



# **LONG TERM FINANCIAL PLAN**

**2022/23 to 2031/32**

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## TABLE OF CONTENTS

Executive Summary .....	3
Introduction .....	8
Financial Objectives .....	9
Financial Planning Assumptions .....	13
Expenditure Assumptions.....	15
Revenue Assumptions .....	19
Results - Normal Continuance of Service.....	23
Additional Special Rate Variation (ASRV).....	30
Results - Normal Continuance of Service & ASRV .....	35
Asset Management Planning .....	36
Results - Normal Continuance of Service & Asset Management Requirements .....	38
Results - Normal Continuance of Service, Asset Management Requirements & SRV .....	50
Strategic Initiatives .....	51
Financial Risks .....	53

Sensitivity Analysis – Major Projects.....	55
Sensitivity Analysis – Investment Returns.....	58
Future Direction.....	60
Action to Improve Future Direction.....	62

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## Executive Summary

Since the last version of Council's Long Term Financial Plan (LTFP) was prepared Council's financial capacity has declined because of internal and external factors, notably a historically low rate peg of 0.7% set by the Independent pricing and Regulatory Tribunal (IPART) in 2022/23, an increase in the Emergency Services Levy payable to the NSW State Government of \$1 million per year, the need to provide an additional \$3.2 million per year to meet the requirements identified in Council's recently revised Asset Management Plans and an increase in statutory employee superannuation to 12% that amounts to \$1.2 million in additional superannuation payments each year by 2026. Investment returns from Council's investment portfolio have also declined in line with a reduction in the interest base rate set by the Reserve Bank of Australia from 1.5% to 0.1%. Because of these factors forecast deficits are expected to occur sooner and are larger than those that were forecast in the last two years of the previous ten year Plan.

The deficits forecast increase in size over the life of the Plan because Council's income is expected to grow at a slower rate than expenditure due to increases in the wages price index and consumer price index over the planning period. The forecast deficits are also accelerated by the need to allocate additional funding to maintain Council's assets in a satisfactory condition, including allocating recurrent budgets for operational, maintenance and renewal expenditure for newly constructed major capital projects such as Hornsby Park that are due to be completed during the period of the Plan.

Because of each of these matters the capacity forecast in the LTFP is below acceptable levels and action is required to ensure that recurrent services, including allocating appropriate budgets for asset maintenance and renewal can be provided in a sustainable manner into the future.

The main purpose of the LTFP is to guide and inform decision making in respect to Council's financial sustainability. The LTFP establishes the framework for sound financial decisions and provides an insight as to the financial sustainability of the Council over the planning period of this document. The key objectives in developing this Plan are:

- Balanced Budgets
- Continuous Financial Improvement

- Reduction in External Loan Borrowing
- Achieve/Maintain Financial Sustainability Benchmarks (Indicators prescribed by the Office of Local Government)

As part of undertaking financial modelling, key assumptions that underpin the forecasts must be made. The 2022/23 Original Budget has been used as its base point, with a number of market driven and internal assumptions to project revenue and expenditure then made over the forecast period.

Council's future financial position has been forecast on the basis of a continuance of 'normal operations' including providing for the expenditure requirements identified in recently revised Asset Management Plans.

### ***Councillor Briefings***

Since the adoption of the current published LTFP at the 13 March 2019 General Meeting of Council further revisions have been necessary due to various budget challenges. These revisions have been endorsed by Councillors at various briefing workshops held during November 2020, February 2021, March and April 2022. These briefing workshops were held to advise Councillors of revisions required to the LTFP due to changed economic conditions impacting Council's financial position, reaffirm priorities, provide updated asset management requirements and to plan for any necessary budget adjustments in future annual budgets.

Priorities reaffirmed by Councillors identified in the 2019 version of the LTFP are:

- Revitalisation of the Hornsby Quarry and Westleigh Sportsground projects as per funds received from the NSW Government's Stronger Community Funding allocated to Council together with a recurrent allocation towards maintaining these sites upon construction
- Continuation of Public Domain improvements for Asquith to Mt Colah and an allocation of funding for improvements in Galston
- Greater allocation towards new footpaths
- Improvements to Wallarobba Arts and Cultural Centre
- Heritage Planning Study

## Future Direction

The Income Statement result before capital items over the 10-year period forecasts a deficit in eight out of ten years and there is an average deficit of (\$4.736) million per year. The budget result over the 10 year period also predicts a deficit in eight out of ten years and there is an average cash deficit of (\$3.096) million per year. The cash deficits forecast will result in the use of Council's unrestricted cash balance and/or the repurposing of internally restricted assets during the period of the Plan to fund recurrent operations, which is unsustainable. Therefore, additional funding must be generated to rebalance results within acceptable levels.

If unaddressed the reduced financial capacity will limit Council in a number of ways:

1. Normal Operations

There is insufficient capacity within the LTFP to fund the continuance of normal operations into the future. Additional funding must be identified to fund the deficits forecast in future years or services may need to be reduced to ensure a balanced budget each year.

2. Asset Management

There is insufficient capacity within the LTFP to fund the requirements identified in Council's Asset Management plans to maintain assets in a satisfactory condition. As a result, the condition of Council's assets will decline and the level of infrastructure backlog will increase unless funding is identified.

3. Major Capital Projects

The funding available for the redevelopment of Hornsby Park is limited to the funds that have been set aside for this project from Development Contributions and from the NSW Government's 'Stronger Community Funds'. Increased community expectations around the scope of this project will need to be limited to the amount that has been set aside based on a budget of \$79.4 million with acknowledgement that the full scope of works identified in the Master Plan cannot currently be completed given the associated estimated capital cost of \$130 million.

The preference made by the previous Council to progress Hornsby Park instead of Westleigh Park should also be reinforced as there is insufficient capacity within the LTFP to fund the ongoing recurrent costs of both sites. There is also an unavoidable level of financial risk from the size of the works being undertaken at Hornsby Park that, as demonstrated by the Sensitivity Analysis section of this report would have a significant impact on Council's financial sustainability should costs or scope increase. To reduce some of the financial risk that Council is exposed to works at Westleigh Park should not commence until after the completion of Hornsby Park. Recurrent funding for ongoing maintenance and renewal must also be identified before Westleigh Park can commence as there is not currently a budget allocated for this.

#### 4. Strategic Initiatives

There is insufficient capacity within the LTFP to fund the initiatives identified across Council's recently adopted strategic and technical documents. Community consultation is required to prioritise the initiatives identified and test the appetite of residents to pay for initiatives through a special rate variation. Council should also consider the risk in creating future new strategies as the quantum of unfunded initiatives in the existing documents have an estimated cost of at least \$8.8 million based on funding 50% of the identified actions only.

### **Action to Improve Future Direction**

Future operating capacity is below acceptable levels, and it must be improved to ensure recurrent services can be provided into the future including the need to provide sufficient funding to maintain Council's assets in a satisfactory condition. The following is recommended:

- Continue with Council's application to IPART for a 2.28% additional special rate variation on a permanent basis for 2022/23.
- Consider a further special rate variation to rebalance Council's finances within acceptable levels over the long term. Priority should be given to meeting asset management requirements and ensuring there is sufficient funding for recurrent services. A special rate variation is recommended in the first instance because of the quantum of funds required to provide balanced budgets. However, other funding initiatives such as the generation of additional income from increases to user fees and charges could be explored to potentially reduce the size of a special rate variation required.

- Undertake community consultation with regards to the unfunded initiatives identified within Council's recently adopted Strategic and Technical documents. The consultation should assess the appetite of the community for a further rate rise to pay for initiatives and establish priorities.
- Council should carefully assess whether there is value in creating any further strategic documents given unfunded initiatives in existing documents require at least \$8.8 million of funding (based on preliminary costing for 50% of the actions identified only).
- Continue with the previously agreed position to develop Hornsby Park ahead of Westleigh Park including reinforcing this messaging to the community. To mitigate financial risk works at Westleigh Park should not be undertaken until it is financial appropriate to commence. The development of Westleigh Park also requires a recurrent budget for operations and asset maintenance and renewal expenditure to be identified.
- Communicate the scope of works that can realistically be completed at Hornsby Park based on the available budget to the community and how this differs to the full scope of the master plan.
- Carefully consider the acceptance of further external grants for capital purposes. There is insufficient capacity within the LTFP to fund the associated recurrent costs from any new capital that is not already included in the LTFP. It may be in Council's best financial interests to decline capital grant funding depending on whether an evidence-based need for the project exists within Council's strategic documents, and depending on the availability of budgets to fund recurrent costs.
- Review other income streams such as fees and charges to ensure appropriate price setting and assess whether price increases could be used to generate additional income.
- Apply a freeze to Council's approved Full Time Equivalent headcount where appropriate; with no new positions to be created unless offset by an equivalent position elsewhere.
- Maintain cost increases to modest levels in regard to non-labour related expenses each year.
- Continuance of financial improvement initiatives (the development of business improvement plans)
- Consider whether there is a case to rationalise underutilised assets to reduce ongoing cost requirements and/or provide one off capital funding from sale proceeds towards other capital investment decisions.



## Introduction

Council's LTFP is a requirement under the Integrated Planning and Reporting framework for NSW Local Government and forms part of the Resourcing Strategy. The LTFP must be for a minimum of 10 years with the purpose of making clear the financial direction of Council as well as the impact of that direction on achieving community priorities.

The LTFP is based on Council's draft 2022/23 budget, which was adopted for public exhibition on 13 April 2022 and is expected to be adopted by Council in June 2022. The 2022/23 budget forms the first year of the LTFP. Future years are based on a range of forecasted assumptions used to determine:

- Future revenue and expenditure (Income Statement result)
- Budget summary (cash liquidity result)
- A projection for a range of key financial indicators prescribed by the Office of Local Government
- Balance Sheet and Cash Flow Statements

The main purpose of the LTFP is to guide and inform decision making. The LTFP establishes the framework for sound financial decisions and to provide an insight as to the financial sustainability of the Council over the planning period of this document. In addition to the presentation of financial results, information will be provided in respect to:

- Financial planning assumptions used
- An analysis of the factors and/or assumptions that are most likely to affect the plan
- Methods of monitoring financial performance

Financial planning over a ten year horizon is difficult and obviously relies on a variety of assumptions that may be subject to change during this period. The LTFP will therefore be closely monitored, and regularly revised, to reflect these changing circumstances.

## Financial Objectives

In preparing the LTFP a number of key objectives have been considered. These objectives are listed below.

### ***Balanced Budgets***

Council has a strong commitment to adopting annually a balanced budget. To ensure there is capacity to respond to budget shocks that can occur such as infrastructure asset failures and natural disasters a 2% budget surplus/Operating Performance ratio is aimed for at the start of each year. This is considered financially prudent to respond to one off budget shocks that can occur over the course of the year.

Where a surplus budget is generated at the end of a financial year this amount will be directed towards the Capital Projects and Debt Retirement Restricted Asset account, which is used to fund key strategic capital projects that require reasonable capital investment from the Council or to fund cash shortfalls in future years of the Plan. This is consistent with Council's objective to maintain prudent financial management of its finances and to allocate financial surpluses towards key strategic issues.

### ***Continuous Financial Improvement***

Council has a longstanding commitment towards reviewing costs while maintaining existing service levels. This will require ongoing support towards:

- A general freeze on any non-labour operational expenditure unless grants and/or fees and charges can support an increase. Increases in these budgets are only increased after all options have been extensively explored.
- Prioritising funding requirements identified in Council's Asset Management Plans before new initiatives.
- Evaluation on a periodic basis of Council's activities to determine our competitiveness in terms of service provision and financial viability.
- To review Council's existing capital decisions ensuring business evaluations are undertaken where necessary to ascertain value and meet Capital Governance Framework requirements.
- Review of fees and charges to ensure closer alignment with costs.

### ***Reduction in External Loan Borrowing***

Council has a commitment towards reducing the need to externally borrow for annual capital works programs. This has been made possible by various financial improvements achieved over the term of previous Councils that generated savings from financial improvement that have been applied to eliminating the need to borrow annually for recurrent capital projects.

It is forecast that Council will be debt free by 30 June 2023 and the only ongoing borrowing cost in the LTFP after this point represents notional interest that is recognised for leased IT equipment and office space in line with accounting standards. There are forecast budget deficits in future years of the LTFP that should be funded prior to considering further external loan borrowing.

### ***Achieve/Maintain Local Government Performance Indicators***

The Office of Local Government has prescribed a range of Performance Indicators that are used to measure Council's financial position to assess its financial sustainability. A benchmark is set for each indicator, which sets the level of financial sustainability that Council should aim to achieve for each indicator, and it is a requirement to report on each of the indicators in Council's annual financial statements.

The Performance Indicators that are considered the most important measure of Councils financial sustainability are listed below:

Indicator	Quantitative Measure	Definition	Benchmarks
Operating Performance Ratio	Measures a council's ability to contain operating expenditure within operating revenue.	Operating revenue (excluding capital grants and contributions less operating expenses)/Operating revenue (excluding capital grants and contributions)	>0% (OLG Benchmark) >2% (Council Benchmark) The OLG set a benchmark is 0%. For this to be achieved it is recommended that an Operating Performance Ratio/Budget Surplus of 2% is forecast at the start of each year to respond to budget shocks that can occur throughout the year.
Own Source Operating Revenue Ratio	Measures the level of a council's fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.	Total operating revenue less (inclusive of capital grants and contributions) / Total operating revenue	>60%
Unrestricted Current Ratio	This ratio is specific to local government and is designed to assess the adequacy of working capital and the ability to satisfy obligations in the short term for unrestricted activities of council.	Current assets less all external restrictions/current liabilities less specific purpose liabilities	>1.5
Debt Service Cover Ratio	The availability of operating cash to	Operating Result before capital	> 2

	service debt including interest, principal and lease payments.	excluding interest and depreciation / Principal Repayments (from the Statement of Cash Flows + Borrowing Interest Costs (from the Income Statement)	
Asset Maintenance Ratio	Compares actual versus required annual asset maintenance.	Actual maintenance / Required asset maintenance	>100%
Infrastructure Renewals Ratio	Compares the proportion spent on infrastructure asset renewals and the assets deterioration.	Asset renewals/Depreciation of building and infrastructure assets	>100%
Infrastructure Backlog Ratio	This ratio shows what proportion the backlog is against total value of a council's infrastructure.	Estimated cost to bring assets to a satisfactory condition/total infrastructure assets	<2%

## Financial Planning Assumptions

As part of undertaking financial modelling, key assumptions that underpin the forecasts must be made. The assumptions utilised in the LTFP have been sourced and compared to various publications such as: BIS Oxford Economics, TCorp's economic forecasts and economic forecasts from Reuters.

The 2022/23 budget has been used as its base point, then makes a number of market driven and internal assumptions to project revenue and expenditure over the forecasted period. Several one-off recurring adjustments have also been included in the LTFP to provide funding for strategic initiatives agreed to by Councillors.

### ***Councillor Briefings***

Since the adoption of the current published LTFP at the 13 March 2019 General Meeting of Council further revisions have been necessary due to various budget challenges. These revisions have been endorsed by Councillors at various briefing workshops held during November 2020, February 2021, March and April 2022. These briefing workshops were held to advise Councillors of revisions required to the LTFP due to changed economic conditions impacting Council's financial position, reaffirm priorities, provide updated asset management requirements and to plan for any necessary budget adjustments in future annual budgets.

Priorities reaffirmed by Councillors identified in the 2019 version of the LTFP are:

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- Greater allocation towards new footpaths
- Improvements to Wallarobba Arts and Cultural Centre
- Heritage Planning Study

### ***Service Levels – Normal Continuance of Service & Asset Management Planning***

Council's future financial position has been forecast based on a continuance of 'normal operations'. This is difficult to define but can be regarded as the provision of services to stakeholders at levels of service that they have come to expect on a regular basis. Levels of service however may not remain the same given changes in community expectations in future years of the plan.

### ***Asset Management Planning***

Council controls an asset base with a gross replacement cost in the order of \$2 billion. Managing each of Council's assets in a fiscally responsible manner to provide agreed levels of service to the community is one of Council's core responsibilities. Therefore, it is an objective of the LTFP to ensure that ten-year forecast expenditure requirements within each of Council's Asset Management Plans are funded within the LTFP. This matter is discussed further in the Asset Management Planning section of this report.

## Expenditure Assumptions

The major expense categories for Council's operating budget are:

- Employee Benefits and On-costs
- Borrowing Costs
- Materials and Contracts
- Depreciation
- Other Expenses

### *Employee Benefits and On-costs*

Employee costs include salaries, wages, superannuation, leave entitlements, training, workers compensation premiums and other employee related expenses.

For the year ending June 2023 the forecast expenditure increase has been based on the published local government award increase of 2%. Further Local Government Award increases are not yet known therefore the forecast expenditure increase has been based on the Wages Price Index, which is deemed to appropriately reflect the impact of the forecast inflationary environment over the next 10 years.

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Salary	2.0%	2.4%	3.1%	3.1%	3.1%	3.1%	3.1%	3.3%	3.3%	3.3%
Movement										

Additional employee related assumptions include:

- Superannuation increases in line with salaries and wages growth each year, plus an additional 0.5% increase in the legislated superannuation guarantee rate from 10% in 2022 to 12% in 2026



- No material change is expected in existing staff numbers and employee working hours
- Workers compensation expense is expected to increase in line with salaries and wages

### ***Borrowing Expenses***

A key objective by Council has been to reduce the level of external borrowing and so this Plan has been predicated on no loan borrowing. The level of debt servicing from previous external loan borrowing will cease at the end of 2022/23 and the only remaining borrowing expenses in Council's Income Statement will relate to a notional interest on leases for IT equipment and the Thornleigh Office that are recognised as required by Australian Accounting Standards.

External borrowing could be a strategy considered by Council to assist in funding significant capital projects to benefit future generations or to acquire assets that are income producing or that hold strategic value. The beneficiaries of these future projects will assist in their funding as their rates will be applied in part to repaying the loans. This contrasts with current ratepayers bearing the entire burden in one year, possibly at the expense of other worthy expenditures. Whilst this strategy could be considered by Council in future years the use of loan borrowing would be an unsuitable option for Council at this time. Forecast recurrent budget deficits should be funded prior to committing Council to interest and principal repayments that would require further recurrent funding.

## ***Materials and Contracts***

Local government expenditure is characterised by high levels of materials and contracts. Materials and contracts are used in the creation and maintenance of assets and to provide recurrent operational services.

The Consumer Price Index has been chosen as the relevant factor in modelling these expenses over the term of the Plan. This has been sourced from BIS Oxford Economics using the compound annual growth rate estimated for this timeframe.

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
CPI	2.1%	2.1%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%

Additional material and contract related assumptions include:

- Maintain cost increases to modest levels in regards to non-labour related expenses.
- The inclusion of 10 year forecasts for asset maintenance as required by Council's Asset Management Plans

## ***Depreciation***

Depreciation is an allowance or provision made in the financial records for "wear and tear" and "technical obsolescence" of plant and equipment. The idea of depreciation is to spread the cost of that capital asset over the period of its "useful life to the entity" that currently owns it. Council's existing depreciation schedule, plus an allowance for new projects less retirements has been used as the basis for determining depreciation expense.

Depreciation forecasts relate to existing assets and to Council's extensive capital works program. The Council's assets are also being progressively revalued to fair value in accordance with asset revaluation cycles issued by the Office of Local Government, which typically cause increases to the depreciation expense from the recognition of asset replacement cost increases that occur over time.

It is forecast that Council's depreciation expense will increase by an average of 4.17% each year because of new depreciation associated with Council's large capital works program and the increase in gross replacement cost of existing assets that is recognised each time a revaluation is undertaken.

### ***Other Expenses***

This consolidation of costs under this category includes items such as street lighting, utility costs, insurances, legal costs, statutory charges and other program expenditure.

The Consumer Price Index has been chosen as the relevant factor in modelling these expenses over the term of the Plan. This has been sourced from BIS Oxford Economics using the compound annual growth rate estimated for this timeframe.

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
CPI	2.1%	2.1%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%

Additional other expense related assumptions include:

- Election expenses provided for in relevant years
- Maintain cost increases to modest levels regarding non-labour related expenses

## Revenue Assumptions

The major revenue categories for Council's operating budget are:

- Rates and Annual Charges
- User Charges and Fees
- Interest and Investment Revenue
- Other Revenue
- Grants and Contributions provided for Operating Purposes
- Grants and Contributions provided for Capital Purposes

### ***Rates and Annual Charges***

Rates and Charges are a major source of Council's revenue, representing more than 80% of own source revenue. The amount of rates income a council may levy is limited by rate pegging. Rate pegging refers to the process in which the State Government determines annually the allowable increase in rates, which is referred to as the rate peg. This allowable increase is announced annually by the Independent Pricing and Regulatory Tribunal (IPART).

The approved rate pegging increase for 2022/23 was set at 0.7% which Council has applied to the calculation of rates income in that year. For future years the rate peg increase has been applied based on the historic average, which has been approximately 2.28%.

The 2022/23 rate peg set by IPART is significantly below the historic average and is less than forecast cost increases for salaries and wages and materials and services. The Minister for Local Government in response to financial sustainability concerns raised by the Local Government sector has announced a one-off opportunity for the 2022/23 financial year for Council to apply to the IPART to increase the 2022/23 rate peg to 2.28%. This is discussed further within the Additional Special Rate Variation of this report.

Additional Rates and Annual Charges related assumptions include:

- Growth on existing residential dwellings has been included in the Plan.

### ***User Charges and Fees***

Many of the services provided by Council are offered on a user pays basis. There is however a range of other factors that Council considers in determining an appropriate fee for its services.

The Consumer Price Index has been chosen as the relevant factor in modelling these expenses over the term of the Plan. This has been sourced from BIS Oxford Economics using the compound annual growth rate estimated for this timeframe.

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
CPI	2.1%	2.1%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%

### ***Interest and Investment Revenue***

Interest on investments will vary over the Plan period due to cash-flow levels and interest rate percentages. The LTFP calculates the interest on investments based on estimated cash-flow (allowing for estimated infrastructure project expenditure) and base rate set by the Reserve Bank of Australia. The margin earned on each of Council's investment products above the base rate has been sourced from Council's investment advisor, Prudential Investment Services and are based on forecasts from Reuters.

The percentage investment return on Council's portfolio is forecast to increase over the period of the LTFP in line with expected increases to the base rate set by the Reserve Bank of Australia. The total average expected return ranges from 1.78% in 2022/23 to 3.12% in 2031/32.

### ***Other Revenue***

Miscellaneous revenue is obtained from a variety of sources including insurance recoveries, parking fines, legal costs recovered, property rentals, etc. It is anticipated that other revenue will be maintained at current levels with CPI adjustments as reported above.

### ***Grants and Contributions***

Council receives a number of operational and capital grants from various Federal and State Government agencies. Capital contributions such as Section 711 Development Contributions are expected to continue in line with 2020- and 2021-income levels, which represents a decline in development activity since the peak in Hornsby Shire between 2015 and 2017. Capital contributions received in respect to Council's Section 711 Development Contribution Plan are to be spent in accordance with the works program identified in this Plan.

It is anticipated that grants and contributions revenue will be maintained at current levels with CPI adjustments being applied.

### ***Capital Expenditure***

This represents expenditure towards both the creation of new infrastructure assets and the renewal of existing assets (i.e. roads, drainage, footpaths and sportsgrounds). This expenditure category also includes capital purchases (i.e. information technology, fleet and plant assets).

Council's capital works program for 2022/23 totals \$66 million which is largely funded by external grants and restricted asset funding, as well as from general funds. The most significant capital cash flows are for major projects that are funded from external grants and restricted assets. Recurrent capital budgets such as for routine asset renewal are funded from general funds and other recurrent income sources.

This Plan has forecast capital expenditure at the following levels. This excludes the additional requirements identified in Council's revised Asset Management Plans as discussed within the Asset Management Plan section of this report.

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Capital Expenditure	\$66.0M	\$65.9M	\$69.0M	\$24.6M	\$25.0M	\$29.6M	\$41.0M	\$42.5M	\$27.6M	\$28.1M

It is noted that capital expenditure has increased above historical levels of approximately \$25 to \$30 million due to several one-off infrastructure projects as listed below:

- Hornsby Quarry Revitalisation and Westleigh Sportsground allocated at the amount received through the NSW Government's Stronger Community Funding plus available S7.11 development contribution funds for Hornsby Park.
- Mark Taylor oval revitalisation (funded from the NSW Government's Stronger Community Fund).
- Public Domain improvements for Asquith to Mt Colah and Galston with other sites to progress as part of investigations into public domain
- Increase in new footpath construction
- Improvements to Wallarobba Arts and Cultural Centre – Stage 2
- Projects funded by development contributions in accordance with the timings identified in Council's 2020 – 2030 Development Contributions Plan noting that the timing of some projects has been brought forward in line with a commitment made by Council to the Department of Planning, Industry and Environment to accelerate expenditure to provide economic stimulus following the COVID-19 pandemic.

### ***Councils Best Estimate from Applying Financial Assumptions***

The key financial information that follows in the form of financial statements and indicators are results based on a range of forecast financial assumptions. These assumptions can change due to variations in economic conditions and/or a change in priorities set by Council. It is therefore intended that the financial assumptions be reviewed annually and compared to the actual results on an annual basis. This will be achieved via the reporting in Council's Annual Report by comparing the actual results on key financial statements and indicators to the forecasted figures for that year. Any issues identified through this process will be considered in the updating of the LTFP for the following year.

## Results – Normal Continuance of Service

The following results are based on forecast income and expenditure based on a continuance of 'normal' operations. The funding requirements of Council's revised Asset Management Plans are not included within this version of the LTFP and the 2022/23 rate peg is set at 0.7% being the approved rate peg set by IPART.

### Income Statement (Financial Statement Result)

Hornsby Shire Council												
10 Year Financial Plan for the Years ending 30 June 2032												
INCOME STATEMENT - GENERAL FUND	Actuals	Current Year	Projected Years									
Normal Continuance of Services	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Income from Continuing Operations</b>												
<b>Revenue:</b>												
Rates & Annual Charges	100,700,000	102,135,834	108,034,975	110,437,192	113,031,257	115,686,369	118,403,968	121,185,526	124,032,553	126,946,592	129,929,224	132,982,065
User Charges & Fees	14,002,000	14,271,474	14,233,154	14,532,377	14,895,686	15,268,078	15,649,780	16,041,025	16,442,050	16,853,102	17,274,429	17,706,290
Other Revenues	4,857,000	6,543,874	6,784,074	6,926,540	7,099,703	7,277,196	7,459,126	7,645,604	7,836,744	8,032,663	8,233,479	8,439,316
Grants & Contributions provided for Operating Purposes	10,862,000	8,357,903	12,770,694	13,038,879	13,364,850	13,698,972	14,041,446	14,392,482	14,752,294	15,121,102	15,499,129	15,886,608
Grants & Contributions provided for Capital Purposes	19,002,000	10,621,715	8,350,000	9,282,453	9,387,014	9,494,190	9,604,044	9,716,646	9,832,062	9,950,363	10,071,622	10,195,913
Interest & Investment Revenue	5,429,000	3,992,059	4,929,651	5,389,132	4,460,381	3,787,181	3,765,726	3,852,727	3,858,110	3,888,975	3,917,278	3,871,795
<b>Other Income:</b>												
Fair value increment on investment properties	97,000	-	100,000	102,100	104,653	107,269	109,951	112,699	115,517	118,405	121,365	124,399
Reversal of impairment losses on receivables	(1,000)	-	-	-	-	-	-	-	-	-	-	-
Rental Income	3,258,000	-	-	-	-	-	-	-	-	-	-	-
<b>Total Income from Continuing Operations</b>	<b>158,206,000</b>	<b>145,922,859</b>	<b>155,202,549</b>	<b>159,708,672</b>	<b>162,343,545</b>	<b>165,319,255</b>	<b>169,034,041</b>	<b>172,946,709</b>	<b>176,869,330</b>	<b>180,911,201</b>	<b>185,046,527</b>	<b>189,206,386</b>
<b>Expenses from Continuing Operations</b>												
Employee Benefits & On-Costs	49,504,000	50,939,704	54,872,389	56,457,718	58,484,618	60,582,931	62,461,002	64,397,293	66,393,609	68,584,598	70,847,890	73,185,871
Borrowing Costs	74,000	24,070	53,191	182,158	149,071	111,216	67,525	18,162	8,893	9,708	10,396	10,989
Materials & Contracts	59,229,000	59,249,398	60,829,432	59,401,685	63,136,729	63,808,897	65,369,120	66,968,348	69,457,557	70,287,746	72,009,940	73,775,188
Depreciation & Amortisation	19,866,000	20,442,227	21,215,275	22,170,866	23,078,601	24,024,189	25,009,208	25,946,946	26,742,065	27,876,769	29,036,655	30,266,158
Impairment of receivables	17,000	-	-	-	-	-	-	-	-	-	-	-
Other Expenses	3,386,000	9,276,431	8,870,633	9,056,916	9,283,340	9,515,423	9,753,309	9,433,645	9,669,487	9,911,224	10,159,004	10,412,979
Net Losses from the Disposal of Assets	4,997,000	-	-	-	-	-	-	-	-	-	-	-
Revaluation decrement/impairment of IPPE	2,045,000	-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenses from Continuing Operations</b>	<b>139,118,000</b>	<b>139,931,830</b>	<b>145,840,920</b>	<b>147,269,343</b>	<b>154,132,359</b>	<b>158,042,656</b>	<b>162,660,163</b>	<b>166,764,395</b>	<b>172,271,610</b>	<b>176,670,046</b>	<b>182,063,885</b>	<b>187,651,185</b>
<b>Net Operating Result for the Year</b>	<b>19,088,000</b>	<b>5,991,029</b>	<b>9,361,628</b>	<b>12,439,329</b>	<b>8,211,186</b>	<b>7,276,599</b>	<b>6,373,878</b>	<b>6,182,314</b>	<b>4,597,720</b>	<b>4,241,155</b>	<b>2,982,642</b>	<b>1,555,201</b>
<b>Net Operating Result before Grants and Contributions provided for Capital Purposes</b>	<b>86,000</b>	<b>(4,630,686)</b>	<b>1,011,628</b>	<b>3,156,876</b>	<b>(1,175,828)</b>	<b>(2,217,591)</b>	<b>(3,230,166)</b>	<b>(3,534,331)</b>	<b>(5,234,342)</b>	<b>(5,709,208)</b>	<b>(7,088,981)</b>	<b>(8,640,712)</b>



There is an average deficit of (\$3.266) million per year in accordance with statutory reporting requirements  
**Budget Summary (Liquidity Result)**

<b>Hornsby Shire Council</b>											
<b>10 Year Financial Plan for the Years ending 30 June 2032</b>											
<b>BUDGET SUMMARY - GENERAL FUND</b>	<b>Current Year</b>	<b>Projected Years</b>									
<b>Normal Continuance of Services</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>	<b>2030/31</b>	<b>2031/32</b>
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Income from Continuing Operations</b>											
Rates & Annual Charges	102,135,834	108,034,975	110,437,192	113,031,257	115,686,369	118,403,968	121,185,526	124,032,553	126,946,592	129,929,224	132,982,065
User Charges & Fees	14,271,474	14,231,474	14,530,335	14,893,593	15,265,933	15,647,581	16,038,771	16,439,740	16,850,734	17,272,002	17,703,802
Other Revenues	6,543,874	6,784,074	6,926,540	7,099,703	7,277,196	7,459,126	7,645,604	7,836,744	8,032,663	8,233,479	8,439,316
Grants & Contributions provided for Operating Purposes	8,357,903	12,770,694	13,038,879	13,364,850	13,698,972	14,041,446	14,392,482	14,752,294	15,121,102	15,499,129	15,886,608
Grants & Contributions provided for Capital Purposes	10,621,715	8,350,000	9,282,453	9,387,014	9,494,190	9,604,044	9,716,646	9,832,062	9,950,363	10,071,622	10,195,913
Interest & Investment Revenue	3,992,059	4,929,651	5,389,132	4,460,381	3,787,181	3,765,726	3,852,727	3,858,110	3,888,975	3,917,278	3,871,795
Fair value increment on investment properties	-	100,000	102,100	104,653	107,269	109,951	112,699	115,517	118,405	121,365	124,399
<b>Total Income from Continuing Operations</b>	<b>145,922,859</b>	<b>155,200,869</b>	<b>159,706,630</b>	<b>162,341,452</b>	<b>165,317,109</b>	<b>169,031,842</b>	<b>172,944,455</b>	<b>176,867,020</b>	<b>180,908,833</b>	<b>185,044,100</b>	<b>189,203,898</b>
<b>Expenses from Continuing Operations</b>											
Employee Benefits & On-Costs	50,939,704	54,872,389	56,457,718	58,484,618	60,582,931	62,461,002	64,397,293	66,393,609	68,584,598	70,847,890	73,185,871
Borrowing Costs	24,070	25,388	15,880	15,880	15,880	15,880	15,880	15,880	15,880	15,880	15,880
Materials & Contracts	59,249,398	60,829,432	59,401,685	63,136,729	63,808,897	65,369,120	66,968,348	69,457,557	70,287,746	72,009,940	73,775,188
Depreciation & Amortisation	20,442,227	21,215,275	22,170,866	23,078,601	24,024,189	25,009,208	25,946,946	26,742,065	27,876,769	29,036,655	30,266,158
Other Expenses	9,276,431	8,870,633	9,056,916	9,283,340	9,515,423	9,753,309	9,433,645	9,669,487	9,911,224	10,159,004	10,412,979
<b>Total Expenses from Continuing Operations</b>	<b>139,931,830</b>	<b>145,813,117</b>	<b>147,103,065</b>	<b>153,999,168</b>	<b>157,947,320</b>	<b>162,608,518</b>	<b>166,762,113</b>	<b>172,278,597</b>	<b>176,676,218</b>	<b>182,069,369</b>	<b>187,656,076</b>
<b>Net Operating Profit /(Loss) for the Year</b>	<b>5,991,029</b>	<b>9,387,752</b>	<b>12,603,565</b>	<b>8,342,284</b>	<b>7,369,789</b>	<b>6,423,324</b>	<b>6,182,342</b>	<b>4,588,423</b>	<b>4,232,615</b>	<b>2,974,730</b>	<b>1,547,822</b>
<b>Capital (Balance Sheet) and Reserve Movements</b>											
Capital Expenditure	(64,955,344)	(65,965,434)	(65,927,757)	(68,951,740)	(24,581,536)	(24,971,547)	(29,553,050)	(40,955,615)	(42,468,854)	(27,576,239)	(28,091,809)
Loan Repayments (External)	(241,970)	(256,532)	-	-	-	-	-	-	-	-	-
ELE Provisions paid out	(956,069)	(956,069)	(956,069)	(956,069)	(956,069)	(956,069)	(956,069)	(956,069)	(956,069)	(956,069)	(956,069)
Proceeds from Sale of intangible & tangible Assets	1,000,000	1,000,000	1,021,000	1,046,525	1,072,688	1,099,505	1,126,993	1,155,168	1,184,047	1,213,648	1,243,989
Non-cash Expense Contra Income	20,442,227	21,215,275	22,170,866	23,078,601	24,024,189	25,009,208	25,946,946	26,742,065	27,876,769	29,036,655	30,266,158
Net Transfers (to)/from Reserves	39,423,922	37,365,885	34,369,034	37,961,627	(6,535,454)	(6,611,116)	(2,562,112)	8,812,246	9,280,327	(6,169,235)	(6,211,275)
<b>Total Capital (Balance Sheet) and Reserve Movements</b>	<b>(5,287,234)</b>	<b>(7,596,875)</b>	<b>(9,322,926)</b>	<b>(7,821,056)</b>	<b>(6,976,183)</b>	<b>(6,430,019)</b>	<b>(5,997,292)</b>	<b>(5,202,205)</b>	<b>(5,083,780)</b>	<b>(4,451,240)</b>	<b>(3,749,005)</b>
<b>Net Result (including Depreciation &amp; Other non-cash items)</b>	<b>703,795</b>	<b>1,790,877</b>	<b>3,280,639</b>	<b>521,228</b>	<b>393,607</b>	<b>(6,695)</b>	<b>185,051</b>	<b>(613,782)</b>	<b>(851,164)</b>	<b>(1,476,510)</b>	<b>(2,201,183)</b>
Add back Depreciation Expense (non-cash)	20,442,227	21,215,275	22,170,866	23,078,601	24,024,189	25,009,208	25,946,946	26,742,065	27,876,769	29,036,655	30,266,158
Less Other Income (non-cash)	(20,442,227)	(21,215,275)	(22,170,866)	(23,078,601)	(24,024,189)	(25,009,208)	(25,946,946)	(26,742,065)	(27,876,769)	(29,036,655)	(30,266,158)
<b>Cash Budget Surplus/(Deficit)</b>	<b>703,795</b>	<b>1,790,877</b>	<b>3,280,639</b>	<b>521,228</b>	<b>393,607</b>	<b>(6,695)</b>	<b>185,051</b>	<b>(613,782)</b>	<b>(851,164)</b>	<b>(1,476,510)</b>	<b>(2,201,183)</b>

There is an average cash budget surplus of \$0.102 million per year.

## **Commentary on Financial Results – Normal Continuance of Service**

The Income Statement and Budget Summary results forecast over the period of this Plan have diminished compared to historic results. The Income Statement result over the 10-year period predicts a deficit for eight out of the ten years and there is an average deficit of (\$3.266) million per year.

Based on a cash-funding basis the budget forecast results over the same period result in an average cash-funding surplus of \$102K per year. However, this level of unencumbered cash is insufficient to absorb budget shocks that may result from a natural event requiring Council's response, an urgent need to replace failing infrastructure in a given year, the shifting of services from other tiers of government or a desire by Council to expand existing service levels.

The cash-funding result forecast in the budget is better than the income statement result as the income statement result contains an allowance for non-cash depreciation each year as required by accounting standards, which is unavoidable. Comparatively, a cash allocation has not been provided in this result to fund all the requirements identified in Council's revised Asset Management Plans (annual average requirement of \$3.2 million) for asset renewal and other key initiatives that have been identified.

It is noted that this results in infrastructure asset ratios in a normal continuance version of the LTFP are below acceptable benchmarks as the condition of Council's assets is expected to decline if sufficient funding is not provided for maintenance and renewal. These results indicate that Council's forecast financial sustainability based on the normal continuance of services is unsatisfactory and action is required to improve the results forecast.

### Income Statement Commentary

Council's Audited Income Statement result has gradually declined over recent years to a break-even position in 2020/21. Deficits are expected to commence during the period of this Plan:

- 2020/21        \$0.086M Surplus
- 2019/20        \$4.550M Surplus
- 2018/19        \$7.641M Surplus
- 2017/18        \$6.649M Surplus
- 2016/17        \$8.720M Surplus

Since 2016/17 Council's Income Statement result has gradually decline because of internal and external factors, notably a boundary adjustment, a \$1 million increase in the Emergency Services Levy payable to the NSW State Government, a decline in the interest base rate set by the Reserve Bank of Australia from 1.5% to 0.1%, which has significantly reduced returns on Council's investment portfolio. Many of Council's investment holdings are forecast to be expended during the period of this Plan as work on major projects such as Hornsby Park progresses, the majority of which are due to be completed over the next ten years.

A summary of the forecast Income Statement Result before Capital Items and Profit from Asset Sales is listed below.

#### Net Operating Result before Capital Items

	<b>21/22 (current budget)</b>	<b>22/23</b>	<b>23/24</b>	<b>24/25</b>	<b>25/26</b>	<b>26/27</b>	<b>27/28</b>	<b>28/29</b>	<b>29/30</b>	<b>30/31</b>	<b>31/32</b>
Recurrent services only	(\$4.630M)	\$1.011M	\$3.157M	(\$1.176M)	(\$2.218M)	(\$3.230M)	(\$3.534M)	(\$5.234M)	(\$5.709M)	(\$7.089M)	(\$8.641M)

Income Statement results are expected to decline further into deficit over the next ten years, which is largely driven by forecast expenditure increasing at a greater rate than forecast income. The wages price index is expected to increase to 3.3% per year by the end of the plan, whereas the rate peg, which is the main driver for many of Council's income streams is forecast to increase by 2.28% per year. The following items have also accelerated the decline into deficit:

- A 0.7% rate peg set by IPART in 2022/23 that has resulted in \$1.1 million less income from rates compared to the rate peg of 2.28% that was forecast in the previous version of Council's LTFP. The associated ongoing financial detriment is more than \$11 million over the life of the Plan.
- Statutory increases in the employee superannuation rate from 10% to 12% by 2026, which has increased expenditure by \$1.2 million per year.
- A recurrent budget of \$1.4 million from 2024/25 for the recurrent maintenance and operation of Hornsby Park.

The Income Statement deficit currently forecast in 2021/22 of (\$4.630M) is attributable to three one-off items; the cost of the Council election in 2021/22 of \$850K, an early payment of the 2021/22 Financial Assistance Grant in the previous year of \$2.2 million and an unforeseen one-off investigation and monitoring costs at the former landfill site at Foxglove Oval of \$2.3 million.

#### Budget Summary Commentary

It has been a long-standing objective of Council to produce a balanced budget. Historically this has been achieved by freezing non labor expenditure each year including budgets for asset maintenance and renewal. The previous version of the LTFP recommended that Council's Asset Management Plans be updated to provide revised 10-year maintenance and renewal forecasts for inclusion in the Plan.

The revised asset management forecasts are not included in this version of the plan. Therefore, the cash result forecast in the budget before asset management requirements is better than the income statement result as the income statement result contains an allowance for non-cash depreciation each year as required by accounting standards. Conversely, a cash allocation has not been provided in the budget for asset renewal and maintenance, which is the equivalent expense:

Cash budget surplus/(deficit)	21/22 (current budget)	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32

Recurrent services only	\$0.704M	\$1.791M	\$3.281M	\$0.521M	\$0.394M	(\$0.007M)	\$0.185M	(\$0.614M)	(\$0.851M)	(\$1.477M)	(\$2.201M)
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Despite no additional funding being provided for asset management in this version of the LTFP deficits are forecast in 5 out of 10 years and the level of unencumbered cash (average cash surplus of \$102K) is insufficient to absorb budget shocks that may occur during a financial year.

#### Local Government Performance Indicators Commentary

Indicators in this version of the LTFP are forecast as follows:

Indicator	Benchmark	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32
Operating Performance Ratio	>2% (>0% OLG)	0.62%	2.03%	-0.84%	-1.49%	-2.10%	-2.24%	-3.21%	-3.41%	-4.12%	-4.90%
Own Source Operating Revenue Ratio	>60%	86.38%	86.01%	85.98%	85.96%	86.00%	86.05%	86.09%	86.13%	86.17%	86.21%
Unrestricted Current Ratio	>1.5	6.44	6.08	5.33	5.54	5.65	5.72	5.58	5.30	5.30	5.08
Debt Service Cover Ratio	>2	53.32	38.04	33.67	34.53	35.86	49.60	433.16	408.99	378.09	352.36
Asset Maintenance Ratio	>100%	72.21%	73.21%	72.02%	74.43%	76.46%	77.74%	77.87%	76.46%	77.74%	77.74%
Asset Renewals Ratio	>100%	87.64%	86.24%	84.85%	83.49%	82.15%	80.84%	79.54%	78.27%	77.01%	75.78%
Infrastructure Backlog Ratio	<2%	1.54%	1.75%	1.96%	2.22%	2.71%	3.11%	3.50%	3.76%	4.14%	4.52%

The Operating Performance Ratio and each of the three Infrastructure Asset ratios are below the benchmark in most of the years forecast. The Operating performance ratio mirrors the income statement result and declines in line with this result over the period of the plan. The Asset Maintenance and Renewals ratios are less than 100% because this version of the LTFP does not include the additional expenditure requirements identified in Council's Asset

Management Plans, which have not been allocated in the budget. Consequently, infrastructure backlog is forecast to increase over the next ten years, representing an expected decline in the condition of Council's assets if maintenance and renewal work is not undertaken as required.

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## **Additional Special Rate Variation (ASRV)**

Rates and Charges are a major source of Council's revenue, representing more than 80% of own source revenue. The amount of rates income Council may levy is limited by rate pegging. Rate pegging refers to the process in which the State Government determines annually the allowable increase in rates, which is referred to as the rate peg. This allowable increase is announced annually by the Independent Pricing and Regulatory Tribunal (IPART). The approved rate pegging increase for 2022/23 was set at 0.7%, which is significantly lower than each of the indices used to forecast expenditure for the 2022/23 financial year such as CPI of 2% and a Local Government (State) Award Increase for salaries and wages of 2%, plus an additional 0.5% in employee superannuation payments.

The previous version of Council's LTFP had forecast a rate peg of 2.28% for 2022/23 that was based on the average historical rate peg. A 2.28% rate increase would have provided in total \$1.6 million in income from rates, which is \$1.1 million more than the increase provided by the 0.7% rate peg of \$500K in 2022/23. The significance of the 0.7% rate peg set by IPART for the 2022/23 budget year will have an ongoing financial detriment estimated at \$11 million over the next 10 years exclusive of the compound effect of further rate peg increases.

The Minister for Local Government in response to financial sustainability concerns raised by the Local Government sector from this historical low rate-peg has announced a one-off opportunity for the 2022/23 financial year. This opportunity is an additional special rate variation for 2022/23 which:

- Is the lower of 2.5% or what is in a Council's published LTFP (inclusive of the 0.7% rate peg). The rate in Council's LTFP is 2.28%, based on the average historic rate peg from prior years.
- Can be applied to the 2022/23 rate base then reversed in 2023/24 or can be applied to the 2022/23 rate base and remain as a permanent increase

Council resolved at the 13 April 2022 General Meeting to apply to IPART for a permanent 2.28% increase. This is considered appropriate as the results displayed within the previous sections of this report demonstrate that Council does not have financial capacity to fund the continuance of normal services or

provide the required level of funding to maintain and renew assets to a satisfactory standard. This version of the LTFP includes a 2.28% permanent rate increase from 2022/23 based on the normal continuance of services.

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## Results – Normal Continuance of Service & ASRV

The following results are based on forecast income and expenditure based on a continuance of 'normal' operations. The funding requirements of Council's revised Asset Management Plans are not included within this version of the LTFP and the 2022/23 rate peg is set at 2.28% based on the rate that will apply if Council's application to IPART for an Additional Special Rate Variation (ASRV) is successful.

### Income Statement (Financial Statement Result)

<b>Hornsby Shire Council</b>												
<b>10 Year Financial Plan for the Years ending 30 June 2032</b>												
<b>INCOME STATEMENT - GENERAL FUND</b>												
<b>Scenario: Rolled over from V12 (20/21 as base)</b>	<b>Actuals</b>	<b>Current Year</b>	<b>Projected Years</b>									
	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>	<b>2030/31</b>	<b>2031/32</b>
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Income from Continuing Operations</b>												
<b>Revenue:</b>												
Rates & Annual Charges	100,700,000	102,135,834	109,206,440	111,635,367	114,256,750	116,939,803	119,685,980	122,496,769	125,373,692	128,318,309	131,332,215	134,417,045
User Charges & Fees	14,002,000	14,271,474	14,233,154	14,532,377	14,895,686	15,268,078	15,649,780	16,041,025	16,442,050	16,853,102	17,274,429	17,706,290
Other Revenues	4,857,000	6,543,874	6,784,074	6,926,540	7,099,703	7,277,196	7,459,126	7,645,604	7,836,744	8,032,663	8,233,479	8,439,316
Grants & Contributions provided for Operating Purposes	10,862,000	8,357,903	12,770,694	13,038,879	13,364,850	13,698,972	14,041,446	14,392,482	14,752,294	15,121,102	15,499,129	15,886,608
Grants & Contributions provided for Capital Purposes	19,002,000	10,621,715	8,350,000	9,282,453	9,387,014	9,494,190	9,604,044	9,716,646	9,832,062	9,950,363	10,071,622	10,195,913
Interest & Investment Revenue	5,429,000	3,992,059	4,929,651	5,389,132	4,460,381	3,787,181	3,765,726	3,852,727	3,858,110	3,888,975	3,917,278	3,871,795
<b>Other Income:</b>												
Fair value increment on investment properties	97,000	-	100,000	102,100	104,653	107,269	109,951	112,699	115,517	118,405	121,365	124,399
Reversal of impairment losses on receivables	(1,000)	-	-	-	-	-	-	-	-	-	-	-
Rental Income	3,258,000	-	-	-	-	-	-	-	-	-	-	-
<b>Total Income from Continuing Operations</b>	<b>158,206,000</b>	<b>145,922,859</b>	<b>156,374,014</b>	<b>160,906,846</b>	<b>163,569,037</b>	<b>166,572,689</b>	<b>170,316,053</b>	<b>174,257,951</b>	<b>178,210,469</b>	<b>182,282,918</b>	<b>186,449,518</b>	<b>190,641,366</b>
<b>Expenses from Continuing Operations</b>												
Employee Benefits & On-Costs	49,504,000	50,939,704	54,872,389	56,457,718	58,484,618	60,582,931	62,461,002	64,397,293	66,393,609	68,584,598	70,847,890	73,185,871
Borrowing Costs	74,000	24,070	53,191	182,158	149,071	111,216	67,525	18,162	8,893	9,708	10,396	10,989
Materials & Contracts	59,229,000	59,249,398	60,829,432	59,401,685	63,136,729	63,808,897	65,369,120	66,968,348	69,457,557	70,287,746	72,009,940	73,775,188
Depreciation & Amortisation	19,866,000	20,442,227	21,215,275	22,170,866	23,078,601	24,024,189	25,009,208	25,946,946	26,742,065	27,876,769	29,036,655	30,266,158
Impairment of receivables	17,000	-	-	-	-	-	-	-	-	-	-	-
Other Expenses	3,386,000	9,276,431	8,870,633	9,056,916	9,283,340	9,515,423	9,753,309	9,433,645	9,669,487	9,911,224	10,159,004	10,412,979
Net Losses from the Disposal of Assets	4,997,000	-	-	-	-	-	-	-	-	-	-	-
Revaluation decrement/impairment of IPPE	2,045,000	-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenses from Continuing Operations</b>	<b>139,118,000</b>	<b>139,931,830</b>	<b>145,840,920</b>	<b>147,269,343</b>	<b>154,132,359</b>	<b>158,042,656</b>	<b>162,660,163</b>	<b>166,764,395</b>	<b>172,271,610</b>	<b>176,670,046</b>	<b>182,063,885</b>	<b>187,651,185</b>
<b>Net Operating Result for the Year</b>	<b>19,088,000</b>	<b>5,991,029</b>	<b>10,533,093</b>	<b>13,637,503</b>	<b>9,436,679</b>	<b>8,530,033</b>	<b>7,655,890</b>	<b>7,493,557</b>	<b>5,938,859</b>	<b>5,612,871</b>	<b>4,385,633</b>	<b>2,990,180</b>
<b>Net Operating Result before Grants and Contributions provided for Capital Purposes</b>	<b>86,000</b>	<b>(4,630,686)</b>	<b>2,183,093</b>	<b>4,355,050</b>	<b>49,664</b>	<b>(964,157)</b>	<b>(1,948,154)</b>	<b>(2,223,089)</b>	<b>(3,893,203)</b>	<b>(4,337,492)</b>	<b>(5,685,989)</b>	<b>(7,205,732)</b>

## Budget Summary (Liquidity Result)

<b>Hornsby Shire Council</b>											
<b>10 Year Financial Plan for the Years ending 30 June 2032</b>											
<b>BUDGET SUMMARY - GENERAL FUND</b>											
<b>base year)</b>	<b>Current Year</b>	<b>Projected Years</b>									
	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>	<b>2030/31</b>	<b>2031/32</b>
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Income from Continuing Operations</b>											
Rates & Annual Charges	102,135,834	109,206,440	111,635,367	114,256,750	116,939,803	119,685,980	122,496,769	125,373,692	128,318,309	131,332,215	134,417,045
User Charges & Fees	14,271,474	14,231,474	14,530,335	14,893,593	15,265,933	15,647,581	16,038,771	16,439,740	16,850,734	17,272,002	17,703,802
Other Revenues	6,543,874	6,784,074	6,926,540	7,099,703	7,277,196	7,459,126	7,645,604	7,836,744	8,032,663	8,233,479	8,439,316
Grants & Contributions provided for Operating Purposes	8,357,903	12,770,694	13,038,879	13,364,850	13,698,972	14,041,446	14,392,482	14,752,294	15,121,102	15,499,129	15,886,608
Grants & Contributions provided for Capital Purposes	10,621,715	8,350,000	9,282,453	9,387,014	9,494,190	9,604,044	9,716,646	9,832,062	9,950,363	10,071,622	10,195,913
Interest & Investment Revenue	3,992,059	4,929,651	5,389,132	4,460,381	3,787,181	3,765,726	3,852,727	3,858,110	3,888,975	3,917,278	3,871,795
Fair value increment on investment properties	-	100,000	102,100	104,653	107,269	109,951	112,699	115,517	118,405	121,365	124,399
<b>Total Income from Continuing Operations</b>	<b>145,922,859</b>	<b>156,372,334</b>	<b>160,904,804</b>	<b>163,566,944</b>	<b>166,570,543</b>	<b>170,313,854</b>	<b>174,255,697</b>	<b>178,208,159</b>	<b>182,280,550</b>	<b>186,447,091</b>	<b>190,638,878</b>
<b>Expenses from Continuing Operations</b>											
Employee Benefits & On-Costs	50,939,704	54,872,389	56,457,718	58,484,618	60,582,931	62,461,002	64,397,293	66,393,609	68,584,598	70,847,890	73,185,871
Borrowing Costs	24,070	25,388	15,880	15,880	15,880	15,880	15,880	15,880	15,880	15,880	15,880
Materials & Contracts	59,249,398	60,829,432	59,401,685	63,136,729	63,808,897	65,369,120	66,968,348	69,457,557	70,287,746	72,009,940	73,775,188
Depreciation & Amortisation	20,442,227	21,215,275	22,170,866	23,078,601	24,024,189	25,009,208	25,946,946	26,742,065	27,876,769	29,036,655	30,266,158
Other Expenses	9,276,431	8,870,633	9,056,916	9,283,340	9,515,423	9,753,309	9,433,645	9,669,487	9,911,224	10,159,004	10,412,979
<b>Total Expenses from Continuing Operations</b>	<b>139,931,830</b>	<b>145,813,117</b>	<b>147,103,065</b>	<b>153,999,168</b>	<b>157,947,320</b>	<b>162,608,518</b>	<b>166,762,113</b>	<b>172,278,597</b>	<b>176,676,218</b>	<b>182,069,369</b>	<b>187,656,076</b>
<b>Net Operating Profit /(Loss) for the Year</b>	<b>5,991,029</b>	<b>10,559,217</b>	<b>13,801,739</b>	<b>9,567,777</b>	<b>8,623,223</b>	<b>7,705,336</b>	<b>7,493,585</b>	<b>5,929,562</b>	<b>5,604,332</b>	<b>4,377,722</b>	<b>2,982,802</b>
<b>Capital (Balance Sheet) and Reserve Movements</b>											
Capital Expenditure	(64,955,344)	(65,965,434)	(65,927,757)	(68,951,740)	(24,581,536)	(24,971,547)	(29,553,050)	(40,955,615)	(42,468,854)	(27,576,239)	(28,091,809)
Loan Repayments (External)	(241,970)	(256,532)	-	-	-	-	-	-	-	-	-
ELE Provisions paid out	(956,069)	(956,069)	(956,069)	(956,069)	(956,069)	(956,069)	(956,069)	(956,069)	(956,069)	(956,069)	(956,069)
Proceeds from Sale of intangible & tangible Assets	1,000,000	1,000,000	1,021,000	1,046,525	1,072,688	1,099,505	1,126,993	1,155,168	1,184,047	1,213,648	1,243,989
Non-cash Expense Contra Income	20,442,227	21,215,275	22,170,866	23,078,601	24,024,189	25,009,208	25,946,946	26,742,065	27,876,769	29,036,655	30,266,158
Net Transfers (to)/from Reserves	39,423,922	37,365,885	34,369,034	37,961,627	(6,535,454)	(6,611,116)	(2,562,112)	8,812,246	9,280,327	(6,169,235)	(6,211,275)
<b>Total Capital (Balance Sheet) and Reserve Movements</b>	<b>(5,287,234)</b>	<b>(7,596,875)</b>	<b>(9,322,926)</b>	<b>(7,821,056)</b>	<b>(6,976,183)</b>	<b>(6,430,019)</b>	<b>(5,997,292)</b>	<b>(5,202,205)</b>	<b>(5,083,780)</b>	<b>(4,451,240)</b>	<b>(3,749,005)</b>
<b>Net Result (including Depreciation &amp; Other non-cash items)</b>	<b>703,795</b>	<b>2,962,342</b>	<b>4,478,814</b>	<b>1,746,721</b>	<b>1,647,041</b>	<b>1,275,318</b>	<b>1,496,293</b>	<b>727,357</b>	<b>520,552</b>	<b>(73,518)</b>	<b>(766,203)</b>
Add back Depreciation Expense (non-cash)	20,442,227	21,215,275	22,170,866	23,078,601	24,024,189	25,009,208	25,946,946	26,742,065	27,876,769	29,036,655	30,266,158
Less Other Income (non-cash)	(20,442,227)	(21,215,275)	(22,170,866)	(23,078,601)	(24,024,189)	(25,009,208)	(25,946,946)	(26,742,065)	(27,876,769)	(29,036,655)	(30,266,158)
<b>Cash Budget Surplus/(Deficit)</b>	<b>703,795</b>	<b>2,962,342</b>	<b>4,478,814</b>	<b>1,746,721</b>	<b>1,647,041</b>	<b>1,275,318</b>	<b>1,496,293</b>	<b>727,357</b>	<b>520,552</b>	<b>(73,518)</b>	<b>(766,203)</b>

### Local Government Performance Indicators

Indicator	Benchmark	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32
Operating Performance Ratio	>2% (>0% OLG)	1.41%	2.81%	-0.04%	-0.68%	-1.28%	-1.42%	-2.38%	-2.59%	-3.29%	-4.07%
Own Source Operating Revenue Ratio	>60%	86.38%	86.01%	85.98%	85.96%	86.00%	86.05%	86.09%	86.13%	86.17%	86.21%
Unrestricted Current Ratio	>1.5	6.44	6.08	5.33	5.54	5.65	5.72	5.58	5.30	5.30	5.08
Debt Service Cover Ratio	>2	53.32	38.04	33.67	34.53	35.86	49.60	433.16	408.99	378.09	352.36
Asset Maintenance Ratio	>100%	72.21%	73.21%	72.02%	74.43%	76.46%	77.74%	77.87%	76.46%	77.74%	77.74%
Asset Renewals Ratio	>100%	87.64%	86.24%	84.85%	83.49%	82.15%	80.84%	79.54%	78.27%	77.01%	75.78%
Infrastructure Backlog Ratio	<2%	1.54%	1.75%	1.96%	2.22%	2.71%	3.11%	3.50%	3.76%	4.14%	4.52%

## **Results – Normal Continuance of Service & ASRV**

The approval of the ASRV of 2.28% by the IPART would improve substantially the Income Statement result. This is most notable in the financial years from 2022/23 to 2025/26 resulting in small operating surpluses. This would provide sufficient time for Council to further assess opportunities and remedial action to attain acceptable financial benchmarks and improve long term financial sustainability.

Over the forecasted 10 year period the ASRV would improve the income statement result from an average deficit of (\$3.266) million per year to an average deficit of (\$1.967) million per year compared to in a 0.7% rate peg scenario. Further the cash budget result improves from an average surplus of \$102K per year to an average surplus of \$1.401 million per year. This cash funding surplus provides a level of unencumbered cash considered sufficient to respond to budget shocks that can typically occur.

Whilst the results improve if Council is successfully awarded a 2.28% rate peg in 2022/23 it should be noted that these versions of the LTFP do not include all the funding requirements identified in Council's recently revised Asset Management Plans, which are considered further in the next section.

## Asset Management Planning

The previous version of the LTFP recommended that Council's Asset Management Plans be updated to provide evidence-based estimates for future asset maintenance and renewal expenditures. This project has recently been completed and revised asset management plans are available for:

- Roads, bridges, footpaths, kerb and guttering
- Stormwater drainage
- Specialised and non-specialised buildings including aquatic centres
- Open spaces (largely related to Park assets such as playing surfaces and equipment, and park furniture)

The process undertaken by Council Officers has centred around producing detailed data based ten-year forecasts for maintenance, renewal and operational expenditure. The asset management plans have been created using the following methodology:

- Review of existing data with the aim of ensuring data exists for each individual asset within each class
- Identification of data omissions
- The collection of new data where omissions are present
- Independent physical asset inspections for each asset class by qualified experts to test asset data including an independent review of condition compared to Council's recorded condition levels
- Community satisfaction surveys to assess current service levels compared to desired levels of service
- The creation of ten-year expenditure forecasts for each class compared to available budgets

The revised asset management plans indicate that there is an average funding gap of \$3.2 million per year over the next ten years:

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
AMP funding gap	(\$1.369M)	(\$2.236M)	(\$2.131M)	(\$2.704M)	(\$5.034M)	(\$4.154M)	(\$4.030M)	(\$2.554M)	(\$3.886M)	(\$3.886M)

The funding gap is attributable to:

- Inflationary cost increases since the plans were last revised
- The cost of providing for recurrent expenditure for new assets constructed since the plans were last revised
- The cost of providing for recurrent expenditure for new assets that are fully funded from external grants and development contributions over the next ten years in the LTFP, noting that construction for many of Council's major projects including the largest project, Hornsby Park has already commenced. Therefore, recurrent funding must be provided.

The revised Asset Management Plans have informed Council's Asset Management Strategy, which is referred to Council to be adopted for public exhibition at the same time as this LTFP as part of the Resourcing Strategy.

The Asset Management Strategy recommends that funding is provided within this LTFP to meet the requirements identified in the Asset Management Plans. Therefore, a version of the LTFP has been prepared that includes all forecast expenditure requirements. The results are in the next section of this report.

## Results – Normal Continuance of Service & Asset Management Requirements

The following results are based on forecast income and expenditure on the basis of a continuance of 'normal' operations. The funding requirements of Council's revised Asset Management Plans have also been included. The 2022/23 rate peg is set at 0.7% being the approved rate peg set by IPART.

### Income Statement (Financial Statement Result)

Hornsby Shire Council												
10 Year Financial Plan for the Years ending 30 June 2032												
INCOME STATEMENT - GENERAL FUND												
Normal Continuance of Services & AMP Funding	Actuals	Current Year	Projected Years									
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Income from Continuing Operations</b>												
<b>Revenue:</b>												
Rates & Annual Charges	100,700,000	102,135,834	108,034,975	110,437,192	113,031,257	115,686,369	118,403,968	121,185,526	124,032,553	126,946,592	129,929,224	132,982,065
User Charges & Fees	14,002,000	14,271,474	14,233,154	14,532,377	14,895,686	15,268,078	15,649,780	16,041,025	16,442,050	16,853,102	17,274,429	17,706,290
Other Revenues	4,857,000	6,543,874	6,784,074	6,926,540	7,099,703	7,277,196	7,459,126	7,645,604	7,836,744	8,032,663	8,233,479	8,439,316
Grants & Contributions provided for Operating Purposes	10,862,000	8,357,903	12,770,694	13,038,879	13,364,850	13,698,972	14,041,446	14,392,482	14,752,294	15,121,102	15,499,129	15,886,608
Grants & Contributions provided for Capital Purposes	19,002,000	10,621,715	8,350,000	9,282,453	9,387,014	9,494,190	9,604,044	9,716,646	9,832,062	9,950,363	10,071,622	10,195,913
Interest & Investment Revenue	5,429,000	3,992,059	4,929,651	5,389,132	4,460,381	3,787,181	3,765,726	3,852,727	3,858,110	3,888,975	3,917,278	3,871,795
<b>Other Income:</b>												
Fair value increment on investment properties	97,000	-	100,000	102,100	104,653	107,269	109,951	112,699	115,517	118,405	121,365	124,399
Reversal of impairment losses on receivables	(1,000)	-	-	-	-	-	-	-	-	-	-	-
Rental Income	3,258,000	-	-	-	-	-	-	-	-	-	-	-
<b>Total Income from Continuing Operations</b>	<b>158,206,000</b>	<b>145,922,859</b>	<b>155,202,549</b>	<b>159,708,672</b>	<b>162,343,545</b>	<b>165,319,255</b>	<b>169,034,041</b>	<b>172,946,709</b>	<b>176,869,330</b>	<b>180,911,201</b>	<b>185,046,527</b>	<b>189,206,386</b>
<b>Expenses from Continuing Operations</b>												
Employee Benefits & On-Costs	49,504,000	50,939,704	54,872,389	56,457,718	58,484,618	60,582,931	62,461,002	64,397,293	66,393,609	68,584,598	70,847,890	73,185,871
Borrowing Costs	74,000	24,070	53,191	182,158	149,071	111,216	67,525	18,162	8,893	9,708	10,396	10,989
Materials & Contracts	59,229,000	59,249,398	61,458,500	60,429,147	64,115,942	65,051,409	67,682,288	68,877,148	71,309,378	71,461,332	73,795,592	75,560,840
Depreciation & Amortisation	19,866,000	20,442,227	21,215,275	22,170,866	23,078,601	24,024,189	25,009,208	25,946,946	26,742,065	27,876,769	29,036,655	30,266,158
Impairment of receivables	17,000	-	-	-	-	-	-	-	-	-	-	-
Other Expenses	3,386,000	9,276,431	8,870,633	9,056,916	9,283,340	9,515,423	9,753,309	9,433,645	9,669,487	9,911,224	10,159,004	10,412,979
Net Losses from the Disposal of Assets	4,997,000	-	-	-	-	-	-	-	-	-	-	-
Revaluation decrement/impairment of IPPE	2,045,000	-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenses from Continuing Operations</b>	<b>139,118,000</b>	<b>139,931,830</b>	<b>146,469,988</b>	<b>148,296,805</b>	<b>155,111,572</b>	<b>159,285,168</b>	<b>164,973,331</b>	<b>168,673,195</b>	<b>174,123,432</b>	<b>177,843,632</b>	<b>183,849,537</b>	<b>189,436,837</b>
<b>Net Operating Result for the Year</b>	<b>19,088,000</b>	<b>5,991,029</b>	<b>8,732,560</b>	<b>11,411,867</b>	<b>7,231,972</b>	<b>6,034,086</b>	<b>4,060,710</b>	<b>4,273,514</b>	<b>2,745,899</b>	<b>3,067,569</b>	<b>1,196,990</b>	<b>(230,451)</b>
<b>Net Operating Result before Grants and Contributions provided for Capital Purposes</b>												
	86,000	(4,630,686)	382,560	2,129,414	(2,155,042)	(3,460,103)	(5,543,335)	(5,443,132)	(7,086,163)	(6,882,794)	(8,874,633)	(10,426,364)



## Budget Summary (Liquidity Result)

<b>Hornsby Shire Council</b>											
<b>10 Year Financial Plan for the Years ending 30 June 2032</b>											
<b>BUDGET SUMMARY - GENERAL FUND</b>											
<b>Normal Continuance of Services &amp; AMP Funding</b>	<b>Current Year</b>	<b>Projected Years</b>									
	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>	<b>2030/31</b>	<b>2031/32</b>
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Income from Continuing Operations</b>											
Rates & Annual Charges	102,135,834	108,034,975	110,437,192	113,031,257	115,686,369	118,403,968	121,185,526	124,032,553	126,946,592	129,929,224	132,982,065
User Charges & Fees	14,271,474	14,231,474	14,530,335	14,893,593	15,265,933	15,647,581	16,038,771	16,439,740	16,850,734	17,272,002	17,703,802
Other Revenues	6,543,874	6,784,074	6,926,540	7,099,703	7,277,196	7,459,126	7,645,604	7,836,744	8,032,663	8,233,479	8,439,316
Grants & Contributions provided for Operating Purposes	8,357,903	12,770,694	13,038,879	13,364,850	13,698,972	14,041,446	14,392,482	14,752,294	15,121,102	15,499,129	15,886,608
Grants & Contributions provided for Capital Purposes	10,621,715	8,350,000	9,282,453	9,387,014	9,494,190	9,604,044	9,716,646	9,832,062	9,950,363	10,071,622	10,195,913
Interest & Investment Revenue	3,992,059	4,929,651	5,389,132	4,460,381	3,787,181	3,765,726	3,852,727	3,858,110	3,888,975	3,917,278	3,871,795
Fair value increment on investment properties	-	100,000	102,100	104,653	107,269	109,951	112,699	115,517	118,405	121,365	124,399
<b>Total Income from Continuing Operations</b>	<b>145,922,859</b>	<b>155,200,869</b>	<b>159,706,630</b>	<b>162,341,452</b>	<b>165,317,109</b>	<b>169,031,842</b>	<b>172,944,455</b>	<b>176,867,020</b>	<b>180,908,833</b>	<b>185,044,100</b>	<b>189,203,898</b>
<b>Expenses from Continuing Operations</b>											
Employee Benefits & On-Costs	50,939,704	54,872,389	56,457,718	58,484,618	60,582,931	62,461,002	64,397,293	66,393,609	68,584,598	70,847,890	73,185,871
Borrowing Costs	24,070	25,388	15,880	15,880	15,880	15,880	15,880	15,880	15,880	15,880	15,880
Materials & Contracts	59,249,398	61,458,500	60,429,147	64,115,942	65,051,409	67,682,288	68,877,148	71,309,378	71,461,332	73,795,592	75,560,840
Depreciation & Amortisation	20,442,227	21,215,275	22,170,866	23,078,601	24,024,189	25,009,208	25,946,946	26,742,065	27,876,769	29,036,655	30,266,158
Other Expenses	9,276,431	8,870,633	9,056,916	9,283,340	9,515,423	9,753,309	9,433,645	9,669,487	9,911,224	10,159,004	10,412,979
<b>Total Expenses from Continuing Operations</b>	<b>139,931,830</b>	<b>146,442,185</b>	<b>148,130,527</b>	<b>154,978,381</b>	<b>159,189,832</b>	<b>164,921,686</b>	<b>168,670,913</b>	<b>174,130,418</b>	<b>177,849,804</b>	<b>183,855,021</b>	<b>189,441,728</b>
<b>Net Operating Profit /(Loss) for the Year</b>	<b>5,991,029</b>	<b>8,758,684</b>	<b>11,576,103</b>	<b>7,363,070</b>	<b>6,127,277</b>	<b>4,110,156</b>	<b>4,273,542</b>	<b>2,736,602</b>	<b>3,059,029</b>	<b>1,189,078</b>	<b>(237,830)</b>
<b>Capital (Balance Sheet) and Reserve Movements</b>											
Capital Expenditure	(64,955,344)	(66,705,366)	(67,136,295)	(70,103,526)	(26,043,024)	(27,692,379)	(31,798,250)	(43,133,793)	(43,849,268)	(29,676,587)	(30,192,157)
Loan Repayments (External)	(241,970)	(256,532)	-	-	-	-	-	-	-	-	-
ELE Provisions paid out	(956,069)	(956,069)	(956,069)	(956,069)	(956,069)	(956,069)	(956,069)	(956,069)	(956,069)	(956,069)	(956,069)
Proceeds from Sale of intangible & tangible Assets	1,000,000	1,000,000	1,021,000	1,046,525	1,072,688	1,099,505	1,126,993	1,155,168	1,184,047	1,213,648	1,243,989
Non-cash Expense Contra Income	20,442,227	21,215,275	22,170,866	23,078,601	24,024,189	25,009,208	25,946,946	26,742,065	27,876,769	29,036,655	30,266,158
Net Transfers (to)/from Reserves	39,423,922	37,365,885	34,369,034	37,961,627	(6,535,454)	(6,611,116)	(2,562,112)	8,812,246	9,280,327	(6,169,235)	(6,211,275)
<b>Total Capital (Balance Sheet) and Reserve Movements</b>	<b>(5,287,234)</b>	<b>(8,336,807)</b>	<b>(10,531,464)</b>	<b>(8,972,842)</b>	<b>(8,437,670)</b>	<b>(9,150,851)</b>	<b>(8,242,491)</b>	<b>(7,380,384)</b>	<b>(6,464,194)</b>	<b>(6,551,588)</b>	<b>(5,849,353)</b>
<b>Net Result (including Depreciation &amp; Other non-cash items)</b>	<b>703,795</b>	<b>421,877</b>	<b>1,044,639</b>	<b>(1,609,772)</b>	<b>(2,310,393)</b>	<b>(5,040,695)</b>	<b>(3,968,949)</b>	<b>(4,643,782)</b>	<b>(3,405,164)</b>	<b>(5,362,510)</b>	<b>(6,087,183)</b>
Add back Depreciation Expense (non-cash)	20,442,227	21,215,275	22,170,866	23,078,601	24,024,189	25,009,208	25,946,946	26,742,065	27,876,769	29,036,655	30,266,158
Less Other Income (non-cash)	(20,442,227)	(21,215,275)	(22,170,866)	(23,078,601)	(24,024,189)	(25,009,208)	(25,946,946)	(26,742,065)	(27,876,769)	(29,036,655)	(30,266,158)
<b>Cash Budget Surplus/(Deficit)</b>	<b>703,795</b>	<b>421,877</b>	<b>1,044,639</b>	<b>(1,609,772)</b>	<b>(2,310,393)</b>	<b>(5,040,695)</b>	<b>(3,968,949)</b>	<b>(4,643,782)</b>	<b>(3,405,164)</b>	<b>(5,362,510)</b>	<b>(6,087,183)</b>



## Balance Sheet (Financial Statements)

BALANCE SHEET - GENERAL FUND Normal Continuance of Services & AMP	Actuals	Current Year	Projected Years									
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>ASSETS</b>												
<b>Current Assets</b>												
Cash & Cash Equivalents	45,775,000	7,863,959	5,634,686	4,770,581	3,761,385	3,674,243	3,753,503	3,756,095	3,479,239	3,169,914	3,080,487	3,093,868
Investments	101,773,000	130,692,832	112,653,598	95,377,648	75,200,924	77,106,075	77,648,597	76,658,316	69,872,651	63,380,930	63,880,444	63,939,545
Receivables	8,355,000	7,715,032	7,832,043	7,825,253	7,776,599	7,962,777	8,138,756	8,302,908	8,410,692	8,526,011	8,718,436	8,911,118
Inventories	177,000	187,466	194,464	191,264	202,877	205,854	214,154	217,947	225,626	226,146	233,519	239,107
Contract assets	80,000	39,200	40,023	41,024	42,049	43,101	44,178	45,283	46,415	47,575	48,764	49,983
Other	299,000	349,721	358,962	354,740	374,640	380,622	395,230	399,734	413,328	415,394	428,556	438,866
<b>Total Current Assets</b>	<b>156,459,000</b>	<b>146,848,210</b>	<b>126,713,775</b>	<b>108,560,508</b>	<b>87,358,474</b>	<b>89,372,672</b>	<b>90,194,418</b>	<b>89,380,282</b>	<b>82,447,950</b>	<b>75,765,971</b>	<b>76,390,206</b>	<b>76,672,489</b>
<b>Non-Current Assets</b>												
Investments	149,051,000	120,131,168	103,549,736	87,669,906	69,123,721	70,874,911	71,373,590	70,463,336	64,226,041	58,258,935	58,718,081	58,772,407
Receivables	1,524,000	1,068,929	1,116,076	1,140,005	1,167,891	1,196,460	1,225,729	1,255,716	1,286,437	1,317,911	1,350,156	1,383,191
Contract assets	-	40,800	41,657	42,698	43,766	44,860	45,981	47,131	48,309	49,517	50,755	52,024
Infrastructure, Property, Plant & Equipment	1,602,189,000	1,645,817,896	1,690,759,707	1,735,130,606	1,781,538,391	1,782,917,006	1,784,936,403	1,790,011,537	1,805,328,801	1,820,223,055	1,819,759,204	1,818,576,618
Investment Property	29,080,000	29,080,000	29,180,000	29,282,100	29,386,753	29,494,021	29,603,972	29,716,671	29,832,188	29,950,593	30,071,957	30,196,356
Intangible Assets	1,199,000	1,083,221	963,221	953,217	940,875	926,051	908,590	888,333	865,111	838,748	809,059	775,849
Right of use assets	786,000	786,000	2,405,347	1,988,881	1,571,838	1,154,194	735,924	405,358	403,245	380,559	358,555	315,987
<b>Total Non-Current Assets</b>	<b>1,783,829,000</b>	<b>1,798,008,014</b>	<b>1,828,015,744</b>	<b>1,856,207,413</b>	<b>1,883,773,234</b>	<b>1,886,607,504</b>	<b>1,888,830,190</b>	<b>1,892,788,082</b>	<b>1,901,990,132</b>	<b>1,911,019,317</b>	<b>1,911,117,767</b>	<b>1,910,072,431</b>
<b>TOTAL ASSETS</b>	<b>1,940,288,000</b>	<b>1,944,856,224</b>	<b>1,954,729,520</b>	<b>1,964,767,921</b>	<b>1,971,131,708</b>	<b>1,975,980,175</b>	<b>1,979,024,608</b>	<b>1,982,168,363</b>	<b>1,984,438,082</b>	<b>1,986,785,288</b>	<b>1,987,507,974</b>	<b>1,986,744,919</b>
<b>LIABILITIES</b>												
<b>Current Liabilities</b>												
Payables	11,527,000	11,315,161	11,737,721	11,728,291	12,266,564	12,503,692	12,927,032	13,128,726	13,535,959	13,699,893	14,110,119	14,461,776
Contract liabilities	1,931,000	1,664,921	1,746,345	1,812,264	1,852,646	1,894,036	1,936,462	1,979,948	2,024,522	2,070,210	2,117,040	2,165,041
Lease liabilities	438,000	105,783	485,784	502,755	520,351	538,564	431,775	40,514	44,227	47,359	50,062	52,453
Borrowings	242,000	257,030	-	-	-	-	-	-	-	-	-	-
Provisions	17,146,000	16,619,240	15,811,604	15,003,968	14,196,333	13,388,697	12,581,061	11,773,425	10,965,789	10,158,154	9,350,518	8,542,882
<b>Total Current Liabilities</b>	<b>31,284,000</b>	<b>29,962,135</b>	<b>29,781,453</b>	<b>29,047,278</b>	<b>28,835,893</b>	<b>28,324,989</b>	<b>27,876,330</b>	<b>26,922,614</b>	<b>26,570,498</b>	<b>25,975,616</b>	<b>25,627,738</b>	<b>25,222,151</b>
<b>Non-Current Liabilities</b>												
Contract liabilities	222,000	475,152	479,719	491,617	503,600	515,883	528,473	541,378	554,605	568,163	582,060	596,304
Lease liabilities	358,000	690,217	2,155,500	1,652,745	1,132,394	593,830	162,055	121,541	132,683	142,077	150,187	157,360
Borrowings	257,000	-	-	-	-	-	-	-	-	-	-	-
Provisions	4,430,000	4,000,691	3,852,258	3,703,825	3,555,391	3,406,958	3,258,525	3,110,092	2,961,659	2,813,225	2,664,792	2,516,359
<b>Total Non-Current Liabilities</b>	<b>5,267,000</b>	<b>5,166,060</b>	<b>6,487,477</b>	<b>5,848,187</b>	<b>5,191,386</b>	<b>4,516,671</b>	<b>3,949,053</b>	<b>3,773,010</b>	<b>3,648,946</b>	<b>3,523,465</b>	<b>3,397,039</b>	<b>3,270,023</b>
<b>TOTAL LIABILITIES</b>	<b>36,551,000</b>	<b>35,128,195</b>	<b>36,268,930</b>	<b>34,895,465</b>	<b>34,027,279</b>	<b>32,841,660</b>	<b>31,825,383</b>	<b>30,695,624</b>	<b>30,219,444</b>	<b>29,499,081</b>	<b>29,024,777</b>	<b>28,492,174</b>
<b>Net Assets</b>	<b>1,903,737,000</b>	<b>1,909,728,029</b>	<b>1,918,460,589</b>	<b>1,929,872,456</b>	<b>1,937,104,429</b>	<b>1,943,138,515</b>	<b>1,947,199,225</b>	<b>1,951,472,739</b>	<b>1,954,218,638</b>	<b>1,957,286,207</b>	<b>1,958,483,196</b>	<b>1,958,252,745</b>
<b>EQUITY</b>												
Retained Earnings	1,277,261,000	1,283,252,029	1,291,984,589	1,303,396,456	1,310,628,429	1,316,662,515	1,320,723,225	1,324,996,739	1,327,742,638	1,330,810,207	1,332,007,196	1,331,776,745
Revaluation Reserves	626,108,000	626,108,000	626,108,000	626,108,000	626,108,000	626,108,000	626,108,000	626,108,000	626,108,000	626,108,000	626,108,000	626,108,000
Other Reserves	368,000	368,000	368,000	368,000	368,000	368,000	368,000	368,000	368,000	368,000	368,000	368,000
Council Equity Interest	1,903,737,000	1,909,728,029	1,918,460,589	1,929,872,456	1,937,104,429	1,943,138,515	1,947,199,225	1,951,472,739	1,954,218,638	1,957,286,207	1,958,483,196	1,958,252,745
<b>Total Equity</b>	<b>1,903,737,000</b>	<b>1,909,728,029</b>	<b>1,918,460,589</b>	<b>1,929,872,456</b>	<b>1,937,104,429</b>	<b>1,943,138,515</b>	<b>1,947,199,225</b>	<b>1,951,472,739</b>	<b>1,954,218,638</b>	<b>1,957,286,207</b>	<b>1,958,483,196</b>	<b>1,958,252,745</b>

## Cash Flow Statement (Financial Statements)

CASH FLOW STATEMENT - GENERAL FUND	Actuals	Current Year	Projected Years									
Normal Continuance of Services & AMP	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cash Flows from Operating Activities												
Receipts:												
Rates & Annual Charges	100,621,000	102,494,746	107,956,304	110,405,156	112,996,663	115,650,961	118,367,726	121,148,431	123,994,585	126,907,730	129,889,447	132,941,352
User Charges & Fees	14,556,000	14,260,521	14,229,851	14,555,019	14,923,596	15,296,686	15,679,103	16,071,080	16,472,857	16,884,679	17,306,796	17,739,466
Investment & Interest Revenue Received	4,158,000	3,581,105	5,107,627	5,565,838	4,666,427	3,762,260	3,754,965	3,857,851	3,923,759	3,951,349	3,906,909	3,865,641
Grants & Contributions	24,728,000	19,934,230	21,168,820	22,348,319	22,761,542	23,203,081	23,655,658	24,119,549	24,595,038	25,082,414	25,581,974	26,094,024
Bonds & Deposits Received	22,000	-	-	-	-	-	-	-	-	-	-	-
Other	16,481,000	7,122,271	6,611,208	6,811,691	6,984,178	7,158,783	7,337,753	7,521,196	7,709,226	7,901,957	8,099,506	8,301,994
Payments:												
Employee Benefits & On-Costs	(48,637,000)	(52,245,683)	(55,731,994)	(57,383,605)	(59,400,767)	(61,497,843)	(63,374,638)	(65,309,614)	(67,304,573)	(69,491,164)	(71,752,822)	(74,089,115)
Materials & Contracts	(66,930,000)	(58,874,294)	(61,307,935)	(60,497,941)	(63,788,275)	(64,952,386)	(67,441,526)	(68,804,155)	(71,085,283)	(71,426,625)	(73,578,568)	(75,390,645)
Borrowing Costs	(71,000)	(26,540)	(53,721)	(182,158)	(149,071)	(111,216)	(67,525)	(18,162)	(8,893)	(9,708)	(10,396)	(10,989)
Other	(3,794,000)	(9,960,082)	(8,761,920)	(9,041,124)	(9,166,642)	(9,450,439)	(9,659,618)	(9,381,089)	(9,577,392)	(9,859,334)	(10,063,315)	(10,326,690)
Net Cash provided (or used in) Operating Activities	41,134,000	26,286,273	29,218,240	32,581,194	29,827,651	29,059,886	28,251,898	29,205,089	28,719,324	29,941,297	29,379,531	29,125,037
Cash Flows from Investing Activities												
Receipts:												
Sale of Investment Securities	126,000,000	-	34,620,666	33,155,780	38,722,909	-	-	1,900,535	13,022,960	12,458,826	-	-
Sale of Infrastructure, Property, Plant & Equipment	1,071,000	1,000,000	1,000,000	1,021,000	1,046,525	1,072,688	1,099,505	1,126,993	1,155,168	1,184,047	1,213,648	1,243,989
Payments:												
Purchase of Investment Securities	(134,316,000)	-	-	-	-	(3,656,342)	(1,041,201)	-	-	-	(958,660)	(113,427)
Purchase of Investment Property	(3,548,000)	-	-	-	-	-	-	-	-	-	-	-
Purchase of Infrastructure, Property, Plant & Equipment	(34,641,000)	(64,955,344)	(66,705,366)	(67,021,295)	(69,985,651)	(25,922,202)	(27,568,536)	(31,671,312)	(43,003,682)	(43,715,904)	(29,539,888)	(30,052,040)
Purchase of Intangible Assets	(13,000)	-	-	(115,000)	(117,875)	(120,822)	(123,842)	(126,938)	(130,112)	(133,365)	(136,699)	(140,116)
Net Cash provided (or used in) Investing Activities	(45,447,000)	(63,955,344)	(31,084,700)	(32,959,515)	(30,334,092)	(28,626,677)	(27,634,074)	(28,770,722)	(28,955,665)	(30,206,395)	(29,421,599)	(29,061,594)
Cash Flows from Financing Activities												
Repayment of Borrowings & Advances	(366,000)	(241,970)	(257,030)	-	-	-	-	-	-	-	-	-
Repayment of lease liabilities (principal repayments)	(220,000)	-	(105,783)	(485,784)	(502,755)	(520,351)	(538,564)	(431,775)	(40,514)	(44,227)	(47,359)	(50,062)
Net Cash Flow provided (used in) Financing Activities	(586,000)	(241,970)	(362,813)	(485,784)	(502,755)	(520,351)	(538,564)	(431,775)	(40,514)	(44,227)	(47,359)	(50,062)
Net Increase/(Decrease) in Cash & Cash Equivalents	(4,899,000)	(37,911,041)	(2,229,273)	(864,105)	(1,009,195)	(87,142)	79,260	2,592	(276,855)	(309,325)	(89,427)	13,381
plus: Cash & Cash Equivalents - beginning of year	50,674,000	45,775,000	7,863,959	5,634,686	4,770,581	3,761,385	3,674,243	3,753,503	3,756,095	3,479,239	3,169,914	3,080,487
Cash & Cash Equivalents - end of the year	45,775,000	7,863,959	5,634,686	4,770,581	3,761,385	3,674,243	3,753,503	3,756,095	3,479,239	3,169,914	3,080,487	3,093,868
Cash & Cash Equivalents - end of the year	250,824,000	250,824,000	216,203,334	183,047,554	144,324,645	147,980,987	149,022,187	147,121,652	134,098,692	121,639,865	122,598,525	122,711,952
Cash, Cash Equivalents & Investments - end of the year	296,599,000	258,687,959	221,838,020	187,818,135	148,086,030	151,655,230	152,775,690	150,877,747	137,577,931	124,809,780	125,679,012	125,805,820
Representing:												
- External Restrictions	195,541,000	160,611,578	123,215,506	93,405,562	59,550,766	66,691,986	73,959,025	77,228,471	69,176,255	60,709,973	67,748,617	74,886,051
- Internal Restrictitons	82,223,000	77,728,499	77,758,686	73,199,596	69,092,765	68,487,000	67,831,078	67,123,744	66,363,713	65,549,668	64,680,259	63,754,101
- Unrestricted	18,835,000	20,347,881	20,863,827	21,212,976	19,442,499	16,476,243	10,985,587	6,525,532	2,037,963	(1,449,862)	(6,749,864)	(12,834,331)
	296,599,000	258,687,959	221,838,020	187,818,135	148,086,030	151,655,230	152,775,690	150,877,747	137,577,931	124,809,780	125,679,012	125,805,820

### **Local Government Performance Indicators**

Indicator	Benchmark	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32
Operating Performance Ratio	>2% (>0% OLG)	0.19%	1.35%	-1.48%	-2.29%	-3.55%	-3.41%	-4.31%	-4.10%	-5.14%	-5.90%
Own Source Operating Revenue Ratio	>60%	86.38%	86.01%	85.98%	85.96%	86.00%	86.05%	86.09%	86.13%	86.17%	86.21%
Unrestricted Current Ratio	>1.5	6.34	5.84	5.13	5.17	4.79	4.60	4.24	3.99	3.58	3.14
Debt Service Cover Ratio	>2	51.80	36.50	32.17	32.57	32.05	45.36	395.68	387.23	347.18	323.11
Asset Maintenance Ratio	>100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Asset Renewals Ratio	>100%	141%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Infrastructure Backlog Ratio	<2%	0.63%	0.63%	0.64%	0.64%	0.64%	0.64%	0.64%	0.64%	0.65%	0.65%

## Commentary on Financial Results – Normal Continuance of Service & Asset Management Requirements

This version of the LTFP includes forecast income and expenditure levels for the normal continuance of services and includes asset renewal and maintenance requirements in Council's revised Asset Management Plans based on a 2022/23 rate peg increase of 0.7%. This version of the LTFP is considered Council's base case LTFP that forecasts the minimum requirements for Council to continue to operate into the future and address core asset infrastructure requirements.

The Income Statement result over the 10 year period also predicts a deficit in eight out of ten years and there is an average deficit of (\$4.736) million per year after the inclusion of additional expenditure for asset maintenance.

### Net Operating Result before Capital Items

	21/22 (current budget)	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32
Recurrent services and asset management	(\$4.630M)	\$0.383M	\$2.129M	(\$2.155M)	(\$3.460M)	(\$5.543M)	(\$5.543M)	(\$7.086M)	(\$6.883M)	(\$8.875M)	(\$10.426M)

The budget result over the 10 year period predicts a deficit in eight out of ten years and there is an average deficit of (\$3.096) million per year. this level of unencumbered cash is insufficient to absorb budget shocks that may occur:

Cash budget	21/22 (current budget)	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32

surplus/(deficit)	budget)										
Recurrent services and asset management	\$0.704M	\$0.423M	\$1.045M	(\$1.610M)	(\$2.310M)	(\$5.041M)	(\$3.969M)	(\$4.644M)	(\$3.405M)	(\$5.363M)	(\$6.087M)

The Balance Sheet result over the 10 year period maintains equity, liabilities and non-current assets within acceptable levels. The level of cash and cash equivalents will decrease from existing levels. This is a direct result of reduced operating capacity forecasted over the period of the Plan.

The Operating Performance Ratio is below 2% in each year forecast and is lower than the acceptable threshold. Infrastructure ratios are at or above the applicable benchmarks as this version of the LTFP includes the funding required to maintain and renew assets to a satisfactory standard therefore assets would be maintained to a satisfactory condition. While the applicable infrastructure ratios meet benchmarks it is clear from the forecasted Income Statement and Cash Budget Results that over the forecasted period there is insufficient operating capacity to fund asset management requirements. The drawn down on cash reserves while possible would be considered not to be fiscally responsible.

The Cash Flow Statement forecasts a decrease in Council's cash and investment balance at the end of each financial year due to the points raised above in respect to annual operating surpluses. Council's unrestricted cash balance is forecast to have been expended by 30 June 2030 because of the gradual decline in available liquidity as forecast budget deficits require funding from investment and cash reserves. In this regard it is noted that Council is forecast to have other internal restricted asset balances throughout the life of the Plan. However, based on the forecast there would be a requirement for Council to repurpose these internal reserves to unrestricted cash during the period of the Plan to fund general operations. This strategy is considered unsustainable, and action is required to increase Council's operating capacity within acceptable levels as discussed within the Action to Improve Future Direction section of this report.

These results indicate that Council's forecast financial sustainability is unsatisfactory, and action is required to improve the results forecast.

## Results – Normal Continuance of Service, Asset Management Requirements & ASRV

The following results are based on forecast income and expenditure on the basis of a continuance of 'normal' operations. The funding requirements of Council's revised Asset Management Plans have also been included within this version of the LTFP. The 2022/23 rate peg is set at 2.28% being the rate sought in Council's application to IPART.

### Income Statement (Financial Statement Result)

Hornsby Shire Council												
10 Year Financial Plan for the Years ending 30 June 2032												
<b>INCOME STATEMENT - GENERAL FUND</b>	<b>Actuals</b>	<b>Current Year</b>	<b>Projected Years</b>									
<b>2.28% Rate Peg 2022/23</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>	<b>2030/31</b>	<b>2031/32</b>
<b>Normal Continuance of Services &amp; AMP Funding</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Income from Continuing Operations</b>												
<b>Revenue:</b>												
Rates & Annual Charges	100,700,000	102,135,834	109,206,440	111,635,367	114,256,750	116,939,803	119,685,980	122,496,769	125,373,692	128,318,309	131,332,215	134,417,045
User Charges & Fees	14,002,000	14,271,474	14,233,154	14,532,377	14,895,686	15,268,078	15,649,780	16,041,025	16,442,050	16,853,102	17,274,429	17,706,290
Other Revenues	4,857,000	6,543,874	6,784,074	6,926,540	7,099,703	7,277,196	7,459,126	7,645,604	7,836,744	8,032,663	8,233,479	8,439,316
Grants & Contributions provided for Operating Purposes	10,862,000	8,357,903	12,770,694	13,038,879	13,364,850	13,698,972	14,041,446	14,392,482	14,752,294	15,121,102	15,499,129	15,886,608
Grants & Contributions provided for Capital Purposes	19,002,000	10,621,715	8,350,000	9,282,453	9,387,014	9,494,190	9,604,044	9,716,646	9,832,062	9,950,363	10,071,622	10,195,913
Interest & Investment Revenue	5,429,000	3,992,059	4,929,651	5,389,132	4,460,381	3,787,181	3,765,726	3,852,727	3,858,110	3,888,975	3,917,278	3,871,795
<b>Other Income:</b>												
Fair value increment on investment properties	97,000	-	100,000	102,100	104,653	107,269	109,951	112,699	115,517	118,405	121,365	124,399
Reversal of impairment losses on receivables	(1,000)	-	-	-	-	-	-	-	-	-	-	-
Rental Income	3,258,000	-	-	-	-	-	-	-	-	-	-	-
<b>Total Income from Continuing Operations</b>	<b>158,206,000</b>	<b>145,922,859</b>	<b>156,374,014</b>	<b>160,906,846</b>	<b>163,569,037</b>	<b>166,572,689</b>	<b>170,316,053</b>	<b>174,257,951</b>	<b>178,210,469</b>	<b>182,282,918</b>	<b>186,449,518</b>	<b>190,641,366</b>
<b>Expenses from Continuing Operations</b>												
Employee Benefits & On-Costs	49,504,000	50,939,704	54,872,389	56,457,718	58,484,618	60,582,931	62,461,002	64,397,293	66,393,609	68,584,598	70,847,890	73,185,871
Borrowing Costs	74,000	24,070	53,191	182,158	149,071	111,216	67,525	18,162	8,893	9,708	10,396	10,989
Materials & Contracts	59,229,000	59,249,398	61,458,500	60,429,147	64,115,942	65,051,409	67,682,288	68,877,148	71,309,378	71,461,332	73,795,592	75,560,840
Depreciation & Amortisation	19,866,000	20,442,227	21,215,275	22,170,866	23,078,601	24,024,189	25,009,208	25,946,946	26,742,065	27,876,769	29,036,655	30,266,158
Other Expenses	3,386,000	9,276,431	8,870,633	9,056,916	9,283,340	9,515,423	9,753,309	9,433,645	9,669,487	9,911,224	10,159,004	10,412,979
Net Losses from the Disposal of Assets	4,997,000	-	-	-	-	-	-	-	-	-	-	-
Revaluation decrement/impairment of IPPE	2,045,000	-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenses from Continuing Operations</b>	<b>139,118,000</b>	<b>139,931,830</b>	<b>146,469,988</b>	<b>148,296,805</b>	<b>155,111,572</b>	<b>159,285,168</b>	<b>164,973,331</b>	<b>168,673,195</b>	<b>174,123,432</b>	<b>177,843,632</b>	<b>183,849,537</b>	<b>189,436,837</b>
<b>Operating Result from Continuing Operations</b>	<b>19,088,000</b>	<b>5,991,029</b>	<b>9,904,025</b>	<b>12,610,041</b>	<b>8,457,465</b>	<b>7,287,520</b>	<b>5,342,722</b>	<b>5,584,756</b>	<b>4,087,037</b>	<b>4,439,286</b>	<b>2,599,981</b>	<b>1,204,529</b>
<b>Net Operating Result for the Year</b>	<b>19,088,000</b>	<b>5,991,029</b>	<b>9,904,025</b>	<b>12,610,041</b>	<b>8,457,465</b>	<b>7,287,520</b>	<b>5,342,722</b>	<b>5,584,756</b>	<b>4,087,037</b>	<b>4,439,286</b>	<b>2,599,981</b>	<b>1,204,529</b>
<b>Net Operating Result before Grants and Contributions provided for Capital Purposes</b>	<b>86,000</b>	<b>(4,630,686)</b>	<b>1,554,025</b>	<b>3,327,588</b>	<b>(929,549)</b>	<b>(2,206,669)</b>	<b>(4,261,322)</b>	<b>(4,131,889)</b>	<b>(5,745,024)</b>	<b>(5,511,078)</b>	<b>(7,471,641)</b>	<b>(8,991,384)</b>



## Budget Summary (Liquidity Result)

Hornsby Shire Council

10 Year Financial Plan for the Years ending 30 June 2032

### BUDGET SUMMARY - GENERAL FUND

2.28% Rate Peg 2022/23

#### Normal Continuance of Services & AMP Funding

	Current Year	Projected Years									
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Income from Continuing Operations</b>											
Rates & Annual Charges	102,135,834	109,206,440	111,635,367	114,256,750	116,939,803	119,685,980	122,496,769	125,373,692	128,318,309	131,332,215	134,417,045
User Charges & Fees	14,271,474	14,231,474	14,530,335	14,893,593	15,265,933	15,647,581	16,038,771	16,439,740	16,850,734	17,272,002	17,703,802
Other Revenues	6,543,874	6,784,074	6,926,540	7,099,703	7,277,196	7,459,126	7,645,604	7,836,744	8,032,663	8,233,479	8,439,316
Grants & Contributions provided for Operating Purposes	8,357,903	12,770,694	13,038,879	13,364,850	13,698,972	14,041,446	14,392,482	14,752,294	15,121,102	15,499,129	15,886,608
Grants & Contributions provided for Capital Purposes	10,621,715	8,350,000	9,282,453	9,387,014	9,494,190	9,604,044	9,716,646	9,832,062	9,950,363	10,071,622	10,195,913
Interest & Investment Revenue	3,992,059	4,929,651	5,389,132	4,460,381	3,787,181	3,765,726	3,852,727	3,858,110	3,888,975	3,917,278	3,871,795
Fair value increment on investment properties	-	100,000	102,100	104,653	107,269	109,951	112,699	115,517	118,405	121,365	124,399
<b>Total Income from Continuing Operations</b>	<b>145,922,859</b>	<b>156,372,334</b>	<b>160,904,804</b>	<b>163,566,944</b>	<b>166,570,543</b>	<b>170,313,854</b>	<b>174,255,697</b>	<b>178,208,159</b>	<b>182,280,550</b>	<b>186,447,091</b>	<b>190,638,878</b>
<b>Expenses from Continuing Operations</b>											
Employee Benefits & On-Costs	50,939,704	54,872,389	56,457,718	58,484,618	60,582,931	62,461,002	64,397,293	66,393,609	68,584,598	70,847,890	73,185,871
Borrowing Costs	24,070	25,388	15,880	15,880	15,880	15,880	15,880	15,880	15,880	15,880	15,880
Materials & Contracts	59,249,398	61,458,500	60,429,147	64,115,942	65,051,409	67,682,288	68,877,148	71,309,378	71,461,332	73,795,592	75,560,840
Depreciation & Amortisation	20,442,227	21,215,275	22,170,866	23,078,601	24,024,189	25,009,208	25,946,946	26,742,065	27,876,769	29,036,655	30,266,158
Other Expenses	9,276,431	8,870,633	9,056,916	9,283,340	9,515,423	9,753,309	9,433,645	9,669,487	9,911,224	10,159,004	10,412,979
<b>Total Expenses from Continuing Operations</b>	<b>139,931,830</b>	<b>146,442,185</b>	<b>148,130,527</b>	<b>154,978,381</b>	<b>159,189,832</b>	<b>164,921,686</b>	<b>168,670,913</b>	<b>174,130,418</b>	<b>177,849,804</b>	<b>183,855,021</b>	<b>189,441,728</b>
<b>Net Operating Profit /(Loss) for the Year</b>	<b>5,991,029</b>	<b>9,930,149</b>	<b>12,774,277</b>	<b>8,588,563</b>	<b>7,380,711</b>	<b>5,392,168</b>	<b>5,584,784</b>	<b>4,077,740</b>	<b>4,430,746</b>	<b>2,592,070</b>	<b>1,197,150</b>
<b>Capital (Balance Sheet) and Reserve Movements</b>											
Capital Expenditure	(64,955,344)	(66,705,366)	(67,136,295)	(70,103,526)	(26,043,024)	(27,692,379)	(31,798,250)	(43,133,793)	(43,849,268)	(29,676,587)	(30,192,157)
Loan Repayments (External)	(241,970)	(256,532)	-	-	-	-	-	-	-	-	-
ELE Provisions paid out	(956,069)	(956,069)	(956,069)	(956,069)	(956,069)	(956,069)	(956,069)	(956,069)	(956,069)	(956,069)	(956,069)
Proceeds from Sale of intangible & tangible Assets	1,000,000	1,000,000	1,021,000	1,046,525	1,072,688	1,099,505	1,126,993	1,155,168	1,184,047	1,213,648	1,243,989
Non-cash Expense Contra Income	20,442,227	21,215,275	22,170,866	23,078,601	24,024,189	25,009,208	25,946,946	26,742,065	27,876,769	29,036,655	30,266,158
Net Transfers (to)/from Reserves	39,423,922	37,365,885	34,369,034	37,961,627	(6,535,454)	(6,611,116)	(2,562,112)	8,812,246	9,280,327	(6,169,235)	(6,211,275)
<b>Total Capital (Balance Sheet) and Reserve Movements</b>	<b>(5,287,234)</b>	<b>(8,336,807)</b>	<b>(10,531,464)</b>	<b>(8,972,842)</b>	<b>(8,437,670)</b>	<b>(9,150,851)</b>	<b>(8,242,491)</b>	<b>(7,380,384)</b>	<b>(6,464,194)</b>	<b>(6,551,588)</b>	<b>(5,849,353)</b>
<b>Net Result (including Depreciation &amp; Other non-cash items)</b>	<b>703,795</b>	<b>1,593,342</b>	<b>2,242,814</b>	<b>(384,279)</b>	<b>(1,056,959)</b>	<b>(3,758,682)</b>	<b>(2,657,707)</b>	<b>(3,302,643)</b>	<b>(2,033,448)</b>	<b>(3,959,518)</b>	<b>(4,652,203)</b>
Add back Depreciation Expense (non-cash)	20,442,227	21,215,275	22,170,866	23,078,601	24,024,189	25,009,208	25,946,946	26,742,065	27,876,769	29,036,655	30,266,158
Less Other Income (non-cash)	(20,442,227)	(21,215,275)	(22,170,866)	(23,078,601)	(24,024,189)	(25,009,208)	(25,946,946)	(26,742,065)	(27,876,769)	(29,036,655)	(30,266,158)
<b>Cash Budget Surplus/(Deficit)</b>	<b>703,795</b>	<b>1,593,342</b>	<b>2,242,814</b>	<b>(384,279)</b>	<b>(1,056,959)</b>	<b>(3,758,682)</b>	<b>(2,657,707)</b>	<b>(3,302,643)</b>	<b>(2,033,448)</b>	<b>(3,959,518)</b>	<b>(4,652,203)</b>

## Balance Sheet (Financial Statements)

BALANCE SHEET - GENERAL FUND 2.28% Rate Peg 2022/23 Normal Continuance of Services & AMP Funding	Projected Years									
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>ASSETS</b>										
<b>Current Assets</b>										
Cash & Cash Equivalents	5,663,832	4,829,993	3,851,751	3,796,267	3,907,908	3,943,619	3,700,637	3,425,958	3,371,967	3,421,592
Investments	113,236,310	96,565,479	77,007,594	79,545,695	80,735,597	80,407,457	74,299,030	68,499,988	69,707,973	70,491,700
Receivables	7,861,867	7,861,782	7,820,136	8,013,480	8,196,789	8,368,438	8,483,889	8,607,051	8,807,497	9,008,384
Inventories	194,464	191,264	202,877	205,854	214,154	217,947	225,626	226,146	233,519	239,107
Contract assets	40,023	41,024	42,049	43,101	44,178	45,283	46,415	47,575	48,764	49,983
Other	358,962	354,740	374,640	380,622	395,230	399,734	413,328	415,394	428,556	438,866
<b>Total Current Assets</b>	<b>127,355,458</b>	<b>109,844,282</b>	<b>89,299,047</b>	<b>91,985,019</b>	<b>93,493,857</b>	<b>93,382,476</b>	<b>87,168,924</b>	<b>81,222,112</b>	<b>82,598,277</b>	<b>83,649,633</b>
<b>Non-Current Assets</b>										
Investments	104,085,358	88,761,745	70,784,389	73,117,378	74,211,121	73,909,499	68,294,711	62,964,307	64,074,671	64,795,063
Receivables	1,120,386	1,144,413	1,172,400	1,201,072	1,230,446	1,260,540	1,291,371	1,322,957	1,355,317	1,388,470
Contract assets	41,657	42,698	43,766	44,860	45,981	47,131	48,309	49,517	50,755	52,024
Infrastructure, Property, Plant & Equipment	1,690,759,707	1,735,130,606	1,781,538,391	1,782,917,006	1,784,936,403	1,790,011,537	1,805,328,801	1,820,223,055	1,819,759,204	1,818,576,618
Investment Property	29,180,000	29,282,100	29,386,753	29,494,021	29,603,972	29,716,671	29,832,188	29,950,593	30,071,957	30,196,356
Intangible Assets	963,221	953,217	940,875	926,051	908,590	888,333	865,111	838,748	809,059	775,849
Right of use assets	2,405,347	1,988,881	1,571,838	1,154,194	735,924	405,358	403,245	380,559	358,555	315,987
<b>Total Non-Current Assets</b>	<b>1,828,555,676</b>	<b>1,857,303,660</b>	<b>1,885,438,411</b>	<b>1,888,854,582</b>	<b>1,891,672,437</b>	<b>1,896,239,068</b>	<b>1,906,063,736</b>	<b>1,915,729,735</b>	<b>1,916,479,519</b>	<b>1,916,100,366</b>
<b>TOTAL ASSETS</b>	<b>1,955,911,134</b>	<b>1,967,147,942</b>	<b>1,974,737,458</b>	<b>1,980,839,601</b>	<b>1,985,166,294</b>	<b>1,989,621,544</b>	<b>1,993,232,661</b>	<b>1,996,951,848</b>	<b>1,999,077,796</b>	<b>1,999,749,999</b>
<b>LIABILITIES</b>										
<b>Current Liabilities</b>										
Payables	11,747,870	11,738,672	12,277,182	12,514,551	12,938,139	13,140,087	13,547,579	13,711,778	14,122,274	14,474,208
Contract liabilities	1,746,345	1,812,264	1,852,646	1,894,036	1,936,462	1,979,948	2,024,522	2,070,210	2,117,040	2,165,041
Lease liabilities	485,784	502,755	520,351	538,564	431,775	40,514	44,227	47,359	50,062	52,453
Provisions	15,811,604	15,003,968	14,196,333	13,388,697	12,581,061	11,773,425	10,965,789	10,158,154	9,350,518	8,542,882
<b>Total Current Liabilities</b>	<b>29,791,603</b>	<b>29,057,659</b>	<b>28,846,511</b>	<b>28,335,849</b>	<b>27,887,437</b>	<b>26,933,975</b>	<b>26,582,117</b>	<b>25,987,500</b>	<b>25,639,894</b>	<b>25,234,584</b>
<b>Non-Current Liabilities</b>										
Contract liabilities	479,719	491,617	503,600	515,883	528,473	541,378	554,605	568,163	582,060	596,304
Lease liabilities	2,155,500	1,652,745	1,132,394	593,830	162,055	121,541	132,683	142,077	150,187	157,360
Provisions	3,852,258	3,703,825	3,555,391	3,406,958	3,258,525	3,110,092	2,961,659	2,813,225	2,664,792	2,516,359
<b>Total Non-Current Liabilities</b>	<b>6,487,477</b>	<b>5,848,187</b>	<b>5,191,386</b>	<b>4,516,671</b>	<b>3,949,053</b>	<b>3,773,010</b>	<b>3,648,946</b>	<b>3,523,465</b>	<b>3,397,039</b>	<b>3,270,023</b>
<b>TOTAL LIABILITIES</b>	<b>36,279,080</b>	<b>34,905,846</b>	<b>34,037,897</b>	<b>32,852,520</b>	<b>31,836,490</b>	<b>30,706,985</b>	<b>30,231,064</b>	<b>29,510,966</b>	<b>29,036,933</b>	<b>28,504,607</b>
<b>Net Assets</b>	<b>1,919,632,054</b>	<b>1,932,242,096</b>	<b>1,940,699,561</b>	<b>1,947,987,081</b>	<b>1,953,329,803</b>	<b>1,958,914,559</b>	<b>1,963,001,597</b>	<b>1,967,440,882</b>	<b>1,970,040,864</b>	<b>1,971,245,392</b>
<b>EQUITY</b>										
Retained Earnings	1,293,156,054	1,305,766,096	1,314,223,561	1,321,511,081	1,326,853,803	1,332,438,559	1,336,525,597	1,340,964,882	1,343,564,864	1,344,769,392
Revaluation Reserves	626,108,000	626,108,000	626,108,000	626,108,000	626,108,000	626,108,000	626,108,000	626,108,000	626,108,000	626,108,000
Other Reserves	368,000	368,000	368,000	368,000	368,000	368,000	368,000	368,000	368,000	368,000
<b>Total Equity</b>	<b>1,919,632,054</b>	<b>1,932,242,096</b>	<b>1,940,699,561</b>	<b>1,947,987,081</b>	<b>1,953,329,803</b>	<b>1,958,914,559</b>	<b>1,963,001,597</b>	<b>1,967,440,882</b>	<b>1,970,040,864</b>	<b>1,971,245,392</b>



## Cash Flow Statement (Financial Statements)

CASH FLOW STATEMENT - GENERAL FUND	Actuals	Current Year	Projected Years									
2.28% Rate Peg 2022/23	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Normal Continuance of Services & AMP Funding	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cash Flows from Operating Activities												
Receipts:												
Rates & Annual Charges	100,621,000	102,494,746	109,112,147	111,602,975	114,221,791	116,904,022	119,649,357	122,459,284	125,335,325	128,279,039	131,292,022	134,375,906
User Charges & Fees	14,556,000	14,260,521	14,229,851	14,555,019	14,923,596	15,296,686	15,679,103	16,071,080	16,472,857	16,884,679	17,306,796	17,739,466
Investment & Interest Revenue Received	4,158,000	3,581,105	5,099,265	5,559,621	4,659,921	3,755,606	3,748,159	3,850,889	3,916,639	3,944,066	3,899,461	3,858,022
Grants & Contributions	24,728,000	19,934,230	21,168,820	22,348,319	22,761,542	23,203,081	23,655,658	24,119,549	24,595,038	25,082,414	25,581,974	26,094,024
Bonds & Deposits Received	22,000	-	-	-	-	-	-	-	-	-	-	-
Other	16,481,000	7,122,271	6,611,208	6,811,691	6,984,178	7,158,783	7,337,753	7,521,196	7,709,226	7,901,957	8,099,506	8,301,994
Payments:												
Employee Benefits & On-Costs	(48,637,000)	(52,245,683)	(55,731,994)	(57,383,605)	(59,400,767)	(61,497,843)	(63,374,638)	(65,309,614)	(67,304,573)	(69,491,164)	(71,752,822)	(74,089,115)
Materials & Contracts	(66,930,000)	(58,874,294)	(61,307,935)	(60,497,941)	(63,788,275)	(64,952,386)	(67,441,526)	(68,804,155)	(71,085,283)	(71,426,625)	(73,578,568)	(75,390,645)
Borrowing Costs	(71,000)	(26,540)	(53,721)	(182,158)	(149,071)	(111,216)	(67,525)	(18,162)	(8,893)	(9,708)	(10,396)	(10,989)
Other	(3,794,000)	(9,960,082)	(8,761,920)	(9,041,124)	(9,166,642)	(9,450,439)	(9,659,618)	(9,381,089)	(9,577,392)	(9,859,334)	(10,063,315)	(10,326,690)
Net Cash provided (or used in) Operating Activities	41,134,000	26,286,273	30,365,720	33,772,796	31,046,273	30,306,293	29,526,723	30,508,980	30,052,944	31,305,323	30,774,657	30,551,972
Cash Flows from Investing Activities												
Receipts:												
Sale of Investment Securities	126,000,000	-	33,502,332	31,994,445	37,535,241	-	-	629,763	11,723,215	11,129,446	-	-
Sale of Infrastructure, Property, Plant & Equipment	1,071,000	1,000,000	1,000,000	1,021,000	1,046,525	1,072,688	1,099,505	1,126,993	1,155,168	1,184,047	1,213,648	1,243,989
Payments:												
Purchase of Investment Securities	(134,316,000)	-	-	-	-	(4,871,090)	(2,283,645)	-	-	-	(2,318,350)	(1,504,118)
Purchase of Investment Property	(3,548,000)	-	-	-	-	-	-	-	-	-	-	-
Purchase of Infrastructure, Property, Plant & Equipment	(34,641,000)	(64,955,344)	(66,705,366)	(67,021,295)	(69,985,651)	(25,922,202)	(27,568,536)	(31,671,312)	(43,003,682)	(43,715,904)	(29,539,888)	(30,052,040)
Purchase of Intangible Assets	(13,000)	-	-	(115,000)	(117,875)	(120,822)	(123,842)	(126,938)	(130,112)	(133,365)	(136,699)	(140,116)
Net Cash provided (or used in) Investing Activities	(45,447,000)	(63,955,344)	(32,203,035)	(34,120,850)	(31,521,761)	(29,841,426)	(28,876,519)	(30,041,494)	(30,255,411)	(31,535,775)	(30,781,289)	(30,452,285)
Cash Flows from Financing Activities												
Repayment of Borrowings & Advances	(366,000)	(241,970)	(257,030)	-	-	-	-	-	-	-	-	-
Repayment of lease liabilities (principal repayments)	(220,000)	-	(105,783)	(485,784)	(502,755)	(520,351)	(538,564)	(431,775)	(40,514)	(44,227)	(47,359)	(50,062)
Net Cash Flow provided (used in) Financing Activities	(586,000)	(241,970)	(362,813)	(485,784)	(502,755)	(520,351)	(538,564)	(431,775)	(40,514)	(44,227)	(47,359)	(50,062)
Net Increase/(Decrease) in Cash & Cash Equivalents	(4,899,000)	(37,911,041)	(2,200,127)	(833,838)	(978,242)	(55,484)	111,640	35,711	(242,981)	(274,679)	(53,991)	49,625
plus: Cash & Cash Equivalents - beginning of year	50,674,000	45,775,000	7,863,959	5,663,832	4,829,993	3,851,751	3,796,267	3,907,908	3,943,619	3,700,637	3,425,958	3,371,967
Cash & Cash Equivalents - end of the year	45,775,000	7,863,959	5,663,832	4,829,993	3,851,751	3,796,267	3,907,908	3,943,619	3,700,637	3,425,958	3,371,967	3,421,592
Investments - end of the year	250,824,000	250,824,000	217,321,668	185,327,224	147,791,983	152,663,073	154,946,719	154,316,955	142,593,741	131,464,294	133,782,645	135,286,762
Cash, Cash Equivalents & Investments - end of the year	296,599,000	258,687,959	222,985,500	190,157,217	151,643,734	156,459,341	158,854,626	158,260,574	146,294,378	134,890,253	137,154,612	138,708,354
Representing:												
- External Restrictions	195,541,000	160,611,578	123,215,506	93,405,562	59,550,766	66,691,986	73,959,025	77,228,471	69,176,255	60,709,973	67,748,617	74,886,051
- Internal Restrictions	82,223,000	77,728,499	77,758,686	73,199,596	69,092,765	68,487,000	67,831,078	67,123,744	66,363,713	65,549,668	64,680,259	63,754,101
- Unrestricted	18,835,000	20,347,881	22,011,307	23,552,059	23,000,203	21,280,354	17,064,523	13,908,360	10,754,410	8,630,612	4,725,736	68,203
	296,599,000	258,687,959	222,985,500	190,157,217	151,643,734	156,459,341	158,854,626	158,260,574	146,294,378	134,890,253	137,154,612	138,708,354

### Local Government Performance Indicators

Indicator	Benchmark	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32
Operating Performance Ratio	>2% (>0% OLG)	0.98%	2.13%	-0.67%	-1.47%	-2.72%	-2.58%	-3.48%	-3.27%	-4.31%	-5.06%
Own Source Operating Revenue Ratio	>60%	86.48%	86.12%	86.08%	86.07%	86.11%	86.16%	86.20%	86.24%	86.28%	86.31%
Unrestricted Current Ratio	>1.5	6.40	5.98	5.24	5.39	5.15	5.05	4.76	4.60	4.27	3.91
Debt Service Cover Ratio	>2	54.62	38.29	34.05	34.55	34.16	48.27	422.82	412.66	371.47	346.62
Asset Maintenance Ratio	>100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Asset Renewals Ratio	>100%	141%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Infrastructure Backlog Ratio	<2%	0.63%	0.63%	0.64%	0.64%	0.64%	0.64%	0.64%	0.64%	0.65%	0.65%

## **Results – Normal Continuance of Service, Asset Management Requirements & ASRV**

The results after allowing for a permanent increase to income from rates of 2.28% from 2022/23 are marginally improved compared to Council's base case LTFP with a 0.7% rate peg in the same year.

The Income Statement result over the 10 year period continues to predict a deficit in eight out of the ten years. However, the average deficit has decreased from (\$4.736) million to (\$3.437) million per year. The average budget deficit has decreased from (\$3.096) million to (\$1.797) million per year and this level of unencumbered cash remains insufficient to absorb budget shocks that may occur.

The Balance Sheet result over the 10 year period maintain equity, liabilities and non-current assets within acceptable levels. The level of cash and cash equivalents will decrease from existing levels. This is a direct result of reduced operating capacity forecasted over the period of the Plan.

The Operating Performance Ratio is below 2% in 9 of the 10 years forecast and is lower than the acceptable threshold.

Infrastructure ratios are at or above the applicable benchmarks as this version of the LTFP includes the funding required to maintain and renew assets to a satisfactory standard. As in the 0.7% scenario the 2.28% scenarios while attempting to address core asset maintenance the forecasted Income Statement and Cash Budget Results that over the forecasted period demonstrates there is insufficient operating capacity to fund asset management requirements. The drawn down on cash reserves while possible would be considered not to be fiscally responsible.

The Cash Flow Statement forecasts a decrease in Council's unrestricted cash balance, which remains positive over the life of the Plan but falls to \$68K by 30 June 2032 from the gradual decline in Council's available liquidity as forecast budget deficits require funding from investment and cash reserves.

The results in this version of the Plan indicates that Council's forecast financial sustainability is unsatisfactory after allowing for additional rating income should Council's application to IPART be successful for the 2022/23 additional special rate variation. Further action will be required as discussed within the Action to Improve Future Direction section of this report.

## Strategic Initiatives

### Adopted Documents

Over recent years Council has undertaken a series of technical and evidence-based strategies across Council to formulate initiatives required to deliver services for each of Council's unique disciplines. 28 different strategies and technical documents have been adopted by Council as listed below:

1. Community and Cultural Facilities Strategic Plan 2021
2. Comprehensive Heritage Study – Hornsby Thematic History (2021)
3. Local Strategic Planning Statement 2020
4. Local Housing Strategy 2020
5. Disability Inclusion Action Plan 2017-2020
6. Active Living Hornsby Strategy 2016
7. Sportsground Strategy 2018
8. Play Plan 2021
9. Unstructured Recreation Strategy 2008
10. Off Leash Dog Park Strategy 2021
11. Sustainable Water Based Recreation Facilities Plan 2012
12. Biodiversity Conservation Strategy 2021
13. Urban Forest Strategy 2021
14. Water Sensitive Hornsby Strategy 2021
15. Climate Wise Hornsby Plan 2021
16. Waste Matters Strategy 2020
17. Bushfire Management Strategy 2020 (internal)
18. Hornsby Ku-ring-gai Bush Fire Risk Management Plan 2016-2021 (under review)
19. Economic Development and Tourism Strategy 2021-26

20. Employment Land Study 2021
21. Public Domain Guidelines 2021
22. Integrated Land Use and Transport Strategy 2004 (under review)
23. Car Parking Management Study 2020
24. Walking and Cycling Strategy 2021
25. Bike Plan 2019
26. Community Engagement Plan 2021 - Communications and Engagement Strategies 2019 (internal)
27. Technology and Transformation Strategy 2020-2023 (internal)
28. Brooklyn Discussion Paper

A range of strategic initiatives are identified across the documents, some of which can be funded within existing budgets and some that require funding such as from external grants, additional income or from available general fund capacity within the LTFP. Based on preliminary analysis undertaken by Council Officers approximately \$8.8 million of funding is required to deliver 50% of the unfunded initiatives. At the date of preparing this Plan detailed costing for the remaining 50% of the initiatives is being undertaken.

In addition to the above adopted documents appropriate funding consideration is required in respect to modernising Council's workforce as identified in the updated Workforce and Technology Plans to meet staff and community expectations in respect to service delivery.

Due to deficits being forecast in eight out of ten years in the LTFP there is insufficient financial capacity to fund the initiatives identified unless alternative funding sources are determined. Because of the quantum of funds required and given that rating income makes up 80% of Council's own source revenue the only way to fund the initiatives identified would be through a special rate variation above the variation required to fund recurrent operations and Council's asset management requirements. Therefore, it is recommended that community consultation is undertaken to prioritise the initiatives identified and determine community support for a special rate variation.

## Financial Risks

There are several significant challenges that may place pressure on Council's Annual Budget over the period of the Plan.

- Major Projects - Capital expenditure included in the LTFP is as high as \$70 million in some years and is largely funded from external grants and development contributions. There is a level of unavoidable financial risk from capital expenditure budgets of this size and the use of general funds may be required if unexpected cost escalations occur that cannot be offset through project scope reductions or funded from external sources. Current external economic forecasts indicate that the cost of raw materials and contracts will increase in line with rising inflation this year, which will place pressure on these budgets. It is noted that due to supply chain issues being experienced in the construction sector has seen material costs rising by at least 15%.

Council's largest project, Hornsby Park poses a large financial risk given the total approved budget of \$79.4 million is greater than the income Council generates from rates each year. A small percentage increase in the total cost of this project would significantly affect the budget in any given year. Furthermore, risk extends past the completion date of capital works as ongoing budgets for operational, maintenance and renewal expenditure must be provided into the future to maintain newly created assets in a satisfactory condition.

- Investment income returns – Investment income in the LTFP is forecast to increase over the life of the Plan in line with a forecast increase in the base rate from 0.1% in 2022/23 to 2.25% by 2031/2032. If the base rate does not increase as forecast Council will receive less income than expected which will reduce financial capacity. Conversely, should the base rate increase at a greater rate than forecast Council would benefit from having more investment income to allocate to expenditure over the life of the Plan.
- The Independent Pricing and Regulatory Tribunal (IPART) have released a draft report into the review of Domestic Waste Management services particularly in respect to pricing and expenses included in this service. The consequence of these potential changes, if approved, may result in a significant financial impost on Council's budget estimated at \$2.3 million and that would require a rebalancing of Domestic Waste and general funds

in future years through a Special Rate Variation to IPART. There is insufficient capacity within the LTFP to fund these proposed changes within a given year.

- The Hornsby Shire Local Government Area has been impacted by multiple severe weather events that were declared Natural Disasters by the NSW State Government between 2018 and 2022. Each of these events typically costs Council several hundred thousand dollars in clean-up costs that are not always able to be recouped from the NSW State Government. A cost estimate to rectify damaged Council Infrastructure (i.e. roads) from the February 2022 floods is currently being prepared, which is expected to be larger in cost than the previous years' events, and which will require funding in the 2022/23 Annual Budget. The funding requirements from the most recent event as well as the possibility of further disasters are a risk to the Plan.
- Strategic Initiatives & Resourcing Strategy – as noted on page 51 Council has adopted 28 strategies and technical documents that include unfunded initiatives of which 50% have been costed and require \$8.8million of funding. Additionally, Council's revised Workforce Management Plan forms part of the Resourcing Strategy of which this LTFP is a part. It is likely that the Workforce Management plan will require additional expenditure to fund the initiatives identified.
- Workplace of the Future – Since the discovery of asbestos in Council's old Administration Centre based in Hornsby, Council staff have predominantly worked from a temporary office location in Thornleigh. Whilst the cost of leasing this premises is included within the LTFP for the next 5 years there is a long term need for Council to resolve office accommodation needs that will require funding beyond this point. In this regard it is noted that the former office site in Hornsby would require capital investment to be re-fitted as an office. An analysis of various options is currently in progress at the time of writing this report and may need funding to resolve this matter.

The next sections of this report include two Sensitivity Analysis, one to forecast the capital and ongoing financial impact of delivering the full scope of works identified in the master plans for Hornsby Park and Westleigh Park based on current estimates, and one to forecast the potential benefit to Council should the interest base rate increase greater than forecast in the LTFP.

## Sensitivity Analysis – Major Projects

Council has resolved a preference to progress the development of Hornsby Park over Westleigh Park based on an available capital budget of \$79.4 million for Hornsby Park from available external funding and based on a recurrent operating and maintenance budget of \$1.4 million per year. Council resolved to focus on the delivery of Hornsby Park in the adoption of Deputy General Manager's Report IM2/21 at the 14 April 2021 General Meeting, Draft Master Plans for Hornsby and Westleigh Parks.

The full scope of works identified in the Master Plan for Hornsby Park is estimated to cost \$130 million and the associated recurrent operating and maintenance budget is estimated at \$3 million per year. For Westleigh Park the full scope of works identified in the Master Plan is estimated to cost \$70 million and has an associated recurrent cost of \$1.2 million.

A sensitivity analysis has been undertaken to demonstrate the impact on Council's financial capacity should the full scope of works be undertaken.

### Recurrent Operating, Maintenance & Renewal

This sensitivity analysis includes an additional \$1.6 million in recurrent expenditure for Hornsby Park from 2025/26 (making \$3 million in total) and a \$1.2 million recurrent budget for Westleigh Park from 2025/26. 50% of the additional funding has been treated as operating (operating and maintenance expenditure) and 50% has been treated as capital (for ongoing asset renewal)

### Net Operating Surplus before Capital Items & Asset Sales

	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32
Base LTFP	\$0.383M	\$2.129M	(\$2.155M)	(\$3.460M)	(\$5.543M)	(\$5.543M)	(\$7.086M)	(\$6.883M)	(\$8.875M)	(\$10.426M)
+ \$2.8M recurrent maintenance from 25/26	\$0.383M	\$2.129M	(\$2.155M)	(\$4.860M)	(\$6.943M)	(\$6.843M)	(\$8.486M)	(\$8.283M)	(\$10.725M)	(\$11.826M)



The average Income Statement deficit is forecast to increase from (\$4.736M) to (\$5.716M). There is a deficit of \$11.826M in 2031/32 that requires funding.

Cash budget surplus/(deficit)

	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32
Base LTFP	\$0.423M	\$1.045M	(\$1.610M)	(\$2.310M)	(\$5.041M)	(\$3.969M)	(\$4.644M)	(\$3.405M)	(\$5.363M)	(\$6.087M)
+ \$2.8M recurrent maintenance from 25/26	\$0.423M	\$1.045M	(\$1.610M)	(\$5.110M)	(\$7.841M)	(\$6.769M)	(\$7.444M)	(\$6.205M)	(\$8.163M)	(\$8.887M)

The average budget deficit is forecast to increase from (\$3.096M) to (\$5.056M). There is a cash deficit of \$8.887M in 2031/32 that requires funding.

Recurrent Operating & Maintenance & Capital

The following Sensitivity Analysis includes the capital funding gap within general funds in 2024/25 also. For Hornsby Park the funding gap to complete the full scope of works is \$50.6 million and for Westleigh Park \$13.5 million. Depreciation has been forecasted based on the average expected useful life of all assets.

Net Operating Surplus before Capital Items & Asset Sales

	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32
Base LTFP	\$0.383M	\$2.129M	(\$2.155M)	(\$3.460M)	(\$5.543M)	(\$5.543M)	(\$7.086M)	(\$6.883M)	(\$8.875M)	(\$10.426M)
+ \$2.8M recurrent maintenance in 2024/25 and \$64.1M capital funding gap	\$0.383M	\$2.129M	(\$2.155M)	(\$6.463M)	(\$8.613M)	(\$8.582M)	(\$10.298M)	(\$10.170M)	(\$12.241M)	(\$13.874M)

There is an average deficit Income Statement deficit of (\$6.988M).

Cash budget surplus/(deficit)

	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32
Base LTFP	\$0.423M	\$1.045M	(\$1.610M)	(\$2.310M)	(\$5.041M)	(\$3.969M)	(\$4.644M)	(\$3.405M)	(\$5.363M)	(\$6.087M)
+ \$2.8M recurrent maintenance in 2024/25 and \$64.1M capital funding gap	\$0.423M	\$1.045M	(\$65.719M)	(\$5.110M)	(\$7.841M)	(\$6.769M)	(\$7.444M)	(\$6.205M)	(\$8.163M)	(\$8.887M)

There is an average budget deficit of (\$11.467M) that requires funding. The largest deficit is (\$65.719M) in 2024/25.

Whilst Council's intention is not to fund the capital funding gap from general fund the sensitivity analysis demonstrates the significant impact on general funds should costs escalate beyond the available funds on hand for each project.

The Cash Flow Statement forecasts a negative unrestricted cash balance from 2024/25. Based on the forecast at this point there would be sufficient cash reserves within Council's internally restricted assets to rebalance this. By 2028/29 Council would have a negative cash balance in this scenario and would have utilised all internally restricted asset reserves and unrestricted cash, which is unsustainable and would have significant ramifications for Council.

Because of the significance of an increase in scope or increase in total cost of these major projects several recommendations are included within the Action to Improve Future Direction section of this report.

## Sensitivity Analysis – Investment Returns

The 2019 version of Council's LTFP identified a risk to Council of reliance on investment income returns to fund recurrent operations. Since then, there have been several cuts to the base rate by the Reserve Bank of Australia to a low of 0.1%. This is one of the main factors that has led to a decrease in Council's financial capacity.

The base version of this LTFP forecasts a gradual increase in the base rate over the time frame of the Plan and investment returns range from 1.78% in 2022/23 to 3.12% in 2031/32 based on the latest external interest base rate forecasts from Reuters plus an estimate of the margin based on the mix of investment products that Council holds.

It is possible that the base rate increases greater than forecast. Therefore, a sensitivity analysis has been performed based on investment returns being 1% greater in each year. The following results demonstrate the impact on Council's financial capacity from average investment returns ranging from 2.78% in 2022/23 to 4.12% in 2031/32.

### Income Statement Results (compared to base LTFP including asset management requirements)

There is an average deficit of (\$3.141M) per year compared with (\$4.736M) in Council's base LTFP.

#### Net Operating Surplus before Capital Items & Asset Sales

	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32
Base LTFP	\$0.383M	\$2.129M	(\$2.155M)	(\$3.460M)	(\$5.543M)	(\$5.543M)	(\$7.086M)	(\$6.883M)	(\$8.875M)	(\$10.426M)
+ 1% Interest Base Rate	\$3.066M	\$4.310M	(\$0.458M)	(\$2.046M)	(\$4.215M)	(\$4.114M)	(\$5.757M)	(\$5.554M)	(\$7.545M)	(\$9.098M)

There is improvement in the forecast income statement results from the additional investment income, particularly in the early years of the Plan as interest is generated on external grants such as the Stronger Communities Fund and Development Contributions on hand. The additional investment income decreases in later year as these restricted funds are forecasted to be expended on capital works.

Budget Summary Results (compared to base LTFP including asset management requirements)

There is an average budget deficit of (\$2.072M) per year compared with (\$3.096M) in Council's base LTFP.

Cash budget surplus/(deficit)

	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32
Base LTFP	\$0.423M	\$1.045M	(\$1.610M)	(\$2.310M)	(\$5.041M)	(\$3.969M)	(\$4.644M)	(\$3.405M)	(\$5.363M)	(\$6.087M)
+ 1% Interest Base Rate	\$0.988M	\$2.444M	(\$0.438M)	(\$1.260M)	(\$4.032M)	(\$2.960M)	(\$3.635M)	(\$2.396M)	(\$4.354M)	(\$5.078M)

Investment returns in the forecast budget are less than in the Income Statement as interest earned on restricted reserves such as the Stronger Community Fund and Development Contributions is returned to these restricted assets and is not part of Council's general fund result.

The Sensitivity Analysis demonstrates that even in the event of greater investment returns than forecast Council's long term financial sustainability is below the acceptable level and further action is required.

## Future Direction

Key financial indicators are below acceptable levels in Council's base case LTFP. The impact of the NSW Government's boundary adjustment in 2016 resulted in a one off significant reduction in Hornsby Council's current operating capacity. Since then, results have continued to decline because of other internal and external factors, notably a \$1 million increase in the Emergency Services Levy payable to the NSW State Government and a decline in the interest base rate set by the Reserve Bank of Australia from 1.5% to 0.1%, which has significantly reduced returns on Council's investment portfolio. Forecast deficits are expected to increase in future years because Council's income is expected to grow at a slower rate than expenditure because of forecast increases in the wages price index and consumer price index. The forecast deficits are also accelerated by the impact of the 0.7% rate peg in 2022/23, an increase in employee superannuation payments from 10% to 12% and the need to allocate additional funding to maintain Council's assets in a satisfactory condition, including allocating recurrent budgets for major projects once completed.

It is noted that an approval by the IPART for an ongoing 2.28% rate increase for 2022/23 would assist temporarily in generating an Income Statement surplus until 2024/25. This is exclusive of meeting asset management requirements and for the remainder of the Plan will result in ongoing Income Statement deficits.

It is this reduced financial ability into the future that will now limit council in a number of ways:

### 5. Normal Operations

There is insufficient capacity within the LTFP to fund the continuance of normal operations into the future. Additional funding must be identified to fund forecast deficits or services may need to be reduced to ensure a balanced budget each year.

### 6. Asset Management

There is insufficient capacity within the LTFP to fund the requirements identified in Council's Asset Management plans to maintain assets in a satisfactory condition. As a result, the condition of Council's assets is expected to decline, and the level of infrastructure backlog will increase unless funding is identified.

## 7. Major Capital Projects

The funding available for the redevelopment of the Hornsby Quarry, dubbed by many as the future 'Centennial Park of the North', will be limited to the funds that have been set aside for this project as part of the NSW Government's 'Stronger Community Funds'. Increased community expectations around the scope of this project will need to be limited to the amount that has been set aside in this restricted asset account with acknowledgement that the full scope of works identified in the Master Plan cannot currently be completed.

The preference made by the previous Council to progress Hornsby Park instead of Westleigh Park should also be communicated as there is insufficient capacity within the LTFP to fund the ongoing recurrent costs of both sites. Because of the significant level of financial risk from undertaking projects of this size any works at Westleigh Park should not commence until after the completion of Hornsby Park, should funding become available.

## 8. Strategic Initiatives

There is insufficient capacity within the LTFP to fund the initiatives identified across Council's recently adopted strategic and technical documents. Community consultation is required to prioritise the initiatives identified and test the community support to pay for initiatives through a special rate variation. The funding of recurrent services and asset management requirements should be prioritised above new initiatives. Council should also consider whether there is value in creating any further new strategies given the quantum of unfunded initiatives in the existing documents.

## Action to Improve Future Direction

Future operating capacity is below acceptable levels, and it must be improved to ensure recurrent services can be provided into the future including the need to provide sufficient funding to maintain Council's assets in a satisfactory condition. The following is recommended:

- Continue with Council's application to IPART for a 2.28% additional special rate variation on a permanent basis for 2022/23.
- Consider a further special rate variation to rebalance Council's finances within acceptable levels over the long term. Priority should be given to meeting asset management requirements and ensuring there is sufficient funding for recurrent services. A special rate variation is recommended in the first instance because of the quantum of funds required to provide balanced budgets. However, other funding initiatives such as the generation of additional income from increases to user fees and charges could be explored to potentially reduce the size of a special rate variation required.
- Undertake community consultation with regards to the unfunded initiatives identified within Council's recently adopted Strategic and Technical documents. The consultation should assess the appetite of the community for a further rate rise to pay for initiatives and establish priorities.
- Council should carefully assess whether there is value in creating any further strategic documents given unfunded initiatives in existing documents require at least \$8.8 million of funding (based on preliminary costing for 50% of the actions identified only).
- Continue with the previously agreed position to develop Hornsby Park ahead of Westleigh Park including reinforcing this messaging to the community. To mitigate financial risk works at Westleigh Park should not be undertaken until it is financial appropriate to commence. The development of Westleigh Park also requires a recurrent budget for operations and asset maintenance and renewal expenditure to be identified.
- Communicate the scope of works that can realistically be completed at Hornsby Park based on the available budget to the community and how this differs to the full scope of the master plan.
- Carefully consider the acceptance of further external grants for capital purposes. There is insufficient capacity within the LTFP to fund the associated recurrent costs from any new capital that is not already included in the LTFP. It may be financially prudent to decline capital grant funding depending on whether an evidence-based need for the project exists within Council's strategic documents and subject to the availability of budgets to fund recurrent costs.

- Review other income streams such as fees and charges to ensure appropriate price setting and assess whether price increases could be used to generate additional income.
- Apply a freeze to Council's approved Full Time Equivalent headcount where appropriate; with no new positions to be created unless offset by an equivalent position elsewhere.
- Maintain cost increases to modest levels in regards to non-labour related expenses each year.
- Continuance of financial improvement initiatives (the development of business improvement plans)
- Consider whether there is a case to rationalise underutilised assets to reduce ongoing cost requirements and/or provide one off capital funding from sale proceeds towards other capital investment decisions.