Leeton Shire Council Financial Sustainability Report Update

Draft 29th May, 2026. Finalised 17th July, 2026



This Report was prepared by Professor Drew on behalf of Professor Joseph Drew Pty Ltd. The work herein has also been independently assured by Professor Masato Miyazaki of Saitama University, Japan. This Report was produced in a strictly independent manner and the opinions expressed in the Report are thus exclusively the views of its authors and do not necessarily coincide with the views of the local government or any other body. The information provided in this Report may be reproduced for media review, quotation in literature, or non-commercial purposes, subject to the inclusion of acknowledgement of the source and provided no commercial use or sale of the material occurs.

The information contained herein is believed to be reliable and accurate. However, no guarantee is given as to its accuracy or reliability, and no responsibility or liability for any information, opinions, or commentary contained herein, or for any consequences of its use, will be accepted by Professor Joseph Drew Pty Ltd, or by any person involved in the preparation of this report.

Leeton Shire Council Financial Sustainability Review Update

Executive Summary

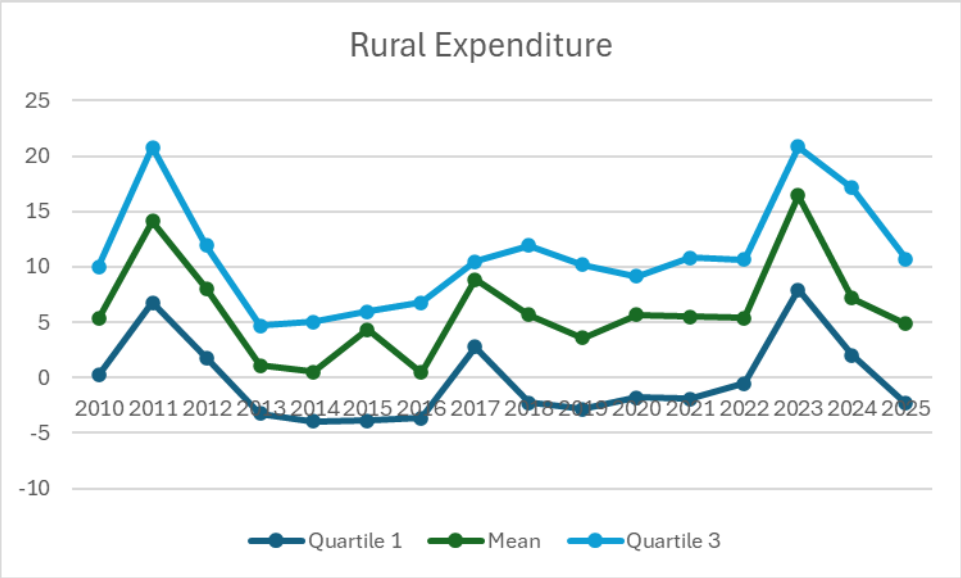
The original financial sustainability report produced for Leeton Shire Council by the University of Newcastle was submitted in June 2025. Since that time an additional year of financial data has become available for Leeton and the peer comparators. Accordingly, in this brief report we reproduce some of the more important graphs, with the additional financial year added. Generally, there was little improvement in the FY2025 data, and the Shire is clearly still not financially sustainable. Thus, to accord with Section 8B and other requirements of the Local Government Act (NSW, 1993) it is necessary to thoroughly investigate and propose a Special Variation.

The purpose of this brief report is to update the previous work of the University of Newcastle, and we thus recommend that the following be read in conjunction with same. Furthermore, some of what appears below has also been presented in the capacity to Pay report and we therefore direct readers to this document also for more in-depth commentary. Otherwise stated, the focus of this update will be squarely on how the picture of sustainability has changed with the additional financial year 2025 (FY2025) data.

Before commencing this task, it is useful to look at how various components of expenditure have been changing over time for rural local governments, more broadly, in NSW. This is important because it seems reasonable to expect that any particular rural local government, such as Leeton, might also be subject to the cost pressures that are typically felt by all rural councils.

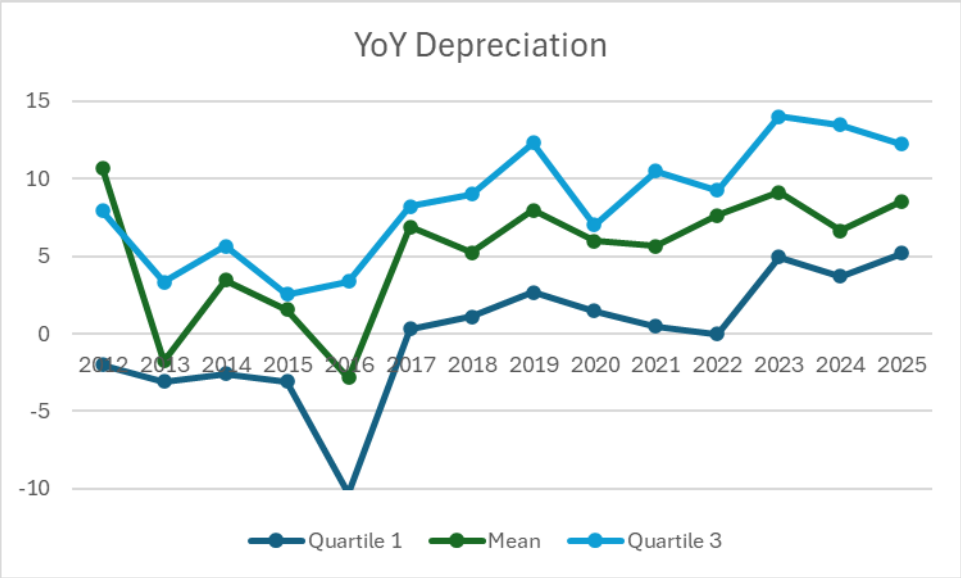
In Figure 1 we present various measures of year-on-year percentage change in operational expenditure from FY2010 through to FY2025. It is pleasing to see that the most recent financial year saw the typical annual change reduce quite dramatically – however, it is also clear that we have not returned to the pre-COVID trend; nor are we likely to do so given that much of the spending responding to federal and state policy added permanently to the unit cost base. It is also notable that the typical year-on-year change in expenditure has far-outstripped the typical rate cap. It is therefore not surprising that more and more local governments are declining in financial sustainability at alarming rates or applying for significant Special Variations (SV).

Figure 1. Year on Year Percentage Changes in Expenditure Over Time.



In Figure 2 we present the year-on-year changes to depreciation accrual expense. Part of the problem with the increase in capital expenditure that followed on from the COVID-19 policies is that it almost certainly presaged both fiscal illusion *and* higher consumption of long-lived asset accrual numbers (depreciation) moving forward. This is attested to by the data presented for all rural local governments in the state and we note that the typical rate of growth in this expense is far outstripping the typical rate cap assigned. Otherwise stated, a situation such as that which we chart below is likely neither sustainable nor equitable in an intergenerational sense.

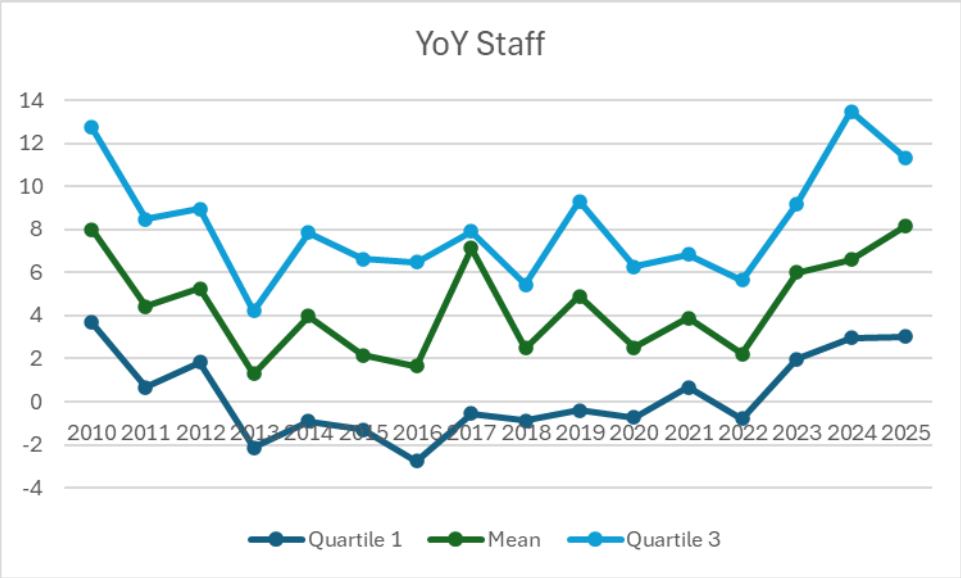
Figure 2. Year-on-Year Percentage Change in Depreciation Expense for All Rural Local Governments



It is also useful to be aware of what is typically happening in the staff component of rural local government expenditure. Accordingly, in Figure 3 we present year-on-year

changes for the cohort. Once again, this suggests annual changes in cost pressures that are running far ahead of the rate cap. Notably, the previous enterprise bargaining agreement for local government staff lagged inflation by a considerable margin for most of its timeframe. This suggests that the year-on-year growth in typical staff costs illustrated below contains a significant element of full-time equivalent (FTE) staff number increases.

Figure 3. Year on Year Percentage Increase in Staff Expenditures – NSW Rural Local Governments.



For the area of materials and contracts the typical year-on-year change data for FY2025 is quite pleasing and suggests strong efforts to reign in expenditures which were clearly completely unsustainable. However, as Figure 4 makes plain there will be much further work to do if we are to mitigate the alarming double digit percentage increases that characterised most of the post-COVID period. For a local government such as Leeton, materials and contract expense represents around a third of operational expenditure and is dominated by raw materials and consumables.

Figure 4. Year on Year Percentage Increases in Materials and Contracts – NSW Rural Local Governments.



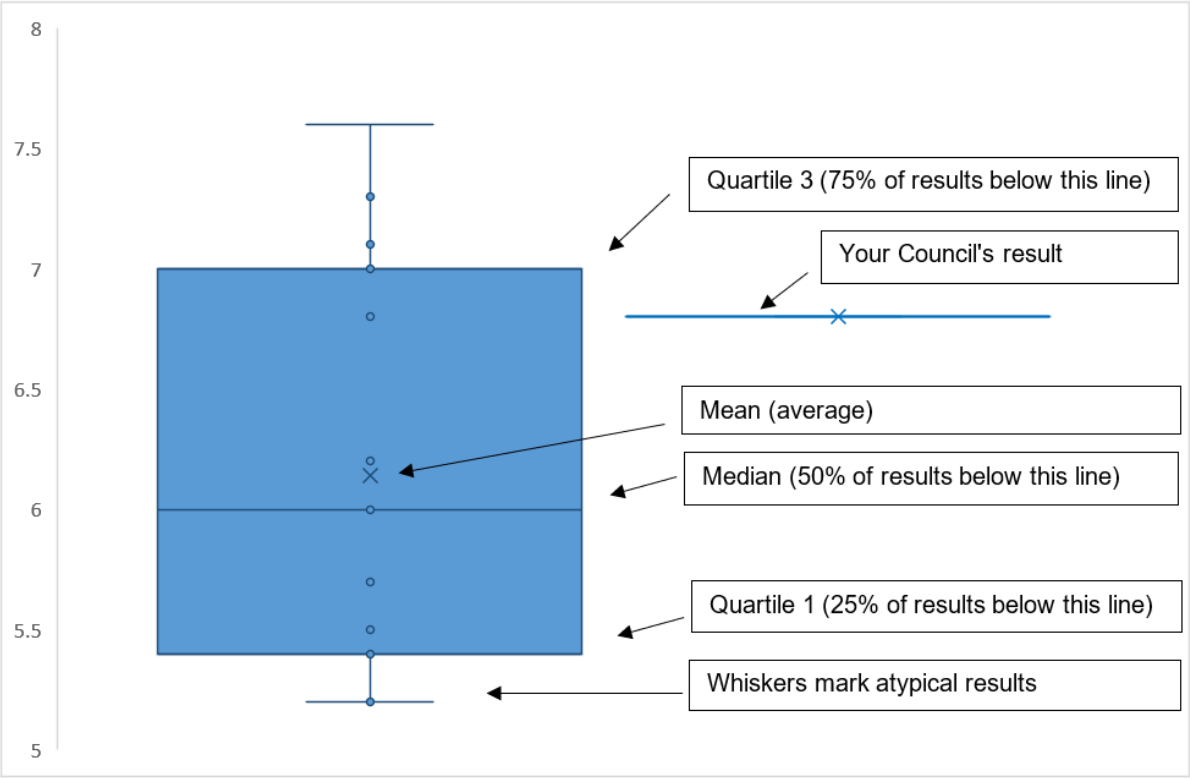
In Table 1 below we remind end-users of the peer group used in the comparative graphs which follow (except for the later envelopment analysis). We also take this opportunity to remind readers that more sophisticated panel works, based on a far broader cohort of local governments – such as regression and envelopment analyses – will typically be a more robust basis for decision-making. Readers will find a salient example of regression analysis, and its explanation, in the *Capacity to Pay Report*.

Table 1. Peers Used in Comparisons

Bellingen	Greater Hume	Nambucca Valley
Cabonne	Gunnedah	Parkes
Cootamundra-Gundagai	Hilltops	Snowy Valleys
Cowra	Inverell	Yass Valley
Federation	Muswellbrook	

The comparative data which follow are presented in box and whisker plots which are usually considered to be the best way to illustrate a particular council's performance relative to its peer group. In all cases pecuniary data are derived from audited financial statements and are sometimes combined with demographic data from the Australian Bureau of Statistics, as well as grant data from the NSW Local Government Grants Commission. Figure 5 illustrates how best to interpret such plots.

Figure 5. Interpreting Box and Whisker Plots

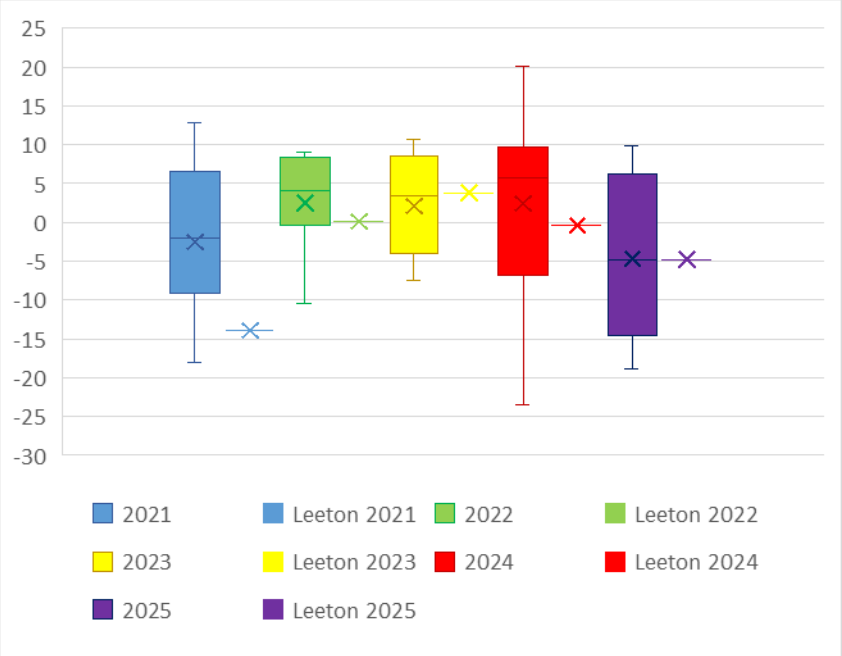


1. Regulatory Metrics

We commence with updates to the regulatory ratios. We have previously noted that many of these are flawed from conception – moreover the apparently arbitrary and oft-times universal benchmarks are a matter of grave concern (see the University of Newcastle report). Furthermore, in FY2025 local governments typically did not provide these ratios in the notes of the financial statements – instead, we have found what we have in the Auditor's report that accompany the financial statements. We understand that the Office of Local Government (OLG) are developing a new suite of financial sustainability metrics and hope that any new forthcoming metrics might respond meaningfully to the large corpus of scholarly work as well as being logically sound.

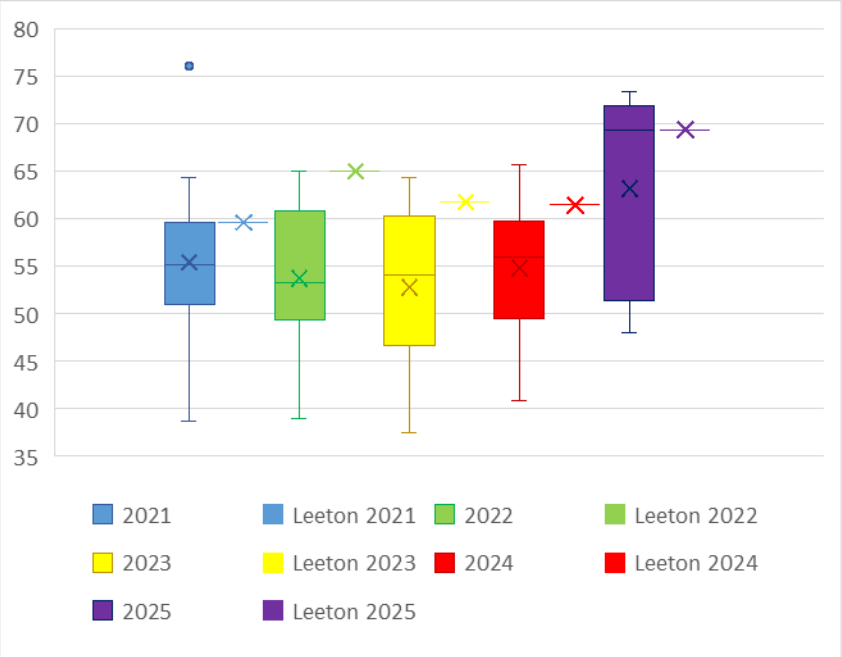
The operating ratio is a common input into evaluations of local government sustainability over time. Typically, if chronic financial sustainability problems are allowed to persist, deficits become more common, and surpluses (when they do arise) smaller. Figure 6 makes clear that our comments and predictions around the chronic nature of the condition in Leeton, before June 2025, were correct. If matters are allowed to deteriorate further then the typical symptoms of rising debt, decreased maintenance and burgeoning implicit liabilities will almost certainly follow.

Figure 6. Operating Performance Ratio



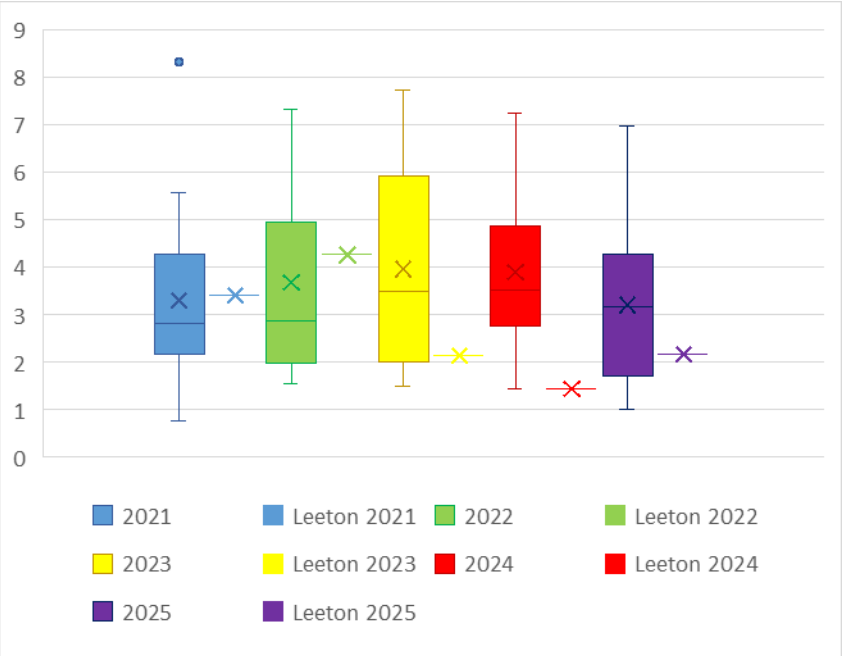
As will be recalled from reading the previous report under reference, the own source ratio and its benchmark are ill-conceived – especially when considered in terms of a universal benchmark. The apparent improvement in FY2025 is mostly about an uplift in both childcare revenues as well as Transport for NSW works.

Figure 7. Own Source Ratio



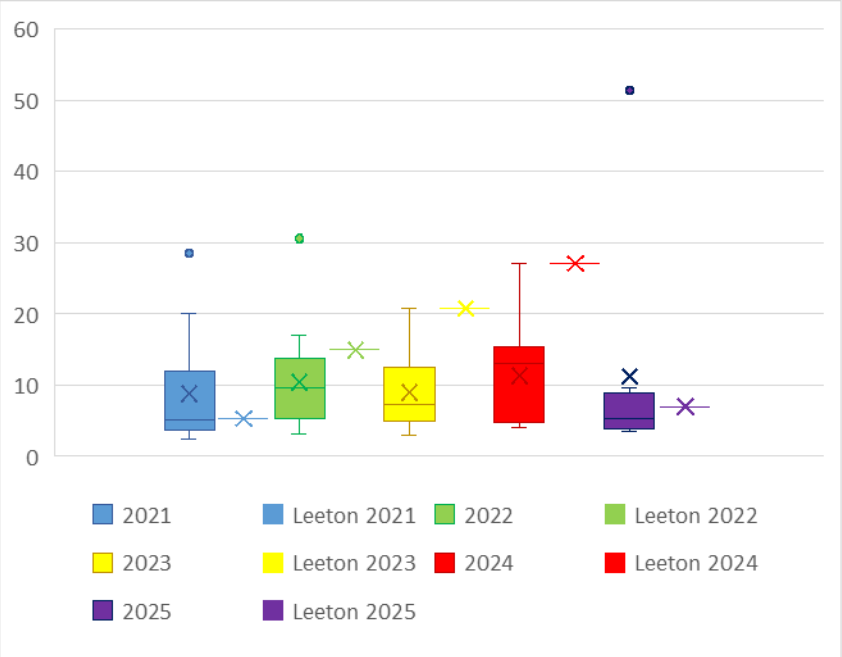
The unrestricted cash ratio is a liquidity metric, and it is relieving to see an improvement in this since FY2024. However, Leeton remains well below the typical outcome for the peer group despite the drawing down of significant additional debt. Clearly it will not be possible to maintain adequate liquidity through this means into perpetuity – hence the importance of pursuing at least a modest increase to rates revenue for collection in FY2028.

Figure 8. Unrestricted Current Ratio



Unfortunately, the debt service ratio is not fit for the purpose that it is mostly employed for, and thus usually best ignored. We are aware of an additional $450,000 long-term debt application that is likely to be drawn down in the FY2026/27 for the basketball court roof repairs already completed. We expect to see the total liabilities increase from $24.969m in FY 2024/25 to $25.42m in FY2025/26. Later in this report we will present a better metric – the nett financial liabilities ratio – however, a comprehensive assessment of the matter will only be possible with reference to the regression work which we include towards the end of this document.

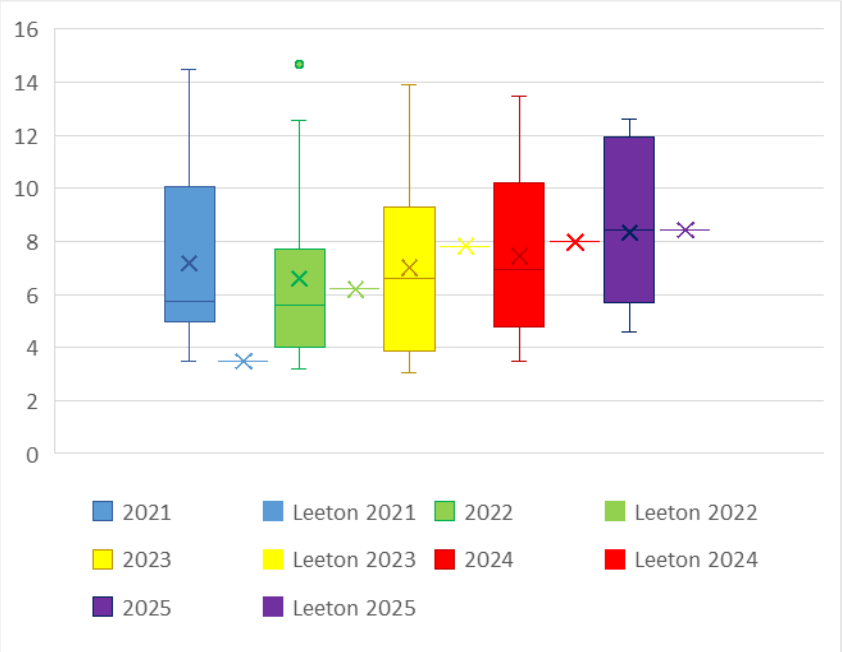
Figure 9. Debt Service Ratio



The rates and charges outstanding metric has continued to deteriorate in FY2025 and really requires urgent redress. In the *Capacity to Pay Report* we delve into the matter in some detail which has prompted us to provide separate advice recommending significant changes to the Payments Arrangement process, currently in place, as well as the Hardship Policy.

To avoid any confusion, the rates and charges outstanding results at Leeton in recent years owed far more to sub-optimal policies and processes than to genuine hardship for the far majority of cases (indeed, there wasn't a single ratepayer at Leeton on the Hardship Policy at time of writing).

Figure 10. Rates and Charges Outstanding



We have been critical of the cash expense cover ratio in the past and think that its consumption is only likely to mislead. We therefore have not updated this particular data.

We also previously noted that the infrastructure ratios have a long history of being less than reliable and that this is clearly reflected in the audit opinions that have always pointedly preceded the Special Schedules 7. Nevertheless, there may be some value to be gleaned with respect to the development of council's understanding of its assets (which has improved considerably in the last few years). In particular, the charts that follow suggest that renewals and maintenance hover around the benchmark which is consistent with our evaluation during our site visits; backlogs are believed to have come down substantially but are said to be more pronounced than deemed acceptable according to the associated benchmark.

Figure 11. Buildings and Infrastructure Renewal Ratio

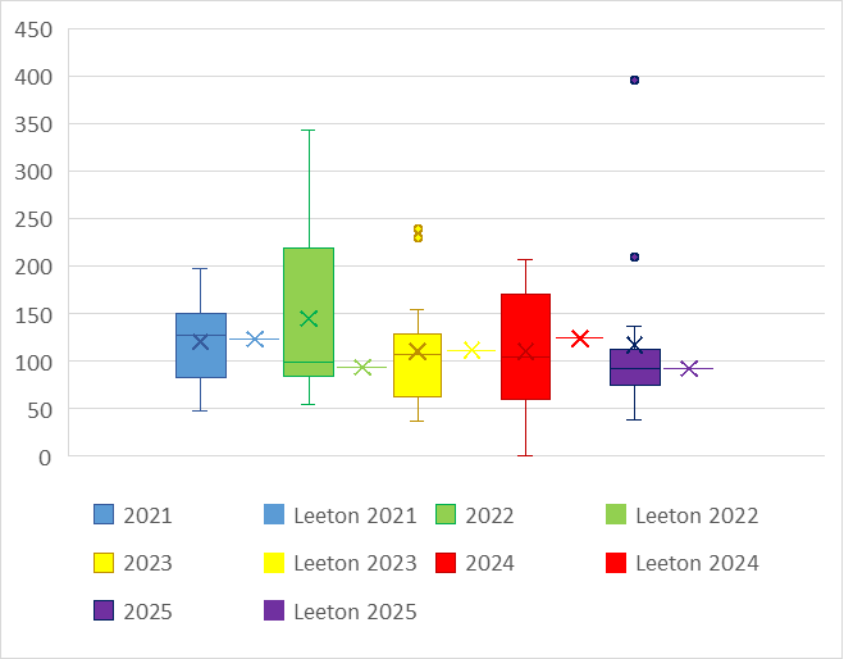


Figure 12. Infrastructure Backlog Ratio

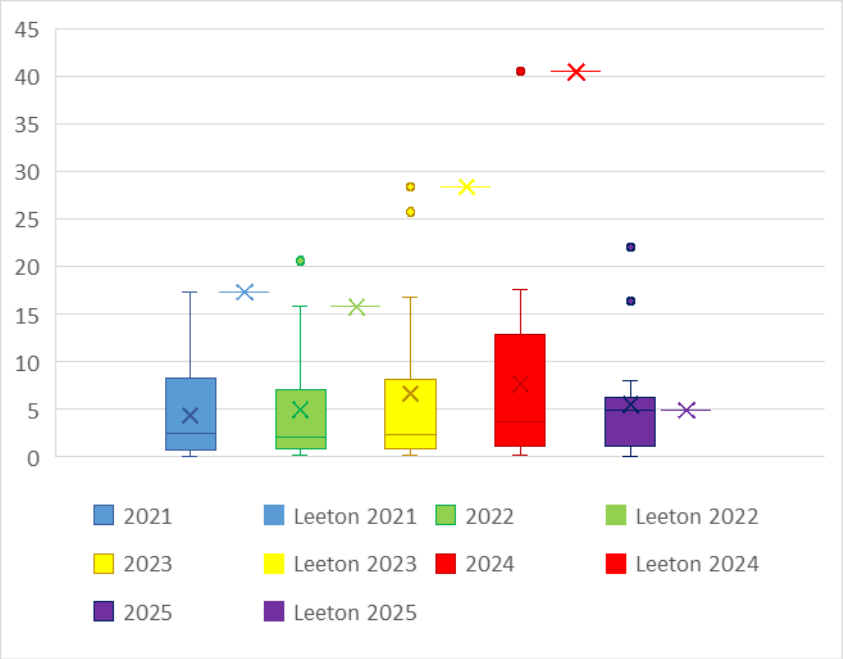
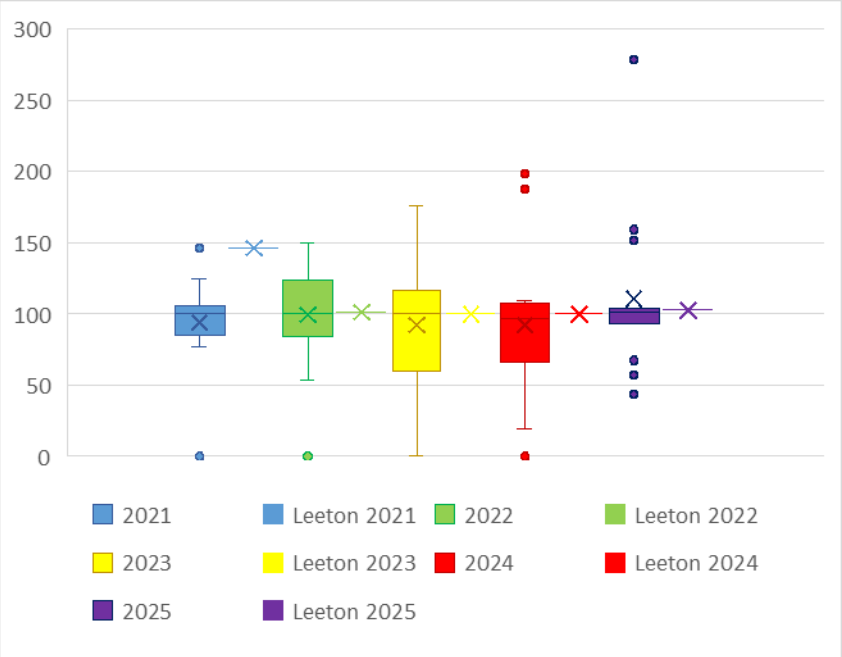


Figure 13. Asset Maintenance Ratio

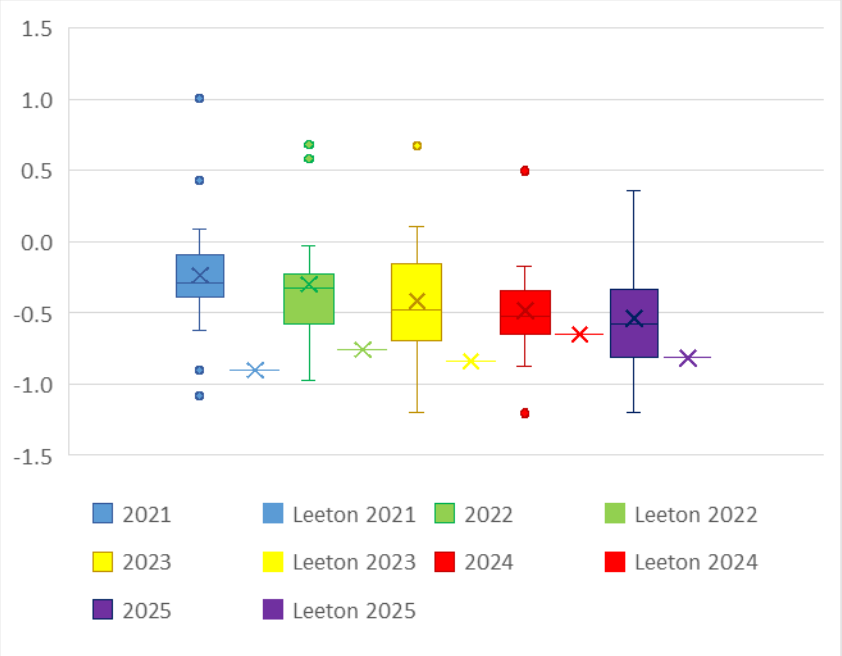


2. Other Metrics

In this section of the report, we provide an update on some of the additional metrics that were surveyed in the University of Newcastle report.

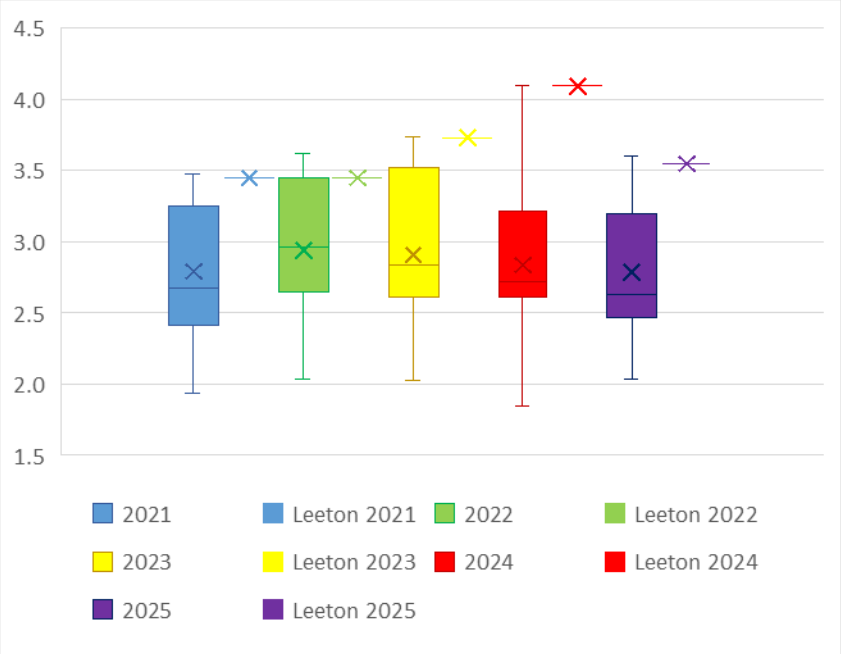
In FY2025 Leeton maintained its relative position with respect to the nett financial liabilities ratio (in this specification of the ratio a more negative result is relatively better); it also improved its position in an absolute sense. Having said this, the ratio is far from perfect, and readers are therefore directed to total liabilities regression, later in this document, for a more fulsome understanding of matters.

Figure 14. Nett Financial Liabilities



In Figure 15 we update a crude[1], but nevertheless important, measure of depreciation rates. We note that whilst Leeton still exhibits a relatively high rate of depreciation it has reduced off the levels from FY2024. We understand that further work has been done on this matter and will investigate this as part of our SV remit. It is important for people to understand that accurate measurement of the rate of consumption of long-life assets is critical to both sustainability and intergenerational equity. We need to guard against an emerging scepticism and sidelining of depreciation which is mostly driven by short-term political opportunism at higher levels of government or perhaps ignorance. Instead, we must focus on improving accuracy with reference to facts on the ground – otherwise we risk committing grave injustices to the next generation and also setting up deep sustainability traps for the next decade or so. Whether we like it or not, assets on the ground are being consumed and deteriorating – if we don't measure this and set aside funds in balance budgets then reality is that we simply won't have the money on hand when critical infrastructure reaches the end of its useful life in the future.

Figure 15. Total Depreciation of Infrastructure, Property, Plant and Equipment Deflated by Carrying Amount



In the University review of sustainability that has already been referred to, attention was drawn to the importance of complying with budgets and concern was also expressed about outcomes in recent years. It is therefore pleasing to see much

[1] Clearly the conflation of different asset classes with widely varying useful lives has a potential to confound if it cannot be reasonably assumed that similar asset profiles exist for the peers. We are spending some time with the CFO looking specifically at depreciation schedules which we feel will be more productive than gathering the data for asset class comparison. This examination of depreciation accrual parameters is part of the LTFP assurance and will be reported on therein.

better outcomes for both revenue and expenditure in FY2025. Our recent work on the Long-Term Financial Plan (LTFP) has added even more rigour around processes and assumptions and we therefore expect continued improvement into the future. Notably, staff have been upskilled in this area also as part of the SV process. Furthermore, Councillors have had the importance of making future spending decisions with respect to the budget and LTFP highlighted to them in workshops.

What remains to be done is to emphasise to the community that any unbudgeted demands for additional spending in the future will need to be met with either concomitant cuts elsewhere or increased taxes, fees or charges if we are to improve financial sustainability at Leeton. There is simply no getting away from the dismal reality of arithmetic, and everyone therefore has an important role to play moving forward, whether as a staff member, political representative or resident.

Figure 16. Deviation from Budgeted Revenue (Percentage)

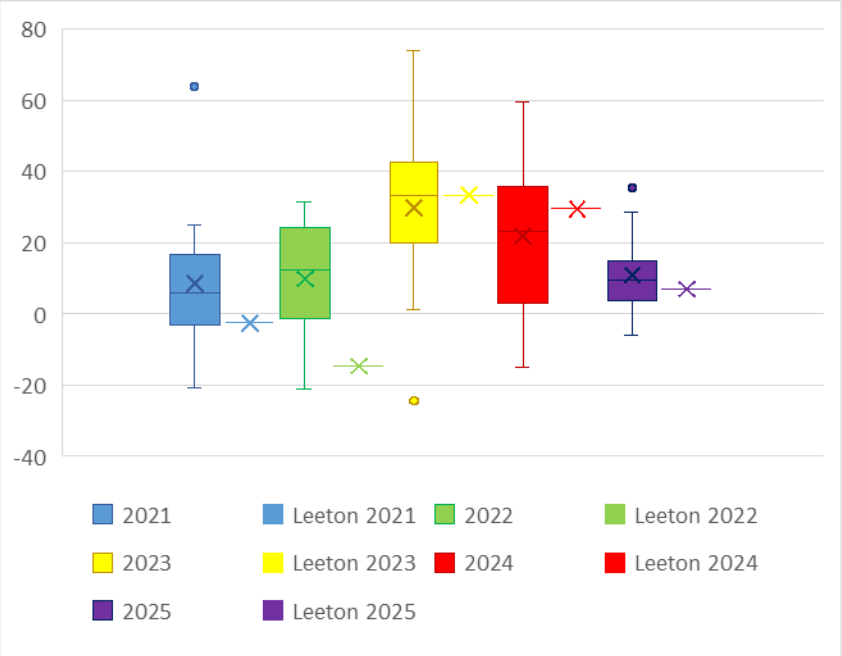
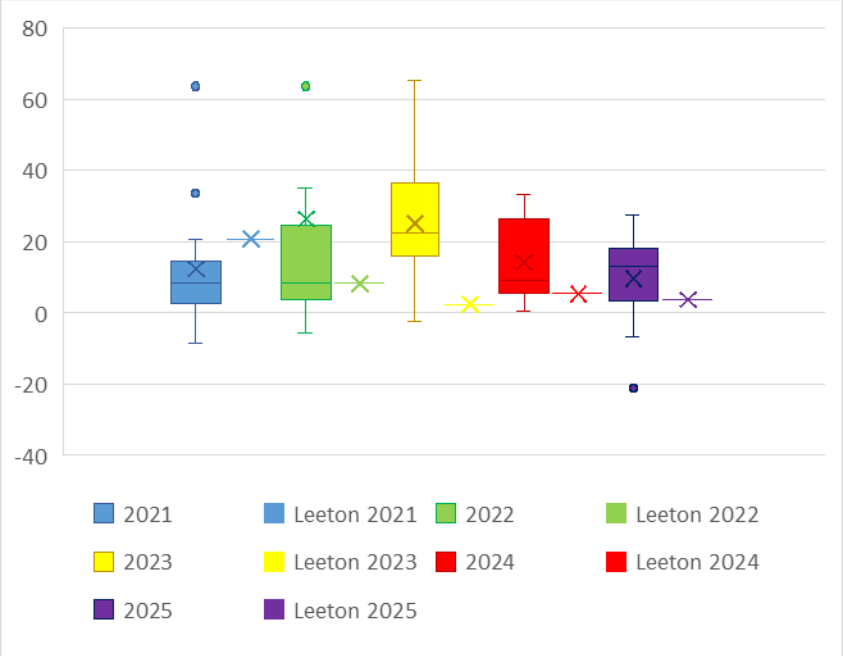


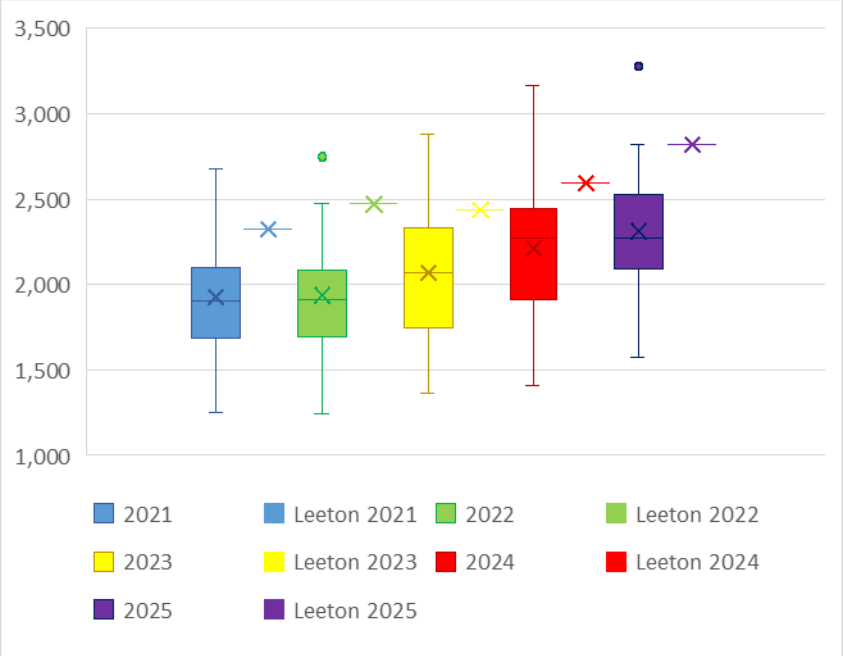
Figure 17. Deviation from Budgeted Expenditure (Percentage)



In Figure 18 we present staff expenditure data which demonstrates both a continued increase in this expense and also an upwards movement relative to the other peer local governments. It is certainly true that Leeton has early childhood services (the 2026/27 staff expenditure budget including on-costs was a little over $2.4 million) that some other councils do not operate and we must take account of this. However, it is also the case that Leeton has discretionary staff expenditures in domains not commonly occupied by similar sized councils – such as the Roxy Theatre staff budget for 2026/27 which exceeds half a million dollars when on-costs are included. We are not making any judgements about either of these expenses – which it must be noted are the legitimate outcome of the democratic process stretching back many years – however it must be conceded that if Leeton Shire is operating in domains not commonly filled by similar councils, then it will likely explain the relatively higher staff expense.

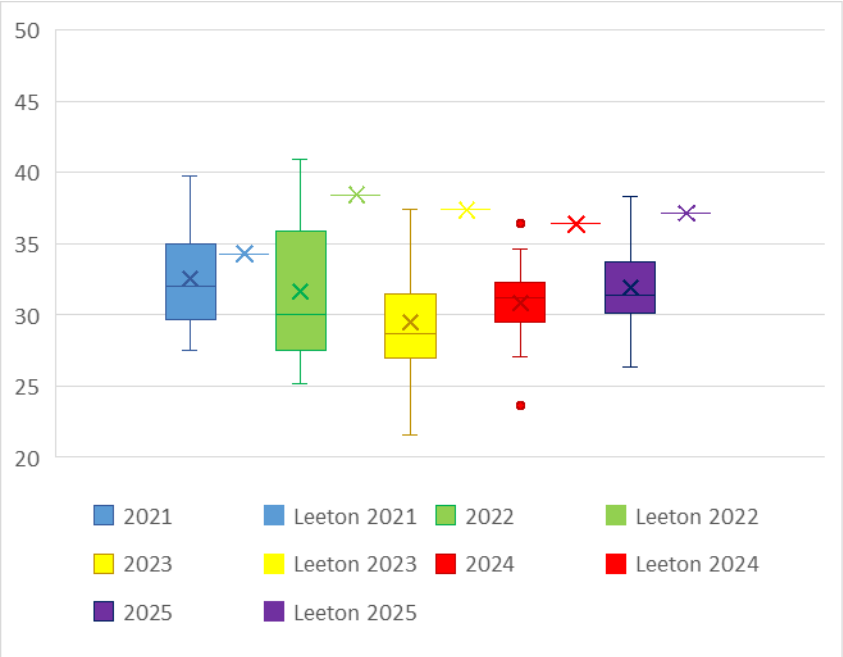
More generally we note an increase in staff expenditure for FY2025 in the order of 8.8%, which was marginally higher than the typical increase suffered by all rural NSW local governments in the same financial year (8.16%) (see Figure 3 earlier).

Figure 18. Staff Expenditure per Property Assessment ($)



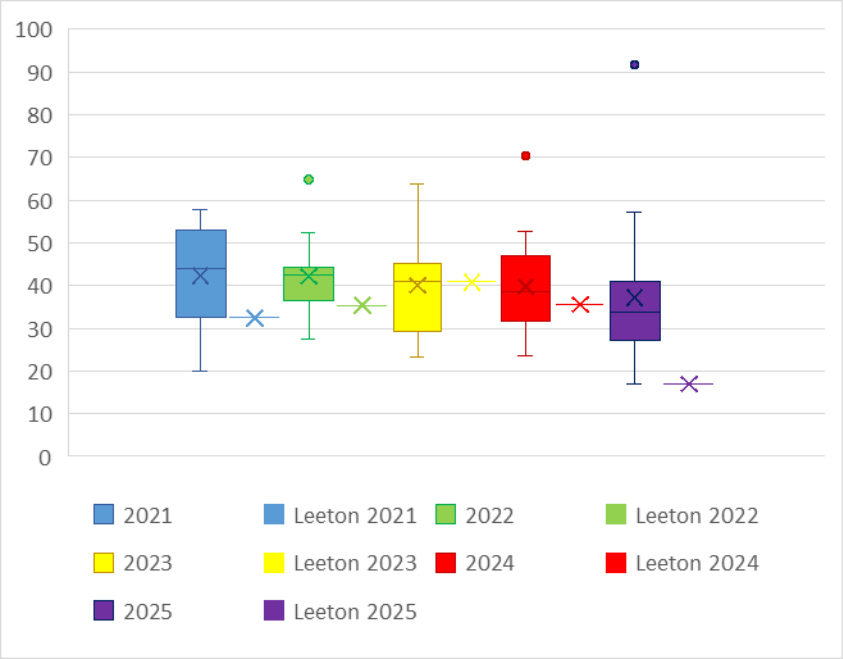
In Figure 19 we demonstrate that Leeton Shire Council is also in the upper quartile when it comes to the matter of staff expenditure as a proportion of total operational spending. Later in this report we will briefly present panel regression work that provides a guide to how Leeton staff expenditure compares to a model taking into account all relevant factors, on a broader cohort (of some eighty local governments).

Figure 19. Proportion of Expenditure on Staff



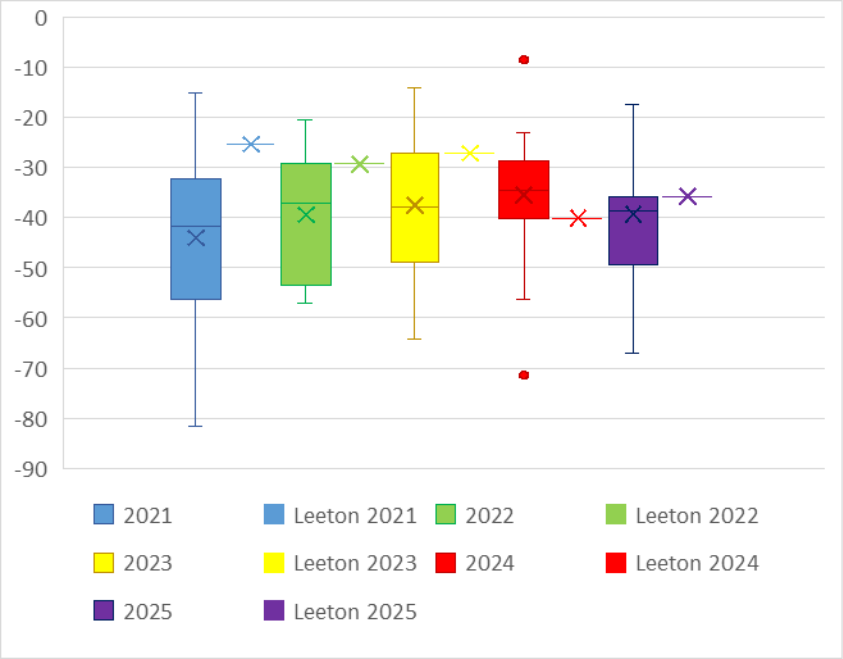
Operating Cash Flows are important to understand for assessing how both revenues and expenses are exerting their effects. The Operating cash flows in local governments are receipts such as rates, fees, and grants less payments to employees, for materials and borrowing costs. Typically, operating cash flows are very positive in local government finances and generally it is the case that the more positive the better. Thus, what we observe in Figure 20 is a cause for concern. The explanation is a significant reduction to grant income at the same time that staff expenses and materials & contracts costs grew. Certainly, this is a state of affairs that cannot last for many years before it translates into a chronic financial sustainability predicament.

Figure 20. Operating Cash Flows (deflated by Revenue)



Investing cash flows largely chart how much money is being used to purchase infrastructure, property, plant and equipment (IPPE) but is admittedly often confounded somewhat by movements in and out of long-term financial investments. Typically investing cash flows tend to be highly negative. In FY2025, matters were confounded by changes in investments in the order of eighteen million dollars, which is not a particular reason for concern. However, there was also a decrease in purchase of IPPE which *can* be a sign of fiscal distress, and this should be monitored by Councillors and staff closely in future periods.

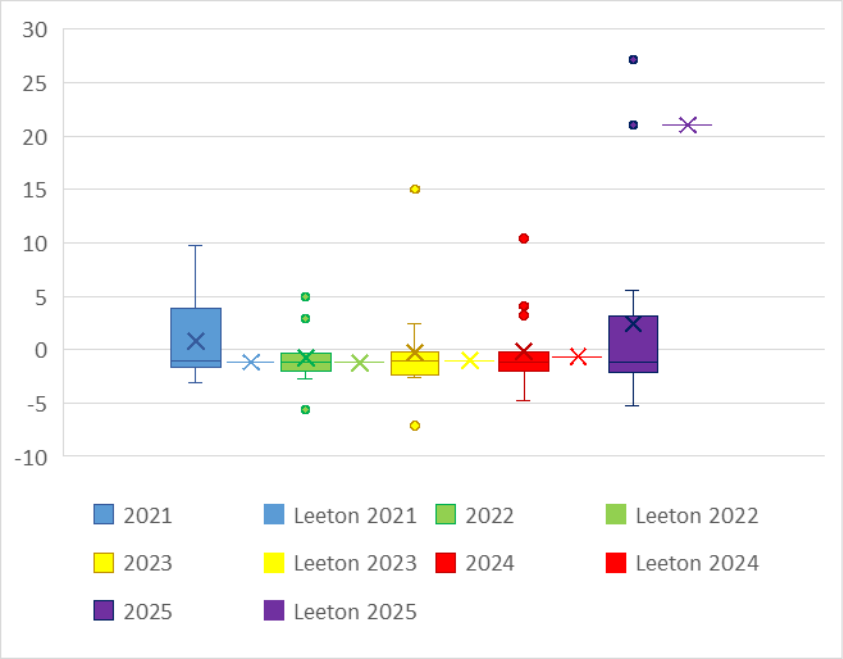
Figure 21. Investing Cash Flows (Deflated by Revenue)



Financing cash flows are usually of only marginal interest for local governments (please note that the Australian Accounting Standards apply to both business as well as government and hence that some elements don't translate quite as well as might be hoped for[2]). In most years cash flows will be slightly negative because of loan repayments. Things generally only change in years when debt is drawn down, whereby investing cash flows turn strongly positive. As Figure 22 demonstrates, Leeton drew down substantial additional debt in FY2025. We are aware that further debt will soon be drawn down. Typically, when a local government is drawing down debt regularly this *can* be a sign of chronic fiscal distress. Later in this report we will briefly present some of the additional regression modelling that we did for Leeton Shire which should be used to inform future decision-making around this area which is starting to become a matter of some concern.

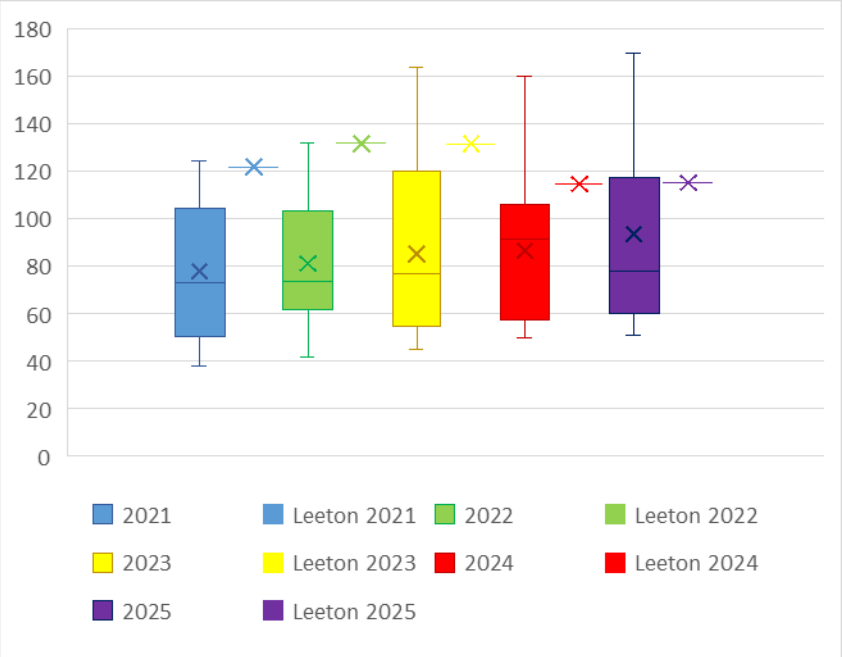
[2] In business enterprise financing cash flows are arguably far more important and interesting. This is because businesses are typically highly leveraged (borrow lots of money) and use this money to buy things that produce profits greater than the associated borrowing costs. Government is starkly different – here leverage can be a financial sustainability and intergenerational equity risk; moreover, the items purchased usually make 'losses', not profits.

Figure 22. Financing Cash Flows (Deflated by Revenue)



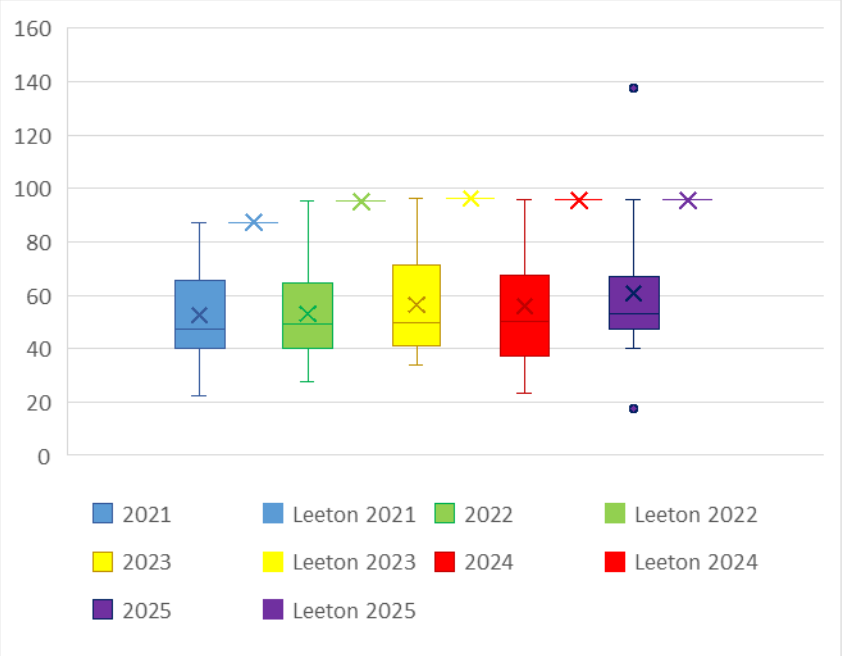
Local government cash is categorised as either externally restricted, unrestricted or internally restricted. Externally restricted cash relates to money that can only be used by law for the purposes for which it was given – things like developer contributions, specific purpose grants and the like. Unrestricted cash can be used for any purpose and is the way local governments fund cash deficits, new projects, etcetera. Internally restricted, on the other hand, is cash that has been set aside for important purposes such as staff entitlements, plant and equipment replacement and the like. It should thus be clear that the total cash balance only tells a small part of the story. Otherwise stated, the relatively high cash total cash balance that one can observe in Figure 23 is no real source for comfort – first, because much of this cash is subject to various restrictions, and second because the comparison peer group is struggling in a financial sustainability sense anyhow.

Figure 23. Total Cash, Cash Equivalents and Investments, deflated by revenue



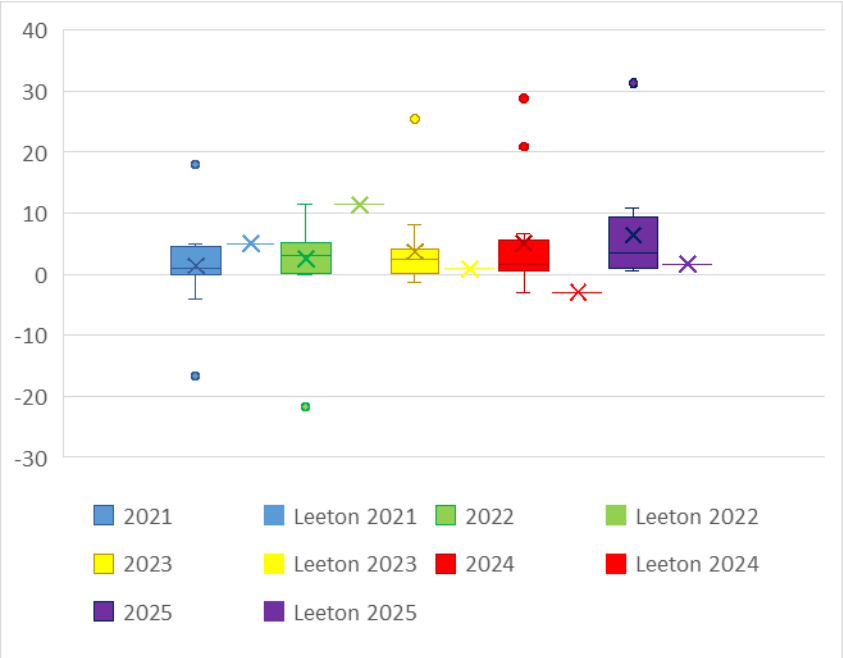
In Figure 24 it can be clearly seen that externally restricted cash (deflated by revenue to aide fair comparisons) is at the very top of the peer group (excluding the one outlier). Combined with our deductions from Figure 23 this suggests that the other categories of cash may well be of some concern.

Figure 24. Total Externally Restricted Cash, Cash Equivalents and Investments, deflated by revenue



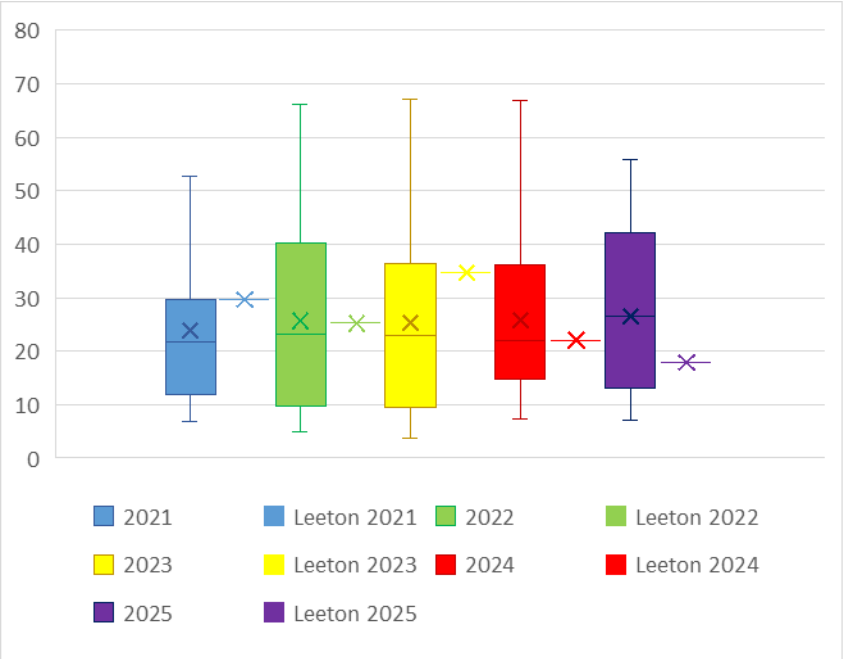
In Figure 25 we present the unrestricted cash – as we noted in the University of Newcastle report last calendar year, the amount of unrestricted cash is seriously concerning. As a general rule of thumb, most people believe that the unrestricted cash ideally should be sitting at an equivalent of three months cash operational expenditure, which for Leeton in FY2025 would have been around $7.7 million. Clearly there is much work to be done in this area to ensure that Leeton Shire does indeed have sufficient funds available, especially to do key maintenance works as they are needed in the future.

Figure 25. Total Unrestricted Cash, Cash Equivalents and Investments, deflated by Revenue



Internally restricted money are funds for important purposes crucial to the ongoing sustainability of any government. One of the things that often happens in a council under stress is that the internally restricted cash is reduced at a faster than expected rate. The comparative audited financial data suggests another financial years' worth of nominal declines in this area which might be consistent with precisely this kind of behaviour. It might also be noted that the Employee Leave Entitlement (ELE) internal reserves were a matter which we investigated in some detail as part of our LTFP work – we can confirm that future ELE allocations (FY2026 onwards) will be made in line with best practice for the sector.

Figure 26. Total Internally Restricted Cash, Cash Equivalents and Investments, deflated by revenue



Figures 27 and 28 continue to illustrate the key problem that we sought to emphasise in the June 2025 University of Newcastle report – Leeton Shire Council is attempting to provide above typical expenditures with typical or below typical revenues. The dismal reality of arithmetic means that this is not sustainable. We note that revenues at Leeton in FY2025 were up materially for child-care as well as Transport for NSW works which saw an overall uplift to the median position for the peer group, in this particular domain. However, expenditures accelerated significantly over the same period and now stand well above typical levels. Clearly this path is not sustainable.

Figure 27. Total Expenditure per Assessment ($000)

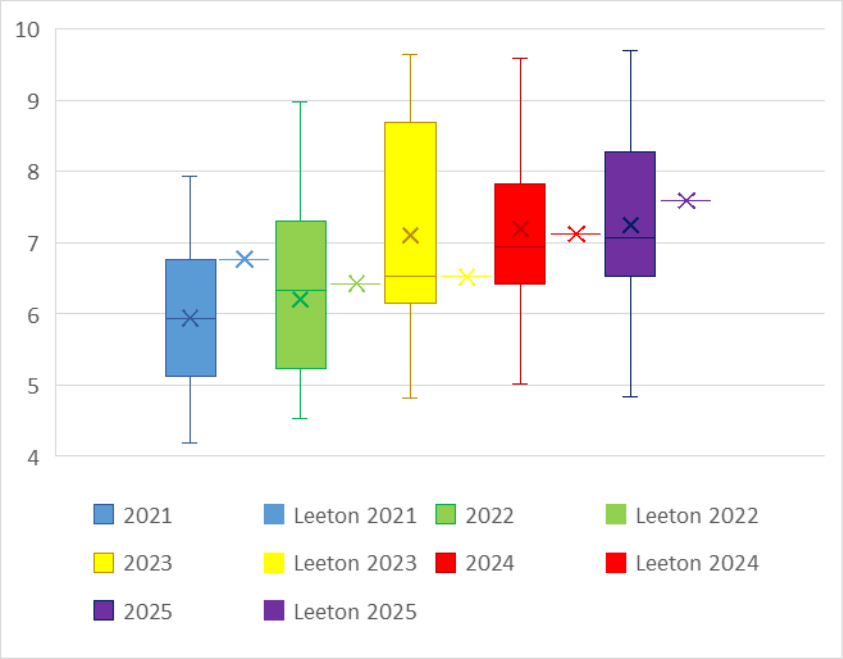
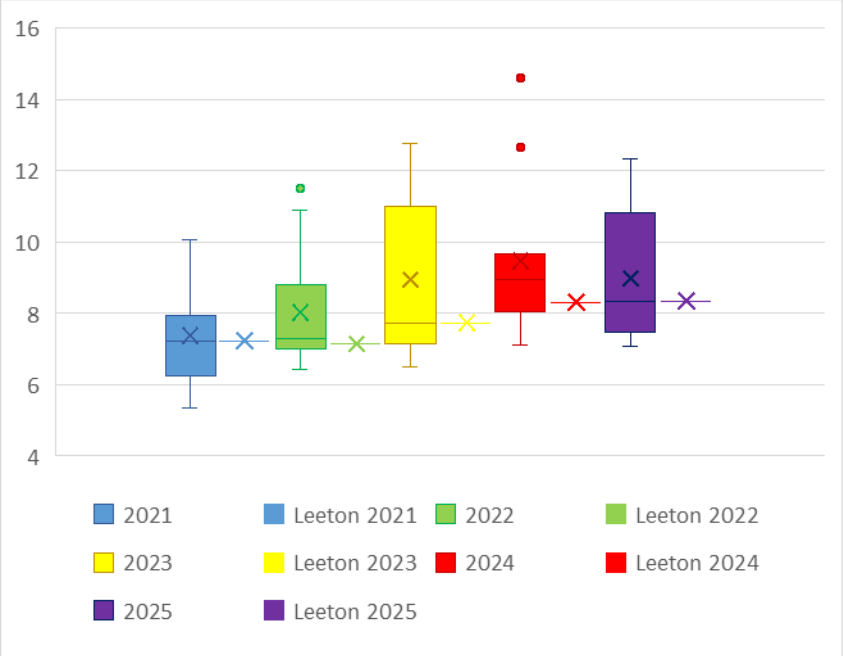
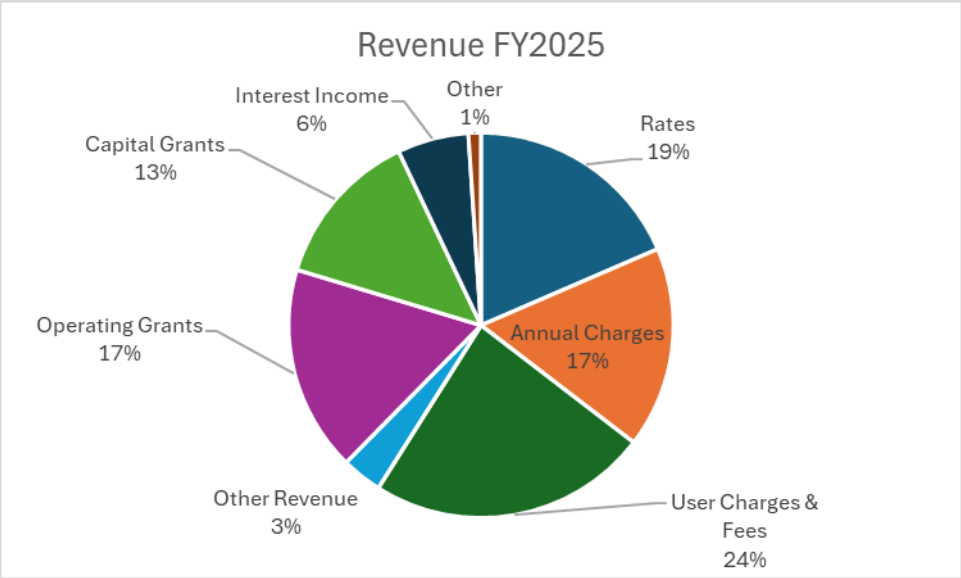


Figure 28. Total Income per Assessment ($000)



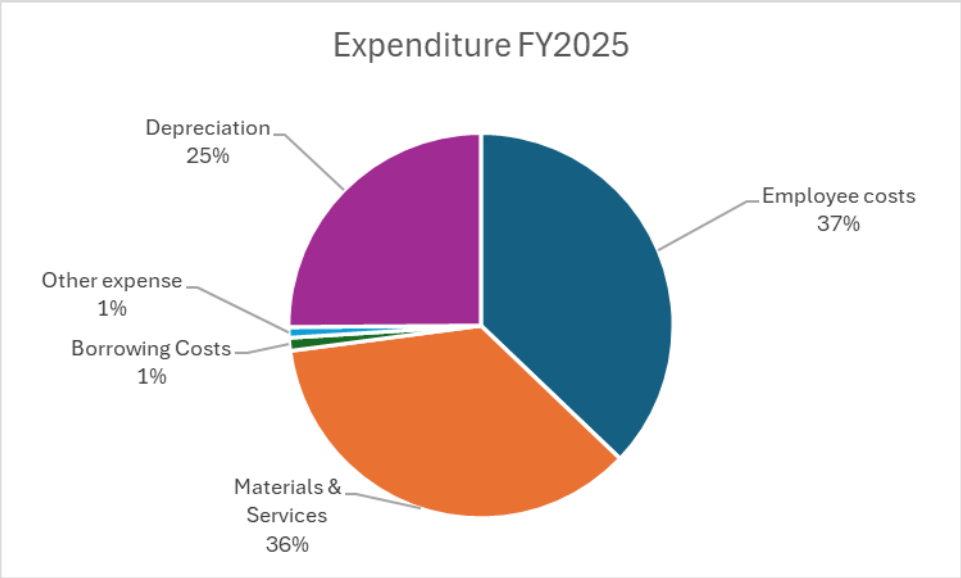
The aforementioned uplift in revenue from childcare and also Transport for NSW explains why the numbers for the pie chart of revenue components have changed marginally for FY2025. However, rates continue to provide less than a fifth of revenue for Leeton and this is at odds with what one typically finds in the rural part of the sector.

Figure 29. Leeton Revenue Components, FY 2025.



Marginal changes have also occurred for the expenditure components chart recalculated with FY2025 data. Our earlier comments regarding employee costs, and new borrowings explain most of the changes that can be observed.

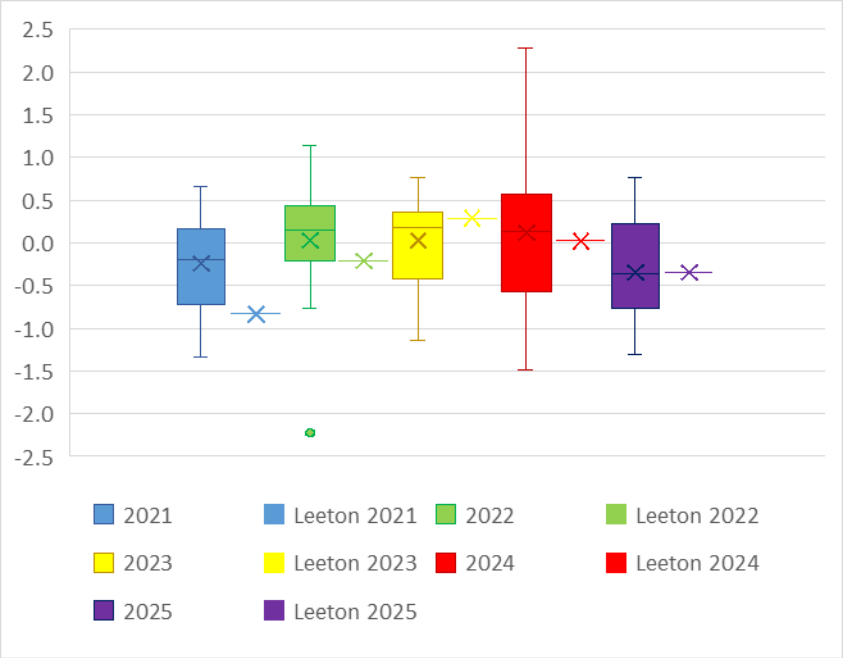
Figure 30. Leeton Expenditure Components, FY2025.



In Figure 31 we present the operating result after excluding the confounding influence of capital grants. Results overall are not good, and it seems that Leeton Shire has again slipped into the concerning negative territory it occupied in both FY2021 and FY2022. Overall, for the period the nett operating result has moved even more firmly into a nett deficit per ratepayer, and this does not augur well for either intergenerational equity or financial sustainability. Perhaps even more

concerning is the projected outcomes in the Long-Term Financial Plan (LTFP) moving forward. Clearly the revenue-expenditure profile of council needs to change promptly to avoid a serious problem, and an SV is certainly part of the story (as will be additional future savings).

Figure 31. Nett Operating Result Without Capital Grants, per assessment



Efficiency analysis, as one might reasonably expect, is a key part of both the SV work that we ordinarily do and also the SV application to IPART. Because of recent health problems, Professor Drew will not be doing all of the efficiency and other work related to this Special Variation[3].

Data envelopment analysis (DEA) is a linear programming[4] technique that allows for the robust evaluation of efficiency with which multiple inputs are converted into multiple outputs (as per the economic definition). As such, DEA is far more consistent with the economic definition of technical efficiency than are the more common single input output ratios that are usually employed. The specification for the work that we produced is as follows:

Staff ($) + operating expenditure ($) → residential (no.) + farm (no.) + business (no.) + sealed roads (km) + unsealed roads (km).

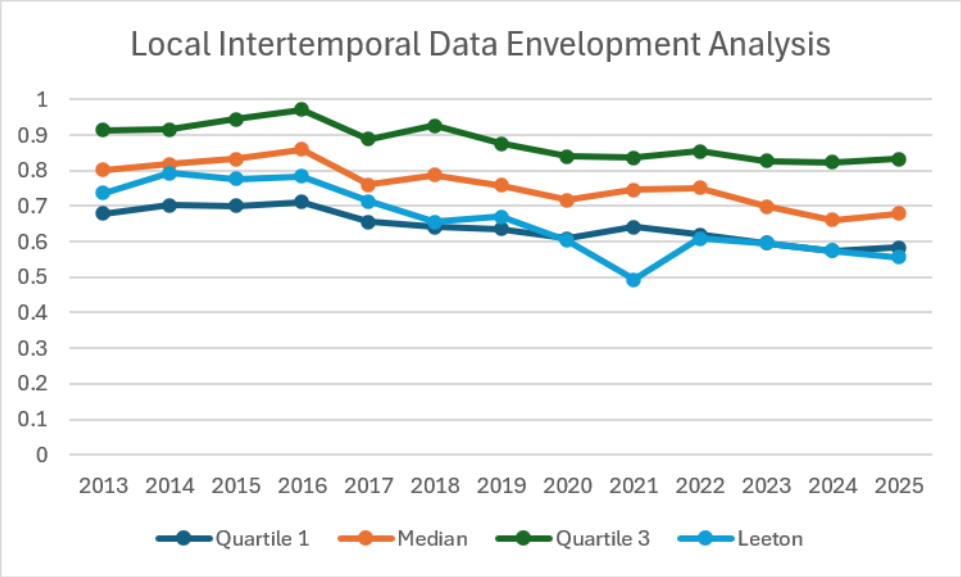
[3] Professor Drew recently suffered a stroke which will require some time to get over. Accordingly, he will not be able to travel down to Leeton to present to the community nor do the full gamut of work previously supplied on behalf of the universities that he has worked for. The Leeton Special Variation was always to be the last that we ever intended to engage in – what we were seeking to do for this engagement was merely to satisfy the commitments made to the community when we worked for the University of Newcastle, so that the community would not be disadvantaged by Prof Drew's medical retirement.

[4] Linear programming is a mathematical technique that can be employed when multiple feasible solutions exist in a mapped function responsive to introduced mathematic constraints. It is iterative in nature and therefore requires significant levels of computing power.

We conducted a similar local intertemporal DEA for Leeton on behalf of the University of Newcastle last calendar year, and we encourage users of this present report to refer to the aforementioned document for additional details regarding methodology. The DEA that we present herein is an input-orientated, variables return to scale assessment as per the previous work referred to already. Suffice to say that local intertemporal DEA is the gold-standard of efficiency analysis that might be applied to an SV application.

In Figure 32 we present the DEA, updated by the additional financial year. Recall that relative scores are censored at both zero (which would be perfectly inefficient) and 1 (perfectly efficient). Thus, the relative technical efficiency (TE) outcomes illustrated below demonstrate a decrease again for Leeton in FY2025. Indeed, relative TE is now in the lowest quartile with respect to the eighty peer councils.

Figure 32. Local Intertemporal Data Envelopment Analysis of Relative Technical Efficiency



To properly understand this result, one needs to remember that relative TE does not take account of actual services provided, nor service quality, but is instead proxied as per the specification detailed earlier. Having investigated many rural local governments over many years we can confidently assert that Leeton does indeed have both a wider scope of services, and also higher service quality (as per the outcomes of the democratic process stretching back into the past). In particular, the support provided for a number of not-for-profit groups, the golf club, the museum & art gallery, as well as the early childhood education, whilst common, is by no means universal amongst similar rural local governments. Moreover, the standard of services and level of support for the aforementioned is greater than what we have typically observed elsewhere. Furthermore, Leeton's support for the arts – including the Roxy Theatre – is at a level quite uncommon amongst the peer group. If the Leeton community wishes to have these services and associated expenditures that have evolved through the democratic process over time, then relative technical efficiency is likely to appear poor *ceteris paribus*.

It is important to note that our extensive observations and investigations of *other* operations at council confirms that they are good in a relative sense overall and staff should be congratulated for their extraordinary contributions to the community. However, there is no getting away from the fact that we need to lift efficiency in typical operations even further if the community wishes to also have access to broad and high-level non-typical services at a tax price commensurate with the peer group (after an SV).

Further, extensive envelope analysis suggests that the reduction in inputs required to move Leeton a more typical level of technical efficiency – a reasonable objective – falls somewhere in the range of $1.1m through to $1.2m depending on the precise combinations of efficiencies (staff or other operational spending reductions, or even perhaps increased output) used. Notably, multiple models were trialled, as well as sensitivity analysis, to produce the robust estimate just mentioned.

2. Additional Regression Work Not Typically Provided in Analysis of Sustainability

Before becoming further incapacitated Professor Drew conducted some fixed effects panel regression work that would have been used as a central feature of our Efficiency and Liabilities reports. Because this work is already at hand[5] – and further extensive reports contrary to medical instructions – we *briefly* present results below.

To properly understand fixed effects regression, we refer readers to the *Capacity to Pay Report* already written and also the previous University of Newcastle report. Readers should note that the results below have been thoroughly investigated and are supported by Professor Miyazaki as well as the Research Assistant (who has a Master's in econometrics as well as a PhD).

<u>Staff Expenditure</u>

We conducted a fixed effects panel regression for FY2021 to FY2025 inclusive. Standard cost function variables, as per the scholarly literature, were employed as regressors with respect to a staff expense (total staff expenses as per the Income Statement) regressand. We then used the formula thus derived to predict the typical staff expenditure expected of a council with Leeton's precise characteristics as at FY2025. The model predicted total staff expenses of $16.697m for FY2025 which compares favourably to the actual of $15.192m.

We are aware that a number of positions have been filled or added to Leeton's staff profile since 30 June, 2025 – therefore any interpretation of the above modelling should take these new expenses into account. It is also important to be aware of the increase to average staff expenses in FY2025 across the rural local government

[5] Regressions take many days, or even weeks, to do thoroughly including the time required for testing and the production of alternate specification controls. It thus seemed a shame to deprive the community of this extensive and important work already conducted before the current malady. The community has not been charged for the work provided in this particular section.

sector that we detailed in Figure 3, as well as the fact that similar trends are likely to continue for future periods.

Liability Capacity

We conducted a fixed effects regression for FY2021 through to FY2025 inclusive. Standard revenue variables were employed similar to our previous work and what can be found in the CTP report. The regressand was total liabilities because this is much more important than merely the subset of liabilities typically thought about (explicit loans). Otherwise stated, contract liabilities and payables need to be paid just as much as a bank loan. Once the regression was complete, we used the formula thus derived to predict the typical total liabilities expected of a council with Leeton's precise characteristics. The model predicts some $29.768m capacity against an FY2025 actual of $24.969m (FY2026 unaudited is $25.42m). Once again, end users need to be mindful of trends in FY2025 across the rural local government sector, as well as likely future borrowing needs. We are also aware that additional liabilities have been accrued since FY2025 and that there is a loan request with TCorp currently under review – all this will also need to be factored in when interpreting the modelling and actuals.

3. Recommendation

This work marks the completion of our revised commitments to the community of Leeton and the very last report we ever intended to do with respect to any Special Variation[6]. We confirm that our withdrawal from this project was solely according to a recent deterioration to health. We are absolutely convinced that it is indeed in the community's best interests to get behind a prudent Special Variation as well as the proposed savings measures, changes to Hardship Policy and the like. We understand that council staff will complete the project and have faith in their ability to do so thoroughly and at the highest standards. We would ask that the community listen carefully to the case that is being put before them, assess the evidence objectively and think deeply about the best interest of the community moving forward. Evidence and good reasons are the only way to get to good decisions and outcomes; we therefore strongly commend same to the residents and ratepayers at Leeton.

[6] This work was conducted only to honour the commitments made to the community by the University of Newcastle where Prof Drew worked prior to his medical retirement.