



## **FREQUENTLY ASKED QUESTIONS – YOUR GUIDE TO THE ADOPTED 2023-24 OPERATIONAL PLAN AND BUDGET**

### **What has Council resolved to deliver next year?**

The Operational Plan adopted at the 20 June Council meeting describes what Council will deliver next financial year. Some key highlights include:

- an extensive program of flood recovery works
- completion of Stage 1 of the Edward River Village
- \$4.4 million investment for roads including a \$3 million contribution to upgrading Hardinge Street between Ochertyre St and Harfleur St (which also includes upgrades to stormwater and water infrastructure)
- completion of the Airport runway upgrade
- implementation of a community waste education program and preparation for the consideration of a three-bin kerbside collection service
- increased workforce capability in risk and safety, human resources, economic development, procurement, facilities management, waste management and strategic asset management
- improved workforce delivery in service areas
- a review program to identify savings, efficiencies and improvements in service delivery
- increased focus on identifying and securing of additional revenue through grants
- delivery of the Edward River Growth Strategy
- improvements to workplace health and safety and professional development for staff
- renewed focus on strategic asset management
- support for arts and culture through the establishment of an advisory committee, and operation of the Town Hall

### **Why has Council chosen to fund specific projects and not others?**

There is always a need to prioritise activities when there is a finite amount of resources. Council's focus for the next financial year is one of consolidation, completing a number of capital works projects that carry over from previous years and to focus on the huge task of flood repair to infrastructure.

### **Why is Council planning a budget deficit for 2023-24?**

Council is spending money next financial year (2023-24) to build a strong foundation to be more sustainable into the future.

This includes investment in improvements to asset management systems, workforce development, initiatives to drive economic growth including the Edward River Village, and initiatives to enhance community life like operating the Town Hall and establishing an arts and culture advisory committee.



The Budget allows for funding for some additional staff to allow Council to better deliver the full range of services that the community expects into the future. This investment in our workforce will help to make Council an employer of choice and provide new jobs in the economy. We want to attract employees and their families to the region and support local growth.

## **Does a budget deficit mean that Council is broke and will run out of cash?**

A budget deficit does **not** mean Council is broke.

Council's cash position continues to be healthy, with a forecast cash balance of \$45.3m at June 2024. Of this amount \$17.9m is unrestricted which means it is freely available for Council to spend.

A budget deficit means that Council is planning to spend more in that year than it plans to receive in income.

For 2023-24 Council has decided to create special purpose funds for both the Edward River Village (ERV) and waste management. Previously, these have been included as part of the General Fund.

It is important not to look at the General Fund in isolation but to consider the five Funds together as an accurate representation of Council's financial performance. These are outlined in the Long-Term Financial Plan (LTFP).

## **Why is Council's cash position in the adopted budget different to that in the documents that went on exhibition?**

Our forecast cash position is \$45.2m at end of June 2024 when it was previously communicated during the public exhibition period as \$55.3m. Similarly, unrestricted cash is now forecast to be \$17.9m when exhibited as \$28.6m.

When Council placed its documents on exhibition, the information was based on Council's cash position as of February and then projected out to June, our best forecast at that time.

The revised budget documents now align with our current cash position plus forecast changes to 30 June. In the period between February and May, Council has spent more than we had originally forecast and our current actual cash position at the end of May is \$43.8m.

## **Does running a budget deficit affect Council's long-term sustainability?**

Running a deficit budget affects Council's short-term position by reducing cash reserves. Council's long-term financial sustainability is affected when the deficits are year on year without any plan to improve.

### **How will Council get back into the black?**

Council's Long-Term Financial Plan contains options for Council to consider to reduce the deficit across the next 10 years by implementing the strategies identified in the Financial Sustainability Review.

For 2023-24, Council has adopted the 'Base Case' Scenario in the Long-Term Financial Plan, which is not sustainable in the long term without significant savings, reductions in services or the introduction of a Special Rates Variation.

Council has, however, listened to community feedback that consideration of a Special Rates Variation to reduce the structural deficit in its General Fund should be further investigated.

### **How much will my rates go up in this new budget?**

As a general rule, councils in NSW increase their rates every year in line with the approved increase set by the Independent Pricing and Regulatory Tribunal of NSW (IPART).

IPART has set the 2023-24 rate peg for Edward River Council at 4.4% and this is the number adopted by Council. This means that Council's total rates revenue is allowed to increase by a maximum of 4.4%. This does not mean that every ratepayer's rates increase by the same percentage.

In 2023-24, the IPART increase of 4.4% is the only increase to rate revenue.

### **I hear Council is considering raising rates by 42%! What is this about?**

If a council wishes to increase its rates revenue by more than the rate peg set by the Independent Pricing and Regulatory Tribunal of NSW it must apply for a special variation to the rate peg. This is called a Special Rate Variation (SRV).

A Special Rate Variation is an option considered as a strategy to improve the health of the General Fund in the Financial Sustainability Review in the future. The Review recommended an increase to Council's rate revenue for six consecutive years by an additional 2.6% over the rate peg of 4.4%, totalling 7%.

After speaking with the community and listening to your concerns, we are leaving the increase for 2023-24 at the rate peg of 4.4%.

However, we will continue to have this conversation with you about a Special Rate Variation in readiness for potential application in future years, as the process for applying for and having a SRV approved is highly regulated, complex and takes significant time.

To maintain community assets and the level of services we know you expect, our reviews tell us that increasing rates is Council's most viable strategy. And to keep additional increases as low as possible, we need to start sooner rather than later. We'll continue to talk to you about this over the coming year. Any future Special Rate Variation that may be considered by Council would not come into effect until 2025-26 at the earliest.



## **Why have the forecast cash reserves changed?**

When Council placed its documents on exhibition, the information was based on Council's cash position as of February and then projected out to June. Forecast cash reserve at this time was \$55.3m. The revised budget documents now align with our current cash position plus forecast changes to 30 June. In the period in between, Council has spent more than we had originally forecast and our current actual cash position at the end of May is \$43.8m. Unrestricted cash was previously forecast at \$28.6m and is now \$17.9m for the same reason.

## **In the consolidated cashflow statement of projections, why are receipts and payments proposed for 2024 approximately \$10m lower than forecast, and different to what was presented in the draft budget?**

Both internal income and expenditure were included in receipts and payments for the documents placed on exhibition. It was decided to eliminate them in the final version for 2023-24 although they remain in for the forecast years.

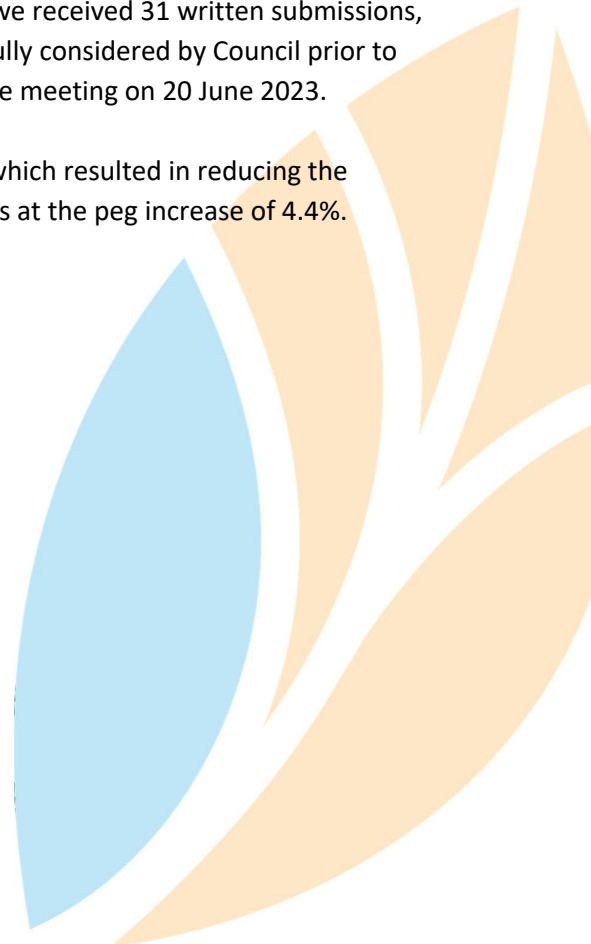
## **How was the community consulted on the draft Operational Plan and Budget?**

The budget and Operational Plan was on public exhibition for 28 days between 24 April and 21 May 2023.

There were also a number of opportunities for community members to ask questions and provide comments.

During this time, as well as many conversations and verbal feedback, we received 31 written submissions, which we believe is a record number. All feedback received was carefully considered by Council prior to finalising and adopting the 2023-24 Operational Plan and Budget at the meeting on 20 June 2023.

Amendments were made to the draft plan, reflecting your feedback, which resulted in reducing the proposed \$1.2m operating deficit to under \$600,000 and keeping rates at the peg increase of 4.4%.



## **FREQUENTLY ASKED QUESTIONS – COUNCIL'S ANNUAL PLANNING DOCUMENTS**

### **What is the Operational Plan?**

This is the overarching plan which details the projects and programs to be undertaken over the next 12 months as well as details of the annual budget, revenue policy, rates, fees and charges.

### **What is the budget?**

Council's budget sets out the anticipated revenue and expenditure in the financial year ending June 2024 to deliver services and projects set out in the Council's Operational Plan.

### **What is the Statement of Revenue Policy?**

The Statement describes how Council will generate revenue to fund the annual budget. It includes information about income and expenditure and proposed rates to be levied and fees and charges and the proposed borrowings and pricing methodology.

### **What is the Schedule of Fees and Charges?**

The Schedule describes each fee or charge that applies to various Council services.

Council levies fees for:

- Development services
- Aerodrome use
- Civic services
- Local laws
- Cemeteries
- Works
- Liquid wastes
- Libraries

Council levies charges for:

- Sewerage and water use

### **How does the annual Operational Plan and Budget affect the Long-Term Financial Plan?**

Each year when Council prepares its annual budget, impacts that decisions made in one year have on Council's long term financial situation are captured in the Long-Term Financial Plan. This is then updated and provided to the community through public exhibition for review and comment.

### **How does the community have its say on what Council plans to deliver and fund each year?**

Council provides an opportunity for the community to provide feedback on the draft annual plans prior to adopting each year. Feedback opportunities can include written submissions and community conversations.



## FREQUENTLY ASKED QUESTIONS - LONG-TERM FINANCIAL PLAN

### **What is the Long-Term Financial Plan?**

The Long-Term Financial Plan is an important part of Council's Resourcing Strategy to enable the achievement of its strategic goals. This is the point where long-term community aspirations and goals are tested against financial realities.

It is also where Council and the community may decide what future resources Council needs in order to deliver on its commitments.

The Long-Term Financial Plan is regularly updated as financial movements occur, including changes in capital projects and receipt of grant income, and is reviewed and updated each year as the annual Operational Plan and Budget is finalised.

### **Why does Council need a Long-Term Financial Plan?**

A Long-Term Financial Plan allows Council to take a much more proactive approach to its financial management.

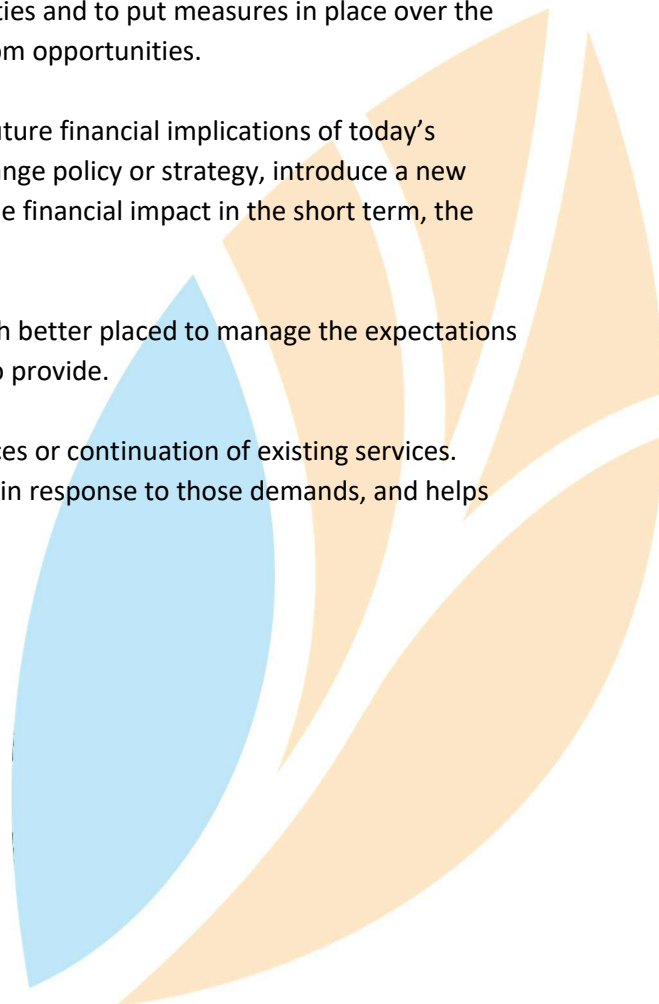
Long term planning gives Council the ability to model what the future could look like given different circumstances and assumptions.

It allows Council to identify future financial risks and opportunities and to put measures in place over the short term to reduce the impact of risks or produce benefits from opportunities.

Long term planning allows Council to consider and assess the future financial implications of today's decisions before they are implemented. While a decision to change policy or strategy, introduce a new service or undertake capital works may seem to have no adverse financial impact in the short term, the longer-term implication may show a very different picture.

By having a long-term planning process in place, Council is much better placed to manage the expectations of the community in terms of what levels of services it is able to provide.

Council is constantly faced with demands for increases to services or continuation of existing services. Long-term planning assists Council to make informed decisions in response to those demands, and helps Council to explain the decisions it makes.





## Why does the Long-Term Financial Plan have three different 'scenarios'?

The three 'scenarios' give Council the option to explore different ways of planning and managing the resources of Council over the 10-year period. It enables an assessment of the pros and cons of different options, and provides the basis for Council to adopt one of the scenarios for its planned future.

## What were the three different financial scenarios in this Long-Term Financial Plan?

1. **Base case** – this maintains the status quo, with no planned changes to increase rates each year beyond the annual Independent Pricing and Regulatory Tribunal of NSW (IPART) approved 'rate peg', and no plans to change what Council delivers. Over time, as costs of service delivery increase, Council may need to adjust the level of service it provides within the available resources.
2. **Enhanced Asset Investment Scenario** - includes more spending on the renewal and replacement of assets (roads, buildings, etc) to ensure our assets are at an acceptable level of service into the future. This scenario proposes increased spending on resealing of roads, gravel re-sheeting for unsealed roads, improved stormwater drainage, increased replacement of kerb and gutter, and the replacement of the sewerage treatment plant in Deniliquin.

The extra spending was proposed to be funded by the introduction of a special variation in the rates, increasing the general rate by 7% for six consecutive years (a permanent increase) and then returning to the projected rate peg approved by IPART from then on.

To fund the new sewerage treatment plant, the sewerage charges were proposed to increase by 6% for consecutive years in this scenario, and then increase by the projected annual CPI each year afterwards.

3. **Enhanced Asset Investment and Growth Scenario** - The Enhanced Asset Investment and Growth scenario proposes an increased investment in the renewal and replacement of assets as per Scenario Two, with extra spending from Council's existing cash reserves and expected grant funding on assets to encourage population growth within the region. This includes more money spent on parks, open spaces, the swimming pool and other assets to increase the livability of the region and its attractiveness to new residents to encourage more people to live in our region.

## How did the community have a say on the draft Long-Term Financial Plan?

The draft Long-Term Financial Plan was on public exhibition for 28 days between 24 April and 21 May 2023, at the same time the draft 2023-24 Operational Plan and Budget were available for community feedback.

During this time, feedback from the community on these draft plans was invited. Council also organised a number of opportunities for community members to ask questions and provide comments.

All feedback received was considered by Council prior to finalising and adopting the Long-Term Financial Plan on 20 June 2023.