HORNSBY SHIRE COUNCIL

LONG TERM **FINANCIAL PLAN**

2023/24 – 2032/33

hornsby.nsw.gov.au

HORNSBY
SHIRE COUNCIL

Contents

We acknowledge the Traditional Custodians of this land, the Darug and GuriNgai peoples, and pay respect to their Ancestors and Elders past and present and to their Heritage. We acknowledge and uphold their intrinsic connections and continuing relationships to Country.

1. Executive Summary

> The base version of the LTFP concludes that Council's forecast financial capacity is below acceptable levels and action is required to improve future financial direction

The previous version of Council's Long Term Financial Plan (LTFP) was recently adopted by Council in July 2022 following a public exhibition period. The Plan predicted Income Statement deficits in eight out of the ten years forecast, which were reflective of a forecast continual decline in Council's financial capacity.

Financial capacity began to decline after the 2016 boundary adjustment with the City of Parramatta Council, which significantly reduced Council's Income Statement results and Annual Budget by approximately $10 million. Since the boundary adjustment financial capacity has continued to decline because of a range of internal and external factors such as:

- Costs escalating greater than the annual rate peg increase permitted each year.
- An increase in the Emergency Services Levy payable to the NSW Government of $1 million per year.
- The need to provide a recurrent budget for Council's largest project, Hornsby Park.
- The need to provide additional funding to meet the requirements identified in Council's revised Asset Management Plans.
- An increase in statutory employee superannuation to 12% amounting to $1.2 million in additional payments each year from 2026.

A further review of the LTFP document has deemed to be required to further consider the continual decline in Council's financial capacity and a range of factors such as:

- Consumer Price Index (CPI) growth has exceeded earlier projections and far exceeded allowable rate income increases, which has placed pressure on many of Council's budgets.
- The Wages Price Index is also forecast to increase to a greater extent over the next 10 years compared to earlier predictions.
- The external economic environment has changed following recovery from the COVID-19 pandemic.
- Asset Management Strategy – the rising costs in the maintenance and construction sectors have required a revision of the 10-year expenditure projections in Council's updated Asset Management Strategy.

- Special Rate Variation – workshops have been held with Councillors to discuss the need for an SRV to ensure Council's finances are rebalanced within acceptable levels into the future. Following these workshops Councillors have indicated support to prepare a proposal for an SRV to ensure Council is financially sustainable and to engage with the community about the need for this approach. Council has also sought to understand the opportunities to deliver on community priorities that cannot be delivered within existing resources.
- Strategic Initiatives – a number of initiatives across 36 strategic and technical documents previously adopted by Council that could not be funded because of insufficient financial capacity over the term of the LTFP. During recent workshops, Councillors have considered whether strategic initiatives desired by the community could be progressed if funding could be provided (at least in part) through the SRV. Regard was given to feedback received from the community through numerous surveys and this led to 14 key initiatives to be achieved or progressed in the next 10 years. These initiatives are discussed in more detail on page 43.

In addition to the above, Council wants to maintain its strong commitment to adopting annually a balanced budget and that its Income Statement results meet financially acceptable benchmarks. This includes an annual Operating Performance Ratio (OPR) that is in the range of 2-4% to enable Council to respond in a timely manner towards infrastructure assets that may fail, the impact of natural disasters on local service provision and clean-ups and cost shifting from other tiers of government. It is financially prudent to target an acceptable OPR to respond to one off budget shocks that can occur over the course of the year and not affect the normal continuance of service provision.

To address the above matters, two scenarios of the LTFP (as required by the Office of Local Government SRV guidelines) have been prepared that form the basis of this report.

1. 'Base' LTFP – Normal Continuance of Service & Asset Management Requirements

A 'base' LTFP has been prepared that includes forecast income and expenditure from:

- The normal continuance of services, representing costs associated with the continued provision of Council's current service offerings into the future (page 31).
- The recurrent costs to operate Council's largest project, Hornsby Park, once construction is complete. $3.1 million per year is required for this from 2028 as explained further on page 28.
- The revised forecast requirements identified in Council's Asset Management Strategy, which require average additional funding of $4.1 million per year (page 28).

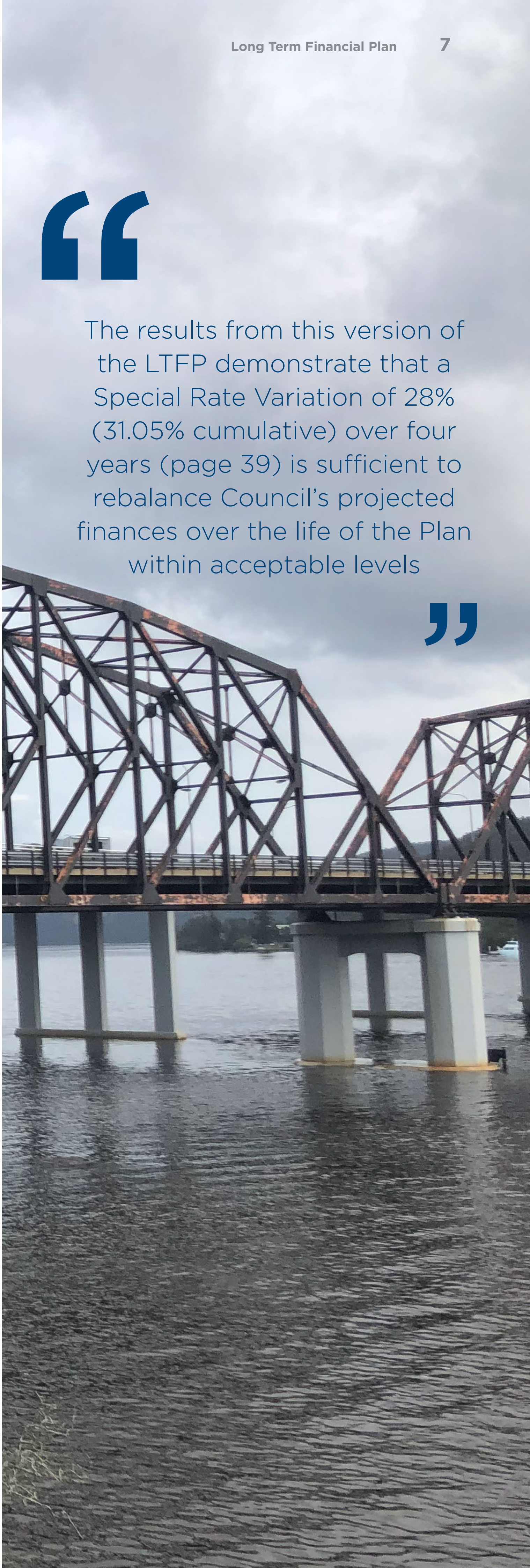
Results in this version of the LTFP are similar to the previous version that was adopted in July 2022. The Income Statement result over the 10-year period predicts a deficit for eight out of the ten years forecast and there is an average deficit of ($3.582) million per year. Concurrently, a negative Operating Performance Ratio is forecast for eight years of the Plan, which is below the benchmark set by the Office of Local Government and below the minimum benchmark set by Council of 2% that is required to protect the annual budget against unexpected budget shocks that typically occur throughout the year. The Plan shows that the recurrent budget deficits forecast would also likely result in the use of unrestricted cash during the life of the plan, which would have significant ramifications for Council's continued operation such as limiting the ability of Council to pay creditors as and when they fall due.

Accordingly, the base version of the LTFP concludes that Council's forecast financial capacity is below acceptable levels and action is required to improve future financial direction.

2. Revised LTFP – Normal Continuance of Service, Asset Management Requirements, Strategic Initiatives & Special Rate Variation

This version of the LTFP is fully inclusive of each of the matters discussed throughout this report. It quantifies the size of the Special Rate Variation required to rebalance Council's long term financial capacity to achieve acceptable benchmarks by including:

- All income and expenditure in the 'Base' version of LTFP including the normal continuance of services, the $4.1 million funding gap identified in Council's Asset Management Strategy and the $3.1 million of recurrent funding required for Hornsby Park from 2028.
- The cost of funding 14 strategic initiatives identified as high priority through Council's strategies and technical documents and numerous community surveys which require a total allocation of $67.26 million across the 10-year period of the Plan.
- Sufficient financial capacity to provide an Operating Performance Ratio of at least 2% per year, which is the minimum historic level required to protect against budget shocks that typically impact Council throughout the year.
- Additional income from a 28% (31.05% cumulative) special rate variation across the first four years of the plan, inclusive of the rate peg. A rate variation of this size is necessary to provide sufficient financial capacity to fund each of the items identified above, as discussed on page 40.



"The results from this version of the LTFP demonstrate that a Special Rate Variation of 28% (31.05% cumulative) over four years (page 39) is sufficient to rebalance Council's projected finances over the life of the Plan within acceptable levels"

After accounting for the additional forecast income generated from rates the income Statement result over the 10-year period predicts a surplus in all years forecast and there is an average surplus of $6.584 million per year. A significant portion of this Income Statement surplus will go towards funding capital works. Concurrently, the Operating Performance Ratio forecast averages 3.55% over the life of the Plan which is above the benchmark set by the Office of Local Government of 0% and within the range set by Council of 2%-4% that is required to protect the annual budget against unexpected budget shocks that typically occur throughout the year.

The Balance Sheet results over the 10-year period maintain equity, liabilities and non-current assets within acceptable levels and each of the ratios that are based on the primary financial statements are above acceptable benchmarks over the life of the Plan including the Operating Performance Ratio, the Own Source Operating Revenue Ratio, the Unrestricted Current Ratio and the Debt Service Cover Ratio. Infrastructure asset ratios are also regarded as acceptable over the life of the plan despite the average Asset Maintenance Ratio of 97% falling slightly below the benchmark of 100% as there is sufficient financial capacity within the Plan to allocate additional funding for asset maintenance once revised Asset Management Plans for Foreshore Assets and Other Structures are finalised, noting that the gap in maintenance funding is related to these asset classes only.

The results from this version of the LTFP demonstrate that a Special Rate Variation of 28% (31.05% cumulative) over four years (page 40) is sufficient to rebalance Council's projected finances over the life of the Plan within acceptable levels. Most importantly these financial results address the key financial objectives identified at the beginning of this Plan by meeting desired levels of community service, providing for the ongoing maintenance and renewal of a completed Hornsby Park and providing sufficient operating capacity to respond to financial challenges when they arise.

Future Direction

Current operating capacity is insufficient to fund each of the items desired by the community that are discussed throughout this report, notably:

- The normal continuance of services into the future (page 13)
- The asset management funding gap of $4.1 million per year (page 28)
- Recurrent funding for Hornsby Park of up to $3.1 million per year (page 28)
- Strategic initiatives totalling $67.26 million over ten years (page 43)
- Sufficient capacity to achieve at least a 2% Operating Performance Ratio each year (page 12)

Modelling undertaken in this version of the LTFP has indicated that a special rate variation of 28% (31.05% cumulative) over four years inclusive of the rate peg is necessary to fund each of the items listed above. Therefore, actions to improve future direction are as follows:

- Apply to IPART for a total special rate variation of 28% (31.05% cumulative) over the first four years of the LTFP inclusive of the rate peg each year, as detailed on page 39.
- 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.
- No new positions to be created as appropriate unless offset by an equivalent position elsewhere, or grant funded or income generating positions.
- Maintain cost increases to modest levels regarding non-labour related expenses each year excluding the additional allowances that have been made in this Plan including annual allocations for asset management and strategic initiatives.
- No new loan borrowing to be undertaken unless financial capacity above a 2% budget surplus/ operating performance ratio is available each year in the Plan.
- 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.

If the above actions are unaddressed, notably the recommendation for Council to apply to IPART for a 28% (31.05% cumulative) Special Rate Variation, Council will be limited in a number of ways as a result of insufficient financial capacity:

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 forecast deficits or services may need to be reduced to ensure a balanced budget each year. Without action, budget reductions will be required that will reduce levels of service such as through the closure of facilities or reduction in hours of operation.

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 is expected to decline, and the level of infrastructure backlog will increase unless funding is identified.

3. Major Capital Projects

There is insufficient capacity to fund the recurrent cost of operating major new capital projects once construction is complete. This includes Hornsby Park and Westleigh Park, noting that the capital constriction of these projects is funded from external sources such as the NSW Stronger Communities Fund and Development Contributions. If funding is not provided, future versions of this Plan are likely to recommend that projects are paused until a funding source can be identified.

4. Strategic Initiatives

Without an increase in Council's financial capacity, no funding is available to fund key strategic initiatives as detailed on page 43.

2. Introduction

> The LTFP is based on Council's 2022/23 budget, which was adopted on 8 June 2022.

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 main purpose of the LTFP is to guide and inform decision making in respect to Council's financial sustainability and to ensure that Council has sufficient financial resources to fund asset maintenance and renewal and provide services to the standard that the community expects. The LTFP establishes the framework for sound financial decisions and provides an insight as to the financial sustainability of Council over the planning period of this document. The key objectives in developing this Plan are:

- Balanced Budgets and Income Statement results that provide sufficient capacity to respond to budget 'shocks' as they arise
- Maintain into the future a level of service that the community has come to expect
- Assets provided by Council are designed and funded to meet a defined level of demand and/or need of the community
- Continuous Financial Improvement
- Reduction in External Loan Borrowing
- Achieve/Maintain Financial Sustainability Benchmarks (Indicators prescribed by the Office of Local Government).

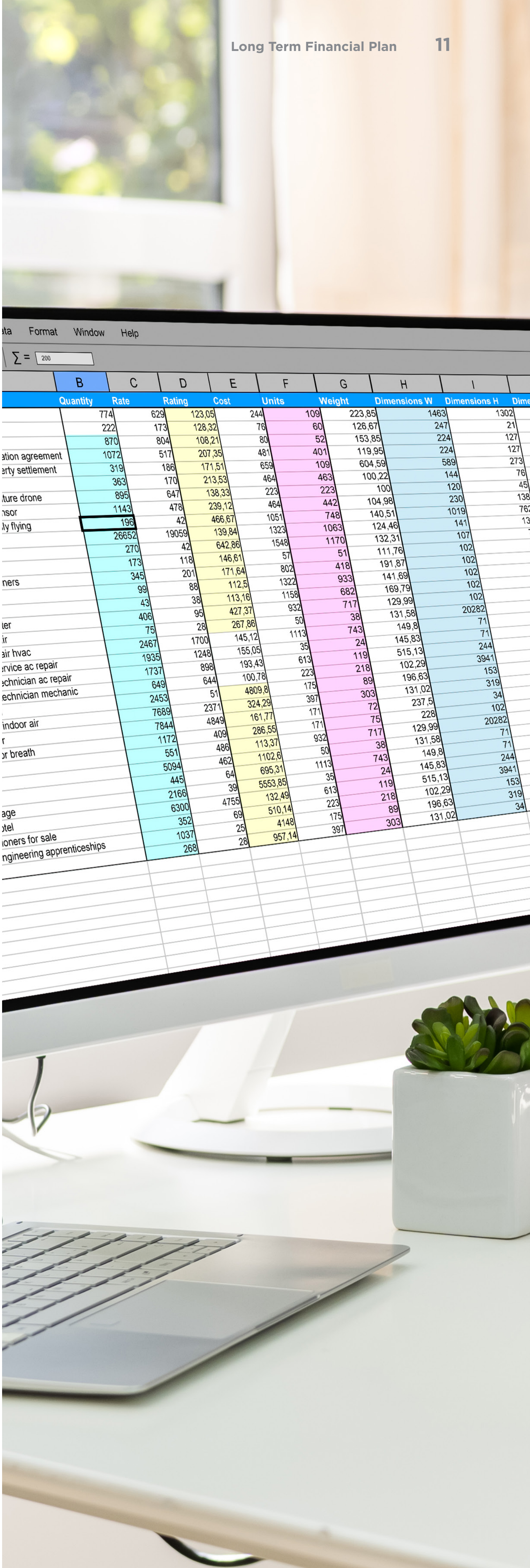
The LTFP is based on Council's 2022/23 budget, which was adopted on 8 June 2022. The 2022/23 budget forms the first year of the LTFP. Future years are based on a range of forecasted assumptions used to determine:

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

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.

This Plan seeks to ensure that Hornsby Shire Council can be financially sustainable and prosperous; achieving the NSW Government's fit for the future benchmarks and delivering services that our community wants and needs now and into the future.



3. Financial Objectives

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

Balanced Budgets/Income Statement Result that provide sufficient capacity to respond to budget 'shocks' as they arise

Council has a strong commitment to adopting annually a balanced budget and that its Income Statement results meet financially acceptable benchmarks.

This includes an annual operating performance ratio that is in the range of 2-4% to enable Council to respond in a timely manner towards infrastructure assets that may fail, the impact of natural disasters on local service provision and clean-ups and cost shifting from other tiers of government.

This would be considered financially prudent to target an acceptable operating performance range to respond to one off budget shocks that can occur over the course of the year and not affect the normal continuance of service provision. More detail in respect to previous events that has guided a 2%-4% operating performance ratio includes:

- The 2016 boundary adjustment and abandonment of amalgamation plans for the Shire that left Council with a yearly reduction of $10 million in revenue, without a commensurate reduction in costs.
- The implementation of state mandated initiatives such as the Audit Risk and Improvement Committee requirements.
- The urgent program to implement an asbestos remediation plan for Council's administration building from 2020.
- Remediation at Foxglove Oval, Mount Colah which had presented issues due to this site previously being a tip.
- Absorbing reduced income and increased costs as a result of service shutdowns, physical distancing and lock downs from the COVID-19 pandemic throughout 2020 and 2021. As well as the ongoing economic consequences from the pandemic which are still being experienced.
- The ongoing transfer of Crown Land to Council to maintain with no funds provided.
- Investment income returns – Investment returns have fluctuated during the COVID-19 pandemic with the majority of Council's investment products linked to the base rate set by the Reserve Bank of Australia. When the base rate was reduced to 0.1%, Council's budget for investment income was reduced significantly. Council's investment in managed funds with NSW Treasury Corporation are also currently experiencing significant volatility during the post COVID-19 economic recovery and an unrealised loss of $1.44 million was recorded for the year ended 30 June 2022, which resulted in total investment returns being $2.35 million below the budgeted amount of income for the year.
- The Hornsby Shire Local Government Area has been impacted by multiple severe weather events that were declared Natural Disasters by the NSW Government between 2018 and 2022. Each of these events typically costs Council several hundreds of thousand dollars in clean-up costs that are not always able to be recouped from the NSW Government. Furthermore, flooding caused significant damage at Wisemans Ferry that added $3.57 million in flood related clean up to the cost of Council's project to construct a new boat ramp and associated infrastructure. Costs to rectify damaged roads from the February 2022 and July 2022 floods are also estimated to require several millions of dollars. A key issue that recent Natural Disasters has created is that even when a proportion of Councils expenditure on clean up and recovery can be recouped Council can wait for up to several years for reimbursement. The multiple events that Council has faced over recent years is placing pressure on Councils budgets and unfairly limiting the extent to which Council can respond to communities in need in a timely manner
- Asset Management – As noted on page 28, Asset Management Plans have been revised for 95% of Council's depreciable asset base including all Roads, Stormwater Drainage, Buildings and Open Space assets and this Plan includes forecast costs to maintain these assets at the level desired by the community. However, Asset Management Plans for the remaining 5% of Council's depreciable assets comprising Foreshores and some Other Structures are still being prepared and the funding requirements are not yet available to incorporate into this Plan. A forecast Operating Performance Ratio above 2% each year will provide capacity for the maintenance requirements identified in these Plans to be fully

funded once they have been finalised. In this regard it is also noted that Hornsby's Local Government Area spans across a large geographical area from the M2 motorway in the south of the Shire to the Hawkesbury River in the north and Council therefore controls a large and dispersed number of infrastructure assets compared to other Council's in the Sydney metropolitan area. There is an unavoidable level of risk of some unexpected infrastructure asset failure from time to time from an asset base this large that could require additional funding in any given year.

- State Government Costs – There are some costs over which Council has no control such as levies charged by the NSW Government. Over recent years the Emergency Services Levy payable to the State has increased by more than $1 million and in the order of 40%, which is above the level of estimated increases in previous Plans that forecast the annual increase in the levy to track in line with CPI. The LTFP must retain sufficient capacity over the next ten years to fund any further cost increases of this nature without having to resort to cutting other budgets such as those provided for asset management or recurrent services.

Should a surplus budget be generated at the end of a financial year, the surplus 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.

Maintain into the future a level of service that the community has come to expect

Financial sustainability in local government is not only just about balancing budgets; it also involves ensuring that the level of services that the community has come to expect is maintained and continues to be provided into the future. This is a key input into the Financial Planning Assumptions section of this Plan to determine if we can afford what the community needs and wants into the future and if not, what action is required.

To establish the level of service that the community has come to expect and desires (referred to in this Plan as the 'Normal Continuance' of service) reference has been made to a range of community consultation. This has included a Quality of Life and Asset Management survey completed in March 2020, asset management workshops in November 2020 and a Community Satisfaction Survey covering 30 Council services in April 2021. A survey on the Community Strategic Plan Review in October 2021 identified a desire from the community for an increased level of services, which supports at least the continuance of normal operations included in this Plan. Community consultation during the preparation of 36 recently adopted strategies and technical documents also supports an increase in the aspirations of the community, which is discussed further within the Strategic Initiatives section of this report (page 43).

Examples of important considerations identified by the community through the surveys noted above are detailed below:

- Maintaining Council's assets to a good standard
- Changing demographics – the community identified that an ageing population increased usage of Council's open spaces and created a desire for improvements to infrastructure of flat and accessible spaces and seating
- Frequency of use – participants in the asset management workshops acknowledged competition for assets that are regularly used by the community and expressed a desire for additional funding for asset maintenance to be allocated according to usage
- Access and hours of operation – the community expressed that a wide span of opening hours should encourage use. Hornsby Aquatic & Leisure Centre and Council's Community Recycling Centre were the two most mentioned assets in this regard
- Quality spaces – the community expressed a desire for Council to invest in maintenance to increase quality and noted that this would likely increase usage.

Accordingly, forecast income and expenditure to fund the normal continuance of services has been included in the 'base' LTFP.

3. Financial Objectives

Assets provided by Council are designed and funded to meet a defined level of demand and/or need of the community

The Asset Management Planning section of this report (page 28) includes further information with regards to the community's desired level of service for Council assets that were identified through recently completed asset management workshops. This has also been included in the 'base' LTFP.

Continuous Financial Improvement

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

- Prioritising funding requirements identified in Council's Asset Management Plans before new initiatives.
- Evaluation on a periodic basis of Council's activities to determine 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.
- No new positions to be created as appropriate unless offset by an equivalent position elsewhere, grant funding or income generating.

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 and current Councils, that generated savings from financial improvement that have been applied, 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. Further external loan borrowing depends on the availability of financial capacity above a budget surplus level of 2% in future years of LTFP and this Plan includes a recommendation for no further loan borrowing to be undertaken unless this requirement is met.

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

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%-4% (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%-4% 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 a 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 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
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%

4. 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 from several external bodies that are regarded as reputable including the Reserve Bank of Australia, BIS Oxford Economics and Reuters.

The 2022/23 budget has been used as the base point for the LTFP, which 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 known expenditure items such as the cost of local government elections, an increase in statutory employee superannuation to 12% by 2026 and for projects that were commenced by the previous term of Council such as a greater allocation to deliver new footpaths across the Shire.

Service Levels – Normal Continuance of Service

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, which in this Plan has been determined through a range of community consultation. It is noted that levels of service may not remain the same given changes in community expectations in future years of the Plan. In this regard it is noted that 'normal operations' has been forecast as a minimum level over the life of the Plan as the community has indicated.

Accordingly, forecast income and expenditure to fund the normal continuance of services has been included in the 'base' LTFP.

The Asset Management Planning section of this report (page 28) includes further information with regards to the community's desired level of service for Council assets that were identified through recently completed asset management workshops. This is also another key component considered to be part of the normal continuance of services and has been included in the 'base' LTFP.

5. 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, workers compensation premiums and other employee related expenses.

The majority of employee related costs increase based on the local government award increase each year, for which the last published year is the year ending 30 June 2023. Further Local Government Award increases are not yet known therefore the forecast expenditure increase has been based on the forecast Wage Price Index, which is deemed to appropriately reflect the impact of the current inflationary environment over the next 10 years. The forecast Wage Price Index has been sourced from the Reserve Bank of Australia to the extent available (until mid-2024) and from BIS Oxford Economics from 2025 until the end of the Plan.

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Salary Movement	3.8%	3.5%	3.1%	3.3%	3.3%	3.3%	3.3%	3.3%	3.2%	3.2%

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 10.5% in 2023 to 12% in 2026
- No material change is expected in existing staff numbers and employee working hours noting that Council's previous two Long Term Financial Plans have included a recommendation for a freeze on FTE headcount as a method of cost containment
- Workers' compensation expense is expected to increase in line with salaries and wages
- As a method of cost containment and to account for savings from vacancies that occur from normal operations the Plan includes a budget for 50 weeks of the year for each position in Council's approved organisation chart, which results in an effective annual productivity measure of 4% compared to if the Plan included costs for all 52 weeks of the year. This matter is analysed further in a sensitivity analysis on page 51.

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 notional interest on leases for IT equipment and the Thornleigh Office that are recognised in the Income Statement 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 would assist in their funding as their rates would 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. While 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. In this regard, it is also noted that Council's current annual capital works program is significant in size, most of which is funded from external sources such as grants and development contributions. Therefore, the more prominent challenge facing Council is the need to identify recurrent funds to operate and maintain projects once construction has been completed, rather than a need to identify further funds to construct new capital works

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 (CPI) has been chosen as the relevant factor in modelling these expenses over the term of the Plan. This has been sourced from the Reserve Bank of Australia to the extent available (until mid-2024) and from BIS Oxford Economics from 2025 until the end of the Plan using the compound annual growth rate estimated for this timeframe.

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
CPI	3.5%	2.9%	2.8%	2.4%	2.4%	2.4%	2.4%	2.4%	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, as noted within the Asset Management Planning section of this report (page 28)

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 and the estimated impact of infrastructure asset revaluations has been used as the basis for determining the depreciation expense.

Depreciation forecasts relate to existing assets and to Council's extensive capital works program. 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 the Reserve Bank of Australia to the extent available (until mid-2024) and from BIS Oxford Economics from 2025 until the end of the Plan using the compound annual growth rate estimated for this timeframe.

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
CPI	3.5%	2.9%	2.8%	2.4%	2.4%	2.4%	2.4%	2.4%	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.

6. Revenue Assumptions

The major expense 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, typically representing more than 80% of own source revenue each year. The amount of rates income a council may levy is limited by an approved rate peg set by the Independent Pricing and Regulatory Tribunal (IPART). The Rate peg refers to the process in which the State Government determines annually the total allowable increase in rates expressed as a percentage. This allowable increase is announced annually by the Independent Pricing and Regulatory Tribunal (IPART).

Forecasting expected income from rates is notoriously challenging as the rate peg is based on a Local Government Cost Index calculated by IPART, which is typically only available 6 to 9 months before the start of any given year. Forward projections of the rate peg for future years are also not published. In some years IPART may also apply a productivity factor to the rate peg, which reduces the amount of income that Council can generate. Nonetheless over time the rate peg can be seen to broadly track with the overall trend in CPI. Accordingly, in the absence of forward projections of the Local Government Cost Index, this Plan assumes that the rate peg will align with CPI over the next 10 years. This is appropriate as CPI has also been used as the forecast driver for the majority of expense items in the Plan. Using the same driver to set the rate peg ensures a linear relationship between rating income and the majority of Council's expenses, which mirrors IPART's intention of basing the rate peg on the Local Government Cost Index.

The rate peg for the first year of the plan in 2024 has been based on a detailed estimate of the Local Government Cost Index from the most recent data available for 2022, which is the year that will inform the rate peg for 2024 when it is available. The rate peg forecasts for 2025 and 2026 are based on the trend required for the rate peg to align with CPI over the life of the plan.

2024 Rate Peg Calculation

Estimate of 2023-24 LGCI	Indices	Change	Weighting	Timeframe for data
Employee costs	WPI – Public Sector	2.40%	40%	March 2021 – March 2022
Materials, contracts and other	CPI – Sydney	5.30%	60%	June 2021 – June 2022
Productivity factor		0.20%		
Total		**3.90%**		

10 Year Rate Peg Assumptions

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Rate peg forecast	3.9%	3.5%	3.0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%

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 the Reserve Bank of Australia to the extent available (until mid-2024) and from BIS Oxford Economics from 2025 until the end of the Plan using the compound annual growth rate estimated for this timeframe.

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
CPI	3.5%	2.9%	2.8%	2.4%	2.4%	2.4%	2.4%	2.4%	2.5%	2.5%

Interest and Investment Revenue

Interest on investments will vary over the planning period due to cash-flow levels and interest rate percentages. The LTFP calculates interest on investments based on estimated cash-flow (allowing for estimated infrastructure project expenditure) and a forecast of the base rate set by the Reserve Bank of Australia. The margins earned on each of Council's investment products above the base rate have 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 term 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 2.45% in 2023/24 to 3.12% in 2032/33.

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.

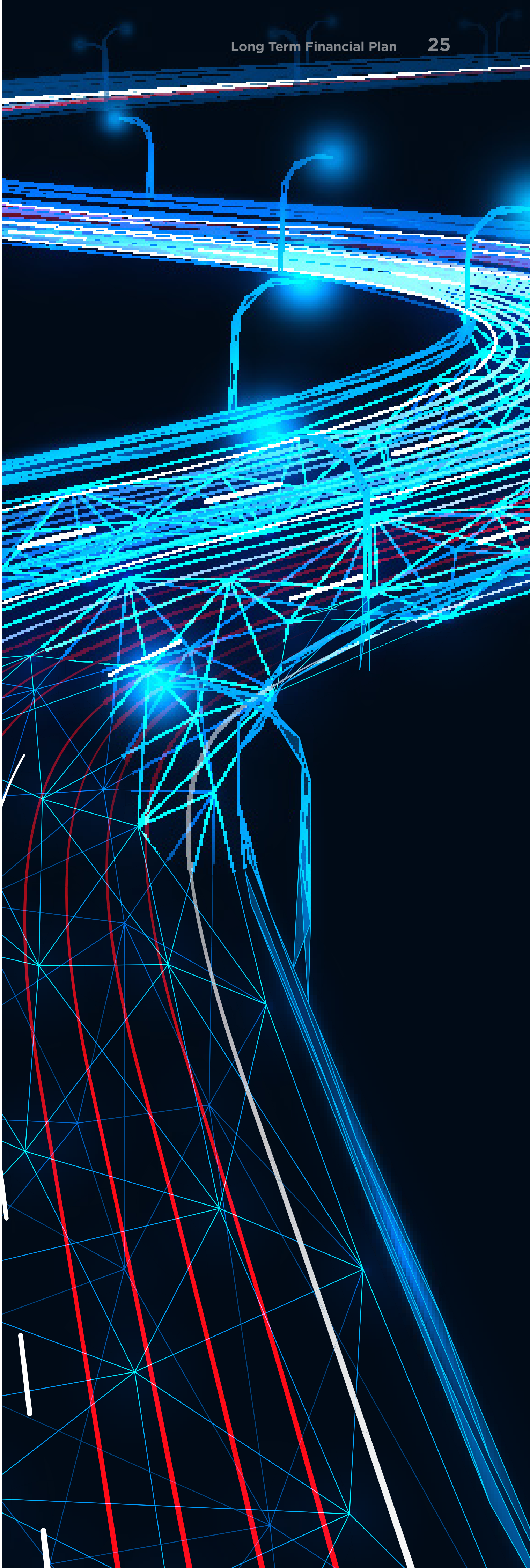
Grants and Contributions

Council receives a number of operational and capital grants from various Federal and State Government agencies. Capital contributions such as Section 7.11 Development Contributions are expected to continue in line with current 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 7.11 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 average capital works program in the base LTFP is forecast at $48.212 million each year and 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 such as Hornsby Park, Council's largest project and 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 adopted strategies as discussed within the Strategic Initiatives section of this report (page 43).

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Capital Expenditure	$48,788,725	$92,232,336	$29,158,863	$79,325,114	$38,264,258	$47,345,834	$47,133,425	$32,398,469	$33,301,394	$34,172,679



It is noted that capital expenditure has increased above historical annual 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, available S7.11 development contribution funds and estimated capital contributions from third parties included within the master plans for the projects.
- Mark Taylor oval revitalisation (funded from the NSW Government's Stronger Community Fund).
- Public Domain improvements for Asquith to Mount 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.
- Increased asset renewal expenditure to fund the requirements identified in Council's recently revised asset management plans, as noted within the Asset Management Planning section of this report (page 28).

Council's 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 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.

7. Asset Management Planning

Previous versions of the LTFP have recommended that Council's Asset Management Plans be updated to provide evidence-based estimates for future asset maintenance and renewal expenditures. A significant project to undertake this work is well progressed and revised asset management plans are available for 95% of Council's depreciable asset base comprising:

- 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 from 'the bottom up' by calculating the individual forecast requirements for each of Council's assets at a granular level (for example at the level of road section, park bench, kitchen, bathroom, pipe length etc). The asset management plans have been created using the following methodology:

- Review of existing granular 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 including the engagement of consultants and contractors to survey assets at a detailed level (based on the condition assessment of each component of each asset)
- 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 survey to assess current service levels compared to desired levels of service which is covered in more detail in Council's Asset Management Strategy
- The creation of ten-year expenditure forecasts for each class compared to available budgets which is covered in more detail in Council's Asset Management Strategy.

Results from Council's Community Satisfaction survey (Asset Management Community Insights Report – November 2020) have been used to inform the basis of forecasted maintenance and renewal requirements for each of Council's assets where a rating was provided to survey participants with 1 being Excellent, 2- Good, 3- Satisfactory and 4- Poor:

- Buildings – participants preferred a level of service of 2 for libraries and amenities buildings and a level of service of 3 for aquatic centres, community centres and indoor sporting facilities.
- Open Spaces – participants preferred a level of service of 2 for sporting fields, park facilities and playgrounds and a level of service of 3 for trees, gardens and mountain bike tracks. Safety was considered a high priority for playgrounds.
- Roads and related infrastructure- participants preferred a level of service of 2 for footpaths, bridges and roads and a level of service of 3 for carparks, shared paths, kerb and guttering. Emphasis was placed on the importance of flat, safe and unobstructed footpaths and pedestrian crossings.
- Stormwater infrastructure – participants preferred a level of service of 3 for stormwater drainage.

As detailed in Council's Asset Management Strategy, cost forecasts from revised asset management plans indicate that there is an average funding gap of $4.1 million per year over the next ten years:

Year	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Buildings	$538,000	$128,000	$252,000	$931,000	$2,388,000	$2,292,000	$602,000	$542,000	$442,000	$337,000
Roads/Road	$104,000	$96,000	$580,000	$594,000	$597,000	$623,000	$638,000	$641,000	$670,000	$686,000
Stormwater Drainage	$1,087,000	$1,118,000	$1,314,000	$1,357,000	$1,401,000	$1,434,000	$1,481,000	$1,516,000	$1,567,000	$1,606,000
Open Space	$621,000	$724,000	$1,412,000	$942,000	$3,306,000	$1,023,000	$927,000	$1,109,000	$1,491,000	$1,684,000
Shortfall	**$2,350,000**	**$2,066,000**	**$3,558,000**	**$3,824,000**	**$7,692,000**	**$5,372,000**	**$3,648,000**	**$3,808,000**	**$4,170,000**	**$4,313,000**

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 funding gap is attributable to:

- Inflationary cost increases since the plans were last revised including recent construction cost and CPI increases during recovery from the COVID-19 pandemic. The Plans have been updated using the same CPI forecast as disclosed within the Expenditure Assumptions section of this report (page 20)
- 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 has already commenced.

The funding gap excludes:

- Forecast recurrent costs for Hornsby Park, Council's largest ever major project. Because of its significance recurrent costs have been forecast separately for this project as detailed below
- The remaining 5% of Council's depreciable asset base for which Asset Management Plans are still being revised. This includes foreshore assets and some 'other structures'.

Asset Management Planning

The revised Asset Management Plans have informed Council's Asset Management Strategy, which will be referred to Council to be adopted for public exhibition at the same time as this LTFP as part of the Resourcing Strategy. The Strategy notes that present funding levels are insufficient and identifies a number of consequences of providing inadequate funding into the future:

- Deteriorating quality of existing assets (e.g.: reduction in road network condition)
- Inability to renew ageing assets
- Inability to adequately maintain newly constructed assets
- Increased exposure of Council to litigation relating to deteriorating assets
- Failure to meet the industry benchmarks set by the Office of Local Government for infrastructure asset ratios.

Accordingly, the Strategy recommends that funding is provided within this LTFP to meet the requirements identified in the Asset Management Plans. Therefore, the forecast requirements including the average funding gap of $4.1 million per year has been included within the base LTFP.

Hornsby Park

This project involves the redevelopment of the abandoned Hornsby Quarry and surrounding lands covering approximately 60 hectares into open space for a broad range of recreation purposes.

This is a significant project and the largest ever undertaken for Hornsby Shire Council with the total estimated cost of the facilities canvassed in the Master Plan for the park at $130 million. This is to be funded from the NSW Government's Stronger Communities Fund, Section 7.11 development contributions and capital contributions from commercial arrangements.

Due to the size and scale of this capital project, a review of forecasted costs was undertaken by a specialist external consulting firm – Capital Insight. Their review concluded that the average asset life cycle costs were forecast at $3.1 million per year upon completion of the project. This amount has been used as an input into the financial requirements of this Plan and listed separately to the 'core' infrastructure assets needs identified in the development of the Asset Management Strategy.

Further due diligence was exercised through a peer review of the capital and recurrent costs by specialist consulting firm, WT Australia. Their review validated the forecasts used in the Plan to be appropriate. Accordingly, the LTFP includes forecast recurrent costs of $3.1 million per year which have been allocated in the Plan in line with the most recent construction cash flow for the project. A $1.4 million recurrent allocation is provided in 2026 and 2027, which increases to $3.1 million from 2028 reflecting the timeline for the completion of key components at the park.

8. Results - Normal Continuance of Service & Asset Management Requirements

As noted in the previous sections of this report, Council's base LTFP includes forecast income and expenditure to fund a continuance of 'normal" operations, the requirements of Council's revised Asset Management Plans and forecast recurrent costs for Hornsby Park.

Income Statement (Financial Statement Result)

Hornsby Shire Council
10 Year Financial Plan for the Years ending 30 June 2033

INCOME STATEMENT - GENERAL FUND	Actuals	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	2032/33
	$	$	$	$	$	$	$	$	$	$	$	$
Income from Continuing Operations												
Revenue:												
Rates & Annual Charges	103,081,000	109,152,098	113,273,518	117,027,708	120,466,378	123,440,947	126,488,989	129,612,321	132,812,803	136,092,341	139,494,650	143,585,593
User Charges & Fees	11,611,000	14,233,154	14,731,617	15,158,826	15,583,267	15,957,267	16,340,244	16,732,412	17,133,992	17,545,211	17,983,841	18,433,437
Other Revenues	4,045,000	6,784,074	7,021,517	7,225,141	7,427,445	7,605,703	7,788,240	7,975,158	8,166,562	8,362,559	8,571,623	8,785,914
Grants & Contributions provided for Operating Purposes	14,814,000	12,770,694	13,217,668	13,600,981	13,981,808	14,317,371	14,660,988	15,012,852	15,373,161	15,742,116	16,135,669	16,539,061
Grants & Contributions provided for Capital Purposes	29,601,000	8,350,000	9,327,953	9,450,564	9,572,379	58,289,717	9,789,630	9,902,181	10,017,433	10,135,452	10,261,338	10,390,371
Interest & Investment Revenue	3,064,000	4,929,651	5,491,284	4,882,424	3,678,321	3,769,582	3,830,572	3,836,224	3,867,236	3,895,739	3,850,908	3,804,681
Other Income:												
Fair value increment on investment properties	-	100,000	103,500	106,502	109,484	112,111	114,802	117,557	120,378	123,268	126,349	129,508
Other Income	2,209,000	-	-	-	-	-	-	-	-	-	-	-
Total Income from Continuing Operations	**168,425,000**	**156,319,672**	**163,167,057**	**167,452,145**	**170,819,082**	**223,492,699**	**179,013,465**	**183,188,706**	**187,491,566**	**191,896,686**	**196,424,379**	**201,668,565**
Expenses from Continuing Operations												
Employee Benefits & On-Costs	48,302,000	52,421,816	54,682,236	56,872,826	58,921,174	60,865,572	62,874,136	64,948,983	67,092,299	69,306,345	71,524,148	73,812,921
Borrowing Costs	84,000	223,161	192,158	159,071	121,216	77,525	28,162	10,000	10,000	10,000	10,000	10,000
Materials & Contracts	70,118,000	66,681,605	69,615,633	72,082,880	74,909,510	77,122,150	80,197,262	83,012,084	82,740,869	84,767,616	86,822,242	89,828,407
Depreciation & Amortisation	20,461,000	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	31,441,781
Other Expenses	3,331,000	3,874,130	4,009,724	4,126,006	4,241,534	4,343,331	4,447,571	4,554,313	4,663,616	4,775,543	4,894,932	5,017,305
Net Losses from the Disposal of Assets	2,586,000	-	-	-	-	-	-	-	-	-	-	-
Total Expenses from Continuing Operations	**144,882,000**	**144,415,987**	**150,670,617**	**156,319,384**	**162,217,623**	**167,417,786**	**173,494,078**	**179,267,444**	**182,383,554**	**187,896,159**	**193,517,479**	**200,110,413**
Operating Result from Continuing Operations	**23,543,000**	**11,903,684**	**12,496,440**	**11,132,761**	**8,601,459**	**56,074,913**	**5,519,388**	**3,921,262**	**5,108,012**	**4,000,526**	**2,906,900**	**1,558,152**
Net Operating Result for the Year	**23,543,000**	**11,903,684**	**12,496,440**	**11,132,761**	**8,601,459**	**56,074,913**	**5,519,388**	**3,921,262**	**5,108,012**	**4,000,526**	**2,906,900**	**1,558,152**
Net Operating Result before Grants and Contributions provided for Capital Purposes	**(6,058,000)**	**3,553,684**	**3,168,487**	**1,682,197**	**(970,920)**	**(2,214,803)**	**(4,270,242)**	**(5,980,919)**	**(4,909,421)**	**(6,134,925)**	**(7,354,438)**	**(8,832,220)**

Balance Sheet (Financial Statements)

Hornsby Shire Council
10 Year Financial Plan for the Years ending 30 June 2033
BALANCE SHEET - GENERAL FUND

	Actuals	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	2032/33
	$	$	$	$	$	$	$	$	$	$	$	$
ASSETS												
Current Assets												
Cash & Cash Equivalents	47,763,000	9,209,420	6,324,833	4,880,839	4,815,694	4,913,332	4,850,438	4,532,994	4,226,616	4,175,829	4,229,610	4,251,192
Investments	81,171,000	102,783,874	97,784,083	75,459,446	77,272,769	77,976,434	76,198,221	70,323,395	65,348,964	66,332,622	67,002,931	67,336,594
Receivables	9,867,000	9,077,308	9,325,513	9,297,101	9,550,109	12,303,362	9,935,322	10,089,896	10,248,336	10,482,611	10,726,378	10,984,061
Inventories	182,000	196,145	204,763	212,011	220,308	226,807	235,825	244,084	243,332	249,292	255,335	264,159
Contract assets and contract cost assets	68,000	69,680	71,722	73,815	75,960	78,159	80,413	82,724	85,092	87,519	90,007	92,557
Other	388,000	261,493	272,855	282,418	293,301	301,867	313,619	324,422	323,876	331,800	339,857	351,429
Total Current Assets	139,439,000	121,597,921	113,983,769	90,205,630	92,228,142	95,799,961	91,613,839	85,597,515	80,476,215	81,659,672	82,644,119	83,279,992
Non-Current Assets												
Investments	173,922,000	152,309,126	144,900,241	111,818,730	114,505,782	115,548,499	112,913,475	104,207,930	96,836,625	98,294,248	99,287,538	99,781,972
Receivables	1,332,000	1,616,032	1,673,648	1,723,829	1,772,663	1,815,499	1,859,370	1,904,302	1,950,320	1,997,450	2,047,387	2,100,686
Infrastructure, Property, Plant & Equipment	1,708,393,000	1,752,594,879	1,778,604,209	1,847,121,853	1,851,593,334	1,905,223,134	1,916,742,631	1,936,251,026	1,954,409,310	1,956,648,049	1,958,554,926	1,960,047,381
Investment Property	29,710,000	29,810,000	29,913,500	30,020,002	30,129,485	30,241,596	30,356,398	30,473,955	30,594,333	30,717,601	30,843,950	30,973,458
Intangible Assets	1,081,000	961,000	950,996	939,114	925,116	908,381	888,743	866,028	840,054	810,630	777,691	741,035
Right of use assets	331,000	2,530,447	2,113,981	1,696,938	1,339,294	921,024	590,458	602,976	523,537	443,361	421,167	401,187
Total Non-Current Assets	1,914,769,000	1,939,821,483	1,958,156,575	1,993,320,465	2,000,265,674	2,054,658,133	2,063,351,076	2,074,306,218	2,085,154,180	2,088,911,340	2,091,932,659	2,094,045,719
TOTAL ASSETS	**2,054,208,000**	**2,061,419,404**	**2,072,140,345**	**2,083,526,095**	**2,092,493,816**	**2,150,458,094**	**2,154,964,914**	**2,159,903,733**	**2,165,630,395**	**2,170,571,012**	**2,174,576,777**	**2,177,325,711**
LIABILITIES												
Current Liabilities												
Payables	13,472,000	11,940,608	12,422,524	12,841,189	13,292,830	13,670,510	14,152,538	14,607,926	14,706,838	15,078,065	15,454,587	15,950,497
Contract liabilities	2,440,000	1,933,791	2,023,654	2,077,556	2,131,108	3,750,618	2,226,616	2,276,095	2,326,762	2,378,646	2,433,988	2,490,713
Lease liabilities	358,000	495,784	512,755	520,351	548,564	309,662	10,000	30,000	30,000	10,000	10,000	10,000
Borrowings	257,000	-	-	-	-	-	-	-	-	-	-	-
Employee benefit provisions	14,802,000	14,016,528	14,215,414	14,444,720	14,705,389	14,998,392	15,324,732	15,685,444	16,083,877	16,521,278	16,998,932	17,518,168
Other provisions	4,985,000	2,022,425	229,790	229,790	229,790	229,790	229,790	229,790	229,790	229,790	229,790	229,790
Total Current Liabilities	36,314,000	30,409,136	29,404,137	30,113,606	30,907,681	32,958,972	31,943,676	32,829,255	33,377,269	34,217,780	35,127,298	36,199,169
Non-Current Liabilities												
Contract liabilities	200,000	438,395	454,745	467,716	480,602	563,298	503,585	515,491	527,683	540,168	553,485	567,135
Lease liabilities	-	1,901,332	1,388,577	868,226	369,662	60,000	50,000	90,000	60,000	50,000	120,000	110,000
Employee benefit provisions	2,111,000	3,111,403	3,155,552	3,206,453	3,264,317	3,329,358	3,401,799	3,481,870	3,570,315	3,667,409	3,773,440	3,888,700
Other provisions	3,308,000	1,380,454	1,062,210	1,062,210	1,062,210	1,062,210	1,062,210	1,062,210	1,062,210	1,062,210	1,062,210	1,062,210
Total Non-Current Liabilities	5,619,000	6,831,584	6,061,084	5,604,605	5,176,790	5,014,865	5,017,593	5,149,571	5,220,207	5,319,787	5,509,134	5,628,045
TOTAL LIABILITIES	**41,933,000**	**37,240,720**	**35,465,221**	**35,718,210**	**36,084,472**	**37,973,837**	**36,961,269**	**37,978,826**	**38,597,476**	**39,537,567**	**40,636,432**	**41,827,214**
Net Assets	**2,012,275,000**	**2,024,178,684**	**2,036,675,124**	**2,047,807,885**	**2,056,409,344**	**2,112,484,257**	**2,118,003,645**	**2,121,924,907**	**2,127,032,919**	**2,131,033,446**	**2,133,940,345**	**2,135,498,497**
EQUITY												
Retained Earnings	1,306,412,000	1,318,073,018	1,330,326,790	1,341,216,885	1,349,818,344	1,405,893,257	1,411,412,645	1,415,333,907	1,420,441,919	1,424,442,446	1,427,349,345	1,428,907,497
Revaluation Reserves	706,591,000	706,591,000	706,591,000	706,591,000	706,591,000	706,591,000	706,591,000	706,591,000	706,591,000	706,591,000	706,591,000	706,591,000
Other Reserves	(728,000)	(485,333)	(242,667)	-	-	-	-	-	-	-	-	-
Total Equity	**2,012,275,000**	**2,024,178,684**	**2,036,675,124**	**2,047,807,885**	**2,056,409,344**	**2,112,484,257**	**2,118,003,645**	**2,121,924,907**	**2,127,032,919**	**2,131,033,446**	**2,133,940,345**	**2,135,498,497**

Cash Flow Statement

Hornsby Shire Council
10 Year Financial Plan for the Years ending 30 June 2033
CASH FLOW STATEMENT - GENERAL FUND

	Actuals	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	2032/33
	$	$	$	$	$	$	$	$	$	$	$	$
Cash Flows from Operating Activities												
Receipts:												
Rates & Annual Charges	103,203,000	109,150,833	113,213,094	116,972,669	120,415,964	123,397,337	126,444,302	129,566,531	132,765,881	136,044,261	139,444,769	143,525,617
User Charges & Fees	12,686,000	14,047,625	14,781,486	15,201,250	15,625,350	15,994,040	16,377,897	16,770,966	17,173,469	17,585,633	18,027,059	18,477,736
Investment & Interest Revenue Received	2,127,000	4,470,419	5,551,662	5,142,170	3,649,876	3,743,765	3,869,679	3,888,161	3,920,303	3,878,086	3,836,471	3,792,984
Grants & Contributions	43,726,000	21,737,748	22,559,051	23,056,312	23,558,925	73,069,391	23,996,764	24,919,410	25,395,076	25,882,158	26,401,903	26,934,450
Other	14,571,000	7,174,633	6,785,213	7,042,307	7,245,796	6,100,613	8,969,372	7,807,324	7,994,700	8,186,573	8,383,904	8,593,502
Payments:												
Employee Benefits & On-Costs	(48,871,000)	(52,489,904)	(54,385,394)	(56,541,177)	(58,555,484)	(60,455,771)	(62,421,889)	(64,452,971)	(66,548,369)	(68,712,915)	(70,881,429)	(73,117,501)
Materials & Contracts	(73,679,000)	(66,930,231)	(69,327,517)	(71,840,357)	(74,633,567)	(76,904,922)	(79,899,371)	(82,738,188)	(82,754,378)	(84,566,626)	(86,617,849)	(89,534,990)
Borrowing Costs	(82,000)	(228,161)	(192,158)	(159,071)	(121,216)	(77,525)	(28,162)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)
Bonds & Deposits Refunded	(13,000)	-	-	-	-	-	-	-	-	-	-	-
Other	(1,795,000)	(9,772,056)	(6,029,189)	(4,044,168)	(4,156,036)	(4,270,342)	(4,358,819)	(4,468,785)	(4,629,157)	(4,700,881)	(4,819,547)	(4,924,519)
Net Cash provided (or used in) Operating Activities	51,873,000	27,160,905	32,956,247	34,829,934	33,029,608	80,596,586	32,949,772	31,282,447	33,307,526	33,586,288	33,765,282	33,737,279
Cash Flows from Investing Activities												
Receipts:												
Sale of Investment Securities	120,185,000	-	12,408,675	55,406,149	-	-	4,413,236	14,580,371	12,345,737	-	-	-
Sale of Infrastructure, Property, Plant & Equipment	1,157,000	1,000,000	1,035,000	1,065,015	1,094,835	1,121,111	1,148,018	1,175,571	1,203,784	1,232,675	1,263,492	1,295,079
Payments:												
Purchase of Investment Securities	(125,899,000)	-	-	-	(4,500,375)	(1,746,382)	-	-	-	(2,441,282)	(1,663,598)	(828,097)
Purchase of Infrastructure, Property, Plant & Equipment	(44,648,000)	(65,965,434)	(48,673,725)	(92,114,001)	(29,037,215)	(79,200,546)	(38,136,700)	(47,215,215)	(46,999,671)	(32,261,505)	(33,161,006)	(34,028,781)
Purchase of Intangible Assets	-	-	(115,000)	(118,335)	(121,648)	(124,568)	(127,558)	(130,619)	(133,754)	(136,964)	(140,388)	(143,898)
Net Cash provided (or used in) Investing Activities	(49,205,000)	(64,965,434)	(35,345,050)	(35,761,172)	(32,564,402)	(79,950,384)	(32,703,004)	(31,589,892)	(33,583,903)	(33,607,076)	(33,701,500)	(33,705,697)
Cash Flows from Financing Activities												
Payments:												
Repayment of lease liabilities (principal repayments)	(438,000)	(492,051)	(495,784)	(512,755)	(530,351)	(548,564)	(309,662)	(10,000)	(30,000)	(30,000)	(10,000)	(10,000)
Net Cash Flow provided (used in) Financing Activities	(680,000)	(749,051)	(495,784)	(512,755)	(530,351)	(548,564)	(309,662)	(10,000)	(30,000)	(30,000)	(10,000)	(10,000)
Net Increase/(Decrease) in Cash & Cash Equivalents	1,988,000	(38,553,580)	(2,884,587)	(1,443,994)	(65,145)	97,638	(62,894)	(317,445)	(306,378)	(50,787)	53,781	21,582
plus: Cash & Cash Equivalents - beginning of year	45,775,000	47,763,000	9,209,420	6,324,833	4,880,839	4,815,694	4,913,332	4,850,438	4,532,994	4,226,616	4,175,829	4,229,610
Cash & Cash Equivalents - end of the year	**47,763,000**	**9,209,420**	**6,324,833**	**4,880,839**	**4,815,694**	**4,913,332**	**4,850,438**	**4,532,994**	**4,226,616**	**4,175,829**	**4,229,610**	**4,251,192**
Cash & Cash Equivalents - end of the year	47,763,000	9,209,420	6,324,833	4,880,839	4,815,694	4,913,332	4,850,438	4,532,994	4,226,616	4,175,829	4,229,610	4,251,192
Investments - end of the year	255,093,000	255,093,000	242,684,325	187,278,176	191,778,551	193,524,933	189,111,697	174,531,326	162,185,588	164,626,870	166,290,468	167,118,566
Cash, Cash Equivalents & Investments - end of the year	**302,856,000**	**264,302,420**	**249,009,157**	**192,159,015**	**196,594,244**	**198,438,265**	**193,962,135**	**179,064,319**	**166,412,204**	**168,802,699**	**170,520,078**	**171,369,758**
Representing:												
- External Restrictions	200,551,000	163,154,928	150,173,912	92,350,791	95,486,645	97,312,071	95,817,289	82,821,576	70,656,628	73,840,385	77,066,110	80,109,817
- Internal Restricitons	82,415,000	84,040,090	81,105,540	78,662,722	79,761,690	80,853,420	81,937,740	83,014,470	84,083,428	85,144,429	86,196,942	87,240,753
- Unrestricted	19,890,000	17,107,402	17,729,706	21,145,502	21,345,909	20,272,774	16,207,106	13,228,273	11,672,148	9,817,884	7,257,027	4,019,187
	302,856,000	**264,302,420**	**249,009,157**	**192,159,015**	**196,594,244**	**198,438,265**	**193,962,135**	**179,064,319**	**166,412,204**	**168,802,699**	**170,520,078**	**171,369,758**

Local Government Performance Indicators

Indicator	Benchmark	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Operating Performance Ratio	>2% (>0% OLG)	1.99%	1.00%	-0.67%	-1.41%	-2.59%	-3.52%	-2.84%	-3.45%	-4.02%	-4.69%
Own Source Operating Revenue Ratio	>60%	86.17%	86.23%	86.20%	67.50%	86.33%	86.39%	86.45%	86.51%	86.55%	86.64%
Unrestricted Current Ratio	>1.5	6.75	5.43	5.39	5.26	5.22	4.73	4.39	4.35	4.29	4.19
Debt Service Cover Ratio	>2	36.96	36.93	35.40	36.35	63.91	1032.68	571.42	569.71	1139.77	1124.50
Asset Maintenance Ratio	>100%	96.77%	96.57%	96.92%	97.08%	97.39%	97.33%	96.92%	96.88%	96.83%	96.77%
Asset Renewals Ratio	>100%	91.97%	93.49%	95.02%	94.92%	96.46%	96.87%	97.07%	97.73%	98.46%	99.17%
Infrastructure Backlog Ratio	<2%	0.73%	0.73%	0.73%	0.73%	0.74%	0.74%	0.74%	0.74%	0.75%	0.75%

9. Commentary on Results – Normal Continuance of Service & Asset Management Requirements

Income Statement 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 in eight out of ten years and there is an average deficit of ($3.582) million per year. Concurrently, a negative Operating Performance Ratio is also forecast in eight years of the Plan, which is below the benchmark set by the Office of Local Government of 0% and below the benchmark set by Council of 2% that is required to protect the annual budget against unexpected budget shocks that typically occur throughout the year.

An average deficit of ($3.582) million per year for the Income Statement result clearly demonstrates that the normal continuance of services based on current projections can not be afforded and is financially unsustainable. These Income Statement results are in line with the previous version of the LTFP that was adopted by Council in July 2022 which concluded that action is required to improve future financial direction (noting a Special Rate Variation) to meet the benchmarks detailed at the start of the Plan (page 12).

The Balance Sheet results over the 10-year period maintain equity, liabilities and non-current assets within acceptable levels. However, the cumulative impact of forecast recurrent budget deficits results in the use of unrestricted cash as forecast in the Cash Flow Statement. Unrestricted cash is essential for Council to operate on a 'business as usual' basis and the Plan forecasts a reduction in unrestricted cash from $19.890 million at 30 June 2022 to $4.019 million by 30 June 2033 due to the need to fund accumulated deficits each year. It is likely that unrestricted cash would be utilised in full before 30 June 2033 after accounting for additional expenditure from budget shocks that can typically occur throughout the year due to natural disasters, capital project cost escalations and unexpected infrastructure asset failures (page 12). A negative unrestricted cash balance would have significant ramifications for Council, as it would limit the ability for creditors to be paid as and when they fall due that would therefore directly impact Council operations and the provision of recurrent services if unaddressed.

Income Statement Commentary

Council's Audited Income Statement result has gradually declined over recent years to a deficit in 2021/22. As forecast in the Income Statement, deficits are expected to continue during the period of this Plan:

- 2021/22 ($6.058M) Deficit (based on pre-audit Financial Statements as at September 2022)
- 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

Between 2016/17 and 2021/22 Council's Income Statement result has gradually declined because of internal and external factors, notably the ongoing impact of the boundary adjustment, a $1 million increase in the Emergency Services Levy payable to the NSW Government and rising expenditure costs greater than income generated from rates over time. Income Statement results are expected to decline further into deficit over the next ten years:

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Net Operating Result before Capital	$3,168,487	$1,682,197	-$970,920	-$2,214,803	-$4,270,242	-$5,980,919	-$4,909,421	-$6,134,925	-$7,354,438	-$8,832,220

Results are expected to decline further because of a number of factors:

- Forecast increases in the Wages Price Index as high as 3.8% in some years of the Plan (refer page 19) that further reduces financial capacity each year as income from rates is forecast to increase by a smaller percentage each year as discussed on page 23.
- Increases to Council's forecast depreciation expense each year. Depreciation is expected to rise in line with an increase in Council's asset base over the life of the Plan, due to the creation of new assets funded by Council's significant annual capital works program. In some years of the Plan the capital expenditure budget is greater than the total amount of income that Council expects to receive from rates in the same year, noting that much of the capital works budget is funded from external sources such as development contributions and the NSW Government's Stronger Communities Fund. Cyclical infrastructure asset revaluations required under accounting standards also increase depreciation over time as the accounting gross replacement cost of all assets for depreciation purposes is aligned with current prices regardless of the year assets were constructed.
- Statutory increases in the employee superannuation rate from 10% to 12% by 2026, which has increased expenditure by $1.2 million per year since 2022.
- Providing additional average funding of $4.1 million per year to maintain Council's assets as discussed in the Asset Management Planning section of this report (page 28).
- A recurrent budget of $1.4 million in 2026 and 2027 and $3.1 million from 2028 for the operation of Council's largest project, Hornsby Park (page 28).

Local Government Performance Indicators Commentary

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

Indicator	Benchmark	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Operating Performance Ratio	>2% (>0% OLG)	1.99%	1.00%	-0.67%	-1.41%	-2.59%	-3.52%	-2.84%	-3.45%	-4.02%	-4.69%
Own Source Operating Revenue Ratio	>60%	86.17%	86.23%	86.20%	67.50%	86.33%	86.39%	86.45%	86.51%	86.55%	86.64%
Unrestricted Current Ratio	>1.5	6.75	5.43	5.39	5.26	5.22	4.73	4.39	4.35	4.29	4.19
Debt Service Cover Ratio	>2	36.96	36.93	35.40	36.35	63.91	1032.68	571.42	569.71	1139.77	1124.50
Asset Maintenance Ratio	>100%	96.77%	96.57%	96.92%	97.08%	97.39%	97.33%	96.92%	96.88%	96.83%	96.77%
Asset Renewals Ratio	>100%	91.97%	93.49%	95.02%	94.92%	96.46%	96.87%	97.07%	97.73%	98.46%	99.17%
Infrastructure Backlog Ratio	<2%	0.73%	0.73%	0.73%	0.73%	0.74%	0.74%	0.74%	0.74%	0.75%	0.75%

The Operating Performance Ratio is 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 for the reasons outlined above. All other ratios that are based on the primary financial statements are above acceptable benchmarks over the life of the Plan including the Own Source Operating Revenue Ratio, the Unrestricted Current Ratio and the Debt Service Cover Ratio. However, the Unrestricted Current ratio is forecast to decline, which is reflective of the forecast restriction in unrestricted cash to fund the budget deficits forecast over the life of the Plan as discussed above.

Infrastructure asset ratios are regarded as acceptable over the life of the plan despite the Asset Maintenance Ratio and Asset Renewals Ratio falling slightly below the benchmark of 100%:

- Asset Maintenance Ratio – The ratio averages 97% over the life of the Plan, as the Plan includes the funding requirements to meet the desired level of service set by the community for 95% of Council's depreciable asset base as identified in revised Asset Management Plans for Roads, Stormwater Drainage, Buildings and Open Space assets. The ratio is slightly below the benchmark as revised Asset Management Plans for the remaining 5% of Council's depreciable asset base comprising Foreshores and some Other Structures are currently being revised. In this regard, it is noted that an Operating Performance Ratio/budget surplus of at least 2% per year would allow the requirements of these Plans to be fully funded once available.
- Asset Renewals Ratio – The ratio averages 96% over the life of the Plan and is slightly below the benchmark of 100% for the same reason as noted in the commentary for the Asset Maintenance Ratio,
- Infrastructure Backlog Ratio – The ratio averages 0.74% over the life of the Plan and is better than the maximum benchmark of 2% set by the Office of Local Government in all years forecast as the Plan includes funding to maintain condition the condition of Council's assets.

In conclusion, the results in this version of the Plan indicate that Council's forecast operating capacity is unsatisfactory. Further action including the proposal of a Special Rate Variation is recommended to improve future financial capacity as discussed further on page 40 of this report.


01 01
0101
01 01
0101
01 01
0101
01 01
0101
80
70
60
50
40
30
20
10

10. Special Rate Variation (SRV)

The previous version of the LTFP that was adopted by Council in July 2022 concluded that forecast financial capacity was below acceptable levels as are the forecasts in this Plan and action is required to ensure that recurrent services, including allocating appropriate budgets for asset maintenance and renewal could be provided in a sustainable manner into the future. Accordingly, it included a range of recommendations of which the first was to consider a special rate variation to rebalance Council's finances within acceptable levels over the long term. A special rate variation was recommended in the first instance because of the quantum of funds required to provide balanced budgets.

As demonstrated by the base case model in this version of the LTFP, Council's long term financial projects remain unsustainable after allocating the required level of funding to provide for the normal continuance of services, to provide for the requirements identified in Council's Asset Management Strategy and to provide a recurrent budget for Hornsby Park once construction is complete. It should be noted that a range of community surveys has conveyed important considerations which have not been factored into the normal continuance of service – base case results presented earlier. It would be appropriate that any Special Rate Variation includes these considerations identified by the community.

As was concluded in the previous version of the LTFP, an SRV is necessary because of the quantum of funds required to fund all of the items identified which are of significant magnitude compared to Council's other revenue streams. Income from rates typically makes up more than 80% of Council's own source of revenue each year and therefore is the only revenue stream with the capacity to be increased to provide the level of funding required.

To ascertain the extent of the special rate variation required, modelling has been undertaken with consideration of each of the matters identified above, as well as the need to maintain an Operating Performance Ratio of at least 2% each year, which is necessary to protect against unexpected budget shocks (refer page 12 for details).

The modelling undertaken shows that to meet each of these requirements identified above plus a range of strategic initiatives desired by the community which are outlined in this Plan would require a total rate increase of 28% (31.05% cumulative increase) over 4 years inclusive of the estimated annual rate peg of 12.9% that is anticipated to be levied regardless of any approved Special Rate Variation.

	2024	2025	2026	2027	TOTAL	Cumulative Impact
Total Rate Increase Required	8.5%	7.5%	6.5%	5.5%	28%	31.05%
Estimated rate peg included in total increase	3.9%	3.5%	3.0%	2.5%	12.9%	
Total increase less rate peg (Special Increase)	4.6%	4.0%	3.5%	3.0%	15.1%	

Accordingly, the financial forecasts have been recalculated allowing for a 28% total rate increase (31.05% cumulative) and presented on page 44. This revised financial version includes each of the items discussed previously:

- The normal continuance of services into the future (page 13)
- The asset management funding gap of $4.1 million per year (page 28)
- Recurrent funding for Hornsby Park of up to $3.1 million per year (page 28)
- Strategic initiatives totalling $67.26 million over ten years (page 43)
- Sufficient capacity to achieve at least a 2% Operating Performance Ratio each year (page 12)
- A total rate increase of 28% (31.05% cumulative) over the first four years of the Plan (page 40)

Workshops have been held with Councillors to discuss the need for an SRV to ensure Council's finances are rebalanced within acceptable levels into the future. Following these workshops Councillors have indicated support to prepare a proposal for an SRV to ensure Council is financially sustainable and to engage with the community about the need for this approach. Council has also sought to understand the opportunities to deliver on community priorities that cannot be delivered within existing resources.

11. Strategic Initiatives

Adopted Documents

In addition to maintaining financial stability and ensuring ongoing funding for the maintenance of current assets and services, a Special Rate Variation will allow us to deliver what the community have said is important to them in order to maintain their quality of life, including:

- Building a resilient community that is well prepared for future shocks including climate change and bush fires, and is socially connected
- Planning for the future, including a masterplan to revive Pennant Hills Town Centre
- Upgrading your community infrastructure, including public toilets, community centres, sportsgrounds and stormwater systems
- Delivering a connected network of footpaths, cycleways and trails with improved accessibility
- Managing our assets to better protect our bushland and improve open spaces
- Improving our technology to provide better customer service, including enhanced cyber security

Over recent years Council has undertaken a series of technical and evidence-based strategies to formulate initiatives required to deliver services to the community for each of Council's unique disciplines. Thirty-six different strategies and technical documents have been adopted by Council. A range of community surveys have also been undertaken supporting these strategies as desired by our residents. These strategic initiatives require $67.26 million over ten years to deliver; $18.4 million of this is operating expenditure and $48.9 million is capital expenditure. A summary of the program of initiatives and their associated costs is provided below:

- Sustainable and resilient community initiatives $6,035,096
- Planning for our future initiatives $1,000,000
- Upgrading community infrastructure $30,807,000
- Connected cycling and walking paths $17,982,370
- Protecting bushland and improving open space $10,283,419
- Improving our technology $1,150,000

Due to deficits being forecast in eight out of ten years in the base LTFP included in this report (page 31), there is insufficient financial capacity to fund the unfunded initiatives identified unless additional income is generated, such as through a Special Rate Variation.

12. Results –Normal Continuance of Service, Asset Management Requirements, Hornsby Park, Strategic Initiatives & Special Rate Variation

This version of the LTFP includes each of the items detailed on the previous page, including a total rate increase of 28% (31.05% cumulative) over the first four years of the Plan.

Income Statement

10 Year Financial Plan for the Years ending 30 June 2033												
INCOME STATEMENT - GENERAL FUN	Actuals	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	2032/33
	$	$	$	$	$	$	$	$	$	$	$	$
Income from Continuing Operations												
Revenue:												
Rates & Annual Charges	103,081,000	109,152,098	116,736,123	123,878,397	130,595,508	136,628,442	140,006,172	143,467,434	147,014,294	150,648,869	154,415,091	158,972,185
User Charges & Fees	11,611,000	14,233,154	14,731,617	15,158,826	15,583,267	15,957,267	16,340,244	16,732,412	17,133,992	17,545,211	17,983,841	18,433,437
Other Revenues	4,045,000	6,784,074	7,021,517	7,225,141	7,427,445	7,605,703	7,788,240	7,975,158	8,166,562	8,362,559	8,571,623	8,785,914
Grants & Contributions provided for Operating	14,814,000	12,770,694	13,217,668	13,600,981	13,981,808	14,317,371	14,660,988	15,012,852	15,373,161	15,742,116	16,135,669	16,539,061
Grants & Contributions provided for Capital Pu	29,601,000	8,350,000	9,327,953	9,450,564	9,572,379	58,289,717	9,789,630	9,902,181	10,017,433	10,135,452	10,261,338	10,390,371
Interest & Investment Revenue	3,064,000	4,929,651	5,491,284	4,882,424	3,678,321	3,769,582	3,830,572	3,836,224	3,867,236	3,895,739	3,850,908	3,804,681
Other Income:												
Fair value increment on investment properties	-	100,000	103,500	106,502	109,484	112,111	114,802	117,557	120,378	123,268	126,349	129,508
Other Income	2,209,000	-	-	-	-	-	-	-	-	-	-	-
Total Income from Continuing Operations	**168,425,000**	**156,319,672**	**166,629,662**	**174,302,834**	**180,948,212**	**236,680,195**	**192,530,648**	**197,043,819**	**201,693,056**	**206,453,213**	**211,344,820**	**217,055,156**
Expenses from Continuing Operations												
Employee Benefits & On-Costs	48,302,000	52,421,816	54,842,236	57,032,826	59,081,174	60,865,572	62,874,136	64,948,983	67,092,299	69,306,345	71,524,148	73,812,921
Borrowing Costs	84,000	223,161	192,158	159,071	121,216	77,525	28,162	10,000	10,000	10,000	10,000	10,000
Materials & Contracts	70,118,000	66,681,605	71,076,801	73,676,703	76,650,992	79,136,429	82,042,581	84,906,782	84,687,417	86,518,605	88,630,394	91,696,581
Depreciation & Amortisation	20,461,000	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	31,441,781
Other Expenses	3,331,000	3,874,130	4,009,724	4,126,006	4,241,534	4,343,331	4,447,571	4,554,313	4,663,616	4,775,543	4,894,932	5,017,305
Total Expenses from Continuing Operation	**144,882,000**	**144,415,987**	**152,291,785**	**158,073,207**	**164,119,105**	**169,432,065**	**175,339,396**	**181,162,143**	**184,330,102**	**189,647,148**	**195,325,632**	**201,978,588**
Operating Result from Continuing Opera	**23,543,000**	**11,903,684**	**14,337,876**	**16,229,627**	**16,829,107**	**67,248,130**	**17,191,252**	**15,881,676**	**17,362,955**	**16,806,065**	**16,019,188**	**15,076,569**
Net Operating Result for the Year	**23,543,000**	**11,903,684**	**14,337,876**	**16,229,627**	**16,829,107**	**67,248,130**	**17,191,252**	**15,881,676**	**17,362,955**	**16,806,065**	**16,019,188**	**15,076,569**
Net Operating Result before Grants and Contributions provided for Capital Purposes	**(6,058,000)**	**3,553,684**	**5,009,923**	**6,779,063**	**7,256,728**	**8,958,413**	**7,401,622**	**5,979,495**	**7,345,522**	**6,670,614**	**5,757,850**	**4,686,197**

Balance Sheet

Hornsby Shire Council
10 Year Financial Plan for the Years ending 30 June 2033
BALANCE SHEET - GENERAL FUND

	Actuals	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	2032/33
	$	$	$	$	$	$	$	$	$	$	$	$
ASSETS												
Current Assets												
Cash & Cash Equivalents	47,763,000	9,209,420	6,252,378	4,814,050	5,578,450	8,679,071	7,945,220	5,059,684	4,939,083	9,147,045	7,996,579	7,362,155
Investments	81,171,000	102,783,874	96,663,906	74,426,868	77,247,358	79,261,993	80,470,774	78,466,207	76,363,949	78,781,511	83,213,709	87,242,980
Receivables	9,867,000	9,077,308	9,381,646	9,421,978	9,756,043	12,599,610	10,269,342	10,463,530	10,663,042	10,940,918	11,229,929	11,536,699
Inventories	182,000	196,145	209,031	216,666	225,394	232,689	241,214	249,618	249,017	254,405	260,616	269,615
Contract assets and contract cost assets	68,000	69,680	71,722	73,815	75,960	78,159	80,413	82,724	85,092	87,519	90,007	92,557
Other	388,000	261,493	278,233	288,285	299,712	309,282	320,411	331,396	331,041	338,245	346,513	358,306
Total Current Assets	139,439,000	121,597,921	112,856,916	89,241,662	93,182,916	101,160,804	99,327,375	94,653,159	92,631,224	99,549,644	103,137,352	106,862,312
Non-Current Assets												
Investments	173,922,000	152,309,126	143,240,319	110,288,615	114,468,126	117,453,491	119,244,709	116,274,265	113,159,057	116,741,494	123,309,296	129,280,026
Receivables	1,332,000	1,616,032	1,685,782	1,747,834	1,808,156	1,861,709	1,906,735	1,952,851	2,000,083	2,048,457	2,099,669	2,154,602
Infrastructure, Property, Plant & Equipment	1,708,393,000	1,752,594,879	1,783,422,509	1,856,771,453	1,866,087,884	1,924,576,966	1,940,970,795	1,965,369,323	1,988,434,332	1,995,597,218	2,002,446,533	2,008,900,633
Investment Property	29,710,000	29,810,000	29,913,500	30,020,002	30,129,485	30,241,596	30,356,398	30,473,955	30,594,333	30,717,601	30,843,950	30,973,458
Intangible Assets	1,081,000	961,000	950,996	939,114	925,116	908,381	888,743	866,028	840,054	810,630	777,691	741,035
Right of use assets	331,000	2,530,447	2,113,981	1,696,938	1,339,294	921,024	590,458	602,976	523,537	443,361	421,167	401,187
Total Non-Current Assets	1,914,769,000	1,939,821,483	1,961,327,086	2,001,463,956	2,014,758,061	2,075,963,167	2,093,957,839	2,115,539,399	2,135,551,397	2,146,358,761	2,159,898,306	2,172,450,940
TOTAL ASSETS	**2,054,208,000**	**2,061,419,404**	**2,074,184,002**	**2,090,705,618**	**2,107,940,977**	**2,177,123,971**	**2,193,285,214**	**2,210,192,558**	**2,228,182,620**	**2,245,908,405**	**2,263,035,659**	**2,279,313,252**
LIABILITIES												
Current Liabilities												
Bank Overdraft	-	-	-	-	-	-	-	-	-	-	-	-
Payables	13,472,000	11,940,608	12,624,744	13,082,409	13,574,041	13,997,220	14,461,807	14,925,306	15,032,676	15,383,532	15,769,254	16,275,407
Contract liabilities	2,440,000	1,933,791	2,023,654	2,077,556	2,131,108	3,750,618	2,226,616	2,276,095	2,326,762	2,378,646	2,433,988	2,490,713
Lease liabilities	358,000	495,784	512,755	520,351	548,564	309,662	10,000	30,000	30,000	10,000	10,000	10,000
Borrowings	257,000	-	-	-	-	-	-	-	-	-	-	-
Employee benefit provisions	14,802,000	14,016,528	14,215,414	14,444,720	14,705,389	14,998,392	15,324,732	15,685,444	16,083,877	16,521,278	16,998,932	17,518,168
Other provisions	4,985,000	2,022,425	229,790	229,790	229,790	229,790	229,790	229,790	229,790	229,790	229,790	229,790
Total Current Liabilities	36,314,000	30,409,136	29,606,358	30,354,826	31,188,893	33,285,682	32,252,945	33,146,635	33,703,106	34,523,246	35,441,965	36,524,079
Non-Current Liabilities												
Contract liabilities	200,000	438,395	454,745	467,716	480,602	563,298	503,585	515,491	527,683	540,168	553,485	567,135
Lease liabilities	-	1,901,332	1,388,577	868,226	369,662	60,000	50,000	90,000	60,000	50,000	120,000	110,000
Employee benefit provisions	2,111,000	3,111,403	3,155,552	3,206,453	3,264,317	3,329,358	3,401,799	3,481,870	3,570,315	3,667,409	3,773,440	3,888,700
Other provisions	3,308,000	1,380,454	1,062,210	1,062,210	1,062,210	1,062,210	1,062,210	1,062,210	1,062,210	1,062,210	1,062,210	1,062,210
Total Non-Current Liabilities	5,619,000	6,831,584	6,061,084	5,604,605	5,176,790	5,014,865	5,017,593	5,149,571	5,220,207	5,319,787	5,509,134	5,628,045
TOTAL LIABILITIES	**41,933,000**	**37,240,720**	**35,667,441**	**35,959,431**	**36,365,683**	**38,300,547**	**37,270,538**	**38,296,206**	**38,923,314**	**39,843,033**	**40,951,099**	**42,152,124**
Net Assets	**2,012,275,000**	**2,024,178,684**	**2,038,516,561**	**2,054,746,187**	**2,071,575,294**	**2,138,823,424**	**2,156,014,676**	**2,171,896,352**	**2,189,259,307**	**2,206,065,372**	**2,222,084,560**	**2,237,161,129**
EQUITY												
Retained Earnings	1,306,412,000	1,318,073,018	1,332,168,227	1,348,155,187	1,364,984,294	1,432,232,424	1,449,423,676	1,465,305,352	1,482,668,307	1,499,474,372	1,515,493,560	1,530,570,129
Revaluation Reserves	706,591,000	706,591,000	706,591,000	706,591,000	706,591,000	706,591,000	706,591,000	706,591,000	706,591,000	706,591,000	706,591,000	706,591,000
Other Reserves	(728,000)	(485,333)	(242,667)	-	-	-	-	-	-	-	-	-
Total Equity	**2,012,275,000**	**2,024,178,684**	**2,038,516,561**	**2,054,746,187**	**2,071,575,294**	**2,138,823,424**	**2,156,014,676**	**2,171,896,352**	**2,189,259,307**	**2,206,065,372**	**2,222,084,560**	**2,237,161,129**

Cash Flow Statement

Hornsby Shire Council 10 Year Financial Plan for the Years ending 30 June 2033 CASH FLOW STATEMENT - GENERAL FUND	Actuals	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	2032/33
	$	$	$	$	$	$	$	$	$	$	$	$
Cash Flows from Operating Activities												
Receipts:												
Rates & Annual Charges	103,203,000	109,150,833	116,624,934	123,773,685	130,497,029	136,539,994	139,956,652	143,416,689	146,962,294	150,595,583	154,359,875	158,905,374
User Charges & Fees	12,686,000	14,047,625	14,781,486	15,201,250	15,625,350	15,994,040	16,377,897	16,770,966	17,173,469	17,585,633	18,027,059	18,477,736
Investment & Interest Revenue Received	2,127,000	4,470,419	5,558,188	5,134,736	3,628,146	3,708,795	3,837,873	3,854,662	3,885,499	3,840,910	3,797,813	3,752,331
Grants & Contributions	43,726,000	21,737,748	22,559,051	23,056,312	23,558,925	73,069,391	23,996,764	24,919,410	25,395,076	25,882,158	26,401,903	26,934,450
Other	14,571,000	7,174,633	6,785,213	7,042,307	7,245,796	6,100,613	8,969,372	7,807,324	7,994,700	8,186,573	8,383,904	8,593,502
Payments:												
Employee Benefits & On-Costs	(48,871,000)	(52,489,904)	(54,540,528)	(56,701,177)	(58,715,484)	(60,460,637)	(62,421,889)	(64,452,971)	(66,548,369)	(68,712,915)	(70,881,429)	(73,117,501)
Materials & Contracts	(73,679,000)	(66,930,231)	(70,652,475)	(73,421,814)	(76,361,284)	(78,893,771)	(81,760,441)	(84,628,283)	(84,696,092)	(86,335,845)	(88,420,673)	(91,397,569)
Borrowing Costs	(82,000)	(228,161)	(192,158)	(159,071)	(121,216)	(77,525)	(28,162)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)
Bonds & Deposits Refunded	(13,000)	-	-	-	-	-	-	-	-	-	-	-
Other	(1,795,000)	(9,772,056)	(6,001,718)	(4,041,920)	(4,153,534)	(4,268,430)	(4,361,682)	(4,467,949)	(4,628,278)	(4,704,195)	(4,818,578)	(4,923,502)
Net Cash provided (or used in) Operating Activities	51,873,000	27,160,905	34,921,992	39,884,307	41,203,728	91,712,469	44,566,383	43,209,849	45,528,298	46,327,902	46,839,874	47,214,821
Cash Flows from Investing Activities												
Receipts:												
Sale of Investment Securities	120,185,000	-	15,188,775	55,188,741	-	-	-	4,975,011	5,217,467	-	-	-
Sale of Infrastructure, Property, Plant & Equipment	1,157,000	1,000,000	1,035,000	1,065,015	1,094,835	1,121,111	1,148,018	1,175,571	1,203,784	1,232,675	1,263,492	1,295,079
Payments:												
Purchase of Investment Securities	(125,899,000)	-	-	-	(7,000,000)	(5,000,000)	(3,000,000)	-	-	(6,000,000)	(11,000,000)	(10,000,000)
Purchase of Investment Property	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of Infrastructure, Property, Plant & Equipment	(44,648,000)	(65,965,434)	(53,492,025)	(96,945,301)	(33,882,165)	(84,059,828)	(43,011,032)	(52,105,348)	(51,906,396)	(37,185,651)	(38,103,444)	(38,990,426)
Purchase of Intangible Assets	-	-	(115,000)	(118,335)	(121,648)	(124,568)	(127,558)	(130,619)	(133,754)	(136,964)	(140,388)	(143,898)
Net Cash provided (or used in) Investing Activities	(49,205,000)	(64,965,434)	(37,383,250)	(40,809,880)	(39,908,978)	(88,063,285)	(44,990,571)	(46,085,385)	(45,618,899)	(42,089,940)	(47,980,340)	(47,839,245)
Cash Flows from Financing Activities												
Payments:												
Repayment of Borrowings & Advances	(242,000)	(257,000)	-	-	-	-	-	-	-	-	-	-
Repayment of lease liabilities (principal repayments)	(438,000)	(492,051)	(495,784)	(512,755)	(530,351)	(548,564)	(309,662)	(10,000)	(30,000)	(30,000)	(10,000)	(10,000)
Net Cash Flow provided (used in) Financing Activities	(680,000)	(749,051)	(495,784)	(512,755)	(530,351)	(548,564)	(309,662)	(10,000)	(30,000)	(30,000)	(10,000)	(10,000)
Net Increase/(Decrease) in Cash & Cash Equivalents	1,988,000	(38,553,580)	(2,957,042)	(1,438,328)	764,400	3,100,621	(733,851)	(2,885,536)	(120,601)	4,207,962	(1,150,466)	(634,424)
plus: Cash & Cash Equivalents - beginning of year	45,775,000	47,763,000	9,209,420	6,252,378	4,814,050	5,578,450	8,679,071	7,945,220	5,059,684	4,939,083	9,147,045	7,996,579
Cash & Cash Equivalents - end of the year	**47,763,000**	**9,209,420**	**6,252,378**	**4,814,050**	**5,578,450**	**8,679,071**	**7,945,220**	**5,059,684**	**4,939,083**	**9,147,045**	**7,996,579**	**7,362,155**
Cash & Cash Equivalents - end of the year	47,763,000	9,209,420	6,252,378	4,814,050	5,578,450	8,679,071	7,945,220	5,059,684	4,939,083	9,147,045	7,996,579	7,362,155
Investments - end of the year	255,093,000	255,093,000	239,904,225	184,715,483	191,715,483	196,715,483	199,715,483	194,740,472	189,523,005	195,523,005	206,523,005	216,523,005
Cash, Cash Equivalents & Investments - end of the year	**302,856,000**	**264,302,420**	**246,156,602**	**189,529,534**	**197,293,933**	**205,394,554**	**207,660,703**	**199,800,156**	**194,462,088**	**204,670,050**	**214,519,584**	**223,885,161**
Representing:												
- External Restrictions	200,551,000	163,154,928	150,173,912	92,350,791	95,486,645	97,312,071	95,817,289	82,821,576	70,656,628	73,840,385	77,066,110	80,109,817
- Internal Restricitons	82,415,000	84,040,090	81,105,540	78,662,722	79,761,690	80,853,420	81,937,740	83,014,470	84,083,428	85,144,429	86,196,942	87,240,753
- Unrestricted	19,890,000	17,107,402	14,877,151	18,516,021	22,045,598	27,229,063	29,905,675	33,964,110	39,722,032	45,685,236	51,256,532	56,534,590
	302,856,000	**264,302,420**	**246,156,602**	**189,529,534**	**197,293,933**	**205,394,554**	**207,660,703**	**199,800,156**	**194,462,088**	**204,670,050**	**214,519,584**	**223,885,161**

Local Government Performance Indicators

Indicator	Benchmark	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Operating Performance Ratio	>2% (>0% OLG)	3.12%	4.05%	4.17%	4.96%	3.99%	3.13%	3.77%	3.34%	2.80%	2.21%
Own Source Operating Revenue Ratio	>60%	86.46%	86.77%	86.98%	69.31%	87.29%	87.35%	87.40%	87.46%	87.50%	87.59%
Unrestricted Current Ratio	>1.5	6.50	5.30	5.36	5.47	5.58	5.16	4.98	5.24	5.29	5.32
Debt Service Cover Ratio	>2	39.64	44.52	48.03	54.20	98.46	1630.70	877.80	889.85	1795.38	1800.42
Asset Maintenance Ratio	>100%	96.77%	96.57%	96.92%	97.08%	97.39%	97.33%	96.92%	96.88%	96.83%	96.77%
Asset Renewals Ratio	>100%	101.25%		103.99%	103.74%		105.39%	105.45%	105.95%	106.54%	107.11%
Infrastructure Backlog Ratio	<2%	0.57%	0.54%	0.54%	0.54%	0.55%	0.55%	0.55%	0.55%	0.55%	0.55%

13. Commentary on Results - Normal Continuance of Service, Asset Management Requirements, Strategic Initiatives & Special Rate Variation

This version of the LTFP includes a total increase in rating income of 28% (31.05% cumulative) over the first four years of the plan, inclusive of the estimated annual rate peg each year. After accounting for the additional forecast income generated from rates the income Statement result over the 10-year period predicts a surplus in all years forecast and there is an average surplus of $6.584 million per year. A significant portion of this Income Statement surplus will go towards funding capital works. Concurrently, the Operating Performance Ratio forecast averages 3.55% over the life of the Plan which is above the benchmark set by the Office of Local Government of 0% and above the benchmark set by Council of 2% that is required to protect the annual budget against unexpected budget shocks that typically occur throughout the year.

The Balance Sheet results over the 10-year period maintain equity, liabilities and non-current assets within acceptable levels and each of the ratios that are based on the primary financial statements are above acceptable benchmarks over the life of the Plan including the Operating Performance Ratio, the Own Source Operating Revenue Ratio, the Unrestricted Current Ratio and the Debt Service Cover Ratio.

Infrastructure asset ratios are regarded as acceptable over the life of the Plan despite the Asset Maintenance Ratio falling slightly below the benchmark of 100%, which is because Asset Management Plans for 5% of Council's depreciable asset base comprising Foreshores and some Other Structures are currently being revised and accurate forecast requirements are not yet known. However, there is sufficient financial capacity within this version of the LTFP to fund the requirements of the revised Asset Management Plans when available, as evidenced from the average Operating Performance Ratio of 3.55%. The asset renewals ratio is above the benchmark of 100% in this version of the Plan as a number of the strategic initiatives identified on page 41 are for the renewal of assets.

The results from this version of the LTFP provide evidence that the Special Rate Variation of 28% (31.05% cumulative) over four years noted on page 40 is sufficient to rebalance Council's project finances over the life of the Plan within acceptable levels.

Most importantly these financial results address the key financial objectives identified at the beginning of this Plan, meet the desired levels of community service, provide for the ongoing maintenance and renewal of a completed Hornsby Park and provide sufficient operating capacity to respond to financial challenges when they arise.


SPECIALS

14. Financial Risks

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

- Major Projects – Council's capital works program is as high as $92 million per year, which is more than the income forecast to be generated from rates. While the majority of these projects are funded from external sources such as grants and development contributions, there is an unavoidable level of financial risk from capital budgets of this size given the nature of complex infrastructure projects and large construction costs relative to the size of Council's overall budget. Should costs escalate above the level of external funds available, Council general funds would be required to complete works, which could place significant pressure on the Annual Budget in any given year. Recent examples of capital cost escalations include sizeable additional allocations provided to the Wisemans Ferry Boat Ramp project and Galston Aquatic Centre Remediation projects. In this regard it is noted that rising construction costs and supply shortages following economic recovery from the COVID-19 pandemic continue to place pressure on Council's construction budgets.
- Investment income returns – Investment returns over the life of the Plan have been calculated between 2.45% and 3.12% per year, which are reflective of current increases in the base rate set by the Reserve Bank of Australia. If the base rate is not maintained at this level less investment income will be generated than forecast which will reduce the Income Statement result. Conversely, should the base rate increase at a greater rate Council would benefit from having more investment income to allocate to expenditure over the life of the Plan.
- The Hornsby Shire Local Government Area has been impacted by multiple severe weather events that were declared Natural Disasters by the NSW 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 Government. Furthermore, flooding caused significant damage at Wisemans Ferry that added $3.57 million in flood related clean up to the cost of Council's project to construct a new boat ramp and associated infrastructure. Costs to rectify damaged roads from the February 2022 and July 2022 floods are also estimated at $2.5 million.
- 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. While 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. Unexpected remediation works at the old Administration Centre have adversely impacted Council's budget by $1.53 million.
- State Government Costs – There are some costs over which Council has no control such as levies charged by the NSW Government. Over recent years the Emergency Services Levy payable to the State has increased by more than $1 million and in the order of 40%, which is above the level of estimated increases in previous Plans that forecast the annual increase in the levy to track in line with CPI. There is a risk of future cost increases of this nature over which Council has no control.

15. Sensitivity Analysis – Employee Costs and CPI Forecast

This sensitivity analysis has included two matters that could adversely affect Council if the planning assumptions underpinning the LTFP are not realised.

1. **Employee Costs**

As a method of cost containment, a two-week productivity measure has been applied to budgets provided for salaries and wages, which are based on a 50-week instead of a 52-week year on the assumption that there will be vacancies from time to time across the organisation. The result is a funding gap of 4% between available budgets and the level of expenditure required to employ each of Council's approved positions for a full year.

The starting point for this Plan is Council's adopted 2022/23 Annual Budget, which was prepared on the basis of a 50-week year for salaries and wages. Therefore, all future years in the 10-year Plan also include the 2 week productivity measure. The Plan has also been prepared on the assumption that a long-standing freeze on Council's Full Time Establishment headcount will remain with the creation of no new positions forecast over the next 10 years. This is despite the Plan also including funding for annual budgets to close the Asset Management funding gap (page 28) and funding of $67.26 million in strategic initiatives (page 43) to meet the needs of the community. The delivery of each of these initiatives will require additional operating capacity and it is expected that a move towards full headcount will occur that could cause the forecasted budget for employee costs to be insufficient. To estimate the impact on Council's financial capacity from a 0% vacancy rate a sensitivity analysis has been undertaken based on providing salary and wage budgets for a 52-week year.

Additional Expenditure – 52-Week Year

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Additional expenditure (52-week year)	$1,995,574	$2,065,419	$2,129,447	$2,199,719	$2,272,310	$2,347,296	$2,424,757	$2,504,773	$2,584,926	$2,667,644

On average, additional annual expenditure of $2,319,186 is required inclusive of forecasted increases to the wage price index (refer page 19) over the life of the Plan.

1. CPI Forecast

CPI is the driver for the majority of Council's operating expenditure, including Materials and Contracts and Other Expenses within the Plan. CPI has also been used as a driver for User Charges and Fees and Other Revenue in the LTFP, although these income streams are small compared to the level of expenditure incurred through Materials and Contracts and Other Expenses each year.

CPI has been forecast to trend in line with the rate peg over much of the life of the Plan from 2027 onwards, which creates a risk for Council should costs rise to a greater extent than the rate peg each year, which would reduce operating capacity compared to the levels forecast. Therefore, the LTFP has been updated to assess the impact of 0.5% increase in CPI above the level assumed in the Plan from 2027:

	2027	2028	2029	2030	2031	2032	2033	2031	2032	2033
CPI used in LTFP	2.4%	2.4%	2.4%	2.4%	2.4%	2.5%	2.5%	2.4%	2.5%	2.5%
CPI + 0.5%	2.9%	2.9%	2.9%	2.9%	2.9%	3.0%	3.0%	2.4%	2.5%	2.5%

Results

Results including additional expenditure for salaries and wages and CPI above the level forecast are below.

Net Operating Surplus before Capital Items & Asset Sales

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Base LTFP (including Strategic Initiatives)	$5,009,923	$6,779,063	$7,256,728	$8,958,413	$7,401,622	$5,979,495	$7,345,522	$6,670,614	$5,757,850	$4,686,197
Base LTFP + Additional salaries & CPI	$3,014,349	$4,713,644	$5,127,281	$6,757,753	$5,127,380	$3,624,383	$4,906,754	$4,145,312	$3,145,522	$1,983,916

Operating Performance Ratio

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Base LTFP (including Strategic Initiatives)	3.12%	4.05%	4.17%	4.96%	3.99%	3.13%	3.77%	3.34%	2.80%	2.21%
Base LTFP + Additional salaries & CPI	1.85%	2.80%	2.93%	3.72%	2.73%	1.86%	2.48%	2.03%	1.48%	0.88%

In this scenario, the average Income Statement surplus would reduce from $6.585 million to $4.255 million with a corresponding decrease in the Operating Performance Ratio from an average of 3.55% to 2.28%, which is at the lower end of the acceptable range aimed for by Council of a minimum 2%, which is the historic level required to fund unexpected budget shocks that can occur throughout the year to ensure a balanced budget at the end of each financial year. In this regard, it is noted that 4 out of 10 years forecast indicate an Operating Performance Ratio of below 2%, which could lead to budget deficits in these years. The level of financial capacity in the last two years is below acceptable levels and the sensitivity indicates an emerging trend of declining financial capacity at the end of the Plan that would be likely to continue into 2034 and 2035 if unaddressed, with results falling below acceptable levels in these years.


34%
47%
2027
2022-2024
SET
GT
ON
C·CE
$900
$800
$700
$600

16. Action to Improve Future Direction

Current operating capacity is insufficient to fund each of the items desired by the community that are discussed throughout this report, notably:

- The normal continuance of services into the future (page 13)
- The asset management funding gap of $4.1 million per year (page 28)
- Recurrent funding for Hornsby Park of up to $3.1 million per year (page 28)
- Strategic initiatives totalling $67.26 million over ten years (page 43)
- Sufficient capacity to achieve at least a 2% Operating Performance Ratio each year (page 12).

The previous version of the LTFP that was adopted by Council in July 2022 included a recommendation for Council to consider a Special Rate Variation to rebalance forecast future financial capacity within acceptable levels. Modelling undertaken in this version of the LTFP has indicated that a special rate variation of 28% (31.05% cumulative) over four years inclusive of the rate peg is necessary to fund each of the items listed above. Therefore, actions to improve future direction are as follows:

- Apply to IPART for a total special rate variation of 28% (31.05% cumulative) over the first four years of the LTFP inclusive of the rate peg each year, as detailed on page 40.
- 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.
- Maintain cost increases to modest levels in regard to non-labour related expenses each year excluding the additional allowances that have been made in this Plan including annual allocations for asset management and strategic initiatives.
- No new loan borrowing to be undertaken unless financial capacity above a 2% budget surplus/ operating performance ratio is available each year in the Plan.
- No new positions to be created as appropriate unless offset by an equivalent position elsewhere, or grant funded or income generating positions.
- 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.

If the above actions are unaddressed, notably the recommendation for Council to apply to IPART for a 28% Special Rate Variation (31.05% cumulative), Council will be limited in a number of ways as a result of insufficient financial capacity:

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 forecast deficits or services may need to be reduced to ensure a balanced budget each year. Without action budget reductions will be required that will reduce levels of service such as through the closure of facilities or reduction in hours of operation.

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 is expected to decline, and the level of infrastructure backlog will increase unless funding is identified.

3. Major Capital Projects

There is insufficient capacity to fund the recurrent cost of operating major new capital projects once construction is complete. This includes Hornsby Park and Westleigh Park, noting that the capital constriction of these projects is funded from external sources such the NSW Stronger Communities Fund and Development Contributions. If funding is not provided future versions of this Plan are likely to recommend that projects are paused until a funding source can be identified.

4. Strategic Initiatives

Without an increase in Council's financial capacity no funding is available to fund key strategic initiatives as detailed on page 43.

NEED HELP?

This document contains important information. If you do not understand it, please call the Translating and Interpreting Service on 131 450. Ask them to phone 9847 6666 on your behalf to contact Hornsby Shire Council. Council's business hours are Monday to Friday, 8.30am-5pm.

Chinese Simplified

需要帮助吗?

本文件包含了重要的信息。如果您有不理解之处，请致电131 450联系翻译与传译服务中心。请他们代您致电9847 6666联系Hornsby郡议会。郡议会工作时间为周一至周五，早上8:30 - 下午5点。

Chinese Traditional

需要幫助嗎？

本文件包含了重要的信息。如果您有不理解之處，請致電131 450聯繫翻譯與傳譯服務中心。請他們代您致電9847 6666聯繫Hornsby郡議會。郡議會工作時間爲周一至周五，早上8:30 - 下午5點。

German

Brauchen Sie Hilfe?

Dieses Dokument enthält wichtige Informationen. Wenn Sie es nicht verstehen, rufen Sie bitte den Übersetzer- und Dolmetscherdienst unter 131 450 an. Bitten Sie ihn darum, für Sie den Hornsby Shire Council unter der Nummer 9847 6666 zu kontaktieren. Die Geschäftszeiten der Stadtverwaltung sind Montag bis Freitag, 8.30-17 Uhr.

Hindi

क्या आपको सहायता की आवश्यकता है?

इस दस्तावेज़ में महत्वपूर्ण जानकारी दी गई है। यदि आप इसे समझ न पाएँ, तो कृपया 131 450 पर अनुवाद और दुभाषिया सेवा को कॉल करें। उनसे हॉर्न्सबी शायर कांउसिल से संपर्क करने के लिए आपकी ओर से 9847 6666 पर फोन करने का निवेदन करें। कांउसिल के कार्यकाल का समय सोमवार से शुक्रवार, सुबह 8.30 बजे-शाम 5 बजे तक है।

Korean

도움이 필요하십니까?

본 문서에는 중요한 정보가 포함되어 있습니다. 이해가 되지 않는 내용이 있으시면, 통역번역서비스(Translating and Interpreting Service)로 전화하셔서(131 450번) 귀하를 대신하여 혼즈비 셔 카운슬에 전화(9847 6666번)를 걸어 달라고 요청하십시오. 카운슬의 업무시간은 월요일~금요일 오전 8시 30분~오후 5시입니다.

Tagalog

Kailangan ng tulong?

Itong dokumento ay naglalaman ng mahalagang impormasyon. Kung hindi ninyo naiintindihan, pakitawagan ang Serbisyo sa Pagsasalinwika at Pag-iinterprete (Translating and Interpreting Service) sa 131 450. Hilingin sa kanilang tawagan ang 9847 6666 para sa inyo upang kontakin ang Hornsby Shire Council. Ang oras ng opisina ng Council ay Lunes hanggang Biyernes, 8.30n.u.-5n.h.

Farsi

نیاز به کمک دارید؟

این سند حاوی اطلاعات مهم می باشد. چنانچه آن را درک نمی کنید، لطفاً با خدمات ترجمه کتبی و شفاهی به شماره 131 450 تماس بگیرید. از آنها بخواهید از جانب شما با شماره 9847 6666 با شورای شهر هورنزبی شایر تماس بگیرند. ساعات کاری شورای شهر دوشنبه تا جمعه، از 8:30 صبح تا 5 بعدازظهر است.

Hornsby Shire Council
ABN 20 706 996 972

Contact us
PO Box 37
Hornsby NSW 1630
Phone: **(02) 9847 6666**
Fax: **(02) 9847 6999**
Email: **hsc@hornsby.nsw.gov.au**
hornsby.nsw.gov.au

Visit us
Hornsby Shire Council Administration Centre
296 Peats Ferry Road, Hornsby NSW 2077

Office hours: Please check the website for the latest opening hours for the Customer Service Centre and Duty Officer.


hornsby.nsw.gov.au