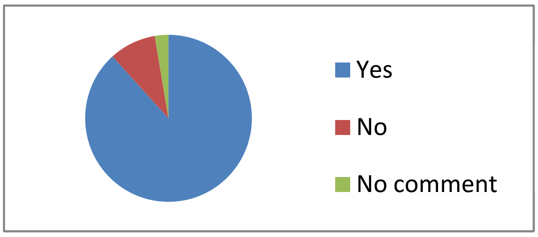
Community Engagement -
2013 / 2017 Delivery Program and Annual Operational Plan

Council has extensively engaged with our community on the 2015/16 Budget, Operational Plan and our forecast capital works. While Council has historically received less than 20 submissions, this year approximately 2,750 of our residents responded.

The survey attracted approximately 2,750 responses as of 22 May 2015.
Feedback from the survey clearly indicates:
· Overwhelming support for a balanced budget.
· Approximately 75% of resident want the IPART rate cap applied and not exceeded.
· Approximately 80% of residents want Council to aim to be debt free.
· Just over half of residents believe that Council should not borrow, although there was some support for this to occur should special circumstances such as disasters / emergencies require it.
In terms of priorities it was firmly identified by our community that we should focus on (in order of priority):
1. Roads
2. Footpaths
3. Community Services
Greater detail from the survey is provided below .

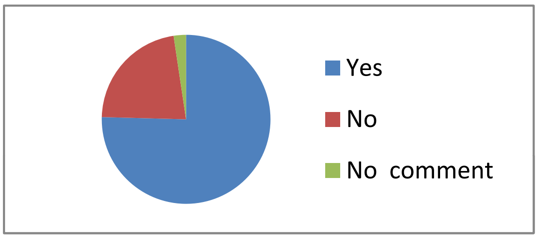
Should Council Deliver A Balanced Budget?

Yes	1743
No	179
No comment	52



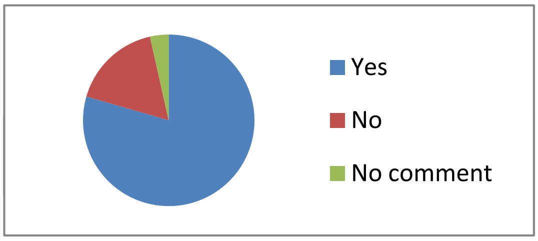
Should Council Limit Rate Rises to the IPART Cap?

Yes	1457
No	429
No comment	46



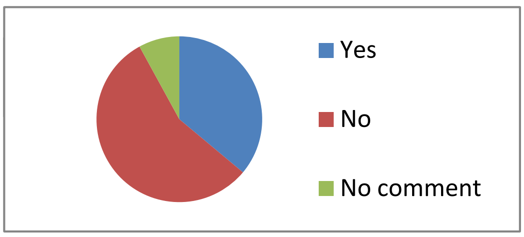
Should Council Aim To Be Debt Free?

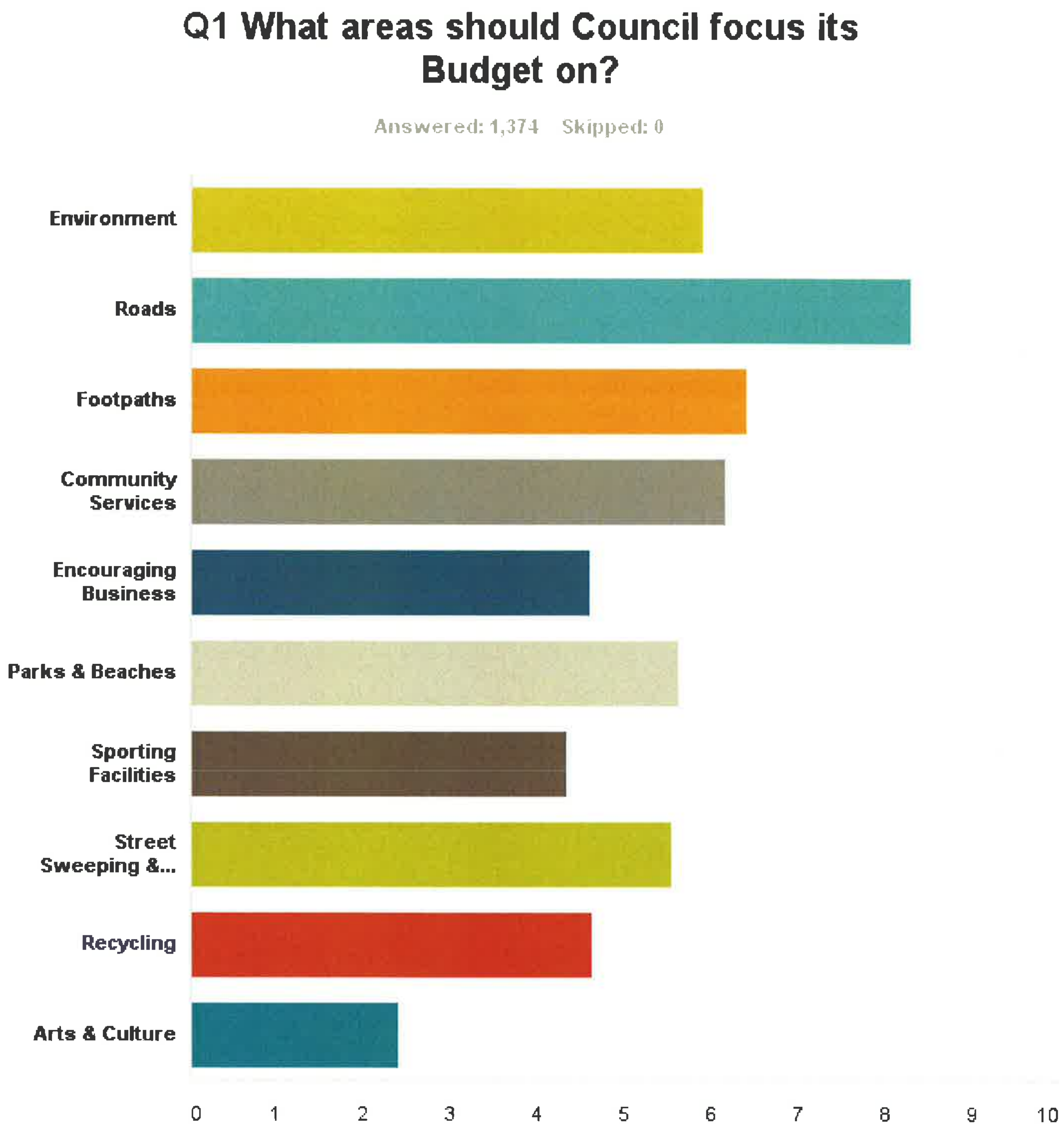
Yes	2306
No	493
No comment	102



Should Council Borrow More To Bring Forward Projects & Facilities Which Will Benefit The Shire ?

Yes	720
No	1117
No comment	159




Q1 What areas should Council focus its Budget on?
Answered: 1,374 Skipped: 0
Environment
Roads
Footpaths
Community Services
Encouraging Business
Parks & Beaches
Sporting Facilities
Street Sweeping &...
Recycling
Arts & Culture
0
1
2
3
4
5
6
7
8
9
10

Attachment 7

Sutherland Shire
COUNCIL

Annual Budget 2015/16
and
Long Term (10 Year) Financial Plan 2015/16 – 2024/25

Date:

TABLE OF CONTENTS

1.0 INTRODUCTION

1.1 Overview

Council has been adopting Long Term Financial Plans (LTFP) since 2006. Initially the Plan spanned 4 to 5 year forecasts and since 2009 it was expanded to cover a 10 year period. The LTFP has been a successful decision-making tool to assist Council in planning for future operating and capital budgets. It has allowed Council to identify opportunities and threats in relation to future financial resource levels and funding sources.

In recent years the Local Government Act has been amended to encourage NSW local government to focus more comprehensively and longer term with the planning and management of their services and assets. The NSW Office of Local Government (OLG) introduced the Integrated Planning and Reporting reforms, adopted by State Parliament, to implement this focus. OLG Guidelines have also been released to support this direction and legislation.

This LTFP is a key component of the Council's Resourcing Strategy which is required under the Integrated Planning and Reporting reforms. The other components of the Resourcing Strategy are the Workforce Strategy Plan and Asset Management Plans. All three documents of the Resourcing Strategy are vital in addressing Council's Community Strategic Plan and moving forward to adopt the Delivery Plan and Annual Operating Plan and Budget.

This document will be reviewed at least annually as part of the Annual Operating Plan and Budget each year. The LTFP will project estimates on an annual basis covering the next 10 years into the future. Each newly elected Council will also review the LTFP in accordance with the 4 Year Delivery Plan and the other Plans required under Integrated Planning and Reporting.

1.2 Purpose of Long Term Financial Plan (LTFP)

The LTFP has always been an important decision-making tool for this Council to ensure current and future financial sustainability of Council's service and asset delivery to the community. It assists in planning and identifying opportunities and threats in relation to available and future predicted financial resources and funding options. It allows Council to consider future funding and financial policies and/or strategies to address desired service levels and asset replacement and maintenance required for the future.

The LTFP places Council in a better position to make informed and important financial decisions over a longer timeframe that addresses the direction outlined by the community in the Community Strategic Plan. It allows Council to at least maintain existing service delivery levels to the community or review those levels based on financial outcomes. It also allows for review of asset renewal, replacement and maintenance levels based on available funding sources for the future. The asset review would be consistent with Asset Management Strategies and Plans.

Based on adopted modelling and scenarios it also allows Council to move towards balanced annual budgets and ensure a strong financial and cash position for the future.

The first year of each LTFP mirrors the annual budget for that current year and this flow on effect streamlines the annual budget process.

1.3 Preparation of the Plan

The LTFP is based on modelling financial information linked to key economic and service level assumptions. Assumptions extend to applying annual CPI, annual wage indexation, rate pegging limits, financial policies, financial strategies to name a few, and also extending to one-off impacts or on-going impacts such as legislative imposts.

As part of the Integrated Planning and Reporting Framework, Council has adopted an Asset Management Strategy and Asset Management plans for each key class of assets.

The Asset Management Plans will provide the base data which will be reflected in the Rolling Capital Works Program as individual projects and works in priority order by asset class and also recommend levels of service for ongoing operations and maintenance over the ten year period, with that information informing the LTFP.

This LTFP is based on known and currently planned levels of service and capital programs; it will be reviewed annually in order to ensure a linkage between future Asset Plans and financial strategies.

The LTFP is prepared leading up to the annual budget cycle each financial year. The LTFP, depending on circumstances and issues, has on occasions been presented to Council prior to firming up the annual budget (Delivery Plan and Operating Plan) and on other occasions may coincide with the consideration of the annual budget (Delivery Plan and Operating Plan). The LTFP, Delivery Plan, Operating Plan and the Annual Budget, on most occasions, is adopted for public exhibition at the same time. The public exhibition timing is usually April each year with final Council adoption being around May each year.

1.4 Financial Sustainability

A council is financially sustainable if it has the ability to financially meet future planned service delivery levels and also meet required levels of planned spending on asset renewals and replacements. NSW Treasury Corporation defines a financial sustainability council as one that, over the long term, is able to generate sufficient funds to provide the level and scope of services and infrastructure, agreed with the community through the Integrated Planning and Reporting process.

The above position is difficult to achieve in NSW local government due to the large backlog of asset renewal required, cost shifting and ever increasing demands for increased service levels by the community with no corresponding growth in revenue sources. Councils must adopt financial strategies to position themselves better to meet community and asset demands.

Sutherland Shire Council has undergone a number of assessments over the years measuring the financial sustainability of this council. In 2005 Council engaged a financial consultant, Mr Carl Millington, to review Council's financial capacity and sustainability into the future. The Millington Report stated Council was in a good financial position, however many challenges faced us in the future which could deplete our financial capacity to survive. To meet these challenges the Report recommended Council develop an on-going Long Term Financial Plan. Since 2005 Council has produced a LTFP, initially 4 to 5 years projections changing to a 10 year forecast period in 2009.

In addition, in 2008 an independent audit of Council's performance under the Local Government Reform Program – *"Promoting Better Practice"* found that *"Council has* *strong and clear leadership that is well positioned to strategically address the future needs for Sutherland Shire".* One indicator of this finding was the fact that Council adopted a LTFP and was financially responsible in using this information.

In 2013, NSW Treasury Corporation (TCorp) issued two reports:

- The final *"Financial Assessment and Benchmarking Report for Sutherland Shire Council",* and
- *"Financial Sustainability of the NSW Local Government Sector".*

In the first report, specific to Sutherland Shire Council it was determined that "*based on our review of both the historic financial information and the 10 year financial forecast within Council's long term financial plan we consider Council to be in a sound financial position."*

Further, *"that the Council has been well managed over the review period based on financial performance indicators (outlined in this report)".*

The second report provided a financial sustainability and benchmarking assessment of all councils in NSW. In this report, Sutherland Shire Council was allocated a Financial Sustainability Rating of "Moderate" (meaning on average equivalent to marginally exceeding the benchmarks utilised in TCorp's assessment process) with an Outlook of "Neutral", which indicates that the Financial Sustainability Rating is likely to remain unchanged in the short term.

TCorp's definition of Moderate/Neutral which covers Sutherland Shire Council is as follows:

Financial Sustainability Rating Moderate

- *A local government with an adequate capacity to meet its financial commitments in the short to medium term and an acceptable capacity in the long term.*
- *While it has some record of reporting minor to moderate operating deficits the local government may also have recently reported a significant operating deficit.*
- *It is likely able to address its operating deficits, manage unforeseen financial shocks and any adverse changes in its business, with moderate revenue and/or expense adjustments. The expense adjustments are likely to result in a number of changes to the range of and/or quality of services offered.*
- *Its capacity to manage core business risks is moderate.*
- *In general may not have sufficient funds to address their Infrastructure Backlogs.*

Outlook Neutral

- *There are no known foreseeable events that would have a direct impact on the financial sustainability of the local government. It may be possible for a rating upgrade or downgrade to occur from a neutral outlook, if warranted by an event or circumstance.*

The external auditor, PricewaterhouseCoopers, reported in their 2013/14 audit of Council's financial position that *"Council is considered to be in a sound and stable financial position."*

In 2014 the NSW Government announced a reform package for local government, "Fit for the Future". Under this reform the State Government has established criteria that require addressing, under the headings of:

- sustainability,
- effective services and infrastructure,
- efficiency.

An Improvement Action Plan to become Fit for the Future has been developed and will address the criteria and outline actions, strategies and milestones for the achievement and maintenance of this status, against which Council will be required to report in the future. Council's performance against the benchmark ratios within the Improvement Action Plan indicate holistically that Council is forecast to be operating at a sustainable level into the future. This LTFP will reflect the outcome measures of this reform.

One reason Council has been able to achieve its financial position is by developing financial strategies and policies as a result of decision making through the LTFP. Strategies and policies developed to continue financial sustainability include:

1. Development of a Future Budgets Reserve, where all efficiencies and savings from budget reviews and year end budget results are transferred to a cash reserve to support future budgets. This was implemented in 2005 and to date has generated nearly $44 million to assist with future years budgets through the LTFP.

2. Conservative loan borrowing levels to meet capital programs, debt service ratios have in the norm been under 4% for a decade or more.

3. Maintain a Property Investment Fund that generates around $5 million income to Council each year.

4. Maintain an Employees Leave Entitlements Reserve at a minimum 10% of Leave Liability to meet unforeseen leave payments.

5. Maintain a comprehensive Section 94 Developer Contributions Register that earmarks committed funds for future project use.

6. Keeping working funds of $1.0 million uncommitted in each budget year as a "buffer" for unforeseen financial impacts.

7. Inclusion of a requirement in the adoption of the 2015/16 to provide an additional $1 million of operational improvements during the year that are sustainable into the future to ensure Council's strong financial position.

8. Community consultation to determine expectation and service provision requirements.

The savings and efficiencies made over many years have enabled Council:

- to expand its role in economic development, environment, the arts and tourism
- to address issues such as anti social behaviour, vandalism and graffiti
- offset cost shifting from other levels of government
- meet cost increases, especially utility charges, when rate caps did not cover these increases
- continue a large capital program
- improve service levels in parks maintenance and tree management
- move to online business and dealings with our community.

This has been achieved in an era where this Council, unlike many others:

- does not charge for car parking and is the only metropolitan beachside area not to do so
- does not charge for the use of playing fields
- requires that its child care centres are self funding
- is one of only 18 councils in the metropolitan area which provides a voluntary pensioner rebate; in fact the subsidy of $105 per annum is in addition to the mandatory subsidy of $250 (of which the government meets only 55%)

Continuous improvement with periodic refocus has been applied as part of management's objectives in improving productivity and eliminating poor work practices and culture. Organisational reform and restructure has been significant in recent years and has yielded significant savings through efficiencies.

This reform process is on-going and is expected to continue to provide efficiencies and improvements, for example, whenever a vacancy occurs a formal justification is required before a replacement is made.

1.5 Financial Structure of the Plan and Annual Budget

The financial structure of the LTFP and annual budget is based on modelling financial information for key economic and service level assumptions. Assumptions extend to applying annual CPI, annual wage indexation, rate pegging limits, financial policies, financial strategies to name a few.

Council has developed a financial model based on many spreadsheets that consolidate and manipulate key information into various formats as outlined as follows:

- an annual budget document by responsibility Unit and Directorate,
- a LTFP up to 10 years projections based on applied economic and service level assumptions, including one-off impacts where known,
- the LTFP documents allow presentation in budget available funds format, operating statement, balance sheet and cash flow statement format,
- an infrastructure/ capital program identified with funding sources for the 10 year forecast period in line with current asset management systems.

The Model Plan can have different scenarios and sensitivity criteria and assumptions applied to view different outcomes for Council to consider financial viability and sustainability for the future. Financial policies and strategies can be determined by considering different scenarios.

Council usually decides on the desired service delivery levels and then projections are carried out on revenue and expenditure estimates to meet those service levels. The residual surplus funds, that is after expenditure is deducted from revenue, are regarded by Council as "Discretionary Funds Available". The Discretionary Funds Available is the general revenue component available to meet infrastructure/ capital expenditure. Asset renewal, replacement and maintenance levels are then applied on a priority basis from the existing Council Asset Management information. Any additional funding sources for Asset Programs and Projects are then identified and applied with the Discretionary Funds Available to acknowledge whether funds can meet the desired Asset spending or not.

If funding is short Council then decides on remedial options such as identifying further funding sources, reductions in either or both service delivery levels and/or asset programs and projects.

Once Council adopts the suite of documents the adopted financial budget allocations are then applied in Council's core corporate Technology One financial system. Through the core corporate system budgets are monitored and reported through the Budget Review process. Council conducts quarterly budget reviews as prescribed by legislation and in addition will usually conduct a further 3 reviews in November, February and May each year. The extra reviews are not always required, however they have been conducted more times than not.

Council's Operating Budget is prepared on the traditional "Working Funds" approach which effectively matches revenue earned against all expenditure and outgoings. This is almost a cash based budget, however accruals are still undertaken to recognise both income and expenditure in the period in which they were earned or incurred. No-cash items, such as depreciation affect Council's Operating Budget. Income is recognised from all sources, including internal funds such as reserves.

Statutory Financial Reporting recognises only "operating" activities within the Income Statement and therefore contains non-cash items of both income and expenditure but excludes capital expenditure, instead replacing it with the non-cash expense of depreciation. No internal transactions are included.

The significant distinctions between the two forms of accounting and budgeting are as follows:

	Operating Budget	**Statutory Reporting**
Income Allocations		
Grants and Contributions	Recognised when incurred	Recognised when received
Loan Funding	Included	Excluded
Reserve Funding	Included	Excluded
Internal Income	Included but offset by matching expenditure	Excluded
Asset Sales	Included	Excluded
Gain on Asset Disposal	Excluded	Included
Long Term debtor Repayments received	Included	Excluded
Land Dedications	Excluded	Included
Revaluation Increments for Investment Properties	Excluded	Included
Investment Revaluations	Excluded	Included
Expenditure Allocations		
Capital Expenditure including overheads	Included	Excluded
Depreciation	Excluded (offset)	Included
Loan Principal Repayments	Included	Excluded
Reserve Transfers	Included	Excluded
Loss on Disposal of Assets	Excluded	Included
Employees Leave Expenses	Cash payments and reserve movements	Full accrual cost including liability movements

The Long Term Financial Plan is prepared under both formats and the differentiation between outcomes are highlighted under each category in the following section.

2.0 FORECASTS AND ASSUMPTIONS IN THE LTFP

2.1 Revenue and Funding Sources

2.1.1 Annual Rates

Base Level Income

OPERATING BUDGET

Estimated 2015/16 Gross Rates and Extra Charges Income (including Cronulla CBD Special Rate) is $112.654 million, with Mandatory Government Pensioner Rebates being $3.451 million and Council Voluntary Pensioner Rebates $1.419 million. Net rates income (including interest charges) is therefore around $107.784 million which is around 41.38% of gross revenue from all sources for 2015/16

INCOME STATEMENT

Estimated 2015/16 Gross Rates and Extra Charges Income (including Cronulla CBD Special Rate) is $112.654 million, with Mandatory Government Pensioner Rebates being $3.451 million and Council Voluntary Pensioner Rebates $1.419 million. Net rates income (including interest charges) is therefore around $107.784 million which is around 45.89% of total operating revenue as reflected in the Budgeted Income Statement.

DIFFERENTIATION

Income levels are the same for both Council's Operating Budget and the Income Statement, the difference between the percentages relates to the total income on which they are calculated.

Although major development opportunities in the Shire are limited and most of the expansion can be attributed to ongoing strata development, there are a number of significant developments identified over the next few years which will contribute to increased rate revenue, without an increase through a special rate variation which is the current policy

Throughout the LTFP, rates have generally increased by a rate pegging limit of 2.4% (marginally below CPI as per the trend of recent years) with a small increment of 0.05% to account for non-specific growth in the rate base from ongoing strata development. No special rate variations have been included. Specific increments for rates have been included for known significant developments:

- Cronulla Sharks
  - Strata development of 600 units, recognised in three annual stages of 200 units each at the minimum rate commencing 2016/17,
- Shearwater Estate
  - Residential development of 160 lots, recognised in three annual stages of 50, 50 and 60 lots commencing 2016/17,
- Kirrawee Brickpit Site
  - Strata development of 750 lots, recognised in three annual stages of 250 units each at the minimum rate commencing 2018/19,
- West Menai
  - Residential development with full scope to be determined, recognised in two annual stages commencing 2019/20.

As a result rate income in each of the years of the financial plan has been increased over and above the projected rate pegging limit and allowance for ongoing strata development by the following amounts in relation to these developments:

2015/16	NIL
2016/17	173,270
2017/18	177,465
2018/19	320,240
2019/20	212,600
2020/21	247,500
2021/22	NIL
2022/23	NIL
2023/24	NIL
2024/25	NIL

These increases have been determined based on the timing of anticipated release of various stages of the proposed subdivisions and the adjustment against the current consolidated valuation. The increases are perpetual and have been built into subsequent rating bases.

Rating Structure

Council's rating policy is structured on an ad-valorem – minimum rate basis. Each year Council reviews its rating strategy and structure. The minimum rate method applies throughout the Shire on a ceiling land valuation, and any property above this minimum is then rated on a Straight Ad Valorem method.

Council Ad Valorem rating is calculated as a rate-in-the-dollar on each property land valuation. Land valuations change every three years when the NSW Valuer General issues new valuations. It is important to understand that any change in rating structure or land valuations does not equate to additional rate income, it merely redistributes the rating burden across the rating categories and properties as total rating income is pegged to a percentage allowable increase.

Rating Categories

In the past Council had three ordinary rate categories – the three categories were Residential - Ordinary, Business General – Ordinary and Business – Kurnell Industrial Ordinary Rates. For the 2014/15 Budget Council resolved to introduce ten (10) additional sub-categories under the two Business Rate categories and expanded this by one (1) further sub-category for the 2015/16 Budget. These sub-categories are as follows:

- Caringbah Commercial Centre
- Cronulla Commercial centre
- Engadine Commercial Centre
- Menai Commercial Centre
- Miranda Commercial Centre
- Miranda Core Major Shopping Complex
- Sutherland Commercial Centre
- Sylvania Southgate Commercial Centre
- Sandy Point and Menai Quarrying and Filling
- Kurnell Sand Mining
- Kurnell Finished Fuel Terminal Facility

Council also has a Special Rate for Cronulla CBD, however this rate is specific for that purpose and is not available for general service levels.

Properties that fall into the sub-categories listed above are rateable land located and zoned as Zone 8 - Urban Centres under the Sutherland Shire Local Environmental Plan 2006 or equivalent under a subsequent Local Environmental Plan: There is a further distinction between Miranda Core Major Shopping Complex and Miranda Commercial Centre based on criteria of the number of uses associated with the areas defined.

If rateable land is categorised as "Business" and is not defined into the above sub-categories then it defaults to their previous category as either:

- Business General, or
- Business – Kurnell Industrial

There is no change to residential ratepayers, they remain under the same category.

<u>Rate Pegging</u>
The 2015/16 rates will increase in line with the rate pegging limit of 2.4% set by the Independent Pricing & Regulatory Tribunal (IPART). The full 2.4% will be applied to Council's total income, however the change in sub-categories will result in a re-distribution of the rate burden across the different categories.

Residential ratepayers will only have, on average, around a 1.5% increase in rates, with the residual being picked up by the business categories. Different business categories will vary in the amount of rate increase depending on the differential rate- the-dollar adopted by Council for each category. Council is required to issue rates for 2015/16 on new valuations (base date 1 July 2014) and as a result there will be are-distribution of the rate burden amongst individual ratepayers within the categories and sub-categories which may result in rate increases for some residential properties increasing above the average of 1.5%, depending on the actual property value when compared to the average increase in valuations across the Shire.

<u>Pensioner Rate Rebates</u>
Pensioners will receive two rebates according to their eligibility status.

- The mandatory rebate under Section 575 of the Local Government Act will be to a maximum of $250 per assessment, calculated as one half of the combined rates plus domestic waste charge - whichever is the lesser amount.
  The maximum of $250 is determined by the state government and has remained unchanged at that level since 1989. The government subsidises councils with 55% of mandatory rebates granted.
- The voluntary rebate as per Council policy, under Section 582 of the Local Government Act, to a maximum of $105 per assessment.

Eligibility conditions are:
(1) The ratepayer must firstly be eligible for a mandatory rebate.
(2) The ratepayer must have been a ratepayer in the Shire for the last three years.
(3) In calculating the maximum voluntary rebate, the ratepayer should be left paying an amount at least equivalent to the domestic waste charge.

As outlined, rebates are calculated on the combined levy of rates plus domestic waste charge.

RATING INCOME– ADOPTED ASSUMPTIONS FOR LTFP

CRITERIA	ADOPTED ASSUMPTIONS
Ad Valorem Rating Structure	To remain and applies to all forecasted years.
Rate Pegging	To remain and pegged limit of 2.4% (below expected CPI consistent with recent years) to remain stable and applied to each year.
Special Rate Variation (SRV)Increase	None, no commitment to apply for a SRV for any year forecasted.
Pensioner Rate Rebates	Both mandatory and voluntary rebates to remain for all years forecasted.
Rating Growth	Minor growth has been applied for future years allowing for potential residential and strata development. To allow for anticipated significant subdivisions, additional income has been recognised as follows: 2015/16 NIL 2016/17 173,270 2017/18 177,465 2018/19 320,240 2019/20 212,600 2020/21 247,500 2021/22 NIL 2022/23 NIL 2023/24 NIL 2024/25 NIL

2.1.2 Domestic Waste Management Charges

Base level Income

OPERATING BUDGET

Domestic Waste Management Charges (including interest charges) for 2015/16 are estimated at $37.928 million which is around 14.56% of gross revenue from all sources for 2015/16

INCOME STATEMENT

Domestic Waste Management Charges (including interest charges) for 2015/16 are estimated at $37.928 million which is around 16.15% of total operating revenue as reflected in the Budgeted Income Statement.

DIFFERENTIATION

Income levels are the same for both Council's Operating Budget and the Income Statement, the difference between the percentages relates to the total income on which they are calculated.

Domestic Waste Services

Domestic waste covers the services of weekly collection of putrescible waste, fortnightly collection of greenwaste and recyclable materials, and a twice yearly on-call clean-up service for properties upon request.

Under the provisions of the Local Government Act 1993, Council is required to match its domestic waste charges with the reasonable cost of the service - in other words, there must be no subsidising of the charges from rates or other revenue. Under the

Local Government Act 1993, it is mandatory to levy a Domestic Waste Management Charge (Section 496).

Domestic Waste Management Reserve

The Domestic Waste Management Reserve currently has a zero balance (30 June 2014), although there are expected be budgetary improvements in 2014/15 which will contribute to the reserve and should result in a balance at 30 June 2015, although the actual amount is not determinable at this stage of the year. It is not planned to use any Reserve funds over the next few years for bin roll-outs or other activities. Traditionally the Reserve has been as high as $3 million, however over recent years it has been reduced to cover unexpected increases in costs. The Reserve can act as a buffer for unexpected costs as well as providing a funding source for unexpected purchases of plant and equipment. There is no proposal for any transfer to increase the Reserve in the current estimates, and no increases in domestic waste charges other than actual cost recovery have been applied in subsequent years to re-establish the reserve at the desired level.

Domestic Waste Management Service Charges

The present domestic waste charge is structured in two major levels, "Regular" and "Shared" services, with the addition of a "Service Availability" charge (which mostly relates to vacant land). It is mandatory under the Local Government Act for councils to levy a charge on vacant land and this has been set at a token level. The "Shared" service basically applies to any situation where a property owner shares a 240L bin for putrescible garbage and recycling. "Shared" services exist only in home units and some villa/townhouse developments. A "Regular" service charge currently applies to all other domestic waste services. They are mostly 120L bin services for putrescible waste and apply to some villa and townhouse developments and all single dwelling households.

The "Shared" charge prior to 2011 had historically been set at approximately two thirds (2/3) of the rate of the "Regular" service. Originally the "Shared" service was for a 120L waste removal service per week, while a "Regular" service was for a 240L waste removal service per week. There were no recycling or greenwaste services provided at that time. This meant at the time the discount principle was struck, the "Shared" service was for a lesser amount of waste service each week.

While the principle of the "Shared" service remains today, this service is now provided at the same standard as the "Regular" service, with both receiving a 120L putrescible waste removal service per week and weekly collections of 240L recycling or greenwaste (alternate weeks for "Regular" service).

Alternative charging structures were presented to Council and, after consideration, Council adopted that the charge should be more evenly spread across the Shire. The proposal was to gradually phase in, over a four (4) year period, charges that would result in the “Shared” and “Regular” Service Charge being the same charge by 2014/15.

Specifically this means the "Shared" service did rise from 2/3 (or 8/12) to 9/12 in the 2011/12 financial year, to 10/12 in the 2012/13 financial year, to 11/12 in the 2013/14 financial year, and is proposed to finally rise to 12/12 in the 2014/15 financial year, making it equal to the rate charged for the "Regular" service.

The transitional shift in charges between “Regular” and “Shared” does not generate any additional income, it merely re-distributes the charge between these two types of service.

It is estimated that the cost of the service will increase by $6.097 million in 2015/16. This is a 19.05% increase which can be attributed to disposal costs which are expected to increase by $6.471m (46.89%) in 2015/16. This is the result of the anticipated imposition of Section 88 levies by the State Government on the disposal of both greenwaste and recycling. These charges will be borne by all local government authorities and similar proportional increases will by seen across all metropolitan councils

Based on the annual cost recovery, the DWM charges adopted by Council are:

	No. Services	Adopted 2014/15	Adopted 2015/16	Annual Increase $	Annual Increase %
Regular Service	60,971	$377.70	$456.30	$78.60	20.81%
Shared Service	20,777	$377.70	$456.30	$78.60	20.81%
Regular Additional Service	546	$324.70	$394.50	$69.80	21.50%
Vacant Land Service Availability	438	$80.00	$97.20	$17.20	21.50%
Improved Service Availability	1,350	$164.80	$200.20	$35.40	21.48%

The above charges are based on full annual cost recovery with no financial assistance from the Domestic Waste Management Reserve.

The primary contributors to the increment above CPI are a significant increase in disposal costs which are expected to increase by $6.471m (46.89%) in 2015/16. This is the result of the anticipated imposition of Section 88 levies by the State Government on the disposal of both greenwaste and recycling. These charges will be borne by all local government authorities and similar proportional increases will by seen across all metropolitan councils

The total estimated expenditure for domestic waste services is $38,087,701, with the balance funded from diesel fuel rebates and recycling income.

DOMESTIC WASTE - ADOPTED ASSUMPTIONS FOR LTFP

CRITERIA	ADOPTED ASSUMPTIONS
That the Regular Service Charge and Shared Service Charge be at the same level	This occurred in 2014/15 and is continued through the LTFP. This is a shift between types of services and does not relate to generating additional income.
DWM Reserve level to remain unchanged	The current level (zero), supplemented by anticipated gains in 2014/15 has been maintained throughout the LTFP. There has been no direction to increase the Reserve level.
Cost and Revenue Growth	Income has been set to match expenditure taking into account expenditure parameters of labour (2.6%, materials (2.5%) and labour related overheads (variable as outlined later in LTFP) have been used to estimate income.

2.1.3 Stormwater Management Levy

<u>Base level Income</u>

OPERATING BUDGET

Stormwater Management Service Charge is estimated at $2.015 million in 2015/16 which is around 0.77% of gross revenue from all sources for 2015/16.

INCOME STATEMENT

Stormwater Management Service Charge is estimated at $2.015 million in 2015/16 which is around 0.86% of total operating revenue as reflected in the Budgeted Income Statement.

DIFFERENTIATION

Income levels are the same for both Council's Operating Budget and the Income Statement, the difference between the percentages relates to the total income on which they are calculated.

<u>Stormwater Levy Legislation</u>

In 2006 the NSW State Government passed legislation known as the Local Government Amendment (Stormwater) Bill 2005, which allows councils to make and levy an annual charge for the provision of stormwater management services for each parcel of rateable land for which the service is available. The amendments have effectively introduced Section 496A into the NSW Local Government Act, providing councils with the authority to make and levy this annual charge. The Local Government (General) Amendment Stormwater Regulation was issued on 13 April 2006.

Clause 125AA of the Local Government (General) Regulation 2005 states that the maximum charge that may be levied on rateable land is $25 for land categorised as residential and $25 per 350 square metres (or part thereof) for land categorised as business. Under the guidelines strata properties are capped at a maximum of 50% of the residential charge adopted.

The charge is levied as an annual charge (similar to domestic waste) and will be shown on the rate notice as a separate charge to the rates. The charge is applicable only to rateable land rated as a residential or business category. Vacant land and non-rateable parcels of land are exempt from the charge.

<u>Levy Conditions</u>

The charge can only be for new and additional works above the value of drainage and stormwater works regularly funded from general revenue previously. The average funding level from general revenue over the past few years is in excess of $1 million p.a. This level must be maintained in the adopted budget across various allocations such as general maintenance, specific studies and other construction works.

<u>Value of Levy Charges</u>

In the three years following inception in 2006/07 Council raised $1.77m each year from the charge to fund the specific program adopted by Council. These programs were based on a $22 levy on residential households. In 2009/10 the charge was raised to $25 and that generated a program of $1.95m. It was adopted in this budget that the same charge apply and a $2.015 million program be funded from the Stormwater levy. This program level is based on $25 to be raised on residential households.

The value of works to be funded from the Stormwater Charge is $2.015m in 2015/16.

Stormwater Levy Charges
The legislation allows Council to have some discretion with the charge especially where certain categories of ratepayers are at a disadvantage in relation to the charge. Council is proposing to assist eligible pensioners with this charge by only charging 50% of the standard charge that would be applicable.

Charge Category	**Adopted 2015/16**
Residential house	$25.00
Residential house – pensioner (50% discount)	$12.50
Residential strata unit	$12.50
Residential strata unit – pensioner (50% discount)	$ 6.25
Recreational facilities	$25.00
Commercial land – Other than properties in a strata scheme	
pro rata charge of $25 for each 350 sq.m. of land area thereof, with a minimum $25 charge.	
Commercial land – Properties in a strata scheme	
The greater of $5 or the relevant proportion (being the proportion that the unit entitlement of an individual lot to that of the aggregate entitlement) of the maximum annual charge that would apply if the property were not in a strata scheme	
Industrial land – Other than properties in a strata scheme	
pro rata charge of $25 for each 350 sq.m. of land area thereof, with a minimum $25 charge and a maximum capping of $20,000 applies for each rateable property.	
Industrial land – Properties in a strata scheme	
The greater of $5 or the relevant proportion (being the proportion that the unit entitlement of an individual lot to that of the aggregate entitlement) of the maximum annual charge that would apply if the property were not in a strata scheme	

STORMWATER MANAGEMENT CHARGE - ADOPTED ASSUMPTIONS FOR LTFP

CRITERIA	ADOPTED ASSUMPTIONS
Stormwater Management Charges	No change to the current charges for any year forecasted in the LTFP.
Stormwater funding raised per annum is $2 million.	This figure has not been increased by CPI as the charges have been forecast to remain the same. A minor increase reflective of growth in assessable properties has been included at $1,000 each year for 2016/17 and 2017/18 and then $3,000 each year from 2020/21 onwards.

2.1.4 Fees, Charges & Other Income (excluding Property Fund)

<u>Base Level Income</u>

OPERATING BUDGET

Fees, Charges and other income (less Property Fund Income shown elsewhere) is estimated for 2015/16 at around $50.164 million which is around 19.26% of gross revenue from all sources for 2015/16.

INCOME STATEMENT

Fees, Charges and other income (less Property Fund Income shown elsewhere) is estimated at $47.532 million in 2015/16 which is around 20.24% of total operating revenue as reflected in the Budgeted Income Statement.

DIFFERENTIATION

Under this category significant variations between the two formats of accounts have been recognised.

Income items included in the Operating Budget but not in the Income Statement are:

- Internal Income (transfers between income and expenditure allocations undertaken to better reflect individual unit income and expense performance for internal reporting such as subsidy payments. These are offset by matching internal expenditure)
- A Depreciation Contra (this is a traditional income allocation which offsets the minor depreciation included in the Operating Budget to eliminate the non-cash transaction)
- Repayments by Long-term Debtors,
- Asset Sales.

Income items included in the Income Statement but not in the Operating Budget are:

- Fair Value of Investment Property Increments (unrealised valuation increases that are only recognised in the Operating Budget when disposal occurs and the increase is realised)

<u>User Fees, Charges and Other Income</u>

User Fees and Charges are reviewed by Council every year with the annual operating 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.

It is assumed these fees and charges will continue to be provided on the same pricing basis and have been increased by 2.7% for 2015/16 and then a general 2.5% per annum increase for each year of the LTFP. These fees and charges include Leisure Centre activities, community facilities use, restoration charges to name a few.

Other Income extends to property rentals, insurance and legal recovery, penalty fines, asset sales to name a few. Increases applied to other income are the same as those applied to fees and charges with the addition of adjustments:

- Childrens Services income, where, as a fully funded operation, income has been set to match expenditure taking into account expenditure parameters of labour (2.6%, materials (2.5%) and labour related overheads (variable as outlined later in LTFP) have been used to estimate income

- Fair Value Increments for Investment Properties based on a 2% increment for market revaluations annually (applicable to Income Statement only)

Council's primary asset sales relate to plant and vehicle disposals and property sales. There are no operational property sales expected in 2015/16 that relates to the Property Fund. Plant and vehicle asset disposals of an estimated $1.0m have been identified as part of the capital support program annually and have been included in the Operating Budget.

FEES, CHARGES AND OTHER INCOME - ADOPTED ASSUMPTIONS FOR LTFP

CRITERIA	ADOPTED ASSUMPTIONS
Regulatory Fees and Charges	Increased by 2.7 % for 2015/16, then 2.5% each year onwards.
Discretionary Fees and Charges.	Increased by 2.7 % for 2015/16, then 2.5% each year onwards.
Other Income	Increased by 2.7 % for 2015/16, then 2.5% each year onwards, other than specific fully funded allocations such as Childrens Services where income has been adjusted to match expenditure.
Asset Sales	Only Asset sales provided is plant and vehicle disposals at $1 million for each year of the LTFP.

2.1.5 Grants

2.1.5.1 Operating Grants

Base Level Income

OPERATING BUDGET

Operating Grants are estimated in 2015/16 at around $10.127 million which is around 3.89% of gross revenue from all sources for 2015/16.

INCOME STATEMENT

Operating Grants are estimated in 2015/16 at around $10.127 million which is around 4.31% of total operating revenue as reflected in the Budgeted Income Statement.

DIFFERENTIATION

Income levels are the same for both Council's Operating Budget and the Income Statement, the difference between the percentages relates to the total income on which they are calculated.

Financial Assistance Grants

These are Federal "untied" grants distributed through the various state local government grants commissions.

There are two components to this grant – the Roads component which is based on road types and lengths within the local government area, and the General Purpose component which is distributed according to a methodology taking into account Revenue Raising Capacity and Expenditure Disabilities.

Past presentations to the State Grants Commission highlighted how this Council, and a number of metropolitan councils, are disadvantaged by the current method of distributing the Federal Financial Assistance Grants. In March 2013 an “Alliance” of 20 Sydney metropolitan councils, including Sutherland Shire, made a submission to the Commonwealth Grants Commission Enquiry again expanding on the disadvantages associated with the current distribution method and proposing a new methodology. The Alliance presented this submission in a public grants commission hearing in Canberra.

For 2014/15, this Council received $20.55 per capita compared with:

Blacktown	$48	Campbelltown	$56
Wollongong	$73	Penrith	$47
Lake Macquarie	$66	Fairfield	$43
Newcastle	$69	Parramatta	$42
Wyong	$68	Liverpool	$38

In 1987/88 Council received $4.4 million under FAGs; decreasing for the next 10 years to a low of $2.8 million in 1997/98.

The Grant has now reached $4.586 million (2014/15 actual). That means that in the 27 years after the previous peak a cumulative loss against CPI of $101 million has occurred.

Since 1996/97, Sutherland Shire Council has been on the per capita minimum level, which has meant that the previous decline had stopped and we were receiving small annual increases more or less in line with the percentage increase overall for the state. It should be noted that the per capita share of the financial assistance grant represents 30% of total available funds distributed by the NSW Grants Commission, the other 70% being distributed under the perceived disability methodology.

As part of the 2014/15 Federal Budget, the indexation of Financial Assistance Grants was paused for a three year period commencing 1 July 2014, resulting in no further adjustments to the overall funding pool for CPI and population growth until 2017/18. As the general purpose component of the grant is allocated to the States on a population basis, it is expected that the New South Wales share of the grant will decrease during the next three years as population growth will likely be below the national average, whilst the grant pool remains constant. This will likely have a continuing effect on the amount receivable by this Council, depending on the basis applied for distribution by the New South Wales Grants Commission.

The budgeted estimates are:-

	2014/15	**2015/16**	**Decrease**
General Purpose Component	$4,612,685	**$4,595,392**	**0.375%**
Roads Component	$1,967,735	**$1,967,668**	**0.003%**

For the LTFP, the FAG has been forecast to continue to decrease by 0.25% each year until 2018/19 when the indexation will recommence. After that point, the estimate to Council has been incremented by 1.25%, being half of the estimated CPI.

Specific Purpose Operating Grants
The total value of specific purpose operating grants from year to year has been projected on a stable, maintained basis. Grant levels are predicted to be similar and have been increased by CPI growth. The only exception to this relates to the Local Infrastructure Renewal Scheme (LIRS) grant which is an interest subsidy paid in relation to loan funding procured for the Cronulla Seawall and Esplanade Upgrade. This grant has been included as actual known amounts receivable – the subsidy is 400 basis points of the interest paid on the loan which is a fixed term loan, finalised in 2023/24, therefore repayments of interest are known for the period of the loan.

Specific Purpose grant funding is also anticipated for the dredging of Fishermans Bay in 2016/17, amounting to $630,000.

Major operating grants in the Plan for 2015/16 include:-

	$'000
Children's Services Operating (Other than Fee Relief)	737
Library Subsidy	444
Pensioner Rate Subsidy	1,898
Street Lighting Subsidy	360
Bushcare	479

OPERATING GRANTS - ADOPTED ASSUMPTIONS FOR LTFP

CRITERIA	ADOPTED ASSUMPTIONS
Financial Assistance Grant	Decreased by 0.25 % per annum each year from 2015/16 to 2017/18 to account for pausing of indexation, then increased by 1.25% (half CPI) from 2018/19 onwards.
Specific Purpose Grants	Increased by 2.5 % per annum each year from 2015/16 onwards other than the LIRS Subsidy which is included as actual known amounts. Grant funding for the dredging of Fishermans Bay $630,000 included for 2016/17

2.1.5.2 Capital Grants

Base Level Income

OPERATING BUDGET

Capital Grants are estimated in 2015/16 at around $6.187 million which is around 2.38% of gross revenue from all sources for 2015/16 and more relevantly 14.87% of the Infrastructure and Capital Program.

INCOME STATEMENT

Capital Grants are estimated in 2015/16 at around $6.187 million which is around 2.63% of total operating revenue as reflected in the Budgeted Income Statement.

DIFFERENTIATION

Income levels are the same for both Council's Operating Budget and the Income Statement, the difference between the percentages relates to the total income on which they are calculated.

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. Grant movements are generally compensated by expenditure movements.

Listed below are the major capital grants that have been included in the Infrastructure and Corporate Support Program (Blue Pages) for 2015/16, some still subject to approval of the funding (not confirmed at this stage), include:

Roads Construction (Roads to Recovery and Regional Roads Program) – including Captain Cook Drive	$2,817,000
Traffic Management Works/Pedestrian Safety	590,000
Waterways	920,000
Cycleways	900,000
Sporting Facilities	900,000

Capital grant inclusions in years 2016/17 onwards are limited to expected capital grants which are of a recurrent nature or have a reasonable level of successful procurement, as follows:

- Roads to Recovery program included for only the next round of the program, at $928,000 each year from 2016/17 to 2018/19;

- Regional Roads Program continuing each year of the financial plan, with the 2015/16 base level of $361,000 maintained throughout the remaining years of the financial plan;

- RTA Traffic Facilities, Linemarking and Signage continuing each year of the financial plan, with the 2015/16 base level of $510,000 maintained throughout the remaining years of the financial plan;

- Cycleways funding to complement Council's for: ;
  - Woolooware Bay Stage 6 Construction $900,000 (2016/17)
  - Captain Cook Drive to Wanda Shared Pathway $250,000 (2017/18)
  - North Cronulla to Cronulla Station $250,000 (2017/18)

- Waterways funding, as a co-contribution to Council's contribution for:
  - Oyster Bay Boat Ramp Upgrade $100,000 (2016/17)
  - Scylla Bay Boat Ramp, Wharf and Carpark $150,000 (2016/17)
  - Tonkin Oval Boat Ramp and Wharf Upgrade $200,000 (2016/17)
  - Yowie Bay Old Baths Wharf $125,000 (2016/17)
  - Bonnet Bay Pontoon and Carpark Upgrade $175,000 (2017/18)
  - Captain Cook Bridge Kayak Launch Facility $200,000 (2017/18)
  - Holts Point Boat Ramp $125,000 (2017/18)

- Stormwater Quality Improvement partial funding in 2016/17 for Woolooware Bay Catchment Floodplain Risk Management Study ($187,000) and Woronora River Flood Awareness and Preparedness Program ($60,000);

- Upgrade works in Dunningham Park and Peryman Place (including the seawall reconstruction) of $2.0 million in each of the two years from 2020/21 to 2021/22

- Passive Reserve Upgrade works funding, to complement Council funding of:
  - Camellia Gardens Upper Play Space $200,000 (2017/18)
  - Hungry Point, Cronulla Design of Northern Pathway and Surrounds $110,000 (2017/18)
  - Silver Beach Pathway $1,305,000 (2016/17 - 2020/21),
- Vehicle Accommodation Works at the Heathcote Fire Control Centre for $50,000 in 2016/17.

CAPITAL GRANTS - ADOPTED ASSUMPTIONS FOR LTFP

CRITERIA	ADOPTED ASSUMPTIONS
Road Construction Grants Roads to Recovery Regional Roads RTA Traffic Facilities RTA Maintenance Program	• 2015/16 $1.856 million • 2016/17 to 2018/19 $928,000 each year for the next round of the program • 2015/16 to 2024/25 $361,000 each year • 2015/16 $590,000 • 2016/17 to 2024/25 $510,000 each year • 2015/16 $600,000
Sporting Facilities Grants	• 2015/16 $900,000
Cycleway Grants	• 2015/16 $900,000 • 2016/17 $900,000 • 2017/18 $500,000
Waterways Grants	• 2015/16 $920,000 • 2016/17 $575,000 • 2017/18 $500,000
Stormwater Quality Improvement Works Grants	• 2016/17 247,000
Dunningham Park/Peryman Place Upgrade Works (including seawall)	• 2020/21 to 2021/22 $2.0 million each year (in addition to the $2.0 million of Section 94 Developer Contributions)
Passive Reserves Grants	• 2016/17 $375,000 • 2017/18 $560,000 • 2018/19 $250,000 • 2019/20 $215,000 • 2020/21 $215,000
Emergency Services Buildings Grants	• 2016/17 $50,000
Community Buildings Grants	• 2015/16 $60,000

2.1.6 Contributions (including Section 94)

2.1.6.1 Operating Contributions

<u>Base Level Income</u>

OPERATING BUDGET

Operating Contributions are estimated in 2015/16 at around $883,000 which is around 0.34% of gross revenue from all sources for 2014/15.

INCOME STATEMENT

Operating Grants are estimated in 2015/16 at around $883,000 which is around 0.38% of total operating revenue as reflected in the Budgeted Income Statement.

DIFFERENTIATION
Income levels are the same for both Council's Operating Budget and the Income Statement, the difference between the percentages relates to the total income on which they are calculated.

Operating Contributions are of a minor nature in Council's revenue base. They usually consist of community organisations reimbursing Council for minor works carried out on their behalf at Council facilities. They usually extend to sporting groups, council halls and other recreational facilities.

Of specific note in this section are the anticipated contributions receivable from SITA from 2017/18 for excess tonnage payments (separate to the expected $100 million contribution listed under capital contributions). These payments relate to the increase in annual tonnage going to landfill in excess of the levels specified in the original Deed of Agreement when granting the extension of the utilisation of the Lucas Heights facility. Under the current application and estimates from SITA, additional putrescibles waste will be sent to landfill for a period of ten (10) years from 2017/18 which will result in an additional estimated contribution to Council $350,000 per year

OPERATING CONTRIBUTIONS - ADOPTED ASSUMPTIONS FOR LTFP

CRITERIA	ADOPTED ASSUMPTIONS
Operating Contributions	• Increased by 2.5% per annum each year from 2014/15 onwards • SITA excess tonnage payments included at $350,000 per year from 2017/18 onwards

2.1.6.2 Capital Contributions
<u>Base Level Income</u>
OPERATING BUDGET
Capital contributions are estimated in 2015/16 at $12.218 million which is around 4.69% of gross revenue from all sources for 2015/16 and more relevantly 28.61% of the Infrastructure and Capital Program.

INCOME STATEMENT
Capital contributions are estimated at $14.800 million in 2015/16 which is around 6.30% of total operating revenue as reflected in the Budgeted Income Statement.

DIFFERENTIATION
The significant difference between the two accounting formats is the timing of the recognition of the capital contributions. For the Operating Budget, the income is recognised when utilised and therefore matched against the capital expenditure to which it relates. For the Income Statement, the income is recognised when it is received and controlled, thus divorcing it from the relevant expenditure. The other distinction is the recognition of land dedications as income under the statutory accounting methodology. As it is a non-cash transaction it is excluded from the Operating Budget. These dedications can significantly skew operating results as was the case in 2013/14 when $36.346 million of dedications were included in the Income Statement.

Although Section 94 Contributions are only expected to be received at a rate of $2.0 million each year (the amount recognised in the Income Statement), budgeted utilisation of the funds recognised in the Operating Budget total $6.283 million. That is, $4.283 million of the funds identified were received in previous years. This is similar to the SITA capital contribution which is expected to be paid to Council over a fifteen (15) year period, with $10.0 million payable upfront (2015/16) and the balance paid as an indexed amount over the remaining term of the agreement. This receivable amount is recognised in the Income Statement whereas the Operating Budget only recognises only $4.135 million of funding in the Infrastructure Program for 2015/16.

Capital contributions are mostly land dedications, contributions from external parties or eligible works recouped from Section 94 Developer Contributions

Land dedications can vary in quantity and dollar value year to year, however Section 94 Contributions for works are proactively planned and managed by Council. Section 94 Contributions are levied on a development consent to assist in funding future infrastructure needs within that development area. Council imposes the levy under an adopted Contribution Plan

As at 30 June 2014 Section 94 Contributions held as externally restricted cash was $35.100 million. 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.

Suitable capital projects and land acquisitions that are included in the LTFP and are eligible under the Contribution Plan are earmarked to be funded from Section 94 Contributions.

A total of $6.187 million of Section 94 funding has been included in the Infrastructure & Corporate Support Program (Blue Pages) for 2015/16, including land acquisitions for future greenspace facilities or infrastructure needs, with varying amounts included for future years, depending on the timing of the projects funded from these contributions. A further $96,000 has been included in operational areas in support of the capital program. The infrastructure program contains the following works funded or partially funded from Section 94:

- Leisure Centre Upgrades:
  - Caringbah Leisure Centre $2,890,000 (2017/18)
- Amenities Buildings:
  - Sylvania High School (including floodlighting) $479,000 (2015/16)
  - Oak Park Pavilion $500,000 (2019/20)
- Libraries:
  - Central Library Internal Refurbishment $100,000 (2016/17)
- Passive Recreation:
  - Albert Delardes Park $40,000 (2015/16)
  - Grays Point Reserve Upgrade Stage I $75,000 (2015/16)
  - Como Heritage Trail $291,000 (2015/16 – 2016/17)

- Como Pleasure Grounds $740,000 (2015/16 – 2017/18)
- Como Pool Path $200,000 (2015/16)
- Dunningham Park Paving, Playground $150,000 (2015/16)
- Gunnamatta Park Upgrades $800,000 (2015/16 – 2017/18)
- Joseph Banks Native Reserve Upgrades $788,000 (2015/16 – 2019/20)
- North Cronulla Fencing $110,000 (2015/16)
- Menai Skate Park Improvements $50,000 (2016/17)
- Parc Menai Play Facilities, BBQ and Seating $45,000 (2016/17)
- Camellia Gardens Upper Play Space $120,000 (2017/18)
- Silver Beach Pathway $2,055,000 (2015/16 – 2020/21)
- Dunningham Park Seawall $2,000,000 (2020/21 – 2021/22)
- Scylla Bay Sports Field and Seawall Upgrade $2,210,000 (2020/21 – 2021/22)

* Playground Program:
    - Forum Drive Reserve $100,000 (2015/16)
    - Gymea Community Centre $50,000 (2015/16)
    - Konrads Place Reserve $80,000 (2015/16)
    - Roger Summers Park Stage II $860,000 (2015/16 – 2016/17)
    - Blaxland Drive Reserve Stage II $80,000 (2016/17)
    - Bonna Point Reserve $300,000 (2016/17 – 2017/18)
    - Carol Avenue Reserve $150,000 (2016/17)
    - Narnia Park $60,000 (2016/17)
    - Veno Street Reserve Upgrade $30,000 (2016/17)
    - Mansion Point Reserve $120,000 (2017/18)
    - Slessor Place $150,000 (2017/18)

* Open Space Acquisitions $11,892,000 (2015/16 – 2024/25)

* Waterways:
    - Scylla Bay Boatramp, Wharf and Carpark $750,000 (2015/16 – 2016/17)
    - Tonkin Oval Boatramp and Wharf $350,000 (2015/16 – 2016/17)

* Sports Fields:
    - Cricket Wicket & Net Upgrades/Replacement $300,000 (2015/16 – 2024/25)
    - Greenhills Beach Playing Facilities $7,530,000 (2015/16 – 2022/23)
    - Ridge Complex Lighting Upgrades $815,000 (2015/16)

* Roads and Traffic Works:
    - Woronora Heights $106,000 (2015/16)
    - Caldarra/Anzac Avenue Signalisation $600,000 (2017/18)

- Cycleways:
  - Atkinson Road Shared Path $50,000 (2015/16)
  - Bundanoon Road Shared Pathway $560,000 (2016/17)
  - Woolooware Bay Stage VI $1,450,000 (2016/17 – 2018/19)
  - Captain Cook Drive to Wanda $275,000 (2017/18)
  - North Cronulla to Cronulla Station $250,000 (2017/18)

- Carparks:
  - Cooper Street Reserve $205,000 (2016/17)
  - Prince Edward Park $200,000 (2016/17 – 2017/18)

- Public Place Presentation Program:
  - Taren Point Road Beautification Landscaping $175,000 (2015/16 – 2016/17)

Council is currently negotiating with SITA in relation to the expansion of the Lucas Heights waste disposal facility. If approved, Council will receive $100 million over the next 15 years for infrastructure creation and renewal. These funds have only been partially allocated at this stage and a full program of works is expected to be developed once approval of the agreement occurs. Works currently included in the infrastructure program are:

- Sutherland Entertainment Centre $1,300,000 (2015/16 – 2017/18)

- Surf Clubs:
  - Cronulla SLSC BCA Upgrade Works $1,000,000 (2016/17)
  - North Cronulla SLSC BCA Upgrade Works $750,000 (2016/17)
  - North Cronulla Public Change Rooms $250,000 (2019/20)

- Cronulla Plaza Upgrades $6,000,000 (2022/23 – 2023/24)

- Other Buildings:
  - Illawong Mens Shed $140,000 (2015/16)

- Passive Recreation:
  - Barden Ridge Park $275,000 (2015/16)
  - Dog Off Leash Bush Park – The Ridge $200,000 (2017/18)
  - Peryman Place Pavement Upgrade $3,000,000 (2020/21 – 2021/22)

- Waterways:
  - Burnum Burnum Sanctuary Boatramp Upgrade $220,000 (2015/16)
  - Old Ferry Road Reserve Upgrade $475,000 (2015/16)

- Sports Fields:
  - Kareela Sports Field – Ancillary Amenities $4,000,000 (2015/16 – 2017/18)
  - The Ridge BMX Facility $1,100,000 (2015/16 – 2016/17)

- Waratah AFL/Cricket Field – Regional Facility $775,000 (2015/16)
- Seymour Shaw Playing Fields Upgrade $2,180,000 (2017/18 – 2018/19)
- Waratah Park Sports Complex Domain Works $1,145,000 (2017/18 – 2018/19)

- Shopping Centres:
  - Sylvania Heights Upgrade Masterplan $275,000 (2015/16 – 2016/17)
  - Sylvania Upgrade Masterplan $625,000 (2015/16)

External capital contributions reflected in the Infrastructure & Corporate Support Program (Blue Pages) for 2015/16 pertain to the following works:

- Greenhills Beach Hockey Fields and Clubhouse $1.710 million (2015/16);
- Southern Districts Rugby Club Carpark Reconstruction $90,000 (2015/16)
- Scylla Bay Como Jannali R LFC Clubhouse Replacement $460,000 (2018/19)
- Seymour Shaw Playing Fields Upgrade $500,000 (2018/19).

CAPITAL CONTRIBUTIONS - ADOPTED ASSUMPTIONS FOR LTFP

CRITERIA	ADOPTED ASSUMPTIONS
Section 94 Funded Capital Projects	• Cash receipts of $2.0 million per year but project funding as below • Leisure Centre Upgrades $2.890 million in 2017/18 • Amenities Buildings $479,000 in 2015/16 and $500,000 in 2019/20 • Libraries $100,000 in 2016/17 • Passive Recreation - $1.870 million in 2015/16 - $1.781 million in 2016/17 - $910,000 in 2017/18 - $250,000 in 2018/19 - $438,000 in 2019/20 - $2.215 million in 2020/21 - $2.210 million in 2021/22 • Playground Upgrades - $520,000 in 2015/16 - $940,000 in 2016/17 - $520,000 in 2017/18 • Open Space Acquisitions $1.0 to $1.5 million each year • Waterways $175,000 in 2015/16 and $925,000 in 2016/17 • Sports Fields - $1.620 million in 2015/16 - $530,000 in 2016/17 - $830,000 in 2017/18 - $1.095 million in 2018/19 - $1.180 million in 2019/20 - $1.180 million in 2020/21 - $1.180 million in 2021/22

	- $1.030 million in 2022/23 • Roads and Traffic Works $106,000 in 2015/16 and $600,000 in 2017/18 • Cycleways - $50,000 in 2015/16 - $760,000 in 2016/17 - $925,000 in 2017/18 - $850,000 in 2018/19 • Carparks $255,000 in 2016/17 and $150,000 in 2017/18 - Public Place Presentation $75,000 in 2015/16 and $100,000 in 2016/17
SITA Contributions	• Cash receipts of $10.0 million in 2015/16 then $90.0 million over next 15 years at indexed amount but project funding as below • Sutherland Entertainment Centre - $350,000 in 2015/16 - $250,000 in 2016/17 - $700,000 in 2017/18 • Surf Club Buildings $1.750 million in 2016/17 and $250,000 in 2019/20 • Cronulla Plaza Upgrades $500,000 in 2022/23 and $5.500 million in 2023/24 • Illawong Mens Shed $140,000 in 2015/16 • Passive Recreation - $275,000 in 2015/16 - $200,000NIL in 2017/18 - $1.500 million in 2020/21 - $1.500 million in 2021/22 • Waterways $695,000 in 2015/16 • Sports Fields - $1.975 million in 2015/16 - $2.600 million in 2016/17 - $2.053 million in 2017/18 - $4.172 million in 2018/19 • Shopping Centres $700,000 in 2015/16 and $200,000 in 2016/17
Specific External Capital Contributions	• $1.8 million in 2015/16 and $960,000 in 2018/19
Land Dedications	• $1.0 million each year

2.1.7 Income from Cash Investments (excluding Property Fund)

Base Level Income

OPERATING BUDGET

Income from cash investments is estimated at around $1.335 million in 2015/16 which is around 0.51% of gross revenue from all sources for 2015/16.

INCOME STATEMENT

Income from cash investments (including investment revaluation increases) is estimated at $2.388 million in 2015/16 which is around 1.02% of total operating revenue as reflected in the Budgeted Income Statement.

DIFFERENTIATION

The operating budget amount is net of transfers to other funds (section 94 trust funds, developer bonds etc) which differs from the Income Statement amount which reflects the gross amount of interest received, irrespective of the source and availability for use for general operations. The Income Statement also includes interest on rates and other annual charges, however the figures shown above do not include these as they have been included elsewhere in this document. Any investment revaluation increase is also accounted for in the Income Statement, however the Operating Budget only recognises any increase upon realisation.

Council invests surplus cash in accordance with an annually adopted Cash & Investment Policy. The Policy outlines the purpose, strategy, risks and procedures associated with investing cash assets. The Policy is in accordance with the Minister's Investment Order and guidelines published by the Office of Local Government.

Income from the investment of surplus funds provides a revenue pool, however, some of the income is added to Trust or Revenue funds as per legislative requirement or Council policy. It is the Net Income to General Revenue which directly aids the budget.

The expected result for 2015/16 reflects a slight decrease in net revenue to general fund as interest rates remain at historically low levels and predictions are for continued reductions in the short term. The investments have been revised on levels of cashflow and expected annualised similar rates to the past 12 months.

	2014/15	2015/16
Gross Income Earned	$2,485,058	$2,382,360
Less Income returned to		
Section 94 Trust Funds	(851,342)	(904,497)
Property Fund	(179,800)	(57,100)
Security Bonds and Other	(111,000)	(111,000)
NET INVESTMENT INCOME TO GENERAL REVENUE	**$1,342,916**	**$1,309,763**

A small additional amount of $25,481 has been estimated for interest receivable on Council's day to day bank account. This is in addition to the figures presented in the previous table.

Following the reduction applied to 2015/16, interest rates are expected to stabilise for 2016/17 before reverting to an upward trend from2017/18, however the increases are not expected to be significant and projections have been based on rates increasing by 15 basis points in each of 2017/18 and 2018/19, a further 20 basis points in 2019/20 and a further 25 basis points in each of 2020/21 and 2021/22 when it will reach its maximum at 4.25% and remain constant for the remaining period of the LTFP. The pool of funds available for investment (for general revenue purposes) is expected to remain relatively static with the only increases resulting from expected increases in rate revenue, therefore the projected increases applied to income from investments in future years are expected CPI plus the increase in interest rates. From an overall investment pool perspective, utilisation of Section 94 Funds (decreasing the pool) will be outweighed over the majority of the LTFP duration by the inflow of funds from the SITA agreement.

INCOME FROM CASH INVESTMENTS - ADOPTED ASSUMPTIONS FOR LTFP

CRITERIA	ADOPTED ASSUMPTIONS
Income from Cash Investments	• 2015/16 slight decrease based on more updated cashflow projections and expected market conditions • Rates to remain stable until beginning to increase from 2017/18 until reaching maximum level in 2021/22, with increases applied as follows: - 15 basis points in 2017/18 - 15 basis points in 2018/19 - 20 basis points in 2019/20 - 25 basis points in 2020/21 - 25 basis points in 2021/22 • Increase in the pool of invested funds attributable to increases in rate revenue

2.1.8 Income from Property Fund

<u>Base Level Income</u>

OPERATING BUDGET

Gross income from Property Fund is estimated in 2015/16 at $6.0 million which is around 2.30% of gross revenue from all sources for 2015/16. Net income from Property Fund, after deducting associated rental property expenditure is estimated at $5.668 million.

INCOME STATEMENT

Gross income from Property Fund is estimated in 2015/16 at $5.227 million in 2015/16 which is around 2.26% of total operating revenue as reflected in the Budgeted Income Statement.

DIFFERENTIATION

The Operating Budget includes internal funding repayments which are effectively transfers from the Property Fund Reserve. For the Income Statement, all reserve transfers are excluded, therefore only the rental income and interest on investment of funds balance is included.

Over the past few years a large proportion of Property funds have been utilised to internally fund projects. Total loan funding since 1998 amounts to $40.200m, with $12.2m outstanding at 30 June 2015. From a Property Division income perspective, this has meant that interest income is received from Council rather than from external sources.

Recurrent Property Division income can be summarised as follows:

	2014/15	2015/16
Gross Property Rentals	$5,013,974	$5,169,690
Interest on Invested Funds	179,800	57,100
Interest on Internal Funding Repayments	823,209	773,861
GROSS PROPERTY FUND INCOME	**$6,016,983**	**$6,000,651**
Less Associated Rental Property Expenditure	(338,183)	(333,128)
NET PROPERTY FUND INCOME	**$5,678,800**	**$5,667,523**

Income is projected to decrease slightly in 2015/16 as a result of the decreased funds available for investment, however in ensuing years this is rectified and increases are forthcoming from increased internal funding repayments and the subsequent increase in the pool of investment funds.

Income from Property Fund has been distributed on the basis of the historical approach, being to retain 100% of property income in the General Fund.

INCOME FROM PROPERTY FUND - ADOPTED ASSUMPTIONS FOR LTFP

CRITERIA	ADOPTED ASSUMPTIONS
Income from Property Fund	In line with the Property Fund Business Plan: • Rental income projected 2.5% each year of the LTFP • Interest on internal funding repayments in line with scheduled project repayments • Interest income on external investment based on Business Plan balance and anticipated interest rates.

2.1.9 Loan Borrowings

Base Level Income

OPERATING BUDGET

No loan borrowings recognised over the period of the LTFP.

INCOME STATEMENT

Loan borrowings are not recognised in the Income Statement.

DIFFERENTIATION

If loan borrowings were included as a financing option then they would be included as an income item in the Operating Budget to match the capital expenditure to which they relate. These funds are not recognised in the Income Statement which only includes operating activity related income.

For many years Council had maintained a borrowing program to finance its annual roads and drainage construction works and, on certain occasions, also has borrowed to finance building projects and other assets. Council's current policy is one of no borrowings, therefore no external borrowings have been included for any year of the Financial Plan.

LOAN BORROWINGS - ADOPTED ASSUMPTIONS FOR LTFP

CRITERIA	ADOPTED ASSUMPTIONS
Loan Borrowings	No borrowings have been applied in the Financial Plan

2.1.10 Cash Reserves

Base Level Income

OPERATING BUDGET

Transfers from Reserves are estimated at $25.846 million which is around 9.92% of gross revenue from all sources for 2015/16. This includes the transfer from the Employees Leave Entitlements Reserve which is an offsetting transfer against employee leave expenditure.

INCOME STATEMENT

Reserve transfers are not recognised in the Income Statement.

DIFFERENTIATION

Reserve transfers are included as an income item in the Operating Budget to match the capital expenditure to which they relate. These funds are not recognised in the Income Statement which only includes operating activity related income.

2.1.10.1 Internally Restricted Cash Reserves (Assets)

Internally Restricted Cash Reserves are funds held in a reserve in accordance with Council Policy or decisions. Council can change the purpose and use of these reserves as they have full control over these reserves.

Council has maintained traditionally around 20 to 25 internal reserves from year to year, the major reserves, with expected balances at 30 June 2015, being:

- Employee Leave Entitlement – approximate level around $4.6 million
- Building Damage Deposits – around $8 million, however use of this reserve is limited as they are refundable deposits
- Property Development Fund – approximate level around $1.3 million
- Future Budgets Reserve – approximate level around $3.2 million however the level varies and funds are already allocated to future budgets
- Works In Progress Reserve – is used as a holding reserve for capital funds unspent on projects that have commenced but not completed at year end
- Election Reserve – held to fund Council elections every 4 years – approximate $1.0 million at time of elections
- Long Day Care Centre Reserve – holds surplus operational funds to fund future capital upgrades for centres- approximate $1.5 million held

Future Budgets Reserve
Long Term Financial Plan funding shortfalls have been anticipated since 2005/06. Since that time Council adopted a Future Budgets Reserve, where all efficiencies and savings from budget reviews and year end budget results are transferred to a cash reserve to support future budgets. This was implemented in 2005 and to date has generated over $44 million to assist with future years budgets.

Council, from the start of its longer term financial planning has been regularly informed of the difficulties it would face in maintaining its Capital Program at the current significant levels.

Future Budgets Reserve Funding will be utilised in the LTFP as follows:

2015/16 $3.150 million

The table below outlines the gains that have been made each year and transferred to the Reserve since inception, along with annual levels of utilisation that have occurred (excluding project funds such as Old Ferry Road Footpath):

	Transfers from Future Budgets Reserve $
2005/06	NIL
2006/07	5,679,265
2007/08	5,545,338
2008/09	3,744,354
2009/10	5,883,443
2010/11	4,551,059
2011/12	2,555,000
2012/13	2,951,127
2013/14	5,412,718
2014/15	4,520,705
2015/16	3,150,066
Total	**43,993,075**

Property Development Fund Reserve
The primary purpose of this reserve is to fund income producing assets from the sale of non-income producing or redundant assets. Often development works are required prior to sale or upgrade works are required to current investment properties and in these cases the funds are provided by the Property Fund. For the period of the LTFP no asset sales have been identified to be transferred to the reserve, whilst only minor upgrade works have been proposed to be funded from the Fund. These works relate to the Cronulla Plaza kiosk structural steel replacement with an estimate of $225,000 in 2015/16 and 2017/18.

Over the years the Property Fund has been utilised to fund a wide range of Council infrastructure works with the general fund repayments going back to the Fund. This method of funding is less expensive to Council than external borrowing costs whilst maximising budget flexibility. These projects include:

- Hazelhurst Regional Gallery
- Engadine Youth Centre
- Business Accelerator (SSHED)

- Menai Indoor Sports Complex
- Engadine Community Centre
- Prince Street Seawall
- Cronulla Wastewater Reuse Scheme
- Captain Cook Drive Upgrade
- Refinancing the Ridge External Loan

The refinancing of the external borrowing for the Ridge Complex from the Property Fund results in a significant utilisation of this reserve, being $2.428 million in 2014/15 and $1.811 million in 2015/16. No further internal funding from the Property Fund has been identified within the LTFP.

The amounts outstanding to the Fund at the end of each financial year are as follows:

2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2015
$13.1m	$11.0m	$8.8m	$10.3m	$8.1m	$5.8m	$6.9m	$10.2m	$8.7m	$12.2m	$11.3m

The Property Fund has continued to provide Council with a steady income stream as the following table demonstrates:

05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15./16
$3.98m	$4.39m	$4.32m	$4.63m	$4.65m	$5.13m	$5.43m	$5.07m	$5.22m	$5.68m	$5.67m

As mentioned earlier in this report, other commitments which have an annual budgetary impact are the internal amounts repaid to the Property Fund:

	2014/15	**2015/16**
TOTAL INTERNAL FUNDING REPAYMENTS	$1,511,720	$1,500,116

The repayments outlined above relate only to those repaid from internal sources and have been adjusted for the contribution to capital costs from Cronulla Golf Club in relation to the Cronulla Wastewater Reuse Scheme.

<u>Other Reserves Funding</u>
A number of other reserves have been identified as funding infrastructure works within the LTFP. These works are:

- Long Day Care Centres Reserve:
  - Playground Upgrades across all centres $200,000 each year (2015/16 – 2024/25)
  - Unplanned Renewals $80,000 (2015/16)
  - Waratah Street LDC – wall rectification $100,000 (2015/16)
  - Moore Street LDC – veranda alteration $20,000 (2017/18)

- Leisure Centres Reserve:
  - Sutherland Leisure Centre Upgrade Works $220,000 (2015/16)

- Sutherland Entertainment Centre Reserve:
  - Upgrade Works $108,000 (2015/16)

- Emergency Services Buildings Reserve:
  - Menai RFS Station Construction $200,000 (2015/16)

- Tennis Courts Reserve:
  - General Surface/Lighting/Fencing Works $57,000 (2015/16)

- Dune Maintenance Trust:
  - Wanda Heritage Dune Maintenance $40,000 each year (2015/16 – 2020/21)

- Energy Audit Works Reserve:
  - Ridge LED Lighting $391,000 (2015/16)

INTERNALLY RESTRICTED CASH RESERVES - ADOPTED ASSUMPTIONS FOR LTFP

CRITERIA	ADOPTED ASSUMPTIONS
Future Budgets Reserve	Funding recognised as follows: • 2015/16 - $3.150 million
Property Fund Reserve	Funding recognised for infrastructure works as follows: • $25,000 in 2015/16 • $200,000 in 2016/17 Refinancing of Ridge Complex external loan: • $1.811 million in 2015/16
Employees Leave Entitlements Reserve	Policy to retain at least minimum 10% of Leave Liability, currently projected to be 13.6% at 30 June 2015. Increased drawdowns on the Reserve have been allowed in 2015/16 – 2017/18 to reduce impact of significant specific retirements during this period, then normalising from 2018/19.
Other Reserves	• 2015/16 - $1.396 million • 2016/17 - $260,000 • 2017/18 - $240,000 • 2018/19 - $240,000 • 2019/20 - $240,000 • 2020/21 - $240,000 • 2021/22 - $200,000 • 2022/23 - $200,000 • 2023/24 - $200,000 • 2024/25 - $200,000

2.1.10.2 Externally Restricted Cash Reserves (Assets)

Externally Restricted Cash Reserves, are a mandatory restriction on funds held as required by legislation or some other external requirement. By law Council cannot abolish or unduly change the purpose for which they are held.

Council currently holds only 4 externally restricted cash reserves, they are:

- Developer Contributions (mostly Section 94) unexpended approximate level $35 million (although commitments in 2014/15 should reduce this level prior to 2015/16 to around $31 million). Further funds are expected to become available over the LTFP period from ongoing developments.

- Domestic Waste Management Reserve – currently a zero balance although there are expected to be budgetary improvements in 2014/15 which will contribute to the reserve and should result in a balance as at 30 June 2015. It is not planned to use any Reserve funds over the next few years for bin roll-outs or other activities. Traditionally the Reserve has been as high as $3 million, however over recent years it has been reduced to cover unexpected increases in costs. The Reserve can act as a buffer for unexpected costs as well as providing a funding source for future bin purchases and equipment. There is no proposal for any transfer to increase the Reserve in the current estimates.

- Stormwater Management Levy funds unspent

- Specific Purpose Unexpended Grants

EXTERNALLY RESTRICTED CASH RESERVES - ADOPTED ASSUMPTIONS FOR LTFP

CRITERIA	ADOPTED ASSUMPTIONS
Section 94 Contributions (See section 2.1.6.2 Capital Contributions)	Funding recognised as follows: • 2015/16 - $5.895 million • 2016/17 - $6.891 million • 2017/18 - $7.825 million • 2018/19 - $3.695 million • 2019/20 - $3.118 million • 2020/21 - $4.895 million • 2021/22 - $4.390 million • 2022/23 - $2.030 million • 2023/24 - $1.392 million • 2024/25 - $1.000 million
Domestic Waste Management Reserve	Reserve maintained at level resulting from 2014/15 operations – no cash movements allowed in any year
Stormwater Levy Reserve	The model assumes the Levies are all expended in the year they are raised.
Specific Purpose Unexpended Grants	Only a minor level of unexpended grants is shown each year on the Balance Sheet

2.2 Operating and Capital Expenditure

2.2.1 Employee Costs

Base Level Expenditure

OPERATING BUDGET

Gross employee costs are estimated in 2015/16 at $100.982 million which is around 38.77% of gross budgeted expenditure (including expenditure related to capital works). Adjusted for capitalised costs, employee costs relating to continuing operations are estimated at $97.617 million or 37.47%.

INCOME STATEMENT
Gross employee costs are estimated in 2015/16 at $97.628 million which is around 46.13% of gross budgeted expenditure as reflected in the Budgeted Income Statement.

DIFFERENTIATION
The Operating Budget includes all salary related expenditure, whether such expenditure is to be capitalised or not, particularly in relation to labour overheads incurred which, although distributed across allocations, are monitored at an organisational level. The Income Statement discounts these capitalised amounts as well as adjusting employee leave costs by future liabilities as required under Australian Accounting Standards.

Salary and Wages
Salary allocations have been reviewed in line with the revised organisational structure and incorporated reductions relating to the consolidation of directorates and other known organisational restructure. Increases for 2015/16 have been limited to 2.7% in line with the award increase effective 1 July 2015, whilst subsequent years have been projected at a rate marginally higher than expected CPI as has been the case in recent years. Salary increases throughout the LTFP have been increased by 2.6% in comparison to an expected CPI of 2.5%.

Staffing levels are projected to be maintained at existing levels as per the Workforce Strategy Plan.

Employee Leave Entitlements
Actual direct employee leave related estimates for 2015/16 have been included at an increased level in comparison to 2014/15 (up 3.50%) and have been assessed in consideration of expected retirements and leave patterns. This is above expected direct labour increases due to the impact of leave accruals, both timing of entitlement and payment. This level of increase has been maintained throughout the LTFP.

From a Council budgetary perspective (working funds basis) this estimate is reflected differently as a result of reserve movements and is more aligned to actual cash outflows. Reserve movements are not reflected on the income statement, but rather are a movement on the balance sheet, however, in relation to Council's budgetary process they are an income or expense item. Council's Employee Leave Entitlement budgetary estimates have been assessed taking into account expected retirement and leave patterns. Estimates for employees leave entitlements have been comprehensively reviewed to attempt to reflect patterns over the life of the LTFP. In general, increases of between 2.54% to 8.77% have been, reflecting the expected increase and growth in leave liability, along with retirement estimates.

Superannuation
The Local Government Superannuation Scheme (LGSS) for a number of years required no council contribution rate for the Retirement Fund. In 2006/07 the council contribution required was re-introduced, and for 2008/09 and subsequent years the contribution required was increased. With the recent global financial crisis the LGSS suffered significant investment losses and a revised actuarial assessment proposed a variation to the method applied by the LGSS whereby Council would have to contribute 3.8 times the contribution of the employee for 2010/11. This increased the Retirement Fund contribution from $1.1m in 2005/06 to $4.3m in 2010/11, a significant increase.

The LGSS again reviewed the contribution methodology by actuarial assessment for 2011/12 and this resulted in a decrease in expected contributions for Council in subsequent years. It is estimated that the 2015/16 contribution will be $2.933 m. This is an increase of only $4,000 or 0.14% over the 2014/15 level, as this is a closed scheme with employees exiting but no additions. Increases relate to both salary growth and increased contribution rates against which Council must make proportional payments to the fund.

The second component of Council's superannuation expense is the non-contributory scheme (from the employee's perspective) whereby Council pays into a super fund a percentage of an employee's annual salary. Currently, the contribution rate is 9.5%, the level at which it will remain until 2021/22 when the rate is again to rise by 50 basis points each year until it reaches a ceiling of 12%. Council's superannuation expense in relation to the non-contributory scheme should reflect the increase in salary and wages levels, the growth in the base of employees for whom Council must make contributions and, from 2021/22 the increasing level of contribution. Generally all new staff will create a liability for Council, unless they are currently within local government and are members of the LGSS. This contribution is estimated at $6.716m for 2015/16, an increase of $209,000 or 3.211%.

The overall impact on Council's working funds for 2015/16 for all superannuation costs is an increase in expenditure of $213,000 or 2.26%. Superannuation increases in the LTFP have been assessed on historical trends and expected growth in new staff coming onto the non-contributory scheme along with the increased contribution rates.

These factors result in increases of between 1.40% and 1.65% from 2016/17 to 2020/21 (when the contribution rate begins to increase) with the subsequent years increasing at 5.80%.

EMPLOYEE COSTS - ADOPTED ASSUMPTIONS FOR LTFP

CRITERIA	ADOPTED ASSUMPTIONS
Salaries and Wages	• 2015/16 - 2.70% • Each year from 2016/17 onwards projected at 2.60% per year
Employee Leave Entitlements	Income Statement Estimates: • 2015/16 – 3.50% • Each year from 2016/17 onwards projected at 3.00% per year. Council's Budgetary Estimates: • In general increases of between 2.54% to 8.77% are projected for each year of the LTFP
Superannuation Costs	• 2015/16 – 2.26% increase • 2016/17 to 2020/21 - increases of between 1.40% and 1.65%% are projected for each year • 2021/22 onwards - increases of between 5.80% are projected for each year

2.2.2 Materials & Contracts

Base Level Expenditure

OPERATING BUDGET

Materials and contracts costs are estimated in 2015/16 at $37.171 million which is around 14.27% of gross budgeted expenditure (including expenditure related to capital works).

INCOME STATEMENT

Materials and contracts costs are estimated in 2015/16 at $37.171 million which is around 17.57% of gross budgeted expenditure as reflected in the Budgeted Income Statement.

DIFFERENTIATION

Expenditure levels are the same for both Council's Operating Budget and the Income Statement, the difference between the percentages relates to the total expenditure on which they are calculated.

Materials and services estimates have been projected to a maximum of 2.4% for 2015/16.c All expenditure allocations were thoroughly reviewed by Directors along with the respective manager prior to inclusion in the budget. Material estimates have been maintained at 2014/15 levels across a majority of allocations where there is a level of discretion in relation to the expenditure. Allocations dictated by external influences (statutory and regulated charges) or required service provision levels were not able to be maintained at current estimate levels.

Expenditure levels in subsequent years were incremented in line with expected CPI of 2.5%.

MATERIALS AND CONTRACTS - ADOPTED ASSUMPTIONS FOR LTFP

CRITERIA	ADOPTED ASSUMPTIONS
General Materials and Contracts	• 2015/16 - 2.40% and frozen at previous year's level where possible • Each year from 2016/17 onwards projected at 2.5% per year

2.2.3 Debt Servicing Costs - Interest on Borrowings and Principal Repayments

Base Level Expenditure

OPERATING BUDGET

Gross Debt Servicing Costs (before interest rate subsidy) are estimated in 2015/16 at $3.896 million which is around 1.50% of gross budgeted expenditure (including expenditure related to capital works).

INCOME STATEMENT

Gross Debt Servicing Costs (before interest rate subsidy) are estimated in 2015/16 at $0.549 million which is around 0.26% of gross budgeted expenditure as reflected in the Budgeted Income Statement.

DIFFERENTIATION

Council's Operating Budget includes principal and interest on external loans, but does not include interest repayments on finance leases, which are included as part of the Income Statement (under Council's budgeting methodology the full amount of finance lease costs are included as expenses (as "Other Expenses"). Principal repayments are not part of the Income Statement, therefore the expense recognised only relates to interest charges on external loans and finance leases.

General purpose loans are those loan funds treated as part of operating income and do not relate to any specific project.

Specific purpose loans are those loans procured for the undertaking of a specific project, and where a specific source of funding the repayments, in full or in part, has been identified. Specific purpose loans in recent years have been for the Cronulla and Engadine Community Facilities and for completion of the Ridge Complex.

Special purpose loans are those loans procured for the undertaking of a specific project under special funding arrangements. Currently, there is one loan that falls into this category. This loan was taken up to fund the Cronulla Park - The Esplanade Seawall. The loan takes advantage of the arrangements under the State Government Local Infrastructure Renewal Scheme (LIRS). In summary the LIRS will provide a 400 basis point interest subsidy to assist councils with infrastructure backlogs to cover the cost of borrowing. The incentive is to make debt funding more attractive to accelerate infrastructure backlogs. The LIRS is being administered by the Office of Local Government.

Debt servicing costs are as follows:

GENERAL PURPOSE LOANS	**2014/15**	**2015/16**
Interest	$ 410,010	$ 270,777
Principal Repayments	857,206	910,453
GROSS DEBT SERVICING COSTS	$1,267,216	$1,181,230
Loan Borrowings	0	0
NET DEBT SERVICING COSTS	$1,267,216	$1,181,230
Net Principal Outstanding	$6,191,556	$5,281,102

SPECIFIC PURPOSE LOANS	**2014/15**	**2015/16**
Interest	$ 388,147	$ 126,302
Principal Repayments	2,601,750	2,284,961
GROSS DEBT SERVICING COSTS	$2,989,897	$2,411,263
Loan Borrowings	0	0
Refinancing through Internal Funding	(2,428,304)	(1,810,714)
NET DEBT SERVICING COSTS	$ 561,593	$ 600,549
Net Principal Outstanding	$4,096,833	$1,811,872

SPECIAL PURPOSE LOANS (LIRS LOAN)	**2014/15**	**2015/16**
Interest	$ 112,925	$ 101,879
Principal Repayments	190,227	201,164
GROSS DEBT SERVICING COSTS	$ 303,152	$ 303,043
Loan Borrowings	0	0
Interest Rebate	(77,745)	(70,140)
NET DEBT SERVICING COSTS	$ 225,407	$ 232,903
Net Principal Outstanding	$1,832,913	$1,631,749

The figures above include the refinancing of the external borrowings for the Ridge

Complex from internal funding sources. From an expenditure perspective the paying out of the external loans are recognised as part of the gross debt servicing costs, however from an overall budgetary perspective the funding from internal sources reduces the net amount to a more normalised position.

External Debt (General Purpose)

As at 30 June	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Outstandings	$15.3m	$12.9m	$10.5m	$7.9m	$8.6m	$7.9m	$8.7m	$8.0m	$7.1m	$6.2m	$5.3m

Council's outstanding debt and debt service ratio provide scope for future borrowing should Council so decide. Neither the 2014/15 Budget nor the Financial Plan include any borrowings.

DEBT SERVICING - ADOPTED ASSUMPTIONS FOR LTFP

CRITERIA	ADOPTED ASSUMPTIONS
Principal Repayments on Loans	Each year is actual figures based on the financial institutions loan repayment schedule.
Interest Repayments on Loans	Each year is actual figures based on the financial institutions loan repayment schedule plus estimated interest rate movements for variable interest or partially fixed interest rate loans.

2.2.4 Depreciation

Base Level Expenditure

OPERATING BUDGET

Depreciation expense estimated in 2015/16 at $181,670. This is an amount included for plant expense recovery purposes and has an offsetting income contra, which negates the non-cash item.

INCOME STATEMENT

Depreciation expense is estimated in 2015/16 at $27.265 million which is around 12.89% of gross budgeted expenditure as reflected in the Budgeted Income Statement.

DIFFERENTIATION

Depreciation, for Operating Budget purposes is a non-cash item and therefore has no impact on the overall budget – any inclusion of depreciation expense is negated by a corresponding "income" allocation. From an Income Statement perspective, depreciation is a significant expense and effectively replaces capital expenditure that is reflected in the Operating Budget.

Depreciation expense does not form part of Council's budgetary process and has not impacted on future projections of discretionary expenditure available.

Depreciation is a major expense item shown on the Income Statement representing the estimated value of the deterioration of council fixed assets over a financial year and is included as part of the LTFP Income Statements and Balance Sheets. The value of depreciation is calculated by taking the total value of each Council fixed asset class, including regular re-valuations, divided by that asset class useful life.

By accounting standards Council should be spending at least the equivalent of the depreciation value each year for their existing asset base to keep up with the rate of asset wear and tear each year on those assets. Newly created assets would be capital expenditure in addition to the desired depreciation value that should be spent.

Council's Asset Renewal Ratio performance indicator at 141.89% (as at 30 June 2014) suggests this is being achieved, although the financial projections indicate that this will not be the case in all years of the financial plan with the rate dropping below the indicator level from 2018/19. This will likely be rectified in future plans as revision of the capital program is undertaken and the program identifies more of the needs in the future years and a full allocation of the anticipated SITA funding is undertaken.

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.

Depreciation has been charged using the straight-line depreciation method, based on varying rates applicable to each asset category. This ranges between 0.93% and 21.64% of the gross depreciable asset value each year.

As on-going capital works are undertaken, specifically rectification works, it is expected that the condition assessment of the asset will improve resulting in an extension of the useful life. This impacts on the rate of depreciation as the applied method of depreciation (straight-line) takes account of the asset's remaining life.

Periodic asset revaluations have also been considered in line with prescribed requirements for these revaluations.

DEPRECIATION - ADOPTED ASSUMPTIONS FOR LTFP

NOTE: These assumptions apply to the figures included in the Income Statement and Balance Sheets prepared under accounting standards only. They are not part of Council's budgetary process and have not impacted on the projected discretionary funds available.

CRITERIA	ADOPTED ASSUMPTIONS
Depreciation	Calculated on the straight-line method with rates varying dependent upon asset class. Between 0.93% and 21.64% of gross depreciable asset value with consideration given to revaluation and amended useful life due to works undertaken.

2.2.5 Other Operating Expenses

<u>Base Level Expenditure</u>

OPERATING BUDGET

Gross Other Operating Expenses are estimated in 2015/16 at $51.304 which is around 19.70% of gross budgeted expenditure (including expenditure related to capital works).

INCOME STATEMENT
Gross Other Operating Expenses are estimated in 2015/16 at $48.487 million which is around 22.91% of gross budgeted expenditure as reflected in the Budgeted Income Statement.

DIFFERENTIATION
The primary differences between the figures contained in the two accounting formats are:

- Internal Expenditure (transfers between income and expenditure allocations undertaken to better reflect individual unit income and expense performance for internal reporting such as subsidy payments. These are offset by matching internal income) are included in the Operating Budget but eliminated for the Income Statement.
- Finance leases are recognised as an expense under the Operating Budget, in much the same way as loan principal repayments, as it represents a cash outflow, however the principal component of the lease payment is not included in the Income Statement and the interest component is shown under debt servicing costs.

<u>Government & Statutory Charges</u>
A number of fees are levied upon local government by various state government bodies. The comparative allocations are as follows:-

	2014/15 Charge	2015/16 Charge	Variance	
			$	%
Fire & Rescue NSW	2,886,033	3,030,335	144,305	5.00
Contribution to State Emergency Services	318,720	331,026	12,306	3.86
Contribution to Rural Fire Service	608,256	643,046	34,790	5.72
Department of Planning	394,319	401,811	7,492	1.90
Valuer General (in Finance Unit Budget)	362,713	377,856	15,143	4.17
Street Lighting Charges (part of Energy Sustainability)	4,623,290	4,939,049	315,759	6.83

All charges, other than the Valuer General's fees which are fixed by IPART for a five year period, have been estimated on advice received or in line with past history.

Specific variations in contributions, in relation to the anticipated CPI increase, are as follows:

- Fire & Rescue NSW – this contribution is based on land values and as such can vary from year to year depending on movements. Historically this Council's contribution has increased on average about 5% pa, leading to the increase applied to 2015/16 and subsequent years.

- Contribution to State Emergency Services – in 2012/13 the SES amended the relationship with councils with regard to fleet management. Under the new arrangements ownership of the fleet resides with the SES. (Council transferred ownership to the SES) and they will reimburse Council for service and maintenance costs. The increase above CPI for 2015/16 accounts for a smaller than expected increase received in 2014/15 being recovered in the subsequent year, particularly following significant activity in recent times. For 2016/17 onwards the increase has been limited to estimated CPI of 2.5%.

- Contribution to Rural Fire Service – A contributing factor to the level of contribution is the determination of the level of "reimbursable items" contained in the annual allocations which represents amounts paid back to Council from the RFS. The 2015/16 estimate (submission by RFS) contains a significant amount that is reimbursable to Council and once adjusted for the offsetting income, the net increase is 3.70%. Influencing the level of the contribution from year to year is the level of capital expenditure (fire fighting trucks and brigade station contributions) included in the annual regional allocations for which Council is liable to pay 11.7%. As the majority of trucks within the Sutherland region have been renewed, or are expected to be renewed as part of the 2015/16 allocation, there is not expected to be significant allocations in this area in future years. Similarly, Council is currently undertaking the construction of Menai RFS Brigade Station, having recently completed the Bundeena, Kurnell, Woronora and Engadine facilities, and no future stations are scheduled in the infrastructure program, therefore no significant increase in cost to Council, over and above CPI increases are envisaged.

- Street Lighting Charges – electricity consumption relating to street lighting has over the past year trended down as old, inefficient lights at the end-of-life of the assets have been upgraded under Ausgrid's rolling maintenance program. This is expected to continue but at a reduced rate. Offsetting this is the substantial increase in usage charges which result in an expected overall cost increase for 2015/16. Subsequent years are then expected to normalise in cost and revert to an expected CPI increase per year.

OTHER OPERATING EXPENSES - ADOPTED ASSUMPTIONS FOR LTFP

CRITERIA	ADOPTED ASSUMPTIONS
Government & Statutory Charges	• 2015/16 charges are increased as outlined in table above. • Each year from 2015/16 the Fire & Rescue NSW contribution has been increased by 5% along historical data • Other statutory contributions from 2015/16 have been increased by 2.5% each year
Other Expenses	All years in the LTFP have been increased by 2.5%

2.2.6 Loss on Sale of Assets

<u>Base Level Expenditure</u>

OPERATING BUDGET

NIL

INCOME STATEMENT

Loss on Sale of Assets is estimated in 2015/16 at $500,000 which is around 0.24% of gross budgeted expenditure as reflected in the Budgeted Income Statement.

DIFFERENTIATION

Loss on Sale of Asset expense does not form part of Council's budgetary process and has not impacted on future projections of discretionary expenditure available. Under the budgetary process, the full amount of the sale value of any asset is recognised as an income item and the acquisition or construction is recognised as an expense when incurred. Loss on Sale of Assets is an expense item shown on the Income Statement and is included as part of the LTFP Income Statements only.

This expense for the LTFP 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.).

Over the period of the LTFP a notional amount of $500,000 has been included to account for this potential expense recognition for accounting standard purposes only and not as part of Council's Annual Budgets.

2.2.7 Discretionary Funds Program

2.2.7.1 Capital Infrastructure Program

Base Level Expenditure

OPERATING BUDGET

Capital expenditure in 2015/16 is estimated at $45.460 million which is around 17.45% of gross budgeted expenditure (including expenditure related to capital works).

INCOME STATEMENT

NIL

DIFFERENTIATION

Council's Operating Budget matches income with expenditure and therefore recognises annual capital expenditure as an outgoing or an expense. The Income Statement does not include capital expenditure, but rather includes the annual consumption of these assets through depreciation.

In conjunction with Council asset management plans, specific capital and infrastructure upgrades and maintenance have been incorporated into the LTFP.

As outlined earlier in this document, Council projects operating service levels and recognises operating revenue for each year of the LTFP, the excess of revenue over operating expenditure provides Council with a level of "discretionary funds" available for spending on capital requirements. Capital spending is provided in the LTFP identifying appropriate other sources of capital funding to assist with the discretionary revenue funds available.

Like many other councils, the required level of funding does not necessarily satisfy the level of funding available. Similarly, as time extends later into the LTFP, the full capital requirements may not be determined and there is likelihood that the program will be increased to satisfy increasing needs.

Council has identified funding for the capital programs for each year of the LTFP, supported substantially in 2015/16, and to a lesser extent 2016/17, by funding available in the Future Budgets Reserve. From 2018/19 onwards, the financial projections of available discretionary expenditure reflect a surplus over capital expenditure requirements, however the capital program proposed in those years is less than currently being undertaken and it is expected that the program will ultimately be increased and utilise the surplus funds.

CAPITAL INFRASTRUCTURE EXPENDITURE - ADOPTED ASSUMPTIONS FOR LTFP

CRITERIA	ADOPTED ASSUMPTIONS
Specific Capital Projects and Programs	Outlined in Section 5.5 is the full capital program for each year 2015/16 to 2024/25 including sources of capital funding

2.2.7.2 Specific Programs and Non-Infrastructure Capital

This program is regarded as a discretionary spending program as opposed to an on-going service level delivery (operating expense).
The items included under this program are :

- new technology/ corporate initiatives,
- library capital resources,
- Waste and Sustainability Improvement Program (WaSIP),
- public place presentation,
- acquisition and sale of plant and vehicles, including emergency services vehicles.

SPECIFIC PROGRAMS AND NON-INFRASTRUCTURE CAPITAL - ADOPTED ASSUMPTIONS FOR LTFP

CRITERIA	ADOPTED ASSUMPTIONS
New Technology/ Corporate Initiatives	$400,000 in each year of the LTFP.
Library Capital Resources	Base level for 2015/16 is $1.10 million. Each year thereafter increments of $50,000 has been applied.
Public Place Presentation	• 2015/16 allocation is $520,000 for the ongoing program and specific allocations relating to suburban signage and beautification works • 2016/17 allocation is $560,000 for the ongoing program and specific allocations relating to suburban signage and beautification works • From 2017/18 onwards the program has not been fully developed and a base level program has been included for ongoing works, incremented periodically
Acquisition and sale of Plant and Vehicles	Plant and Vehicle Replacements: • Base level for 2015/16 is $2.230 million acquisitions and $1.00 million in sales. Each year after the base level is increased by $25,000 for acquisitions. Sales have been kept at $ 1.0 million throughout the LTFP. Emergency services vehicle acquisitions have been included at $80,000 each year (in addition to above).

2.2.7.3 Other Capital Expenditure

Throughout the operational budgets a number of ongoing expenditure allocations have been identified that, although treated and considered operating expenditure by the units, are actually capital allocations utilised for minor upgrade or significant repair works. The expenditure is of a recurrent nature but is not considered part of the infrastructure program due to the ad hoc nature of the expenditure. These relate to activities such as:

- Tree planting,
- Security equipment,
- Minor building upgrades and landscaping (including painting program),
- Civil infrastructure works (footpaths, drainage, roads, kerbs etc),
- Oval renovations,
- Survey equipment,
- Minor parks and waterways works (tidal pool netting etc)
- Playground minor works (including softfall),
- Sporting field fencing and equipment.

OTHER CAPITAL EXPENDITURE - ADOPTED ASSUMPTIONS FOR LTFP

CRITERIA	ADOPTED ASSUMPTIONS
Tree Planting	2015/16 is $300,000. Subsequent years incremented by 2.5% CPI estimate
Security Equipment	2015/16 is $26,000. Subsequent years incremented by 2.5% CPI estimate
Minor Building and Landscaping Upgrades	2015/16 is $929,692. Subsequent years incremented by 2.5% CPI estimate
Civil Infrastructure Works	2015/16 is $835,000. Subsequent years incremented by 2.5% CPI estimate
Oval Renovations	2015/16 is $338,500. Subsequent years incremented by 2.5% CPI estimate
Survey Equipment	2015/16 is $10,000. Subsequent years incremented by 2.5% CPI estimate
Minor Parks and Waterways Works	2015/16 is $70,730. Subsequent years incremented by 2.5% CPI estimate
Playground Minor Works	2015/16 is $102,400. Subsequent years incremented by 2.5% CPI estimate
Sporting Fields Fencing and Equipment	2015/16 is $97,085. Subsequent years incremented by 2.5% CPI estimate
	2015/16 is $10,000. Subsequent years incremented by 2.5% CPI estimate

3.0 FINANCIAL RISK ASSESSMENT, STRATEGIES AND SENSITIVITY ANALYSIS

3.1 IPART Rates Review & Rate Pegging

The Independent Pricing and Regulatory Tribunal (IPART) was established by the NSW State Government in 1992 as a separate independent body to review pricing and financial policy matters referred to it by the NSW Government. IPART now regulates council rates and charges on an annual review basis including development of an annual local government cost index, recognition of an annual industry productivity factor, setting the rate pegging limit and assessment of all council requests for a special rate variation. This relationship was established in 2009.

Rate pegging was introduced in 1977 and has remained in NSW local government since. It is the only state that imposes rate pegging limits. For the first time since rate pegging was introduced, under the new IPART regime, a council who demonstrates high quality performance in strategic and financial management may be granted exemption from rate pegging for up to four years. No council has been granted this exemption to date.

Rate pegging is currently being reviewed as part of recommendations made by the Independent Local Government Review Panel and the Local Government Acts Taskforce. Rate pegging has been set at conservative levels in the LTFP as outlined in the Plan, with the assumption that rate pegging continues and Council does not apply for any special rate variation in the life of the current adopted LTFP.

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.

3.2 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.

3.3 Grant Dependency

There is a strong reliance on the continuation of the General Purpose Financial Assistance Grant (FAG) in the LTFP. The $4.595 million grant level has been adjusted throughout the LTFP based on expectations in relation to the current indexation freeze and distributions in years when indexation recommences. During the freeze period the grant is expected to decrease, whilst in following years an increase is anticipated, however annual increases are expected to be below CPI growth each year.

A number of reviews are still awaiting determinations, including the current Commonwealth Grants Commission – Financial Assistance Grant Review to look at efficiency and equity factors relating to the distribution and process of the FAG system. One outcome 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 $4.595 million impact each year. These potential variations to the level of funding have been incorporated as part of the sensitivity analysis applied to the LTFP.

Council would need to look at many options to offset any reductions, including a special rate variation, reduction in service levels or a reduced or slow down in capital infrastructure replacement and renewal.

Other than the FAG, 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.

3.4 Cost Shifting

Based on the latest figures released (2011/12), cost shifting by other governments to New South Wales councils remains high at around 5.6% of local government's total income (before capital amounts) or $521 million. In Sutherland Shire Council's case, the figures are 9.12% of total income (before capital amounts) or $17.258 million. Even though cost shifting has been recognised for many years two new cost shifting examples have emerged – revenue restrictions on Council managed Crown Lands and the shortfall in cost recovery for development applications as a result of fire regulation.

Council finances are placed under extreme pressure whenever cost shifting occurs without any shift in funding. Usually funding is not provided, hence it is a pure cost impost on Council to meet from the existing revenue base.

Future cost shifting has not been recognised in the LTFP, however any future cost shifting without funds provided will pose a real financial threat on levels projected in the current LTFP.

3.5 Change in Employee Costs and Liability Conditions

Council's total employee costs, including superannuation and leave entitlements, is around $99 million which accounts for approximately 38% of gross budgeted expenditure (including expenditure related to capital works). A shift of 1% equates to just under $1 million which is a large impost if any conditions change in employee cost assumptions or conditions.

It is not expected that wage indexation will dramatically rise above the 2.6% allowed each year in 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.

The LTFP currently takes into account the revised contribution rates applicable to the national non-contributory scheme (currently the contribution rate is 9.50%, remaining at this level until 2021/22 and then increasing by 50 basis points each year until 2025/26 when the new maximum contribution rate is established at 12%), however any variation from these levels will impact on Council's finances.

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

3.6 Change 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 Management Plans. It is therefore based on current information and does not allow for any significant changes in community demands and shifts in relation to operating service levels or asset infrastructure priorities.

It is unlikely that any major shifts would occur as the Community Strategic Plan should have already identified these shifts, however it is worth noting that major change in population demographics, economic climate or rapid technology changes may cause shifts in services and asset considerations.

It is difficult here to assess what, if any, impact could occur in LTFP projections, however it should be noted.

3.7 Condition of Infrastructure Assets and Ageing

Special Schedule No 7 of the 2013/14 Statement of Account show the "Condition of Public Works".

Estimated cost to bring up to a satisfactory condition/standard	$54.646m
Required Annual Maintenance	$18.438m
Current Annual Maintenance	$19.082m

Current spending levels are around what is required and the backlog is being addressed.

Finance Committee Report FIN169-12 provided Council with information on the condition of road pavement and footpaths. Additional funds for road pavement rehabilitation and footpath maintenance were included in the 2012/13 Budget and have been continued throughout the LTFP which will assist in maintaining the satisfactory condition and addressing the backlog. Council's Asset Management Group recently proposed a new process for road rehabilitation works which will significantly improve road pavement levels.

The condition of Council's buildings is also being assessed.

An unexpected failure of an asset is also a possibility, even though asset management systems are in place to detect any failings earlier than later. It is a challenge to ensure asset systems contain the best and up to date asset information, however implementation plans are in place to ensure this happens within a reasonable timeframe.

3.8 Continually Increased Governance Requirements

Continually the NSW State Government imposes new governance requirements on local councils. Requirements such as strategic and integrated planning reforms, codes and best practice guidelines, internal audit and corruption strategies, onerous freedom of information processes and Fit For the Future submissions and ongoing reporting to name a few.

It is important that these measures are acknowledged as essential and good management practice, however in many cases the requirements are extremely prescriptive and at a cost to the community. In most cases resources are required to service these requirements, most councils cannot increase their resources due to lack of funds, so the usual outcome is to shift existing resources to accommodate the requirements. This shift can come at the expense of a front line service. Weighing up the benefits of these requirements against delivering front line services

3.9 Other Unexpected Impacts

It is difficult to cover all events that may impact financially on the LTFP. Certain possibilities are covered in section 3.1 to 3.8 of this document. 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.

4.0 FINANCIAL PERFORMANCE MONITORING

The following table shows Council's sound financial performance for some of the reported indicators over the past 8 years:

	June 07	June 08	June 09	June 10	June 11	June 12	June 13	June 14
Unrestricted Current Ratio	2.53 : 1	1.45 : 1	1.83 : 1	1.53 : 1	1.69 : 1	1.66 : 1	1.37 : 1	2.10 : 1
Debt Service Cover Ratio	9.46	7.91	10.52	5.40	2.36	1.09	4.86	5.49
Own Source Revenue Ratio	85.67%	87.32%	79.85%	84.24%	83.21%	70.73%	86.00%	74.69%
Rates and Annual Charges Outstanding Ratio	5.19%	5.02%	5.06%	4.72%	4.90%	5.56%	4.89%	4.14%

The external auditor as part of the 2013/14 Audit Report commented on Council's financial reports and financial indicators as follows:

"Council is considered to be in a sound and stable financial position".

Council will continue to monitor financial health through relevant performance indicators to assist financial sustainability and to recognise any early signs of financial stress.

The financial performance indicators to be used for future monitoring are outlined in this section.

4.1 Operating Result and Operating Performance Ratio

The Operating Result shows Council's ability to fund operating services. It can be shown before capital revenue and after capital revenue. It is derived from the Income Statement where total operating expenses are deducted from total operating revenue. The Operating Result before capital revenue provides a more stringent measure of Council's financial position.

In both cases, the result does not indicate Council's cash position as the ratio is highly influenced by depreciation calculations which are a non-cash expense. Depreciation represents a council's ongoing consumption of the assets in its ownership or control. It is extremely difficult to fully fund the level of depreciation as capital allocation is generally on a priority basis and resources are limited without compromising existing service levels and community expectation.

<u>Targets</u>

Operating Result before capital revenue	Greater than $0 (zero)
Operating Performance Ratio	Greater than or equal to breakeven average over a 3 year period

<u>The 2013/14 Results</u>

Operating Result before capital revenue	Below zero: $6.4 million deficit
Operating Performance Ratio – single year	Below zero: -3.30%
Operating Performance Ratio – 3 year average	Below zero: -2.36%

Note: The ratio for 2013/14 was heavily influenced by the timing of the payment of the Financial Assistance Grants and the extraordinary domestic waste related expenditure that exceeded domestic waste charges.

4.2 Unrestricted Current Ratio

The Unrestricted Current Ratio measures short term liquidity. It shows the ability to fund short term financial commitments and obligations and demonstrates sound financial position. It is derived from the Balance Sheet where unrestricted current liabilities are deducted from unrestricted current assets, excluding external restricted assets.

Target

Unrestricted Current Ratio	Greater than 1.5 : 1

The 2013/14 Results

Unrestricted Current Ratio	2.10 : 1 – better than target

4.3 Debt Service Cover Ratio and Debt Service Ratio

The Debt Service Cover Ratio measures the availability of operating cash to service debt including interest, principal and lease payments. It is derived from a combination of information from the Income Statement and Balance Sheet.

The Debt Service Ratio shows the percentage of Council's revenue consumed to service total debt. Debt service cost of annual principal and interest payments is divided by operating revenue which excludes capital revenue and any specific purpose grants and contributions. It is derived from a combination of information from the Income Statement and Balance Sheet.

Target

Debt Service Cover Ratio	Greater than 2.0
Debt Service Ratio	Greater than zero and less than 20.0% average over a 3 year period

The 2013/14 Results

Debt Service Cover Ratio	5.49 – better than target
Debt Service Ratio – single year	1.96% – better than target
Debt Service Ratio – 3 year average	5.80% – better than target

4.4 Own Source Revenue Ratio

This ratio measures financial flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions. It is derived from the Income Statement simply as a percentage of revenue other than grants and contributions to total operating revenue. It basically shows the dependency Council has on revenue generated through its own operations to fund operating levels and to assess the security of Council's income, with a higher ratio indicating stability of recurrent revenue.

Target

Own Source Revenue Ratio	Greater than 60% average over a 3 year period

The 2013/14 Results

Own Source Revenue Ratio – single year	74.69% – better than target
Own Source Revenue Ratio – 3 year average	77.14% – better than target

Note: The ratio for 2013/14 was negatively impacted by the recognition of significant land dedications. Adjusted ratio would be around 86%.

4.5 Rates and Annual Charges Outstanding Ratio

This ratio measures the impact of uncollected rates and annual charges on Council liquidity and the adequacy of recovery efforts. Outstanding amounts include interest charges attracted to the balances. It is derived from information from both the Income Statement and Balance Sheet.

Target

Rates and Annual Charges Outstanding Ratio	Less than 5%

The 2013/14 Results

Rates and Annual Charges Outstanding Ratio	4.14% – better than target

NOTE: The Outstanding Ratio includes outstanding rates for pensioners and deferred rates which is a Council policy not to pursue recovery action. The ratio is therefore inflated due to this non-recovery policy for these classes of debtors. Recalculating the ratio without these amounts reflects an adjusted level closer to 3% which is well below the benchmark.

4.6 Real Operating Expenditure per Capita

This indicator purports to measure productivity changes and efficiency in changing population and reflects how effectively Council realises natural efficiencies as population increases. It is derived from the Income Statement as an indexed cost per head of population.

Target

Real Operating Expenditure per Capita	Decreasing over time

The 2013/14 Results

Real Operating Expenditure per Capita	Deemed to be increasing over time – target not satisfied

NOTE: Although the benchmark was deemed to be unsatisfied for 2013/14, the reality is that real operating expenditure per capita has been decreasing over the past 2 years since the peak in 2011/12 when increased expenditure relating to tree maintenance, expansion of the Ridge Complex, childrens services related activities and domestic waste operations was incurred.

4.7 Cash Expense Cover Ratio

This liquidity ratio indicates the number of months a council can continue paying its immediate expenses without additional cash inflow.

Target

Cash Expense Cover Ratio	3 months

The 2013/14 Results

Cash Expense Cover Ratio	3.46 months – better than target

A number of infrastructure related performance measures are also required under both the financial reporting requirements and the Fit For the Future ongoing reporting. These indicators are:

4.8 Building and Infrastructure Renewals Ratio

This ratio measures the rate at which assets are being renewed relative to the rate at which they are depreciating. The information is derived from the Income Statement and Balance Sheet where asset renewal expenditure is divided by depreciation. The asset renewal expenditure is for infrastructure and building assets only.

Target	
Asset Renewal Ratio	Greater than 100% average over a 3 year period

The 2013/14 Results	
Asset Renewal Ratio – single year	141.89% – better than target
Asset Renewal Ratio – 3 year average	133.54% – better than target

4.9 Infrastructure Backlog Ratio

This ratio shows what proportion the identified asset backlog represents in comparison to Council's total infrastructure value.

Target	
Infrastructure Backlog Ratio	Less than 2%

The 2013/14 Results	
Infrastructure Backlog Ratio	3.76% - below benchmark

Note: This ratio is heavily influenced by the reliability of the data and the interpretation of satisfaction levels. Community consultation has been undertaken for condition assessment expectation which should result in more clarity around this ratio.

4.10 Asset Maintenance Ratio

This ratio reflects actual against required annual maintenance. By spending in excess of required maintenance council is investing sufficient funds to stop the infrastructure backlog growing.

Target	
Asset Maintenance Ratio	Greater than 100% average over a 3 year period

The 2013/14 Results	
Asset Maintenance Ratio – single year	103.49% – better than target
Asset Maintenance Ratio – 3 year average	100.44% – better than target

4.11 Capital Expenditure Ratio

The purpose of this ratio is to assess the extent to which Council is expanding its asset base through capital expenditure on both new assets and the replacement and renewal of existing assets.

Target

Capital Expenditure Ratio	Greater than 1.10 times

The 2013/14 Results

Capital Expenditure Ratio	2.88 times – better than target

5.0 FINANCIAL 10 YEAR PROJECTIONS, STRATEGIES AND OUTCOMES

5.1 Listing of Adopted Decisions and Assumptions Applied in LTFP

Listed as follows are the adopted decisions and assumptions that have been applied to the LTFP. The tables are repeated from the applicable content outlined in section 2 of this document with reference back to the related section if more information is required.
All assumptions are used in ALL three financial models shown in section 6 unless otherwise stated in that model.

RATING INCOME– ADOPTED ASSUMPTIONS FOR LTFP – Refer Section 2.1.1

CRITERIA	ADOPTED ASSUMPTIONS
Ad Valorem Rating Structure	To remain and applies to all forecasted years.
Rate Pegging	To remain and pegged limit of 2.4% (below expected CPI consistent with recent years) to remain stable and applied to each year.
Special Rate Variation (SRV)Increase	None, no commitment to apply for a SRV for any year forecasted.
Pensioner Rate Rebates	Both mandatory and voluntary rebates to remain for all years forecasted.
Rating Growth	Minor growth has been applied for future years allowing for potential residential and strata development. To allow for anticipated significant subdivisions, additional income has been recognised as follows: 2015/16 NIL 2016/17 173,270 2017/18 177,465 2018/19 320,240 2019/20 212,600 2020/21 247,500 2021/22 NIL 2022/23 NIL 2023/24 NIL 2024/25 NIL

DOMESTIC WASTE - ADOPTED ASSUMPTIONS FOR LTFP – Refer Section 2.1.2

CRITERIA	ADOPTED ASSUMPTIONS
That the Regular Service Charge and Shared Service Charge be at the same level	This occurred in 2014/15 and is continued through the LTFP. This is a shift between types of services and does not relate to generating additional income.
DWM Reserve level to remain unchanged	The current level (zero), supplemented by anticipated gains in 2014/15 has been maintained throughout the LTFP. There has been no direction to increase the Reserve level.
Cost and Revenue Growth	Income has been set to match expenditure taking into account expenditure parameters of labour (2.6%, materials (2.5%) and labour related overheads (variable as outlined later in LTFP) have been used to estimate income.

STORMWATER MANAGEMENT CHARGE - ADOPTED ASSUMPTIONS FOR LTFP – Refer Section 2.1.3

CRITERIA	ADOPTED ASSUMPTIONS
Stormwater Management Charges	No change to the current charges for any year forecasted in the LTFP.
Stormwater funding raised per annum is $2 million.	This figure has not been increased by CPI as the charges have been forecast to remain the same. A minor increase reflective of growth in assessable properties has been included at $1,000 each year for 2016/17 and 2017/18 and then $3,000 each year from 2020/21 onwards.

FEES, CHARGES AND OTHER INCOME - ADOPTED ASSUMPTIONS FOR LTFP – Refer Section 2.1.4

CRITERIA	ADOPTED ASSUMPTIONS
Regulatory Fees and Charges	Increased by 2.7 % for 2015/16, then 2.5% each year onwards.
Discretionary Fees and Charges.	Increased by 2.7 % for 2015/16, then 2.5% each year onwards.
Other Income	Increased by 2.7 % for 2015/16, then 2.5% each year onwards, other than specific fully funded allocations such as Childrens Services where income has been adjusted to match expenditure.
Asset Sales	Only Asset sales provided is plant and vehicle disposals at $1 million for each year of the LTFP.

OPERATING GRANTS - ADOPTED ASSUMPTIONS FOR LTFP – Refer Section 2.1.5.1

CRITERIA	ADOPTED ASSUMPTIONS
Financial Assistance Grant	Decreased by 0.25 % per annum each year from 2015/16 to 2017/18 to account for pausing of indexation, then increased by 1.25% (half CPI) from 2018/19 onwards.
Specific Purpose Grants	Increased by 2.5 % per annum each year from 2015/16 onwards other than the LIRS Subsidy which is included as actual known amounts. Grant funding for the dredging of Fishermans Bay $630,000 included for 2016/17

CAPITAL GRANTS - ADOPTED ASSUMPTIONS FOR LTFP – Refer Section 2.1.5.2

CRITERIA	ADOPTED ASSUMPTIONS
Road Construction Grants Roads to Recovery	• 2015/16 $1.856 million • 2016/17 to 2018/19 $928,000 each year for the next round of the program
Regional Roads	• 2015/16 to 2024/25 $361,000 each year
RTA Traffic Facilities	• 2015/16 $590,000 • 2016/17 to 2024/25 $510,000 each year
RTA Maintenance Program	• 2015/16 $600,000
Sporting Facilities Grants	• 2015/16 $900,000
Cycleway Grants	• 2015/16 $900,000 • 2016/17 $900,000 • 2017/18 $500,000
Waterways Grants	• 2015/16 $920,000 • 2016/17 $575,000 • 2017/18 $500,000
Stormwater Quality Improvement Works Grants	• 2016/17 247,000
Dunningham Park/Peryman Place Upgrade Works (including seawall)	• 2020/21 to 2021/22 $2.0 million each year (in addition to the $2.0 million of Section 94 Developer Contributions)
Passive Reserves Grants	• 2016/17 $375,000 • 2017/18 $560,000 • 2018/19 $250,000 • 2019/20 $215,000 • 2020/21 $215,000

OPERATING CONTRIBUTIONS - ADOPTED ASSUMPTIONS FOR LTFP – refer Section 2.1.6.1

CRITERIA	ADOPTED ASSUMPTIONS
Operating Contributions	• Increased by 2.5% per annum each year from 2014/15 onwards • SITA excess tonnage payments included at $350,000 per year from 2017/18 onwards

CAPITAL CONTRIBUTIONS - ADOPTED ASSUMPTIONS FOR LTFP – Refer Section 2.1.6.2

CRITERIA	ADOPTED ASSUMPTIONS
Section 94 Funded Capital Projects	• Cash receipts of $2.0 million per year but project funding as below • Leisure Centre Upgrades $2.890 million in 2017/18 • Amenities Buildings $479,000 in 2015/16 and $500,000 in 2019/20 • Libraries $100,000 in 2016/17 • Passive Recreation - $1.870 million in 2015/16 - $1.781 million in 2016/17 - $910,000 in 2017/18 - $250,000 in 2018/19 - $438,000 in 2019/20 - $2.215 million in 2020/21 - $2.210 million in 2021/22 • Playground Upgrades - $520,000 in 2015/16 - $940,000 in 2016/17 - $520,000 in 2017/18 • Open Space Acquisitions $1.0 to $1.5 million each year • Waterways $175,000 in 2015/16 and $925,000 in 2016/17 • Sports Fields - $1.620 million in 2015/16 - $530,000 in 2016/17 - $830,000 in 2017/18 - $1.095 million in 2018/19 - $1.180 million in 2019/20 - $1.180 million in 2020/21 - $1.180 million in 2021/22 - $1.030 million in 2022/23 • Roads and Traffic Works $106,000 in 2015/16 and $600,000 in 2017/18 • Cycleways - $50,000 in 2015/16 - $760,000 in 2016/17 - $925,000 in 2017/18 - $850,000 in 2018/19 • Carparks $255,000 in 2016/17 and $150,000 in 2017/18 - Public Place Presentation $75,000 in 2015/16 and $100,000 in 2016/17
SITA Contributions	• Cash receipts of $10.0 million in 2015/16 then $90.0 million over next 15 years at indexed amount but project funding as below • Sutherland Entertainment Centre - $350,000 in 2015/16 - $250,000 in 2016/17 - $700,000 in 2017/18

	• Surf Club Buildings $1.750 million in 2016/17 and $250,000 in 2019/20 • Cronulla Plaza Upgrades $500,000 in 2022/23 and $5.500 million in 2023/24 • Illawong Mens Shed $140,000 in 2015/16 • Passive Recreation - $275,000 in 2015/16 - $200,000NIL in 2017/18 - $1.500 million in 2020/21 - $1.500 million in 2021/22 • Waterways $695,000 in 2015/16 • Sports Fields - $1.975 million in 2015/16 - $2.600 million in 2016/17 - $2.053 million in 2017/18 - $4.172 million in 2018/19 • Shopping Centres $700,000 in 2015/16 and $200,000 in 2016/17
Specific External Capital Contributions	• $1.8 million in 2015/16 and $960,000 in 2018/19
Land Dedications	• $1.0 million each year

INCOME FROM CASH INVESTMENTS - ADOPTED ASSUMPTIONS FOR LTFP – Refer Section 2.1.7

CRITERIA	ADOPTED ASSUMPTIONS
Income from Cash Investments	• 2015/16 slight decrease based on more updated cashflow projections and expected market conditions • Rates to remain stable until beginning to increase from 2017/18 until reaching maximum level in 2021/22, with increases applied as follows: - 15 basis points in 2017/18 - 15 basis points in 2018/19 - 20 basis points in 2019/20 - 25 basis points in 2020/21 - 25 basis points in 2021/22 • Increase in the pool of invested funds attributable to increases in rate revenue

INCOME FROM PROPERTY FUND - ADOPTED ASSUMPTIONS FOR LTFP – Refer Section 2.1.8

CRITERIA	ADOPTED ASSUMPTIONS
Income from Property Fund	In line with the Property Fund Business Plan: • Rental income projected 2.5% each year of the LTFP • Interest on internal funding repayments in line with scheduled project repayments • Interest income on external investment based on Business Plan balance and anticipated interest rates.

LOAN BORROWINGS - ADOPTED ASSUMPTIONS FOR LTFP – Refer Section 2.1.9

CRITERIA	ADOPTED ASSUMPTIONS
Loan Borrowings	No borrowings have been applied in the Financial Plan

INTERNALLY RESTRICTED CASH RESERVES - ADOPTED ASSUMPTIONS FOR LTFP – Refer Section 2.1.10.1

CRITERIA	ADOPTED ASSUMPTIONS
Future Budgets Reserve	Funding recognised as follows: • 2015/16 - $3.150 million
Property Fund Reserve	Funding recognised for infrastructure works as follows: • $25,000 in 2015/16 • $200,000 in 2016/17 Refinancing of Ridge Complex external loan: • $1.811 million in 2015/16
Employees Leave Entitlements Reserve	Policy to retain at least minimum 10% of Leave Liability, currently projected to be 13.6% at 30 June 2015. Increased drawdowns on the Reserve have been allowed in 2015/16 – 2017/18 to reduce impact of significant specific retirements during this period, then normalising from 2018/19.
Other Reserves	• 2015/16 - $1.396 million • 2016/17 - $260,000 • 2017/18 - $240,000 • 2018/19 - $240,000 • 2019/20 - $240,000 • 2020/21 - $240,000 • 2021/22 - $200,000 • 2022/23 - $200,000 • 2023/24 - $200,000 • 2024/25 - $200,000

EXTERNALLY RESTRICTED CASH RESERVES - ADOPTED ASSUMPTIONS FOR LTFP – Refer Section 2.1.10.2

CRITERIA	ADOPTED ASSUMPTIONS
Section 94 Contributions (See section 2.1.6.2 Capital Contributions)	Funding recognised as follows: • 2015/16 - $5.895 million • 2016/17 - $6.891 million • 2017/18 - $7.825 million • 2018/19 - $3.695 million • 2019/20 - $3.118 million • 2020/21 - $4.895 million • 2021/22 - $4.390 million • 2022/23 - $2.030 million • 2023/24 - $1.392 million • 2024/25 - $1.000 million
Domestic Waste Management Reserve	Reserve maintained at level resulting from 2014/15 operations – no cash movements allowed in any year
Stormwater Levy Reserve	The model assumes the Levies are all expended in the year they are raised.
Specific Purpose Unexpended Grants	Only a minor level of unexpended grants is shown each year on the Balance Sheet

EMPLOYEE COSTS - ADOPTED ASSUMPTIONS FOR LTFP – Refer Section 2.2.1

CRITERIA	ADOPTED ASSUMPTIONS
Salaries and Wages	• 2015/16 - 2.70% • Each year from 2016/17 onwards projected at 2.60% per year
Employee Leave Entitlements	Income Statement Estimates: • 2015/16 – 3.50% • Each year from 2016/17 onwards projected at 3.00% per year. Council's Budgetary Estimates: • In general increases of between 2.54% to 8.77% are projected for each year of the LTFP
Superannuation Costs	• 2015/16 – 2.26% increase • 2016/17 to 2020/21 - increases of between 1.40% and 1.65%% are projected for each year • 2021/22 onwards - increases of between 5.80% are projected for each year

MATERIALS AND CONTRACTS - ADOPTED ASSUMPTIONS FOR LTFP – Refer Section 2.2.2

CRITERIA	ADOPTED ASSUMPTIONS
General Materials and Contracts	• 2015/16 - 2.40% and frozen at previous year's level where possible • Each year from 2016/17 onwards projected at 2.5% per year

DEBT SERVICING - ADOPTED ASSUMPTIONS FOR LTFP – Refer Section 2.2.3

CRITERIA	ADOPTED ASSUMPTIONS
Principal Repayments on Loans	Each year is actual figures based on the financial institutions loan repayment schedule.
Interest Repayments on Loans	Each year is actual figures based on the financial institutions loan repayment schedule plus estimated interest rate movements for variable interest or partially fixed interest rate loans.

DEPRECIATION - ADOPTED ASSUMPTIONS FOR LTFP – Refer Section 2.2.4

CRITERIA	ADOPTED ASSUMPTIONS
Depreciation	Calculated on the straight-line method with rates varying dependent upon asset class. Between 0.93% and 21.64% of gross depreciable asset value with consideration given to revaluation and amended useful life due to works undertaken.

OTHER OPERATING EXPENSES - ADOPTED ASSUMPTIONS FOR LTFP – Refer Section 2.2.5

CRITERIA	ADOPTED ASSUMPTIONS
Government & Statutory Charges	• 2015/16 charges are increased as outlined in table above. • Each year from 2015/16 the Fire & Rescue NSW contribution has been increased by 5% along historical data • Other statutory contributions from 2015/16 have been increased by 2.5% each year
Other Expenses	All years in the LTFP have been increased by 2.5%

LOSS ON SALE OF ASSETS - ADOPTED ASSUMPTIONS FOR LTFP – Refer Section 2.2.6

CRITERIA	ADOPTED ASSUMPTIONS
Loss on Sale of Assets	All years of the LTFP contain a notional amount of $0.5 million

CAPITAL INFRASTRUCTURE PROGRAM - ADOPTED ASSUMPTIONS FOR LTFP – Refer Section 2.2.7.1

CRITERIA	ADOPTED ASSUMPTIONS
Specific Capital Projects and Programs	Outlined in Section 5.5 is the full capital program for each year 2015/16 to 2024/25 including sources of capital funding

SPECIFIC PROGRAMS AND NON-INFRASTRUCTURE CAPITAL - ADOPTED ASSUMPTIONS FOR LTFP – Refer Section 2.2.7.2

CRITERIA	ADOPTED ASSUMPTIONS
New Technology/ Corporate Initiatives	$400,000 in each year of the LTFP.
Library Capital Resources	Base level for 2015/16 is $1.10 million. Each year thereafter increments of $50,000 has been applied.
Public Place Presentation	• 2015/16 allocation is $520,000 for the ongoing program and specific allocations relating to suburban signage and beautification works • 2016/17 allocation is $560,000 for the ongoing program and specific allocations relating to suburban signage and beautification works • From 2017/18 onwards the program has not been fully developed and a base level program has been included for ongoing works, incremented periodically
Acquisition and sale of Plant and Vehicles	Plant and Vehicle Replacements: • Base level for 2015/16 is $2.230 million acquisitions and $1.00 million in sales. Each year after the base level is increased by $25,000 for acquisitions. Sales have been kept at $ 1.0 million throughout the LTFP. Emergency services vehicle acquisitions have been included at $80,000 each year (in addition to above).
New Technology/ Corporate Initiatives	$400,000 in each year of the LTFP.

OTHER CAPITAL EXPENDITURE - ADOPTED ASSUMPTIONS FOR LTFP

LTFP – Refer Section 2.2.7.3

CRITERIA	ADOPTED ASSUMPTIONS
Tree Planting	2015/16 is $300,000. Subsequent years incremented by 2.5% CPI estimate
Security Equipment	2015/16 is $26,000. Subsequent years incremented by 2.5% CPI estimate
Minor Building and Landscaping Upgrades	2015/16 is $929,692. Subsequent years incremented by 2.5% CPI estimate
Civil Infrastructure Works	2015/16 is $835,000. Subsequent years incremented by 2.5% CPI estimate
Oval Renovations	2015/16 is $338,500. Subsequent years incremented by 2.5% CPI estimate
Survey Equipment	2015/16 is $10,000. Subsequent years incremented by 2.5% CPI estimate
Minor Parks and Waterways Works	2015/16 is $70,730. Subsequent years incremented by 2.5% CPI estimate
Playground Minor Works	2015/16 is $102,400. Subsequent years incremented by 2.5% CPI estimate
Sporting Fields Fencing and Equipment	2015/16 is $97,085. Subsequent years incremented by 2.5% CPI estimate
	2015/16 is $10,000. Subsequent years incremented by 2.5% CPI estimate

5.2 Financial Model I – Base Scenario Commentary and Outcomes

The Base Scenario represents the current adopted Council budget framed on existing service levels and the capital program as consulted to the community. It is based on all the assumptions and decisions as listed in Section 5.1 and explained in detail in Section 2 of this document.

The only variation to the LTFP adopted by Council is that any annual shortfall result in any years is assumed to be adjusted by reducing the future capital program rather than service levels. Any income gains are assumed to be offset by expenditure and service level increases. The reduced capital programs in future years have an effect on the level of asset renewal and replacement spending.

This model demonstrates the effect of reducing the planned capital expenditure and the impact it has on Council's fixed asset base.

The following statements are enclosed within this Section of the document and comments on each are as follows:

<u>Projected Discretionary Funds Budget Statement</u>

Under this Model proposed annual general revenue discretionary funds available is varies each year from 2015/16 through to 2024/25 between $18 and $21 million. The higher amounts in the earlier years are indicative of the use of Future Budgets Reserve funds in those years, whilst the level of discretionary funds from recurrent operations increases each year from a base of $15.9 million in 2015/16, with steady growth throughout the remaining years.

The Proposed Infrastructure/Capital Program has been funded in each year of the LTFP following 2017/18.

Proposed Gross Capital Works generally decreases each year from $42.709 million in 2015/16 down to $17.067 million in 2024/25. This trend is mainly due to reduced capital funding which is difficult to estimate in future years and is consistent with what has been previously reflected in the financial plans.

The Discretionary Funds available are fairly constant to meet similar asset spending levels, however the lack of identifying future other capital funding sources results in the gross capital spending level.

Projected Financial Performance Indicators

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Operating Result before Capital Revenue ('000)	$ 2,208	$ 2,100	$ 1,276	$ 926	$ 1,606	$ 1,437	$ 1,010	$ 891	$ 673	$ 1,241
Operating Performance Ratio - Single Year	0.81%	0.75%	0.36%	0.19%	0.46%	0.37%	0.18%	0.12%	0.03%	0.23%
Operating Performance Ratio - 3 Year Average	-1.18%	0.17%	0.64%	0.43%	0.33%	0.34%	0.34%	0.22%	0.11%	0.13%
Unrestricted Current Ratio	1.33 : 1	1.43 : 1	1.72 : 1	1.91 : 1	2.26 : 1	2.61 : 1	3.07 : 1	3.52 : 1	3.77 : 1	4.25 : 1
Debt Service Cover Ratio	6.73	10.55	11.80	11.82	12.33	12.92	15.27	29.96	38.77	40.04
Debt Service Ratio - Single Year	2.03%	1.31%	1.16%	1.16%	1.12%	1.08%	0.91%	0.46%	0.36%	0.35%
Debt Service Ratio - 3 Year Average	2.03%	1.82%	1.50%	1.21%	1.15%	1.12%	1.04%	0.82%	0.58%	0.39%
Own Source Revenue Ratio - Single Year	86.32%	91.01%	90.05%	90.54%	91.36%	90.73%	90.91%	91.69%	91.77%	91.86%
Own Source Revenue Ratio - 3 Year Average	83.60%	89.04%	89.13%	90.53%	90.65%	90.88%	91.00%	91.11%	91.46%	91.77%
Rates and Annual Charges Outstanding Ratio	3.91%	3.91%	3.90%	3.89%	3.87%	3.86%	3.85%	3.84%	3.83%	3.81%
Real Operating Expenditure Per Capita	$763.84	$756.94	$749.72	$743.20	$734.10	$727.97	$722.62	$716.86	$711.22	$704.71
Real Operating Expenditure Per Capita Trend	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease
Cash Expense Cover Ratio (months)	2.61	2.50	2.58	2.74	3.12	3.36	3.65	4.12	4.40	4.95
Building and Infrastructure Renewals Ratio - Single Year	133.16%	115.47%	105.09%	86.52%	83.48%	99.29%	96.57%	76.09%	76.00%	76.10%
Building and Infrastructure Renewals Ratio - 3 Year Average	147.63%	138.82%	117.91%	102.36%	91.70%	89.76%	93.11%	90.65%	82.89%	76.06%
Asset Backlog Ratio	2.50%	2.30%	2.10%	2.10%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Asset Maintenance Ratio - Single Year	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Asset Maintenance Ratio - 3 Year Average	101.16%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Capital Expenditure Ratio	174.01%	150.37%	133.66%	123.64%	102.43%	115.23%	108.75%	93.37%	104.66%	86.95%

Operating Result and Operating Performance Ratio
Within Model I, Operating Result before Capital Revenue in all years of the financial projections reflects positive results (surpluses). This is primarily due to the ongoing reform and restructure that is now having an effect on the operating result. Income growth from known significant developments and an improvement in investment income, albeit relatively small and over an extended period, also assists this ratio. Re-evaluation of asset useful life of infrastructure assets has managed to contain depreciation at a manageable level.

As a result of the positive operating result, the Operating Performance Ratio is also positive and achieving the benchmark level.

Despite the positive result, it is considered that the Projected Discretionary Funds Budget Statement is a more accurate portrayal of Council's financial capacity to provide current services as well as undertake capital works.

Unrestricted Current Ratio
The Unrestricted Current Ratio is well above the target level and the industry benchmark of 1.5:1 from 2017/18. Although the benchmark is not achieved in the first two years of the LTFP, the generally held belief that having a liquidity position of 1.0:1 which indicates that an organisation has sufficient cash to meet its obligations is satisfied in those years. Generally this indicates Council's sound financial position and ability to satisfy short term obligations from current funds available.

Debt Service Cover Ratio
Throughout the 10 year period covered, the Debt Service Ratio is well above the target level of 2.0 times. This indicates that Council has significant capacity to increase borrowings if so desired and be able to service the debt without compromising the financial position. The ratio is progressively increasing over the period as debt is repaid and finalised. No borrowings have been identified in this model meaning that outstanding debt and the subsequent servicing costs are decreasing resulting in the increasing ratio.

Debt Servicing Ratio
Throughout the 10 year period covered, the Debt Service Cover Ratio is well below the target level of 20% and is really only restating the result achieved by the Debt Service Ratio..

Own Source Revenue Ratio
This ratio is satisfied in each year of the LTFP. This indicates that Council has maintained a significant degree of dependence upon revenue from rates and annual charges which reflects the security of Council's income over the period. As Council receives only limited general purpose grant funds (particularly Financial Assistance Grants) in comparison to some other councils there is little likelihood of this ratio breaching the benchmark level in the medium term.

Rates and Annual Charges Outstanding Ratio
This ratio has remained stable across the period of the financial plan and below the target level of 5%. Although this ratio generally indicates the effectiveness of Council's recovery action, consideration should be given to Council's existing policy of not pursuing recovery action for pensioners and deferred rates which make up a considerable proportion of the total outstandings. The level would be below 3% if this policy was not enforced or adhered to.

Real Operating Expenditure per Capita
The level of Operating Expenditure per Capita continues to decrease each year of the LTFP. This is the result of the reform and restructure efficiencies having an effect in these years. Although there is an expectation that population will grow and there are a number of significant developments to take place during this time, there has been no corresponding increase in operating levels over and above the labour and CPI increments applied. It is expected that ongoing efficiencies will allow for these increased service levels to be undertaken within existing allocations.

Cash Expense Cover Ratio
Although this ratio does not achieve the benchmark level until 2019/20 it does not mean that Council will not be able to meet obligations as they fall due as other investment funds are available if required. The ratio does indicate that Council will need to be aware of this cash position when determining investment strategy over the next few years to ensure there is no liquidity stress.

Building and Infrastructure Renewal Ratio
This ratio is again heavily influenced by the level of depreciation expense. In recent years the allocation of capital funding to asset renewal as opposed to asset creation has seen the ratio increase to a level well above benchmark. The ratio reflects a decline from 2014/15 onwards and is below the 100% benchmark level from 2018/19. It is expected that these years will have further funding allocations to renewals as the years approach and more certainty exists as to available funding from grants etc. Council is expecting to receive $100 million in contributions from SITA over the next 15 years. In excess of $56 million will be received in the period covered by the LTFP, however only $25.3 million has been allocated to infrastructure works in the same period. Further funds are expected to be allocated to renewal works, where they are required, once the program of works has been finalised.

Asset Backlog Ratio
Significant funding has been directed towards asset renewal as opposed to new assets in the past 12 months and, going forward, the further development of asset management plans that will outline asset renewal requirements and expanded community consultation to determine expectation levels will see this ratio decreasing to achieve the benchmark level by 2019/20. Additional allocation of funding from SITA will impact positively on this ratio.

Asset Maintenance Ratio
Council satisfies this ratio across all years of the LTFP. The level of required maintenance is maintained within Council databases. To continue to present assets at the current standard sufficient funds will be allocated to satisfy this requirement. Although here has been no increase in operating levels over and above the labour and CPI increments applied, it is expected that ongoing efficiencies will allow for these increased service levels to be undertaken within existing allocations and that actual maintenance will be at least equal to required maintenance.

Capital Expenditure Ratio
Due to the level of currently proposed capital expenditure contained in the LTFP, this ratio is achieved in most years of the LTFP, although the latter years either do not meet the requirement or are very close to the benchmark. It is expected that further funding allocations will occur as the years approach and more certainty exists as to available funding from grants etc. The finalisation of the SITA contribution program should also significantly improve this ratio with over $30 million of funds to be received in this period still to be allocated to capital works.

TEN YEAR FINANCIAL PLAN MODEL - MODEL I

	TOTAL		2014/15		2015/16		2016/17		2017/18		2018/19		2019/20		2020/21		2021/22		2022/23		2023/24		2024/25	
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Discretionary Funds Available																								
Available Working Funds Brought Forward	1,499		1,499		-		-		-		-		-		-		-		-		-		-	
Recurrent Operations	213,183		15,900		17,196		18,598		18,771		19,372		19,603		20,212		20,030		20,878		21,436		21,187	
Future Works Reserve	8,592		4,442		3,150		1,000		-		-		-		-		-		-		-		-	
Additional Borrowing (Net of Debt Servicing Costs)	-		-		-		-		-		-		-		-		-		-		-		-	
Other	-	223,274	-	21,841	-	20,346	-	19,598	-	18,771	-	19,372	-	19,603	-	20,212	-	20,030	-	20,878	-	21,436	-	21,187
Proposed General Revenue Capital Program		208,402		21,841		20,346		23,248		20,561		18,984		17,412		17,002		17,337		17,232		17,372		17,067
Annual Surplus/(Shortfall)		14,872		-		-		(3,650)		(1,790)		388		2,191		3,210		2,693		3,646		4,064		4,120
Funding Sources to be Considered for Future Budgets/ (Additional Funds Available for Projects)		(14,872)		-		-		3,650		1,790		(388)		(2,191)		(3,210)		(2,693)		(3,646)		(4,064)		(4,120)
Cumulative Surplus/Shortfall		-		-		-		-		-		-		-		-		-		-		-		-

PROPOSED INFRASTRUCTURE/CAPITAL PROGRAM - MODEL I

	TOTAL		2014/15		2015/16		2016/17		2017/18		2018/19		2019/20		2020/21		2021/22		2022/23		2023/24		2024/25	
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
TOTAL PROGRAM																								
Proposed Gross Infrastucture Program																								
General Revenue Funding	170,532		18,761		17,171		19,983		17,261		15,609		13,947		13,457		13,712		13,507		13,562		13,562	
Other Funds	140,290	310,822	22,309	41,070	21,288	38,459	18,073	38,056	16,932	34,193	13,044	28,653	6,627	20,574	11,656	25,113	10,898	24,610	5,541	19,048	9,906	23,468	4,016	17,578
Proposed Gross Other Capital Works																								
General Revenue Funding	37,870		3,080		3,175		3,265		3,300		3,375		3,465		3,545		3,625		3,725		3,810		3,505	
Other Funds	12,127	49,997	1,952	5,032	1,075	4,250	1,100	4,365	1,000	4,300	1,000	4,375	1,000	4,465	1,000	4,545	1,000	4,625	1,000	4,725	1,000	4,810	1,000	4,505
TOTAL PROPOSED GROSS CAPITAL WORKS		**360,819**		**46,102**		**42,709**		**42,421**		**38,493**		**33,028**		**25,039**		**29,658**		**29,235**		**23,773**		**28,278**		**22,083**
GENERAL REVENUE COMPONENT OF PROGRAM																								
Proposed Gross Infrastucture Program		170,532		18,761		17,171		19,983		17,261		15,609		13,947		13,457		13,712		13,507		13,562		13,562
Proposed Gross Other Capital Works		37,870		3,080		3,175		3,265		3,300		3,375		3,465		3,545		3,625		3,725		3,810		3,505
TOTAL PROPOSED GROSS CAPITAL WORKS		**208,402**		**21,841**		**20,346**		**23,248**		**20,561**		**18,984**		**17,412**		**17,002**		**17,337**		**17,232**		**17,372**		**17,067**

INCOME STATEMENT (MODEL I) FOR THE YEAR ENDED										
	30 June 2016	30 June 2017	30 June 2018	30 June 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024	30 June 2025
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
INCOME										
Revenue:										
Rates and Annual Charges	147,353	151,143	155,090	159,335	163,643	168,162	172,636	177,315	182,212	187,334
User Charges & Fees	35,373	36,257	37,163	38,092	39,044	40,021	41,021	42,047	43,098	44,176
Interest and Investment Revenue	2,843	2,910	2,931	3,080	3,441	3,742	4,091	4,457	4,591	4,988
Investment Revaluation Increases (See note)	37	-	-	-	-	-	-	-	-	-
Other Revenues	17,268	17,702	18,155	18,630	19,127	19,648	20,237	20,897	21,635	22,458
Grants and Contributions - Operating	11,010	11,725	11,559	11,728	11,910	12,104	12,302	12,504	12,719	12,940
Grants and Contributions - Capital Purposes	20,987	8,736	11,901	11,068	9,297	11,456	11,399	9,565	9,735	9,911
Other income:	-	-	-	-	-	-	-	-	-	-
Profit from Disposal of Assets	-	-	-	-	-	-	-	-	-	-
Profit from Interests in Joint Ventures and Associates	-	-	-	-	-	-	-	-	-	-
Total Income from Continuing Operations	**234,871**	**228,473**	**236,799**	**241,933**	**246,462**	**255,133**	**261,686**	**266,785**	**273,990**	**281,807**
EXPENSES										
Employee Costs	97,628	100,151	102,712	105,371	108,084	110,882	114,165	117,563	121,088	124,730
Materials and Contracts	37,171	38,176	39,210	40,273	41,368	42,494	43,653	44,846	46,074	47,338
Borrowing Costs	549	517	440	366	286	192	105	62	61	62
Depreciation & Amortisation	27,341	28,594	29,818	31,214	31,801	33,313	34,624	35,722	36,782	37,472
Interest & Investment Losses	-	-	-	-	-	-	-	-	-	-
Other Expenses from Ordinary Activities	48,487	49,699	50,942	52,215	53,520	54,859	56,230	57,636	59,077	60,553
Loss from Disposal of Assets	500	500	500	500	500	500	500	500	500	500
Loss from Interests in Joint Ventures and Associates	-	-	-	-	-	-	-	-	-	-
Total Expenses from Continuing Operations	**211,676**	**217,637**	**223,622**	**229,939**	**235,559**	**242,240**	**249,277**	**256,329**	**263,582**	**270,655**
NET OPERATING RESULT FOR YEAR	**23,195**	**10,836**	**13,177**	**11,994**	**10,903**	**12,893**	**12,409**	**10,456**	**10,408**	**11,152**
Net Operating Result Attributable to Council	23,195	10,836	13,177	11,994	10,903	12,893	12,409	10,456	10,408	11,152
Net Operating Result Attributable to Minority Interests	-	-	-	-	-	-	-	-	-	-
	23,195	**10,836**	**13,177**	**11,994**	**10,903**	**12,893**	**12,409**	**10,456**	**10,408**	**11,152**
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	**2,208**	**2,100**	**1,276**	**926**	**1,606**	**1,437**	**1,010**	**891**	**673**	**1,241**

Note: This amount represents investment revaluations for unrealised losses previously identified in the financial statements

BALANCE SHEET (MODEL I) AS AT										
	30 June 2016	30 June 2017	30 June 2018	30 June 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024	30 June 2025
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
ASSETS										
Current Assets										
Cash and cash equivalents	23,514	23,924	24,494	25,128	25,765	26,420	27,102	27,717	28,460	29,258
Investments	22,068	19,945	22,052	26,149	35,428	41,922	50,131	62,932	71,536	87,574
Receivables	13,291	13,249	13,574	13,597	13,781	14,441	14,760	14,807	15,179	15,560
Inventories	4,771	4,777	4,783	4,789	4,795	4,801	4,807	4,814	4,821	4,827
Other	1,448	1,484	1,521	1,559	1,598	1,638	1,679	1,720	1,763	1,807
Non-current assets classified as held for sale	-	-	-	-	-	-	-	-	-	-
Total Current Assets	**65,092**	**63,379**	**66,424**	**71,222**	**81,367**	**89,222**	**98,479**	**111,990**	**121,759**	**139,026**
Non-Current Assets										
Investments	2,000	-	-	-	-	-	-	-	-	-
Receivables	907	928	951	973	997	1,021	1,045	1,070	1,096	1,122
Inventories	-	-	-	-	-	-	-	-	-	-
Infrastructure, property, plant & equipment	2,042,984	2,104,153	2,184,525	2,211,138	2,348,627	2,440,381	2,489,099	2,526,530	2,551,325	2,885,490
Investments account for using equity method	-	-	-	-	-	-	-	-	-	-
Investment property	47,897	48,855	49,832	50,829	51,845	52,882	53,940	55,019	56,119	57,242
Intangible assets	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total Non-Current Assets	**2,093,788**	**2,153,936**	**2,235,308**	**2,262,940**	**2,401,469**	**2,494,284**	**2,544,084**	**2,582,619**	**2,608,540**	**2,943,854**
TOTAL ASSETS	**2,158,880**	**2,217,315**	**2,301,732**	**2,334,162**	**2,482,836**	**2,583,506**	**2,642,563**	**2,694,609**	**2,730,299**	**3,082,880**
LIABILITIES										
Current Liabilities										
Payables	18,178	18,403	18,634	18,871	19,114	19,362	19,618	19,879	20,147	20,422
Interest bearing liabilities	2,730	2,718	2,788	2,861	2,939	2,684	1,654	1,417	1,428	1,439
Provisions	36,841	37,792	38,586	39,792	40,888	42,062	42,804	43,310	43,941	44,711
Total Current Liabilities	**57,749**	**58,913**	**60,008**	**61,524**	**62,941**	**64,108**	**64,076**	**64,606**	**65,516**	**66,572**
Non-Current Liabilities										
Payables	-	-	-	-	-	-	-	-	-	-
Interest bearing liabilities	7,721	6,282	4,963	3,489	1,948	672	435	446	458	469
Provisions	5,048	5,198	5,349	5,511	5,675	5,844	6,013	6,185	6,362	6,546
Total Non-Current Liabilities	**12,769**	**11,480**	**10,312**	**9,000**	**7,623**	**6,516**	**6,448**	**6,631**	**6,820**	**7,015**
TOTAL LIABILITIES	**70,518**	**70,393**	**70,320**	**70,524**	**70,564**	**70,624**	**70,524**	**71,237**	**72,336**	**73,587**
NET ASSETS	**2,088,362**	**2,146,922**	**2,231,412**	**2,263,638**	**2,412,272**	**2,512,882**	**2,572,039**	**2,623,372**	**2,657,963**	**3,009,293**
EQUITY										
Retained earnings	1,165,036	1,175,872	1,189,049	1,201,043	1,211,946	1,224,839	1,237,248	1,247,704	1,258,112	1,269,264
Revaluation reserves	923,326	971,050	1,042,363	1,062,595	1,200,326	1,288,043	1,334,791	1,375,668	1,399,851	1,740,029
Council equity interest	2,088,362	2,146,922	2,231,412	2,263,638	2,412,272	2,512,882	2,572,039	2,623,372	2,657,963	3,009,293
Minority equity interest	-	-	-	-	-	-	-	-	-	-
TOTAL EQUITY	**2,088,362**	**2,146,922**	**2,231,412**	**2,263,638**	**2,412,272**	**2,512,882**	**2,572,039**	**2,623,372**	**2,657,963**	**3,009,293**

STATEMENT OF CASH FLOWS (MODEL I) FOR THE YEAR ENDED										
	30 June 2016	30 June 2017	30 June 2018	30 June 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024	30 June 2025
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
CASH FLOWS FROM OPERATING ACTIVITIES										
Receipts:										
Rates and Annual Charges	147,191	151,013	154,956	159,199	163,503	168,019	172,489	177,166	182,058	187,177
User Charges & Fees	35,265	36,147	37,050	37,977	38,926	39,899	40,897	41,919	42,967	44,041
Interest	2,842	2,871	2,891	3,039	3,399	3,699	4,047	4,412	4,544	4,940
Grants and Contributions	27,041	15,762	18,399	18,046	16,301	22,187	22,674	21,321	21,390	21,785
Other	17,271	17,705	18,159	18,633	19,131	19,652	20,241	20,901	21,640	22,463
Payments :										
Employee Costs	(97,189)	(99,067)	(101,784)	(104,022)	(106,843)	(109,559)	(113,273)	(116,908)	(120,301)	(123,797)
Materials and Contracts	(37,008)	(38,009)	(39,039)	(40,098)	(41,188)	(42,310)	(43,464)	(44,652)	(45,875)	(47,134)
Interest	(549)	(517)	(440)	(366)	(286)	(192)	(105)	(62)	(61)	(62)
Other	(48,458)	(49,670)	(50,912)	(52,185)	(53,489)	(54,827)	(56,197)	(57,601)	(59,042)	(60,518)
Net cash provided by (or used in) operating activities	**46,406**	**36,235**	**39,280**	**40,223**	**39,454**	**46,568**	**47,309**	**46,496**	**47,320**	**48,895**
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts:										
Sale of Investments	676	4,123	-	-	-	-	-	-	-	-
Sale of Real Estate Assets	-	-	-	-	-	-	-	-	-	-
Sale of Property, Plant and Equipment	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Sales of Interests in Joint Venturers/Associates	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Payments:										
Purchase of Investments	-	-	(2,107)	(4,097)	(9,279)	(6,494)	(8,209)	(12,801)	(8,604)	(16,038)
Purchase of Real Estate Assets	-	-	-	-	-	-	-	-	-	-
Purchase of Property, Plant and Equipment	(44,074)	(39,497)	(36,354)	(35,092)	(29,075)	(38,887)	(38,152)	(33,854)	(38,995)	(33,081)
Purchase of Investment Property	-	-	-	-	-	-	-	-	-	-
Purchases of Interests in Joint Venturers/Associates	-	-	-	-	-	-	-	-	-	-
Net cash provided by (or used in) investing activities	**(42,398)**	**(34,374)**	**(37,461)**	**(38,189)**	**(37,354)**	**(44,381)**	**(45,361)**	**(45,655)**	**(46,599)**	**(48,119)**
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts:										
Borrowings and Advances	-	-	-	-	-	-	-	-	-	-
Lease Liabilities	400	900	900	900	900	900	900	900	900	900
Payments:										
Borrowings and Advances	(3,397)	(1,469)	(1,268)	(1,419)	(1,483)	(1,552)	(1,286)	(247)	-	-
Lease Liabilities	(382)	(882)	(881)	(881)	(880)	(880)	(880)	(879)	(878)	(878)
Net cash provided by (or used in) financing activities	**(3,379)**	**(1,451)**	**(1,249)**	**(1,400)**	**(1,463)**	**(1,532)**	**(1,266)**	**(226)**	**22**	**22**
Net increase/(decrease) in cash held	**629**	**410**	**570**	**634**	**637**	**655**	**682**	**615**	**743**	**798**
Cash assets at beginning of reporting period	22,885	23,514	23,924	24,494	25,128	25,765	26,420	27,102	27,717	28,460
Cash assets at end of reporting period	**23,514**	**23,924**	**24,494**	**25,128**	**25,765**	**26,420**	**27,102**	**27,717**	**28,460**	**29,258**

NOTE : Investments will be purchased and sold at different rates throught each of the periods depending on interest rates, terms, opportunities etc.
The figures shown above in relation to investments reflect the net result of the sale and purchase throughout the year.

5.3 Financial Model II – Financial Assistance Grant Reduced to Zero and Development Deferral Scenario Commentary and Outcomes

There are continuing enquiries into allocation of Financial Assistance Grants to Local Government. One potential outcome is the elimination of the per capita minimum which could see Sutherland Shire Council's grant reduced from the current level of $4.586 million (2014/15) to zero. This Scenario represents the impact of such an outcome on the financial position reflected in Model I- Base Scenario. Further to this, rating growth in Model I – Base Scenario has been identified for a number of significant known developments with best estimates of timing of release of the subdivision stages incorporated. Although there is absolute confidence in the developments occurring, the timing of release of the stages of the subdivisions could potentially be delayed or deferred by the developers. This Scenario allows for this potential outcome. Again the Scenario is based on all the assumptions and decisions as listed in Section 5.1 and explained in detail in Section 2 of this document, except for the specific assumptions outlined below.

The variations to Model I –Base Scenario are:

- The Commonwealth Government Financial Assistance Grant General Purpose Component is reduced over the next five years from the current 2014/15 level of $4.586 million to zero, commencing with the 2016/17 allocation and concluding in 2020/21, at which time no further funding is received. The reduction is applied at 20% per annum;

- Increasing income from rates as a result of known approved developments will be slowed down or deferred over a longer period;

- After allowing for income adjustments above any further annual shortfalls have been adjusted by re-visiting capital program levels and applying any necessary reductions.

The following statements are enclosed within this Section of the document and comments on each are as follows:

<u>Projected Discretionary Funds Budget Statement</u>
Under this Model proposed annual general revenue discretionary funds available remains the same for 2015/16, then reduces significantly from 2016/17 and over the remaining years of the LTFP. In the initial year of this decline, the reduction is just under $1.0 million representing the 20% reduction in the Financial Assistance Grant, however as the grant is further eroded, the reduction becomes more severe, reducing by cumulative $1.0 million each year until the grant is fully eroded in 2020/21 and the impact is around $5.0 million.

Discretionary funds from recurrent operations decline each year from 2016/17 through to 2021/22 before starting to improve from 2022/23 onwards. As there would be a reduction in discretionary funds, a revision of the Infrastructure/Capital Program would be required, although there remains the possibility of allocating SITA funding to maintain a reasonable program. For the purpose of this analysis, the Proposed Infrastructure/ Capital Program has been reduced to meet the discretionary funds available in determining the financial statements and ratios. Total capital works expenditure has been reduced by $35.350 million over the period of the LTFP.

Projected Financial Performance Indicators

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Operating Result before Capital Revenue ('000)	$ 2,208	$ 1,227	$ (547)	$ (1,922)	$ (2,244)	$ (3,292)	$ (3,637)	$ (3,698)	$ (3,856)	$ (3,229)
Operating Performance Ratio - Single Year	0.81%	0.35%	-0.46%	-1.07%	-1.19%	-1.61%	-1.72%	-1.70%	-1.73%	-1.45%
Operating Performance Ratio - 3 Year Average	-1.18%	0.04%	0.24%	-0.39%	-0.91%	-1.29%	-1.51%	-1.68%	-1.72%	-1.63%
Unrestricted Current Ratio	1.33 : 1	1.43 : 1	1.72 : 1	1.91 : 1	2.26 : 1	2.61 : 1	3.07 : 1	3.52 : 1	3.77 : 1	4.25 : 1
Debt Service Cover Ratio	6.73	10.24	11.08	10.72	10.82	11.02	13.04	25.64	33.23	34.44
Debt Service Ratio - Single Year	2.03%	1.32%	1.17%	1.17%	1.14%	1.10%	0.93%	0.47%	0.36%	0.35%
Debt Service Ratio - 3 Year Average	2.03%	1.82%	1.51%	1.22%	1.16%	1.14%	1.06%	0.84%	0.59%	0.40%
Own Source Revenue Ratio - Single Year	86.32%	91.36%	90.72%	91.57%	92.75%	92.42%	92.58%	93.37%	93.43%	93.49%
Own Source Revenue Ratio - 3 Year Average	83.60%	89.16%	89.47%	91.22%	91.68%	92.25%	92.59%	92.79%	93.13%	93.43%
Rates and Annual Charges Outstanding Ratio	3.91%	3.91%	3.90%	3.89%	3.88%	3.87%	3.86%	3.85%	3.84%	3.82%
Real Operating Expenditure Per Capita	$763.84	$756.92	$749.60	$742.92	$733.58	$727.16	$721.41	$715.34	$709.41	$702.62
Real Operating Expenditure Per Capita Trend	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease
Cash Expense Cover Ratio (months)	2.61	2.50	2.58	2.74	3.12	3.36	3.65	4.12	4.40	4.95
Building and Infrastructure Renewals Ratio - Single Year	133.16%	112.58%	99.25%	77.72%	71.58%	85.17%	82.67%	62.44%	62.48%	62.50%
Building and Infrastructure Renewals Ratio - 3 Year Average	147.63%	137.86%	115.00%	96.52%	82.85%	78.16%	79.81%	76.76%	69.19%	62.47%
Asset Backlog Ratio	2.50%	2.30%	2.10%	2.10%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Asset Maintenance Ratio - Single Year	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Asset Maintenance Ratio - 3 Year Average	101.16%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Capital Expenditure Ratio	174.01%	147.33%	127.57%	114.55%	90.28%	101.04%	95.27%	80.23%	92.20%	74.47%

Operating Result and Operating Performance Ratio

Within Model II, Operating Result before Capital Revenue in the earlier years of the financial projections reflects positive results (surpluses) before deficits occur from 2017/18. This does not mean that Council hasn't the funds to continue operating, as a significant contributor to the deficits is depreciation, which is a non-cash recognition of Council's consumption of its assets.

The reality in this Model is that Council has maintained an extensive capital program, however, the level of depreciation is very high due to the significant number and value of Council's assets. The Projected Discretionary Funds Budget Statement is a more accurate portrayal of Council's financial capacity to provide current services as well as undertake capital works. The full amount of the expected SITA funding has not been identified within the Projected Discretionary Funds Budget Statement (although it has been reflected in the statutory format) and once allocated should provide further funding for capital works.

As a result of the outcome from the operating result (negative from 2017/18), the Operating Performance Ratio reflects the same trend and does not satisfy the benchmark from 2017/18.

Unrestricted Current Ratio
There has been little impact on the Unrestricted Current Ratio in comparison to Model I as it is expected that there will be a corresponding decrease in expenditure to meet the reduction in revenue as Council budgets on the working funds principle of matching cash inflows with cash outflows. The Unrestricted Current Ratio is well above the target level and the industry benchmark of 1.5:1 from 2017/18. Although the benchmark is not achieved in the first two years of the LTFP, the generally held belief that having a liquidity position of 1.0:1 which indicates that an organisation has sufficient cash to meet its obligations is satisfied in those years. Generally this indicates Council's sound financial position and ability to satisfy short term obligations from current funds available.

Debt Service Cover Ratio
Throughout the 10 year period covered, the Debt Service Ratio is well above the target level of 2.0 times. This indicates that Council would still have significant capacity to increase borrowings if so desired and be able to service the debt without compromising the financial position. Although not as high as in Model I, the ratio is still presents a very significant financial position.

Debt Servicing Ratio
Throughout the 10 year period covered, the Debt Service Ratio is well below the target level of 20% and is really only restating the result achieved by the Debt Service Cover Ratio.

Own Source Revenue Ratio
This ratio is satisfied in each year of the LTFP and actually improves on the result from Model I. This occurs as the significant income reduction of the Financial Assistance Grant is not part of Council's own source income and therefore this reduction improves the proportion of Council's own source income to total income. Although rates income has also been deferred in relation to new developments the level of the reduction is much less than the value of the Financial Assistance Grant. This indicates that Council has maintained a significant degree of dependence upon revenue from rates and annual charges which reflects the security of Council's income over the period.

Rates and Annual Charges Outstanding Ratio
This ratio has remained stable across the period of the financial plan and below the target level of 5%. There is very little variation from Model I, as the proportion of the rate income deferred in relation to new developments is relatively small in comparison to the total rate income.

Real Operating Expenditure per Capita
The level of Operating Expenditure per Capita continues to decrease each year of the LTFP, satisfying the ratio requirements. In comparison to Model I, the annual level of

expenditure per capita actually decreases from 2017/18 as the capital program has been reduced to compensate for the reduced available discretionary funds which has been assumed to be predominately expenditure on new infrastructure (the need to maintain renewal expenditure continues) resulting in a decrease in depreciation expense in relation to these new assets.

Cash Expense Cover Ratio
This ratio again reflects little (if any) variation from that of Model I as cash levels are not expected to be affected by the reduced expenditure as there will be a corresponding decrease in the level of cash outflows under Council's operating budget methodology. This could be changed should additional SITA funding be allocated to offset the decreased income, however this has not been determined and therefore not considered as part of this scenario. Although this ratio does not achieve the benchmark level until 2019/20 it does not mean that Council will not be able to meet obligations as they fall due as other investment funds are available if required. The ratio does indicate that Council will need to be aware of this cash position when determining investment strategy over the next few years to ensure there is no liquidity stress.

Building and Infrastructure Renewal Ratio
This ratio suffers in comparison to Model I due to the reduction in discretionary funds available and only satisfies the benchmark in the first two years. In recent years the allocation of capital funding to asset renewal as opposed to asset creation has been the philosophy and it would be expected that a full revision of the Infrastructure/Capital Program would be undertaken under this scenario to allocate more funding to renewals and away from the creation of new assets. As was the case in Model I, it is expected that in the mid-term years of the LTFP will have further funding allocations to renewals as the years approach and more certainty exists as to available funding from grants etc. Allocation of the anticipated SITA funding would also be directed toward renewal works which would improve the ratio as well.

Asset Backlog Ratio
Although the capital program has been reduced significantly over the term of the LTFP under this scenario, there would remain a concerted effort to minimise the level of backlog by reallocation of funds. The reality, given the decreasing renewal ratio, is that the backlog would increase, however the expectation of additional funding, particularly SITA funds, and the maintenance of the direction of renewal rather than new, meaning a full revision of the Infrastructure/Capital Program, has resulted in the maintenance of the ratio at the level for Model I.

Asset Maintenance Ratio
The reduction in discretionary funds under this scenario has resulted in a reduction in the capital program and not operating levels. To continue to minimise the asset backlog, along with the desire to present assets at the current standard, the maintenance levels must be maintained. Council satisfies this ratio across all years of the LTFP.

Capital Expenditure Ratio
The discretionary funds reduction that would result from the decrease in revenue impacts significantly on capital expenditure levels and this ratio. Capital expenditure levels fall below requirements from 2019/20 and it would be expected that further funding allocations would occur as the years approach and more certainty exists as to available funding from grants etc. The finalisation of the SITA contribution program would also significantly improve this ratio with over $30 million of funds to be received in this period still to be allocated to capital works.

TEN YEAR FINANCIAL PLAN MODEL - MODEL II

	TOTAL		2014/15		2015/16		2016/17		2017/18		2018/19		2019/20		2020/21		2021/22		2022/23		2023/24		2024/25	
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Discretionary Funds Available																								
Available Working Funds Brought Forward	1,499		1,499		-		-		-		-		-		-		-		-		-		-	
Recurrent Operations	177,833		15,900		17,196		17,720		16,915		16,439		15,588		15,212		14,965		15,746		16,235		15,917	
Future Works Reserve	8,592		4,442		3,150		1,000		-		-		-		-		-		-		-		-	
Additional Borrowing (Net of Debt Servicing Costs)	-		-		-		-		-		-		-		-		-		-		-		-	
Other	-	187,924	-	21,841	-	20,346	-	18,720	-	16,915	-	16,439	-	15,588	-	15,212	-	14,965	-	15,746	-	16,235	-	15,917
Proposed General Revenue Capital Program		208,402		21,841		20,346		23,248		20,561		18,984		17,412		17,002		17,337		17,232		17,372		17,067
Annual Surplus/(Shortfall)		(20,478)		-		-		(4,528)		(3,646)		(2,545)		(1,824)		(1,790)		(2,372)		(1,486)		(1,137)		(1,150)
Funding Sources to be Considered for Future Budgets/ (Additional Funds Available for Projects)		20,478		-		-		4,528		3,646		2,545		1,824		1,790		2,372		1,486		1,137		1,150
Cumulative Surplus/Shortfall		-		-		-		-		-		-		-		-		-		-		-		-

PROPOSED INFRASTRUCTURE/CAPITAL PROGRAM - MODEL II

	TOTAL		2014/15		2015/16		2016/17		2017/18		2018/19		2019/20		2020/21		2021/22		2022/23		2023/24		2024/25	
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
TOTAL PROGRAM																								
Proposed Gross Infrastucture Program																								
General Revenue Funding	170,532		18,761		17,171		19,983		17,261		15,609		13,947		13,457		13,712		13,507		13,562		13,562	
Other Funds	140,290	310,822	22,309	41,070	21,288	38,459	18,073	38,056	16,932	34,193	13,044	28,653	6,627	20,574	11,656	25,113	10,898	24,610	5,541	19,048	9,906	23,468	4,016	17,578
Proposed Gross Other Capital Works																								
General Revenue Funding	37,870		3,080		3,175		3,265		3,300		3,375		3,465		3,545		3,625		3,725		3,810		3,505	
Other Funds	12,127	49,997	1,952	5,032	1,075	4,250	1,100	4,365	1,000	4,300	1,000	4,375	1,000	4,465	1,000	4,545	1,000	4,625	1,000	4,725	1,000	4,810	1,000	4,505
TOTAL PROPOSED GROSS CAPITAL WORKS		**360,819**		**46,102**		**42,709**		**42,421**		**38,493**		**33,028**		**25,039**		**29,658**		**29,235**		**23,773**		**28,278**		**22,083**
GENERAL REVENUE COMPONENT OF PROGRAM																								
Proposed Gross Infrastucture Program		170,532		18,761		17,171		19,983		17,261		15,609		13,947		13,457		13,712		13,507		13,562		13,562
Proposed Gross Other Capital Works		37,870		3,080		3,175		3,265		3,300		3,375		3,465		3,545		3,625		3,725		3,810		3,505
TOTAL PROPOSED GROSS CAPITAL WORKS		**208,402**		**21,841**		**20,346**		**23,248**		**20,561**		**18,984**		**17,412**		**17,002**		**17,337**		**17,232**		**17,372**		**17,067**

INCOME STATEMENT (MODEL II) FOR THE YEAR ENDED

	30 June 2016	30 June 2017	30 June 2018	30 June 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024	30 June 2025
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
INCOME										
Revenue:										
Rates and Annual Charges	147,353	151,143	154,990	159,133	163,335	167,847	172,313	176,984	181,873	186,987
User Charges & Fees	35,373	36,257	37,163	38,092	39,044	40,021	41,021	42,047	43,098	44,176
Interest and Investment Revenue	2,843	2,910	2,931	3,080	3,441	3,742	4,091	4,457	4,591	4,988
Investment Revaluation Increases (See note)	37	-	-	-	-	-	-	-	-	-
Other Revenues	17,268	17,702	18,155	18,630	19,127	19,648	20,237	20,897	21,635	22,458
Grants and Contributions - Operating	11,010	10,847	9,803	8,997	8,203	7,420	7,559	7,702	7,857	8,017
Grants and Contributions - Capital Purposes	20,987	8,736	11,901	11,068	9,297	11,456	11,399	9,565	9,735	9,911
Other income:	-	-	-	-	-	-	-	-	-	-
Profit from Disposal of Assets	-	-	-	-	-	-	-	-	-	-
Profit from Interests in Joint Ventures and Associates	-	-	-	-	-	-	-	-	-	-
Total Income from Continuing Operations	**234,871**	**227,595**	**234,943**	**239,000**	**242,447**	**250,134**	**256,620**	**261,652**	**268,789**	**276,537**
EXPENSES										
Employee Costs	97,628	100,151	102,712	105,371	108,084	110,883	114,165	117,563	121,088	124,730
Materials and Contracts	37,171	38,176	39,210	40,274	41,368	42,494	43,653	44,846	46,074	47,338
Borrowing Costs	549	517	440	366	286	192	105	62	61	62
Depreciation & Amortisation	27,341	28,589	29,785	31,128	31,636	33,042	34,205	35,178	36,110	36,672
Interest & Investment Losses	-	-	-	-	-	-	-	-	-	-
Other Expenses from Ordinary Activities	48,487	49,699	50,942	52,215	53,520	54,859	56,230	57,636	59,077	60,553
Loss from Disposal of Assets	500	500	500	500	500	500	500	500	500	500
Loss from Interests in Joint Ventures and Associates	-	-	-	-	-	-	-	-	-	-
Total Expenses from Continuing Operations	**211,676**	**217,632**	**223,589**	**229,854**	**235,394**	**241,970**	**248,858**	**255,785**	**262,910**	**269,855**
NET OPERATING RESULT FOR YEAR	**23,195**	**9,963**	**11,354**	**9,146**	**7,053**	**8,164**	**7,762**	**5,867**	**5,879**	**6,682**
Net Operating Result Attributable to Council	23,195	9,963	11,354	9,146	7,053	8,164	7,762	5,867	5,879	6,682
Net Operating Result Attributable to Minority Interests	-	-	-	-	-	-	-	-	-	-
	23,195	**9,963**	**11,354**	**9,146**	**7,053**	**8,164**	**7,762**	**5,867**	**5,879**	**6,682**
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	**2,208**	**1,227**	**(547)**	**(1,922)**	**(2,244)**	**(3,292)**	**(3,637)**	**(3,698)**	**(3,856)**	**(3,229)**

Note: This amount represents investment revaluations for unrealised losses previously identified in the financial statements

BALANCE SHEET (MODEL II) AS AT										
	30 June 2016	30 June 2017	30 June 2018	30 June 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024	30 June 2025
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
ASSETS										
Current Assets										
Cash and cash equivalents	23,514	23,924	24,494	25,128	25,765	26,420	27,102	27,717	28,460	29,258
Investments	22,068	19,945	22,052	26,148	35,427	41,922	50,130	62,930	71,534	87,572
Receivables	13,291	13,249	13,574	13,597	13,781	14,441	14,760	14,807	15,179	15,560
Inventories	4,771	4,777	4,783	4,789	4,795	4,801	4,807	4,814	4,821	4,827
Other	1,448	1,484	1,521	1,559	1,598	1,638	1,679	1,720	1,763	1,807
Non-current assets classified as held for sale	-	-	-	-	-	-	-	-	-	-
Total Current Assets	**65,092**	**63,379**	**66,424**	**71,221**	**81,366**	**89,222**	**98,478**	**111,988**	**121,757**	**139,024**
Non-Current Assets										
Investments	2,000	-	-	-	-	-	-	-	-	-
Receivables	907	928	951	973	997	1,021	1,045	1,070	1,096	1,122
Inventories	-	-	-	-	-	-	-	-	-	-
Infrastructure, property, plant & equipment	2,042,984	2,103,280	2,181,830	2,205,595	2,339,234	2,425,290	2,469,362	2,502,204	2,522,470	2,852,165
Investments account for using equity method	-	-	-	-	-	-	-	-	-	-
Investment property	47,897	48,855	49,832	50,829	51,845	52,882	53,940	55,019	56,119	57,242
Intangible assets	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total Non-Current Assets	**2,093,788**	**2,153,063**	**2,232,613**	**2,257,397**	**2,392,076**	**2,479,193**	**2,524,347**	**2,558,293**	**2,579,685**	**2,910,529**
TOTAL ASSETS	**2,158,880**	**2,216,442**	**2,299,037**	**2,328,618**	**2,473,442**	**2,568,415**	**2,622,825**	**2,670,281**	**2,701,442**	**3,049,553**
LIABILITIES										
Current Liabilities										
Payables	18,178	18,403	18,634	18,871	19,114	19,362	19,618	19,879	20,147	20,422
Interest bearing liabilities	2,730	2,718	2,788	2,861	2,939	2,684	1,654	1,417	1,428	1,439
Provisions	36,841	37,792	38,586	39,792	40,888	42,062	42,804	43,310	43,941	44,711
Total Current Liabilities	**57,749**	**58,913**	**60,008**	**61,524**	**62,941**	**64,108**	**64,076**	**64,606**	**65,516**	**66,572**
Non-Current Liabilities										
Payables	-	-	-	-	-	-	-	-	-	-
Interest bearing liabilities	7,721	6,282	4,963	3,489	1,948	672	435	446	458	469
Provisions	5,048	5,198	5,349	5,511	5,675	5,844	6,013	6,185	6,362	6,546
Total Non-Current Liabilities	**12,769**	**11,480**	**10,312**	**9,000**	**7,623**	**6,516**	**6,448**	**6,631**	**6,820**	**7,015**
TOTAL LIABILITIES	**70,518**	**70,393**	**70,320**	**70,524**	**70,564**	**70,624**	**70,524**	**71,237**	**72,336**	**73,587**
NET ASSETS	**2,088,362**	**2,146,049**	**2,228,717**	**2,258,094**	**2,402,878**	**2,497,791**	**2,552,301**	**2,599,044**	**2,629,106**	**2,975,966**
EQUITY										
Retained earnings	1,165,036	1,174,999	1,186,353	1,195,499	1,202,552	1,210,716	1,218,478	1,224,345	1,230,224	1,236,906
Revaluation reserves	923,326	971,050	1,042,364	1,062,595	1,200,326	1,287,075	1,333,823	1,374,699	1,398,882	1,739,060
Council equity interest	2,088,362	2,146,049	2,228,717	2,258,094	2,402,878	2,497,791	2,552,301	2,599,044	2,629,106	2,975,966
Minority equity interest	-	-	-	-	-	-	-	-	-	-
TOTAL EQUITY	**2,088,362**	**2,146,049**	**2,228,717**	**2,258,094**	**2,402,878**	**2,497,791**	**2,552,301**	**2,599,044**	**2,629,106**	**2,975,966**

STATEMENT OF CASH FLOWS (MODEL II) FOR THE YEAR ENDED	30 June 2016	30 June 2017	30 June 2018	30 June 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024	30 June 2025
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
CASH FLOWS FROM OPERATING ACTIVITIES										
Receipts:										
Rates and Annual Charges	147,191	151,013	154,856	158,996	163,195	167,704	172,167	176,835	181,719	186,830
User Charges & Fees	35,265	36,147	37,050	37,977	38,926	39,899	40,896	41,919	42,967	44,041
Interest	2,842	2,871	2,891	3,039	3,399	3,699	4,047	4,412	4,544	4,940
Grants and Contributions	27,041	14,884	16,643	15,315	12,594	17,503	17,931	16,519	16,528	16,862
Other	17,271	17,705	18,159	18,633	19,131	19,652	20,241	20,901	21,640	22,463
Payments :										
Employee Costs	(97,189)	(99,067)	(101,784)	(104,022)	(106,843)	(109,559)	(113,273)	(116,908)	(120,301)	(123,797)
Materials and Contracts	(37,008)	(38,009)	(39,039)	(40,098)	(41,188)	(42,310)	(43,464)	(44,652)	(45,875)	(47,134)
Interest	(549)	(517)	(440)	(366)	(286)	(192)	(105)	(62)	(61)	(62)
Other	(48,458)	(49,670)	(50,912)	(52,185)	(53,489)	(54,827)	(56,197)	(57,601)	(59,042)	(60,518)
Net cash provided by (or used in) operating activities	**46,406**	**35,357**	**37,424**	**37,289**	**35,439**	**41,569**	**42,243**	**41,363**	**42,119**	**43,625**
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts:										
Sale of Investments	676	4,123	-	-	-	-	-	-	-	-
Sale of Real Estate Assets	-	-	-	-	-	-	-	-	-	-
Sale of Property, Plant and Equipment	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Sales of Interests in Joint Venturers/Associates	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Payments:										
Purchase of Investments	-	-	(2,107)	(4,096)	(9,279)	(6,495)	(8,208)	(12,800)	(8,604)	(16,038)
Purchase of Real Estate Assets	-	-	-	-	-	-	-	-	-	-
Purchase of Property, Plant and Equipment	(44,074)	(38,619)	(34,498)	(32,159)	(25,060)	(33,887)	(33,087)	(28,722)	(33,794)	(27,811)
Purchase of Investment Property	-	-	-	-	-	-	-	-	-	-
Purchases of Interests in Joint Venturers/Associates	-	-	-	-	-	-	-	-	-	-
Net cash provided by (or used in) investing activities	**(42,398)**	**(33,496)**	**(35,605)**	**(35,255)**	**(33,339)**	**(39,382)**	**(40,295)**	**(40,522)**	**(41,398)**	**(42,849)**
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts:										
Borrowings and Advances	-	-	-	-	-	-	-	-	-	-
Lease Liabilities	400	900	900	900	900	900	900	900	900	900
Payments:										
Borrowings and Advances	(3,397)	(1,469)	(1,268)	(1,419)	(1,483)	(1,552)	(1,286)	(247)	-	-
Lease Liabilities	(382)	(882)	(881)	(881)	(880)	(880)	(880)	(879)	(878)	(878)
Net cash provided by (or used in) financing activities	**(3,379)**	**(1,451)**	**(1,249)**	**(1,400)**	**(1,463)**	**(1,532)**	**(1,266)**	**(226)**	**22**	**22**
Net increase/(decrease) in cash held	**629**	**410**	**570**	**634**	**637**	**655**	**682**	**615**	**743**	**798**
Cash assets at beginning of reporting period	22,885	23,514	23,924	24,494	25,128	25,765	26,420	27,102	27,717	28,460
Cash assets at end of reporting period	**23,514**	**23,924**	**24,494**	**25,128**	**25,765**	**26,420**	**27,102**	**27,717**	**28,460**	**29,258**

NOTE : Investments will be purchased and sold at different rates throught each of the periods depending on interest rates, terms, opportunities etc.
The figures shown above in relation to investments reflect the net result of the sale and purchase throughout the year.

5.4 Financial Model III – Expenses Increasing in Excess of CPI, Rates not Increasing By Same Amount Commentary and Outcomes

Local government is vulnerable to increase in labour, material and other expenses in excess of CPI, particularly if rates are constrained through rate pegging at a level approximating CPI. Over recent years the Local Government Cost Index has indicated that expenditure increases above CPI has been the case and the next award increase, effective 1 July 2015, is 20 basis points above expected CPI. Conversely, IPART in determining rate pegging limits has imposed "productivity" factor and often the rate pegging limit is not as high as the cost index. This scenario looks at the effect of increases in labour, materials and other expenses above CPI offset partially by an increase in the rate peg above projected but below the expenditure levels. Again, it is also based on all other assumptions and decisions as listed in Section 5.1 and explained in detail in Section 2 of this document, except those specific assumptions introduced in Model II and this Model.

The variations to Model I are:

- Consistent with recent years, the recurrent expenditure allocations have been increased by 3.0% per annum, 50 basis points above CPI. Although this remains a distinct possibility, previous assumptions have been that such increases will be overcome by productivity improvements, however in Model III, these gains have not been accounted for;

- Rate income has been increased at a greater rate than CPI on the basis of rate pegging being assessed on the Local Government Cost Index, however, consistent with previous years, this increase is 20 basis points below expenditure increase levels. That is rate pegging has been assumed at 2.8% plus an allowance for recurrent growth to make it 2.85%, plus specific allowances for significant developments as outlined earlier. All other recurrent income levels have been held at CPI, other than where specific variation was required as outlined previously for Model I.

- After allowing for income and expenditure adjustments above, any further annual variations have been adjusted by re-visiting capital program levels and applying the necessary variations.

The following statements are enclosed within this Section of the document and comments on each are as follows:

<u>Projected Discretionary Funds Budget Statement</u>
Under this Model proposed annual general revenue discretionary funds available remains the same for 2015/16, before reducing marginally in 2016/17, before the increases become more substantial each year to a maximum of around $1.3 million, in comparison to Model I. This is due to the compounding effect of the increased expenditure levels. Due to the significant base upon which rate income is calculated, relative to the recurrent expenditure, and the ability to offset significant expenditure increases within the domestic waste area, which makes up a reasonably large component of expenditure, the overall decrease is not as severe as would normally have been considered from the expenditure increases.

Discretionary expenditure shortfalls in comparison to the current Infrastructure Capital Program exist from 2016/17 to 2018/19, before surplus funds re-occur from 2019/20 onwards. A revision of the timing and quantum of capital works would be required to overcome these shortfalls and utilise the surplus funds. For the purpose of this analysis, the Proposed Infrastructure/ Capital Program has been adjusted to meet the discretionary funds available in determining the financial statements and ratios.

Projected Financial Performance Indicators

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Operating Result before Capital Revenue ('000)	$ 2,208	$ 2,021	$ 1,097	$ 626	$ 1,158	$ 812	$ 185	$ (188)	$ (724)	$ (545)
Operating Performance Ratio - Single Year	0.81%	0.71%	0.28%	0.06%	0.27%	0.11%	-0.15%	-0.29%	-0.49%	-0.42%
Operating Performance Ratio - 3 Year Average	-1.18%	0.16%	0.60%	0.35%	0.20%	0.15%	0.08%	-0.11%	-0.31%	-0.40%
Unrestricted Current Ratio	1.33 : 1	1.43 : 1	1.73 : 1	1.93 : 1	2.28 : 1	2.63 : 1	3.09 : 1	3.53 : 1	3.76 : 1	4.18 : 1
Debt Service Cover Ratio	6.73	10.53	11.74	11.71	12.17	12.68	14.89	29.03	37.25	38.08
Debt Service Ratio - Single Year	2.03%	1.31%	1.15%	1.15%	1.11%	1.07%	0.90%	0.45%	0.35%	0.34%
Debt Service Ratio - 3 Year Average	2.03%	1.82%	1.50%	1.20%	1.14%	1.11%	1.02%	0.81%	0.57%	0.38%
Own Source Revenue Ratio - Single Year	86.32%	91.03%	90.10%	90.61%	91.45%	90.84%	91.04%	91.83%	91.92%	92.02%
Own Source Revenue Ratio - 3 Year Average	83.60%	89.05%	89.15%	90.58%	90.72%	90.97%	91.11%	91.24%	91.60%	91.93%
Rates and Annual Charges Outstanding Ratio	3.94%	3.93%	3.93%	3.92%	3.91%	3.91%	3.90%	3.90%	3.90%	3.90%
Real Operating Expenditure Per Capita	$763.84	$759.34	$754.46	$750.23	$743.35	$739.42	$736.19	$732.51	$728.93	$724.46
Real Operating Expenditure Per Capita Trend	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease
Cash Expense Cover Ratio (months)	2.61	2.50	2.58	2.75	3.12	3.35	3.64	4.09	4.33	4.79
Building and Infrastructure Renewals Ratio - Single Year	133.16%	114.68%	103.69%	84.66%	81.25%	96.90%	92.87%	72.77%	73.26%	74.17%
Building and Infrastructure Renewals Ratio - 3 Year Average	147.63%	138.56%	117.18%	101.01%	89.87%	87.60%	90.34%	87.51%	79.63%	73.40%
Asset Backlog Ratio	2.50%	2.30%	2.10%	2.10%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Asset Maintenance Ratio - Single Year	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Asset Maintenance Ratio - 3 Year Average	101.16%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Capital Expenditure Ratio	174.01%	149.55%	132.20%	121.73%	100.18%	112.88%	105.11%	90.17%	102.21%	85.34%

Operating Result and Operating Performance Ratio
Within Model III, Operating Result before Capital Revenue in the earlier years of the financial projections reflects positive results (surpluses) before deficits occur from 2022/23. The trend is downward from 2015/16 onward as the negative compounding effect of the increased expenditure over additional income occurs. This does not mean

that Council hasn't the funds to continue operating, as a significant contributor to the deficits is depreciation, which is a non-cash recognition of Council's consumption of its assets.

The reality in this Model is that Council has maintained an extensive capital program, however, the level of depreciation is very high due to the significant number and value of Council's assets. The Projected Discretionary Funds Budget Statement is a more accurate portrayal of Council's financial capacity to provide current services as well as undertake capital works. The full amount of the expected SITA funding has not been identified within the Projected Discretionary Funds Budget Statement (although it has been reflected in the statutory format) and once allocated should provide further funding for capital works.

As a result of the outcome from the operating result (negative from 2017/18), the Operating Performance Ratio reflects the same trend and does not satisfy the benchmark from 2021/22. The reason that this negative result occurs one year earlier is the impact of the fair value movement for investment properties which is recognised as an income item but is discounted from the ratio calculation.

Unrestricted Current Ratio
There has been little impact on the Unrestricted Current Ratio in comparison to Model I as it is expected that there will be a corresponding decrease in expenditure to meet the reduction in discretionary funds as Council budgets on the working funds principle of matching cash inflows with cash outflows. The Unrestricted Current Ratio is well above the target level and the industry benchmark of 1.5:1 from 2017/18 and is marginally better than Model I in most years. Although the benchmark is not achieved in the first two years of the LTFP, the generally held belief that having a liquidity position of 1.0:1 which indicates that an organisation has sufficient cash to meet its obligations is satisfied in those years. Generally this indicates Council's sound financial position and ability to satisfy short term obligations from current funds available.

Debt Service Cover Ratio
Throughout the 10 year period covered, the Debt Service Ratio is well above the target level of 2.0 times. This indicates that Council would still have significant capacity to increase borrowings if so desired and be able to service the debt without compromising the financial position. Although not as high as in Model I as a result of the declining operating result, the ratio is still presents a very significant financial position.

Debt Servicing Ratio
Throughout the 10 year period covered, the Debt Service Ratio is well below the target level of 20% and is really only restating the result achieved by the Debt Service Cover Ratio. The ratio has declined very slightly from Model I as a result of a minimal increase in finance lease costs.

Own Source Revenue Ratio
This ratio is satisfied in each year of the LTFP and actually improves on the result from Model I. This occurs as a result of the increased rate and domestic waste income generated under this scenario. As this ratio measures income, the fact that expenditure has increased at a greater rate is irrelevant in the calculation. This indicates that Council has maintained a significant degree of dependence upon revenue from rates and annual charges which reflects the security of Council's income over the period.

Rates and Annual Charges Outstanding Ratio
This ratio has remained stable across the period of the financial plan and below the target level of 5%. There is a small variation from Model I, reflective of the increase in rate revenue under this scenario.

Real Operating Expenditure per Capita
The level of Operating Expenditure per Capita continues to decrease each year of the LTFP, satisfying the ratio requirements. In comparison to Model I, the annual level of expenditure per capita is increased as a result of the higher increment factor applied to expenditure.

Cash Expense Cover Ratio
This ratio again reflects little variation from that of Model I as cash levels are not expected to be affected significantly by the increased expenditure as there will be a corresponding decrease in the level of cash outflows under Council's operating budget methodology. This could be changed should additional SITA funding be allocated to offset the decreased discretionary funds, however this has not been determined and therefore not considered as part of this scenario. Although this ratio does not achieve the benchmark level until 2019/20 it does not mean that Council will not be able to meet obligations as they fall due as other investment funds are available if required. The ratio does indicate that Council will need to be aware of this cash position when determining investment strategy over the next few years to ensure there is no liquidity stress.

Building and Infrastructure Renewal Ratio
This ratio is affected slightly in comparison to Model I due to the reduction in discretionary funds available and only satisfies the benchmark in the first three years. In recent years the allocation of capital funding to asset renewal as opposed to asset creation has been the philosophy and it would be expected that a full revision of the Infrastructure/Capital Program would be undertaken under this scenario to allocate more funding to renewals and away from the creation of new assets. As was the case in Model I, it is expected that in the mid-term years of the LTFP will have further funding allocations to renewals as the years approach and more certainty exists as to available funding from grants etc. Allocation of the anticipated SITA funding would also be directed toward renewal works which would improve the ratio as well.

Asset Backlog Ratio
Although the capital program has been reduced over the term of the LTFP under this scenario, there would remain a concerted effort to minimise the level of backlog by reallocation of funds. The reality, given the decreasing renewal ratio, is that the backlog would increase, however the expectation of additional funding, particularly SITA funds, and the maintenance of the direction of renewal rather than new, meaning a full revision of the Infrastructure/Capital Program, has resulted in the maintenance of the ratio at the level for Model I.

Asset Maintenance Ratio
The reduction in discretionary funds under this scenario has resulted in a reduction in the capital program and not operating levels. To continue to minimise the asset backlog, along with the desire to present assets at the current standard, the maintenance levels must be maintained. Council satisfies this ratio across all years of the LTFP. Although actual maintenance expenditure has increased by virtue of the application of higher expenditure parameters, the level of required maintenance, against which actual expenditure is measured, would also be increased at a corresponding rate.

Capital Expenditure Ratio
Although there has been a small reduction in the level of capital expenditure in Model III, there has also been a slight reduction in depreciation expense as the creation of new assets is deemed to have been reduced accordingly, allowing the benchmark to be achieved in most years. The result is a slightly lower ratio than Model I from the reduction in the capital program due to a smaller discretionary funds pool. Capital expenditure levels fall below requirements in three of the years, however it would be expected that further funding allocations would occur as the years approach and more certainty exists as to available funding from grants etc. The finalisation of the SITA contribution program would also significantly improve this ratio with over $30 million of funds to be received in this period still to be allocated to capital works.

TEN YEAR FINANCIAL PLAN MODEL - MODEL III

	TOTAL		2014/15		2015/16		2016/17		2017/18		2018/19		2019/20		2020/21		2021/22		2022/23		2023/24		2024/25	
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Discretionary Funds Available																								
Available Working Funds Brought Forward	1,499		1,499		-		-		-		-		-		-		-		-		-		-	
Recurrent Operations	205,881		15,900		17,196		18,360		18,326		18,753		18,849		19,365		18,682		19,628		20,383		20,439	
Future Works Reserve	8,592		4,442		3,150		1,000		-		-		-		-		-		-		-		-	
Additional Borrowing (Net of Debt Servicing Costs)	-		-		-		-		-		-		-		-		-		-		-		-	
Other	-	215,972	-	21,841	-	20,346	-	19,360	-	18,326	-	18,753	-	18,849	-	19,365	-	18,682	-	19,628	-	20,383	-	20,439
Proposed General Revenue Capital Program		208,402		21,841		20,346		23,248		20,561		18,984		17,412		17,002		17,337		17,232		17,372		17,067
Annual Surplus/(Shortfall)		7,570		-		-		(3,888)		(2,235)		(231)		1,437		2,363		1,345		2,396		3,011		3,372
Funding Sources to be Considered for Future Budgets/ (Additional Funds Available for Projects)		(7,570)		-		-		3,888		2,235		231		(1,437)		(2,363)		(1,345)		(2,396)		(3,011)		(3,372)
Cumulative Surplus/Shortfall		-		-		-		-		-		-		-		-		-		-		-		-

PROPOSED INFRASTRUCTURE/CAPITAL PROGRAM - MODEL III

	TOTAL		2014/15		2015/16		2016/17		2017/18		2018/19		2019/20		2020/21		2021/22		2022/23		2023/24		2024/25	
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
TOTAL PROGRAM																								
Proposed Gross Infrastucture Program																								
General Revenue Funding	170,532		18,761		17,171		19,983		17,261		15,609		13,947		13,457		13,712		13,507		13,562		13,562	
Other Funds	140,290	310,822	22,309	41,070	21,288	38,459	18,073	38,056	16,932	34,193	13,044	28,653	6,627	20,574	11,656	25,113	10,898	24,610	5,541	19,048	9,906	23,468	4,016	17,578
Proposed Gross Other Capital Works																								
General Revenue Funding	37,870		3,080		3,175		3,265		3,300		3,375		3,465		3,545		3,625		3,725		3,810		3,505	
Other Funds	12,127	49,997	1,952	5,032	1,075	4,250	1,100	4,365	1,000	4,300	1,000	4,375	1,000	4,465	1,000	4,545	1,000	4,625	1,000	4,725	1,000	4,810	1,000	4,505
TOTAL PROPOSED GROSS CAPITAL WORKS		**360,819**		**46,102**		**42,709**		**42,421**		**38,493**		**33,028**		**25,039**		**29,658**		**29,235**		**23,773**		**28,278**		**22,083**
GENERAL REVENUE COMPONENT OF PROGRAM																								
Proposed Gross Infrastucture Program		170,532		18,761		17,171		19,983		17,261		15,609		13,947		13,457		13,712		13,507		13,562		13,562
Proposed Gross Other Capital Works		37,870		3,080		3,175		3,265		3,300		3,375		3,465		3,545		3,625		3,725		3,810		3,505
TOTAL PROPOSED GROSS CAPITAL WORKS		**208,402**		**21,841**		**20,346**		**23,248**		**20,561**		**18,984**		**17,412**		**17,002**		**17,337**		**17,232**		**17,372**		**17,067**

INCOME STATEMENT (MODEL III) FOR THE YEAR ENDED	30 June 2016	30 June 2017	30 June 2018	30 June 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024	30 June 2025
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
INCOME										
Revenue:										
Rates and Annual Charges	147,353	151,720	156,217	160,986	165,785	170,761	175,653	180,686	185,866	191,196
User Charges & Fees	35,373	36,257	37,163	38,093	39,045	40,021	41,021	42,047	43,098	44,176
Interest and Investment Revenue	2,843	2,910	2,931	3,080	3,441	3,742	4,091	4,457	4,591	4,988
Investment Revaluation Increases (See note)	37	-	-	-	-	-	-	-	-	-
Other Revenues	17,268	17,736	18,262	18,848	19,501	20,224	21,065	22,031	23,133	24,381
Grants and Contributions - Operating	11,010	11,725	11,559	11,728	11,910	12,104	12,302	12,504	12,719	12,940
Grants and Contributions - Capital Purposes	20,987	8,736	11,901	11,068	9,297	11,456	11,399	9,565	9,736	9,911
Other income:	-	-	-	-	-	-	-	-	-	-
Profit from Disposal of Assets	-	-	-	-	-	-	-	-	-	-
Profit from Interests in Joint Ventures and Associates	-	-	-	-	-	-	-	-	-	-
Total Income from Continuing Operations	**234,871**	**229,084**	**238,033**	**243,803**	**248,979**	**258,308**	**265,531**	**271,290**	**279,143**	**287,592**
EXPENSES										
Employee Costs	97,628	100,429	103,284	106,252	109,292	112,434	116,079	119,860	123,787	127,850
Materials and Contracts	37,171	38,347	39,561	40,814	42,109	43,446	44,827	46,252	47,725	49,247
Borrowing Costs	549	517	441	367	287	194	107	64	63	65
Depreciation & Amortisation	27,341	28,593	29,809	31,193	31,764	33,257	34,538	35,604	36,634	37,300
Interest & Investment Losses	-	-	-	-	-	-	-	-	-	-
Other Expenses from Ordinary Activities	48,487	49,941	51,440	52,983	54,572	56,209	57,896	59,633	61,422	63,264
Loss from Disposal of Assets	500	500	500	500	500	500	500	500	500	500
Loss from Interests in Joint Ventures and Associates	-	-	-	-	-	-	-	-	-	-
Total Expenses from Continuing Operations	**211,676**	**218,327**	**225,035**	**232,109**	**238,524**	**246,040**	**253,947**	**261,913**	**270,131**	**278,226**
NET OPERATING RESULT FOR YEAR	**23,195**	**10,757**	**12,998**	**11,694**	**10,455**	**12,268**	**11,584**	**9,377**	**9,012**	**9,366**
Net Operating Result Attributable to Council	23,195	10,757	12,998	11,694	10,455	12,268	11,584	9,377	9,012	9,366
Net Operating Result Attributable to Minority Interests	-	-	-	-	-	-	-	-	-	-
	23,195	**10,757**	**12,998**	**11,694**	**10,455**	**12,268**	**11,584**	**9,377**	**9,012**	**9,366**
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	**2,208**	**2,021**	**1,097**	**626**	**1,158**	**812**	**185**	**(188)**	**(724)**	**(545)**

Note: This amount represents investment revaluations for unrealised losses previously identified in the financial statements

BALANCE SHEET (MODEL III) AS AT										
	30 June 2016	30 June 2017	30 June 2018	30 June 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024	30 June 2025
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
ASSETS										
Current Assets										
Cash and cash equivalents	23,514	24,010	24,671	25,402	26,140	26,901	27,696	28,429	29,296	30,225
Investments	22,046	19,980	22,240	26,523	35,954	42,491	51,008	63,726	71,695	86,372
Receivables	13,384	13,393	13,772	13,850	14,093	14,814	15,198	15,313	15,756	16,212
Inventories	4,773	4,780	4,787	4,794	4,802	4,810	4,818	4,826	4,834	4,843
Other	1,462	1,505	1,551	1,597	1,645	1,694	1,745	1,797	1,852	1,907
Non-current assets classified as held for sale	-	-	-	-	-	-	-	-	-	-
Total Current Assets	**65,179**	**63,668**	**67,021**	**72,166**	**82,634**	**90,710**	**100,465**	**114,091**	**123,433**	**139,559**
Non-Current Assets										
Investments	2,000	-	-	-	-	-	-	-	-	-
Receivables	911	936	962	989	1,017	1,045	1,074	1,104	1,135	1,167
Inventories	-	-	-	-	-	-	-	-	-	-
Infrastructure, property, plant & equipment	2,042,984	2,103,916	2,183,852	2,209,867	2,346,639	2,437,396	2,484,852	2,521,150	2,545,040	2,878,629
Investments account for using equity method	-	-	-	-	-	-	-	-	-	-
Investment property	47,897	48,855	49,832	50,829	51,845	52,882	53,940	55,019	56,119	57,242
Intangible assets	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total Non-Current Assets	**2,093,792**	**2,153,707**	**2,234,646**	**2,261,685**	**2,399,501**	**2,491,323**	**2,539,866**	**2,577,273**	**2,602,294**	**2,937,038**
TOTAL ASSETS	**2,158,971**	**2,217,375**	**2,301,667**	**2,333,851**	**2,482,135**	**2,582,033**	**2,640,331**	**2,691,364**	**2,725,727**	**3,076,597**
LIABILITIES										
Current Liabilities										
Payables	18,262	18,533	18,810	19,098	19,394	19,699	20,012	20,335	20,668	21,011
Interest bearing liabilities	2,733	2,723	2,796	2,871	2,951	2,697	1,670	1,436	1,449	1,463
Provisions	36,841	37,792	38,586	39,792	40,888	42,062	42,805	43,310	43,941	44,711
Total Current Liabilities	**57,836**	**59,048**	**60,192**	**61,761**	**63,233**	**64,458**	**64,487**	**65,081**	**66,058**	**67,185**
Non-Current Liabilities										
Payables	-	-	-	-	-	-	-	-	-	-
Interest bearing liabilities	7,725	6,287	4,970	3,499	1,960	686	453	466	480	495
Provisions	5,048	5,198	5,350	5,511	5,675	5,844	6,013	6,185	6,362	6,546
Total Non-Current Liabilities	**12,773**	**11,485**	**10,320**	**9,010**	**7,635**	**6,530**	**6,466**	**6,651**	**6,842**	**7,041**
TOTAL LIABILITIES	**70,609**	**70,533**	**70,512**	**70,771**	**70,868**	**70,988**	**70,953**	**71,732**	**72,900**	**74,226**
NET ASSETS	**2,088,362**	**2,146,842**	**2,231,155**	**2,263,080**	**2,411,267**	**2,511,045**	**2,569,378**	**2,619,632**	**2,652,827**	**3,002,371**
EQUITY										
Retained earnings	1,165,036	1,175,793	1,188,791	1,200,485	1,210,940	1,223,208	1,234,792	1,244,169	1,253,181	1,262,547
Revaluation reserves	923,326	971,049	1,042,364	1,062,595	1,200,327	1,287,837	1,334,586	1,375,463	1,399,646	1,739,824
Council equity interest	2,088,362	2,146,842	2,231,155	2,263,080	2,411,267	2,511,045	2,569,378	2,619,632	2,652,827	3,002,371
Minority equity interest	-	-	-	-	-	-	-	-	-	-
TOTAL EQUITY	**2,088,362**	**2,146,842**	**2,231,155**	**2,263,080**	**2,411,267**	**2,511,045**	**2,569,378**	**2,619,632**	**2,652,827**	**3,002,371**

STATEMENT OF CASH FLOWS (MODEL III) FOR THE YEAR ENDED										
	30 June 2016	30 June 2017	30 June 2018	30 June 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024	30 June 2025
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
CASH FLOWS FROM OPERATING ACTIVITIES										
Receipts:										
Rates and Annual Charges	147,173	151,567	156,060	160,824	165,619	170,590	175,478	180,506	185,680	191,005
User Charges & Fees	35,243	36,123	37,026	37,951	38,899	39,870	40,867	41,887	42,934	44,006
Interest	2,835	2,863	2,883	3,030	3,390	3,689	4,037	4,402	4,533	4,929
Grants and Contributions	27,041	15,762	18,399	18,046	16,301	22,186	22,674	21,321	21,390	21,786
Other	17,270	17,738	18,264	18,850	19,503	20,227	21,067	22,034	23,136	24,384
Payments :										
Employee Costs	(97,189)	(99,345)	(102,356)	(104,903)	(108,050)	(111,111)	(115,188)	(119,204)	(122,999)	(126,918)
Materials and Contracts	(36,978)	(38,148)	(39,356)	(40,603)	(41,892)	(43,222)	(44,596)	(46,015)	(47,481)	(48,995)
Interest	(549)	(517)	(441)	(367)	(287)	(194)	(107)	(64)	(63)	(65)
Other	(48,453)	(49,907)	(51,404)	(52,946)	(54,534)	(56,170)	(57,855)	(59,591)	(61,379)	(63,220)
Net cash provided by (or used in) operating activities	**46,393**	**36,136**	**39,075**	**39,882**	**38,949**	**45,865**	**46,377**	**45,276**	**45,751**	**46,912**
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts:										
Sale of Investments	686	4,066	-	-	-	-	-	-	-	-
Sale of Real Estate Assets	-	-	-	-	-	-	-	-	-	-
Sale of Property, Plant and Equipment	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Sales of Interests in Joint Venturers/Associates	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Payments:										
Purchase of Investments	-	-	(2,259)	(4,283)	(9,431)	(6,537)	(8,517)	(12,718)	(7,969)	(14,678)
Purchase of Real Estate Assets	-	-	-	-	-	-	-	-	-	-
Purchase of Property, Plant and Equipment	(44,074)	(39,259)	(35,909)	(34,472)	(28,321)	(38,040)	(36,804)	(32,604)	(37,942)	(32,333)
Purchase of Investment Property	-	-	-	-	-	-	-	-	-	-
Purchases of Interests in Joint Venturers/Associates	-	-	-	-	-	-	-	-	-	-
Net cash provided by (or used in) investing activities	**(42,388)**	**(34,193)**	**(37,168)**	**(37,755)**	**(36,752)**	**(43,577)**	**(44,321)**	**(44,322)**	**(44,911)**	**(46,011)**
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts:										
Borrowings and Advances	-	-	-	-	-	-	-	-	-	-
Lease Liabilities	400	900	900	900	900	900	900	900	900	900
Payments:										
Borrowings and Advances	(3,397)	(1,469)	(1,269)	(1,419)	(1,483)	(1,552)	(1,286)	(247)	-	-
Lease Liabilities	(379)	(878)	(877)	(877)	(876)	(875)	(875)	(874)	(873)	(872)
Net cash provided by (or used in) financing activities	**(3,376)**	**(1,447)**	**(1,246)**	**(1,396)**	**(1,459)**	**(1,527)**	**(1,261)**	**(221)**	**27**	**28**
Net increase/(decrease) in cash held	**629**	**496**	**661**	**731**	**738**	**761**	**795**	**733**	**867**	**929**
Cash assets at beginning of reporting period	22,885	23,514	24,010	24,671	25,402	26,140	26,901	27,696	28,429	29,296
Cash assets at end of reporting period	**23,514**	**24,010**	**24,671**	**25,402**	**26,140**	**26,901**	**27,696**	**28,429**	**29,296**	**30,225**

NOTE : Investments will be purchased and sold at different rates throught each of the periods depending on interest rates, terms, opportunities etc.
The figures shown above in relation to investments reflect the net result of the sale and purchase throughout the year.

5.5 Current Adopted 10 Year Discretionary Funds Program – Capital Infrastructure and Corporate Support Program

Please refer to Mayoral Minute 32/14-15 “Draft 2015/16 Budget, 10 Year Financial Plan & 4 Year Delivery Program” of 20 April 2015 for details of the discretionary funds program.

Special Council	Sutherland Shire COUNCIL

25/05/2015
Mayoral Minute No. 36/14-15 2015/16 Budget and 10 Year Financial Plan
File Number: 2015/785 & 2015/2574

REPORT IN FULL

MAYORAL MINUTE NO. 36/14-15

25 May 2015

The Councillors of Sutherland Shire

Dear Councillors

2015/16 Budget and 10 Year Financial Plan

1. Introduction

As required under the Local Government Act, the 2015/16 Annual Budget has been on exhibition for 28 days, closing 5:00 pm on the 19 May 2015. It has had extensive public consultation, internal discussion and significant review by staff and councillors.

2. Community Engagement Public Submissions

Council has extensively engaged with our community on this budget and our forecast capital works. While Council has historically received less than 20 submissions, this year approximately 2750 of our residents have engaged with us.

During the public exhibition period the draft budget has been on display in the main foyer of the Council Administration Centre and at all branch libraries. The document has been available on Council's website, linked to a survey attached to the 'Join the Conversation' community engagement initiative.

In addition a letter from the Mayor and hard copy survey was distributed to all households as part of the distribution of the 'Our Shire' newsletter together with a reply paid envelope.

The survey attracted approximately 2,750 responses as of 22 May 2015. A summary of responses received up unto that date is attached as an appendix to this report.

Feedback from the survey indicates:

- Overwhelming support for a balanced budget.
- Approximately 75% of resident want the IPART rate cap applied and not exceeded.
- Approximately 80% of residents want Council to aim to be debt free.
- Just over half of residents believe that Council should not borrow, although there was some support for this to occur should special circumstances such as disasters / emergencies require it.

In terms of priorities it was firmly identified by our community that we should focus on (in order of priority):

1. Roads
2. Footpaths
3. Community Services

Greater detail, together with a copy of the survey instrument is provided in the appendix to this report.

It should also be noted that significant support has been given by the Como Rugby League Club to improve and upgrade facilities at Scylla Bay Oval. While Council has budgeted for this in the forward works program, the parents & members have strongly indicated they wish the works to progress more quickly. I am suggesting we work towards expediting the timeframe which will be subject to an additional report.

Councillors should also note that draft plans have been prepared for the new facility. These plans will be finalised in consultation with the Club and stakeholders as soon as practical.

3. Budget

This budget builds on the direction set by Council since its election and continues the trend of a balanced budget and one that responds to the direction Council is setting through consultation with stakeholders and in line with our community's needs and expectations.

The over-riding direction of the Council this term is to address the infrastructure backlog, renew and maintain our community infrastructure and reduce the cost of Council's operations so that maximum funds are available for the services and projects our community needs.

The 2015/16 Budget has been based the following core principles as adopted by Council and endorsed by the submissions from our community:

a) a balanced budget
b) the special rate levy introduced by the previous Council will not return
c) maintenance of our budget within rate pegging
d) that the average residential rate does not exceed the consumer price index
e) that Council's debt reduction targets be retained
f) that the Budget place greater emphasis on asset renewals - $23.225 million in 2014/15 and $25.664 million in 2015/16
g) ongoing reform savings

I am pleased to report these have all been achieved with this budget.

Comparative Discretionary Funds from Recurrent Operations					
	Adopted 2011/12	Adopted 2012/13	Adopted 2013/14	Adopted 2014/15	Draft 2015/16
Discretionary Funds Available	11,770,000	16,295,000	19,730,000	21,027,000	20,346,000
Less Utilisation of Future Budgets Reserve	(2,100,000)	(2,923,259)	(5,092,118)	(3,626,981)	(3,150,066)
Less Utilisation of Additional Working Funds	(205,000)	(500,000)			

Recurrent Operations	**9,465,000**	**12,871,741**	**14,637,882**	**17,400,019**	**17,195,934**

This budget also provides for some expenditure from the funds Council anticipates it will receive through a Voluntary Planning Agreement between SITA and Council associated with plans to expand the Lucas Heights Waste Resources Recovery Station. Whilst the VPA has been agreed between SITA and Council, it is subject to the proposal being approved by the State Government.

These funds provide Council with an opportunity to fund some substantial infrastructure upgrades, and provide additional facilities for residents in the areas of the Shire most affected by this operation and the impact the expansion to the SITA site will have on their lifestyle.

Council has commenced developing a more definitive plan for the allocation of the SITA contributions. In the 15/16 budget a limited amount of $4.135m of the $10m has been allocated as follows:

SITA Funding	2015/16
Sutherland Entertainment Centre Upgrade	350,000
Illawong Men's Shed - Provision of Facility	140,000
Barden Ridge Park (150 Old Illawarra Road)	275,000
Burnum Burnum Sanctuary Boat Ramp Upgrade	220,000
Old Ferry Road Reserve - Upgrade Stage II	475,000
Kareela Sports Field - Ancillary Amenities Upgrades	1,000,000
Ridge Complex - BMX Facility	200,000
Waratah AFL/Cricket Field - Development to Regional AFL Facility	775,000
Sylvania Heights Shopping Centre Upgrade Masterplan	75,000
Sylvania Shopping Centre Upgrade Masterplan	625,000
	4,135,000

Council's policy commitment of earmarking 20% to within a defined area of the SITA facility is exceeded and retains close to $6m of the $10m expected to be received in 2015/16 for significant and targeted projects to be determined by Council in this financial year.

4. Infrastructure Program

This Budget is focused on addressing Council's infrastructure backlog and addressing the NSW State Government's key indicators of sustainability in the Fit for the Future program.

The Council will need to focus on addressing the backlog. It is envisaged that this is a short term but fiscally responsible direction, agreed to by this Council and being driven by the re-elected State Government. I fully support this direction. It is aligned with the principles this Council has developed over our previous budgets.

The total infrastructure program proposed for this year is $42.709 million, while the adopted program for 2014/15 was $47.326 million. The difference is primarily the result of fewer Section 94 projects and therefore less funds being allocated from Section 94 funds.

During the first two years of this term Council has allocated $22.9 million in Section 94 funds to create a number of significant new projects such as the Kareela Sports Centre, however these funds must be used prudently and with an eye on the long term requirements of future Shire generations. In this budget only $5.9 million is utilised from this source, 48.5%

reduction on the average for the past 2 years.

Hence, while there always will be some new works, this budget focuses squarely on maintaining and improving current assets, by utilising surplus operating funds to address the infrastructure back log, and providing the services our community expect.

Notwithstanding, a comprehensive program of important works is expected and includes:

- Leisure Centre Upgrades of $1.776m, funded from reserves ($220K) and general revenue ($1.556m).
  - Major Filtration Upgrade Sutherland Leisure Centre
  - Como Pool Deck Replacement/Shared pathway - $260,000

- Roads pavement and surfaces inclusive of kerb and guttering of $11.373m, comprising $2.923m of grant and contribution funding and $8.450m general revenue.
  - Captain Cook Drive between Woolooware Rd and Elouera Rd (Stage 3) - $1.3 million

- Other transport infrastructure works including traffic management of $1.180m, including $590K of grant and reserve funding and $590K general revenue.
  - Pedestrian Refuge and Mini Roundabout at Belgrave Esplanade and Murrumbidgee Avenue - $160,000

- A footpath construction program of $1.0m funded fully from general revenue, down from the record one-off funding of $3.5 million in 2014/15.

- Shopping centre upgrades of $840K funded from SITA monetary contributions $700K and General Revenue $140K.
  - Sylvania Shopping Centre - $625,000
  - Sylvania Heights Shopping Centre (commencement) - $75,000
  - Heathcote Shopping Centre - $40,000
  - Caringbah Shopping Centre - $100,000

- Passive Reserves/Parks upgrades and playground works $3.345m with $2.390m funded from Section 94 funds, $680K from general revenue and $275K funded from SITA monetary contributions.
  - Gunnamatta Park Large Shelter Refurbishment and Path Construction - $475,000
  - Barden Ridge Park Design and Construction - $275,000
  - Silver Beach Western End shared pathway - $750,000
  - Roger Summers Park Bundeena Playground Stage II - $390,000

- Stormwater quality and infrastructure improvement works of $2.065m
  - Horderns Beach Reconstruction of Seawall - $300,000

- Waterways capital works of $2.175m, with $385K funded from general revenue, $920K from grant funds, $175K from Section 94 funds and $695K from SITA monetary contributions.
  - Old Ferry Road – Car Park, picnic area, and kayak launch - $900,000
  - Burnum Burnum Reserve Boat Ramp - $440,000
  - Tom Uglys Wharf Upgrade - $350,000
  - Lugarno Avenue Wharf Upgrade - $300,000

- Sports Fields upgrades and capital works of $7.002m, including $1.710m in contributions for the Greenhills Beach playing fields, $700K in grant funding, $1.620m funded from Section 94, $1.975m from SITA monetary contributions, $391K from

reserves and $606K general revenue.
- LED Street and Car Park Lighting at The Ridge - $391,000
- Waratah Park Masterplan - $20,000
- Lincoln Oval – Development of Regional AFL Facility - $775,000
- Greenhills Parklands Hockey Field Construction Stage 1B - $3.25 million
- Greenhills Parklands Hockey Field Amenities Building - $470,000
- Kareela Sports Centre – Ancillary / Car Park upgrades - $1.0 million

- Greenhills Parklands – This Skate facility will be completed

- Cycleways of $1.300m of which $50K is funded from section 94, $1.1m from grant funding and $150K general revenue.
  - Menai Road, Shared Pathway - $80,000
  - Rawson Avenue, On Road Cycle Lane Design and Planning - $200,000
  - Woolooware Bay Stage 6 Boardwalk and Cycle way - $900,000

- Bridge restoration works at Sylvania Waters - $740K,

- Building construction works, including
  - Illawong Men's Shed ($200K, funded from $60K grant and $140K SITA monetary contributions)
  - Sylvania High School Amenities Building and Floodlighting ($679K, funded from $479K Section 94 funds and $200K grants).

In addition following input from Councillors additional projects have been added to the budget as follows

		General Revenue	**Other Funds**	**TOTAL**
Capital Program as presented 16 March 2015		$20,206,000	$20,582,000	$40,788,000
Additional Projects				
	New Projects			
	Caringbah Shopping Centre Upgrade	100,000		100,000
	Heathcote Shopping Centre Upgrade	40,000		40,000
	Projects Brought Forward			
	Sylvania Shopping Centre (SITA Funding)		500,000	500,000
	Burnum Burnum Sanctuary Boat Ramp Upgrade (SITA Funding)		170,000	170,000
	Old Ferry Road Reserve Upgrade Stage II (SITA/Grant Funding)		900,000	900,000
	Ridge LED Lighting Stage II – General Roads (Reserve Funding)		205,000	205,000
	Additional Funding Allocated			
	Roads Construction Program (Woronora Access Road Funds)		6,000	6,000
REVISED PROGRAM		**$20,346,000**	**$22,363,000**	**$42,709,000**

Funding for these projects, in accordance with the budget principles outlined in my Mayoral Minute 28/14-15 of 23 March 2015, is as follows:

Discretionary Funds as presented 16 March 2015		$20,206,000
Variations		
Restructuring Savings	$253,931	
Additional Charge – NSW Planning & Environment	(2,366)	
Reduced Grant Income – Bushcare	(48,845)	202,720
		$20,408,720
Reduction in Future Budgets Reserve Requirement		(62,720)
REVISED DISCRETIONARY FUNDS		**$20,346,000**

5. Domestic Violence

Domestic violence remains one of society's major problems. Sutherland Shire is not immune so I aim to seek Government and business support to establish a Fund to assist in addressing the issue in the Shire. $20,000 will be identified within an existing budget item to enable Council to establish the Fund, and we will aim to fund specific programs in partnership with qualified organisations to commence a regional response.

6. Fit for the Future

The recently re-elected State Government is expected to continue to place Local Government reform and the Fit for the Future program as a key requirement for councils to demonstrate to their communities that they are financially sustainable and fit for purpose into the mid 21st century.

Whilst a State Government report has deemed Sutherland Shire Council to have the scale and capacity to not require it to amalgamate with another Council(s) it still must demonstrate its financial sustainability into the future.

Council must submit an Improvement Plan to the Government by 30 June 2015 which must convince the Government that Council can achieve and continue to meet the required benchmarks.

Council must:

- list the key strategies to improve performance against the benchmarks
- identify key sustainability milestones and outcomes
- outline key strategies and explain the key assumptions that underpin those strategies and outcomes for infrastructure and service management and for efficiency

This plan is currently being developed by staff and a workshop will be held with Councillors on 9 June 2015. The Fit for the Future Working Party to review the plan prior to submission to Council and the State Government.

Council's financial sustainability is underpinned by:

- a sound revenue base (90% own source revenue)
- a $60M commercial property portfolio which injects almost $6M into General Revenue each year
- a possible $100M monetary contribution from SITA from 2016 to 2031
- ongoing operational improvements and savings

- potential to fund community projects and increased car parking through leverage of Council's car parks

However there are challenges Council will have to overcome if it is to maintain its service levels, address infrastructure backlog and bring forward projects which will improve lifestyle of our residents;

- the State Government seeking a 50% contribution from Council towards the cost of dredging navigation channels in Port Hacking
- a move by governments to redistribute grants to benefit rural and regional councils which will reduce Council's Financial Assistance Grants and potentially other grants
- organisation improvements have facilitated the funding of new and improved services and facilities, however as time goes by gains are diminishing
- reduced Section 94 funding due to changes to allowable contributions
- Council has many significant and other projects that need to be delivered

I see the "Fit for the Future" requirements as an opportunity for Council to focus on financial sustainability for the remainder of this term and set the strategies and direction for the future.

I would expect that Council's Improvement Plan will address opportunities for further efficiencies, particularly in the areas of:

- Rationalising and improving service delivery
- Reviewing and testing the performance of services against external benchmarks and
- Continuing to improve infrastructure management
- Identifying potential revenue opportunities

During 2015/16 the General Manager must aim to achieve a further $1M improvement in Council's Operating Performance ratio so that Council can further address its infrastructure backlog

Under the Fit for the Future criteria Council is required to demonstrate through its Improvement Plan how it will meet benchmarks under:

- Sustainability
- Effective Infrastructure and Service Management
- Efficiency

The 2015/16 Budget and forward estimates are framed with the intent to meet these benchmarks.

The following outcomes are the result of the draft budget and projections. Many of the ratios refer to a rolling three year average and as such, although achieved for 2015/16, do not indicate that they meet Fit for the Future requirements until a subsequent reporting year only the infrastructure backlog ratio does not meet the benchmark until the 2019/20 financial year which is why this budget focuses and prioritises on infrastructure management and renewed.

Sustainability												
Projected	**2014/15**		**2015/16**		**2016/17**		**2017/18**		**2018/19**		**2019/20**	
Operating Performance Ratio - Benchmark: Greater than Break-even over 3 years												
Individual Year	-1.06%	X	0.81%	✓	0.75%	✓	0.36%	✓	0.19%	✓	0.46%	✓
Rolling Average	-2.34%	X	-1.18%	X	0.17%	✓	0.64%	✓	0.43%	✓	0.34%	✓
Own Source Revenue Ratio - Benchmark: Greater than 60% over 3 years												
Individual Year	89.80%	✓	86.32%	✓	91.01%	✓	90.05%	✓	90.54%	✓	91.36%	✓
Rolling Average	83.50%	✓	83.60%	✓	89.04%	✓	89.13%	✓	90.53%	✓	90.65%	✓

Effective Infrastructure and Service Management												
Projected	2014/15		2015/16		2016/17		2017/18		2018/19		2019/20	
Building and Infrastructure Asset Renewal Ratio - Benchmark: Greater than 100% over 3 years												
Individual Year	167.84%	✓	133.16%	✓	115.47%	✓	105.09%	✓	86.52%	X	83.48%	X
Rolling Average	151.38%	✓	147.63%	✓	138.82%	✓	117.91%	✓	102.36%	✓	91.70%	X
Infrastructure Backlog Ratio - Benchmark: Less than 2%												
Individual Year	3.00%	X	3.00%	X	3.00%	X	3.00%	X	2.50%	X	2.00%	✓
Asset Maintenance Ratio - Benchmark: Greater than 100% over 3 years												
Individual Year	100.00%	✓	100.00%	✓	100.00%	✓	100.00%	✓	100.00%	✓	100.00%	✓
Rolling Average	99.79%	X	101.16%	✓	100.00%	✓	100.00%	✓	100.00%	✓	100.00%	✓
Debt Service Ratio - Benchmark: Less than 20%												
Individual Year	2.03%	✓	1.31%	✓	1.16%	✓	1.16%	✓	1.12%	✓	1.08%	✓
Rolling Average	2.13%	✓	1.77%	✓	1.50%	✓	1.21%	✓	1.15%	✓	1.12%	✓

Efficiency												
Projected	2014/15		2015/16		2016/17		2017/18		2018/19		2019/20	
Real Operating Expenditure per Capita - Benchmark: Decreasing over time												
Individual Year	$ 763.84	✓	$ 756.94	✓	$ 749.72	✓	$ 743.20	✓	$ 734.10	✓	$ 727.97	✓

7. 2015/16 Budget Position (including March Review of 2014/15 Budget)

	2014/15 MARCH REVIEW	2015/16 BUDGET
Gross Expenditure	(212,220,903)	(217,779,722)
Gross Income	231,494,720	238,125,722
Discretionary Funds Available	19,273,817	20,346,000
Proposed General Revenue Infrastructure/Capital Program	(20,838,408)	(20,346,000)
Annual Operating Result	**(1,564,591)**	**NIL**
Working Funds at Start of Period	2,498,903	1,000,000
Accumulated Working Funds at End of Period	934,312	1,000,000

Following the March Review, the desired minimum level of working funds of $1,000,000 reduced below this level by $65,688 to $934,312. It is expected that this shortfall level will be recovered and the level restored as part of the May 2015 Review.

8. External Debt

Council's debt servicing costs for 2015/16 are estimated at $2.015m. This includes principal and interest on external loans, after adjusting the interest subsidy relating to the Local Infrastructure Renewal Scheme (LIRS) loan. Over this financial year Council will lower its external debt by $3.4M or 30%.

Council's loan portfolio is divided into three categories:

* General Purpose Loans – treated as part of operating income and do not relate to any specific project.
* Specific Purpose Loans – for the undertaking of a specific project and where a specific source of funding the repayments, in full or in part, has been identified. Specific

purpose loans in recent years have been for the Cronulla and Engadine community facilities and for the completion of the Ridge Complex.

* Special Purpose Loans – for the undertaking of a specific project under special funding arrangements, such as the Local Infrastructure Renewal Scheme (LIRS). In this category is the loan for Cronulla Park – Esplanade Seawall whereby an interest subsidy of 4% is provided.

Council has in place fixed - period borrowings previously undertaken to fund the completion of The Ridge Complex. It is necessary to extend the borrowing period to reduce outflows/improve financial performance. The means by which nil penalty interest is incurred, repayment period extended and positive budgetary impacts achieved for the Ridge is through transposing internal for external borrowings. These movements have been provided for in the draft budget with positive impacts to The Ridge Complex operating results.

Net debt servicing costs are as follows:

	2014/15	**2015/16**
General Purpose Loans	$1,267,216	**$1,181,230**
Specific Purpose Loans	561,593	**600,569**
Special Purpose Loans	225,407	**232,903**
	$2,054,216	**$2,014,682**

Principal outstanding is as follows:

	2014/15	**2015/16**
General Purpose Loans	$6,191,556	**$5,281,102**
Specific Purpose Loans	4,096,833	**1,811,872**
Special Purpose Loans	1,832,913	**1,631,749**
	$12,121,302	**$8,724,723**

9. Rating

The rating proposal is based on the increase of 2.4% set by IPART for 2015/16. The permissible yield (excluding the special rate for Cronulla Beach CBD) based on the 2.4% rate cap is calculated as follows:

Permissible Yield for 2015/16	
Gross Rate Income 2014/15	$ 109,164,365
Add: 2.4% Increase for rate pegging limit	2,619,945
Notional Rate Income 2015/16	$111,784,310
Add: Net Variation, including Valuation Adjustments	74,340
TOTAL PERMISSIBLE YIELD FOR 2015/16	$ 111,858,650

Although the Government has set a rate pegging limit of 2.4% average residential rates will only rise by 1.50% as a result of the financial discipline we have introduced and a fairer spreading of the rate burden. It should be noted that, although the average residential rate will rise by only 1.50%, when rates are first issued with new valuations, as will be the case in 2015/16, there is always a re-distribution of the rate burden amongst individual ratepayers, depending upon the relative variations in individual allotment land values. Some properties may still experience a rate increase and some may even receive a decrease, depending on the actual property value when compared to the average increase in valuations across the Shire.

We can be proud that for our residents the average residential rate from 2011/12 to 2015/16 will only have increased on average 1.2% per year.

10. Public Submissions – Rating

The new rating sub-categories have been outlined in the public exhibition and 4 individual letters were forwarded to ratepayers proposed to be re-categorised.

One submission has been received in relation to rating, but not in relation to the sub-categorisation. This submission was in relation to the inequities that can be caused as a result of property revaluations which have been subject to a change in zoning.

11. Fees and Charges

Fees and charges were reviewed and set at the appropriate level in accordance with Council's Pricing Policy, that being where possible, reflective of the actual cost to Council.

The 2015/16 budget parameters required that fees and charges levels be increased by a minimum of 2.7%. In the main this was adhered to and applied, however in some areas this was not possible and the estimate was reduced accordingly, to meet market impacts.

12. Public Submissions – Fees and charges

One submission has been received in relation to Child Care fees. The submission supports the Councils new fee structure.

"I am parent to 2 children who attend Soldiers Road Centre. I have today received notice of the proposed fees and charges schedule (attached).

No-one ever wants to pay more money for something, and I imagine that most, if not all responses to this will be negative.

However, I wanted to say that <u>I fully support this increase of costs</u>. My children have been at another private centre in the area that charged far more than Council, and we received substandard care at that centre compared to the excellent care provided by the teachers and staff at Soldiers Road. I hope this increase assists Council and the Centre to continue to provide such an excellent facility."

13. Domestic Waste Charges

Under the provisions of the Local Government Act, the expenses of providing the Domestic Waste Service (which include the recycling and annual pre-booked clean up programs) must be met from Domestic Waste income – in other words, there must be no subsidy from general revenue.

It is estimated that the cost of the service will increase by $6.097 million over last year from $32.011 million to $38.108 million. This is a 19.05% increase. The amount to be recovered from the Domestic Waste Charge, after discounting other income sources, is $37.830 million, an increase of 21.50%. These estimates do not include any transfer to the Domestic Waste Reserve to meet future requirements.

The significant increase in the overall expenditure can be attributed to disposal costs which are expected to increase by $6.471m (46.89%). This is the result of the anticipated imposition of Section 88 levies by the State Government on the disposal of both greenwaste and recycling. These charges will be borne by all local government authorities and similar proportional increases will by seen across all metropolitan councils.

14. Public Submissions – Domestic Waste Charges

There have been no submissions on the Domestic Waste Charge.

15. Stormwater Management Service Charge

Since the introduction of the stormwater management service charge in 2006/07, Council has been able to deliver $17m of essential stormwater projects from the funding.

Under Section 496(a) of the Local Government Act 1993, Council can make and levy an annual charge for the provision of stormwater management services for each parcel of rateable land for which the service is available.

The maximum charge that may be levied is $25 per household dwelling and half this, $12.50 for residential strata units. In addition eligible pensioners will only pay 50% of the rate for household or strata unit depending whichever is applicable.

For 2015/16 the same charges are proposed to apply as in 2014/15, with the levy generating just over $2 m for essential projects"

16. Public Submissions – Stormwater Management Service Charge

There have been no submissions on the Stormwater Management Service Charge.

17. Cronulla CBD Special Rate

"The Directors of Cronulla Promotions Limited have recommended a budget for 2015/16 which provides an increase in income from the Cronulla Beach CBD Special Rate by 2.4%".

18. Public Submissions – Cronulla CBD Special Rate

There have been no submissions on the Cronulla CBD Special Rate.

19. Scylla Bay Oval – Clubhouse

170 submissions have been received to date from parents of children who play for the Como Jannali Junior Rugby League Football Club in relation to the Scylla Bay Oval Clubhouse. The submissions are an identical form letter and request Council give consideration in the 2015/16 budget to allocate funds towards the reconstruction of the clubhouse for a range of reasons including, flooding, sewage overflow during heavy storms and the lack of adequate changing facilities. A copy of a Submission is attached in the appendix.

I am proposing that Council Officers urgently provide Council with a comprehensive building condition report and a proposed program for immediately addressing plumbing and drainage issues and working collaboratively with the club to address their longer term clubhouse requirements.

I have also asked for a further report to Council on appropriate funding models that may assist in expediting the construction of new facilities at Scylla Bay Oval to address current constraints in consultation with the clubs that currently utilise these grounds.

20. Delivery Program

The Delivery Program 2013/14-2016/17 (incorporating the 2015/16 Operational Plan) is Council's primary corporate plan, and responds to the community vision and primary strategies of the Community Strategic Plan “Our Shire Our Future; Our Guide for Shaping the Shire to 2030”.

The finalisation of the Delivery Program / Operational Plan requires that Council develop a clear reporting framework with KPIs across the breadth of Council's operations. This framework briefly captures the activities to be undertaken in 2015 / 16 and the performance measures against which progress will be measured. The framework is presented to council in a separate report tonight.

It is a requirement of the Integrated Planning and Reporting legislation that the framework be placed on public exhibition for a period of 28 days.

I am proud of this Council, our staff and our community. I hope this budget reflects their expectations and delivers on the promises we all make when entering public service. It is my intention that this budget will leave the Shire in a better state than we started. I hope it is seen as responsible and fair.

MOTION:

1. That the Draft Operational Plan for 2015/16 be adopted and exhibited.

2. That the Draft Budget for 2015/16 as exhibited be adopted.

3. That the Draft Schedule of Fees and Charges for 2015/2016 be adopted.

4. That the Cronulla Beach CBD Budget and Special Rate for 2015/16 be adopted.

5. That the following rates be made for the rating year 1 JULY 2015 to 30 JUNE 2016, under the provisions of the Local Government Act 1993 as an ordinary rate under Section 494, using land valuations having a base date of 1 JULY 2014:

   (a) All rateable land categorised in accordance with Section 516 of the Act as “Residential” be known by the short name of “Residential Rate” will be subject to a rate of point two two zero seven three five (0.220735) cents-in-the-dollar subject to a minimum rate of five hundred and sixty nine dollars and eighty cents ($569.80), in respect to each separate parcel of land.

   (b) All rateable land categorised and sub-categorised in accordance with Section 518 and 529 of the Act as “Business” be known by the short name of “General Business Rate”, with the exception of rateable land that falls into another specific business subcategory stated elsewhere, will be subject to a rate of point four seven three five five one (0.473551) cents-in-the-dollar subject to a minimum rate of five hundred and sixty nine dollars and eighty cents ($569.80), in respect to each separate parcel of land.

   (c) All rateable land categorised and sub-categorised in accordance with Section 518 and 529 of the Act as “Business – Kurnell Industrial, special uses and private open space” be known by the short name of “Business – Kurnell Industrial Rate”, for rateable land that is identified and declared as land within the area outlined on the Kurnell Industrial rate map attached, will be subject to a rate of one point five zero five eight nine one (1.505891) cents-in-the-dollar, subject to a minimum rate of five hundred and sixty nine dollars and eighty cents ($569.80), in respect to each separate parcel of land.

   (d) All rateable land categorised in accordance with Section 515 of the Act as “Farmland” be known by the short name of “Farmland Rate” will be subject to a rate of point two two zero seven three five (0.220735) cents-in-the-dollar subject to a minimum rate of five hundred and sixty nine dollars and eighty cents ($569.80), in respect to each separate parcel of land.

(e) All rateable land categorised and sub-categorised in accordance with Section 518 and 529 of the Act as “Business – Caringbah Commercial Centre” be known by the short name of “Caringbah Commercial Centre Rate” and be defined as rateable land located at Caringbah and zoned as Zone 8 - Urban Centre under the Sutherland Shire Local Environmental Plan (SSLEP) 2006 or equivalent zone under a subsequent Local Environmental Plan. The rateable land is identified and declared within the area outlined on the Caringbah Commercial Centre rate map attached and will be subject to a rate of point four seven three five five one (0.473551) cents-in-the-dollar, subject to a minimum rate of five hundred and sixty nine dollars and eighty cents ($569.80), in respect to each separate parcel of land.

(f) All rateable land categorised and sub-categorised in accordance with Section 518 and 529 of the Act as “Business – Cronulla Commercial Centre” be known by the short name of “Cronulla Commercial Centre Rate” and be defined as rateable land located at Cronulla and zoned as Zone 8 - Urban Centre under the Sutherland Shire Local Environmental Plan (SSLEP) 2006 or equivalent zone under a subsequent Local Environmental Plan. The rateable land is identified and declared within the area outlined on the Cronulla Commercial Centre rate map attached and will be subject to a rate of point four seven three five five one (0.473551) cents-in-the-dollar, subject to a minimum rate of five hundred and sixty nine dollars and eighty cents ($569.80), in respect to each separate parcel of land.

(g) All rateable land categorised and sub-categorised in accordance with Section 518 and 529 of the Act as “Business – Engadine Commercial Centre ” be known by the short name of “Engadine Commercial Centre Rate ” and be defined as rateable land located at Engadine and zoned as Zone 8 - Urban Centre under the Sutherland Shire Local Environmental Plan (SSLEP) 2006 or equivalent zone under a subsequent Local Environmental Plan. The rateable land is identified and declared within the area outlined on the Engadine Commercial Centre rate map attached and will be subject to a rate of point four nine seven two two eight (0.497228) cents-in-the-dollar, subject minimum rate of five hundred and sixty nine dollars and eighty cents ($569.80), in respect to each separate parcel of land.

(h) All rateable land categorised and sub-categorised in accordance with Section 518 and 529 of the Act as “Business – Menai Commercial Centre ” be known by the short name of “Menai Commercial Centre Rate ” and be defined as rateable land located at Menai and zoned as Zone 8 - Urban Centre under the Sutherland Shire Local Environmental Plan (SSLEP) 2006 or equivalent zone under a subsequent Local Environmental Plan. The rateable land is identified and declared within the area outlined on the Menai Commercial Centre rate map attached and will be subject to a rate of point five four four five eight three (0.544583) cents-in- the-dollar, subject to a minimum rate of five hundred and sixty nine dollars and eighty cents ($569.80), in respect to each separate parcel of land.

(i) All rateable land categorised and sub-categorised in accordance with Section 518 and 529 of the Act as “Business – Sutherland Commercial Centre ” be known by the short name of “Sutherland Commercial Centre Rate” and be defined as rateable land located at Sutherland and zoned as Zone 8 - Urban

Centre under the Sutherland Shire Local Environmental Plan (SSLEP) 2006 or equivalent zone under a subsequent Local Environmental Plan. The rateable land is identified and declared within the area outlined on the Sutherland Commercial Centre rate map attached and will be subject to a subject to a rate of point four seven three five five one (0.473551) cents-in-the-dollar, subject to a minimum rate of five hundred and sixty nine dollars and eighty cents ($569.80), in respect to each separate parcel of land.

(j) All rateable land categorised and sub-categorised in accordance with Section 518 and 529 of the Act as “Business – Sylvania Southgate Commercial Centre” be known by the short name of “Sylvania Southgate Commercial Centre Rate” and be defined as rateable land located at Sylvania and zoned as Zone 8 - Urban Centre under the Sutherland Shire Local Environmental Plan (SSLEP) 2006 or equivalent zone under a subsequent Local Environmental Plan. The rateable land is identified and declared within the area outlined on the Sylvania Southgate Commercial Centre rate map attached and will be subject to a rate of point five six eight two six one (0.568261) cents-in-the-dollar, subject to a minimum rate of five hundred and sixty nine dollars and eighty cents ($569.80), in respect to each separate parcel of land.

(k) All rateable land categorised and sub-categorised in accordance with Section 518 and 529 of the Act as “Business – Miranda Commercial Centre” be known by the short name of “Miranda Commercial Centre Rate” and be defined as rateable land located at Miranda and zoned as Zone 8 - Urban Centre under the Sutherland Shire Local Environmental Plan (SSLEP) 2006 or equivalent zone under a subsequent Local Environmental Plan. Where such rateable land is part of a complex of uses conducted as part of a single and related complex, that complex comprises no more than 149 individual uses. This sub-category does not include rateable land that is capable of being categorised as a complex referred to in the Miranda Core Major Shopping Complex subcategory. The rateable land is identified and declared within the area outlined on the Miranda Commercial Centre rate map attached for public exhibition and will be subject to a rate of point four seven three five five one (0.473551) cents-in-the-dollar, subject to a minimum rate of five hundred and sixty nine dollars and eighty cents ($569.80), in respect to each separate parcel of land.

(l) All rateable land categorised and sub-categorised in accordance with Section 518 and 529 of the Act as “Business – Miranda Core Major Shopping Complex” be known by the short name of “Miranda Core Major Shopping Complex Rate” and be defined as rateable land located at Miranda and zoned as Zone 8 - Urban Centre under the Sutherland Shire Local Environmental Plan (SSLEP) 2006 or equivalent zone under a subsequent Local Environmental Plan. Where such rateable land is part of a complex of uses (or uses associated with such complex of uses including but not limited to car parking, vehicular and pedestrian access and the like) conducted as part of a single and related shopping complex that comprises no less than 150 individual uses. This subcategory does not include rateable land capable of being categorised in the Miranda Commercial Centre sub-category. The rateable land is identified and declared within the area outlined on the Miranda Core Major Shopping Complex rate map attached and will be subject to a rate of point eight three seven eight zero two (0.837802) cents-in-the-dollar, subject to a minimum rate of five hundred and sixty nine dollars and eighty cents ($569.80), in respect to each separate parcel of land.

(m) All rateable land categorised and sub-categorised in accordance with Section 518 and 529 of the Act as “Business – Kurnell Sand Mining ” be known by the short name of “Kurnell Sand Mining Rate”, for rateable land located at Kurnell used for the purposes of sand mining. The rateable land is identified and declared within the area outlined on the Kurnell Sand Mining rate map attached and will be subject to a rate of two point two eight three six zero seven (2.283607) cents-in-the-dollar, subject to a minimum rate of five hundred and sixty nine dollars and eighty cents ($569.80), in respect to each separate parcel of land.

(n) All rateable land categorised and sub-categorised in accordance with Section 518 and 529 of the Act as “Business – Sandy Point and Menai Quarrying and Filling” be known by the short name of “Menai Quarrying & Filling Rate”, for rateable land located at Sandy Point and Menai used for the purposes of quarrying and filling. The rateable land is identified and declared within the area outlined on the Sandy Point and Menai Quarrying and Filling rate map attached and will be subject to a rate of point seven one eight one one six (0.718116) cents-in-the-dollar, subject to a minimum rate of five hundred and sixty nine dollars and eighty cents ($569.80), in respect to each separate parcel of land.

(o) All rateable land categorised and sub-categorised in accordance with Section 518 and 529 of the Act as “Business – Kurnell Finished Fuel Terminal Facility ” be known by the short name of “Kurnell Fuel Terminal Rate”, for rateable land located at Kurnell used for the purposes of a liquid fuel depot. The rateable land is identified and declared within the area outlined on the Kurnell Fuel Terminal Facility rate map attached and will be subject to a rate of two point one three three one five five (2.133155) cents-in-the-dollar, subject to a minimum rate of five hundred and sixty nine dollars and eighty cents ($569.80), in respect to each separate parcel of land.

(p) A special rate under Section 495(1) of the Act to be known by the short name of “ Cronulla Beach CBD Special Rate” of point two five two nine six zero (0.252960) cents-in-the-dollar, applicable to all rateable land categorised as “General Business” or “Cronulla Commercial Centre and “Residential” defined as serviced apartments within the shaded rateable area of the Cronulla Beach CBD Special rate map.

6. That the following charges be made for the year 1 JULY 2015 to 30 JUNE 2016:

(a) Domestic Waste Management Charges as per Section 496 of the Act as follows:

A “Domestic Waste Regular Service Charge” of ……...$456.30 p.a.

A “Domestic Waste Shared Service Charge” of ………$456.30 p.a.

A ”Domestic Waste Vacant Land
Service Availability Charge of ………………………………$97.20 p.a.

A ”Domestic Waste Improved Land
Service Availability Charge of …………………………..$200.20 p.a.

Each additional regular garbage service provided
(no green/recycling)…………………………………………$394.50 p.a.

Definitions of services being as per Council’s Schedule of Fees and Charges.

(b) Business waste charges under Section 502 of the Act, payable quarterly in advance:

A once per week collection of one 120 litre bin $75.00 per quarter, incl.GST

A once per week collection of one 240 litre bin $125.00 per quarter, incl.GST

A once per week collection of one 660 litre bin $325.00 per quarter, incl.GST

A once per week collection of one 1100 litre bin $525.00 per quarter, incl.GST

A once per fortnight collection of garden waste from business premises, of one 240 litre bin $46.00 per quarter, incl. GST

A once per fortnight collection of co-mingled recyclable materials, of one 240 litre bin $46.00 per quarter, incl. GST.

A once per week collection of paper/cardboard only, of one 240 litre bin $46.00 per quarter, incl. GST.

A cardboard bale weekly service $46.00 per quarter, incl. GST

Fee for replacement 120 litre commercial waste bin which has been lost, stolen or damaged (other than by council during normal collection services) …… $77.00

Fee for replacement 240 litre commercial waste bin which has been lost, stolen or damaged (other than by council during normal collection services) …… $77.00

Business waste charges under Section 502 of the Act, payable when incurred.

7. That pensioners who are eligible for a mandatory rebate under Section 575 of the Act and who have been ratepayers and have resided in the Shire for the immediate past three years be also eligible for a voluntary rebate up to a maximum of $105.00 p.a.. The amount of rebate is to be determined after deduction of the mandatory rebate and relevant domestic waste charge.

8. The interest charges to apply as per Section 566 of the Act on rates and charges overdue in 2015/16, be as follows:

   (a) Deferred amounts owing by eligible pensioners, equivalent to the voluntary rebate …………NIL interest

   (b) Deferred amounts owing by eligible pensioners, other than in (a) ………………………………..7.0% p.a.

   (c) All other rates and charges overdue ……...7.0% p.a.

9. That the following Stormwater Management charges apply for 2015/16:

   (a) Residential

      i. House ……………………………………………………$25.00
      ii. 50% pensioner discount charge …………………………$12.50
      iii. Strata Unit ………………………………………………$12.50
      iv. Strata Unit pensioner discount charge …………………..$6.25

(b) Recreational Facilities charge ……………………………………..$25.00

(c) Commercial Property

i. Other than properties in a strata scheme:
- Where total land area is equal to or less than 350m2 - $25.00 minimum charge applies,
- Where total land area is >350m2 - $0.071432 per m2

ii. Properties in a strata scheme, the greater of:
- $5, or
- The relevant proportion (being the proportion that the unit entitlement of an individual lot to that of the aggregate entitlement) of the maximum annual charge that would apply if the property were not in a strata scheme.

(d) Industrial Property

i. Other than properties in a strata scheme:
- Where total land area is equal to or less than 350m2 - $25.00 minimum charge applies
- Where total land area is >350m2 - $0.071432 per m2 capped at $20,000

ii. Properties in a strata scheme, the greater of:
- $5, or
- The relevant proportion (being the proportion that the unit entitlement of an individual lot to that of the aggregate entitlement) of the maximum annual charge that would apply if the property were not in a strata scheme.

10. That Council staff urgently prepare a building condition assessment and investigate drainage and sewerage issue associated with the Scylla Bay Oval Clubhouse and report back to Council with a proposed program for working with the club to address their concerns.

11. That a further report to Council on appropriate funding models that may assist in expediting the construction of new facilities at Scylla Bay Oval to address current constraints in consultation with the clubs that currently utilise these grounds.

12. That external/internal loan borrowings and attendant positive budgetary movements as foreshadowed in the exhibited White Pages be adopted and implemented

13. That responses be provided to all persons and groups who have made submissions.

Councillor Kent Johns
Mayor

REPORT RECOMMENDATION

1. That the Draft Operational Plan for 2015/16 be adopted and exhibited.

2. That the Draft Budget for 2015/16 as exhibited be adopted.

3. That the Draft Schedule of Fees and Charges for 2015/2016 be adopted.

4. That the Cronulla Beach CBD Budget and Special Rate for 2015/16 be adopted.

5. That the following rates be made for the rating year 1 JULY 2015 to 30 JUNE 2016, under the provisions of the Local Government Act 1993 as an ordinary rate under Section 494, using land valuations having a base date of 1 JULY 2014:

   (a) All rateable land categorised in accordance with Section 516 of the Act as “Residential” be known by the short name of “Residential Rate” will be subject to a rate of point two two zero seven three five (0.220735) cents-in-the-dollar subject to a minimum rate of five hundred and sixty nine dollars and eighty cents ($569.80), in respect to each separate parcel of land.

   (b) All rateable land categorised and sub-categorised in accordance with Section 518 and 529 of the Act as “Business” be known by the short name of “General Business Rate”, with the exception of rateable land that falls into another specific business subcategory stated elsewhere, will be subject to a rate of point four seven three five five one (0.473551) cents-in-the-dollar subject to a minimum rate of five hundred and sixty nine dollars and eighty cents ($569.80), in respect to each separate parcel of land.

   (c) All rateable land categorised and sub-categorised in accordance with Section 518 and 529 of the Act as “Business – Kurnell Industrial, special uses and private open space” be known by the short name of “Business – Kurnell Industrial Rate”, for rateable land that is identified and declared as land within the area outlined on the Kurnell Industrial rate map attached for public exhibition, will be subject to a rate of one point five zero five eight nine one (1.505891) cents-in-the-dollar, subject to a minimum rate of five hundred and sixty nine dollars and eighty cents ($569.80), in respect to each separate parcel of land.

   (d) All rateable land categorised in accordance with Section 515 of the Act as “Farmland” be known by the short name of “Farmland Rate” will be subject to a rate of point two two zero seven three five (0.220735) cents-in-the-dollar subject to a minimum rate of five hundred and sixty nine dollars and eighty cents ($569.80), in respect to each separate parcel of land.

   (e) All rateable land categorised and sub-categorised in accordance with Section 518 and 529 of the Act as “Business – Caringbah Commercial Centre” be known by the short name of “Caringbah Commercial Centre Rate” and be defined as rateable land located at Caringbah and zoned as Zone 8 - Urban Centre under the Sutherland Shire Local Environmental Plan (SSLEP) 2006 or equivalent zone under a subsequent Local Environmental Plan. The rateable land is identified and declared within the area outlined on the Caringbah Commercial Centre rate map attached and will be subject to a rate of point four seven three five five one (0.473551) cents-in-the-dollar, subject to a minimum rate of five hundred and sixty nine dollars and eighty cents ($569.80), in respect to each separate parcel of land.

   (f) All rateable land categorised and sub-categorised in accordance with Section 518 and 529 of the Act as “Business – Cronulla Commercial Centre” be known by the short name of “Cronulla Commercial Centre Rate” and be defined as rateable land located at Cronulla and zoned as Zone 8 - Urban Centre under the Sutherland Shire Local Environmental Plan (SSLEP) 2006 or equivalent zone under a subsequent Local Environmental Plan. The rateable land is identified and declared within the area outlined on the Cronulla Commercial Centre rate map attached and will be subject to a rate of point four seven three five five one (0.473551) cents-in-the-dollar, subject to a minimum rate of five hundred and sixty nine dollars and eighty cents ($569.80), in respect to each separate parcel of land.

(g) All rateable land categorised and sub-categorised in accordance with Section 518 and 529 of the Act as “Business – Engadine Commercial Centre ” be known by the short name of “Engadine Commercial Centre Rate ” and be defined as rateable land located at Engadine and zoned as Zone 8 - Urban Centre under the Sutherland Shire Local Environmental Plan (SSLEP) 2006 or equivalent zone under a subsequent Local Environmental Plan. The rateable land is identified and declared within the area outlined on the Engadine Commercial Centre rate map attached and will be subject to a rate of point four nine seven two two eight (0.497228) cents-in-the-dollar, subject minimum rate of five hundred and sixty nine dollars and eighty cents ($569.80), in respect to each separate parcel of land.

(h) All rateable land categorised and sub-categorised in accordance with Section 518 and 529 of the Act as “Business – Menai Commercial Centre ” be known by the short name of “Menai Commercial Centre Rate ” and be defined as rateable land located at Menai and zoned as Zone 8 - Urban Centre under the Sutherland Shire Local Environmental Plan (SSLEP) 2006 or equivalent zone under a subsequent Local Environmental Plan. The rateable land is identified and declared within the area outlined on the Menai Commercial Centre rate map attached and will be subject to a rate of point five four four five eight three (0.544583) cents-in- the-dollar, subject to a minimum rate of five hundred and sixty nine dollars and eighty cents ($569.80), in respect to each separate parcel of land.

(i) All rateable land categorised and sub-categorised in accordance with Section 518 and 529 of the Act as “Business – Sutherland Commercial Centre ” be known by the short name of “Sutherland Commercial Centre Rate” and be defined as rateable land located at Sutherland and zoned as Zone 8 - Urban Centre under the Sutherland Shire Local Environmental Plan (SSLEP) 2006 or equivalent zone under a subsequent Local Environmental Plan. The rateable land is identified and declared within the area outlined on the Sutherland Commercial Centre rate map attached and will be subject to a subject to a rate of point four seven three five five one (0.473551) cents-in-the-dollar, subject to a minimum rate of five hundred and sixty nine dollars and eighty cents ($569.80), in respect to each separate parcel of land.

(j) All rateable land categorised and sub-categorised in accordance with Section 518 and 529 of the Act as “Business – Sylvania Southgate Commercial Centre” be known by the short name of “Sylvania Southgate Commercial Centre Rate” and be defined as rateable land located at Sylvania and zoned as Zone 8 - Urban Centre under the Sutherland Shire Local Environmental Plan (SSLEP) 2006 or equivalent zone under a subsequent Local Environmental Plan. The rateable land is identified and declared within the area outlined on the Sylvania Southgate Commercial Centre rate map attached and will be subject to a rate of point five six eight two six one (0.568261) cents-in-the-dollar, subject to a minimum rate of five hundred and sixty nine dollars and eighty cents ($569.80), in respect to each separate parcel of land.

(k) All rateable land categorised and sub-categorised in accordance with Section

518 and 529 of the Act as “Business – Miranda Commercial Centre” be known by the short name of “Miranda Commercial Centre Rate” and be defined as rateable land located at Miranda and zoned as Zone 8 - Urban Centre under the Sutherland Shire Local Environmental Plan (SSLEP) 2006 or equivalent zone under a subsequent Local Environmental Plan. Where such rateable land is part of a complex of uses conducted as part of a single and related complex, that complex comprises no more than 149 individual uses. This sub-category does not include rateable land that is capable of being categorised as a complex referred to in the Miranda Core Major Shopping Complex subcategory. The rateable land is identified and declared within the area outlined on the Miranda Commercial Centre rate map attached for public exhibition and will be subject to a rate of point four seven three five five one (0.473551) cents-in-the-dollar, subject to a minimum rate of five hundred and sixty nine dollars and eighty cents ($569.80), in respect to each separate parcel of land.

(l) All rateable land categorised and sub-categorised in accordance with Section 518 and 529 of the Act as “Business – Miranda Core Major Shopping Complex” be known by the short name of “Miranda Core Major Shopping Complex Rate” and be defined as rateable land located at Miranda and zoned as Zone 8 - Urban Centre under the Sutherland Shire Local Environmental Plan (SSLEP) 2006 or equivalent zone under a subsequent Local Environmental Plan. Where such rateable land is part of a complex of uses (or uses associated with such complex of uses including but not limited to car parking, vehicular and pedestrian access and the like) conducted as part of a single and related shopping complex that comprises no less than 150 individual uses. This subcategory does not include rateable land capable of being categorised in the Miranda Commercial Centre sub-category. The rateable land is identified and declared within the area outlined on the Miranda Core Major Shopping Complex rate map attached and will be subject to a rate of point eight three seven eight zero two (0.837802) cents-in-the-dollar, subject to a minimum rate of five hundred and sixty nine dollars and eighty cents ($569.80), in respect to each separate parcel of land.

(m) All rateable land categorised and sub-categorised in accordance with Section 518 and 529 of the Act as “Business – Kurnell Sand Mining ” be known by the short name of “Kurnell Sand Mining Rate”, for rateable land located at Kurnell used for the purposes of sand mining. The rateable land is identified and declared within the area outlined on the Kurnell Sand Mining rate map attached and will be subject to a rate of two point two eight three six zero seven (2.283607) cents-in-the-dollar, subject to a minimum rate of five hundred and sixty nine dollars and eighty cents ($569.80), in respect to each separate parcel of land.

(n) All rateable land categorised and sub-categorised in accordance with Section 518 and 529 of the Act as “Business – Sandy Point and Menai Quarrying and Filling” be known by the short name of “Menai Quarrying & Filling Rate”, for rateable land located at Sandy Point and Menai used for the purposes of quarrying and filling. The rateable land is identified and declared within the area outlined on the Sandy Point and Menai Quarrying and Filling rate map attached and will be subject to a rate of point seven one eight one one six (0.718116) cents-in-the-dollar, subject to a minimum rate of five hundred and sixty nine dollars and eighty cents ($569.80), in respect to each separate parcel of land.

(o) All rateable land categorised and sub-categorised in accordance with Section 518 and 529 of the Act as “Business – Kurnell Finished Fuel Terminal Facility ” be known by the short name of “Kurnell Fuel Terminal Rate”, for rateable land located at Kurnell used for the purposes of a liquid fuel depot. The rateable land is identified and declared within the area outlined on the Kurnell Fuel Terminal Facility rate map attached and will be subject to a rate of two point one three three one five five (2.133155) cents-in-the-dollar, subject to a minimum rate of five hundred and sixty nine dollars and eighty cents ($569.80), in respect to each separate parcel of land.

(p) A special rate under Section 495(1) of the Act to be known by the short name of " Cronulla Beach CBD Special Rate" of point two five two nine six zero (0.252960) cents-in-the-dollar, applicable to all rateable land categorised as "General Business" or "Cronulla Commercial Centre and "Residential" defined as serviced apartments within the shaded rateable area of the Cronulla Beach CBD Special rate map.

6. That the following charges be made for the year 1 JULY 2015 to 30 JUNE 2016:

(a) Domestic Waste Management Charges as per Section 496 of the Act as follows:

A "Domestic Waste Regular Service Charge" of ……...$456.30 p.a.

A "Domestic Waste Shared Service Charge" of ………$456.30 p.a.

A "Domestic Waste Vacant Land
Service Availability Charge of ………………………………$97.20 p.a.

A "Domestic Waste Improved Land
Service Availability Charge of …………………………..$200.20 p.a.

Each additional regular garbage service provided
(no green/recycling)…………………………………………$394.50 p.a.

Definitions of services being as per Council's Schedule of Fees and Charges.

(b) Business waste charges under Section 502 of the Act, payable quarterly in advance:

A once per week collection of one 120 litre bin $75.00 per quarter, incl.GST

A once per week collection of one 240 litre bin $125.00 per quarter, incl.GST

A once per week collection of one 660 litre bin $325.00 per quarter, incl.GST

A once per week collection of one 1100 litre bin $525.00 per quarter, incl.GST

A once per fortnight collection of garden waste from business premises, of one 240 litre bin $46.00 per quarter, incl. GST

A once per fortnight collection of co-mingled recyclable materials, of one 240 litre bin $46.00 per quarter, incl. GST.

A once per week collection of paper/cardboard only, of one 240 litre bin $46.00 per quarter, incl. GST.

A cardboard bale weekly service $46.00 per quarter, incl. GST

Fee for replacement 120 litre commercial waste bin which has been lost, stolen

or damaged (other than by council during normal collection services) ……
$77.00

Fee for replacement 240 litre commercial waste bin which has been lost, stolen or damaged (other than by council during normal collection services) ……
$77.00

Business waste charges under Section 502 of the Act, payable when incurred.

7. That pensioners who are eligible for a mandatory rebate under Section 575 of the Act and who have been ratepayers and have resided in the Shire for the immediate past three years be also eligible for a voluntary rebate up to a maximum of $105.00 p.a.. The amount of rebate is to be determined after deduction of the mandatory rebate and relevant domestic waste charge.

8. The interest charges to apply as per Section 566 of the Act on rates and charges overdue in 2015/16, be as follows:

(a) Deferred amounts owing by eligible pensioners,
equivalent to the voluntary rebate …………NIL interest

(b) Deferred amounts owing by eligible pensioners,
other than in (a) ………………………………..7.0% p.a.

(c) All other rates and charges overdue ……...7.0% p.a.

9. That the following Stormwater Management charges apply for 2015/16:

(a) Residential

i. House ……………………………………………………$25.00
ii. 50% pensioner discount charge …………………………$12.50
iii. Strata Unit ………………………………………………$12.50
iv. Strata Unit pensioner discount charge …………………...$6.25

(b) Recreational Facilities charge …………………………………….$25.00

(c) Commercial Property

i. Other than properties in a strata scheme:
   - Where total land area is equal to or less than 350m2 - $25.00 minimum charge applies,
   - Where total land area is >350m2 - $0.071432 per m2

ii. Properties in a strata scheme, the greater of:
   - $5, or
   - The relevant proportion (being the proportion that the unit entitlement of an individual lot to that of the aggregate entitlement) of the maximum annual charge that would apply if the property were not in a strata scheme.

(d) Industrial Property

i. Other than properties in a strata scheme:
   - Where total land area is equal to or less than 350m2 - $25.00 minimum charge applies

- Where total land area is >350m2 - $0.071432 per m2 capped at $20,000

ii. Properties in a strata scheme, the greater of:
- $5, or
- The relevant proportion (being the proportion that the unit entitlement of an individual lot to that of the aggregate entitlement) of the maximum annual charge that would apply if the property were not in a strata scheme.

10. That Council staff urgently prepare a building condition assessment and investigate drainage and sewerage issue associated with the Scylla Bay Oval Clubhouse and report back to Council with a proposed program for working with the club to address their concerns.

11. That a further report to Council on appropriate funding models that may assist in expediting the construction of new facilities at Scylla Bay Oval to address current constraints in consultation with the clubs that currently utilise these grounds.

12. That external/internal loan borrowings and attendant positive budgetary movements as foreshadowed in the exhibited White Pages be adopted and implemented

13. That responses be provided to all persons and groups who have made submissions.

COUNCIL RESOLUTION

1. That the Draft Operational Plan for 2015/16 be adopted and exhibited.

2. That the Draft Budget for 2015/16 as exhibited be adopted.

3. That the Draft Schedule of Fees and Charges for 2015/2016 be adopted.

4. That the Cronulla Beach CBD Budget and Special Rate for 2015/16 be adopted.

5. That the following rates be made for the rating year 1 JULY 2015 to 30 JUNE 2016, under the provisions of the Local Government Act 1993 as an ordinary rate under Section 494, using land valuations having a base date of 1 JULY 2014:

(a) All rateable land categorised in accordance with Section 516 of the Act as “Residential” be known by the short name of “Residential Rate” will be subject to a rate of point two two zero seven three five (0.220735) cents-in-the-dollar subject to a minimum rate of five hundred and sixty nine dollars and eighty cents ($569.80), in respect to each separate parcel of land.

(b) All rateable land categorised and sub-categorised in accordance with Section 518 and 529 of the Act as “Business” be known by the short name of “General Business Rate”, with the exception of rateable land that falls into another specific business subcategory stated elsewhere, will be subject to a rate of point four seven three five five one (0.473551) cents-in-the-dollar subject to a minimum rate of five hundred and sixty nine dollars and eighty cents ($569.80), in respect to each separate parcel of land.

(c) All rateable land categorised and sub-categorised in accordance with Section 518 and 529 of the Act as “Business – Kurnell Industrial, special uses and private open space" be known by the short name of "Business – Kurnell Industrial Rate", for rateable land that is identified and declared as land within the area outlined on the Kurnell Industrial rate map attached for public exhibition, will be subject to a rate of one point five zero five eight nine one (1.505891) cents-in-the-dollar, subject to a minimum rate of five hundred and sixty nine dollars and eighty cents ($569.80), in respect to each separate parcel of land.

(d) All rateable land categorised in accordance with Section 515 of the Act as "Farmland" be known by the short name of "Farmland Rate" will be subject to a rate of point two two zero seven three five (0.220735) cents-in-the-dollar subject to a minimum rate of five hundred and sixty nine dollars and eighty cents ($569.80), in respect to each separate parcel of land.

(e) All rateable land categorised and sub-categorised in accordance with Section 518 and 529 of the Act as "Business – Caringbah Commercial Centre" be known by the short name of "Caringbah Commercial Centre Rate" and be defined as rateable land located at Caringbah and zoned as Zone 8 - Urban Centre under the Sutherland Shire Local Environmental Plan (SSLEP) 2006 or equivalent zone under a subsequent Local Environmental Plan. The rateable land is identified and declared within the area outlined on the Caringbah Commercial Centre rate map attached and will be subject to a rate of point four seven three five five one (0.473551) cents-in-the-dollar, subject to a minimum rate of five hundred and sixty nine dollars and eighty cents ($569.80), in respect to each separate parcel of land.

(f) All rateable land categorised and sub-categorised in accordance with Section 518 and 529 of the Act as "Business – Cronulla Commercial Centre" be known by the short name of "Cronulla Commercial Centre Rate" and be defined as rateable land located at Cronulla and zoned as Zone 8 - Urban Centre under the Sutherland Shire Local Environmental Plan (SSLEP) 2006 or equivalent zone under a subsequent Local Environmental Plan. The rateable land is identified and declared within the area outlined on the Cronulla Commercial Centre rate map attached and will be subject to a rate of point four seven three five five one (0.473551) cents-in-the-dollar, subject to a minimum rate of five hundred and sixty nine dollars and eighty cents ($569.80), in respect to each separate parcel of land.

(g) All rateable land categorised and sub-categorised in accordance with Section 518 and 529 of the Act as "Business – Engadine Commercial Centre " be known by the short name of "Engadine Commercial Centre Rate " and be defined as rateable land located at Engadine and zoned as Zone 8 - Urban Centre under the Sutherland Shire Local Environmental Plan (SSLEP) 2006 or equivalent zone under a subsequent Local Environmental Plan. The rateable land is identified and declared within the area outlined on the Engadine Commercial Centre rate map attached and will be subject to a rate of point four nine seven two two eight (0.497228) cents-in-the-dollar, subject minimum rate of five hundred and sixty nine dollars and eighty cents ($569.80), in respect to each separate parcel of land.

(h) All rateable land categorised and sub-categorised in accordance with Section 518 and 529 of the Act as "Business – Menai Commercial Centre " be known by the short name of "Menai Commercial Centre Rate " and be defined as rateable land located at Menai and zoned as Zone 8 - Urban Centre under the Sutherland Shire Local Environmental Plan (SSLEP) 2006 or equivalent zone under a subsequent Local Environmental Plan. The rateable land is identified and declared within the area outlined on the Menai Commercial Centre rate map attached and will be subject to a rate of point five four four five eight three (0.544583) cents-in- the-dollar, subject to a minimum rate of five hundred and sixty nine dollars and eighty cents ($569.80), in respect to each separate parcel of land.

(i) All rateable land categorised and sub-categorised in accordance with Section 518 and 529 of the Act as “Business – Sutherland Commercial Centre ” be known by the short name of “Sutherland Commercial Centre Rate” and be defined as rateable land located at Sutherland and zoned as Zone 8 - Urban Centre under the Sutherland Shire Local Environmental Plan (SSLEP) 2006 or equivalent zone under a subsequent Local Environmental Plan. The rateable land is identified and declared within the area outlined on the Sutherland Commercial Centre rate map attached and will be subject to a subject to a rate of point four seven three five five one (0.473551) cents-in-the-dollar, subject to a minimum rate of five hundred and sixty nine dollars and eighty cents ($569.80), in respect to each separate parcel of land.

(j) All rateable land categorised and sub-categorised in accordance with Section 518 and 529 of the Act as “Business – Sylvania Southgate Commercial Centre” be known by the short name of “Sylvania Southgate Commercial Centre Rate” and be defined as rateable land located at Sylvania and zoned as Zone 8 - Urban Centre under the Sutherland Shire Local Environmental Plan (SSLEP) 2006 or equivalent zone under a subsequent Local Environmental Plan. The rateable land is identified and declared within the area outlined on the Sylvania Southgate Commercial Centre rate map attached and will be subject to a rate of point five six eight two six one (0.568261) cents-in-the-dollar, subject to a minimum rate of five hundred and sixty nine dollars and eighty cents ($569.80), in respect to each separate parcel of land.

(k) All rateable land categorised and sub-categorised in accordance with Section 518 and 529 of the Act as “Business – Miranda Commercial Centre” be known by the short name of “Miranda Commercial Centre Rate” and be defined as rateable land located at Miranda and zoned as Zone 8 - Urban Centre under the Sutherland Shire Local Environmental Plan (SSLEP) 2006 or equivalent zone under a subsequent Local Environmental Plan. Where such rateable land is part of a complex of uses conducted as part of a single and related complex, that complex comprises no more than 149 individual uses. This sub-category does not include rateable land that is capable of being categorised as a complex referred to in the Miranda Core Major Shopping Complex subcategory. The rateable land is identified and declared within the area outlined on the Miranda Commercial Centre rate map attached for public exhibition and will be subject to a rate of point four seven three five five one (0.473551) cents-in-the-dollar, subject to a minimum rate of five hundred and sixty nine dollars and eighty cents ($569.80), in respect to each separate parcel of land.

(l) All rateable land categorised and sub-categorised in accordance with Section 518 and 529 of the Act as “Business – Miranda Core Major Shopping Complex” be known by the short name of “Miranda Core Major Shopping Complex Rate” and be defined as rateable land located at Miranda and zoned as Zone 8 - Urban Centre under the Sutherland Shire Local Environmental Plan (SSLEP) 2006 or equivalent zone under a subsequent Local Environmental Plan. Where such rateable land is part of a complex of uses (or uses associated with such complex of uses including but not limited to car parking, vehicular and pedestrian access and the like) conducted as part of a single and related shopping complex that comprises no less than 150 individual uses. This subcategory does not include rateable land capable of being categorised in the Miranda Commercial Centre sub-category. The rateable land is identified and declared within the area outlined on the Miranda Core Major Shopping Complex rate map attached and will be subject to a rate of point eight three seven eight zero two (0.837802) cents-in-the-dollar, subject to a minimum rate of five hundred and sixty nine dollars and eighty cents ($569.80), in respect to each separate parcel of land.

(m) All rateable land categorised and sub-categorised in accordance with Section 518 and 529 of the Act as “Business – Kurnell Sand Mining ” be known by the short name of “Kurnell Sand Mining Rate”, for rateable land located at Kurnell used for the purposes of sand mining. The rateable land is identified and declared within the area outlined on the Kurnell Sand Mining rate map attached and will be subject to a rate of two point two eight three six zero seven (2.283607) cents-in-the-dollar, subject to a minimum rate of five hundred and sixty nine dollars and eighty cents ($569.80), in respect to each separate parcel of land.

(n) All rateable land categorised and sub-categorised in accordance with Section 518 and 529 of the Act as “Business – Sandy Point and Menai Quarrying and Filling” be known by the short name of “Menai Quarrying & Filling Rate”, for rateable land located at Sandy Point and Menai used for the purposes of quarrying and filling. The rateable land is identified and declared within the area outlined on the Sandy Point and Menai Quarrying and Filling rate map attached and will be subject to a rate of point seven one eight one one six (0.718116) cents-in-the-dollar, subject to a minimum rate of five hundred and sixty nine dollars and eighty cents ($569.80), in respect to each separate parcel of land.

(o) All rateable land categorised and sub-categorised in accordance with Section 518 and 529 of the Act as “Business – Kurnell Finished Fuel Terminal Facility ” be known by the short name of “Kurnell Fuel Terminal Rate”, for rateable land located at Kurnell used for the purposes of a liquid fuel depot. The rateable land is identified and declared within the area outlined on the Kurnell Fuel Terminal Facility rate map attached and will be subject to a rate of two point one three three one five five (2.133155) cents-in-the-dollar, subject to a minimum rate of five hundred and sixty nine dollars and eighty cents ($569.80), in respect to each separate parcel of land.

(p) A special rate under Section 495(1) of the Act to be known by the short name of “ Cronulla Beach CBD Special Rate” of point two five two nine six zero (0.252960) cents-in-the-dollar, applicable to all rateable land categorised as “General Business” or “Cronulla Commercial Centre and “Residential” defined as serviced apartments within the shaded rateable area of the Cronulla Beach CBD Special rate map.

6. That the following charges be made for the year 1 JULY 2015 to 30 JUNE 2016:

(a) Domestic Waste Management Charges as per Section 496 of the Act as follows:

A “Domestic Waste Regular Service Charge” of ……...$456.30 p.a.

A “Domestic Waste Shared Service Charge” of ………$456.30 p.a.

A ”Domestic Waste Vacant Land
Service Availability Charge of ………………………………$97.20 p.a.

A ”Domestic Waste Improved Land
Service Availability Charge of ………………………….$200.20 p.a.

Each additional regular garbage service provided
(no green/recycling)………………………………………$394.50 p.a.

Definitions of services being as per Council’s Schedule of Fees and Charges.

(b) Business waste charges under Section 502 of the Act, payable quarterly in advance:

A once per week collection of one 120 litre bin $75.00 per quarter, incl.GST

A once per week collection of one 240 litre bin $125.00 per quarter, incl.GST

A once per week collection of one 660 litre bin $325.00 per quarter, incl.GST

A once per week collection of one 1100 litre bin $525.00 per quarter, incl.GST

A once per fortnight collection of garden waste from business premises, of one 240 litre bin $46.00 per quarter, incl. GST

A once per fortnight collection of co-mingled recyclable materials, of one 240 litre bin $46.00 per quarter, incl. GST.

A once per week collection of paper/cardboard only, of one 240 litre bin $46.00 per quarter, incl. GST.

A cardboard bale weekly service $46.00 per quarter, incl. GST

Fee for replacement 120 litre commercial waste bin which has been lost, stolen or damaged (other than by council during normal collection services) …… $77.00

Fee for replacement 240 litre commercial waste bin which has been lost, stolen or damaged (other than by council during normal collection services) …… $77.00

Business waste charges under Section 502 of the Act, payable when incurred.

7. That pensioners who are eligible for a mandatory rebate under Section 575 of the Act and who have been ratepayers and have resided in the Shire for the immediate past three years be also eligible for a voluntary rebate up to a maximum of $105.00 p.a.. The amount of rebate is to be determined after deduction of the mandatory rebate and relevant domestic waste charge.

8. The interest charges to apply as per Section 566 of the Act on rates and charges overdue in 2015/16, be as follows:

(a) Deferred amounts owing by eligible pensioners,
equivalent to the voluntary rebate …………NIL interest

(b) Deferred amounts owing by eligible pensioners,
other than in (a) ………………………………..7.0% p.a.

(c) All other rates and charges overdue ……...7.0% p.a.

9. That the following Stormwater Management charges apply for 2015/16:

   (a) Residential

      i. House ……………………………………………………$25.00
      ii. 50% pensioner discount charge …………………………$12.50
      iii. Strata Unit ………………………………………………$12.50
      iv. Strata Unit pensioner discount charge …………………...$6.25

   (b) Recreational Facilities charge …………………………………….$25.00

   (c) Commercial Property

      i. Other than properties in a strata scheme:
         - Where total land area is equal to or less than 350m2 - $25.00 minimum charge applies,
         - Where total land area is >350m2 - $0.071432 per m2

      ii. Properties in a strata scheme, the greater of:
         - $5, or
         - The relevant proportion (being the proportion that the unit entitlement of an individual lot to that of the aggregate entitlement) of the maximum annual charge that would apply if the property were not in a strata scheme.

   (d) Industrial Property

      i. Other than properties in a strata scheme:
         - Where total land area is equal to or less than 350m2 - $25.00 minimum charge applies
         - Where total land area is >350m2 - $0.071432 per m2 capped at $20,000

      ii. Properties in a strata scheme, the greater of:
         - $5, or
         - The relevant proportion (being the proportion that the unit entitlement of an individual lot to that of the aggregate entitlement) of the maximum annual charge that would apply if the property were not in a strata scheme.

10. That Council staff urgently prepare a building condition assessment and investigate drainage and sewerage issue associated with the Scylla Bay Oval Clubhouse and report back to Council with a proposed program for working with the club to address their concerns.

11. That a further report to Council on appropriate funding models that may assist in expediting the construction of new facilities at Scylla Bay Oval to address current constraints in consultation with the clubs that currently utilise these grounds.

12. That external/internal loan borrowings and attendant positive budgetary movements as foreshadowed in the exhibited White Pages be adopted and implemented

13. That responses be provided to all persons and groups who have made submissions.

<u>SUBSEQUENT MOTION</u>:

That Council takes all necessary steps to commence the Development Application process for the Scylla Bay Oval Clubhouse immediately.

(The Mayor, Councillor Johns / Councillor Awada)

APPENDIX

Mayoral Minute No. 36/14-15 2015/16 Budget and 10 Year Financial Plan

Attachment A

Maps for Proposed Rateable Areas - Sub Categories 2015 2016.pdf

Attachment B

Budget Survey Results.pdf

Attachment C

Areas of Focus.pdf

Attachment D

Budget Survey - Themes.pdf

Attachment E

Example Sutherland Shire Budget submission·.pdf

Attachment F

Draft Delivery Program 2013-14 - 2016-17 Incorporating Operational Plan 2015-16.pdf

(To view documents, double click on icon and select ‘Open’. Select ‘File’ ‘Close’ to return to report.)

Attachment 9

Sutherland Shire COUNCIL

CALCULATION OF THE INFRASTRUCTURE BACKLOG ESTIMATE 2015-2020

METHODOLOGY AND ASSUMPTIONS

Open Space

Stormwater

Buildings

Transport

Prepared June 2015

BACKGROUND

Sutherland Shire Council is committed, as part of its improvement proposal relating to asset management, to implementing the five key steps in infrastructure financial management as contained in the Australian Infrastructure Financial Management Guidelines (AIFMG)

1. Service planning
2. Asset management planning
3. Financial planning
4. Reviewing a service/funding gap
5. Financial reporting

This document is primarily focused on asset management planning but it also affects the other four key points.

In preparing its Fit for the Future Improvement Proposal, Council has been requested to estimate its infrastructure backlog for the period 2015-2020. Wherever possible this has been based on current condition data with certain expectations on degradation over the five year term. In some asset classes such as open space and stormwater, where current condition data is not available for some sub-classes of assets, assumptions have been made as part of a methodology.

Separate methodologies have been prepared for each of the four asset classes:

- Buildings
- Open space
- Stormwater drainage
- Transport infrastructure

Historically Sutherland Shire Council has been required to report on its infrastructure backlog as part of its annual reporting process. The backlog calculation is included in Special Schedule 7, and until recently was an unaudited section of the Annual Report. The traditional focus for the backlog calculation was in roads, buildings and drainage with open space assets not being required to be reported on in detail. Open space assets are now included in the calculation.

The calculation of the ratio relies on two components: Bring to “satisfactory” condition dollar figure (BTS); and the written down value (WDV) of the overall asset portfolio.

The backlog ratio is the result of the following calculation:

$$\frac{\text{Estimated cost to bring assets to satisfactory condition (BTS)}}{\text{Total (WDV) of Infrastructure Assets}}$$

As indicated above Council, in undertaking the submission of the Fit for the Future improvement proposal, has prepared a forward estimate of the infrastructure backlog up to 2020. It is indeed an estimate and relies on a number of assumptions and qualifications that may influence the reported backlog liability in any given year during the five-year period.

In recent years Council has been reviewing its method of calculation for the infrastructure backlog and the trend has been downward as the definition of renewal and satisfactory condition has been clarified.

INFRASTRUCTURE BACKLOG AT 30 JUNE 2014

As at 30 June 2014 Council's reported position on the backlog calculation was $54.646m. This is comprised of the breakdown across four asset classes detailed below.

Buildings	$11,612,000
Open space	$448,000
Roads	$33,313,000
Stormwater Drainage	$9,273,000
Total	**$54,646,000**

Table 1: Infrastructure Backlog calculation by Asset Class as at 30 June 2014

This figure was a substantial reduction from 2013 and resulted from taking external financial advice on what constituted backlog under the accounting code.

ESTIMATE - 30 JUNE 2015

A number of considerations are detailed below to inform the calculation of the estimate of the 2014-15 Infrastructure Backlog.

Buildings	$9.8m
Open space	$2.9m
Roads	$20.2m
Stormwater Drainage	$7.1m
Total	**$40.0m**

Table 2: Infrastructure Backlog estimate by Asset Class for 30 June 2015

Buildings $9.768m

The calculation of the backlog figure for Buildings is based on the approach within the adopted asset management plan, which requires certain building assets to be maintained at condition level 2 while the great majority are maintained at level 3.

The asset information used to calculate this figure is derived from data within CONFIRM and is based on condition assessment methodology adopted in 2014.

It has become apparent that initial condition assessments conducted by a consultant have proven to be overestimating the rate of deterioration for many assets. These overestimates are being corrected in subsequent condition assessments. The methodology behind the calculation has been finalised and is available on request..

Open Space $2.842m

The open space class of assets is the smallest class of assets in value, at $62m WDV, and has the lowest level of condition assessment data in comparison to the other three classes. Although condition assessment data is available for playgrounds and waterways structures, the remainder of the asset class required a methodology to be developed and applied as a basis for calculation. This methodology has been finalised and is available on request. This method relies on the classification of the parkland within the Customer Expectation (CX) Framework as being indicative of the asset components likely to be contained within in the asset. Further assumptions were made in relation to the remaining useful life.

Transport Infrastructure (Roads) $20.2m

There were two significant changes impacting on the forecast of the ratio for 30 June 2015:

1. A recalculation of the cost of work for road pavement renewal to bring roads to satisfactory condition (option 2A).
2. A revaluation of the Transport Infrastructure (Roads) Asset Portfolio which in turn increased the written down value of assets.

The recalculation of the cost of work for road pavement renewal has been reduced by the introduction of the stabilised pavement treatment option for local roads. This replacement pavement treatment is in lieu of the more expensive deep lift asphalt in all cases. This treatment option was approved in Council Report WKS020A-15, in which the report highlighted the potential for the roads infrastructure backlog to be reduced by $8.9 million by the application of this treatment option.

The second change was the periodic revaluation of the roads asset portfolio as required by local government accounting standards. This resulted in a significant increase for the WDV used in the calculation of the backlog ratio. The methodology behind the calculations has been finalised and is available on request.

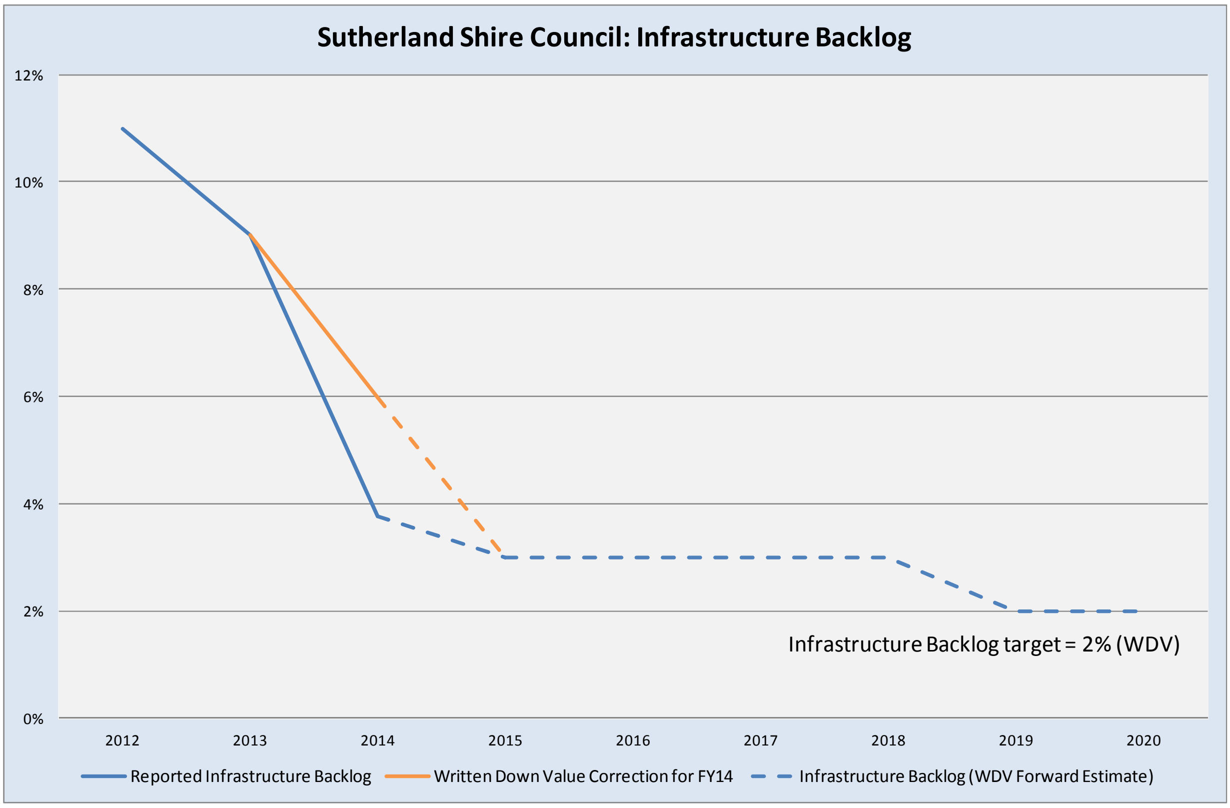
Stormwater Drainage $7.115m

The stormwater drainage backlog calculation is predicated on intervention at condition level 3. Asset condition data for the asset class is limited, and improving the quality of this data has been identified as an improvement plan action.

Generally stormwater infrastructure, which is below ground, is not replaced until failure. At this stage, useful life is solely determined on assumed condition and not by capacity to handle stormwater flows.

Similar to the other asset classes a methodology has been finalised and is available on request.

The following chart indicates the improvement in managing the infrastructure backlog in recent years and provides guidance of the trend heading to 2020 based on the four separate methodologies referred to in this document.



Note: On the basis of external financial advice received, the Gross Replacement Value (GRV) was reported for 2013/14. A Written Down Value (WDV) correction of the Infrastructure Backlog is shown here in red, with dashed lines illustrating the path to the WDV 2014/15 forecast infrastructure backlog. Forward estimates of the Infrastructure Backlog have been calculated using WDV, consistent with *Local Government Code of Accounting Practice and Financial Reporting (Guidelines) No.22 June 2015.*

MODELLING ASSUMPTIONS & QUALIFICATIONS 2015-2020

The most important assumption is that Council's focus on asset renewal will continue towards 2020. This combined with the whole of life asset costing in business cases for new assets should mean less new unsustainable assets are created and priority is given to renewing current assets,

Council expects to receive $100 million in additional capital funding over the next 15 years as a result of the funding deed between Council and SITA (now Suez), as stated in the *Voluntary Planning Agreement – Lucas Heights Resource Recovery Park (October 2014)*:

> 8.1 The parties agree that the Monetary Contributions from Schedule 1A:
>
> a) may be applied by Council, as it sees fit on capital projects or community assets across the Sutherland Shire local government area. These funds may be applied for new projects or facilities, as well as for the upgrade or renewal of assets. In considering the allocation of these funds Council will ensure that an appropriate amount is available for projects in the Menai, Illawong, Alfords Point, Barden Ridge, Lucas Heights and any relevant adjacent area;
>
> b) may not be allocated to roads, drainage, footpaths or stormwater management unless such works are associated with a qualifying project or facility as described in clause 8.1(a) above;
>
> c) may not be allocated to maintenance works of any kind;

Council has the opportunity to apply a significant proportion of this funding to renewal/upgrades rather than entirely new assets.

Council is confident that the past trend of reducing the infrastructure backlog ratio will continue but will be increasingly difficult as the percentage gets closer to 2% towards the end of the decade.

Council's confidence relies on continuing with focused community engagement on service levels, resulting in either more financially sustainable service levels or willingness by the community to contribute more directly or indirectly towards the cost of renewing and operating infrastructure. Asset classes such as roads and drainage are also expected to be beneficiaries from any structural savings achieved as part of the service delivery review.

Council's calculations also contain a number of qualifications that may influence the closing of the gap towards the 2% benchmark. There are a number of significant but currently un-scoped and un-costed asset renewals and upgrade works which are not included in the calculation of the forward estimates. The timing of the projects, as well as the definition of the respective project scopes, may impact on Council's ability to finance planned renewals. The identity of these projects is detailed under the heading *Potential Future infrastructure Liabilities* below.

Council's foreshadowed decision on the Sutherland Entertainment Centre is the most significant asset renewal/upgrade consideration in the period 2015 – 2020.

In preparing an estimate of future backlog, Council has varying levels of confidence in the accuracy of avoidable asset data in the four classes. While Buildings and Roads have good asset data broken into components, Open Space and Stormwater do not. This data quality has been recognised and included as an Improvement Action.

In the key area of Roads Assets (Transport Infrastructure), Council undertook a network condition assessment in late 2014 which included the period 2014-2024. The report provided a number of scenarios based on different condition levels. The level of confidence in pavement condition is high.

Each of the asset classes have methodologies to address data gaps in either inventory of assets or condition of assets or in the case of Open Space, both.

A full five year forward projection of the Infrastructure Backlog for all asset classes is provided on page 12.

BUILDINGS

Commentary

- It is assumed the projected expenditure to bring assets to satisfactory condition as renewal requirements generated by the Corporate Asset Management system (Confirm) for the period 2015-2020 can be discounted due to allocated expenditure in any given financial year .
- it is assumed that as a result of a revised consistent condition assessment methodology that condition deterioration will be slower with resulting longer useful life. Currently the Long term financial Plan for years 2016/17 and beyond do not accurately reflect all foreshadowed renewals and this has been identified as an improvement action.
- The significant renewal expenditure on the Sutherland Entertainment Centre for the period 2015-2020 has been included; however there are plans for replacement of the entire building valued at approximately $45m in 2015 dollars.
- That renewal investment for the commercial and retail asset sub-class will be funded from the Property fund.
- The current central administration centre in Eton Street will not be redeveloped in the period 2015-2020.
- That some funding will be available to supplement general revenue as a funding source for renewal elements.
- No greater financial contribution for surf club renewal projects than that already included in long term financial plan.
- That major refurbishment (upgrade) works at Sutherland Library will receive a specific funding allocation outside the forward estimates contained in the long term financial Plan.

- Currently there is little asset condition level planning integrated with service management planning and as such going forward asset condition levels may rise or fall as this integration occurs.

- Asset renewal liability for leased properties occupied by community/ sporting organisations is still unresolved by policy position. This will need to be resolved in the new council term of 2016-2020.
- Major renewal works at Gunnamatta Pavilion will be privately funded as part of a Public Private Partnership.
- No recognition has been included for community/ sporting groups to supplement Council funding with available grants.
- No major structural renewal works will be needed at Cronulla Sports Complex before 2020.

OPEN SPACE

Commentary

- Asset provision will be based on the CX Framework. This will mean that some fixtures will not be renewed at current locations or renewed to the same level if the nominated CX rating for the park is lower than the current service provision.
- The calculation of the backlog has been based on a methodology prepared by staff. This methodology is available on request.
- Pavement assets (car parks and pathways) within open spaces areas are generally managed under Transport infrastructure assets.
- Acquisition date of assets is quite limited and assumptions used may not reflect actual remaining useful life in some instances where condition information is not available.
- The Fixed asset register for land improvements does not yet synchronise with the asset management system. Past limited special schedule 7 reporting for open space assets has not required detailed fixed asset accounting for open space infrastructure.
- The Backlog calculation for open space does not recognise an assets ability to meet current demand. It is based on condition alone, be it on actual or assumed data.
- No recognition has been included for community/ sporting groups to supplement Council funding with available grants.

TRANSPORT INFRASTRUCTURE (ROADS)

The satisfactory asset condition level for some pavement assets within the Transport Infrastructure asset class has been adjusted following the Community focus group discussion.

Commentary

- Physical detailed condition assessment of pavements and other carriageway related assets are undertaken at five yearly intervals. Assumed degradation has been modelled for the period 2015-2020.

- That the recent trial of lower cost treatment options for pavement rehabilitation will be widely applied. This preventative surface treatment, using new low-cost liquid road and pavement preservation products at early stages in order to prolong pavement useful life will move from council from its "worst road first" strategy and optimise point for reinvestment.
- Council will maintain the current average funding budget allocation of $5.620m per annum over the next five years in real 2015 dollar terms.
- That as a result of recent focus group consultation Council determines a lower service level standard for local roads (financially sustainable level)
- Federal Government Roads to recovery funding will be maintained at least at historical average levels.
- Maintenance expenditure budget for Footpaths will be reviewed to apply to renewal of footpaths in open space areas.
- Street lighting infrastructure currently owned by Ausgrid will remain in Ausgrid ownership and so will remain an operational expenditure item.
- Major pavement renewal works for development capable car parks at Caringbah and Sutherland will be delayed beyond 2020.

STORMWATER DRAINAGE

The Stormwater Drainage forward estimate calculation will be based on the asset management plan and it is intended that intervention should occur where infrastructure condition falls below condition 3.

Commentary

- Generally the point of intervention for underground drainage infrastructure will be at failure or in certain instances where *in situ* relining of pipes is a suitable renewal option.
- Stormwater levy funds could be directed to assist renewal investment.
- Assumptions used to date for modelling will not change significantly as asset data verification is undertaken.
- Sylvania Waters maintenance dredging of canals, although not a physical asset of Council is included in the long-term Financial Plan.
- That typical useful life estimates for assets will not reduce over the five year period.
- Stormwater asset data verification has been identified as an improvement plan action item. The level of confidence in data integrity is not as high as some other classes of assets.
- At this stage condition of the asset is the sole reason for intervention.
- Backlog calculation does not include capacity (function) assessment of the existing pipe work but is focused on the condition of existing infrastructure.
- Community engagement on service levels for existing drainage infrastructure is difficult due to its lack of visibility and failure and non-performance only being evident during storm events.
- At the date of submission of the Improvement Plan the proposed Dredging Policy for Navigable Waterways has not been adopted.

ASSET CLASS	Budget Year 2014/2015	Budget Year 2015/2016	Budget Year 2016/2017	Budget Year 2017/2018	Budget Year 2018/2019	Budget Year 2019/2020
Buildings	9,768,000	9,991,704	10,192,704	11,542,704	12,166,704	15,496,704
Open space	2,842,000	1,980,000	1,230,000	1,230,000	1,280,000	1,250,000
Transport infrastructure (Roads)	20,200,000	18,632,224	17,064,448	15,496,672	13,928,896	12,361,120
Stormwater	7,115,000	6,830,000	6,590,000	6,380,000	6,200,000	6,060,000
TOTAL	39,925,000	37,433,928	35,077,152	34,649,376	33,575,600	35,167,824
WDV	1,473,399,548	1,494,020,366	1,553,573,982	1,632,622,819	1,634,078,929	1,767,678,753
Backlog ratio	**2.7%**	**2.5%**	**2.3%**	**2.1%**	**2.1%**	**2.0%**

Budget and Strategic Issues Committee

Sutherland Shire COUNCIL

22/06/2015	BDS156-15
Report Title:	Fit for the Future Draft Improvement Action Plan
File Number:	2015/79135
Author:	A/Manager Organisation Development

REPORT SUMMARY

EXECUTIVE SUMMARY:

The Fit for the Future initiative is the State Government's response to the 2013 Independent Review of Local Government Report. Fit for the Future provides a standardised process that each Council in NSW must complete to demonstrate whether or not they are sustainable into the future. The Independent Local Government Review Panel recommended no change to Sutherland Shire Council's boundaries as council has satisfactory 'scale and capacity' to stand alone. Council is still required to submit an Improvement Action Plan that outlines key objectives, strategies and actions that will maintain council's sustainability into the future. This report provides a copy of the draft Improvement Action Plan for adoption.

SUMMARY OF RECOMMENDATION:

That Council endorse the draft Improvement Action Plan for submission to IPART as part of the State Government's Fit for the Future requirements.

FINANCIAL / RESOURCE IMPLICATIONS:

The cost and resource implications for each individual action are highlighted in the Improvement Action Plan attached. Council will need to commit suitable resources to the strategies outlined in the plan in order to achieve the projected results.

RELATIONSHIP TO STRATEGIC DIRECTIONS:

Participation in the Fit for the Future process is required as failure to submit an Improvement Action Plan will result in Council being "deemed unfit" by IPART.

POLICY / LEGAL IMPLICATIONS:

Council will be assessed by IPART with recommendations to Cabinet on the assessment outcomes.

LIST OF APPENDICES:

A. Draft Fit for the Future Improvement Action Plan

PREVIOUS CONSIDERATION / HISTORY OF MATTER:

Mayoral Minute No. 07/14-15
BDS 035-15 Reform of Local Government
BDS 034-15 NSW Government Response to the Independent Local Government Review Panel Recommendations
BDS 066-15 Fit for the Future - The Shire Action Plan "Right Service, Right Level, Right Price"

REPORT IN FULL

Purpose and Background

As defined by the state government, a Fit for the Future council is one that is:

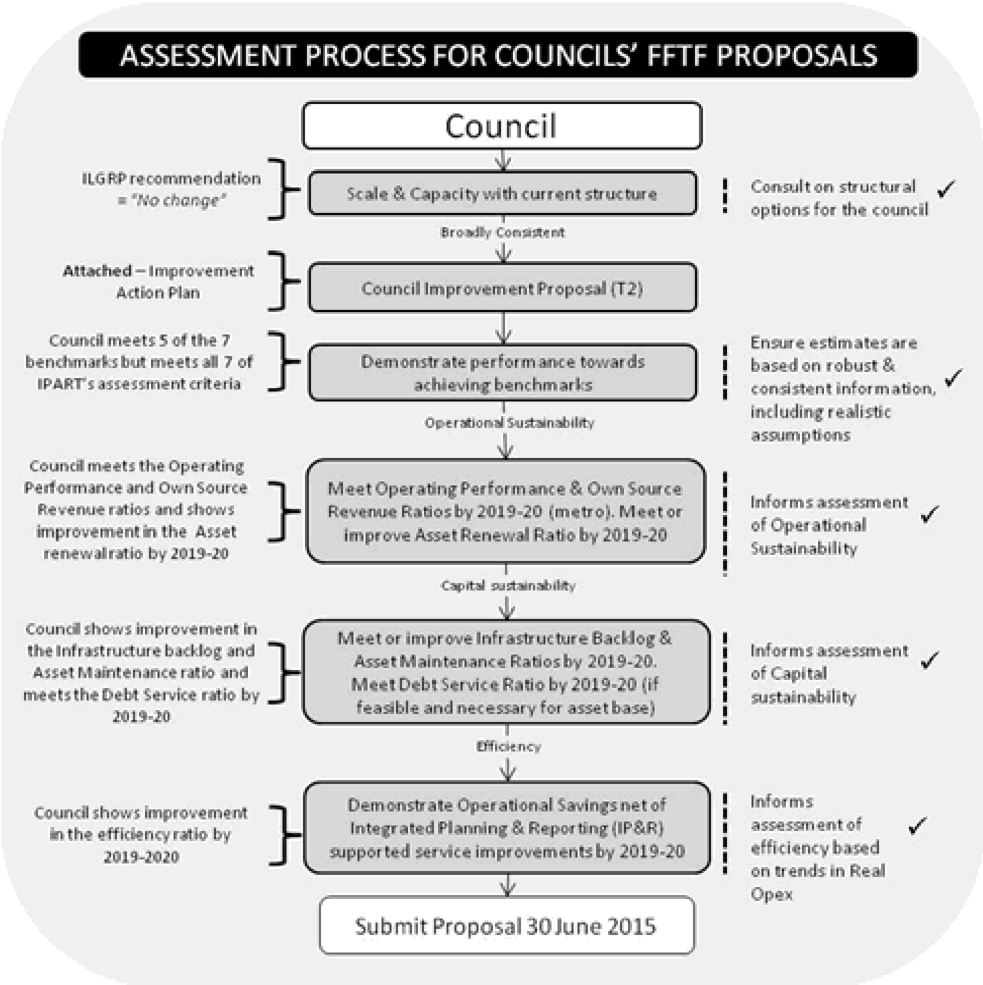
- Sustainable
- Efficient
- Effectively manages infrastructure and delivers services for communities
- Has the scale and capacity to engage effectively across community, industry and government.

The Fit for the Future process is designed to guide council through a standardised process to determine current and future performance based on a set of four benchmarks:

1. Scale and Capacity
2. Operational Sustainability
3. Capital Sustainability
4. Efficiency

Scale and Capacity is a threshold benchmark meaning that council must prove it meets all assessment criteria as a first step. The remaining three benchmarks are further divided into seven ratios which council either must meet, or must show improvement in, within 5 years. In order to show progress towards the assessment criteria, Council is required to provide an Improvement Action Plan (Attachment A).

To be deemed 'Fit', council must meet certain defined assessment criteria via a standardised response as per the below flowchart:



Current Situation
Council's performance against the Fit for the Future ratios has shown that holistically Council is forecasted to be operating at a sustainable level into the future as Council meets all seven of IPART's assessment criteria. In addition to the ratios, Council has a strong and cohesive community supported by natural boundaries, and has the strategic elements of scale and capacity to overcome current and future challenges. Council's Improvement Action Plan aims to build on these strengths to ensure we remain sustainable in all areas. Table 1 (below) outlines Council's forecasted performance against each of the Fit for the Future benchmarks and IPART Assessment Criteria in 2020.

	Measure/ Benchmark	Definition	Meets Benchmark by 2019/20		IPART Assessment Criteria	
Sustainability	**Operating Performance ratio**	Core measure of financial sustainability – indicates council's capacity to meet ongoing operating expenditure requirements.	Greater than or equal to breakeven average over 3 years	Y	Must meet within 5 years	Y
	Own Source Revenue Ratio	Councils with higher own source revenue have greater ability to control their own operating performance and financial sustainability.	Greater than 60% average over 3 years	Y	Must meet within 5 years	Y
	Building and Infrastructure Asset Renewal Ratio	Measures whether a council's assets are deteriorating faster than they are being renewed – indicator of whether a council's backlog is likely to increase.	Greater than 100% average over 3 years	X	Meet or improve within 5 years	Y

Infrastructure and Service Management	**Infrastructure Backlog Ratio**	Measures how effectively the council is managing its infrastructure. Increasing backlogs may affect the council's ability to provide services and remain sustainable.	Less than 2%	X	Meet or improve/inform within 5 years	Y
	Asset Maintenance Ratio	Measures whether the council is spending enough on maintaining its assets to avoid increasing its infrastructure backlog.	Greater than 100% average over 3 years	Y	Meet or improve/inform within 5 years	Y
	Debt Service Ratio	Indicates whether the council is using debt wisely to share the life-long cost of assets and avoid excessive rate increases.	Greater than 0% and less than or equal to 20% average over 3 years	Y	Meet within 5 years	Y
Efficiency	**Real Operating Expenditure per Capita**	Indicates how well the Council is utilising economies of scale and managing service levels to achieve efficiencies	A decrease in Real Operating Expenditure per capita over time	Y	Must demonstrate operational savings over 5 years	Y

The Improvement Action Plan maps specific strategies and actions that Council will undertake over the next five years to improve its financial sustainability. Sutherland Shire Council was not recommended to merge with neighbouring councils by the Independent Local Government Review Panel but Council must still develop a plan to show improvement against the ratios. The three objectives outlined in the action plan: Policy and Strategy, Service Management and Asset Management; have been designed to deliver integrated whole–of-council results that positively impact on organisational sustainability to deliver a balanced result.

<u>Objective 1 - Policy and Strategy</u>
Improve community engagement to ensure alignment between corporate policy and strategy and to deliver improved human and financial management using customer focussed KPIs to support people and culture.

This objective aims to both set a long term framework for aligning council direction and operations, and support effective and efficient service delivery and asset management. The three key areas in which we will focus our improvement efforts are:
1. Community Engagement
2. People and Culture
3. Financial Management

<u>Objective 2 - Service Management</u>
Critically evaluate the service portfolio and improve business processes to enhance customer service and achieve efficiencies.

The strategies within this objective will support decision making in regard to what services council provides and to what level they are provided. Community engagement will be the driving factor of:
1. A Service Delivery Review
2. Business Process Improvements.

The results of these strategies will inform asset management strategies.

<u>Objective 3 - Asset Management</u>
Continue the development and application of sound asset management strategy, structure, framework and processes across the organisation.

This objective will incorporate the results of community engagement in council goals, services and finances to sustainably manage council assets to ensure effective service delivery that meets the needs of the community.

Time frames for assessment
The Fit for the Future submission is required by 30 June 2015. A public submission period has been provided until 31 July 2015, and IPART is expected to provide their assessments and commentary to Cabinet by 16 October 2015.

Date	Milestone
Stage 1	**Council proposal preparation**
9 June 2015	Councillor workshop
22 June 2015	Budget & Strategic Issues Committee
Stage 2	**Council FFTF submissions**
30 June 2015	FFTF proposals due from councils
31 July 2015	Close of public submissions on council FFTF proposals
Stage 3	**IPART assessment phase**
Until end Aug 2015	IPART request additional information or meet with councils as required
16 October 2015	IPART provide FFTF advice to Minister

Conclusion
Council is required to participate in the Fit for the Future initiative or risk being deemed unfit. Council has the scale and capacity to continue without boundary changes and a strong financial position that will meet IPART assessment criteria. Using existing data, combined with the results of community consultations, the Improvement Action Plan details a comprehensive framework of fully integrated objectives and strategies that will further improve council's sustainability.

REPORT RECOMMENDATION

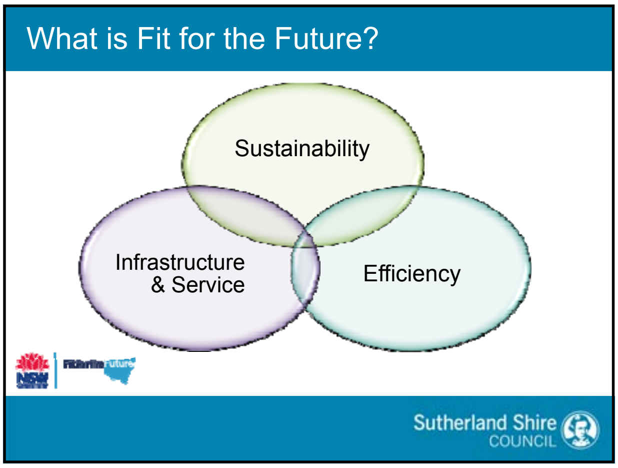
That the draft Improvement Action Plan for submission to IPART as part of the State Government's Fit for the Future requirements be endorsed.

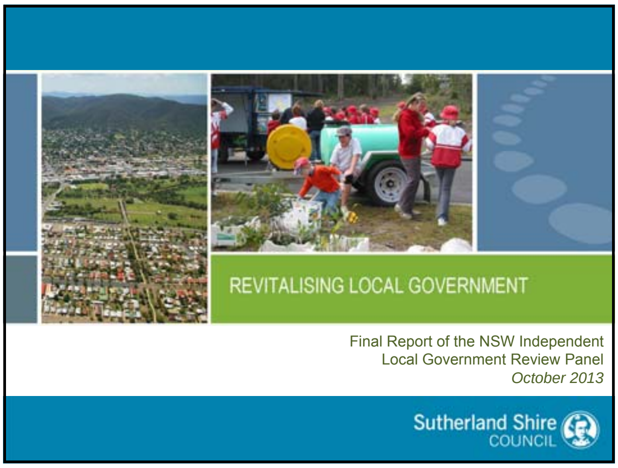
APPENDIX

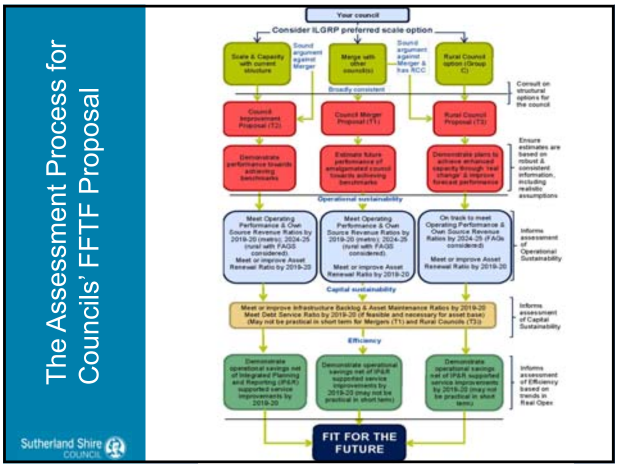
Fit for the Future Draft Improvement Action Plan

- 20150519AM Fit-for-Future-Action-PlanDRAFT.pdf

(To view the document, double click on icon and select 'Open'. Select 'File' 'Close' to return to report.)







Financial Sustainability

- A sound revenue base (90% own source revenue)
- A $60M commercial property portfolio which injects almost $6M into general revenue each year
- Probable $100M monetary contribution from SITA from 2016 to 2031
- Ongoing operational improvements and savings
- Potential to fund community projects and increased car parking through leverage of Council's car parks

Sutherland Shire
COUNCIL

Financial Challenges

- The State Government seeking a 50% contribution from Council towards the cost of dredging navigation channels in Port Hacking
- A move by governments to redistribute grants to benefit rural and regional councils which will reduce Council's Financial Assistance Grants and potentially other grants
- Organisation improvements have facilitated the funding of new and improved services and facilities, however as time goes by gains are diminishing

Sutherland Shire COUNCIL

Timeframe

Date	Milestone
Stage 1	**Council proposal preparation**
9 June 2015	Councillor workshop
22 June 2015	Budget & Strategic Issues Committee
Stage 2	**Council FFTF submissions**
30 June 2015	FFTF proposals due from councils
31 July 2015	Close of public submissions on council FFTF proposals
Stage 3	**IPART assessment phase**
Until end Aug 2015	Request additional information or meet with councils as required
16 October 2015	Provide FFTF advice to Minister

Sutherland Shire COUNCIL

Financial Challenges (cont)

- Reduced Section 94 funding due to changes to allowable contributions
- Council has many significant other projects that need to be delivered
- Potential major infrastructure upgrades

Sutherland Shire COUNCIL

Overview of Proposal Process

Does Council have scale and capacity?
Use the Panel's recommendations as a starting point.

Council Merger Proposal (Template 1)
Council Improvement Proposal (Template 2)
Rural Council Proposal (Template 3)

Online Submission
Action Improvement Plan

IPART Assessment Panel

Sutherland Shire COUNCIL

What is Fit for the Future?

The Fit for the Future process will help councils demonstrate to their community that they are financially sound, operating efficiently and in a strong position to guide growth and deliver quality services into the future.

"We need strong Councils that are ready to face the challenges of the Future…"
Paul Toole MP, Minister of Local Government

Sutherland Shire COUNCIL

What does this mean for Council?

Scale & Capacity → Yes → Why?

LG Panel's recommendation: *No Change*

- ✓ Robust revenue base and increased discretionary spending
- ✓ Scope to undertake new functions and major projects
- ✓ Ability to employ a wider range of skilled staff
- ✓ Knowledge, creativity and innovation
- ✓ Advanced skills in strategic planning and policy development
- ✓ Effective regional collaboration
- ✓ Credibility for more effective advocacy
- ✓ Capable partner for State and Federal agencies
- ✓ Resources to cope with complex and unexpected change
- ✓ High quality political and managerial leadership

Sutherland Shire COUNCIL

The Improvement Proposal…Template 2

1. Online Submission

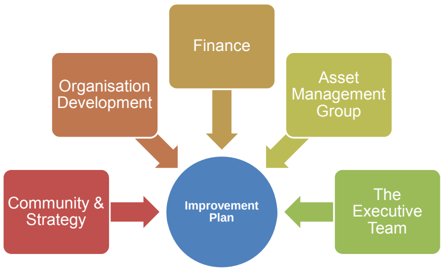
- Summary of proposal
- Scale & Capacity
- Information about LG area
- Key challenges & opportunities
- Performance against ratios
- Summary of strategies and actions
- Implementation Plan

2. The Improvement Action Plan

"The purpose of the plan is to map a set of specific strategies and actions what Council will undertake over the next 5 years to build a more efficient, sustainable, focused and responsive organisation"

How has Council performed & where will we be in the future?

Who developed the Plan?



	Measure/ Benchmark	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	IPART Assessment Criteria	
Sustainability	Operating Performance ratio*	-2.36%	-2.34%	-1.18%	0.17%	0.64%	0.43%	0.34%	Must meet within 5 years	✓
	Own Source Revenue Ratio*	77.14%	83.50%	83.60%	89.04%	89.13%	90.53%	90.65%	Must meet within 5 years	✓
	Building and Infrastructure Asset Renewal Ratio *	133.54%	151.38%	147.63%	138.82%	117.91%	102.36%	91.70%	Meet or improve within 5 years	✓
Infrastructure and Service Management	Infrastructure Backlog Ratio	3.76%	2.70%	2.50%	2.30%	2.10%	2.10%	2.00%	Meet or improve/inform within 5 years	✓
	Asset Maintenance Ratio *	100.44%	99.79%	101.16%	100.00%	100.00%	100.00%	100.00%	Meet or improve/inform within 5 years	✓
	Debt Service Ratio*	5.80%	2.13%	1.77%	1.50%	1.21%	1.15%	1.12%	Meet within 5 years	✓
Efficiency	Real Operating Expenditure per Capita	$772.61	$763.84	$756.94	$749.72	$743.20	$734.10	$727.97	Must demonstrate operational savings over 5 years	✓

IPART Assessment Criteria

	Measure/ Benchmark	Benchmark	IPART Assessment Criteria
Sustainability	Operating Performance ratio	Greater than or equal to breakeven average over 3 years	Must meet within 5 years
	Own Source Revenue Ratio	Greater than 60% average over 3 years	Must meet within 5 years
	Building and Infrastructure Asset Renewal Ratio	Greater than 100% average over 3 years	Meet or improve within 5 years
Infrastructure and Service Management	Infrastructure Backlog Ratio	Less than 2%	Meet or improve/inform within 5 years
	Asset Maintenance Ratio	Greater than 100% average over 3 years	Meet or improve/inform within 5 years
	Debt Service Ratio	Greater than 0% and less than or equal to 20% average over 3 years	Meet within 5 years
Efficiency	Real Operating Expenditure per Capita	A decrease in Real Operating Expenditure per capita over time	Must demonstrate operational savings over 5 years

Overview of Objectives

5 Yr Action Plan

Page 14

Sutherland Shire COUNCIL

Policy & Strategy

Strategy 2	People and Culture
Actions	a) Develop a program of training and activities to foster a positive and proactive b) Organisational skill set and culture and integrate into the Workforce Strategy c) Implement skill and culture strategy on an annual basis d) Implement IM&T Strategy 2015 – 2020 [Appendix 3] e) Determine a hierarchy of KPIs and integrate within a defined performance management f) Framework

Sutherland Shire COUNCIL

Policy & Strategy

Sutherland Shire COUNCIL

Policy & Strategy

Strategy 3	Financial Sustainability
Actions	a) Costing of revised service models following Service Management Review b) Costing of revised asset requirements to support newly adopted Service Management Model c) Identify new or alternative revenue/funding sources d) Review the service portfolio e) Identify $1M in savings for 2015/16 f) With the Asset Management Group: • Develop Asset Capitalisation Accounting Policy • Implement a full lifecycle costing methodology for new assets • Review Fixed Asset Register • Integration of Financial Management System with Asset Management System • Continual improvement of Special Schedule 7 reporting year on year • Identify redundant assets and develop a divestment strategy g) Revisit Council's community leasing policy h) Audit Special Schedule 7

Sutherland Shire COUNCIL

Policy & Strategy

Strategy 1	Community Engagement
Actions	a) Develop Delivery Program 2013/14 - 2016/17 incorporating Operational Plan 2016/17 through implementing the Community Engagement Strategy b) Develop a strategy to skill managers to link community engagement to IP&R and business plans c) Four yearly review of the Community Strategic Plan d) End of Council Term Report & State of Environment completed e) Six monthly report on achievements against adopted IP&R Framework f) Develop Delivery Program 2017/18 – 2020/21 incorporating Operational Plan annually g) Review effectiveness of engagement tools & strategy

Sutherland Shire COUNCIL

Service Management

Sutherland Shire COUNCIL

Service Management

Strategy 4:	Service Delivery Review
	a) Creation of a comprehensive list of services provided by Council b) Setting the Priority List of Services to be reviewed c) Development of Service Delivery Statements to provide internal and external guidance: • Data extraction and collation • Development of the individual Service Delivery Statements d) Develop and Conduct Service Delivery Evaluation Community Engagement Program e) Based on results, adjust Service levels, Resources, Service Delivery Statements f) Incorporates results into the Resourcing Strategy and associated IP&R Documents g) Where applicable build consistent service management plans based on the revised operating position

Sutherland Shire COUNCIL

Asset Management

Strategy 6:	Asset Management Improvements
	a) Develop an Asset Management Roadmap to be adopted by Council b) Revise Asset Management policy c) Prepare Asset Custodian policy (roles and responsibilities determination) d) Develop strategic asset management plan (SAMP) for inclusion in Resourcing strategy e) Revise asset management plans annually as part of the annual operational plan preparation f) Achieve a core level of asset management maturity based on a well-documented system by 2020 g) Alignment of Council's asset management system to ISO 55000 h) Asset management is integrated with IPR reporting mechanisms i) Future renewal estimates are included in Long term financial plan j) Develop capital expenditure prioritisation policy k) Develop service strategies for the four classes of assets • Transport • Building and Facilities • Open Space • Stormwater l) Review integrity of asset data in Open Space and Stormwater

Sutherland Shire COUNCIL

Service Management

Strategy 5:	Business Process Improvement
	a) Determine priority business processes b) Support Business Unit Managers in skill development related to BPM c) Conduct organisation wide census of processes d) Review BPM processes and evaluate outcomes

Sutherland Shire COUNCIL

Questions…

Asset Management

Sutherland Shire COUNCIL