

Federation Council

SRV Application 2025/26

Response to IPART queries

1. Resolution to apply for SV

The resolution only provides the cumulative 69.94% increase. It did not include the annual SV increase percentage per year.

Based on your Part A and Part B application, this is shown as 52.01% in Year 1 and 11.80% in Year 2. Please confirm these are your applied annual SV increase percentages.

Yes, the cumulative 69.94% is spread in two years with 52.01% in Year 1 and 11.80% in Year 2 as detailed within the application.

2. Base amount percentage for residential rating category (Part A – Worksheet 4 and Worksheet 5)

The base amount percentage is 50.19% for year 1 (Worksheet 4, cell G18) and 50.21% for year 2 (Worksheet 5, cell G22) of the total notional general income rate amount for the residential rating category. Both percentages exceed 50%. Please confirm if the Council is aware of this and that it has been checked by OLG.

We note that we have received a request from Federation council on 7 February 2025 to update the incorrect base rate in the Part A application. Please provide the updated copy of the Part A application.

The updated Part A application has been included with this submission.

3. PGI Summary (Part A – Worksheet 6, Table 6.2)

We note there is a slight variance for the permissible general income for years 1 and 2.

In year 1, the value in cell K98 (\$15,393,190) of Worksheet 6 is \$2,136 higher than in the value in cell L164 (\$15,391,054) of Worksheet 4.

Extended the ad valorem decimal figure in the farmland category to tally both figure to \$15,393,190 (from 0.173859 to 0.173934699720052)

In year 2, the value in cell L98 (\$17,209,586) of Worksheet 6 is \$2,388 higher than the value in cell L170 (\$17,207,198) of Worksheet 5.

Extended the ad valorem decimal figure in the farmland category to tally both figure to \$15,393,190 (from 0.194374 to 0.194436298483209)

Please advise why the permissible general income with proposed SV in Worksheet 6 doesn't match the net notional income for the respective years in Worksheets 4 and 5.

The slight variance is due to the number of decimal places in the ad valorem use for calculation.

4. Expenditure Program (Part A – Worksheet 8, Table 8.2)

Column B in Table 8.2 Operating expenditure has been filled out with the description (increase roads, footpaths and drainage maintenance) but no dollar values were provided for 2025-26 & 2026-27 (proposed SV period). The dollar values have only been provided for the subsequent years.

Please advise if you intended to leave the operating expenditure amounts for the 2025-26 and 2026-27 blank. If so, could you please advise the reason for doing so.

Yes, because the road maintenance projects will be funded by the RLRRP grant from Transport for NSW in 2025/26 and 2026/27. Thereafter, it is proposed to fund the road maintenance with the additional funds from the proposed Special Rate Variation.

5. Long-Term Financial Plan (Part A – Worksheet 10)

Investment balances in Table 10.1(b) and 10.2(b)

Please advise if you intended to leave the amounts for the year-end Investment balances blank from years 0 to year 10 in Table 10.1(b) and Table 10.2(b) i.e. rows 141 and 287. If so, could you please let us know why. The amounts for interest & investment revenue have been completed for all years i.e. rows 29 and 175.

When forecasting future years, Council forecasts all cash, cash equivalents and investments as "Cash and Cash Equivalents (current)". This is to simplify the financial planning process and remove arbitrary allocations of how much cash will be invested and allocations between current and non-current assets.

Interest and investment revenue is based upon the Cash and Cash Equivalents (current) balance. Council has taken a conservative estimate with interest & investment revenue calculated at a lower rate range from 3.2% to 3.93% in comparison to Council's actual return of investment for FY2023/24 at 4.78%.

Cash balances in Tables 10.1(b) and 10.2(b)

Please advise why the 2034-35 forecast value in Worksheet 9, cell T105 for Cash & Cash Equivalents, i.e. 4,135,000 does not agree to the amount in Worksheet 10, cell T140 i.e. -4,059,074.

This has been rectified in the updated Part A application included with this submission.

Table 10.3: Key assumptions

Please confirm the growth in employee numbers and growth in assessment numbers, as it is showing as 0% in the blue cells. i.e. rows 321 to 325 excluding cell M322 which had -3.40%.

No growth in employee number is projected but once the RLRRP grant from Transport for NSW finishes in Year 2, Council will not be able to sustain the same number of employees for the following years under the base case scenario. The additional asset renewal that is funded by the proposed SRV is expected to be undertaken by contractors rather than employees.

With the assessment numbers, no growth is currently forecast. Over the last ten years, very low rates of growth have occurred. The Federation Council area currently has significant barriers to expand or support growth due to water and sewer infrastructure constraints. Strategic planning for water and sewer services is currently underway to understand key opportunities. However, this will require considerable financial input from developers to be able to progress. This is some years away and as such Council's forecasting is based upon no expansion of residential areas.

In addition, many farm enterprises have consolidated their parcels and / or expanded their land holdings, resulting in a reduced number of assessments.

6. Infrastructure Ratios (Part A – Worksheet 11, Table 11.3)

Please confirm the numbers for infrastructure asset renewals (S85 and T85) and asset maintenance (S97 and T97) for years 9 and 10 under Scenario 2 (base case – no SV). They are currently shown as '0' in the blue cells.

Under the base case scenario, Council would have exhausted cash to invest in both asset renewals and maintenance from year 9, therefore the ratio is '0' or nil for those two years.

7. Expiring SV (Part B – Description and Context, Question 5)

For the expiring SV, could you please advise why the 29.04% (based on Percentage to be removed in Part B, Question 5) is different to the 21.7% (based on % value of the ESV in Part A, WS2, cell J93)?

This has been rectified in the updated Part B application included with this submission. The reduction is 21.70%, consistent with the Part A spreadsheet.

8. Future productivity and cost containment plans (Part B – OLG Criterion 5, section 7.3(b))

Please confirm what savings initiatives have been incorporated into the WS10 LTFP tab in Part A and identify specific rows where relevant.

Please also advise if the saving initiatives under Part A are different to the savings identified under the LTFP (page 33 to 35 of the LTFP), as the total operating expenditure in the LTFP is different in compared to Worksheet 10 in Part A. For example, the operating expenditure in page 35 of LTFP is 37,983,000 in page 35 of LTFP, but the total expenses continuing operations for 2024-25 is 38,247,198 (cell J58 in Part A, Worksheet 10).

Savings initiatives that are incorporated into the LTFP are not specifically detailed by line in the LTFP spreadsheet, not in the IPART Part A spreadsheet. There are other numerous supplementary spreadsheets that contain this detail within detailed costings for individual services. Accordingly specific rows in Part A are not able to be identified.

The saving initiatives under Part A are consistent with the savings identified under the LTFP (pages 33-35). There are a couple of additional opportunities that have been identified subsequent to development of the LTFP. These have been included in the Part A application and will be included in the next LTFP.

The table of savings in the LTFP document does not link to the detailed LTFP spreadsheet and the update to the total operating expenditure was missed. This has been rectified in the LTFP document and an updated page included with this submission.

9. Long Term Financial Plan

Worksheet 10 in the Part A application contains 10 years of data (from 2025 to 2035) however the LTFP provided only contains 9 years of data (from 2025 to 2034). Please provide the LTFP for 2025-2035, or other supporting documents to cover the 10-year period.

The LTFP contains ten years with 2024/25 being the Annual Budget, 2025/26-2027/28 being the DP forward estimates and the remaining six years to 2033/34. This is consistent with the Integrated Planning & Reporting Handbook page 37. Notwithstanding this, we note that IPART is requesting the 11th year. We have updated our LTFP spreadsheets for the Planned (SRV) scenario and the Baseline scenario and provide financial reports inclusive of 2034/35.

This has been rectified in the updated Part A application included with this submission.