / Team

- General Manager
- EM-E&O
- Finance Team

Status

- **In progress** – improvement actions underway through Asset Management Plans.

6. Workforce Capacity and Capability Constraints

Risk Description

Inability to attract, retain, or develop staff limits Council's capacity to implement financial reforms and efficiency initiatives.

- **Likelihood:** Likely (4)
- **Consequence:** Moderate (3)
- **Risk Rating: High**

Key Mitigation Measures

- Workforce planning aligned to financial strategy.
- Targeted upskilling in financial and commercial capability.
- Allocate finance staff to each work area for support and mentoring
- Use of shared services or external expertise where appropriate.

Responsible Officer / Team

- General Manager
- Finance Manager
- EM-P&G

Status

- **Ongoing** – workforce strategy actions being progressively implemented, monthly budget meetings.

7. Community Expectations Exceed Financial Capacity

Risk Description

Community expectations for service levels and new infrastructure exceed Council's long-term financial capacity to deliver.

- **Likelihood:** Likely (4)
- **Consequence:** Moderate (3)
- **Risk Rating:** High

Key Mitigation Measures

- Transparent communication about financial constraints.
- Service reviews with community input.
- Clear distinction between “core”, “discretionary”, and “aspirational” services.

Responsible Officer / Team

- General Manager
- EM-P&G
- Councillors

Status

- **Active** – ongoing engagement required.

Overall Risk Posture

- **Primary risk theme:** Structural sustainability rather than short-term liquidity.
- **Most significant risks:** Operating deficits, cost escalation, and delayed revenue reform.
- **Risk trend:** Stable but requiring sustained management discipline.
- **Key success factor:** Strong governance, clear communication, and consistent implementation over multiple years.

Appendix E – Benchmarking Data

This appendix provides comparative data to support Council’s assessment of its financial performance. It draws on Fit for the Future benchmarks, peer council comparisons, infrastructure management indicators, and historical trends to provide context for Council’s current financial position and outlook.

1. Fit for the Future Benchmarks – Key Financial Ratios (2025)

Council’s 2025 financial ratios are compared against the NSW Government’s Fit for the Future benchmarks, which are widely used to assess long-term financial sustainability.

Financial Ratio	Fit for the Future Benchmark	Council 2025 Result	Assessment
Operating Performance Ratio	$\geq 0\%$	-22.54%	Below benchmark – indicates structural operating deficit
Own Source Revenue Ratio	$\geq 60\%$	38.89%	Below benchmark – reflects limited revenue flexibility
Infrastructure Backlog Ratio	$\leq 2\%$	0.6%	Better than benchmark – backlog well managed
Asset Maintenance Ratio	$\geq 100\%$	79.5%	Below benchmark – maintenance underfunding risk
Debt Service Ratio	$\leq 10\%$	2.2%	Better than benchmark – low debt exposure

Summary:

Council performs strongly in relation to asset backlog management and debt exposure, but continues to face challenges in operating performance, revenue autonomy, and maintenance funding, reinforcing the need for structural reform rather than short-term corrective action.

2. Peer Council Comparisons – Rates, Fees, and Cost Recovery

Comparative analysis with similar rural and regional councils indicates that:

- Rates revenue per capita is generally at or below peer averages, reflecting Council’s commitment to affordability but limiting revenue growth.
- Fees and charges for several services (including waste, cemeteries, and selected regulatory services) are below full cost recovery when compared to peer councils.
- Cost recovery outcomes are weaker in discretionary and regulatory services, increasing reliance on rates and grants to subsidise service delivery.

These comparisons support the Financial Sustainability Strategy’s emphasis on progressive fee reform, improved cost transparency, and reduced cross-subsidisation.

3. Infrastructure Renewal and Maintenance Benchmarks

Against sector benchmarks:

- Council's Infrastructure Backlog Ratio compares favourably with peers, indicating a relatively low proportion of assets below an acceptable standard.
- The Asset Maintenance Ratio, however, remains below the benchmark, suggesting that while backlog is currently controlled, ongoing maintenance expenditure is insufficient to sustain asset condition over the long term.
- Peer councils achieving stronger maintenance ratios typically exhibit higher levels of renewal funding or more explicit service level trade-offs.

This comparative position reinforces the importance of increased maintenance investment and prioritised renewals, as reflected in the LTFP assumptions.

4. Historical Performance Trends (Past 5–10 Years)

Trend analysis over the past 5–10 years shows that:

- Operating performance has been persistently negative, driven by cost escalation, constrained revenue growth, and reliance on grants.
- Own source revenue ratios have remained structurally low, reflecting the limitations faced by smaller rural councils.
- Infrastructure backlog has improved or remained stable, reflecting disciplined capital prioritisation.
- Maintenance expenditure has not consistently kept pace with asset needs, creating a medium-term risk if not addressed.
- Debt levels have remained low and stable, providing capacity but also indicating a historically conservative funding approach.

Overall Assessment

Comparative data indicates that Council's financial challenge is structural rather than cyclical. While Council demonstrates strong asset backlog control and low debt exposure relative to benchmarks and peers, persistent increasing operating deficits, limited own-source revenue, and underfunded maintenance highlight the need for the reforms outlined in the Financial Sustainability Strategy and Long-Term Financial Plan.