HORNSBY SHIRE COUNCIL

LONG TERM FINANCIAL PLAN

2019/20 to 2028/29

HORNSBY
SHIRE COUNCIL

CONTENTS

EXECUTIVE SUMMARY

On 12 May 2016, the Minister for Local Government proclaimed the creation of 19 new Councils across NSW. This included the creation of the City of Parramatta and confirmed the transfer of the Hornsby Shire Council area south of the M2 Motorway to the new City of Parramatta Council effective from the proclamation date. The financial impact of this boundary adjustment was significant to Hornsby Shire Council resulting in the following being transferred to the City of Parramatta:

- Net recurrent revenue of $9.1 million per annum. Over the period of this Plan, with rate increases applied, this would equate to $99.6 million on a 10 year basis.
- Foregone growth in rates income estimated at a minimum of $2.4 million from current and future development concentrated in this area over the next 10 years.
- Assets that had been identified (in excess of $50 million) which were to be used towards funding the eventual development of the Hornsby Quarry and Westleigh sites.
- Section 711 (formerly Section 94) Development Contribution funds collected prior to the proclamation date.
- Significant foregone Section 711 and Section 712 Development Contribution funds from projected future development in the area south of the M2 Motorway totalling tens of millions of dollars.

The main purpose of the Long Term Financial Plan (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 and an ability to fund major capital projects and a development contributions gap
- Continuous Financial Improvement
- Reduction in External Loan Borrowing
- Achieve/Maintain NSW Treasury Corporation (TCorp) Financial Sustainability Benchmarks

As part of undertaking financial modelling, key assumptions that underpin the forecasts must be made. The 2018/19 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'. 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 over past years. Levels of service however may not remain the same given expected changes in community expectations in future years of the Plan.

The Income Statement result before capital items over the 10-year period predicts surpluses lower than the levels prior to local government reform and the loss of the area South of the M2 Motorway. This result is within acceptable financial sustainability levels but will not provide sufficient annual available cash to fund significant increases in capital projects into the future and be able to withstand 'budget shocks' that may occur. This will require careful consideration and identification of offsets before increasing the scale of capital projects and the effect that this has on recurrent maintenance requirements. The forecasted results rely heavily on maintaining investment balances at predicted levels to provide recurrent investment income at sufficient levels to fund the budget.

The level of unencumbered cash available over the next 11 years is on average $630K per annum. This amount is insufficient to absorb budget shocks that may result from a natural event requiring Councils 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.

Councillor Briefings

A number of briefings were held with Councillors to determine priorities for inclusion into this revision of the LTFP. Priorities identified by Councillors above recurrent budget allocations included:

- Revitalisation of the Hornsby Quarry and Westleigh Sportsground projects as per funds received from the NSW Government's Stronger Community Funding allocated to Council with a recurrent allocation towards maintaining these sites upon construction
- Tree Planting program to achieve 25,000 trees by 2020
- Public Domain improvements for Asquith to Mt Colah and Galston with preliminary planning to commence for other sites across the Shire as part of investigations into a public domain strategy
- Outcomes identified in Council's sportsground strategy
- Greater allocation towards new footpaths
- Improved signage for entry signs into the Shire, rural signage, urgent replacements and wildlife protection signs
- Hornsby Library Refurbishment
- Improvements to Wallarobba Arts and Cultural Centre
- Heritage Planning Study
- Community Centre Improvements

Future Direction

While key financial indicators are generally within acceptable levels, the impact of the NSW Government's boundary adjustment has resulted in a significant reduction in Council's current operating capacity. Further, rate increases on a reduced rate base and the missed opportunity from rate growth from the area south of the M2 Motorway (due to concentrated development) has significantly reduced future benefits to improve the Council's operating capacity. In excess of $50 million in assets that were to be realised to fund some significant projects over the period of this Plan have also been transferred to the City of Parramatta Council with no recompense to Hornsby Shire Council.

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

1. 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. This will also be the situation for the former Westleigh Water Board site acquired by Council to meet future sports and recreation needs. Project cost increases above the amount set aside for the Hornsby Quarry project would require using other restricted asset funds which will have recurrent budget implications, the deferment of other capital projects, a special rate increase, external loan borrowing or a combination of all these things. The ability to maintain these sites once built will require careful consideration as part of any redevelopment to ensure that future budgets have the ability to meet the lifecycle costs of these assets.

2. Loan Borrowing

While point 1 above suggests consideration of external loan borrowing, this would need to be critically evaluated against the ability of the Council to meet debt service obligations. The Income Statement result over the forecast period results in small surpluses only so Council's borrowing capability will be limited by this factor.

3. Section 711 Development Contribution Infrastructure Works

The works schedule available as part of the Section 711 Development Contributions Plan provides the detail in respect to the infrastructure planned to be undertaken as a result of an increasing population. The works schedule is not fully funded by the amount of income received from Section 711 contributions. Therefore, Council will need to set aside surplus funds from its general operations to fund this Section 711 gap. An alternative strategy would be to review existing assets as to utilisation levels and determine if they are in surplus to current and future needs for the purpose of using asset sale proceeds to assist in funding the Section 711 gap.

4. Normal Operations

It is expected that current service levels of Council will be required to be retained in line with that provided in 2018/19. A limited operating capacity will restrict any further expansion of services currently provided unless a 'trade-off' between services can be agreed to. Diligence especially is required around staffing levels to ensure current labour costs are maintained at a satisfactory level.

Action to Improve Future Direction

To improve Council's future operating capacity to be able to deliver on significant capital projects for the community and overall financial sustainability will require consideration of the following:

- Updating of asset management plans as key inputs into future asset maintenance and renewal expenditures while considering asset rationalisation (ie. asset reviews of community facilities and small parks)
- A greater emphasis on capital project works funded by Development Contributions
- A revision of the Development Contribution Plans in order to assess the appropriateness of amending the Plans that may enable the inclusion of some of the projects identified above by Councillors as a priority
- Implement a revised investment strategy to maximise current returns by tightening cash-flow management on major capital projects, longer dated investments to potentially achieve an improved yield and utilising authorised products such as floating rate notes, certificate of deposits and NSW TCorp's growth funds.
- Revision of fees and charges to ensure appropriate price setting
- Review of employee costs in respect to vacancies, employee leave entitlements, workers compensation premium and superannuation
- Maintain cost increases to modest levels in regards to non-labour related expenses
- Potential allocation of asset sales/restricted assets towards enhancing the useful life of existing assets
- Implement a Capital Governance Framework for large infrastructure projects
- Continuance of financial improvement initiatives (the development of business improvement plans)
- Rate increases above the rate pegging limit
- Reconsider external loan borrowing

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 adopted 2018/19 budget, which is the first year of the LTFP. Future years in the LTFP are based on a range of forecasted assumptions used to determine:

- Future revenue and expenditure (Income Statement)
- A projection for a range of key financial indicators as expressed by the NSW Treasury Corporation (TCorp) review into the Financial Sustainability of NSW Councils (January 2013)
- 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. Where a surplus budget is generated this amount will be directed towards a restricted asset account/s. The restricted asset accounts to be used are:

- Section 711 Gap Restricted Asset: to fund Council's identified Section 711 gap identified in Council's 2014-2024 Section 711 Development Contributions Plan.
- Capital Projects and Debt Retirement Restricted Asset: to fund key strategic capital projects that require reasonable capital investment from the Council.

This is consistent with Council's objective to maintain prudent financial management of its finances and to allocate financial surpluses towards key strategic issues and reducing the need to increase rates above the rate pegging allowance.

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.
- The independent review of Council's internal and external services realised $3.450 million per annum, of which some of these savings have been applied to reducing external loan borrowings and reduced future debt servicing commitments.
- 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 the previous Council totalling approximately $7 million. Generated savings from financial improvement have been applied to eliminating the need to borrow $1 million annually for recurrent capital projects.

Over the time horizon of this plan it is forecast that Council will be debt free and will achieve significant savings from reducing debt service levels. It is worth noting that consideration of external loan borrowing for significant infrastructure projects should be considered in context of NSW Government financial initiatives.

Achieve/Maintain TCorp Financial Sustainability Benchmarks

In 2012, the Office of Local Government engaged NSW Treasury Corporation (TCorp) to undertake a financial sustainability review of all general purpose councils in NSW. TCorp's report was the first time a comprehensive, independent analysis had been undertaken into the financial sustainability of every council in NSW. TCorp developed a Financial Sustainability Rating (FSR) for the purpose of rating each Council.

TCorp considers that a Council needs to be assessed with a FSR at a Moderate or higher level to be acceptable in terms of their Sustainability. A Moderate level FSR is on average equivalent to marginally exceeding the benchmarks utilised in TCorp's assessment process.

Indicators that are used to measure Council's financial position are endorsed by the Office of Local Government and are a requirement to report on in Council's annual financial statements.

The indicators to be measured are as follows:

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%
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
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%
Asset Maintenance Ratio	Compares actual versus required annual asset maintenance.	Actual maintenance / Required asset maintenance	>100%
Cash Expense Cover Ratio	This liquidity ratio indicates the number of months a council can continue to pay for its immediate expenses without additional cash inflow.	Current year's cash and cash equivalents/Total expenses less depreciation and interest costs multiplied by 12	>3 months
Building and Infrastructure Renewals Ratio	Compares the proportion spent on infrastructure asset renewals and the assets deterioration.	Asset renewals/Depreciation of building and infrastructure assets	>100%
Outstanding Rates and Annual Charges	To assess the impact of uncollected rates and annual charges on liquidity and the adequacy of recovery efforts.	Rates, Annual and Extra Charges Outstanding / Rates, Annual and Extra Charges Collectible	< 5.0%
Debt Service Cover Ratio	The availability of operating cash to service debt including interest, principal and lease payments.	Operating Result before capital excluding interest and depreciation / Principal Repayments (from the Statement of Cash Flows + Borrowing Interest Costs (from the Income Statement)	> 2
Capital Expenditure Ratio	This indicates the extent to which a Council is forecasting to expand its asset base with capital expenditure spent on both new assets, and replacement and renewal of existing assets.	Annual Capital Expenditure/Annual Depreciation	> 1

By meeting the above core indicators Council has ensured that a tight control is maintained over its financial position and performance, with this being demonstrated through its strong operating results over the last few years. This Long Term Financial Plan continues with this strategy.

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, Australian Bureau of Statistics and TCorp's economic forecasts.

The 2018/19 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. A number of one-off recurring adjustments have also been included in the LTFP. Where relevant, a brief description of these adjustments is also included below.

On the 12 May 2016, the Minister for Local Government proclaimed the creation of 19 new Councils across NSW. This included the creation of the City of Parramatta and confirmed the transfer of the Hornsby Shire Council area south of the M2 Motorway to the new City of Parramatta Council effective from the proclamation data. This Long Term Financial Plan has been formulated on the adopted 2018/19 Original Budget which takes into consideration the recurrent financial loss of the area south of the M2 Motorway being transferred to the City of Parramatta Council.

This Plan has allocated the initial amount received from the NSW Government on 30 June 2018 towards the Hornsby Quarry Revitalisation and Westleigh Sportsground projects. Full financial compensation sought by Hornsby Council (based on independent analysis) from the NSW Government due to the financial loss of the transferred area to the City of Parramatta Council is still unknown at the time of drafting this LTFP. No estimate of additional funding has therefore been provided over the forecasted period.

Councillor Briefings

A number of briefings were held with Councillors to determine priorities for inclusion into this revision of the LTFP. Priorities by Councillors that were being requested above existing budget allocations to maintain recurrent and capital expenditure levels included:

- 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
- Tree Planting program to achieve 25,000 trees by 2020
- Public Domain improvements for Asquith to Mt Colah and Galston with preliminary planning to commence for other sites as part of investigations into a public domain strategy
- Outcomes identified in Council's sportsground strategy
- Greater allocation towards new footpaths
- Improved signage for entry signs into the Shire, rural signage, urgent replacements and wildlife protection signs
- Hornsby Library Refurbishment
- Improvements to Wallarobba Arts and Cultural Centre
- Heritage Planning Study
- Community Centre Improvements

In order to include the priorities above in the LTFP requires the following initiatives to be actioned to enable funding:

- A revision of the Section 711 and 712 Development Contribution Plans in order to assess the appropriateness of amending the Plan that may enable the inclusion of some of the projects identified above by Councillors as a priority
- Implement a revised investment strategy to maximise current returns by tightening cash-flow management on major capital projects, longer dated investments to potentially achieve an improved yield and utilising authorised products such as floating rate notes, certificate of deposits and NSW TCorp's growth funds.
- Revision of fees and charges to ensure appropriate price setting
- Review of employee costs in respect to vacancies, employee leave entitlements, workers compensation premium and super
- Maintain cost increases to modest levels in regards to non-labour related expenses
- Potential allocation of asset sales/restricted assets towards enhancing the useful life of existing assets
- Implement a Capital Governance Framework for large infrastructure projects
- Development of Business Improvement Plans
- Update existing Asset Management Plans for major asset categories

Service Levels

Council's future financial position has been forecast on the basis of 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.

Council's existing infrastructure assets are generally in good condition, and Council is in a position whereby it can maintain the current levels of service and budget allocation towards asset maintenance and renewal expenditure. Service levels for asset based classes are of particular importance to Council's long term planning. These service levels are discussed in more detail within Council's Asset Management Strategy.

Workforce levels have been modelled taking into account staffing levels identified in Council's current Workforce Planning strategy.

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 years ending June 2020 -2028, the forecast labour growth has been based on recent local government award increases and a margin that exists for salary movements as exists within Council's grading system.

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Salary Movement	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%

Additional employee related assumptions include:

- Council has modelled future superannuation increases in line with salaries and wages growth
- 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 however adjusted for a premium reduction commencing from 2019/20
- Review of employee costs in respect to vacancies, employee leave entitlements, workers compensation premium and superannuation

Borrowing Expenses

Council's current borrowing strategy to date has been to borrow for ten years at a fixed rate of interest repaying principal and interest. This has enabled a degree of certainty regarding the expected repayments over the ensuing ten years.

It has been Council's established practice to use loan funds to assist in funding significant capital projects which will benefit future generations or to acquire assets that are income producing or assets 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 is in contrast to current ratepayers bearing the entire burden in one year, possibly at the expense of other worthy expenditures.

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.

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.

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
CPI	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%

Additional material and contract related assumptions include:

- Annual adjustments to reflect changes in asset management plan requirements for buildings.
- Maintenance budget increase on new capital projects based on 2% of capital value.
- Maintain cost increases to modest levels in regards to non-labour related expenses.

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 any proposed capital works. The Council's assets are being progressively revalued to fair value in accordance with asset revaluation cycles issued by the Office of Local Government.

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.

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
CPI	2.5%	2.5%	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
- Street lighting and electricity charges are based on current market conditions, LED initiatives and by CPI
- Maintain cost increases to modest levels in regards to 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 in excess of 82% 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 2018/19 was set at 2.3% 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 average over the last five years which has been approximately 2.28%. Advice has been received IPART that the rate peg for 2019/20 would be 2.3%.

Additional Rates and Annual Charges related assumptions include:

- Growth of 1.1% on existing residential dwellings has been forecast over the period of the Plan. This is in line with the Department of Planning forecast average annual household growth estimates.

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.

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
CPI	2.5%	2.5%	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 the receipt of the Stronger Communities Funding) and the 90 day Bank Bill Rate. Investment returns have been sourced from BIS Oxford Economics – Long Term Forecasts.

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 reduce significantly over the Plan due to a decline in development activity and the area south of the M2 motorway transferred to the City of Parramatta. 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 2018/19 totalled $31 million which is funded by rates, grants, asset sales, restricted asset funding and/or a current year operational surplus. Consistent with the 2018/19 capital works allocation, the future years of this Plan has been predicated on providing an equivalent level of capital expenditure however adjusted in some years to allow more significant one-off infrastructure projects.

The Special Rate Variation approved for the 2011/12 financial year estimated several million dollars additionally per annum towards asset renewal expenditure. This level of asset renewal expenditure has been forecasted over the life of this Plan.

This Plan has forecast capital expenditure at the following levels:

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Capital Expenditure	$52.811M	$59.662M	$53.827M	$36.480M	$51.382M	$31.029M	$28.142M	$28.822M	$29.518M	$30.232M

It is noted that capital expenditure has increased above historical levels of approximately $30 million due to a number of 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
- Outcomes identified in Council's Sportsground Strategy
- Public Domain improvements for Asquith to Mt Colah and Galston with other sites to progress as part of investigations into public domain
- Improved signage for entry signs into the Shire, rural signage, urgent replacements and wildlife protection signs
- Hornsby Library Refurbishment
- Increase in new footpath construction
- Improvements to Wallarobba Arts and Cultural Centre – Stage 2
- Community Centre Improvements

The projects above are currently being assessed against S711 and S712 Development Contribution Plan principles in order to receive funding.

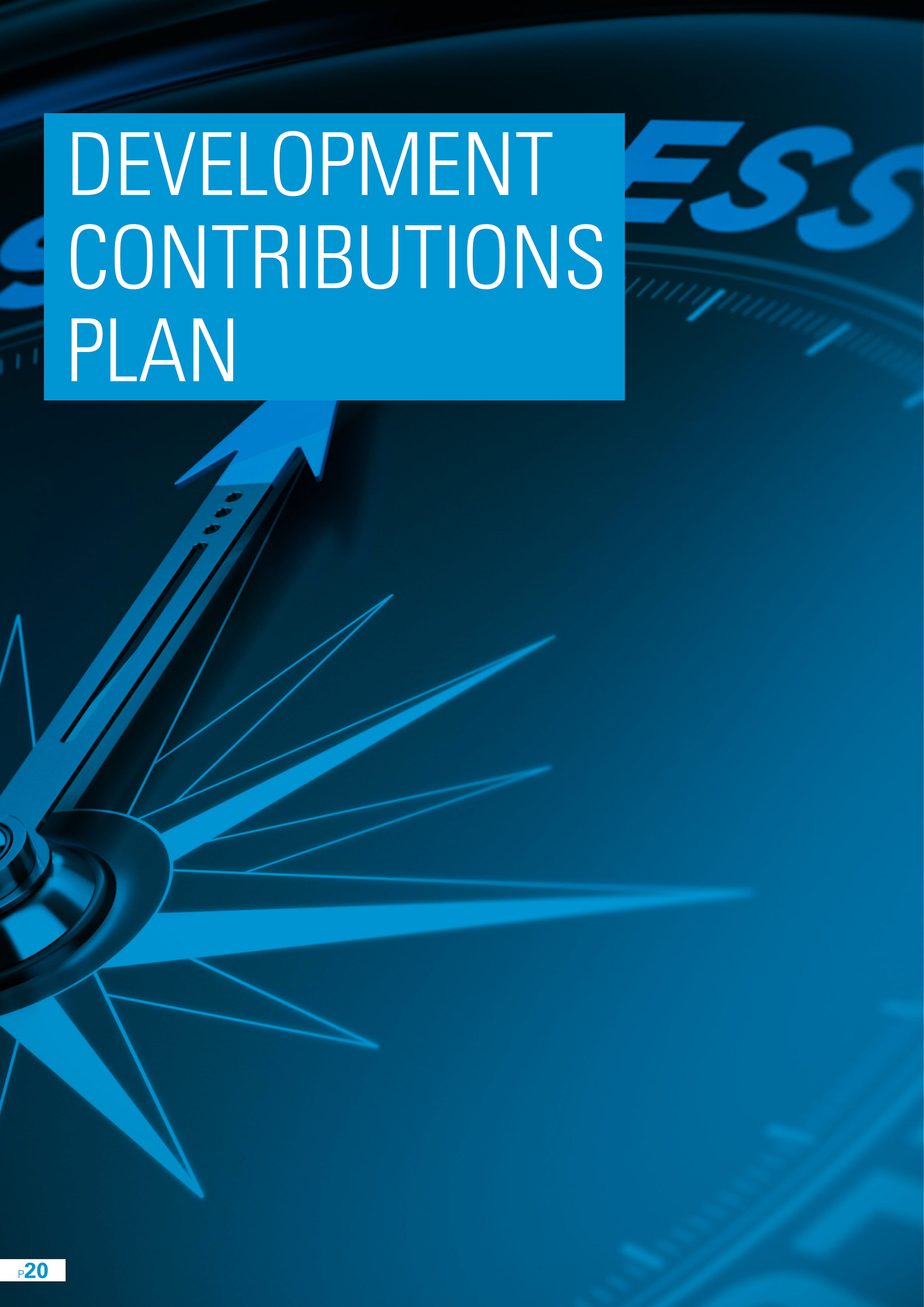
The capital works program prioritises projects based on asset condition, risk and community need. Over shorter periods, some areas of the Shire may require more capital works than others to reflect short term needs and opportunities. For more detailed information in respect to various asset classes of Council can be sourced from Council's Asset Management Strategy.

A major challenge confronting the NSW Local Government sector is the need to increase the level of funding towards the maintenance and renewal of infrastructure and community facilities. This has been highlighted in a number of studies such as the 2006 Local Government and Shires Association Independent Inquiry into the Financial Sustainability of NSW Local Government and more recently the 2013 report released by NSW Treasury Corporation in regard to Financial Sustainability of all NSW Councils.

For Council, the Special Rate Variation approved 2011/12 for the 2011/12, 2012/13 and 2013/14 financial years provided approximately $4 million per annum on an ongoing basis to be allocated towards asset renewal works. This was supported by Council's Asset Management Plan Strategy and the need to reduce the level of infrastructure backlog works. An independent assessment of Council's Infrastructure Backlog was undertaken by Morrison and Low in August 2013. This assessment reported that Council's overall asset backlog is under control and represents approximately 0.9% of value of council's assets portfolio and is well within acceptable limits and well below the TCorp benchmark of 2%.

In respect to Council owned community facilities much of the portfolio was constructed in the 1960's and 1970's now requiring significant budget allocation towards asset renewal and maintenance works. Many of the facilities operated by Council no longer meet community expectations due to their layout and age. A current trend across the local government sector is to construct multi-purpose facilities that more appropriately address community expectations and reduce ongoing maintenance and renewal costs. It would be prudent for Council to consider the future demand and purpose of these facilities against rising maintenance costs with the aim of upgrading and/or constructing new facilities through asset rationalisation of some of these facilities. Of course such an action is dependent upon substantial investigation, consultation and deliberation by Council and the community.

DEVELOPMENT CONTRIBUTIONS PLAN



The Section 711 Development Contributions Plan 2014 – 2024 (formerly known as the Section 94 Plan) is prepared by Council to satisfy the requirements of the Environmental and Planning Assessment Act and Regulation. This enables Council or an accredited certifier to levy contributions from development for the provision of community infrastructure that is required to meet the demands of that development.

The S711 Plan is to ensure that adequate community infrastructure is provided to meet the demands generated by new development and that the existing community is not burdened by the provision of community infrastructure as a result of future development. The forecast development within the Hornsby Local Government Area as identified in this Plan will generate additional demand for use of local roads by vehicles, bicycle and pedestrian traffic, local open space and recreation facilities and these demands will require additional embellishment of existing facilities or the creation of new facilities to cater for increased pressure on existing facilities.

The works schedule available as part of the Section 711 Plan provides the detail in respect to the infrastructure planned to be undertaken. The works schedule is not fully funded by the amount of income received from S711 contributions. Therefore Council will need to set aside surplus funds from operational results to fund this S711 gap. An alternative strategy would be to review existing assets as to utilisation levels and determine if they are in surplus to current and future needs for the purpose of using asset sale proceeds to fund the S711 gap.

Council has for more than 10 years adopted a policy of improving the capacity of existing infrastructure to accommodate the increased demand generated by a new incoming population. An example of this approach has been the provision of open space. Today, many of Council's existing sportsgrounds have now reached/exceeded their capacity and there is little opportunity to accommodate an increase in users. There are currently small parks owned by Council that due to their location and size are under utilised that could be sold for residential purposes. In fact a prudent approach would be to sell these parcels of land and use the proceeds to augment / provide open space in the nominated growth areas. Of course such an action is dependent upon substantial investigation, consultation and deliberation by Council and the community.

KEY FINANCIAL REPORTS FROM APPLYING FINANCIAL ASSUMPTIONS

Hornsby Shire Council
10 Year Financial Plan for the Years ending 30 June 2029
INCOME STATEMENT - GENERAL FUND
Scenario: Base Case Plus Efficiencies and Priorities

	Actuals	Current Year	Projected Years									
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	$	$	$	$	$	$	$	$	$	$	$	$
Income from Continuing Operations												
Revenue:												
Rates & Annual Charges	88,285,000	90,138,691	92,495,317	94,656,960	96,869,208	99,133,247	101,450,291	103,821,584	106,248,399	108,732,036	111,273,830	113,875,145
User Charges & Fees	13,958,000	13,908,227	14,255,933	14,612,331	14,977,640	15,352,081	15,735,883	16,129,280	16,532,512	16,945,824	17,369,470	17,803,707
Interest & Investment Revenue	4,858,000	7,515,010	7,479,010	6,864,010	5,955,010	5,115,010	4,815,010	4,815,010	4,815,010	4,815,010	4,815,010	4,815,010
Other Revenues	7,681,000	6,246,127	6,402,280	6,562,337	6,726,396	6,894,556	7,066,920	7,243,593	7,424,682	7,610,300	7,800,557	7,995,571
Grants & Contributions provided for Operating Purposes	11,574,000	11,616,603	11,907,018	12,204,694	12,509,811	12,822,556	13,143,120	13,471,698	13,808,491	14,153,703	14,507,545	14,870,234
Grants & Contributions provided for Capital Purposes	106,006,000	12,943,004	8,616,579	8,091,994	8,169,293	8,248,526	8,329,739	8,412,982	8,498,307	8,585,765	8,675,409	8,767,294
Other Income:												
Net gains from the disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-
Joint Ventures & Associated Entities	-	-	-	-	-	-	-	-	-	-	-	-
Total Income from Continuing Operations	**232,362,000**	**142,367,662**	**141,156,137**	**142,992,326**	**145,207,358**	**147,565,975**	**150,540,962**	**153,894,147**	**157,327,400**	**160,842,638**	**164,441,822**	**168,126,960**
Expenses from Continuing Operations												
Employee Benefits & On-Costs	43,681,000	47,289,240	48,477,843	49,776,853	51,277,658	52,823,488	54,415,693	56,055,664	57,744,834	59,484,678	61,276,719	63,122,520
Borrowing Costs	213,000	137,630	81,117	44,462	24,070	9,508	-	-	-	-	-	-
Materials & Contracts	42,710,000	46,747,575	44,929,991	47,395,708	48,454,971	50,196,816	51,508,207	54,140,883	54,784,600	56,189,135	57,626,284	59,896,861
Depreciation & Amortisation	17,944,000	18,269,489	18,497,803	18,896,879	19,416,085	19,829,420	19,909,367	20,345,548	20,477,358	20,557,877	20,638,596	20,719,520
Impairment	-	-	-	-	-	-	-	-	-	-	-	-
Other Expenses	14,970,000	14,552,819	15,024,969	14,100,799	14,117,974	14,460,298	14,386,181	14,745,836	15,114,482	15,492,344	15,879,653	16,276,644
Interest & Investment Losses	-	-	-	-	-	-	-	-	-	-	-	-
Net Losses from the Disposal of Assets	1,035,000	-	-	-	-	-	-	-	-	-	-	-
Joint Ventures & Associated Entities	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses from Continuing Operations	**120,553,000**	**126,996,752**	**127,011,723**	**130,214,701**	**133,290,759**	**137,319,530**	**140,219,448**	**145,287,931**	**148,121,273**	**151,724,035**	**155,421,251**	**160,015,546**
Operating Result from Continuing Operations	**111,809,000**	**15,370,910**	**14,144,414**	**12,777,625**	**11,916,599**	**10,246,445**	**10,321,515**	**8,606,217**	**9,206,127**	**9,118,603**	**9,020,570**	**8,111,415**
Discontinued Operations - Profit/(Loss)	-	-	-	-	-	-	-	-	-	-	-	-
Net Profit/(Loss) from Discontinued Operations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net Operating Result for the Year	**111,809,000**	**15,370,910**	**14,144,414**	**12,777,625**	**11,916,599**	**10,246,445**	**10,321,515**	**8,606,217**	**9,206,127**	**9,118,603**	**9,020,570**	**8,111,415**
Net Operating Result before Grants and Contributions provided for Capital Purposes	**5,803,000**	**2,427,906**	**5,527,835**	**4,685,631**	**3,747,305**	**1,997,920**	**1,991,776**	**193,234**	**707,820**	**532,839**	**345,162**	**(655,879)**

Hornsby Shire Council
10 Year Financial Plan for the Years ending 30 June 2029
BALANCE SHEET - GENERAL FUND
Scenario: Base Case Plus Efficiencies and Priorities

	Actuals	Current Year	Projected Years									
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	$	$	$	$	$	$	$	$	$	$	$	$
ASSETS												
Current Assets												
Cash & Cash Equivalents	146,506,000	134,201,473	115,031,620	88,251,270	66,886,788	61,636,528	41,668,117	40,861,506	43,447,196	45,462,727	46,798,847	46,724,700
Investments	100,118,000	114,302,369	114,302,369	114,302,369	114,302,369	114,302,369	114,302,369	114,302,369	114,302,369	114,302,369	114,302,369	114,302,369
Receivables	6,211,000	6,373,227	6,135,426	6,015,835	5,964,684	6,033,193	5,995,995	6,102,099	6,234,646	6,365,631	6,494,532	6,616,085
Inventories	190,000	194,196	186,777	196,964	201,372	208,587	214,033	224,912	227,618	233,452	239,421	248,818
Other	625,000	233,569	228,531	234,406	238,523	246,451	251,180	262,542	266,423	273,216	280,169	290,310
Non-current assets classified as "held for sale"	-	-	-	-	-	-	-	-	-	-	-	-
Total Current Assets	253,650,000	255,304,834	235,884,722	209,000,843	187,593,736	182,427,128	162,431,693	161,753,428	164,478,251	166,637,395	168,115,337	168,182,281
Non-Current Assets												
Investments	26,500,000	12,315,631	12,315,631	12,315,631	12,315,631	12,315,631	12,315,631	12,315,631	12,315,631	12,315,631	12,315,631	12,315,631
Receivables	245,000	232,361	238,436	244,009	249,711	255,548	261,521	267,633	273,889	280,292	286,844	293,550
Inventories	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure, Property, Plant & Equipment	1,583,228,000	1,596,297,998	1,628,344,852	1,667,076,590	1,699,556,637	1,714,217,553	1,743,957,580	1,752,885,710	1,758,771,922	1,765,233,504	1,772,286,654	1,779,947,972
Investments Accounted for using the equity method	-	-	-	-	-	-	-	-	-	-	-	-
Investment Property	25,285,000	25,285,000	25,285,000	25,285,000	25,285,000	25,285,000	25,285,000	25,285,000	25,285,000	25,285,000	25,285,000	25,285,000
Intangible Assets	1,556,000	1,427,990	1,299,980	1,171,970	1,043,960	915,950	787,940	659,930	531,920	403,910	275,900	147,890
Non-current assets classified as "held for sale"	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-Current Assets	1,636,814,000	1,635,558,980	1,667,483,899	1,706,093,200	1,738,450,940	1,752,989,682	1,782,607,672	1,791,413,904	1,797,178,363	1,803,518,337	1,810,450,029	1,817,990,043
TOTAL ASSETS	**1,890,464,000**	**1,890,863,815**	**1,903,368,622**	**1,915,094,043**	**1,926,044,675**	**1,935,416,810**	**1,945,039,365**	**1,953,167,333**	**1,961,656,614**	**1,970,155,732**	**1,978,565,366**	**1,986,172,324**
LIABILITIES												
Current Liabilities												
Bank Overdraft	-	-	-	-	-	-	-	-	-	-	-	-
Payables	23,673,000	10,734,749	10,647,662	10,894,389	11,102,937	11,439,283	11,671,674	12,124,113	12,337,373	12,647,326	12,965,161	13,388,774
Income received in advance	1,161,000	893,232	915,563	938,452	961,913	985,961	1,010,610	1,035,875	1,061,772	1,088,316	1,115,524	1,143,412
Borrowings	856,000	618,780	365,820	241,970	278,725	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Provisions	14,454,000	13,391,351	12,462,309	11,533,268	10,604,227	9,675,185	8,746,144	7,817,102	6,888,061	5,959,020	5,029,978	4,100,937
Liabilities associated with assets classified as "held for sale"	-	-	-	-	-	-	-	-	-	-	-	-
Total Current Liabilities	40,144,000	25,638,112	24,391,354	23,608,078	22,947,802	22,100,429	21,428,427	20,977,090	20,287,206	19,694,662	19,110,664	18,633,123
Non-Current Liabilities												
Payables	-	2,698	2,696	2,766	2,828	2,919	2,988	3,104	3,169	3,256	3,345	3,458
Income received in advance	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	1,461,000	886,515	520,695	278,725	-	-	-	-	-	-	-	-
Provisions	283,000	389,580	362,553	335,525	308,497	281,470	254,442	227,415	200,387	173,359	146,332	119,304
Investments Accounted for using the equity method	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities associated with assets classified as "held for sale"	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-Current Liabilities	1,744,000	1,278,793	885,943	617,016	311,326	284,388	257,430	230,518	203,556	176,615	149,677	122,762
TOTAL LIABILITIES	**41,888,000**	**26,916,905**	**25,277,297**	**24,225,094**	**23,259,128**	**22,384,817**	**21,685,857**	**21,207,608**	**20,490,762**	**19,871,278**	**19,260,341**	**18,755,885**
Net Assets	**1,848,576,000**	**1,863,946,910**	**1,878,091,324**	**1,890,868,949**	**1,902,785,548**	**1,913,031,993**	**1,923,353,508**	**1,931,959,724**	**1,941,165,852**	**1,950,284,455**	**1,959,305,025**	**1,967,416,440**
EQUITY												
Retained Earnings	1,212,654,000	1,228,024,910	1,242,169,324	1,254,946,949	1,266,863,548	1,277,109,993	1,287,431,508	1,296,037,724	1,305,243,852	1,314,362,455	1,323,383,025	1,331,494,440
Revaluation Reserves	635,922,000	635,922,000	635,922,000	635,922,000	635,922,000	635,922,000	635,922,000	635,922,000	635,922,000	635,922,000	635,922,000	635,922,000
Council Equity Interest	1,848,576,000	1,863,946,910	1,878,091,324	1,890,868,949	1,902,785,548	1,913,031,993	1,923,353,508	1,931,959,724	1,941,165,852	1,950,284,455	1,959,305,025	1,967,416,440
Minority Equity Interest	-	-	-	-	-	-	-	-	-	-	-	-
Total Equity	**1,848,576,000**	**1,863,946,910**	**1,878,091,324**	**1,890,868,949**	**1,902,785,548**	**1,913,031,993**	**1,923,353,508**	**1,931,959,724**	**1,941,165,852**	**1,950,284,455**	**1,959,305,025**	**1,967,416,440**

Hornsby Shire Council 10 Year Financial Plan for the Years ending 30 June 2029 CASH FLOW STATEMENT - GENERAL FUND Scenario: Base Case Plus Efficiencies and Priorities	Actuals 2017/18 $	Current Year 2018/19 $	Projected Years 2019/20 $	2020/21 $	2021/22 $	2022/23 $	2023/24 $	2024/25 $	2025/26 $	2026/27 $	2027/28 $	2028/29 $
Cash Flows from Operating Activities												
Receipts:												
Rates & Annual Charges	88,447,000	90,029,415	92,453,060	94,618,200	96,829,540	99,092,651	101,408,744	103,779,065	106,204,884	108,687,502	111,228,254	113,828,501
User Charges & Fees	14,134,000	13,869,807	14,250,722	14,606,990	14,972,165	15,346,469	15,730,131	16,123,384	16,526,469	16,939,631	17,363,121	17,797,200
Interest & Investment Revenue Received	5,006,000	6,976,467	7,615,943	7,052,868	6,104,877	5,147,630	4,955,811	4,815,042	4,791,195	4,795,415	4,800,225	4,810,363
Grants & Contributions	121,629,000	24,593,111	20,622,937	20,302,272	20,669,692	21,061,434	21,462,970	21,874,544	22,296,408	22,728,818	23,172,038	23,626,339
Bonds & Deposits Received	223,000	-	-	-	-	-	-	-	-	-	-	-
Other	14,757,000	6,481,505	6,467,531	6,548,904	6,699,993	6,867,493	7,039,180	7,215,160	7,395,539	7,580,428	7,769,938	7,964,187
Payments:												
Employee Benefits & On-Costs	(43,757,000)	(48,022,197)	(49,402,176)	(50,704,838)	(52,200,699)	(53,745,538)	(55,336,722)	(56,975,642)	(58,663,729)	(60,402,459)	(62,193,351)	(64,037,969)
Materials & Contracts	(48,548,000)	(59,518,324)	(45,035,816)	(47,192,737)	(48,287,701)	(49,909,297)	(51,320,961)	(53,746,660)	(54,615,033)	(55,930,010)	(57,360,719)	(59,533,294)
Borrowing Costs	(214,000)	(138,312)	(81,659)	(44,782)	(24,282)	(9,752)	-	-	-	-	-	-
Bonds & Deposits Refunded	-	-	-	-	-	-	-	-	-	-	-	-
Other	(30,059,000)	(14,552,819)	(15,024,969)	(14,100,799)	(14,117,974)	(14,460,298)	(14,386,181)	(14,745,836)	(15,114,482)	(15,492,344)	(15,879,653)	(16,276,644)
Net Cash provided (or used in) Operating Activities	121,618,000	19,718,655	31,865,573	31,086,078	30,645,610	29,390,791	29,552,972	28,339,057	28,821,250	28,906,981	28,899,855	28,178,682
Cash Flows from Investing Activities												
Receipts:												
Sale of Investment Securities	178,456,000	-	-	-	-	-	-	-	-	-	-	-
Sale of Investment Property	-	-	-	-	-	-	-	-	-	-	-	-
Sale of Real Estate Assets	-	-	-	-	-	-	-	-	-	-	-	-
Sale of Infrastructure, Property, Plant & Equipment	777,000	2,750,000	820,000	840,500	861,513	883,050	905,127	927,755	950,949	974,722	999,090	1,024,068
Sale of Interests in Joint Ventures & Associates	-	-	-	-	-	-	-	-	-	-	-	-
Sale of Intangible Assets	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Debtors Receipts	-	-	-	-	-	-	-	-	-	-	-	-
Sale of Disposal Groups	-											
Distributions Received from Joint Ventures & Associates	-	-	-	-	-	-	-	-	-	-	-	-
Other Investing Activity Receipts	-											
Payments:												
Purchase of Investment Securities	(160,574,000)	-	-	-	-	-	-	-	-	-	-	-
Purchase of Investment Property	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of Infrastructure, Property, Plant & Equipment	(23,348,000)	(33,961,477)	(51,236,647)	(58,341,107)	(52,629,635)	(35,245,376)	(50,426,510)	(30,073,423)	(27,186,509)	(27,866,171)	(28,562,826)	(29,276,896)
Purchase of Real Estate Assets	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of Intangible Assets	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Debtors & Advances Made	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of Interests in Joint Ventures & Associates	-	-	-	-	-	-	-	-	-	-	-	-
Contributions Paid to Joint Ventures & Associates	-	-	-	-	-	-	-	-	-	-	-	-
Other Investing Activity Payments	-											
Net Cash provided (or used in) Investing Activities	(4,689,000)	(31,211,477)	(50,416,647)	(57,500,607)	(51,768,123)	(34,362,326)	(49,521,384)	(29,145,668)	(26,235,560)	(26,891,449)	(27,563,735)	(28,252,829)
Cash Flows from Financing Activities												
Receipts:												
Proceeds from Borrowings & Advances	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds from Finance Leases	-	-	-	-	-	-	-	-	-	-	-	-
Other Financing Activity Receipts	-											
Payments:												
Repayment of Borrowings & Advances	(1,080,000)	(811,705)	(618,780)	(365,820)	(241,970)	(278,725)	-	-	-	-	-	-
Repayment of Finance Lease Liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Distributions to Minority Interests	-	-	-	-	-	-	-	-	-	-	-	-
Other Financing Activity Payments	-											
Net Cash Flow provided (used in) Financing Activities	(1,080,000)	(811,705)	(618,780)	(365,820)	(241,970)	(278,725)	-	-	-	-	-	-
Net Increase/(Decrease) in Cash & Cash Equivalents	115,849,000	(12,304,527)	(19,169,854)	(26,780,350)	(21,364,482)	(5,250,259)	(19,968,412)	(806,611)	2,585,690	2,015,532	1,336,119	(74,147)
plus: Cash, Cash Equivalents & Investments - beginning of year	30,657,000	146,506,000	134,201,473	115,031,620	88,251,270	66,886,788	61,636,528	41,668,117	40,861,506	43,447,196	45,462,727	46,798,847
Cash & Cash Equivalents - end of the year	**146,506,000**	**134,201,473**	**115,031,620**	**88,251,270**	**66,886,788**	**61,636,528**	**41,668,117**	**40,861,506**	**43,447,196**	**45,462,727**	**46,798,847**	**46,724,700**
Cash & Cash Equivalents - end of the year	146,506,000	134,201,473	115,031,620	88,251,270	66,886,788	61,636,528	41,668,117	40,861,506	43,447,196	45,462,727	46,798,847	46,724,700
Investments - end of the year	126,618,000	126,618,000	126,618,000	126,618,000	126,618,000	126,618,000	126,618,000	126,618,000	126,618,000	126,618,000	126,618,000	126,618,000
Cash, Cash Equivalents & Investments - end of the year	**273,124,000**	**260,819,473**	**241,649,620**	**214,869,270**	**193,504,788**	**188,254,528**	**168,286,117**	**167,479,506**	**170,065,196**	**172,080,727**	**173,416,847**	**173,342,700**

Hornsby Shire Council
10 Year Financial Plan for the Years ending 30 June 2029
BUDGET SUMMARY - GENERAL FUND
Scenario: Base Case Plus Efficiencies and Priorities

	Current Year	Projected Years									
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	$	$	$	$	$	$	$	$	$	$	$
Income from Continuing Operations											
Rates & Annual Charges	90,138,691	92,495,317	94,656,960	96,869,208	99,133,247	101,450,291	103,821,584	106,248,399	108,732,036	111,273,830	113,875,145
User Charges & Fees	13,908,227	14,255,933	14,612,331	14,977,640	15,352,081	15,735,883	16,129,280	16,532,512	16,945,824	17,369,470	17,803,707
Interest & Investment Revenue	7,515,010	7,479,010	6,864,010	5,955,010	5,115,010	4,815,010	4,815,010	4,815,010	4,815,010	4,815,010	4,815,010
Other Revenues	6,246,127	6,402,280	6,562,337	6,726,396	6,894,556	7,066,920	7,243,593	7,424,682	7,610,300	7,800,557	7,995,571
Grants & Contributions provided for Operating Purposes	11,616,603	11,907,018	12,204,694	12,509,811	12,822,556	13,143,120	13,471,698	13,808,491	14,153,703	14,507,545	14,870,234
Grants & Contributions provided for Capital Purposes	12,943,004	8,616,579	8,091,994	8,169,293	8,248,526	8,329,739	8,412,982	8,498,307	8,585,765	8,675,409	8,767,294
Net gains from the disposal of assets	-	-	-	-	-	-	-	-	-	-	-
Joint Ventures & Associated Entities	-	-	-	-	-	-	-	-	-	-	-
Total Income from Continuing Operations	**142,367,662**	**141,156,137**	**142,992,326**	**145,207,358**	**147,565,975**	**150,540,962**	**153,894,147**	**157,327,400**	**160,842,638**	**164,441,822**	**168,126,960**
Expenses from Continuing Operations											
Employee Benefits & On-Costs	47,289,240	48,477,843	49,776,853	51,277,658	52,823,488	54,415,693	56,055,664	57,744,834	59,484,678	61,276,719	63,122,520
Borrowing Costs	137,630	137,630	137,630	137,630	137,630	137,630	137,630	137,630	137,630	137,630	137,630
Materials & Contracts	46,747,575	44,615,140	46,530,519	46,873,782	48,045,627	49,246,768	51,277,937	51,739,886	53,033,383	54,359,218	56,518,198
Depreciation & Amortisation	18,269,489	18,269,489	18,269,489	18,269,489	18,269,489	18,269,489	18,269,489	18,269,489	18,269,489	18,269,489	18,269,489
Impairment	-	-	-	-	-	-	-	-	-	-	-
Other Expenses	14,552,819	15,024,969	14,100,799	14,117,974	14,460,298	14,386,181	14,745,836	15,114,482	15,492,344	15,879,653	16,276,644
Interest & Investment Losses	-	-	-	-	-	-	-	-	-	-	-
Net Losses from the Disposal of Assets	-	-	-	-	-	-	-	-	-	-	-
Joint Ventures & Associated Entities	-	-	-	-	-	-	-	-	-	-	-
Total Expenses from Continuing Operations	**126,996,752**	**126,525,071**	**128,815,290**	**130,676,534**	**133,736,532**	**136,455,761**	**140,486,556**	**143,006,320**	**146,417,525**	**149,922,708**	**154,324,481**
Net Profit/(Loss) from Discontinued Operations	-	-	-	-	-	-	-	-	-	-	-
Net Operating Profit /(Loss) for the Year	**15,370,910**	**14,631,066**	**14,177,036**	**14,530,824**	**13,829,443**	**14,085,202**	**13,407,591**	**14,321,080**	**14,425,113**	**14,519,114**	**13,802,479**
Capital (Balance Sheet) and Reserve Movements											
Capital Expenditure	(33,961,477)	(51,236,647)	(58,341,107)	(52,629,635)	(35,245,376)	(50,426,510)	(30,073,423)	(27,186,509)	(27,866,171)	(28,562,826)	(29,276,896)
Loan Repayments (External)	(856,091)	(618,780)	(365,820)	(241,970)	(278,725)	-	-	-	-	-	-
Loan Repayments (Internal)	-	-	-	-	-	-	-	-	-	-	-
Finance Lease Repayments	-	-	-	-	-	-	-	-	-	-	-
Deferred Debtors and Advances made (External)	-	-	-	-	-	-	-	-	-	-	-
Internal Loans - New Loan provided (paid to other Funds)	-	-	-	-	-	-	-	-	-	-	-
Bonds & Deposits paid out	-	-	-	-	-	-	-	-	-	-	-
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)
Reinstatement Provisions paid out	-	-	-	-	-	-	-	-	-	-	-
Other Capital Payments	-	-	-	-	-	-	-	-	-	-	-
Non-cash Income Contra Expense	-	-	-	-	-	-	-	-	-	-	-
New Loan Borrowings (External)	-	-	-	-	-	-	-	-	-	-	-
New Loan Borrowings (Internal)	-	-	-	-	-	-	-	-	-	-	-
New Finance Leases	-	-	-	-	-	-	-	-	-	-	-
Proceeds from Sale of intangible & tangible Assets	2,750,000	820,000	840,500	861,513	883,050	905,127	927,755	950,949	974,722	999,090	1,024,068
Deferred Debtors and Advances received (External)	-	-	-	-	-	-	-	-	-	-	-
Internal Loans - Principal Receipt (rec'd from other Funds)	-	-	-	-	-	-	-	-	-	-	-
Bonds & Deposits received	-	-	-	-	-	-	-	-	-	-	-
ELE Provisions received (from other Councils)	-	-	-	-	-	-	-	-	-	-	-
Other Capital Receipts	-	-	-	-	-	-	-	-	-	-	-
Non-cash Expense Contra Income	18,269,489	18,269,489	18,269,489	18,269,489	18,269,489	18,269,489	18,269,489	18,269,489	18,269,489	18,269,489	18,269,489
Net Transfers (to)/from Reserves	1,284,980	24,010,620	31,482,164	25,613,562	7,560,151	(1,994,595)	(2,550,710)	(2,608,228)	(2,667,184)	(2,727,613)	(2,789,554)
Total Capital (Balance Sheet) and Reserve Movements	**(13,469,168)**	**(9,711,387)**	**(9,070,843)**	**(9,083,111)**	**(9,767,480)**	**(34,202,559)**	**(14,382,959)**	**(11,530,368)**	**(12,245,213)**	**(12,977,929)**	**(13,728,962)**
Net Result (including Depreciation & Other non-cash items)	**1,901,742**	**4,919,679**	**5,106,193**	**5,447,713**	**4,061,963**	**(20,117,357)**	**(975,367)**	**2,790,712**	**2,179,900**	**1,541,185**	**73,517**
Add back Depreciation Expense (non-cash)	18,269,489	18,269,489	18,269,489	18,269,489	18,269,489	18,269,489	18,269,489	18,269,489	18,269,489	18,269,489	18,269,489
Add back ELE Expense (non-cash)											
Add back Other Expenses (non-cash)	-	-	-	-	-	-	-	-	-	-	-
Less Other Income (non-cash)	(18,269,489)	(18,269,489)	(18,269,489)	(18,269,489)	(18,269,489)	(18,269,489)	(18,269,489)	(18,269,489)	(18,269,489)	(18,269,489)	(18,269,489)
Cash Budget Surplus/(Deficit)	**1,901,742**	**4,919,679**	**5,106,193**	**5,447,713**	**4,061,963**	**(20,117,357)**	**(975,367)**	**2,790,712**	**2,179,900**	**1,541,185**	**73,517**

Indicator	Benchmark	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29
Operating Performance Ratio	>0%	4.17%	3.47%	2.73%	1.43%	1.40%	0.13%	0.48%	0.35%	0.22%	(0.41)%
Own Source Operating Revenue Ratio	>60%	85.46%	85.81%	85.76%	85.72%	85.74%	85.78%	85.82%	85.86%	85.90%	85.94%
Unrestricted Current Ratio	>1.5	5.38	5.79	6.02	6.21	4.70	4.37	4.33	4.24	4.09	3.82
Infrastructure Backlog Ratio	<2%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%
Asset Maintenance Ratio	>100%	92%	92%	92%	92%	92%	92%	92%	92%	92%	92%
Cash Expense Cover Ratio	>3 months	12.53	9.42	6.99	6.25	4.13	3.91	4.06	4.14	4.15	4.01
Outstanding Rates and Annual Charges	<5.0%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%
Debt Service Cover Ratio	>10%	0.53%	0.30%	0.19%	0.21%	0	0	0	0	0	0

COMMENTARY ON FINANCIAL RESULTS

The Income Statement result over the 10 year period predicts a surplus for both the Net Operating Result and the Net Operating Result before Grants and Contributions provided for Capital Purposes except for a small deficit in 2028/29. This result is within acceptable financial sustainability levels but must be considered in context of moderate increases to operational expenses and revenue. Any variation to these moderate increases and/or changes to the 'normal operations' level of service may impact on the surplus forecasted. A summary of the forecast Income Statement Result before Capital Items and Profit from Asset Sales is listed below.

	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29
Net Operating Surplus before Capital Items & Asset Sales	$5.527M	$4.685M	$3.747M	$1.997M	$1.991M	$193K	$708K	$533K	$345K	($656K)

The results forecast above provide Council with small surpluses during the 2019/20 – 2028/29 period to fund the replacement and renewal of infrastructure. The Income Statement results are a significant reduction on past performance as shown below:

- 2017/18 $6.649M Surplus
- 2016/17 $8.720M Surplus
- 2015/16 $14.638M Surplus (Prior to the loss of the area south of the M2 Motorway)
- 2014/15 $14.770M Surplus (Prior to the loss of the area south of the M2 Motorway)
- 2013/14 $6.688M Surplus (Prior to the loss of the area south of the M2 Motorway)

On 12 May 2016, the Minister for Local Government proclaimed the creation of 19 new Councils across NSW. This included the creation of the City of Parramatta and confirmed the transfer of the Hornsby Shire Council area south of the M2 Motorway to the new City of Parramatta Council effective from the proclamation date. The financial impact of Local Government reform and this boundary adjustment was significant to Hornsby Shire Council resulting in the following being transferred to the City of Parramatta:

- Net recurrent revenue of $9.1 million per annum. Over the period of this Plan, with rate increases applied, this would equate to $99.6 million on a 10 year basis only.
- Foregone growth in rates income estimated at a minimum of $2.4 million from current and future development concentrated in this area over the next 10 years.
- Assets that had been identified (in excess of $50 million) which were to be used towards funding the eventual development of the Hornsby Quarry and Westleigh sites.
- Section 711 funds collected prior to the proclamation date.
- Significant foregone Section 711 and 712 funds from projected future development in the area south of the M2 Motorway totalling tens of millions of dollars.

The receipt of $90 million from the NSW Government's 'Stronger Community Funds' in 2017/18 provided funding towards the development of sportsgrounds at the former Water Board site at Westleigh and the development of the Hornsby Quarry site. While this funding has provided some financial relief towards Council for these projects it will be essential that works undertaken at these sites are limited to the funding that has been received. The forecast Income Statement results demonstrate Council's diminished financial capacity post the loss of the area south of the M2 Motorway. Any increase in funding for these projects will require consideration of a reduction in other capital projects, reduced services, potential efficiencies, special rate increase and/or external borrowing.

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 annual operating surpluses forecasted over the period of the Plan.

The Cash Flow Statement is within acceptable levels; however cash levels reported will not increase at the end of each financial year as in the past due to the points raised above in respect to annual operating surpluses and a lower level of S94 income forecasted to be received.

The financial indicators listed above predominately satisfy the TCorp indicators over the period of the LTFP. The exception to this is the Asset Maintenance Ratio from 2023/24 onwards. This is a consequence of a decline in operating surpluses forecasted that would have been made available towards renewing ageing assets.

Financial Capacity

The Income Statement and Budget Summary results forecast over the period of this Plan have diminished compared to historical results prior to the boundary adjustment with the City of Parramatta Council. This will require careful consideration and identification of offsets before increasing the scale of capital projects and the affect that this has on recurrent maintenance requirements. The forecast results rely heavily on maintaining investment balances at forecast levels in order to provide recurrent investment income. Any material change to investment balances will amend predicted investment returns that have been used to achieve the forecasted results.

The level of unencumbered cash available over the next 11 years is on average $630K per annum. This amount is insufficient to absorb budget shocks that may result from a natural event requiring Councils 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 key financial information presented above 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 the direction of 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.

FUTURE DIRECTION

While key financial indicators are generally within acceptable levels, the impact of the NSW Government's boundary adjustment has resulted in a significant reduction in Hornsby Council's current operating capacity. Further, rate increases on a reduced rate base and the missed opportunity from rate growth from the area south of the M2 Motorway (due to concentrated development) has significantly reduced future benefits to improve the Council's operating capacity. In excess of $50 million in assets that were to be realised to fund some significant projects over the period of this Plan have also been transferred to the City of Parramatta Council with no recompense to Hornsby.

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

1. 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. This will also be the situation for the former Westleigh Water Board site acquired by Council to meet future sports and recreation needs. Project cost increases above the amount set aside for the Hornsby Quarry project would require using other restricted asset funds which will have recurrent budget implications, the deferment of other capital projects, a special rate increase, external loan borrowing or a combination of the items listed. The ability to maintain these sites once built will require careful consideration as part of any redevelopment to ensure that future budgets have the ability to meet the lifecycle costs of these assets.

2. Loan Borrowing

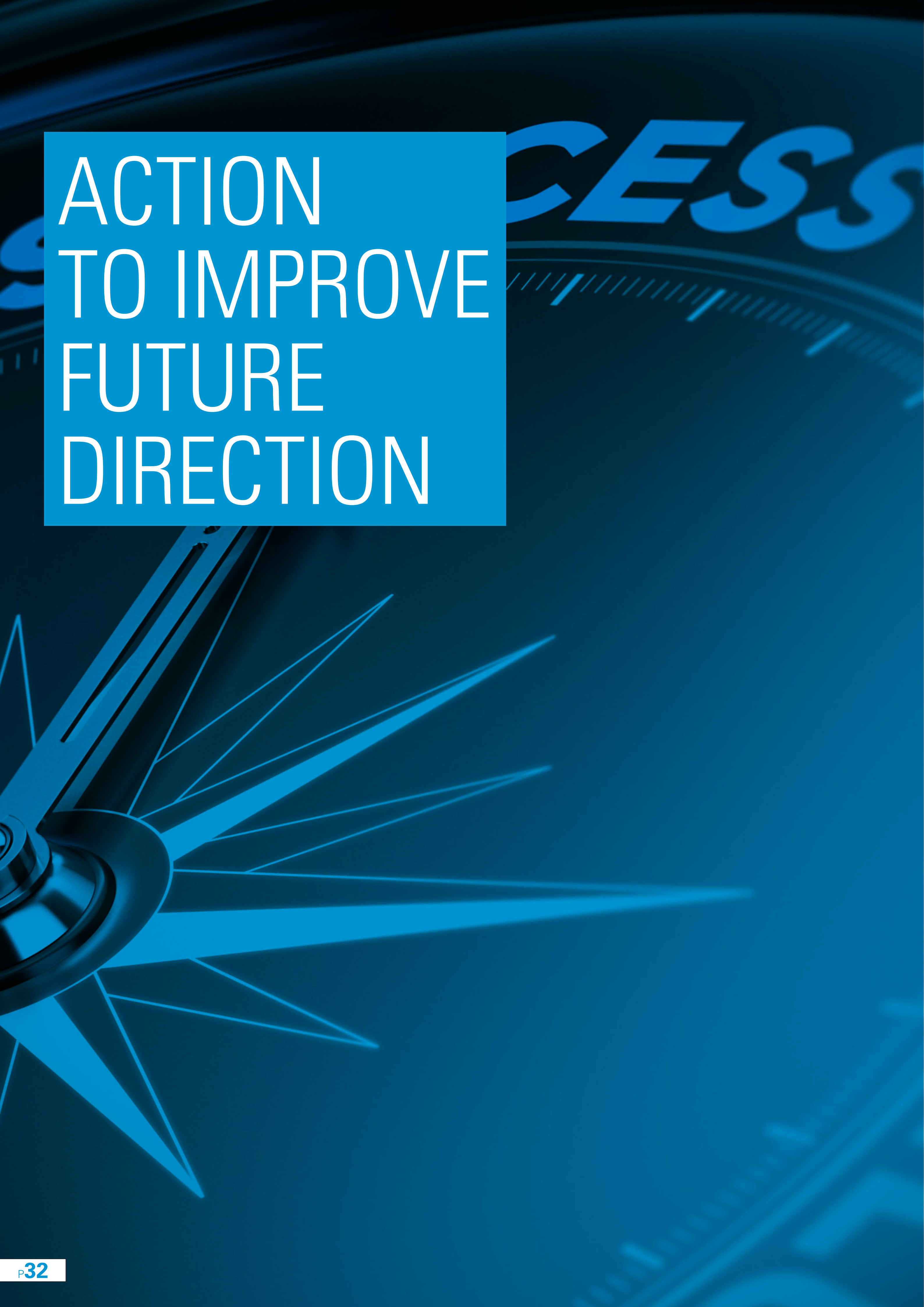
While point 1 above suggests consideration of external loan borrowing, this would need to be critically evaluated against the ability of the Council to meet debt service obligations. The Income Statement result over the forecast period results in small surpluses only so Council's borrowing capability will be limited by this factor.

3. Section 711 Development Contribution Infrastructure Works

The works schedule available as part of the Section 711 Development Contributions Plan provides the detail in respect to the infrastructure planned to be undertaken as a result of an increasing population. The works schedule is not fully funded by the amount of income received from Section 711 contributions. Therefore, Council will need to set aside surplus funds from its general operations to fund this Section 711 gap. An alternative strategy would be to review existing assets as to utilisation levels and determine if they are in surplus to current and future needs for the purpose of using asset sale proceeds to assist in funding the Section 711 gap.

4. Normal Operations

It is expected that current service levels of Council will be required to be retained in line with that produced in 2018/19. A limited operating capacity will restrict any further expansion of services currently provided unless a 'trade-off' between services can be agreed to. Diligence especially is required around staffing levels to ensure current labour costs are maintained at a satisfactory level.



ACTION TO IMPROVE FUTURE DIRECTION

To improve Council's future operating capacity to be able to deliver on significant capital projects for the community and to overall financial sustainability will require consideration of the following:

- Updating of asset management plans as key inputs into future asset maintenance and renewal expenditures while considering asset rationalisation (ie. asset reviews of community facilities and small parks)
- A greater emphasis on Section 711 capital project works
- A revision of the Section 711 and 712 Development Contribution Plans in order to assess the appropriateness of amending the Plan that may enable the inclusion of some of the projects identified above by Councillors as a priority
- Implement a revised investment strategy to maximise current returns by tightening cash-flow management on major capital projects, longer dated investments to potentially achieve an improved yield and utilising authorised products such as floating rate notes, certificate of deposits and NSW TCorp's growth funds
- Revision of fees and charges to ensure appropriate price setting
- Review of employee costs in respect to vacancies, employee leave entitlements, workers compensation premium and super
- Maintain cost increases to modest levels in regards to non-labour related expenses
- Potential allocation of asset sales/restricted assets towards enhancing the useful life of existing assets
- Implement a Capital Governance Framework for large infrastructure projects
- Continuance of financial improvement initiatives (the development of business improvement plans)
- Rate increases above the rate pegging limit
- Reconsider external loan borrowing

In respect to Council owned community facilities, much of the portfolio was constructed in the 1960's and 1970's and now requires significant budget allocation towards asset renewal and maintenance works. Many of the facilities operated by Council no longer meet community expectations due to their layout and age. A current trend across the local government sector is to construct multi-purpose facilities that more appropriately address community expectations and ongoing maintenance and renewal costs that have to be met by councils. It would be prudent for Council to consider the future demand and purpose of these facilities against rising maintenance costs with the aim of upgrading and/or constructing new facilities through asset rationalisation of some of these facilities. Of course, such an action is dependent upon substantial investigation, consultation and deliberation by Council and the community.

Council has for more than 10 years adopted a policy of improving the capacity of existing infrastructure to accommodate the increased demand generated by a new incoming population. An example of this approach has been the provision of open space. Today, many of Council's existing sportsgrounds have reached/exceeded their capacity and significant funds will be required to construct new facilities and/or increase the carrying capacity of existing grounds to meet identified shortfalls. There are currently small parks owned by Council that due to their location and size are under utilised that potentially could be sold for residential purposes. In fact, a prudent approach would be to sell these parcels of land and then use the proceeds to augment / provide open space in the nominated growth areas. Of course such an action is dependent upon substantial investigation, consultation and deliberation by Council and the community.

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