

2.4 Annual Budget Payment of Loan Redemption (Principal Payments)

This item was raised by the Chair during the budget meetings as they were seeking clarification on Council's annual process.

The Deputy General Manager advised that the development of the annual budget and update to the LTFP includes the following steps:

- Determine operating income and expenditure associated with delivering services at currently agreed service levels
- Determine loan interest and principal repayments required under existing loan agreements
- Update cashflow for current cash levels and above cashflow impacts
- Determine funds available to invest in asset renewal whilst maintaining appropriate levels of unrestricted cash.

Subsequent to the discussion, the Chair was reassured that the Council's processes for assessing loan redemption affordability and facilitating borrowing decisions were robust and were budgeted in accordance with cash budget practices.

RESOLVED:

1. THAT the Committee noted the update.

CARRIED

2.5 Special Rate Variation 2025/26

In the Delivery Program and Long-Term Financial Plan (LTFP) adopted in June 2024, a significant increase to general rates was planned. This continues on the financial planning and engagement work that has been undertaken over the past three years. These plans included a permanent increase to general rates of 80% over two years commencing July 2025. This 80% increase essentially includes the temporary 19% and 17% increases levied in 2023/24 and 2024/25.

Following further analysis and community engagement undertaken by the University of Newcastle in July 2024, Council adopted the following five reports in August 2024:

- Financial Sustainability Report – an update to the November 2023 report on The Advantages and Disadvantages of Amalgamation and Federation Council's Financial Sustainability Journey.
- Capacity to Pay Report - provides a comprehensive analysis of the factors relevant for considering property owners and their capacity to pay increased local government rates
- Efficiency Report – provides a comprehensive review of the relative technical efficiency of Council.
- Debt Capacity Report – provides a comprehensive analysis of Council's debt capacity.
- Community Engagement Report – provides detail on community engagement undertaken and feedback received through this process.

A further report was requested for the November 2024 meeting.

The report to the November 2024 Council meeting provided the following further information on the two options debated at the October 2024 Council meeting:

- A risk assessment of the two SRV options against the baseline (no SRV) scenario
- Updating summary financial modelling

- Modelling of average residential rates under the three scenarios
- Revised timelines for progressing the SRV application to IPART.

Council passed a resolution to proceed with work required for an application for a permanent increase to general rates of 69.94% over two years commencing 1 July 2025.

As a consequence of this, the Delivery Program and LTFP were updated to reduce the planned general rate increase from 80% to 69.94%. In addition, revised asset renewal projections from the updated Strategic Asset Management Plan were include in the revised LTFP.

The revised Delivery Program and LTFP are now out for re-exhibition. The revised LTFP is attached for ARIC consideration and noting.

Discussion:

The Committee discussed the challenges over the next decade and the importance of progressing and delivering the improvements to assets over the coming three to four years. The Committee noted the comprehensiveness of the risk assessment of the SRV options and the importance of recognising that the SRV is not the sole solution to Council’s financial sustainability challenges.

The Committee noted that the SRV application is due for submission by 3 February 2025 and supports Council’s submission.

The Committee appreciates and acknowledges the significant work required for the preparation of the SRV application.

Following documents were referenced:

[Attachment 13 Risk assessment of rating options \(24/47517\)](#)

[Attachment 14 Financial measures - SRV scenarios \(24/47523\)](#)

[Attachment 15 Long Term Financial Plan 2024 - 2034 v4.0 no tracked changes](#)

RESOLVED:

THAT the Committee

1. noted the update on plans for an application for a permanent SRV.
2. noted the risk assessment of the two SRV options against the baseline (no SRV) scenario.
3. noted the updated summary financial modelling.
4. noted the revised Long Term Financial Plan
5. confirmed its support for Council’s Special Rate Variation application to IPART.

CARRIED

ITEM 3. Internal Audit 11.26 am

3.3 Internal Audit Reports - Actions Update

The system for recording actions from internal audit reports requires review to enable streamlined reporting. This will be undertaken early in 2025.

RESOLVED: