

SHOULD SHARE  
THE

# RESOURCING STRATEGY

Part B

*Long Term Financial Plan*

At Sutherland Shire Council we do more than serve our community - we are our community.

We understand that our natural landscapes - the bays, beaches and bush - and our love of outdoor living gives us a unique energy that sets us apart from anywhere else.

This translates into an active community - and a living energy - that propels us forward.

To align our culture to our community we are active, evolving, respectful and collaborative - this energy can be seen in everything we do. From having a can-do attitude, to embracing opportunity and change, being people-centred and working together as one.

That's why Sutherland Shire is a place for life - its vibrancy brings people to life and makes it a place they want to stay forever.

It's our role to enhance the spirit of our area and its people.

Prepared by Sutherland Shire Council  
in consultation with the Sutherland  
Shire community.

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**SUTHERLANDSHIRE**



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# WHY AM I READING THIS DOCUMENT?

# WHERE DOES THIS STRATEGY FIT?

If you are reading this document today, you are someone who cares about the future of your community.

The financial strength <sup>1</sup> and sustainability <sup>2</sup> of Sutherland Shire Council provides a foundation and is an enabler for the Council to provide services and infrastructure desired by the community today and in the future.

The principles and strategies set out in this document will guide decision-making within Sutherland Shire Council. This will help Council achieve sustainable service provision for the local community, meeting the commitments outlined in the Delivery Program and contributing towards the community vision.

The Finance Strategy and Long Term Financial Plan (LTFP) are key components of the Sutherland Shire Council Resourcing Strategy.

As the name suggests, the Resourcing Strategy demonstrates how Council will resource through time, money, people and assets, its contribution towards the community’s aspirations.



<sup>1</sup>The ability to manage financial risks and effectively acquire and manage a portfolio of financial and physical assets to meet the current and future needs of the community.

<sup>2</sup>A local government will be financially sustainability over the long term is when it is able to generate sufficient funds to provide the levels of service and infrastructure agreed with its community.



## OUR PURPOSE

*To create a thriving community of active lives connected to nature.*

## OUR VALUES

**Active** – we have a can-do attitude and believe in delivering a positive contribution to our community

**Respectful** – we act with integrity and listen to all, operating in a transparent way that values what makes the Shire special.

**Collaborative** – we see ourselves as being one with the community, and build strong connections based on an open and understanding approach.

**Evolving** – we embrace opportunity and change, championing new ideas and providing creative solutions to problems.







# FINANCIAL PRINCIPLES

The principles outlined below serve to guide decision-making and as a basis against which the financial strategies can be tested, reviewed and updated.

## ★ VALUE

A balanced approach through efficient, effective and economic use of funds.

In a traditional business sense, value is created when capital raised from investors is used to generate future cash flows at rates of return exceeding the cost of capital. This eventuates in a dividend to the shareholder.

This makes sense, but how does it translate to local government? If we see our residents, ratepayers and service users as our investors, then our dividend could be considered to be the combination of services that contribute to a quality of life for our community. Real value is when service levels meet our investor's demand and willingness to pay and desired quality of life is achieved.

## ★ EQUITABLE

Revenue generation and resource allocation must be fair and reasonable.

With a resident population of over 227,000 and a diverse demographic, individual values and priorities will differ. The impact of infrastructure investment and local planning decisions spans generations. A fair and reasonable approach to financial decisions is required.

## ★ ENGAGED

Our community is engaged in Council's financial management.

Our community has a higher than benchmark satisfaction score with Council's financial management; however there is a gap between the importance indicator and the satisfaction indicator which signals an opportunity to better engage the community in the financial management of Council. The community has a strong pride in its local area and would like to ensure local community views are considered in decision making.

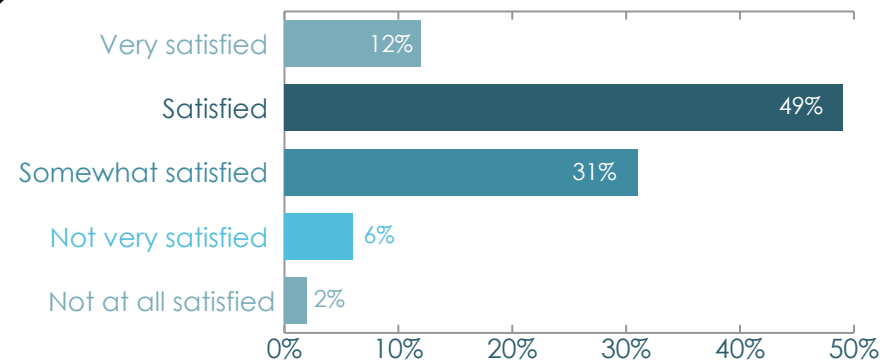
## ★ SUFFICIENT

Revenue and expense levels support desired service levels and long term goals.

In the 2016 Community Survey, overall, 92% of residents are at least 'somewhat satisfied' with the performance of Council – and the mean score of 3.62 out of 5 is significantly above our NSW benchmark – and somewhat above our metro norm.



## SUFFICIENT



This tells us that the residents of Sutherland Shire value the quality of services that they receive and are accustomed to. In order to meet these service standards, Council needs to ensure that budgets for operations and infrastructure are sufficient. Revenues also need to be sufficient to meet long-term investment needs.

### ★ FLEXIBLE

A financial planning framework that allows for opportunities and changing circumstances.

A Council with strong financial health can respond to the changing demands of its community. It is able to take advantage of opportunities that are presented and at the same time, is also able to withstand financial shocks by having adequate resources for the unanticipated.

### ★ TRANSPARENT

Information about how Council manages its finances is available and accessible to our community.

In the 2016 Community Survey, the largest performance gap was recorded for 'long term planning for the Shire'. The gap for this attribute – along with 'financial management' – may be in part a function of the community engagement issue discussed above

## FINANCIAL STRATEGY

This strategy is focused on seven key areas which influence financial strength and sustainability.



### OBJECTIVE 1:

To manage and invest in our existing asset portfolio to ensure best value infrastructure provision for current and future generations.

Ref	What will we do?	Why?
1.1	We will invest in existing infrastructure renewal in accordance with long term asset plans.	Council's Asset Class Management Plans set out priorities for capital renewals in order to maintain appropriate levels of service to the community over the long term. Deviations from these plans can lead to unexpected asset failure, additional costs and reduced service levels.
1.2	When investing in the renewal of assets, consideration will be given to current and future demand.	Change is constant. The way we work, live and play continues to change and to remain a progressive local government area; we must challenge the status quo to ensure best value. We do this by pausing and consider our re-investment in assets. Are they the same priority they once were? Have the needs of our customer base evolved? Are there new ways of providing the service that may create better value? Will our investment be future proofed and valued over time?
1.3	We will consider divestment and/or consolidation when reviewing asset holdings.	The investment in assets managed by Council should be considered an opportunity cost of a competing asset, investment or service level. Divestment and/or consolidation can free funds for infrastructure renewals or new infrastructure demands of the community.
1.4	We will undertake a thorough business case for renewal of significant infrastructure giving consideration to life-cycle costs.	By undertaking a full business plan for significant asset re-investment, the merits of projects can be compared and resource allocation can be made on an informed basis.



## OBJECTIVE 2:

To ensure investment in new assets is financially viable and aligned with the community's priorities.

Ref	What will we do?	Why?
2.1	We will invest in new infrastructure in accordance with long term asset plans.	By following Council's Asset Class Management Plans, capital investment will be aligned to the community's highest need and assessed against competing demands. In doing so, Council should maintain a degree of flexibility to respond to emerging opportunities.
2.2	We will undertake a thorough business case for investment in new infrastructure giving full consideration to life-cycle costs.	By undertaking a business plan for new infrastructure, the merits of projects can be compared and resource allocation can be made on an informed basis. Consideration will be given to environmental, social and economic strengths and weaknesses.
2.3	We will consider emerging opportunities and evaluate against existing priorities.	As a progressive Council, we will remain open and flexible to emerging opportunities including innovative ways of providing services through infrastructure, partnership opportunities and changing demands. In taking this approach, Council will maintain the community's long term vision and evaluate these opportunities against existing priorities.
2.4	A transparent decision making process through documentation and communication for new asset investment will be undertaken.	Council is committed to engaging with the community and will be open and accountable for decisions made. Processes for identifying and prioritising new asset projects will provide Council, staff and the community a clear and consistent understanding of decisions for investment.



## OBJECTIVE 3:

To utilise borrowings strategically to support Council's financial strength and sustainability.

Ref	What will we do?	Why?
3.1	We will not borrow to fund operational expenditure.	Borrowing to fund operational expenditure will worsen Council's financial position and should not be considered in any circumstances.
3.2	We will consider borrowing as a strategy to fund infrastructure costs where it is considered advantageous to meeting the community's needs and will enhance intergenerational equity.	As a provider of services from long-lived infrastructure, we must maintain ongoing service levels as well as accommodating growth and provision of new infrastructure. Infrastructure costs are lumpy in nature and it may not be possible to levy taxes and charges on an intergenerationally equitable basis without making use of debt.
3.3	Borrowing costs will be included in life-cycle costing for infrastructure when considering use of debt.	In considering the use of borrowings to fund infrastructure, interest costs will be considered within the life-cycle costing for the asset and included for consideration within business case modelling where appropriate.
3.4	Borrowings will be considered for income generating infrastructure.	Where demand for infrastructure is such that anticipated income generation is expected to fund lifecycle costs, borrowings are an effective way of ensuring available cash remains prioritised towards asset renewal priorities.



## OBJECTIVE 4:

To leverage grant opportunities to facilitate community priorities and assist council's financial capacity.

Ref	What will we do?	Why?
4.1	We will actively pursue grants to achieve community priorities.	Council is limited in its ability to increase its revenue. Grant income provides an opportunity to secure additional revenue to support infrastructure development and service delivery.
4.2	We will ensure ongoing funding needs associated with grant funded projects are considered and planned for prior to accepting grants.	Whilst grants provide an additional income, care should be taken to ensure the benefits associated with the initial income injection are not outweighed by unplanned ongoing costs.
4.3	We will actively explore opportunities to reduce reliance on Financial Assistance Grants for the purpose of funding ongoing operational expenditure.	Council receives over \$4.764 in Financial Assistance Grants each year. In recent years, these grants have either reduced through reallocation to more "in-need" rural Councils, or have been frozen through Federal Government budget processes. Through the process of Local Government Reform, it is possible that future changes to the allocation of these grants could significantly reduce or remove completely the receipt of this funding source.
4.4	We will develop guidelines to ensure grants and contributions provided are consistent with priority outcomes.	Council has limited funding and it is important income generated through rates and charges are used to fund the services and facilities needed by the community.



## OBJECTIVE 5:

To ensure funding is effectively allocated to facilitate programs and services that are valued by residents.

Ref	What will we do?	Why?
5.1	Services and service levels will be aligned with the community's priorities and reviewed regularly.	Council is committed to ensuring good value in service provision. By regularly reviewing service priorities, service levels and related operating costs, we ensure alignment to the community's priorities and effective use of public funds.
5.2	Anticipated or possible future changes in operating income and expenditure will be considered in long term financial planning.	Council must consider the possible long term impacts and or opportunities of changes to revenue and expenditure within the operating budget. This will be undertaken through a sensitivity analysis and scenario modelling through Councils Long Term Financial Plan.
5.3	Council and administration will develop a strong understanding of the full financial cost of service.	It is critical that decision-makers have a comprehensive understanding of the full cost of service provision. To ensure more informed decision-making, financial systems will continuously be improved to allow ease of reporting and timely financial data. By understanding the full cost of service, Council will be better positioned to ensure service levels and revenues remain in balance.
5.4	We will foster a culture of continuous improvement in service delivery to ensure best value in service provision.	The way we deliver services will be continuously reviewed. On occasions, a larger up front cost may be required to implement an improvement that will both improve service delivery and reduce costs over the long term. Funding of these initiatives will be considered with a view to long term gain and not be isolated to one financial year.





## OBJECTIVE 6:

To ensure rates levied are sufficient to meet the community's short and long term service level and infrastructure needs.

Ref	What will we do?	Why?
6.1	The rates levied will reflect the infrastructure, services and service levels that the community believes are important.	Over 60% of Councils income is generated through the rating revenue and as such, it must be sufficient to meet the community's service level needs. Council will ensure engagement strategies are in place to guide a rating strategy that facilitates investment priorities and funding preferences.
6.2	Information on Councils rates will be open, informative and understandable.	Our community wants to be informed and engaged. By providing easy to read information about their rates, they can better appreciate the value they receive for their rates dollars.
6.3	We will advocate for legislation and regulation that promotes an equitable rating system.	The current legislation provides exemptions for a number of property categories based upon status of ownership and/or use. In many instances, this position is not consistent with the value of services provided by Local Government to occupiers of these properties.



## OBJECTIVE 7:

To create diversity and greater equity in income generation practices to ensure the community's short and long term service level and infrastructure needs are met.

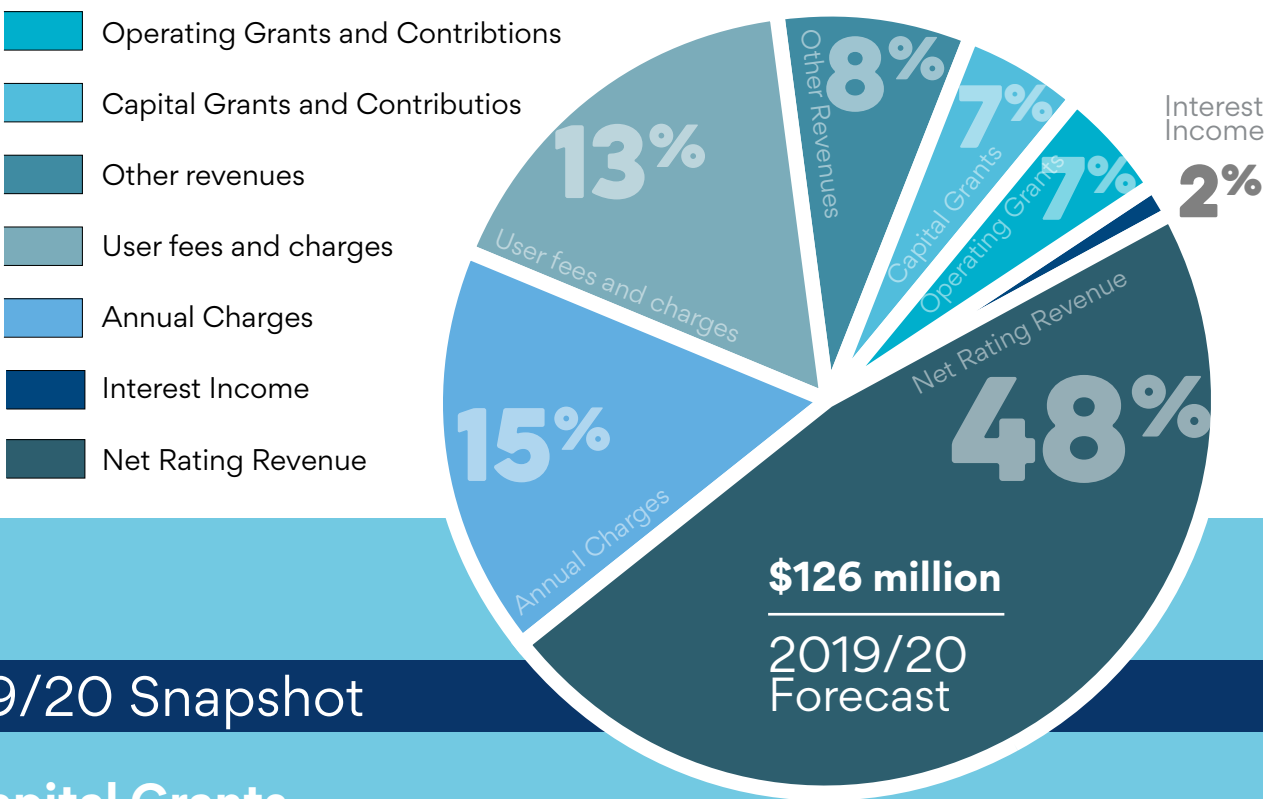
Ref	What will we do?	Why?
7.1	Ongoing or new service levels will be supported by user charges and fees on the basis that everyone will pay a fair amount for the benefit they receive.	All services should be reasonably accessible by all residents, however it is recognised that some council services are used and valued by some more than others, including non-residents. Council will consider implementing user charges and fees at market rates or to recover some or all of the cost of service delivery as a means of generating a more equitable and diverse revenue policy.
7.2	Information on Councils user charges and fees will be open, informative and understandable.	Our community wants to be informed and engaged. By providing easy to read information about fees and charges, they can better appreciate the value they receive for their money.
7.3	Council will support all ratepayers in assisting with suitable payment arrangements to meet their needs.	<p>To support all ratepayers, Council will offer flexible payment arrangements, allowing for periodic payment of rates, including the waiving of interest where payment arrangements are satisfied, to minimise the impact of rate increases. Council does not undertake recovery action in these situations.</p> <p>For eligible pensioners, Council provides the mandatory rebate of \$250 as well as an additional \$105 voluntary rebate. Deferral arrangements are also offered to eligible pensioners. Council does not pursue recovery action against pensioners under any circumstances.</p>



# OUR LONG TERM FINANCIAL PLAN - MODEL 2

The Long Term Financial Plan (LTFP) provides a tool to demonstrate the long term financial performance of Council based upon current service provision.

The plan provides a base upon which Council can assess the long term financial impacts of decisions made. The plan extends for a period of ten years.



Revenue for operating purposes: 2019/20 Snapshot



Net Rating Revenue  
**\$126 million** 48% OF TOTAL REVENUE

Annual Charges  
**\$41 million** 15% OF TOTAL REVENUE

User Fees & Charges  
**\$36 million** 13% OF TOTAL REVENUE

Operating Grants & Contributions  
**\$18 million** 7% OF TOTAL REVENUE

Capital Grants and Contributions  
**\$20 million** 7% OF TOTAL REVENUE

Interest Income  
**\$5 million** 2% OF TOTAL REVENUE

Other Revenues  
**\$20 million** 8% OF TOTAL REVENUE

Total Operating Income Budget  
**\$266 million**





# ON WHAT DO WE BASE OUR FINANCIAL ASSUMPTIONS?

The Long Term Financial Plan (LTFP) has been formulated using the budget data that will form the basis for the 2019/20 Operational Plan.

Two long term financial models have been developed:

- Model 1: Base Scenario representing business as usual with efficiencies
- Model 2: Budget balanced through increase to minimum rates and efficiencies

The assumptions for each are contained in the following commentary, and full details of the models are provided from page 30 onward.

## INFLATION

The Consumer Price Index (CPI) measures changes in the price of a fixed 'basket' of goods and services as a way of determining how much inflation is occurring in the economy. The CPI is published by the Australian Bureau of Statistics (ABS).

The underlying CPI drives a number of revenue and expenditure items in the LTFP.

## RATE INCOME

Council's capacity to generate rate income is controlled through rate pegging. The rate peg caps the percentage by which Council can increase its overall annual rates revenue. The rate peg is set by the Independent Pricing and Regulatory Tribunal (IPART).

Council has based the estimates for future years on a rate peg of 2.5% for most years, with 2019/20 estimated at 2.7%, being the rate pegging limit already determined by IPART. In Model 1 the rate pegging estimate alone has been applied, however for Model 2, increases above this level have been applied in 2019/20, equivalent to the proposed increase in minimum rates. Rate increases included in the various models are:

	2019/20	2020/21 onwards
Model 1	2.70%	2.50%
Model 2	8.84%	

In addition to the rate increases generated from these increments, revenue will increase through the addition of new properties developed within the Local Government Area.

Within the long term financial plan, income estimates have been included for the following developments:

- Woollooware Bay (Cronulla Sharks)
- South Village (Kirrawee Brickpits)
- Miranda Precinct (Pinnacle Street/University Road)

Along with an estimate for other smaller approved developments. Both the mandatory and voluntary pensioner rebates that are offered by Council have been maintained throughout the LTFP, with a growth increment of 1.00% each year to reflect growth in the aging population.







### ANNUAL CHARGES

- The Domestic Waste Management Charge**  
 The revenue raised from this charge must only be used to fund the service provided. Revenue is not pegged but aligned to the cost of service. The LTFP has considered domestic waste expenditure requirements and has maintained domestic waste charges at existing rates, until at least 2023/24 under either of the two models.
- The Stormwater Management Charge**  
 Introduced in 2006/07 to address stormwater infrastructure needs, the level of this charge is prescribed under legislation. With no increase to the individual property charge since its inception, it has been assumed within the LTFP that there will be no scope to increase this charge in line with inflation or other costs. It is forecasted that revenue will only increase in line with the number of new assessments under both models.

### USER FEES AND CHARGES

User Fees and Charges are reviewed by Council every year with the annual Operational Plan and Budget. There are two categories of fees:

- Regulatory,**  
 which are generally set by State Government legislation and Council has no control over the level set, and
- Discretionary,**  
 which Council has the capacity to determine.

The majority of statutory charges do not provide for an annual increase, however some fees are charged on the basis of a percentage of the construction costs of a development. The income from these charges is expected to increase by CPI annually, following a significant reduction applied to 2019/20 to reflect the slowing of the housing market.

Pricing increases in business units operating in competition to the private sector will consider market pricing when setting the annual user charges and fees, this will be reflected in revenue projections.

It is assumed other services provided will continue on the same pricing basis as prior years. Increases are based on the forecast rise in the cost of provision of these services. These costs represent the average of expected labour costs and materials cost increases.

Income from fees and charges is consistent across both models.

### INTEREST INCOME

Council invests surplus cash in accordance with the Ministers Investment Order and the Council's Investment Policy.

Interest rates are currently at historically low levels, however this is expected

to slowly reverse from 2019/20, with marginal increases applied across all years of the LTFP using expected future rates for 90 day bank bills and movements in the cash rates.

Movement in cash reserves have also been taken into consideration for the forecasts which result in different levels of income under each of the models.

### OTHER REVENUES

Other Revenues include lease rental income from Council's property portfolio and regulatory fines, along with the recognition of unrealised value increases in the investment properties.

Increases in the revenue generated from this category have again been set in line with CPI.

Increases relating to the value increases for investment properties have been included at 3.12% each year.

This is consistent across both models.



## OPERATING GRANTS AND CONTRIBUTIONS

It is assumed all recurrent operating grant funds will be maintained at current levels with CPI adjustments with the exception of Financial Assistance Grants provided by the Federal Government and pensioner rates rebates granted by the NSW State Government.

Based upon the formula on which Financial Assistance Grants are distributed and the low population growth in comparison to other Local Government Areas, this grant has been forecast at a rate of 1.00% annually across the term of the LTFP.

Pensioner rates subsidies do not increase in value, however in recognition of the ageing population, an increase of 1.00% has been applied annually across the term of the LTFP.

As part of the agreement with SUEZ Recycling and Recovery, in relation to excess tonnage being deposited at the Lucas Heights facility, a payment will be made to Council for waste deposited above a certain level. This payment commenced in 2017/18 at around \$56,000. This is expected to increase to around \$82,000 in 2019/20 and then \$210,000 in 2021/22. Following this the annual increase will be in line with CPI, forecast at 2.50%.

This is consistent across both models.

## CAPITAL GRANTS AND CONTRIBUTIONS

The total value of specific capital grants varies significantly from year to year, depending upon the level of capital works undertaken or specific projects anticipated. The levels included in the LTFP remains relatively constant from 2020/21 due to the limited information in relation to potential grants. Grants included are for expected recurrent programs. Grant movements are generally compensated by expenditure movements.



There are three specific sources of capital contributions included in the LTFP:

- developer contributions received under section 94 of the Environmental Planning and Assessment Act, and
- contributions received under the SUEZ Recycling and Recovery (SUEZ) voluntary planning agreement, and
- infrastructure dedication as part of a voluntary planning agreement or land subdivision.

Developer contributions have been included in line with development expectation. Following gazettal of the LEP, significant development commenced which will generate a high volume of contribution. Whilst the contributions have been recognised in line with expected timing of the developments, this may vary depending on actual commencement of these developments. The contributions are managed in a register by each Contribution Plan and are earmarked as planned commitments for future works and property acquisitions. Estimates are also recognised for future cash inflows from future developments.

Council recently signed a Voluntary Planning Agreement with SUEZ that will see the extended useful life of the Lucas Heights facility, for which the company will contribute \$100 million over the fifteen years from 2017/18 to 2031/32 for infrastructure provision. The first of these contributions (\$15 million) has been received and the remaining contributions to be received over the duration of the LTFP have been included in accordance with the schedule incorporated in the Agreement.

Council also receives infrastructure dedications as part of Voluntary Planning Agreements and subdivisions. These have been included in the LTFP based on the estimated timing of the transfer to Council. The most significant of these dedications relate to the Greenhills development that will see the final transfer occur in 2021/22 and the South Village (Kirrawee Brickpits) development where a large section of open space will be transferred to Council in 2020/21.

## GAIN ON SALE OF ASSETS

This income refers primarily to the difference between the sale price and the written down or book value of land and property assets on disposal.

No gains have been identified in either model.

## EFFICIENCY DIVIDEND

To recognise the requirement to find additional funding for Council's ongoing operations and infrastructure, an efficiency dividend has been included in the LTFP.

This efficiency dividend will be the result of a review of Council operations to see how services can be provided more efficiently through things such as improved processes or implementation of new technologies.

The efficiency dividend has been set at 1.25% of Council's operating costs, excluding depreciation and loss on sale of assets. It will commence in 2019/20 and be repeated every four years. The initial efficiency in 2019/20 will be \$2.6 million and have a cumulative impact of \$53.8 million over the period of the LTFP.

As the breakdown of the efficiency dividend has not yet been determined, for the purpose of the LTFP, the \$2.6 million in 2019/20 has been allocated between employee costs, materials and other expenses.



## EMPLOYEE COSTS

Increases in employee costs comprise three components:

- salary and wage award and performance review increases, and
- movements in employee leave entitlements, and
- superannuation costs.

Employee costs are projected in line with the organisational staffing structure and supports existing service levels. These costs are forecast to increase in line with estimated award increases.

Employee leave related estimates are reflective of Councils ageing workforce and anticipated retirements and leave patterns, with the projected level of increase set at 3.00% over the term of the LTFP.

Superannuation contributions are projected to increase in line with employee costs until 2021/22 when the contribution rate will rise by 50 basis points each year until it reaches a ceiling of 12.00%.

Council is party to an Industry Defined Benefit Superannuation Plan. In 2009 the Scheme advised member councils that, as a result of the Global Financial Crisis (GFC), it has a significant deficiency of assets over liabilities. As a result, the scheme asked for significant increases in contributions to fund the deficiency. The Council estimates these contributions will be required for 2019/20 at \$1.015 million per annum. This is expected to increase at 5.00% per annum for the following two years when this contribution is expected to be reduced significantly (50.00%).

The efficiency dividend outlined previously has been partially allocated against employee costs.



## BORROWING COSTS

Council's outstanding debt and debt service ratio provides substantial scope for future borrowing. Council has not committed to any further borrowings in either model, other than \$1.286 million in 2020/21 to support the Accelerated Replacement - Residential Roads LED Lighting Project which will see street lights replaced with LED lighting. All borrowing costs included within the LTFP are in accordance with existing loan schedules and finance leasing commitments.

## MATERIALS AND CONTRACTS

An increase in expenditure on materials and contracts has generally been based upon Consumer Price Index (CPI) for existing service levels.

An adjustment above CPI has been made for operational costs associated with new infrastructure. Estimates have been included within the LTFP for operations and maintenance for Greenhills playing fields and South Village open space.

Similarly, increases in the number of properties serviced by the Domestic Waste Service as a result of development have contributed to additional cost and these have been factored in to the LTFP. Such increases will generate additional income and this has been considered as well.

Council is required to undertake dredging works at Sylvania Waters. An amount of \$2.6 million has been included in both models for the completion of the dredging works commenced in 2018/19. An allowance

has also been included for the works to be undertaken again in 2026/27.

Through the development of the Asset Class Management Plans, a number of other allocations have also been increased to meet Council's forward obligations, including operational expenditure requirements for new assets.

Increased operational costs relating to the Sutherland Entertainment Centre major refurbishment (in both models) have been included in the LTFP.

Another major variation to the uniform application of the CPI is in relation to the local government election which occurs every four years and costs in excess of \$1.0 million to undertake. Although Council does provide for these elections each year to minimise the cash flow impact, the actual cost incurred in the year of the election is shown as an expense in that year.

The efficiency dividend outlined previously has been partially allocated against materials costs.



## DEPRECIATION

Depreciation is a major expense item representing the estimated value of the deterioration and consumption of Council's fixed assets over a financial year. The value of depreciation is calculated by taking the total value of each Council fixed asset class, including regular revaluations, divided by that asset class useful life.

Best practice requires Council to spend at least the equivalent of the depreciation value each year on renewal of the existing asset base to ensure service levels are maintained.

Depreciation levels need to be as accurate as possible as this item can impact adversely on the Operating Statement result. Council has recently revised the life span of most of the asset classes to better reflect annual consumption, hence more accurately reflecting depreciation in the financial statements.

A significant revaluation of Council's major asset classes (buildings, transport assets and stormwater) was undertaken as part of the year end processes for 30 June 2017 and again in 2018. This was undertaken in preparation for the community engagement and Council's methodology was audited by an external consultant. A substantial increase in both asset value and related depreciation resulted. Periodic asset revaluations have also been considered and included in the LTFP.

## OTHER EXPENSES

As with Materials and Contracts, Other Expenses have generally been projected at the CPI of 2.50% for the term of the LTFP, and service levels considered for new assets.

Electricity and natural gas are large operational expenditure items for Council, and prices have been increased substantially (56%) in the adopted 2018/19 Budget. Future increases have been maintained at CPI.

Adjustments have been included for statutory contributions for NSW Fire and Rescue.

Councils contribute 11.70% of the costs of operating NSW Fire and Rescue. The distribution of costs across the different local government areas is based on land values which in the past significantly disadvantages this Council. Over recent years, with land values changing across the Sydney metropolitan area, our contribution has stabilised somewhat and for the LTFP, the increase set at CPI each year.

The efficiency dividend outlined previously has been partially allocated against other expenses.

## LOSS ON SALE OF ASSETS

This expense refers primarily to the difference between the sale price and the written down value of plant and motor vehicles on disposal, although in previous years such losses have also been recognised in the demolition of buildings (which have been subsequently rebuilt) and sale of minor land parcels (development control strips etc.).

For both models, a notional amount of \$500,000 has been included in each year of the LTFP to account for this expense. There are no significant property asset sales identified under the models therefore there is no offsetting gain on sale.



## CAPITAL EXPENDITURE

All capital expenditure within the LTFP is based upon Council's Asset Class Management Plans (ACMP).

The Council's ACMP's outline the operating, maintenance and renewal strategies for each of the major assets including roads, footpaths, stormwater, buildings and open space.

The ACMP's provide a cost schedule for work required for each asset class at present value costs. While the strategies within the ACMP drive the capital expenditure budget outlined in the LTFP, there is additional expenditure in the LTFP as the ACMP lists costs in today's dollar, while the LTFP takes into account movements in factors such as CPI.

For Model 2 additional expenditure on renewal of assets has been included to sustain the existing service levels funded from the additional rate revenue. This expenditure has not been included in Model 1.

Further to the increased renewal costs, the capital cost for the major refurbishment of the Sutherland Entertainment Centre has been included in both models. Partial funding to provide support to the redevelopment of Caringbah Leisure Centre and Cronulla Plaza has been included in Model 2. These projects are not fully funded and requirements will be dependent upon the final scope of works.



# FINANCIAL ASSUMPTIONS TABLE

	2019/20	2020/21	2021/22	2022/23	2023/24
Consumer Price Index	2.50%	2.50%	2.50%	2.50%	2.50%
Rate Pegging Limit	2.70%	2.50%	2.50%	2.50%	2.50%
Rate Increase (inclusive of Rate Pegging Limit)	2.70%	2.50%	2.50%	2.50%	2.50%
Additional Rate Income from Developments	\$46K	\$490K	\$150K	\$50K	\$30K
Stormwater Management Charge	\$6K	\$12.5K	\$4K	\$1K	\$0.5K
Domestic Waste Charge Revenue	1.92%	1.29%	0.38%	0.13%	0.06%
User Fees and Charges Revenue	0.43%	2.54%	2.66%	2.50%	2.67%
Interest Rates	2.77%	2.84%	3.04%	3.29%	3.38%
Interest Revenue	11.31%	15.18%	11.70%	16.35%	11.48%
Other Revenues	-6.78%	2.21%	2.22%	2.23%	2.25%
Operational Grants and Contributions	-0.82%	2.49%	1.70%	1.71%	1.76%
Capital Grants and Contributions	-15.85%	73.90%	-3.89%	-54.51%	-6.07%
Employee Costs	2.93%	3.24%	2.98%	2.52%	2.44%
Loan Borrowings	nil	\$1.286m	nil	nil	nil
Principal Repayments	\$1.956m	\$1.996m	\$1.869m	\$1.009m	\$0.616m
Interest Repayments	\$0.187m	\$0.150m	\$0.138m	\$0.101m	\$0.097m
Materials and Contracts	-0.41%	1.08%	0.94%	2.55%	-0.17%
Depreciation	-0.21%	2.66%	3.82%	2.43%	2.40%
Other Expenses	2.83%	5.33%	-1.79%	2.60%	1.83%

# MODEL 1

2024/25	2025/26	2026/27	2027/28	2028/29	
2.50%	2.50%	2.50%	2.50%	2.50%	Consumer Price Index
2.50%	2.50%	2.50%	2.50%	2.50%	Rate Pegging Limit
2.50%	2.50%	2.50%	2.50%	2.50%	Rate Increase (inclusive of Rate Pegging Limit)
\$30K	\$30K	\$30K	\$30K	\$30K	Additional Rate Income from Developments
\$0.5K	\$0.5K	\$0.5K	\$0.5K	\$0.5K	Stormwater Management Charge
0.90%	2.68%	2.68%	2.63%	2.63%	Domestic Waste Charge Revenue
2.67%	2.68%	2.56%	2.56%	2.57%	User Fees and Charges Revenue
3.52%	3.62%	3.68%	3.74%	3.83%	Interest Rates
9.92%	9.34%	7.79%	7.64%	9.07%	Interest Revenue
2.26%	2.27%	2.28%	2.30%	2.31%	Other Revenues
1.78%	1.78%	1.79%	1.79%	1.79%	Operational Grants and Contributions
-3.79%	1.81%	-4.71%	-0.14%	0.92%	Capital Grants and Contributions
3.61%	3.05%	2.70%	2.09%	3.28%	Employee Costs
nil	nil	nil	nil	nil	Loan Borrowings
\$0.620m	\$0.625m	\$0.630m	\$0.636m	\$0.641m	Principal Repayments
\$0.095m	\$0.093m	\$0.091m	\$0.088m	\$0.086m	Interest Repayments
4.76%	0.31%	9.29%	-6.43%	4.82%	Materials and Contracts
2.43%	2.47%	2.46%	2.47%	2.45%	Depreciation
2.60%	2.60%	2.59%	1.14%	2.59%	Other Expenses



# FINANCIAL ASSUMPTIONS TABLE

	2019/20	2020/21	2021/22	2022/23	2023/24
Consumer Price Index	2.50%	2.50%	2.50%	2.50%	2.50%
Rate Pegging Limit	2.70%	2.50%	2.50%	2.50%	2.50%
Rate Increase (inclusive of Rate Pegging Limit)	8.84%	2.50%	2.50%	2.50%	2.50%
Additional Rate Income from Developments	\$46K	\$490K	\$150K	\$50K	\$30K
Stormwater Management Charge	\$6K	\$12.5K	\$4K	\$1K	\$0.5K
Domestic Waste Charge Revenue	1.92%	1.29%	0.38%	0.13%	0.06%
User Fees and Charges Revenue	0.43%	2.54%	2.66%	2.50%	2.67%
Interest Rates	2.77%	2.84%	3.04%	3.29%	3.38%
Interest Revenue	14.49%	14.89%	11.63%	16.19%	11.33%
Other Revenues	-6.78%	2.21%	2.22%	2.23%	2.25%
Operational Grants and Contributions	-0.82%	2.49%	1.70%	1.71%	1.76%
Capital Grants and Contributions	-15.85%	73.90%	-3.89%	-54.51%	-6.07%
Employee Costs	2.93%	3.24%	2.98%	2.52%	2.44%
Loan Borrowings	nil	\$1.286m	nil	nil	nil
Principal Repayments	\$1.956m	\$1.996m	\$1.869m	\$1.009m	\$0.616m
Interest Repayments	\$0.187m	\$0.150m	\$0.138m	\$0.101m	\$0.097m
Materials and Contracts	-0.41%	1.08%	0.94%	2.55%	-0.17%
Depreciation	-0.15%	2.71%	3.89%	2.45%	2.46%
Other Expenses	2.83%	5.33%	-1.79%	2.60%	1.83%

# MODEL 2

2024/25	2025/26	2026/27	2027/28	2028/29	
2.50%	2.50%	2.50%	2.50%	2.50%	Consumer Price Index
2.50%	2.50%	2.50%	2.50%	2.50%	Rate Pegging Limit
2.50%	2.50%	2.50%	2.50%	2.50%	Rate Increase (inclusive of Rate Pegging Limit)
\$30K	\$30K	\$30K	\$30K	\$30K	Additional Rate Income from Developments
\$0.5K	\$0.5K	\$0.5K	\$0.5K	\$0.5K	Stormwater Management Charge
0.90%	2.68%	2.68%	2.63%	2.63%	Domestic Waste Charge Revenue
2.67%	2.68%	2.56%	2.56%	2.57%	User Fees and Charges Revenue
3.52%	3.62%	3.68%	3.74%	3.83%	Interest Rates
9.84%	9.25%	7.71%	7.57%	8.99 %	Interest Revenue
2.26%	2.27%	2.28%	2.30%	2.31%	Other Revenues
1.78%	1.78%	1.79%	1.79%	1.79%	Operational Grants and Contributions
-3.79%	1.81%	-4.71%	-0.14%	0.92%	Capital Grants and Contributions
3.61%	3.05%	2.70%	2.09%	3.28%	Employee Costs
nil	nil	nil	nil	nil	Loan Borrowings
\$0.620m	\$0.625m	\$0.630m	\$0.636m	\$0.641m	Principal Repayments
\$0.095m	\$0.093m	\$0.091m	\$0.088m	\$0.086m	Interest Repayments
4.76%	0.31%	9.29%	-6.43%	4.82%	Materials and Contracts
2.49%	2.51%	2.51%	2.52%	2.50%	Depreciation
2.60%	2.60%	2.59%	1.14%	2.59%	Other Expenses



## WHAT ARE THE RISKS THAT COULD IMPACT OUR FINANCIAL PROJECTIONS?

In developing and presenting the LTFP it is important to ensure a confident decision making environment. This LTFP has been developed conservatively to ensure a lower risk level and higher ability to deliver a strong financial performance. Variations in the assumptions made within the plan may have a significant impact on Councils future financial plans. By assessing risks associated with assumptions made within the plan, sensitivity levels can be considered. The LTFP will be updated twice per year to ensure the assumptions and projections are based upon the latest information available.



## IPART RATES REVIEW AND RATE PEGGING

It is possible that rate pegged limits applied in this model may be above or below those assumed, however it is forecast that any movement either way would also have a similar movement in CPI which would move expenditure in a similar pattern. This is based on the fact that rate pegging is mostly aligned to the Local Government Cost Index developed by IPART each year.

## CHANGES IN ECONOMIC CONDITIONS AND INVESTMENT MARKETS

The LTFP is framed around stable economic and investment conditions over the life of the Plan. Investments and expenditure are based on conservative market growth with no major changes in conditions impacting.

Changes in economic and investment conditions can impact on many assumptions within the Plan, including but not limited to investment returns, revenue and expenditure slow down or growth, superannuation contributions, employment conditions, grants, borrowing levels, changing demand for services and assets, population growth to name a few.

It is therefore difficult to factor in major shifts in markets, as the combination of scenarios and options becomes excessively large and without reasonable relevance. Stable conditions have therefore been forecast in the LTFP.

However, major changes are a threat to financial sustainability and must be recognised as a possible reality.



## COST SHIFTING

Cost shifting continues to be a significant risk to local government. It is estimated that this has attributed approximately \$16 million to this Council annually. Council finances are placed under extreme pressure whenever cost shifting occurs without any shift in funding.

Future cost shifting has not been recognised in the LTFP, however any such movement without funds provided will impact Councils financial performance and ability to meet service levels.

## GRANT DEPENDENCY

There is a strong reliance on the continuation of the General Purpose Financial Assistance Grant in the LTFP. The \$4.764 million grant level included for 2019/20 has been adjusted throughout the LTFP based on expectations in relation to the current indexation freeze and current distribution of the grant. In following years an increase is anticipated, however these increases are expected to be below CPI growth each year.

One potential outcome of reviews into the Financial Assistance Grant could be a reduction or elimination of the current level provided to Council. A reduction in the current level would have a significant impact on the LTFP, possibly millions of dollars each year. Elimination of the grant would be a current 2019/20 \$4.764 million impact, and a cumulative impact over the next ten years of \$49.837 million, based on estimates within the LTFP.

Other than the Financial Assistance Grant, there is not a strong reliance on other grants in Council's revenue base. Only recurrent operating grants and specific capital grants offsetting projects have been allowed in the LTFP.



CHANGES IN EMPLOYEE COSTS AND LIABILITY CONDITIONS

Council’s total employee costs, including superannuation and leave entitlements, is projected at \$109 million which accounts for approximately 45% of gross budgeted operating expenditure. A shift of 1.00% equates to just over \$1 million.

It is considered a low risk that wage indexation will rise dramatically above the 2.50% allowed in each year of the LTFP. However, further changes to employer superannuation contributions could affect financial levels.

If the Defined Benefits (Retirement) Scheme or national non-contributory scheme required increased employer contributions then Council faces a financial challenge to meet the additional costs.

Termination patterns will impact both the Employee Leave Entitlements reserve and liability, as well as recruitment and training costs.

At this stage the LTFP has built in current levels of staff and superannuation contributions as outlined above with no additional expected increases.

CHANGES IN FUTURE COMMUNITY SERVICE AND INFRASTRUCTURE DEMANDS

Assumptions in the current LTFP are aligned with outcomes from the Community Strategic Plan, Delivery Program and Asset Class Management Plans. It is therefore based on available information including current service levels and demographic projections. The LTFP does not allow for any significant changes in community demands, or shifts in operating service levels or asset infrastructure priorities outside these projections.

Council plans to undertake community engagement in relation to service levels over the coming years. Should service levels change, this will alter projections within the LTFP and require additional funding or generate additional savings.



CONDITION OF INFRASTRUCTURE ASSETS AND AGING

Special Schedule No 7 of the 2017/18 Financial Statements shows the financial state of Infrastructure Assets. Significant outcomes from this evaluation are:

Estimated cost to bring to a satisfactory condition/standard	\$42.000m
Estimated cost to bring to Council’s agreed level of service	\$101.330m
Required Annual Maintenance	\$30.859m
Current Annual Maintenance	\$27.991m

Financial assumptions and performance ratios within the LTFP are based upon available asset data. Whilst there is high data confidence for most asset classes, data associated with Council’s stormwater infrastructure and open space require improvement. As this data is improved, asset renewal cost projections could increase.

Given Councils current infrastructure backlog, an unexpected failure of an asset is a possibility and will have a financial impact. Ageing infrastructure also increases public safety risk and associated insurance costs. Whilst Council carries an asset backlog, management systems are in place to reduce the risk of occurrence.

OTHER UNEXPECTED IMPACTS

It is difficult to cover all events that may impact financially on the LTFP. Certain possibilities are covered in this section. Assumptions and testing is based on existing knowledge and some degree of uncertainty exists that all parameters will be met as projected in the LTFP.

Events such as natural disasters, climate change, changing legislation, shifts in asset management plans, more rapid deterioration of assets etc may have significant cost impacts that are real but unexpected at this stage.

The LTFP has been prepared on best information and forecasts, however it should be acknowledged that unexpected events can vary the modelling as it now stands.






# MONITORING FINANCIAL PERFORMANCE

Council will monitor financial performance through the following performance indicators:

Target		
1	<b>Indicator</b> <b>Operating Performance Ratio</b> <b>Purpose</b> This ratio measures Council’s achievement of containing operating expenditure within operating revenue.	>0.00%
2	<b>Indicator</b> <b>Own Source Operating Revenue</b> <b>Purpose</b> This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.	>60%
3	<b>Indicator</b> <b>Unrestricted Current Ratio</b> <b>Purpose</b> To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.	>1.50
4	<b>Indicator</b> <b>Debt Service Ratio</b> <b>Purpose</b> This ratio measures the availability of operating cash to service debt including interest, principal and lease payments.	>2.00
5	<b>Indicator</b> <b>Outstanding Rates and Annual Charges</b> <b>Purpose</b> To assess the impact of uncollected rates and annual charges on Council’s liquidity and the adequacy of recovery efforts.	<5.00%
6	<b>Indicator</b> <b>Cash Expense Ratio</b> <b>Purpose</b> This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.	>3 mos.
7	<b>Indicator</b> <b>Infrastructure Renewal Ratio</b> <b>Purpose</b> To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.	>100%
8	<b>Indicator</b> <b>Capital Expenditure Ratio</b> <b>Purpose</b> To assess the extent to which a Council is expanding its asset base through capital expenditure on both new assets and the replacement and renewal of existing assets.	>1.10
9	<b>Indicator</b> <b>Asset Maintenance Ratio</b> <b>Purpose</b> Compares actual v’s required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.	>100%
10	<b>Indicator</b> <b>Infrastructure Backlog Ratio</b> <b>Purpose</b> This ratio shows what proportion the backlog is against the total value of a Council’s infrastructure.	< 2.00%
11	<b>Indicator</b> <b>Employee Leave Entitlement Reserve Balance</b> <b>Purpose</b> This liquidity ratio indicates Council’s ability to fund termination payments without impacting operations.	10%



# FINANCIAL MODELS:

MODEL 1 -	BASE SCENARIO									
<b>BASE SCENARIO</b> 	<p>The Base Scenario represents business as usual and is framed on existing service levels. It includes dredging works required for Sylvania Waters of \$2.6 million in 2019/20, with a further \$500,000 (incremented) included each year to provide for future works to be undertaken.</p> <p>This model provides balanced budgets across each year of the LTFP. This has been achieved by reducing the capital allocations to match the projected level of funds available.</p> <p>The outcome of this model is a significant gap between required and actual expenditure on infrastructure renewal. This is reflected in the increasing asset backlog and the associated ratio. Actual backlog is projected to increase to \$114 million by 2028/29, with a ratio of 4.43%.</p>									
	<p>A number of other key performance ratios, against which councils are measured, fail to meet benchmarks. Projected performance ratios are outlined in the following table.</p>									
	<p>Financial strategies will need to be examined and implemented in order to be able to undertake an adequate capital program that reduces the asset backlog and addresses the ratio performance below benchmarks.</p>									
	<p>Specific exclusions from this model include significant capital works such as the redevelopment of the Caringbah Leisure Centre, completion of the Cronulla Plaza works in excess of the \$6.0 million allocated from property sales and Dunningham Park Seawall. Major refurbishment works for the Sutherland Entertainment Centre has been included, funded from SUEZ and Section 94 funds.</p>									
	<p>Although including an efficiency dividend which provides \$53.8 million over the term of the LTFP in both models, Model 2 within this document demonstrates the use of financial strategies which provide balanced budgets in future years and significantly reduce the backlog over the duration of the LTFP.</p>									

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Operating Result before Capital Revenue ('000)	-\$5,240	-\$6,169	-\$4,758	-\$5,126	-\$3,778	-\$6,543	-\$5,606	-\$9,337	-\$2,352	-\$4,137
Operating Result before Capital Revenue Excluding Domestic Waste (\$'000)	-\$9,511	-\$9,685	-\$7,377	-\$6,783	-\$4,464	-\$6,544	-\$5,606	-\$9,337	-\$2,353	-\$4,137
Operating Performance Ratio	-2.70%	-3.03%	-2.41%	-2.52%	-1.97%	-2.98%	-2.58%	-3.85%	-1.37%	-1.95%
Operating Performance Ratio Excluding Domestic Waste	-5.41%	-5.36%	-4.13%	-3.77%	-2.64%	-3.51%	-3.04%	-4.55%	-1.61%	-2.30%
Unrestricted Current Ratio	2.38 : 1	1.83 : 1	1.76 : 1	1.81 : 1	1.81 : 1	1.79 : 1	1.79 : 1	1.7 : 1	1.72 : 1	1.72 : 1
Debt Service Cover Ratio (times)	14.18	14.15	16.53	30.34	50.40	47.72	50.20	46.22	57.10	55.86
Own Source Revenue Ratio	85.39%	81.10%	81.76%	87.48%	87.92%	88.24%	88.34%	88.70%	88.87%	89.00%
Rates and Annual Charges Outstanding Ratio	3.52%	3.53%	3.56%	3.58%	3.60%	3.61%	3.61%	3.61%	3.61%	3.60%
Cash Expense Cover Ratio (months)	7.57	7.53	7.94	8.53	9.06	9.18	9.49	9.49	10.06	10.34
Building and Infrastructure Renewals Ratio	55.16%	82.51%	53.80%	44.88%	52.22%	47.67%	47.85%	48.08%	52.66%	50.55%
Asset Backlog Ratio	2.54%	2.57%	2.77%	3.05%	3.28%	3.53%	3.77%	4.01%	4.22%	4.43%
Asset Maintenance Ratio	103.68%	102.20%	99.58%	99.74%	99.88%	100.00%	100.11%	100.22%	100.29%	100.44%
Capital Expenditure Ratio	96.16%	122.11%	89.88%	75.50%	84.02%	84.81%	84.29%	81.86%	85.53%	76.75%



# MODEL 1 INCLUSIONS

## Dredging

In accordance with Councils 2016 dredging policy, dredging activities would be focussed on Gwawley Bay / Sylvania Waters and selected parts of the Woronora River. The outcome of this dredging activity would be compliance with legal obligations as well as improved waterways access and improved marine navigability.

## Sutherland Entertainment Centre

The Sutherland Entertainment Centre is an ageing building which, whilst able to continue operating in a functional way, may not be meeting the arts and entertainment needs of the community in its current form. This model assumes \$27 million for a major renovation of the Sutherland Entertainment Centre, which will require a submission in accordance with Capital Expenditure Guidelines.

## Cronulla Plaza

The Cronulla Plaza is a popular pedestrian area that whilst functional, is considered to be looking tired and aged. It is an important visitor attraction and economic stimulus to the Cronulla peninsula. This model includes \$6 million for an initial upgrade of the Cronulla Plaza, funded from property sales.

The funding proposals are:

## Sutherland Entertainment Centre

	2018/19	2019/20	2020/21	2021/22
Capital Cost and Funding				
Cost	\$1.756m	\$5.235m	\$15.665m	\$4.530m
SUEZ Funding	(\$0.536m)	(\$2.525m)	(\$14.270m)	(\$4.530m)
Section 94 Funding	(\$1.220m)	(\$2.710m)	(\$1.395m)	nil
Council Funds	nil	nil	nil	nil
Operational Costs and Debt Costs				
Debt Servicing Costs	nil	nil	nil	nil
Operational Cost Increase	Additional operating costs estimated at \$335,000 following completion			
Depreciation Cost Increase	\$0.023m	\$0.093m	\$0.302m	\$0.362m





INCOME STATEMENT (MODEL 1) FOR THE YEAR ENDED										
	30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024	30 June 2025	30 June 2026	30 June 2027	30 June 2028	30 June 2029
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>INCOME</b>										
<b>Revenue:</b>										
Rates and Annual Charges	160,147	164,197	167,638	170,958	174,315	178,089	182,663	187,354	192,144	197,054
User Charges & Fees	35,864	36,773	37,750	38,692	39,724	40,786	41,880	42,952	44,053	45,183
Interest and Investment Revenue	4,771	5,495	6,138	7,142	7,962	8,751	9,568	10,313	11,102	12,109
Other Revenues	20,255	20,702	21,161	21,634	22,119	22,619	23,133	23,661	24,204	24,763
Grants and Contributions - Operating	17,804	18,248	18,558	18,876	19,209	19,551	19,899	20,255	20,617	20,987
Grants and Contributions - Capital Purposes	19,721	34,294	32,961	14,993	14,083	13,549	13,794	13,144	13,126	13,247
Other income:										
Net Gains from Disposal of Assets	-	-	-	-	-	-	-	-	-	-
<b>Total Income from Continuing Operations</b>	<b>258,562</b>	<b>279,709</b>	<b>284,206</b>	<b>272,295</b>	<b>277,412</b>	<b>283,345</b>	<b>290,937</b>	<b>297,679</b>	<b>305,246</b>	<b>313,343</b>
<b>EXPENSES</b>										
Employee Costs	109,301	112,840	116,206	119,139	122,043	126,445	130,304	133,819	136,618	141,104
Borrowing Costs	188	150	138	101	97	95	93	91	88	86
Materials and Contracts	50,702	51,250	51,733	53,053	52,961	55,483	55,655	60,826	56,912	59,654
Depreciation & Amortisation	37,114	38,100	39,557	40,519	41,490	42,499	43,547	44,620	45,723	46,842
Other Expenses from Ordinary Activities	46,276	48,744	47,869	49,116	50,016	51,317	52,650	54,016	54,631	56,047
Net Losses from Disposal of Assets	500	500	500	500	500	500	500	500	500	500
<b>Total Expenses from Continuing Operations</b>	<b>244,081</b>	<b>251,584</b>	<b>256,003</b>	<b>262,428</b>	<b>267,107</b>	<b>276,339</b>	<b>282,749</b>	<b>293,872</b>	<b>294,472</b>	<b>304,233</b>
<b>NET OPERATING RESULT FOR YEAR</b>	<b>14,481</b>	<b>28,125</b>	<b>28,203</b>	<b>9,867</b>	<b>10,305</b>	<b>7,006</b>	<b>8,188</b>	<b>3,807</b>	<b>10,774</b>	<b>9,110</b>
Net Operating Result Attributable to Council	14,481	28,125	28,203	9,867	10,305	7,006	8,188	3,807	10,774	9,110
Net Operating Result Attributable to Minority Interests	-	-	-	-	-	-	-	-	-	-
	<b>14,481</b>	<b>28,125</b>	<b>28,203</b>	<b>9,867</b>	<b>10,305</b>	<b>7,006</b>	<b>8,188</b>	<b>3,807</b>	<b>10,774</b>	<b>9,110</b>
<b>Net Operating Result for the year before Grants and Contributions provided for Capital Purposes</b>	<b>-5240</b>	<b>-6,169</b>	<b>-4,758</b>	<b>-5,126</b>	<b>-3,778</b>	<b>-6,543</b>	<b>-5,606</b>	<b>-9,337</b>	<b>-2,352</b>	<b>-4,137</b>
<b>Net Operating Result for the year before Grants and Contributions provided for Capital Purposes Excluding Domestic Waste Operations</b>	<b>-9,511</b>	<b>-9,685</b>	<b>-7,377</b>	<b>-6,783</b>	<b>-4,464</b>	<b>-6,544</b>	<b>-5,606</b>	<b>-9,337</b>	<b>-2,353</b>	<b>-4,137</b>



STATEMENT OF FINANCIAL POSITION (MODEL 1) AS AT										
	30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024	30 June 2025	30 June 2026	30 June 2027	30 June 2028	30 June 2029
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>ASSETS</b>										
<b>Current Assets</b>										
Cash and cash equivalents	6,843	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Investments	165,637	165,863	178,037	195,940	211,633	223,472	237,080	247,252	262,558	280,262
Receivables	14,737	16,003	17,258	18,531	19,852	21,219	22,644	24,106	25,633	27,232
Inventories	6,813	6,816	6,820	6,824	6,828	6,832	6,836	6,840	6,844	6,848
Other	2,684	2,738	2,793	2,849	2,906	2,964	3,023	3,083	3,145	3,208
<b>Total Current Assets</b>	<b>196,714</b>	<b>201,420</b>	<b>214,908</b>	<b>234,144</b>	<b>251,219</b>	<b>264,487</b>	<b>279,583</b>	<b>291,281</b>	<b>308,180</b>	<b>327,550</b>
<b>Non-Current Assets</b>										
Investments	-	-	-	-	-	-	-	-	-	-
Receivables	942	945	947	956	966	976	989	1,014	1,040	1,066
Inventories	-	-	-	-	-	-	-	-	-	-
Infrastructure, property, plant & equipment	2,521,964	2,801,530	2,838,999	2,852,148	2,868,868	2,905,790	3,193,157	3,213,401	3,233,306	3,249,068
Investment property	58,108	59,813	61,571	63,384	65,254	67,182	69,170	71,221	73,336	75,517
Intangible assets	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
<b>Total Non-Current Assets</b>	<b>2,581,014</b>	<b>2,862,288</b>	<b>2,901,517</b>	<b>2,916,488</b>	<b>2,935,088</b>	<b>2,973,948</b>	<b>3,263,316</b>	<b>3,285,636</b>	<b>3,307,682</b>	<b>3,325,651</b>
<b>TOTAL ASSETS</b>	<b>2,777,728</b>	<b>3,063,708</b>	<b>3,116,425</b>	<b>3,150,632</b>	<b>3,186,307</b>	<b>3,238,435</b>	<b>3,542,899</b>	<b>3,576,917</b>	<b>3,615,862</b>	<b>3,653,201</b>
<b>LIABILITIES</b>										
<b>Current Liabilities</b>										
Payables	29,710	30,489	31,220	31,943	32,692	33,467	34,254	35,074	35,893	36,715
Interest bearing liabilities	2,207	2,089	1,238	854	867	881	895	911	926	795
Provisions	32,040	32,425	32,826	33,855	35,300	36,381	37,582	39,065	40,358	41,586
<b>Total Current Liabilities</b>	<b>63,957</b>	<b>65,003</b>	<b>65,284</b>	<b>66,652</b>	<b>68,859</b>	<b>70,729</b>	<b>72,731</b>	<b>75,050</b>	<b>77,177</b>	<b>79,096</b>
<b>Non-Current Liabilities</b>										
Payables	-	-	-	-	-	-	-	-	-	-
Interest bearing liabilities	2,211	2,119	1,601	1,476	1,347	1,213	1,074	928	777	767
Provisions	4,343	4,395	4,449	4,589	4,785	4,932	5,095	5,296	5,471	5,637
<b>Total Non-Current Liabilities</b>	<b>6,554</b>	<b>6,514</b>	<b>6,050</b>	<b>6,065</b>	<b>6,132</b>	<b>6,145</b>	<b>6,169</b>	<b>6,224</b>	<b>6,248</b>	<b>6,404</b>
<b>TOTAL LIABILITIES</b>	<b>70,511</b>	<b>71,517</b>	<b>71,334</b>	<b>72,717</b>	<b>74,991</b>	<b>76,874</b>	<b>78,900</b>	<b>81,274</b>	<b>83,425</b>	<b>85,500</b>
<b>NET ASSETS</b>	<b>2,707,217</b>	<b>2,992,191</b>	<b>3,045,091</b>	<b>3,077,915</b>	<b>3,111,316</b>	<b>3,161,561</b>	<b>3,463,999</b>	<b>3,495,643</b>	<b>3,532,437</b>	<b>3,567,701</b>
<b>EQUITY</b>										
Retained earnings	1,430,075	1,458,200	1,486,403	1,496,270	1,506,575	1,513,581	1,521,769	1,525,576	1,536,350	1,545,460
Revaluation reserves	1,277,142	1,533,991	1,558,688	1,581,645	1,604,741	1,647,980	1,942,230	1,970,067	1,996,087	2,022,241
Council equity interest	2,707,217	2,992,191	3,045,091	3,077,915	3,111,316	3,161,561	3,463,999	3,495,643	3,532,437	3,567,701
Minority equity interest	-	-	-	-	-	-	-	-	-	-
<b>TOTAL EQUITY</b>	<b>2,707,217</b>	<b>2,992,191</b>	<b>3,045,091</b>	<b>3,077,915</b>	<b>3,111,316</b>	<b>3,161,561</b>	<b>3,463,999</b>	<b>3,495,643</b>	<b>3,532,437</b>	<b>3,567,701</b>



# STATEMENT OF CASH FLOWS (MODEL 1) FOR THE YEAR ENDED

	30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024	30 June 2025	30 June 2026	30 June 2027	30 June 2028	30 June 2029
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>										
Receipts:										
Rates and Annual Charges	160,279	164,024	167,463	170,796	174,153	177,924	182,494	187,181	191,967	196,872
User Charges & Fees	35,685	36,589	37,561	38,499	39,525	40,582	41,671	42,737	43,833	44,957
Investment & Interest Revenue Received	4,532	5,220	5,831	6,785	7,564	8,313	9,090	9,797	10,547	11,504
Grants and Contributions	35,977	36,979	33,509	32,376	31,808	31,619	32,203	31,913	32,252	32,735
Other	18,509	18,902	19,306	19,722	20,148	20,588	21,039	21,502	21,979	22,469
Payments :										
Employee Costs	-109,122	-112,403	-115,751	-117,970	-120,402	-125,217	-128,940	-132,135	-135,150	-139,710
Materials and Contracts	-50,448	-50,994	-51,474	-52,788	-52,696	-55,206	-55,377	-60,522	-56,627	-59,356
Interest	-197	-161	-142	-102	-98	-96	-94	-92	-89	-89
Other	-46,045	-48,500	-47,630	-48,870	-49,766	-51,060	-52,387	-53,746	-54,358	-55,767
<b>Net cash provided by (or used in) operating activities</b>	<b>49,170</b>	<b>49,656</b>	<b>48,673</b>	<b>48,448</b>	<b>50,236</b>	<b>47,447</b>	<b>49,699</b>	<b>46,635</b>	<b>54,354</b>	<b>53,615</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>										
Receipts:										
Sale of Investment Securities	61,027	81,774	71,526	67,497	71,407	77,161	77,592	83,428	80,694	80,696
Sale of Investment Property	-	-	-	-	-	-	-	-	-	-
Sale of Infrastructure, Property, Plant and Equipment	281	208	226	379	244	360	543	-	-	-
Deferred Debtors Receipts	21	21	21	22	13	14	14	11	-	-
Other	-	-	-	-	-	-	-	-	-	-
Payments:										
Purchase of Investments	-80,100	-82,000	-83,700	-85,400	-87,100	-89,000	-91,200	-93,600	-96,000	-98,400
Purchase of Investment Property	-	-	-	-	-	-	-	-	-	-
Purchase of Infrastructure, Property, Plant & Equipment	-35,511	-46,292	-35,377	-30,437	-34,684	-35,862	-36,523	-36,344	-38,912	-35,770
Purchase of Real Estate Assets	-	-	-	-	-	-	-	-	-	-
<b>Net cash provided by (or used in) investing activities</b>	<b>-54,282</b>	<b>-46,289</b>	<b>-47,304</b>	<b>-47,939</b>	<b>-50,120</b>	<b>-47,327</b>	<b>-49,574</b>	<b>-46,505</b>	<b>-54,218</b>	<b>-53,474</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>										
Receipts:										
Proceeds from Borrowings and Advances	-	1,286	-	-	-	-	-	-	-	-
Proceeds from Finance Leases	500	500	500	500	500	500	500	500	500	500
Payments:										
Repayment of Borrowings and Advances	-1,444	-1,496	-1,369	-509	-116	-120	-125	-130	-136	-141
Repayment of Finance Leases	-513	-500	-500	-500	-500	-500	-500	-500	-500	-500
<b>Net cash provided by (or used in) financing activities</b>	<b>-1,457</b>	<b>-210</b>	<b>-1,369</b>	<b>-509</b>	<b>-116</b>	<b>-120</b>	<b>-125</b>	<b>-130</b>	<b>-136</b>	<b>-141</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>-6569</b>	<b>3157</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>13,412</b>	<b>6,843</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>
<b>Cash and cash equivalents at end of year</b>	<b>6,843</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>



## MODEL 2 -

## BUDGET BALANCED THROUGH

## RATE INCREASES (MINIMUM RATES)

### BUDGET BALANCED THROUGH RATE INCREASES (MINIMUM RATES)

This model proposes that the infrastructure backlog, along with other unsatisfactory key performance ratios be addressed through an increase in the minimum rates applicable to properties in the Shire. The projected backlog from Model 1 is expected to be \$114 million by 2028/29 if remedial action is not taken.

The operational expenditure within this model is very similar to that of Model 1. Additional income generated through the increase in the minimum rates has been allocated to infrastructure, particularly renewals expenditure.

The financial strategy is to increase minimum rates in 2019/20. Minimum rates are typically applicable to multi-dwelling properties (mainly units and some townhouse developments). The proposal is to increase this minimum rate from \$602.30 in 2018/19 to \$900.00 in 2019/20, subject to approval from the Independent Pricing and Regulatory Tribunal (IPART). This strategy would raise an additional gross amount of \$82 million over the term of the LTFP.

This model excludes the introduction of new user fees and charges, such as paid parking, asset (land) sales but does include the efficiency dividend of \$54 million over the next ten years.

Along with works required to address the infrastructure backlog, Model 2 includes initial funding to support the redevelopment of the Caringbah Leisure Centre, funded through loans, Cronulla Plaza works in excess of the \$6.0 million allocated from property sales. These projects are not fully funded within this model, with a determination of funding requirements dependent upon the final scope of works. The major refurbishment works for the Sutherland Entertainment Centre, funded from SUEZ and Section 94 funds has been included, as adopted by Council. Dunningham Park Seawall has not been included.

The outcome of this model is improved financial strength and sustainability through the reduction of the asset backlog over the period of the LTFP and a general improvement to performance ratios.

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Operating Result before Capital Revenue ('000)	\$2,163	\$1,400	\$2,985	\$2,814	\$4,339	\$1,759	\$2,887	-\$648	\$6,534	\$4,953
Operating Result before Capital Revenue Excluding Domestic Waste (\$'000)	-\$2,108	-\$2,116	\$366	\$1,157	\$3,653	\$1,758	\$2,887	-\$648	\$6,533	\$4,953
Operating Performance Ratio	0.41%	0.08%	0.67%	0.57%	1.10%	0.12%	0.49%	-0.75%	1.64%	1.06%
Operating Performance Ratio Excluding Domestic Waste	-1.59%	-1.58%	-0.41%	-0.07%	1.00%	0.14%	0.58%	-0.89%	1.93%	1.25%
Unrestricted Current Ratio	2.38 : 1	1.82 : 1	1.75 : 1	1.80 : 1	1.80 : 1	1.78 : 1	1.78 : 1	1.69 : 1	1.71 : 1	1.71 : 1
Debt Service Cover Ratio (times)	17.64	17.7	20.42	37.57	61.94	59.52	62.25	58.52	69.66	68.69
Own Source Revenue Ratio	85.80%	81.60%	82.25%	87.84%	88.27%	88.58%	88.68%	89.03%	89.19%	89.32%
Rates and Annual Charges Outstanding Ratio	3.37%	3.58%	3.60%	3.62%	3.64%	3.65%	3.65%	3.65%	3.65%	3.65%
Cash Expense Cover Ratio (months)	7.57	7.52	7.93	8.52	9.05	9.17	9.49	9.48	10.05	10.33
Building and Infrastructure Renewals Ratio	72.80%	101.14%	74.47%	62.96%	70.35%	67.06%	66.25%	66.43%	71.84%	68.25%
Asset Backlog Ratio	2.43%	2.35%	2.43%	2.61%	2.73%	2.87%	3.02%	3.15%	3.26%	3.38%
Asset Maintenance Ratio	103.68%	102.05%	99.33%	99.30%	99.27%	99.21%	99.16%	99.10%	99.00%	98.97%
Capital Expenditure Ratio	116.10%	141.93%	109.46%	95.10%	103.57%	104.32%	103.78%	101.42%	104.94%	96.17%



MODEL 2 INCLUSIONS

Increased Renewals Expenditure

Council’s Asset Class Management Plans have identified a significant shortfall in funding of asset renewals in order to maintain infrastructure assets at existing levels of service. Over the term of the LTFP an additional \$114 million is required to invest in infrastructure asset renewals, supporting existing service levels. Whilst not fully funding this amount, the additional income generated from the proposed increase in minimum rates significantly reduces this figure and brings the associated backlog ratio closer to benchmark levels.

Dredging

In accordance with Councils 2016 dredging policy, dredging activities would be focussed on Gwawley Bay / Sylvania Waters and selected parts of the Woronora River. The outcome of this dredging activity would be compliance with legal obligations as well as improved waterways access and improved marine navigability.

Sutherland Entertainment Centre

The Sutherland Entertainment Centre is an ageing building which, whilst able to continue operating in a functional way, may not be meeting the arts and entertainment needs of the community in its current form. This model assumes \$27 million for a major renovation of the Sutherland Entertainment Centre, which will require a submission in accordance with Capital Expenditure Guidelines.

Caringbah Leisure Centre

Caringbah Leisure Centre is a 1960s facility which is expected to require significant capital investment in order to continue operating as a leisure facility. The swimming pool shells, concourse, supporting plant and equipment and the amenities require or will require replacements or substantial upgrades in order to continue service delivery. Whilst this model assumes \$6.6 million for support funding, a business case would need to be prepared prior to any decision being made and funding determined upon the final scope of works.

Cronulla Plaza

The Cronulla Plaza is a popular pedestrian area that whilst functional, is considered to be looking tired and aged. It is an important visitor attraction and economic stimulus to the Cronulla peninsula. This model includes \$4.7 million for support funding, in excess of the \$6.0 million previously allocated. Again, a final scope of works will determine further funding requirements and relevant sources of this funding.

Section 94 Operational Expenditure

With new investment in infrastructure, Council must ensure it has adequate ongoing maintenance programs. Whilst Section 94 is levied on new development for capital expenditure that supports the growing population, it is restricted and cannot be used for operating or maintenance expenditure associated with the infrastructure.

The funding proposals are:

Sutherland Entertainment Centre

	2018/19	2019/20	2020/21	2021/22
Capital Cost and Funding				
Cost	\$1.756m	\$5.235m	\$15.665m	\$4.530m
Loan Borrowings	(\$0.536m)	(\$2.525m)	(\$14.270m)	(\$4.530m)
SUEZ Funding	(\$1.220m)	(\$2.710m)	(\$1.395m)	nil
Section 94 Funding	nil	nil	nil	nil
Council Funds	nil	nil	nil	nil
Operational Costs and Debt Costs				
Debt Servicing Costs	nil	nil	nil	nil
Operational Cost Increase	Additional operating costs estimated at \$335,000 following completion			
Depreciation Cost Increase	\$0.023m	\$0.093m	\$0.302m	\$0.362m

Cronulla Plaza

	2020/21	2021/22	2022/23	2023/24
Capital Cost and Funding				
Cost	\$0.659m	\$1.248m	\$2.252m	\$0.500m
Council Funds	(\$0.659m)	(\$1.248m)	(\$2.252m)	(\$0.500m)
Operational Costs and Debt Costs				
Debt Servicing Costs	nil	nil	nil	nil
Operational Cost Increase	nil	nil	nil	nil
Depreciation Cost Increase	\$0.017m	\$0.048m	\$0.103m	\$0.116m

Caringbah Leisure Centre

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Capital Cost and Funding						
Cost	\$1.279m	\$1.286m	\$0.775m	\$0.721m	\$1.294m	\$1.224m
Council Funds	(\$1.279m)	(\$1.286m)	(\$0.775m)	(\$0.721m)	(\$1.294m)	(\$1.224m)
Operational Costs and Debt Costs						
Debt Servicing Costs	nil	nil	nil	nil		
Operational Cost Increase	To be determined - not yet included in LTFP					
Depreciation Cost Increase	\$0.020m	\$0.041m	\$0.053m	\$0.065m	\$0.086m	\$0.105m

MODEL 2 FINANCIAL STRATEGIES

Rate Increases

Model 2 includes a revised rating strategy that includes increasing the minimum rates for both business and residential properties in 2019/20. Increases in rates proposed are:

Rate Type	2019/20
Ordinary Rate Increase	2.70%
Minimum Rate – Business	\$900.00
Minimum Rate - Residential	\$900.00
Overall Rate Increase	8.84%

This will generate an additional \$82 million over the next 10 years.



INCOME STATEMENT (MODEL 2) FOR THE YEAR ENDED										
	30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024	30 June 2025	30 June 2026	30 June 2027	30 June 2028	30 June 2029
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>INCOME</b>										
<b>Revenue:</b>										
Rates and Annual Charges	167,433	171,665	175,292	178,804	182,357	186,332	191,113	196,015	201,021	206,153
User Charges & Fees	35,864	36,773	37,750	38,692	39,724	40,786	41,880	42,952	44,053	45,183
Interest and Investment Revenue	4,908	5,638	6,294	7,313	8,141	8,942	9,768	10,522	11,318	12,335
Other Revenues	20,255	20,702	21,161	21,634	22,119	22,619	23,133	23,661	24,204	24,763
Grants and Contributions - Operating	17,804	18,248	18,558	18,876	19,209	19,551	19,899	20,255	20,617	20,987
Grants and Contributions - Capital Purposes	19,721	34,294	32,961	14,993	14,083	13,549	13,794	13,144	13,126	13,247
Other income:										
Net Gains from Disposal of Assets	-	-	-	-	-	-	-	-	-	-
<b>Total Income from Continuing Operations</b>	<b>265,985</b>	<b>287,320</b>	<b>292,016</b>	<b>280,312</b>	<b>285,633</b>	<b>291,779</b>	<b>299,587</b>	<b>306,549</b>	<b>314,339</b>	<b>322,668</b>
<b>EXPENSES</b>										
Employee Costs	109,301	112,840	116,206	119,139	122,043	126,445	130,304	133,819	136,618	141,104
Borrowing Costs	188	150	138	101	97	95	93	91	88	86
Materials and Contracts	50,702	51,250	51,733	53,053	52,961	55,483	55,655	60,826	56,912	59,654
Depreciation & Amortisation	37,134	38,142	39,624	40,596	41,594	42,631	43,704	44,801	45,930	47,077
Other Expenses from Ordinary Activities	46,276	48,744	47,869	49,116	50,016	51,317	52,650	54,016	54,631	56,047
Net Losses from Disposal of Assets	500	500	500	500	500	500	500	500	500	500
<b>Total Expenses from Continuing Operations</b>	<b>244,101</b>	<b>251,626</b>	<b>256,070</b>	<b>262,505</b>	<b>267,211</b>	<b>276,471</b>	<b>282,906</b>	<b>294,053</b>	<b>294,679</b>	<b>304,468</b>
<b>NET OPERATING RESULT FOR YEAR</b>	<b>21,884</b>	<b>35,694</b>	<b>35,946</b>	<b>17,807</b>	<b>18,422</b>	<b>15,308</b>	<b>16,681</b>	<b>12,496</b>	<b>19,660</b>	<b>18,200</b>
Net Operating Result Attributable to Council	21,884	35,694	35,946	17,807	18,422	15,308	16,681	12,496	19,660	18,200
Net Operating Result Attributable to Minority Interests	-	-	-	-	-	-	-	-	-	-
	<b>21,884</b>	<b>35,694</b>	<b>35,946</b>	<b>17,807</b>	<b>18,422</b>	<b>15,308</b>	<b>16,681</b>	<b>12,496</b>	<b>19,660</b>	<b>18,200</b>
<b>Net Operating Result for the year before Grants and Contributions provided for Capital Purposes</b>	<b>2163</b>	<b>1,400</b>	<b>2,985</b>	<b>2,814</b>	<b>4,339</b>	<b>1,759</b>	<b>2,887</b>	<b>-648</b>	<b>6,534</b>	<b>4,953</b>
<b>Net Operating Result for the year before Grants and Contributions provided for Capital Purposes Excluding Domestic Waste Operations</b>	<b>-2,108</b>	<b>-2,116</b>	<b>366</b>	<b>1,157</b>	<b>3,653</b>	<b>1,758</b>	<b>2,887</b>	<b>-648</b>	<b>6,533</b>	<b>4,953</b>



STATEMENT OF FINANCIAL POSITION (MODEL 2) AS AT										
	30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024	30 June 2025	30 June 2026	30 June 2027	30 June 2028	30 June 2029
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>ASSETS</b>										
<b>Current Assets</b>										
Cash and cash equivalents	6,876	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Investments	165,637	165,571	177,758	195,683	211,401	223,266	236,899	247,053	262,384	280,115
Receivables	14,692	16,321	17,592	18,883	20,220	21,604	23,047	24,528	26,076	27,695
Inventories	6,813	6,816	6,820	6,824	6,828	6,832	6,836	6,840	6,844	6,848
Other	2,684	2,738	2,793	2,849	2,906	2,964	3,023	3,083	3,145	3,208
<b>Total Current Assets</b>	<b>196,702</b>	<b>201,446</b>	<b>214,963</b>	<b>234,239</b>	<b>251,355</b>	<b>264,666</b>	<b>279,805</b>	<b>291,504</b>	<b>308,449</b>	<b>327,866</b>
<b>Non-Current Assets</b>										
Investments	-	-	-	-	-	-	-	-	-	-
Receivables	993	997	1,000	1,010	1,022	1,033	1,048	1,074	1,101	1,129
Inventories	-	-	-	-	-	-	-	-	-	-
Infrastructure, property, plant & equipment	2,529,425	2,818,066	2,863,482	2,884,830	2,909,992	2,955,611	3,257,316	3,286,876	3,316,326	3,341,914
Investment property	58,108	59,813	61,571	63,384	65,254	67,182	69,170	71,221	73,336	75,517
Intangible assets	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
<b>Total Non-Current Assets</b>	<b>2,588,526</b>	<b>2,878,876</b>	<b>2,926,053</b>	<b>2,949,224</b>	<b>2,976,268</b>	<b>3,023,826</b>	<b>3,327,534</b>	<b>3,359,171</b>	<b>3,390,763</b>	<b>3,418,560</b>
<b>TOTAL ASSETS</b>	<b>2,785,228</b>	<b>3,080,322</b>	<b>3,141,016</b>	<b>3,183,463</b>	<b>3,227,623</b>	<b>3,288,492</b>	<b>3,607,339</b>	<b>3,650,675</b>	<b>3,699,212</b>	<b>3,746,426</b>
<b>LIABILITIES</b>										
<b>Current Liabilities</b>										
Payables	29,748	30,565	31,335	32,098	32,888	33,705	34,535	35,399	36,263	37,131
Interest bearing liabilities	2,207	2,089	1,238	854	867	881	895	911	926	795
Provisions	32,040	32,425	32,826	33,855	35,300	36,381	37,582	39,065	40,358	41,586
<b>Total Current Liabilities</b>	<b>63,995</b>	<b>65,079</b>	<b>65,399</b>	<b>66,807</b>	<b>69,055</b>	<b>70,967</b>	<b>73,012</b>	<b>75,375</b>	<b>77,547</b>	<b>79,512</b>
<b>Non-Current Liabilities</b>										
Payables	-	-	-	-	-	-	-	-	-	-
Interest bearing liabilities	2,211	2,119	1,601	1,476	1,347	1,213	1,074	928	777	767
Provisions	4,343	4,395	4,449	4,589	4,785	4,932	5,095	5,296	5,471	5,637
<b>Total Non-Current Liabilities</b>	<b>6,554</b>	<b>6,514</b>	<b>6,050</b>	<b>6,065</b>	<b>6,132</b>	<b>6,145</b>	<b>6,169</b>	<b>6,224</b>	<b>6,248</b>	<b>6,404</b>
<b>TOTAL LIABILITIES</b>	<b>70,549</b>	<b>71,593</b>	<b>71,449</b>	<b>72,872</b>	<b>75,187</b>	<b>77,112</b>	<b>79,181</b>	<b>81,599</b>	<b>83,795</b>	<b>85,916</b>
<b>NET ASSETS</b>	<b>2,714,679</b>	<b>3,008,729</b>	<b>3,069,567</b>	<b>3,110,591</b>	<b>3,152,436</b>	<b>3,211,380</b>	<b>3,528,158</b>	<b>3,569,076</b>	<b>3,615,417</b>	<b>3,660,510</b>
<b>EQUITY</b>										
Retained earnings	1,437,478	1,473,172	1,509,118	1,526,925	1,545,347	1,560,655	1,577,336	1,589,832	1,609,492	1,627,692
Revaluation reserves	1,277,201	1,535,557	1,560,449	1,583,666	1,607,089	1,650,725	1,950,822	1,979,244	2,005,925	2,032,818
Council equity interest	2,714,679	3,008,729	3,069,567	3,110,591	3,152,436	3,211,380	3,528,158	3,569,076	3,615,417	3,660,510
Minority equity interest	-	-	-	-	-	-	-	-	-	-
<b>TOTAL EQUITY</b>	<b>2,714,679</b>	<b>3,008,729</b>	<b>3,069,567</b>	<b>3,110,591</b>	<b>3,152,436</b>	<b>3,211,380</b>	<b>3,528,158</b>	<b>3,569,076</b>	<b>3,615,417</b>	<b>3,660,510</b>



## STATEMENT OF CASH FLOWS (MODEL 2) FOR THE YEAR ENDED

	30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024	30 June 2025	30 June 2026	30 June 2027	30 June 2028	30 June 2029
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>										
Receipts:										
Rates and Annual Charges	167,565	171,135	175,108	178,632	182,186	186,158	190,934	195,832	200,833	205,961
User Charges & Fees	35,685	36,589	37,561	38,499	39,525	40,582	41,671	42,737	43,833	44,957
Investment & Interest Revenue Received	4,663	5,356	5,979	6,947	7,734	8,495	9,280	9,996	10,752	11,718
Grants and Contributions	35,977	36,979	33,509	32,376	31,808	31,619	32,203	31,913	32,252	32,735
Other	18,509	18,902	19,306	19,722	20,148	20,588	21,039	21,502	21,979	22,469
Payments :										
Employee Costs	-109,122	-112,403	-115,751	-117,970	-120,402	-125,217	-128,940	-132,135	-135,150	-139,710
Materials and Contracts	-50,448	-50,994	-51,474	-52,788	-52,696	-55,206	-55,377	-60,522	-56,627	-59,356
Interest	-197	-161	-142	-102	-98	-96	-94	-92	-89	-89
Other	-46,045	-48,500	-47,630	-48,870	-49,766	-51,060	-52,387	-53,746	-54,358	-55,767
<b>Net cash provided by (or used in) operating activities</b>	<b>56,587</b>	<b>56,903</b>	<b>56,466</b>	<b>56,446</b>	<b>58,439</b>	<b>55,863</b>	<b>58,329</b>	<b>55,485</b>	<b>63,425</b>	<b>62,918</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>										
Receipts:										
Sale of Investment Securities	64,727	85,666	75,413	71,375	75,382	81,235	81,867	87,746	85,069	85,269
Sale of Investment Property	-	-	-	-	-	-	-	-	-	-
Sale of Infrastructure, Property, Plant and Equipment	281	208	226	379	244	360	543	-	-	-
Deferred Debtors Receipts	21	21	21	22	13	14	14	11	-	-
Other	-	-	-	-	-	-	-	-	-	-
Payments:										
Purchase of Investments	-83,800	-85,600	-87,600	-89,300	-91,100	-93,100	-95,500	-97,900	-100,400	-103,000
Purchase of Investment Property	-	-	-	-	-	-	-	-	-	-
Purchase of Infrastructure, Property, Plant & Equipment	-42,895	-53,864	-43,157	-38,413	-42,862	-44,252	-45,128	-45,212	-47,958	-45,046
Purchase of Real Estate Assets	-	-	-	-	-	-	-	-	-	-
<b>Net cash provided by (or used in) investing activities</b>	<b>-61,666</b>	<b>-53,569</b>	<b>-55,097</b>	<b>-55,937</b>	<b>-58,323</b>	<b>-55,743</b>	<b>-58,204</b>	<b>-55,355</b>	<b>-63,289</b>	<b>-62,777</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>										
Receipts:										
Proceeds from Borrowings and Advances	-	1,286	-	-	-	-	-	-	-	-
Proceeds from Finance Leases	500	500	500	500	500	500	500	500	500	500
Payments:										
Repayment of Borrowings and Advances	-1,444	-1,496	-1,369	-509	-116	-120	-125	-130	-136	-141
Repayment of Finance Leases	-513	-500	-500	-500	-500	-500	-500	-500	-500	-500
<b>Net cash provided by (or used in) financing activities</b>	<b>-1,457</b>	<b>-210</b>	<b>-1,369</b>	<b>-509</b>	<b>-116</b>	<b>-120</b>	<b>-125</b>	<b>-130</b>	<b>-136</b>	<b>-141</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>-6536</b>	<b>3124</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>13,412</b>	<b>6,876</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>
<b>Cash and cash equivalents at end of year</b>	<b>6,876</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>



# ADDENDUM 1:

## SOCIO-ECONOMIC ANALYSIS

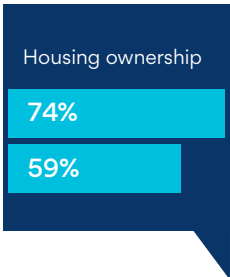


When preparing the Financial Strategy and Long Term Financial Plan, a key factor taken into consideration was the socio-economic profile of the Sutherland Shire Local Government Area. With rates, annual charges and user fees and charges making up the majority of Council’s total revenue, it is important that the capacity to pay is one of those factors.



### RESIDENTIAL PROPERTIES

In the 2018/19 financial year there are 82,286 properties across Sutherland Shire that are being rated as ‘Residential’. These properties include single dwellings, social housing, and multi-unit dwellings.



### HOUSING TENURE

At the 2016 Census, 74% of households in the Sutherland Shire were purchasing or fully owned their home, notably higher than the 59% across Greater Sydney. 17.6% were renting privately, and 2.6% were in social housing. The median monthly mortgage repayment was \$2,600 and the median weekly rent was \$450.

### HOUSEHOLD INCOMES

According to the 2016 Census the median weekly income of households was \$1,975 which was \$230 more than the Greater Sydney area (\$1745) and \$192 more than SSROC Councils (\$1783)



### EMPLOYMENT STATUS

At the 2016 Census, Sutherland Shire had an unemployment rate of 3.5%, relatively low as compared to the Greater Sydney rate of 6%.

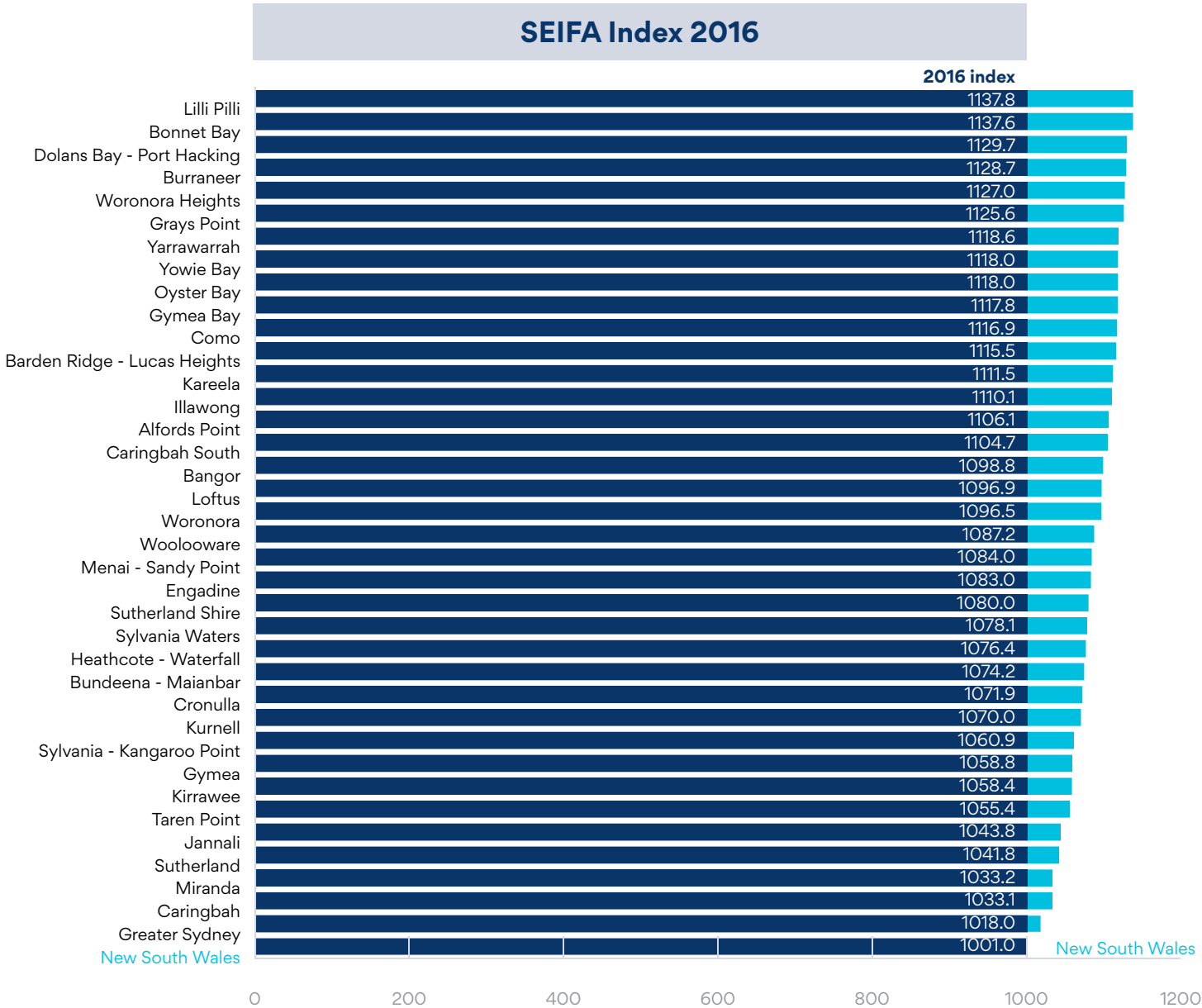


The SEIFA Index measures the relative level of socio-economic disadvantage based on a range of Census characteristics. The index is derived from attributes that reflect disadvantage such as low income, low educational attainment, high unemployment, and jobs in relatively unskilled occupations, and is useful in identifying geographic areas that are relatively disadvantaged.

An area with an SEIFA of 1000 is considered average while a lower score indicates that the area is experiencing more disadvantage.

The SEIFA Index for the Sutherland Shire is 1080 – higher than the average, indicating relatively lower levels of socio-economic disadvantage as compared to other Local Government Areas.

The SEIFA index by suburb is outlined below. Whilst there is some variation across the LGA, no areas fall below 1000.



\* Source: Australian Bureau of Statistics, Census of Population and Housing 2016. Compiled and presented in profile.id by .id, the population experts <https://home.id.com.au>



