

# Wingecarribee Shire Council

FINANCIAL STRATEGY: SUSTAINABLE & THRIVING 2025



ADOPTED

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## 1. Introduction

### 1.1 Role of Local Government

The purpose of the *Financial Strategy: Sustainable and Thriving* (This Strategy) is to position Council to be financially sustainable into the future, providing a financial roadmap to enable the delivery of the community's aspirations as set out in the Community Strategic Plan and operationalising the Council's Delivery Program.

This Strategy serves to support the current community whilst also ensuring responsible financial planning for future generations so that they are not unnecessarily burdened in paying for large infrastructure projects, such as water and sewage treatment plants and aquatic facilities – in essence providing intergenerational equity.

### 1.2 Guiding Principles for Local Government

Chapter 3 of the Local Government Act 1993 (the LG Act) was amended in 2016 to introduce new 'guiding principles' for local government, intended to inform all council activities.

These principles provide guidance to councils to enable them to carry out their functions in a way that facilitates local communities that are strong, healthy and prosperous.

Chapter 3 of the LG Act also outlines the Integrated Planning and Reporting (IP&R) principles that apply to all NSW councils and principles of sound financial management.

Under the guiding principles, councils should:

- provide strong and effective representation, leadership, planning and decision-making
- carry out functions in a way that provides the best possible value for residents and ratepayers
- plan strategically, using the Integrated Planning and Reporting Framework, for the provision of effective and efficient services and regulations to meet the diverse needs of the local community
- apply the Integrated Planning and Reporting Framework in carrying out their functions to achieve desired outcomes and continuous improvement
- work co-operatively with other Councils and the State Government to achieve desired outcomes for the local community
- manage lands and other assets so that current and future local community needs can be met in an affordable way
- work with others to secure appropriate services for local community needs
- act fairly, ethically and without bias in the interests of the local community
- be a responsible employer and provide a consultative and supportive working environment for staff
- recognise diverse local community needs and interests
- consider social justice principles
- consider the long term and cumulative effects of actions on future generations
- consider the principles of ecologically sustainable development

- ensure decision-making is transparent and decision-makers are accountable for decisions and omissions
- actively engage with their local communities, through the Integrated Planning and Reporting (IP&R) Framework and other measures

Section 8B of the LG Act sets out the principles of sound financial management that:

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

## 2. Financial Sustainability

A financially sustainable Council is one that, over the long-term, will generate sufficient funds to provide the level and scope of services and infrastructure agreed with its community through the IP&R process, whilst demonstrating capacity to maintain financial capital and infrastructure capital over the short and long term.

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

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

These foundations link to the Financial Performance ratios prescribed by the NSW OLG (which are audited) and the asset-related ratios which are unaudited:

	Audited						Unaudited			
	Operating performance (%)	Own source operating revenue (%)	Unrestricted current ratio (times)	Debt service cover ratio (times)	Rates and annual outstanding percentage (%)	Cash expense cover ratio (months)	Buildings and infrastructure renewals ratio (%)	Infrastructure backlog ratio (%)	Asset maintenance ratio (%)	Cost to bring assets to agreed service level (%)
OLG Benchmark	Greater than 0%	Greater than 60%	Greater than 1.5 times	Greater than 2 times	Less than 5% for metro and 10% for other councils	Greater than 3 months	Greater than 100%	Less than 2%	Greater than 100%	N/A

A financially sustainable Council can deliver robust services to its community, can invest in developing and growing the local economy, and can withstand, react and adapt to unplanned shocks.

This Strategy outlines the criteria that the Council needs to meet to achieve and maintain a financially sustainable position over the next 10 years and the actions necessary to achieve them. Consideration will also need to be provided for matters that extend past the 10-year horizon to ensure intergenerational equity can be achieved in a financially responsible manner.

Indicator	Formula	Description
<b>Operating performance</b>	Total continuing operating revenue <sup>1</sup> excluding capital grants and contributions less operating expenses	The 'operating performances ratio' measures how well local councils contained expenses within revenue.
	Total continuing operating revenue <sup>1</sup> excluding capital grants and contributions	The benchmark set by the Office of Local Government (OLG) for the ratio is greater than zero per cent.
<b>Own source operating revenue</b>	Total continuing operating revenue <sup>1</sup> excluding all grants and contributions	The 'own source operating revenue ratio' measures a council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions.
	Total continuing operating revenue <sup>1</sup> inclusive of all grants and contributions	The benchmark set by OLG for the ratio is greater than 60 per cent.
<b>Unrestricted current ratio</b>	Current assets less all external restrictions	The 'unrestricted current ratio' is specific to the Local Government sector and represents a council's ability to meet its short-term obligations as they fall due.
	Current liabilities less specific-purpose liabilities	The benchmark set by OLG for the ratio is greater than 1.5 times.
<b>Debt service cover ratio</b>	Operating result <sup>1</sup> before capital excluding interest and impairment, depreciation and amortisation	The 'debt service cover ratio' measures the operating cash available to service debt including interest, principal and lease payments.
	Principal repayments plus borrowing costs	The benchmark set by OLG for the ratio is greater than two times.
<b>Rates and annual charges outstanding percentage</b>	Rates and annual charges outstanding	The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on a council's liquidity and the adequacy of debt recovery efforts.
	Rates and annual charges collectible	The benchmark set by OLG for the ratio is less than five per cent for metropolitan and less than ten per cent for rural councils.
<b>Cash expense cover ratio</b>	Current year cash and cash equivalents, and term deposits *12	The 'cash expense cover ratio' indicates the number of months a council can continue paying its expenses without additional cash inflows.
	Payments from cash flow of operating and financing activities	The benchmark set by OLG for the ratio is greater than three months.

The Financial Strategy is to be read in conjunction with Council's Long-Term Financial Plan (LTFP). The Long Term Financial Plan (LTFP) shows the long-term financial impacts of Council's decisions based on assumptions, provides financial projections, scenario modelling, sensitivity analysis and performance measures.

The Long Term Financial Plan (LTFP) highlights issues and helps assess the long-term fiscal sustainability of Council to inform service level adjustments now and into the future.

### 3. Outcomes

Set out below are the outcomes that this Strategy seeks to deliver a Wingecarribee Shire Council:

1. Where the **needs and aspirations** of the Wingecarribee community now and into the future are met
2. Where **future generations are not burdened** in the future by ensuring intergenerational equity for the renewal of large infrastructure
3. That is positioned to **support the outcomes in the Community Strategic Plan**
4. Where the **community is satisfied** with the provision of Council's infrastructure and services

## 4. Objectives

The objectives of This Strategy are to:

- Set the parameters within which Council agrees to operate to provide financial sustainability, affordability, delivery and value for money, over the short, medium and longer term
- Ensure Council generates enough revenue and controls services and infrastructure costs to produce sufficient cash from operations
- Ensure Council maintains sufficient cash (or access to cash) to meet the needs of operations, investments and financing a working capital fund (as per the Financial Reserves Policy of \$6M). Unrestricted Working Capital are funds which are available to be used to cover unforeseen budget shock, where expenses not provided for in the annual budget and not covered by the external and internal restricted reserves.

These funds are also available to:

- Boost Council's financial liquidity in paying suppliers, providing services and retaining staff
- Meet short term cash flow requirements to fund capital works projects
- Meet Council's operational efficiency by covering non-budgeted discretionary expenditure
- Support Council's long-term financial sustainability and liquidity

This Policy applies a minimum amount of \$5.8M set aside in unrestricted funds before any funds are allocated to the internally restricted reserves. The minimum is reviewed every two years and was last reviewed in June 2024.

- Ensure Council can renew or replace assets to maintain the desired level of service and provide new assets to meet demand for growth in services
- Assist Council to use ratepayers' money, together with other funding available, to provide core and other prioritised services
- Provide direction and context for decision making in the allocation, management and use of Council's finite financial resources
- Guide the elected Council and staff in the management of its Long Term Financial Plan (LTFP) and determine financial boundaries for delivery of operational and capital plans
- Capacity to support the delivery of the aspirations in the Community Strategic Plan

This Strategy is aimed at supporting the delivery of the strategies identified with the Community Strategic Plan and the delivery of actions within the Delivery Program.

This Strategy will support the outcomes of the Long Term Financial Plan (LTFP), including ensuring the availability of the funding required for the implementation of actions associated with these strategies, including impact of future demand for services.

The associated resourcing and asset requirements for the planning horizon (including forecast increases/decreases and other changes in service demand) should also be included in the other components of the Resourcing Strategy, being the Workforce Management Plan and Asset Management Strategy and Asset Management Plans.

A review of Council's current adopted strategies indicates that further work needs to be undertaken to cost the actions associated with these strategies. It is therefore important to note that Council's projected financial results will be impacted by these costs when known. Council may need to revise the adopted strategies and actions therein within the context of Council's projected financial capacity as detailed in the Long Term Financial Plan (LTFP).

## 5. Challenges

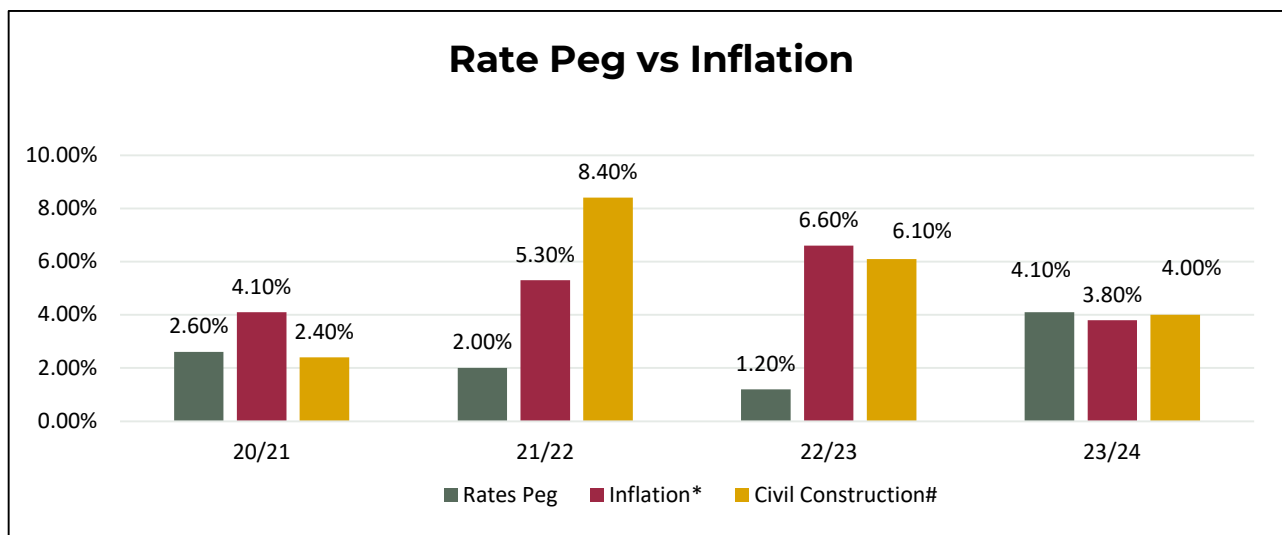
Like many NSW councils, Council faces several challenges in maintaining long-term financial sustainability.

These challenges can be categorised under 4 key themes:

1. Systems constraints
2. Asset degradation
3. Community expectations
4. Operational capacity

### 5.1 Systems Constraints

- **Rate-pegging** limiting the increase in rating revenue to the increase set by the Independent Pricing and Regulatory Tribunal (IPART) from year to year. To date the methodology used by IPART has resulted in the rate-pegging increase falling short of meeting increases in costs faced by Council



- **Statutory Fees limiting Council's ability to fully recover the cost** of some services that it must provide in line with legislation
- **Financial Assistance grants from the Federal Government decreasing in real terms**, originally at 1% and currently at 0.5%. Financial Assistance Grants are untied grants and provide core funding to local government and represents, next to rate income a significant source of funding
- **Cost shifting from State and Federal Government:** LGNSW conducts a periodic cost shifting survey to ascertain the extent of cost shifting by the Federal and State Governments on to NSW Local Government. LGNSW's latest cost shifting report was released in November 2023, highlighting a total cost shift to councils of \$1.36 billion in 2021-22, which is the equivalent of more than \$460 per ratepayer annually. This link provides LGNSW latest survey results: [LGNSW Cost Shifting Report](#)

- **Cost increases outstripping revenue:** Wingecarribee Shire Council currently holds \$2.7B in asset infrastructure. The cost to maintain a vast asset network is becoming increasingly more difficult, with ongoing core costs and externally imposed obligations outpacing revenue growth, leading to financial strain. This will ultimately see reduced service levels with infrastructure deliverables as the indexing of funds will be limited to the rate increases
- **Regional / rural funding disproportionate to funding metropolitan councils receive** – especially for roads funding. The 2024 NSW Inquiry heard that the State’s formula for distribution of the grant’s disadvantages regional, rural and remote Council’s in that they have substantial road networks, and there is a need for funding to be reviewed to provide funding on the size of the road network

### 5.2 Asset degradation

- **Natural disaster impacts on infrastructure and communities.** Since 2019 Wingecarribee has experienced 16 Natural Disaster Declarations, being equal first in the NSW for the number of disasters. This has a significant impact on Council resources in terms of financial burden as well as staff resources associated with the burdensome governance requirements attached to the claim processes
- **A growing and ageing asset base** means that Council faces higher costs to maintain and renew its assets in line with best practice asset management and optimal intervention points

### 5.3 Community expectations

- **Community expectations and dissatisfaction:** Roads, roadside maintenance; tree maintenance
- **Metropolitan expectations in a regional / rural setting.** Whilst being a regional / rural council there is increasing pressure from residents to seal unsealed roads and lift the standard of road and associated infrastructure (i.e. more footpaths)
- **Growth and development associated with the New Living Areas,** will result in an increased demand for Council services and infrastructure. Whilst growth results in increased rates revenue, this increased revenue will not fully offset the increased costs

- **Continued community dissatisfaction with the road and associated infrastructure condition:** The 2024 Community satisfaction survey showed 44% dissatisfaction with the road condition. This has been a consistent trend over the past four (4) surveys.



The above challenges will mean that Council will continue to have a revenue shortfall resulting in a significant constraint on the ability to fund the maintenance and renewal of its assets and sustain current levels of service in the future and meet community expectations.

## 5.4 Operational Capacity

- **Employment market conditions impacting on Council's ability to attract and retain skilled and experienced staff** - ongoing competition with the private sector for certain professions, as well as the ability to work remotely, places significant pressure on employment costs faced by Council
- Addressing Council's **medium to long term shortfall in funding the renewal and maintenance** of assets used to deliver services
- **Capacity to deliver the Community Strategic Plan and the delivery of adopted** and new strategies will be dependent on the financial capacity of the Council to support the relevant costs when these are fully known

## 6. Achieving Financial Sustainability

This Strategy will support and align to the overall Resourcing Strategy supporting the desired financial outcomes as detailed in the Long Term Financial Plan (LTFP), and the objectives of the Asset Management Strategy and Workforce Management Plan.

This Strategy aims to ensure Wingecarribee Shire Council is financially sustainable through:

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

This will support the desired state of financial sustainability for the current and future generations, supporting the principle of intergenerational equity, and will be enabled through robust governance, prioritisation and decision-making frameworks, and strategic service and asset planning and management.

*"The principle of intergenerational equity holds that, to promote prosperity and quality of life for all, institutions should construct administrative acts that balance the short-term needs of today's generation with the longer-term needs of future generations."*

UN: [intergenerational equity](#)

### 6.1 Responsible Investment in Assets

#### 6.1.1 Current State

Based on current financial settings Council will not be able to maintain its assets at optimal intervention points and will not be able to invest in assets as required.

Council may not be able to support growth through the provision of assets to meet demand.

To maintain adequate unrestricted cash Council will be forced to reduce its investment in asset renewal in line with the limited cash available. Asset conditions will deteriorate, and service level provided to the community will be reduced.

#### 6.1.2 Desired State

The desired position of Council is to be able to provide infrastructure that supports services in line with community needs and aspirations as described in the Community Strategic Plan.

Council needs to strategically manage assets to operate the asset base at the lowest lifecycle cost, while planning for the changing and future community needs and supporting growth in the Shire in a financially sustainable manner.

Based on current financial settings, Council will not be able to maintain its assets at optimal intervention points and will not be able to invest in assets as required.

Council may not be able to support growth through the provision of assets to meet demand. To maintain adequate unrestricted cash Council will be forced to reduce its investment in asset renewal in line with the limited cash available. Asset conditions will deteriorate, and service level provided to the community will be reduced.

### 6.2.3 Addressing the gap between the desired state and the current state

To enable responsible investment in assets, Council needs to establish a sound operating position, supported by availability of cash.

To optimise investment in assets, Council will:

- Develop and implement Strategic Asset Management framework to support a capital works pipeline
- Implement an Asset Management Continuous Improvement Plan
- Implement a decision-making framework based on AMP data that identifies intervention points to extract long-term maximum value from assets for the community benefit
- Adopt an approach to asset renewals that is driven by consideration of all relevant factors - asset condition, demand factors, functional demands, etc
- Engage the community regarding levels of service to be provided or supported through a financially sustainable asset base

## 6.2 Improved Operating Position

### 6.2.1 Desired State

The desired operating position of Council is a position where the Long Term Financial Plan (LTFP) demonstrates generation of revenue that exceeds the operating costs of efficient and optimised operations (including depreciation), producing sufficient cash from operational activities.

Council aims to achieve a favorable operating position that enables and supports:

- Funding of services and service levels in line with the community's expectations
- Activity planning as outlined in the Delivery Program and Operational Plan being fully funded
- Repayment of any borrowings as they fall due, or earlier wherever possible
- Full funding of the annual depreciation associated with Council's existing and planned asset base
- Optimised approach to asset maintenance – treatments are planned, and triggers based on condition with known optimal intervention points
- Funding of all planned asset renewals without unrealistic reliance upon grants
- Aim for grant funding towards planned asset renewals rather than new assets to limit increases to operating costs

- Delivery of new and upgraded infrastructure for planned growth in services, which may be funded through a mixture of developer contribution reserves, internal restrictions and borrowings
- Ability to sustain increased costs arising from growth in the Shire
- Ability to absorb and react to unplanned events without an impact on existing services and service levels
- Ability to invest in ongoing improvements and adaptability to a constantly changing operating environment
- Ability to invest in opportunities to generate additional revenue to be reinvested front line services and infrastructure

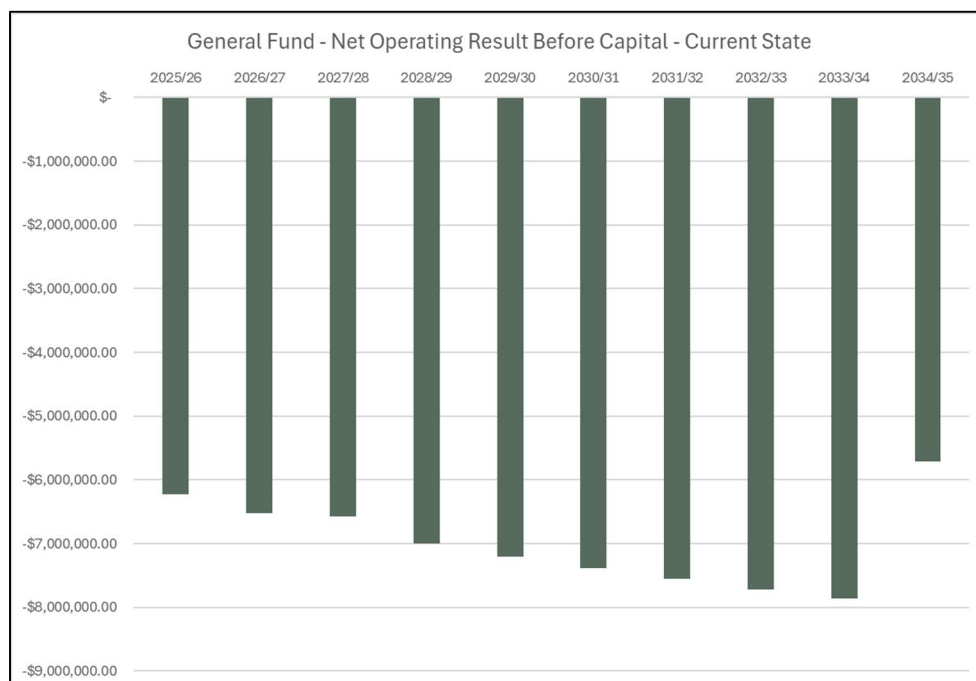
To achieve these outcomes, a fully integrated Resourcing Strategy must be implemented, where Asset Management Plans, the Workforce Management Plan and the Long Term Financial Plan (LTFP) are fully linked and achievable.

### 6.2.2 Current State

The current operating position of the Council is based on the following high level financial settings:

- Rating income limited by rate-pegging
- Recurring Income from a 4-year SRV that commenced in the 2015/16 financial year for infrastructure maintenance and renewal
- Current services offerings

Based on current financial settings, services and service levels, Council will not be able to achieve the desired state of the operating position.



Financial projections of Council's operating revenue and expenditure indicate that Council will face a growing gap between the projected ongoing operating revenue and the level of operating expenditure required to maintain the existing delivery of services and service levels.

As detailed in the Long Term Financial Plan (LTFP), should Council continue the trajectory of current financial settings, it will generate operating deficits (excluding capital revenue) over the next ten years, representing a growing gap between operating revenue and operating expenditure.

This will result in a reduction of service levels and capital works as there are insufficient funds to maintain services level. The cumulative impact on reduced asset expenditure will result in an increase in Council's asset backlog.

Current financial settings do not allow for any increase in current services and service levels, and do not provide sufficient funds for road improvements to meet the AMP and community expectations.

The current projected trajectory of Council's operating position is not sustainable over the long-term.

### 6.2.3 Addressing the gap between the desired state and the current state

Council needs to implement financial planning and management strategies to close the gap between the desired state and the current state of Council's operating position.

The gap will be closed through a combination of increased revenue and repurposed expenditure.

Council will need to identify its core functions and other services it provides to the community and align these with its financial capacity.

It will also be critical to ensure that the use of Council's assets is optimised for the benefit of the whole community.

To improve operating revenue, Council will:

- Explore opportunities to partner with community organisations and/or community members to increase operating revenues
- Secure a permanent and sustainable increase in own source revenue
- Review current pricing and user fees and charges of services against full cost recovery and rate of return if applicable
- Investigate and implement strategies for other sustainable revenue sources
- Review all business and property services of Council to ensure an appropriate return on assets
- Engage with and advocate to Federal Government regarding operating grants – timing, management of expectation of service delivery (short term funding), funding shortfall
- Advocate to Federal and State Government on improved funding models to have an increased focus on betterment and streamlined processes associated with Natural Disasters

Council will optimise operating costs through:

- Developing a demand management approach in service including:
  - Undertake strategic service reviews, prioritizing discretionary services whilst balancing community service obligations
  - Consideration of alternate methods of operation or management to minimise costs with greater shared responsibility with the community
  - implement a framework for grant applications and acceptance to consider the impact of the grant on financial sustainability
  - engage with the community regarding service levels
- Identifying operational efficiencies
- Investigating the divestment of discretionary and business activities that are not generating a benefit, financial or otherwise to the wider community
- Reviewing service delivery models for core services that Council must provide – taking a ‘back to basics’ approach
- Reviewing service delivery models for corporate support services and activities to minimise corporate overheads impacting on cost of services to the community
- Reviewing resource level of services to optimise value and outcomes
- Mitigating and offsetting inflationary pressures on the cost of materials and contracts through best practice procurement processes
- Reviewing subsidies or contributions provided to third parties to ensure value for money and the intended outcome is achieved for the benefit of the wider community
- Advocating to the NSW Government regarding the impact of ongoing cost-shifting
- Implement project management and decision-making frameworks to support whole of life costing analysis of all proposed projects, assets or services
- Explore shared services opportunities

### 6.3 Improved Availability of Cash

#### 6.3.1 Desired State

The desired position of Council is where the Long Term Financial Plan (LTFP) is supported by cashflows projections sufficient to support the delivery of services and optimal asset management, whilst meeting debt obligations. This also requires the maintenance of the Working Capital Fund at \$5.8M to support general revenue funded operations, maintaining liquidity requirements.

#### 6.3.2 Current State

Currently Council has significant externally and internally restricted funds with an amount of unrestricted funds which is monitored very closely to ensure that it does not drop below a level that is adequate for operational requirements.

Current projections indicate that Council will need to limit capital expenditure to asset renewal only and will be limited by the amount currently projected for depreciation. There is limited capacity for asset upgrades or new assets to respond to optimal asset management and growth.

Without increased rating income Council will experience a significant reduction in unrestricted cash.

The reduction will have a significant impact on service levels that Council would be able to provide, and its ability maintain and renew assets. It is therefore important that action is taken to permanently adjust financial settings to prevent this significant impact on cash availability.

### 6.3.3 Addressing the gap between the desired state and the current state

Council needs to maintain a strong cash position, where all restricted funds are fully supported by cash in each fund (that is General Fund, Water Fund and Sewer Fund) and that there is also sufficient unrestricted cash in each fund to seize opportunity or to cater for unforeseen and unplanned events. In recent years Council has been faced with natural disasters, and it is important that unrestricted cash is available to withstand events like these in the future.

Council needs to secure a reliable cash position through the combination of operating surpluses and consideration of external borrowings. Further, there is the opportunity to implement strategic cash planning and management strategies to maximise revenue from Council's investment portfolio whilst maintaining sufficient liquidity for operations and capital works delivery. This should be done through investment of funds surplus to immediate need, through strategic timing and optimal choice of investment avenue.

#### Current Loans

Year	Purpose	Amount	Duration & when ceases	Interest Rate	Repayment Funding Source
2012/13	Moss Vale Aquatics Centre Upgrade	\$8,000,000	20 years – October 2033	5.18%	General Revenue
2020/21	Kirkham Road Renewal	\$1,540,000	20 years – April 2041	2.83%	General Revenue
2020/21	Civic Centre – Front of House Refurbishment	\$2,850,000	20 years – April 2041	2.83%	General Revenue
2020/21	Bowral Cemetery	\$420,000	20 years – April 2041	2.83%	General Revenue
2020/21	Land Acquisition - Retford Park Detention Basin	\$1,500,000	20 years – April 2041	2.83%	General Revenue
2023/24	Civic Centre – Back of House Refurbishment – Loan 1	\$4,000,000	20 years – June 2044	5.07%	General Revenue
2024/25	Animal Shelter	\$4,125,000	20 years – December 2044	4.90%	General Revenue
2024/25	Civic Centre – Back of House Refurbishment – Loan 2	\$1,370,000	20 years – September 2044	5.07%	General Revenue
2024/25	Bowral Sewer Treatment Plant Upgrade – Loan 1	\$11M	20 years	6.00%*	Sewer Fund
2024/25	Moss Vale Treatment Plant Upgrade – Loan 2	\$5.45M	20 years	6.00% *	Sewer Fund

\*forecast interest rate – loan has not been drawn down.

### Proposed Loan Borrowings

Year	Purpose	Amount	Duration & when ceases	Interest Rate	Repayment Funding Source
2025/26	Bowral Sewer Treatment Plant Upgrade – Loan 2	\$11.0M	20 years	6.00%	Sewer Fund
2025/26	Moss Vale Treatment Plant Upgrade – Loan 2	\$24M	20 years	6.00%	Sewer Fund
2025/26	Mittagong Playhouse Refurbishment	\$4.3M	20 years	6.00%	General Revenue

Any borrowings in the future should be limited to applying intergenerational equity when funding long life infrastructure assets.

To ensure adequate cash levels are available, Council needs to achieve a sound operating position, and ensure that cash outflows, including investment in assets, is maintained within the limits of cash available and considering other financing options that Council has the capacity to sustain.

In addition, Council will **improve and maintain a good cash position** through:

- Reviewing the Investments Strategy to optimise return on surplus funds whilst retaining sufficient liquidity for operations, in accordance with the adopted Investments Policy and Ministerial Orders
- Reviewing and consolidation of existing loans achieve efficiencies and cost savings associated with managing the loans portfolio
- Reviewing internal restrictions to release funds where the intended use of the restriction is no longer required
- Optimising the application of funding held in external restrictions
- Improving credit management processes to ensure timely, fair and consistent collection of funds due to Council

## 7. Opportunities

### 7.1 Technological Advancement and Innovation

Council has invested heavily in a program of technological advancement in line with the Digital Road Map. Over the past four years the following initiatives have been implemented:

- **Migration of Council's Enterprise Resource Planning (ERP)+ system to the cloud**
- **Integration of the State Government's ePlanning portal** with Council's property and rating system
- **Implementation of a Customer Relationship Management (CRM) system** to improve customer service and engagement
- **Deployment of an Electronic Document Management System (EDMS)** for streamlined document handling and storage
- **Migration and establishment of a new data centre** to enhance operational efficiency and data security
- **Implementation of Integrated Planning and Reporting solutions** including key HR components such as onboarding, e-recruitment, and e-learning
- **Introduction of a booking management system** for Council halls, facilities, and sports fields
- **Migration of the payroll system to the cloud** for improved accessibility and reliability
- **Launch of a Council Application Tracker** to provide real-time updates on planning and development applications
- **Revitalisation of Council's website** to enhance digital connectivity and user experience
- **Digitisation of over 2,500 boxes of Council records** for improved access and preservation
- **Development of a business continuity framework** focused on cyber security, data backups, and network resilience
- **Implementation of a connected and mobile staff environment** to support flexible and remote working

These advancements have significantly improved Council's operational efficiency, strengthened data security, and enhanced public engagement. By embracing digital transformation, Council has positioned itself to deliver improved services, better support its staff, and meet the evolving needs of the community.

As Council moves into the final stages of the Digital Road Map, the focus remains on enhancing efficiency, improving customer experience, and strengthening operational capabilities.

This phase will involve the implementation of key systems and solutions aimed at creating a more connected and responsive Council. Key initiatives include:

- **Implementing eServices:** Enabling online payments for Council-issued accounts and certificates, improving convenience and accessibility for the community
- **Implementing Strategic Asset Management (SAM):** Providing a structured approach to managing Council assets, ensuring better planning, maintenance, and utilisation

- **Implementing a Works Order System:** Creating interconnectivity between the CRM, strategic asset management, and repair and planning processes to streamline service delivery
- **Introduction of Keyless Entry for Council Halls and Facilities:** Enabling a fully digital customer experience by integrating with the booking management system for seamless access and security
- **Continuing to focus on Cyber Security:** Strengthening data protection, network resilience, and system security to safeguard against emerging threats
- **Migrating to Technology One ERP Solution:** Transitioning key systems, including payroll, into a single integrated platform to enhance operational efficiency and data consistency
- **Enhancing reporting and dashboarding:** Providing improved data insights and performance tracking to support better decision-making and strategic planning
- **Developing a 360-Degree Customer Experience:** A system that provides a comprehensive view of a community member's interaction with Council, ensuring a connected and tailored experience
- **Ongoing Exploration of New Technologies and Smart IoT:** Investigating and adopting innovative solutions to enhance Council operations and community services

These final stages of the Digital Road Map reflect Council's commitment to continuous improvement and adaptation to evolving technological needs.

By integrating key systems, enhancing customer experience, and strengthening data-driven decision-making, Council is positioning itself to deliver more responsive, secure, and connected services. The ongoing review and enhancement of these systems will ensure that Council remains agile and capable of meeting future community needs whilst at the same time achieving efficiencies through removing manual processes and double handling.

## 7.2 Asset Recycling and Rationalisation

Through the review of Asset Management Plans and Asset Management Strategy, Council is likely to be presented with opportunities to recycle under-utilized assets (e.g., buildings and land) to obtain better utilisation and improve overall sustainability by reducing the cost of under-utilised assets and achieving commercial returns through asset recycling.

The review of services and service levels may also identify opportunities for asset rationalisation. This would present the opportunity to reinvest any proceeds, as well as ongoing operational costs savings, in outcomes for the community.

Unlike private sector assets where the key driver is financial gain or loss, for public sector assets 'service' to the community is the key driver. A performance-based approach to asset management in the public sector will strengthen both external accountability and internal efficiency and effectiveness.

The performance of the assets needs to be measured in the context of, community objectives and multiple stakeholders who use and are affected by the assets.

The benchmark for performance measures for Council assets are set by considering the interests of various stakeholder groups including the:

- broader community who use and access the facilities
- facility managers who manage and provide programs at the facilities
- Asset Management Branch who are concerned with the physical and financial running of the facilities
- Council management who are accountable to the community and other levels of government in meeting the service delivery commitment of the organisation

### 7.3 Property Policy and Plans

Council will develop a Property Policy to guide how Council's Property portfolio is optimised to support the objectives of this Strategy.

Property is defined as all council-controlled land (owned or managed) and any permanent developments attached, either natural or constructed. Property includes air and sub strata rights, plus interests created through leases, easements, or other legal mechanisms. These latter interests may also occur on land not owned by council, but council's rights and benefits create entities, which will be reviewed and managed under this Policy.

Council's property assets serve numerous purposes. Most importantly, they are used to provide valued civic, social, cultural, recreation, environmental, transport, administration, and other services for the community. Some of the Council's properties serve as investments which are designed to create financial return to Council, thereby reducing reliance on rate revenue as a source of unrestricted income. New sources of revenue have become critical for all councils as increases in traditional income sources fail to keep pace with the increasing costs of delivering services to the community.

Action Plans will be developed at the broader portfolio and at the asset specific level, to deliver on different objectives. Strategic outcomes will be proactively sought, where Council's service delivery is not adversely impacted and where robust economic and risk assessments have been completed. All key Property outcomes will be aligned with Council's Integrated Planning and Reporting (IP&R) documents.

The Property Policy drives efficiencies, ongoing reviews, core service delivery, enhanced probity and accountability, financial outcomes, and proactive management by Council.

## 8. Risks

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

### 8.1 Economic Conditions

Council is impacted by the volatility of economic conditions. This has been experienced most recently during the COVID-19 pandemic, where the income earned by Council for a range of services was considerably reduced, and costs increased substantially due to supply chain issues. The recent high inflation is also having a marked impact on the cost to provide services. As such, any further impacts leading to significant change from the market assumptions adopted will require further revision by Council of planned investments and service expenditure.

### 8.2 Funding for New Development

Developer Contributions help to fund new or improved assets required as a result of increasing population. The NSW Government regulates a cap on the per lot contribution paid and limits the types of infrastructure that a council can levy for development. This limitation has required Council to use other funding sources (including funding set aside for asset renewals and maintenance) to provide infrastructure that Council is responsible to provide for new development. This is particularly important for the New Living Areas, which impact on the demands for Council infrastructure such as community centres, libraries and recreational facilities.

### 8.3 Certainty of Revenue Streams

Events impacting on the certainty in the projection of revenue streams is a concern for Council sustainability. While Council controls or influence most of its annual operating revenues, a significant decline in other sources of revenue outside its control or influence will place additional pressure on expenditure reductions, resulting in reduced service levels provided to the community. This will be a greater risk in fee-based services such as Outside School Hours (OOSH) Care service, Aquatic Facilities and the Southern Regional Livestock Exchange (SRLX) where demand is elastic to economic conditions.

### 8.4 Expenditure Estimates

A key risk to the accuracy of the long-term forecast of operating and capital expenditure is the accuracy of cost estimates and actual inflation in future years being above assumptions used in the forecast. The risk is partially mitigated through ongoing review of projections through Quarterly Budget Reviews, and regular updates to the Long Term Financial Plan (LTFP).

## 8.5 Impairment and Early Deterioration of Assets

While renewals are planned through the asset management planning process, the actual deterioration and performance of assets may deteriorate faster than projected or be impacted through natural disasters or other unforeseen events, bringing forward the need to renew and replace assets.

Wingecarribee Shire is experiencing frequent and increasingly severe weather events, largely relating to storms, tempest and floods. This has a major impact on the Council's assets, in particular roads and associated road infrastructure such as drainage, culverts and bridges. Early deterioration of assets will require either re-prioritisation across the Capital Works Program, or additional cash investment.

## 9. Measuring Financial Sustainability

Council will be considered financially sustainable if it meets the industry benchmarks set for the Operating Position, Availability of Cash and Investment in Assets respectively, whilst delivering the annual Operational Plan each year and achieving the objectives set in the Community Strategic Plan.

The Long Term Financial Plan (LTFP) outlines Council's projected performance against these industry benchmarks under various scenarios.

Financial Sustainability Foundations	Financial Sustainability Indicator	Industry Benchmark
Operating Position	Operating Performance Ratio	>0.00%
	Own Source Operating Revenue Ratio	>60.00%
Availability of Cash	Unrestricted Current Ratio	>1.5X
	Debt Service Current Ratio	> 2.00%
	Rates & Annual Charges Outstanding %	<5.00%
	Cash Expense Cover Ratio	> 3 months
Investment in Assets	Buildings & Infrastructure Renewals Ratio	>=100.00%
	Infrastructure Backlog Ratio	<2%
	Asset Maintenance Ratio	>100.00%
	Cost to bring assets to agreed service level	

This Strategy will also be able to measure its performance through measures contained in the Community Strategic Plan.

## 10. Implementation, Monitoring and Review

The key actions contained within this Strategy will be implemented over a ten-year period.

Good governance, effective decision-making frameworks and robust financial planning and management practices will support the implementation of the Financial Strategy.

The implementation of this Financial Strategy will be championed by the elected Council and implemented by Council's management. The Strategy will be driven through the annual Operational Plan process and integrated with both short and long-term decisions made by Council.

As part of the Delivery Program and Operational Plan, Council will identify the specific high-level actions planned to be undertaken over the period, including the specific areas or functions of Council that will be impacted. Where applicable, this will be directly linked to the service optimisation program being undertaken by Council along with other existing and new assurance and improvement activities.

The implementation and outcome of the high-level actions set out in this Strategy will be monitored by management on an ongoing basis and reported on annual basis to Council as part of the Annual Report.

Progress against the relevant key performance targets set out in this Strategy including efficiencies and any costs savings as part of the Quarterly Budget Review process.

Any variance to the Long Term Financial Plan (LTFP) and any associated impact on this Strategy, arising through the preparation of the annual Operational Plan will be identified as part of the relevant reporting and any corrective actions will be identified as required.

The Long Term Financial Plan (LTFP) will be updated annually as part of the annual Operational Plan process and as part of the review of the Resourcing Strategy in accordance with the Integrated Planning and Reporting framework.

This Strategy will be reviewed annually and updated as required.

## 11. Conclusion

The Long Term Financial Plan (LTFP) scenarios identify the projected results under different financial settings. To achieve financial sustainability and meet all the relevant industry benchmarks Council will need to implement the high-level actions identified in this *Financial Strategy: Sustainable and Thriving*.

It is critical that Council actively and progressively implements the actions in this Strategy over the next ten years. This will ensure Council remains financially sustainable to continue to provide quality services and infrastructure to the Wingecarribee Shire community.

Council will pro-actively manage the identified risks to the success of this Strategy and will take advantage of the identified opportunities to further enhance Council's ongoing financial position.

Council's projected financial outcomes and future reviews of this Strategy will be further informed and influenced through engagement with the community.

Council looks forward to working with the community to be financially sustainable and thrive into the future.