LONG TERM FINANCIAL PLAN 2021-2031

Adopted June 2018. Revised April 2021.

Ku·ring·gai Council

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Simplified Chinese

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Traditional Chinese

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Korean

도움이 필요하십니까?

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Persian

آیا به کمک نیاز دارید؟

این مدرک حاوی اطلاعات مهمی است. اگر آنها را نمی فهمید، خواهش می کنیم به خدمات ترجمه نوشتاری و گفتاری (Translating and Interpreting Service) به شماره ۱۳۱ ۴۵۰ تلفن کنید و از آن سرویس بخواهید از جانب شما با شهرداری کورینگای (Ku-ring-gai Council) در ساعات کاری، دوشنبه تا جمعه از ساعت ۸:۳۰ صبح تا ساعت ۵:۰۰ بعد از ظهر با شماره تلفن ۰۲ ۹۴۲۴ ۰۰۰۰ تماس بگیرند.

Japanese

ご質問がありますか？

当文書には重要な情報が記載されています。もし何か不明な点があれば、月曜から金曜の午前8:30から午後5:00までの受付時間内に、まず131 450の通訳翻訳サービスにお電話いただき、通訳を介してKu-ring-gai Councilのサービス担当（電話:02 9424 0000）までお問合せください。

These languages were chosen as they are the most widely spoken by Ku-ring-gai residents indicated by ABS Census data 2011 and 2016.

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Contents

Introduction

A Long Term Financial Plan (LTFP) is one of the three key resourcing strategies required by the NSW Integrated Planning and Reporting legislation. Local government operations are vital to its community, and it is important that stakeholders can understand the financial implications arising from its Community Strategic Plan, Delivery Program and annual Operational Plan.

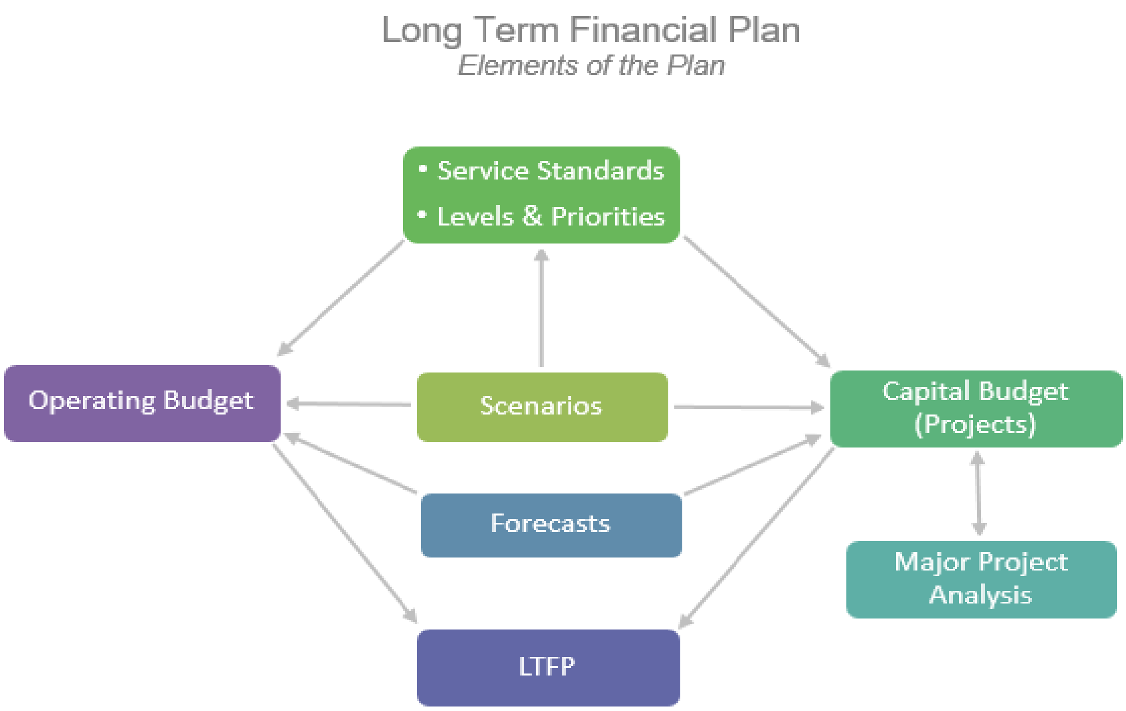
The Integrated Planning and Reporting Guidelines and Manual guide preparation of the LTFP for Local Government in NSW, as issued by the Office of Local Government.

The LTFP includes:

- Projected income and expenditure
- Balance sheet
- Cash flow statement
- Planning assumptions used to develop the plan
- Sensitivity analysis – highlight factors most likely to affect the plan
- Financial modelling for different scenarios
- Methods of monitoring financial performance.

The LTFP contains a core set of assumptions. These assumptions are based on Consumer Price Index (CPI) forecasts, interest rate expectations, employee award increases, loan repayment schedules, special price forecasts for certain Council specific items, planned asset sales and other special income and costs.

The diagram below illustrates the link between the main elements of the LTFP: service standards, levels and priorities, capital and operating budget, major project analysis, assumptions and scenarios.



Overview

Ku-ring-gai Council's revised Long Term Financial Plan covers the period 2021/22 to 2030/31. It recognises its current and future financial capacity, to continue delivering high quality services, facilities and infrastructure to the community while commencing new initiatives and projects to achieve the goals set down in its Community Strategic Plan.

Financial planning over a 10-year time horizon is challenging and relies on a variety of assumptions that will undoubtedly change during this period. The LTFP is therefore closely monitored, and regularly revised, to reflect these changing circumstances. The Long Term Plan is the core document used to guide all financial planning within Council and is the basis for annual budgets as part of the preparation of the Delivery Program and Operational Plan.

Ku-ring-gai Council is in a sound financial position. The LTFP provides for Operating Surpluses after allowing for the depreciation expense on Council's $1.553 billion portfolio of largely depreciable assets such as roads, footpaths, drains and buildings. If capital grants and contributions are excluded, the operating result remains in surplus throughout the 10 years of the LTFP. Council maintains healthy levels of working capital and reserves, and has a strategy in place to fund renewal of infrastructure assets and to manage its debt funding via identified sources of repayment from its investment property and proceeds from asset divestment.

Council has identified increasing funding for infrastructure renewal as a key priority. Two main scenarios are outlined in detail in the LTFP for consideration:

Scenario 1 - Base Case Scenario with additional funding for Infrastructure

Scenario 2 - Scenario with reduced funding for Infrastructure

The scenario that Council will adopt best addresses the infrastructure renewal requirements that have been identified. This is introduced as Scenario 1 and it includes increased funding for asset renewal on infrastructure assets.

Long Term Financial Plan Principles

Council's overall guiding principle is to maintain a healthy financial position, underpinned by a sound income base and commitment to control and delivery of services, facilities and infrastructure demanded by the community in an effective and efficient manner.

The LTFP puts this principle into action by formulating and applying specific objective tests of financial sustainability to the LTFP and its scenarios:

1. Maximise funds available for infrastructure renewal and refurbishment by:
    - Maximising the operating profit before capital items
    - Prioritising the use of cash reserves
    - Timing project expenditure over a longer period and linking to funds availability
    - Proceeds of asset sales returned to reserves for expenditure on asset renewals or major asset refurbishment.

2. Satisfy applied tests of financial sustainability:
    - Achieve an operating surplus (excluding capital grants, contributions and asset sales)
    - Target a minimum working capital of 5.5% of operating expenses (excluding depreciation).
        - Working capital is determined by taking net current assets less internally and externally restricted reserves and adding those current liabilities to be funded from the next year's budget. Essentially, working capital is a measure of Council's liquidity and ability to meet its obligations as they fall due. This will allow for unforeseen expenditure or reductions in revenue or other accounting adjustments.
    - Maintain a minimum Unrestricted Current Ratio of 2.0 (industry benchmark is 1.5 for 'satisfactory' and 2 for 'good')
    - Maintain a sustainable debt level and debt service ratio below the industry benchmark (industry green light benchmark less than 20%)
    - Maintain a minimum level of internal discretionary cash reserves (excluding liability cash reserves) of 10% of revenue
    - Only capital items to be funded from cash reserves
    - Maintain all infrastructure assets ratios at a sustainable level, meeting or outperforming benchmarks.

All of the above objective tests are considered together in the overall evaluation of the LTFP and its scenarios.

3. Borrowing Strategy

Loan borrowing is a legitimate and responsible financial management tool and the use of loans to fund capital projects can be an effective mechanism of linking the payment for the assets (via debt payments) to the successive rate-paying populations who receive benefits over the life of those assets. This matching concept is frequently referred to as 'intergenerational equity'.

Borrowings are considered as a source of funding in the following circumstances:

- Capital projects that deliver long-term benefits to the community
- Building or purchase of assets where sources of repayment are clearly identified and reflected into overall future cash flows over the life of the asset.

Long Term Financial Plan Funding Strategy

Roads to Sustainability and Infrastructure Assets review

In June 2018 Council adopted a “Roads to Sustainability” funding strategy for infrastructure assets renewals which is based on the principle that all available surplus funds will be diverted towards Council’s asset renewals as a priority. Additional funding is assumed to be generated from operational savings and income realised from Council’s horizontal service review, as well as proceeds from asset sales which will be reinvested into Council’s renewal program for infrastructure assets. The current funding strategy was reinforced by an independent review on Council’s future financial sustainability and the state of infrastructure assets.

The aim of the independent review was to ensure that there is a consistent organisational approach to infrastructure reporting. In addition to the independent review, Council reviews with regularity the state of its assets: useful lives and future depreciation on each asset class, condition of Council’s assets by asset class, Council’s methodology to determine cost to bring assets to a satisfactory condition and to agreed level of service, actual asset maintenance compared to required asset maintenance, current asset renewals and required asset renewals. All asset classes reported in Special Schedule 7 - “Report on Infrastructure Assets” are assessed as part of the regular review, as well as the overall cost to bring infrastructure assets to a satisfactory condition and the cost to agreed level of service agreed with the community.

Based on the condition assessment of Council’s infrastructure assets:

- the current backlog “cost to bring assets to a satisfactory condition” has been assessed at $24.7 million with a backlog ratio of 3.07% for 2019/20[1]
- the current revised “cost to bring to agreed level of service” has been assessed at $98 million for 2019/20[2].

The review also identified that Council has an annual shortfall of funding for asset renewals. If this shortfall is not addressed it is likely that the infrastructure backlog will continue to increase in future years. In addition, adequate funding also needs to be directed towards asset maintenance. In light of these observations, additional renewal and maintenance costs have already been incorporated in the current plan to meet the benchmarks.

Infrastructure Assets Renewal: Addressing the infrastructure backlog

As part of the infrastructure assets review Council considered a funding strategy that prioritises asset maintenance and renewal expenditure. Council also intends not only to address the future infrastructure assets backlog “cost to satisfactory” but also to provide funding to bring all assets to the “agreed level of service” identified by the community.

The asset renewals funding strategy ensures that Council has the capacity to provide additional funding to reduce the infrastructure gap, and continue to bring Council’s infrastructure assets to a satisfactory standard within an established timeframe. The benefits of bringing Council’s infrastructure assets to a satisfactory standard will help reduce the annual maintenance requirements as well as the cost of future infrastructure works.

[1] Ku-ring-gai Council Annual Financial Statements 2019-20
[2] Ku-ring-gai Council Annual Financial Statements 2019-20

The “Roads to Sustainability” funding strategy identifies additional funding from the following initiatives and sources:

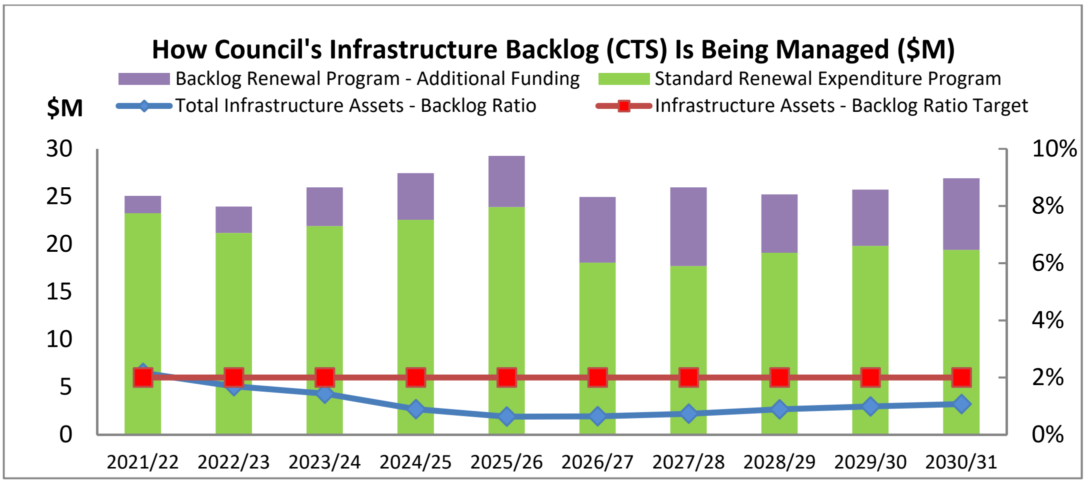
- Horizontal Service Review - a combination of additional operating revenue and decreases in operating expenditure
- Divestment of assets - proceeds from assets sales.

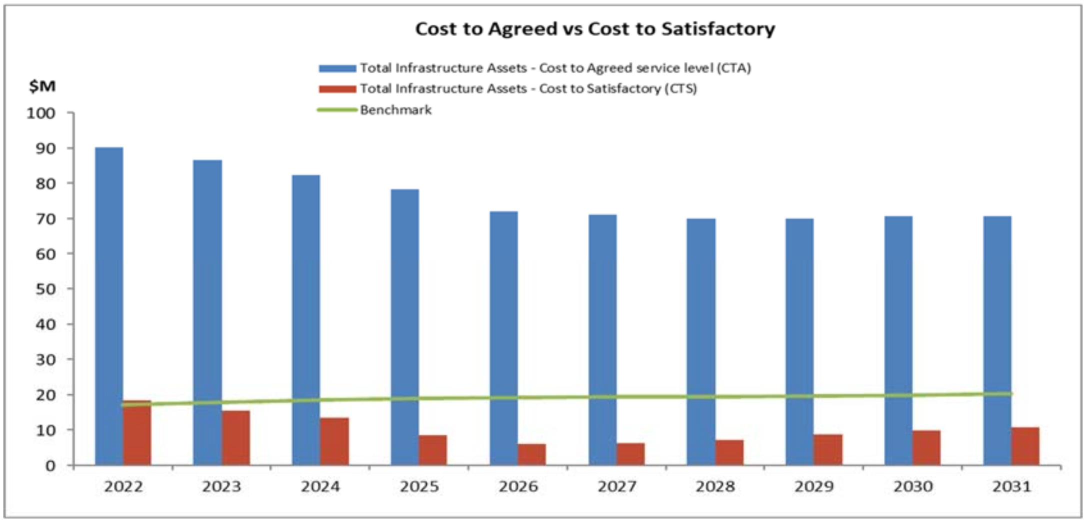
As a result of these initiatives the expenditure on asset renewals will increase by $54 million over 10 years in addition to the standard renewal expenditure. Approximately $22 million on average per annum will also be allocated in maintenance as required by the Asset Management Strategy. Additional funding will also have a positive impact on Council’s infrastructure backlog to bring assets to satisfactory, with a reduction in backlog to $15 million by 2022/23 (1.7%), from a revised backlog of 3.07% in 2019/20. By 2022/23 the backlog will meet the current industry benchmark of 2%. In addition, the funds will reduce significantly but not eliminate the cost to agreed level of service identified by the community. As per the current plan the cost to agreed level will be fully addressed after 2030/31, unless further funding sources are identified earlier.

The following table and charts display the planned asset renewal expenditure in future years, highlighting the standard renewal program and additional funding provided and the positive impact on future asset renewal requirements.

Projected Asset Renewal Expenditure

$ '000	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	Total
Required Renewal	19,211	20,197	21,089	21,843	22,023	23,084	23,709	24,406	25,178	26,064	226,803
Total - Infrastructure Assets Renewal	25,053	23,939	25,951	27,446	29,243	24,940	25,945	25,202	25,705	26,901	260,324
Standard Renewal	23,235	21,159	21,896	22,538	23,889	18,043	17,694	19,081	19,804	19,390	206,729
Additional Renewal Program	1,818	2,779	4,055	4,908	5,354	6,898	8,251	6,121	5,901	7,511	53,596
Extra Renewal	**5,842**	**3,742**	**4,862**	**5,603**	**7,220**	**1,856**	**2,235**	**796**	**527**	**837**	**33,521**





Additional funding is diverted into asset renewals in the first years and gradually increasing in future years, contributing to meeting current benchmark for the assets infrastructure backlog to bring to satisfactory by 2022/23. The industry benchmark for the backlog ratio is 2% as defined by NSW Treasury Corporation (T-Corp) and the Office of Local Government (OLG). As Council injects more funding into asset renewals across the next ten years of the LTFP, the cost to agreed level of service decreases as well.

Over the 10 years of this LTFP a total of $260 million is invested in infrastructure asset renewals contributing to a significant decrease of the infrastructure backlog in future years, however, unless Council identifies further funding, full elimination of the backlog is not possible during the term of this plan. This is shown in the “Cost to Agreed service level vs Cost to Satisfactory” chart above.

As part of the infrastructure review, it was identified that some asset classes have a larger backlog than other asset classes and various allocation of future funding for renewal. The condition of assets was assessed in terms of service potential and funding redirected to those asset classes that have a larger backlog. This will ensure that all infrastructure assets provide an adequate level of service in future. The allocation of renewal funding will be reviewed annually to make sure that assets conditions do not degrade beyond an objective threshold. The average allocation of additional funding into assets classes is as follows: Buildings (58%), Roads & Transport (2%), Stormwater (23%) and Parks & Recreation (16%).

Proceeds from Asset Sales for Infrastructure renewal and new assets

It is estimated that proceeds from asset sales will produce the following increases in Council revenue over the next 10 years (a total of $112 million including S7.11 Co-contributions gap) as shown below. In addition, assets sales of $5m are allocated to the 2020/21 budget and will be carried forward to future years to fund renewal of a major project.

As highlighted above a significant part of these proceeds and other operational savings will be used to fund assets renewals. Council also intends to invest a proportion of these proceeds in a Property Development Reserve.

Projected Asset Sales

$ '000	2020/21*	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Property Development Reserve				-	-	44,000	-	-	-	-	-
Infrastructure Renewal Asset Sales	5,000	1,900	11,500	14,600	3,100	2,200	6,600	7,500	800	2,600	9,300
CP2010 – New Assets		-	3,996	1,407	1,074	1,318	-	563	-	-	-
Total Asset Sales	**5,000**	**1,900**	**15,496**	**16,007**	**4,174**	**47,518**	**6,600**	**8,063**	**800**	**2,600**	**9,300**

*Anticipated to be carried forward to future years

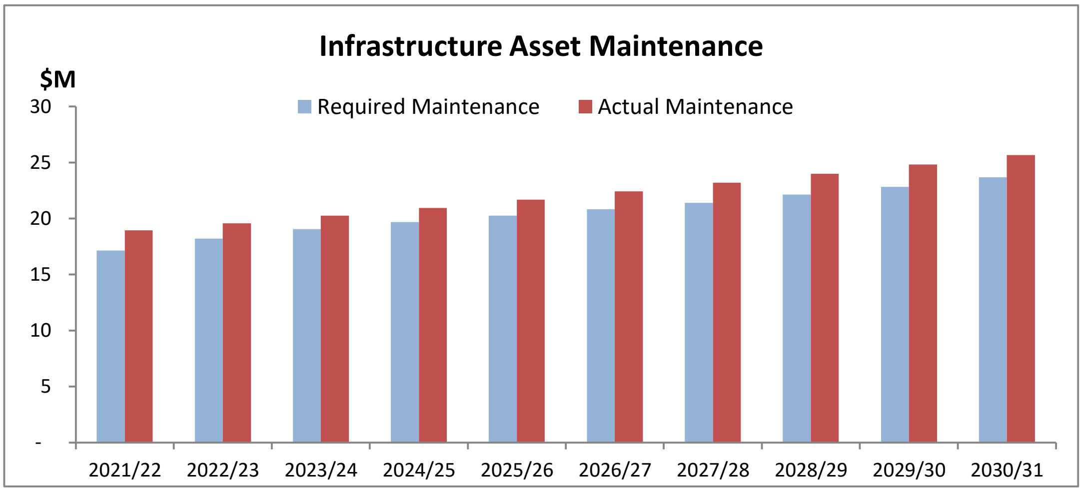
Asset maintenance

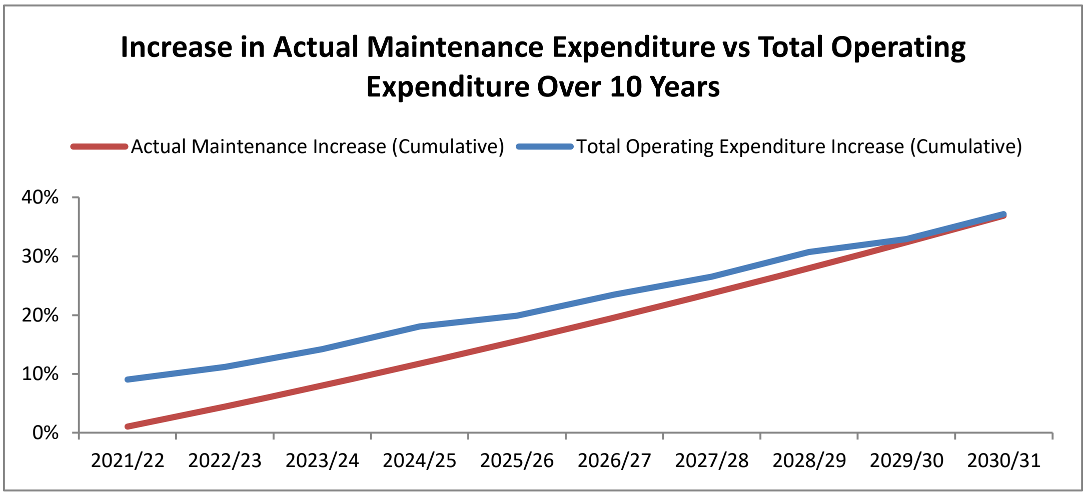
Council's previous Asset Management Strategy identified a shortfall in expenditure on maintenance of infrastructure assets compared to required annual maintenance estimates. Inadequate asset maintenance may result in a shortened useful life and the need for earlier than planned renewal. The revised LTFP addresses this issue and allocates adequate funding towards asset maintenance in future years. Council has budgeted for $18.9 million in maintenance costs for infrastructure assets in the 2021/22 budget with further increases in future years. Total maintenance expenditure increases in line with other operating expenses, however in future years the maintenance expense will also increase due to capital projects planned on new assets.

The actual asset maintenance expenditure versus required maintenance, as well as the increasing trend of maintenance expenditure and total operational expenditure are shown below. Council is investing enough funds and slightly above the required level to ensure infrastructure assets reach their useful lives and are maintained in satisfactory condition in the long-term.

Required Infrastructure Maintenance Expenditure

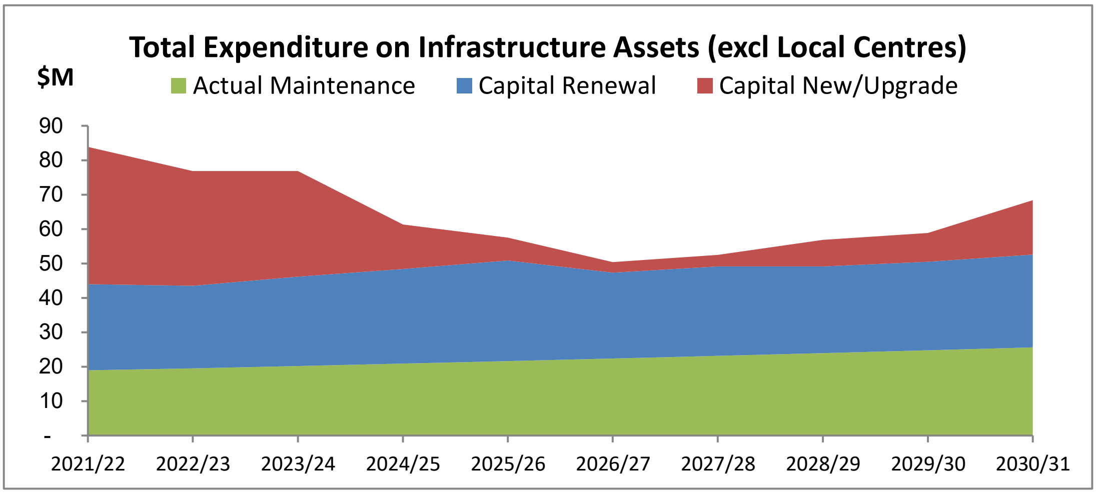
$ '000	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Required Maintenance	17,690	18,733	19,620	20,255	20,850	21,427	22,024	22,754	23,479	24,337
Actual Maintenance	18,934	19,580	20,253	20,950	21,671	22,417	23,188	23,987	24,813	25,668
Variance (Actual less Required)	**1,245**	**847**	**632**	**694**	**820**	**989**	**1,165**	**1,233**	**1,335**	**1,331**





Total capital expenditure on Infrastructure Assets

The current LTFP under both Scenarios allocates adequate funding towards infrastructure assets in terms of assets maintenance, renewal and new/upgrade as shown in the chart below. A total of $221 million will be allocated to asset maintenance over 10 years, $260 million to asset renewals and $162 million (excluding Major Local Centre Projects) to build new or upgrade existing assets. The new/upgrade expenditure includes new or existing projects largely funded by S7.11 development contributions, such as for community facilities to meet the needs of the growing community. Major capital initiatives are planned to begin from 2021/22. Most of the expenditure occurs in the next two years of the LTFP, with the exception of Turramurra Community Hub which is scheduled to begin from 2026/27.



In addition to above, capital expenditure has also been allocated to major local centre projects (such as Lindfield Village Green, Lindfield Village Hub, Gordon Cultural Hub, Turramurra Community Hub and others) which is largely expenditure on new and upgraded assets. Details of the full capital works program including major project initiatives are discussed further in this document under the “Project capital expenditure” section.

Council is planning to establish a Property Development Reserve in the Long Term Financial Plan, accumulated from the proceeds of asset sales. This reserve is created to ensure that Council has sufficient funds in reserve as a contingency for the financial risks of development for local centre revitalisation projects.

Funding for all capital works is allocated into the following categories listed below (these figures also include expenditure on new assets funded by s7.11 development contributions). The largest capital expenditure goes to Streetscape & Public Domain with 30% of total expenditure for the forecast period, followed by Roads & Transport (28%) and Parks & Recreation (20%). Parks & Recreation, among others, include acquisition of Community land, which is funded by s7.11 contributions.

Projected Capital Expenditure (including Major Local Centres projects)

$ '000	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Planning, Community & Other	2,272	2,311	2,361	2,740	2,709	2,754	2,586	5,011	5,319	5,090
Roads & Transport	15,359	14,246	20,454	20,587	14,811	13,275	14,344	15,506	18,101	23,703
Streetscape & Public Domain	13,541	25,903	48,965	7,145	11,006	9,648	19,381	18,494	18,965	12,150
Parks & Recreation	38,943	16,838	11,208	6,959	12,580	9,528	7,517	10,731	4,568	6,006
Stormwater Drainage	1,620	1,760	1,971	2,529	3,054	2,212	2,307	2,499	3,038	4,307
Council Buildings	5,777	14,590	2,310	4,856	2,978	6,892	9,259	4,684	6,748	6,441
Trees & Natural Environment	2,897	2,400	1,002	858	1,047	898	1,221	939	1,020	307
Total Projects	**80,409**	**78,048**	**88,271**	**45,674**	**48,185**	**45,207**	**56,615**	**57,864**	**57,759**	**58,004**

Major Local Centre Projects

Council is planning for two local centre revitalisation projects over the next ten years, being major developments in Lindfield and Turramurra that will provide civic improvements and community facilities. It is assumed in the Long Term Financial Plan that the capital and operating costs of these projects are funded by a combination of developer contributions along with the return from retail and commercial development on the sites. Critical to the success of these projects and Council's financial sustainability is to ensure that Council has sufficient funds in reserve to mitigate against the financial risks of development. As such, Council is planning to establish a Property Development Reserve in the Long Term Financial Plan, accumulated from the proceeds of asset sales.

Scenario Planning

The LTFP is a model to consider scenarios for the funding of operating and capital expenditure. Detailed forecasts of all sources of operating revenue and expenditure are utilised to derive the maximum surplus available to apply to Council's rolling program of capital investments in new or refurbished infrastructure.

Scenario 1 - Base Case Scenario with additional funding for Infrastructure

Scenario 2 - Scenario with reduced funding for Infrastructure

Both Scenario 1 and 2 are financially sustainable in terms of maintaining a balanced budget, sufficient unrestricted cash and available working capital, sufficient cash reserves and a permissible debt service ratio over the medium term. Both scenarios are also modelled to address Council's renewal assets gap as much as possible as part of the funding strategy discussed earlier, however, the variance between both scenarios is the level of additional assets renewal funding received from asset sales and other sources.

Council's optimal scenario is Scenario 1, which assumes additional funding of $54 million invested in infrastructure renewal from a combination of proceeds on assets and additional income gained from horizontal service review initiatives.

Scenario 1 - Base Case Scenario with additional funding for Infrastructure

The base scenario of the LTFP shows the financial results of delivering the current level of service as per the 2021/22 budget expanded out over 10 years and adjusted by various price forecast indexes as detailed in the financial assumptions section of this document.

The adopted principle under this scenario is that $54 million of funds will be diverted towards Council's assets renewal as a priority, from a combination of asset sales and horizontal service review initiatives. This scenario is sustainable according to the recognised financial sustainability measures and aligns with Councils current funding strategy described earlier in the document.

In addition to the standard renewal expenditure, approximately $22 million per year on average will also be allocated in maintenance as required by the Asset Management Strategy. Additional funding will also have a positive impact on Council's infrastructure backlog, with a reduction in backlog to $15 million by 2022/23, meeting the current industry benchmark for the backlog ratio. In addition, the funds will significantly reduce the cost to agreed level of service identified by the community, however will not address it fully in the term of this financial plan.

Impact on Key Financial indicators

Under the current Scenario 1 Council is forecasting healthy financial sustainability and asset benchmarks as discussed further in the document.

Operating Performance Ratio

Operating Performance Ratio is one of the most important financial indicators for Council. It measures Council's ability to contain operating expenditure within operating revenue. Council's long term financial sustainability is dependent upon ensuring that on average over time this indicator is positive, making sure that Council's expenses are below its associated revenue. Council is forecasting future operating surpluses resulting in Operating Performance Ratio being above benchmark in all future years of the LTFP. The impact on this ratio from the two scenarios is insignificant due to the majority of additional income being from proceeds of asset sales which is eliminated from the ratio calculation.

Operating Performance Ratio	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Benchmark > 0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Scenario 1 - With Additional Infrastructure	3.7%	1.6%	1.6%	1.0%	0.9%	1.0%	1.7%	1.8%	2.1%	2.3%
Scenario 2 – With Reduced Infrastructure	3.7%	1.6%	1.6%	1.1%	1.0%	1.1%	1.8%	1.9%	2.4%	2.6%
Impact	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%	0.1%	0.1%	0.3%	0.3%

Own Source Revenue Ratio

This ratio assesses the degree of Council's dependence upon grants and contributions. Council's own source revenue ratio remains above the benchmark of >60% in all future years at around 80%. This is based on the assumption that additional operating income identified through the recent horizontal service review initiatives will eventuate and the funds will be diverted toward assets renewal.

Own Source Revenue Ratio	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Benchmark > 60%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%
Scenario 1 - With Additional Infrastructure	81.1%	80.2%	79.3%	80.1%	79.9%	81.3%	80.2%	79.7%	79.7%	81.0%
Scenario 2 – With Reduced Infrastructure	81.1%	80.2%	79.3%	80.1%	79.9%	81.3%	80.3%	79.8%	79.8%	81.1%
Impact	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%	0.1%

Infrastructure Assets Renewal Ratio (IARR)

The Infrastructure Assets Renewal Ratio assesses the rate at which assets are renewed compared to the rate at which they are depreciating. Under this Scenario Council is planning to invest an additional $54 million over 10 years in assets renewal in addition to the standard renewal expenditure. This will continue to bring Council's assets to an improved standard within an established timeframe and keep the ratio well above benchmark in all future years. The benefits are significant, as this will help reduce the cost of future works on all infrastructure assets in future and reduce the current infrastructure backlog.

Infrastructure Asset Renewal Ratio	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Benchmark > 100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Scenario 1 - With Additional Infrastructure	130%	119%	123%	126%	133%	108%	109%	103%	102%	103%
Scenario 2 – With Reduced Infrastructure	121%	104%	103%	102%	106%	74%	69%	74%	74%	68%
Impact	-10%	-14%	-20%	-24%	-27%	-34%	-40%	-29%	-28%	-35%

Infrastructure Backlog Ratio – Cost to Satisfactory (CTS)

This ratio measures what proportion the backlog is against the total value of Council's infrastructure. The ratio has a positive downward trend in the first six years (from 2.2% in 2021/22 to 0.6% in 2026/27) with a full elimination after 2030/31. This can be achieved only under Scenario 1 which provides increased funding for infrastructure.

Infrastructure Backlog Ratio CTS	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Benchmark <2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Scenario 1 - With Additional Infrastructure	2.2%	1.7%	1.4%	0.9%	0.6%	0.6%	0.7%	0.9%	1.0%	1.1%
Scenario 2 – With Reduced Infrastructure	2.5%	2.3%	2.5%	2.6%	2.5%	3.4%	3.7%	4.3%	5.0%	5.8%
Impact	-0.3%	-0.7%	-1.0%	-1.7%	-1.9%	-2.8%	-3.0%	-3.4%	-4.0%	-4.7%

Scenario 2 - Scenario with reduced funding for Infrastructure

The current scenario assumes reduced funding for infrastructure. Funding of $54 million originally identified through the Horizontal Service Review and Divestment of Assets (proceeds from assets sale) may not eventuate resulting in significantly reduced funding and deterioration of the state of Council's assets in the long term. Most financial sustainability indicators will be negatively impacted due to reduced revenue.

This scenario shows the financial results (impact on key indicators) of delivering the current level of service as per the forecast 2021/22 budget expanded out over 10 years with reduced funding for infrastructure. This scenario is not Council's preferred one and is not considered sustainable.

Impact on Key Financial indicators

The impact on key financial indicators has been assessed to understand the long term effects on Council's financial performance and the state of infrastructure assets.

The table below shows the impact on main indicators (expressed as the variance between two scenarios: with and without additional funding for infrastructure). In all cases the impact is unfavourable, with a major effect on assets indicators.

Impact (Scenario 1 vs Scenario 2)	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Financial Sustainability Ratios										
Operating Performance Ratio	0.0%	0.0%	0.0%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.3%	-0.3%
Own Source Revenue	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.1%	-0.1%	-0.1%	-0.1%
Assets Ratios										
Infrastructure Renewal Ratio	-10%	-14%	-20%	-24%	-27%	-34%	-40%	-29%	-28%	-35%
Infrastructure Backlog Ratio (CTS)	-0.3%	-0.7%	-1.0%	-1.7%	-1.9%	-2.8%	-3.0%	-3.4%	-4.0%	-4.7%

The **Operating Performance Ratio** will see a permanent reduction of around 0.1% per annum on average. This is because funding, approximately $22 million of operating income, (from a combination of additional revenue, reduced operational costs and additional interest income) will not eventuate therefore impacting on Council's operating surplus in future.

The **Own Source Revenue** assesses the degree of Council's dependence upon grants and contributions. Council's own source revenue ratio remains above the benchmark of >60% in all future years at around 80%, however due to reduced income, this indicator will also permanently deteriorate by approximately 0.2% per annum.

The **Renewal Ratio** will see a significant decrease of between 10% to 40% per year, impacting negatively on the state of infrastructure of assets. Decreased funding will fail to ensure that all infrastructure assets provide an adequate level of service in the future and may lead to degradation of assets conditions. It may take significantly longer to decrease the infrastructure backlog and Council will not be able to eliminate the backlog in this term of the LTFP. The Infrastructure Backlog (Cost to Satisfactory) will decrease by an average of 2.1% for the duration of this LTFP.

LTFP Assumptions and Sensitivity Analysis

The Long Term Financial Plan contains a wide range of assumptions, including assumptions about interest rates, potential effect of inflation on revenues and expenditures, current service levels and others. Major assumptions in the current version of the LTFP are listed below and a detailed list is attached to this document.

Some of these assumptions have relatively limited impact if they are inaccurate; some have a major impact on Council's future financial plan. The LTFP is a dynamic financial model and is updated quarterly to ensure the assumptions are continually updated with the latest information available. The Plan is also tested by varying the amounts of the moderate to significant assumptions and the impact is analysed.

CPI Forecast: An average annual 2.1% increase in CPI has been built into the LTFP for both income and expenditure in line with Access Economics forecast for CPI. The Reserve Bank's target for inflation remains between 2% and 3%.

Income from Rates is limited to rates pegging set by IPART (2.0% for 2021/22) averaging an annual increase of 2.2% from 2022/23 onwards. In addition, the LTFP assumes an average increase of 0.7% annually resulting from population and property growth.

Fees and charges are expected to increase by an average 2.2% annually. Charges for domestic and trade waste have not been increased in the early years of the LTFP; however will increase in later years to reflect cost increases in providing the service.

Investment revenue has been estimated based on current cash levels and future expected earnings of the Bank Bill Swap Rate (BBSW) + 1.1% over the 10 year period. The annual interest rate is estimated at 1.2% for the 2 years to 2022/23, 1.3% for 2023/24, and an average 2.2% for the remaining years to 2030/31.

Grants for Recurrent and Capital purposes have increased by an average 2.2% annually, which is in line with CPI (if relevant for grant).

Proceeds from Asset Sales are projected in the LTFP to begin from 2021/22. The proceeds from sales will be used for infrastructure asset renewals and upgrades, Property Development Reserve and Section 7.11 funding gap.

Employee costs have been estimated based on agreed award increases. Workers compensation has been factored by the same rate, which is an average of 2.9% per year. From 2021/22, compulsory super rates increase by 0.05% to reach 12% in 2025/26.

Operational and capital materials and contracts expenditure are estimated to increase annually by an average of 1.9%, which in line with CPI.

Borrowing Costs have been estimated based on 95 basis points over 90 day BBSW per annum, rising to a maximum rate of 3.4%. The annual interest rate is estimated at 1.1% up to 2022/23, 1.2% for 2023/24, and an average of 2.1% for the remaining years to 2030/31.

Sensitivity Analysis

The following table lists the major assumptions affecting the LTFP results and shows the impact of varying them. This impact is classified as Low, Moderate or Significant in terms of quality and quantum of service delivery to constituents.

	Impact	***Comment***
Revenue		
Inflation/CPI	*Low*	Changes in inflation will affect both revenue and expenditure, but increases in the assumption are likely to be negative for the projected operating surplus.
Rates Income – Rate Peg	*Moderate* *to Significant*	The rate peg for 2021/22 announced by IPART is 2.0%, and an average of 2.2% for future years. Rates income also assumes rates growth of 0.7% per annum through increased development. Changes in rate pegging will affect revenue forecasts, and these will have a moderate impact on the LTFP Model, compared to the calculations using the average Local Government Cost Index (LGCI). Non-achievement of property and rates income growth forecasts will directly affect provision of new infrastructure and the rate at which existing infrastructure can be renewed.
Investment Earnings	*Moderate*	Investments are placed and managed in accordance with the Council's adopted Investment Policy in compliance with the *Local Government Act, 1993*. Council's investments portfolio is subject to fluctuations in interest rates. An adverse movement in interest rates will reduce investments income and impact on capital expenditure and service levels, with only a minor offset through savings in variable interest loan costs. Council is forecasting a reduction in interest earning in short term and has adjusted the future budgets accordingly.
Proceeds from Asset Sales	*Significant*	The LTFP assumes sale of assets for the 10 years. Proceeds from some asset sales will be used to fund infrastructure asset renewal leading to a reduction in Councils infrastructure backlog. If the proceeds and timing of sales are not realised as per the Plan, this will have a major impact on Council's key infrastructure assets indicators. There will be insufficient funding available to address the current assets backlog. The Asset's

	Impact	*Comment*
Revenue		
		Renewal Ratio will deteriorate together with the Infrastructure backlog ratio. In addition to renewal, new and upgraded assets (two major projects) are planned to be funded from asset sales. Asset sales are also planned to fund Council's co-contribution in its S7.11 Development Contributions Plan. If these asset sales are not realised, either cuts to services and other capital would have to be made or alternatively the S7.11 projects requiring Council co-contributions would have to be deferred or deleted from the program. Council is planning to establish a Property Development Reserve in the Long Term Financial Plan, accumulated from the proceeds of asset sales for town centre revitalisation projects and other major projects.
Grants	*Low for specific purpose grants.* *Moderate/Significant for general purpose grants*	The LTFP model includes operational grants and capital grants that have already been awarded. The Council does not have a strong reliance on specific purpose grants revenue in comparison with other sources of revenue. Programs funded by specific purpose grants may not be offered by the Council if the grants were eliminated. The general purpose component of the Council's Financial Assistance Grant is currently $3.8 million. If this grant were reduced or eliminated, the Council would need to consider significantly reducing capital expenditure and operating service levels.
Expenditure		
Employee Costs	*Significant*	This is Council's largest cost. The number of employees in operating activities is assumed to remain constant with cost increases in line with forecast or known Award changes. This volume assumption is at risk from possible future changes to conditions, further devolvement of functions from other levels of government and from growth in Council services requiring additional staffing. The Award increase assumptions are at risk as Council has no direct control over this. Employees engaged in capital projects may increase slightly with increased funding for infrastructure, however this would be met from the new budget allocations.

	Impact	*Comment*
Revenue		
Borrowing costs	*Moderate*	Council's outstanding loan balance will reach $34 million in 2021/22 and further reduced by the end of the financial plan. The outstanding loan is discharged by future net revenue generated from leasing out the investment property at 828 Pacific Highway, Gordon and asset sales. This carries a moderate risk in terms of delays in realising income if the current building in future is leased out at a lower occupancy rate than predicted in the LTFP or if the asset sale is not finalised.

The following table illustrates monetary sensitivity to variations in the assumptions.

Income & Expenditure Categories	Assumption	2021/22 Base $'000	Sensitivity to a 10% Variation in the Assumption $	Sensitivity to a 20% Variation in the Assumption $
INCOME:				
Rates	2.70%	69,810	188,557	377,114
Fees & Charges	1.60%	20,133	32,229	64,458
Operating Grants	1.00%	8,706	8,706	17,412
Interest on Investments	1.20%	2,419	2,903	5,806
Other Income	1.00%	12,287	12,287	24,574
EXPENDITURE				
Employee Costs	2.80%	45,221	126,619	253,238
Borrowing Costs	1.05%	458	481	962
Materials & Contracts	1.00%	40,823	40,823	81,646
Depreciation	1.48%	21,573	31,947	63,894
Other Expenditure	1.00%	25,355	25,355	50,710

1. Annual charges have been excluded as there is NIL growth in 2021/22

The sensitivity analysis shows that rates income and employee costs would have the greatest impact if there is a future variation from the LTFP assumptions. If there are adverse variations in the future from the LTFP assumptions, adjustments will need to be made to operations and capital programs to maintain financial sustainability. The sensitivity analysis brings into sharp focus the need to manage employee numbers and costs.

Highlights of the Long Term Financial Plan

Financial Performance Summary – Forecast

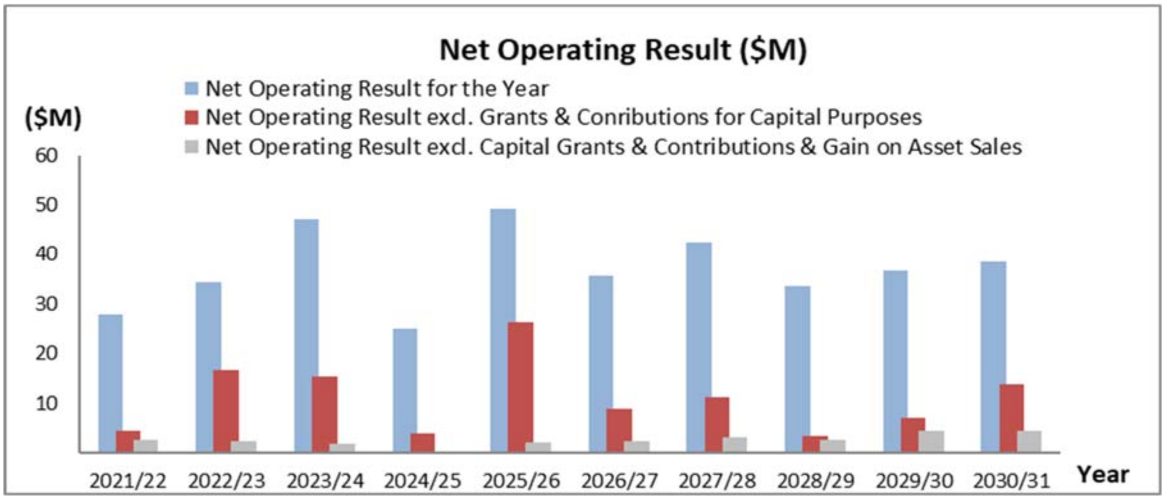
Ku-ring-gai Council's LTFP details Council's expected income, operational and capital expenditure within the external environment that Council is expected to face in the future. Council is forecasting a strong operating result with operating surpluses in each year. All key financial ratios are predicted to meet or outperform benchmarks. The following forecast summary on financial performance is based on Scenario 1. This Scenario represents investment of additional funding for infrastructure renewal. This is Council's optimal scenario and is financially sustainable in terms of key financial measures.

Operating Result

The operating result after accounting for capital items is a surplus in all projected years. The overall trend in operating result is increasing over the forecast period due to revenue growth, after excluding the impact of asset sales (averaging 2.2% p.a.) being higher than expenditure growth (averaging 2.1% p.a.). Revenue growth is driven by rates and annual charges, user fees and charges and other revenue including rent income. Another factor in increased revenue is the inflow of additional funds from the property development activity and population growth that is expected to grow the rates base.

The strong results in 2021/22, 2023/24 and 2025/26 are primarily due to forecast gains from sale of assets to fund a new project "St Ives Indoor Sport Courts" and infrastructure renewal works as well as capital income from partner contributions partly funding major town centre revitalisation projects. Planning for these projects, should consider the inclusion of commercial opportunities of sufficient return to cover ongoing operational costs of the public spaces in the precinct. The proceeds from asset sales are restricted and in addition to funding major projects will be also be used for asset renewals.

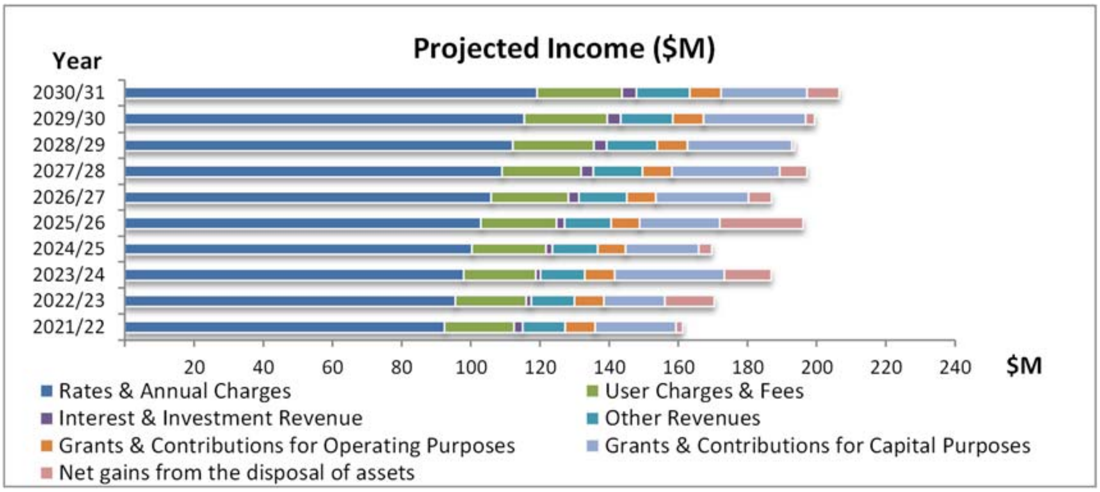
The chart below shows the forecast operating result before and after capital grants and contributions items and income from sale of assets. The Net Operating Result for the year includes capital grants and contributions as well as asset sales revenue. As these items are capital in nature, it is useful to focus on the operating result that excludes capital items and assets sales. These items are eliminated to focus on analysis of Council's core operating results. In 2021/22 Council will achieve an operating surplus of $28 million after allowing for the depreciation expense. If capital grants and contributions are excluded, the operating result remains in surplus, with a result of $4 million.



Projected Income

Council obtains revenue from a variety of sources including rates and annual charges, user charges and fees for services, interest and investment revenue, other revenue and grants and contributions for both operating and capital purposes.

Council's revenue has been forecast to increase from $161 million in 2021/22 to $206 million over the ten years, which (after excluding the impact of asset sales) increases by an average of 2.2% per year. Major increases in revenue are due to rates and annual charges, user fees and charges and other revenue including rent income from Council's investment property. The projected income for the forecast period is detailed in the chart below.



Rates Income & Annual Charges

Council's dependence upon rates income and annual charges is approximately 56%. The rest of the costs of Council's operations are funded from non-rates income. Part of the increased income from rates is due to the forecast development activity leading to additional dwellings, which will be allocated to asset renewals from 2021/22 onwards and have been incorporated into the LTFP projections.

Two permanent special rate variations are included in the LTFP:

1. The SRV for Infrastructure is a permanent levy from 2018/19 granted by IPART in 2013/14.
2. The SRV for Environment is a permanent levy from 2019/20 onwards granted by IPART in 2018/19.

User Charges & Fees Charges

Council derives approximately 12% from user charges and fees and these are forecast to increase by an average of 2.2% per year over the forecast period.

Interest Income

Council has forecast an earning rate on its investments of the expected BBSW rate + 1.10% over the forecast period. Interest revenue changes in line with cash and investment balances.

Operating Grants & Contributions

Operating grants and contributions will remain static across the next 10 years. Council's main form of grant assistance is the financial assistance grant, which is a federal untied grant that is distributed between the States based on their percentage of the total population. Financial assistance grants consist of two components both of which are distributed to councils: general-purpose component and a local road component. The Roads to Recovery grant, which impacts local roads has been reduced from FY2024/25.

Capital Grants

Capital grants and contributions are volatile over the forecast period as they can relate to specific one-off major projects.

Development Contributions

Council collects contributions from developers (s7.11 Contributions) to help pay for new infrastructure and facilities for the growing population of the area. The Long Term Financial Plan includes the works listed in the Ku-ring-gai Contributions Plan 2010, which came into effect in December 2010. This Contributions Plan applies to development in Ku-ring-gai that gives rise to a net additional demand for infrastructure identified in the Contributions Plan. This period accounts for both the estimated pattern of receipt of Section 7.11 contributions as well as the delay between contribution receipt and Council's ability to complete works.

Some of the works to be undertaken in the 2010 Contributions plan cater for the existing population and these works require a co-contribution from Council's general funds. Revenue from divestment of Council property assets will be used to meet Council's commitment in its Development Contributions Plans for co-contributions of general revenues to accompany developer contributions. The amount of funding required from property asset divestment over the 10 years of the LTFP is $8.3 million.

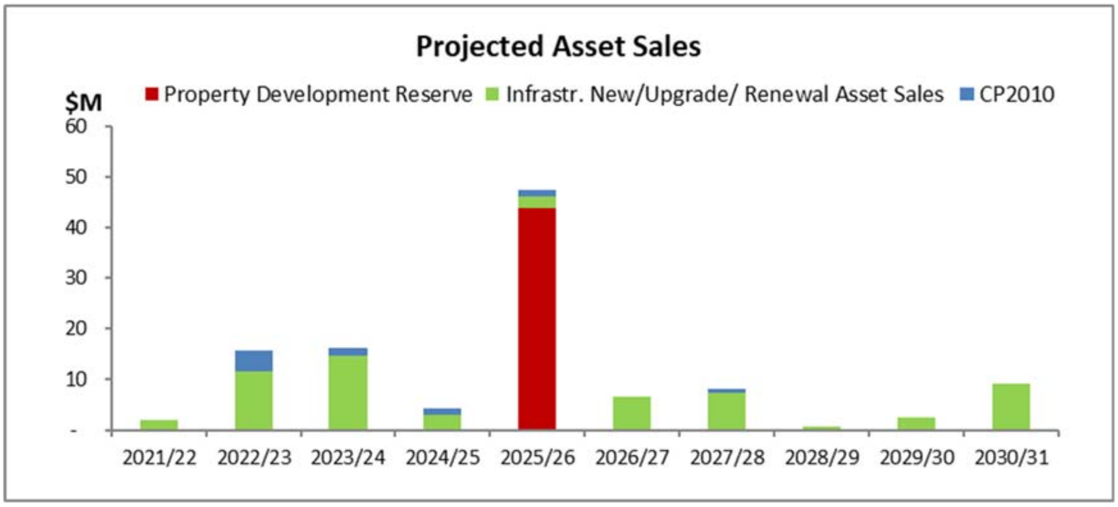
Income from Asset Sales

This income from asset sales is from rationalisation of property assets that will commence in 2021/22. Planned asset sales, totalling $112 million are mainly to fund:

- Infrastructure asset renewals
- Council's co-contribution for projects identified in the Development Contributions Plan 2010. These sales are planned to commence in 2022/23 and continue over a six year period as Contribution Plan projects proceed. The total proceeds from asset sales ($8.3 million) will be used for projects commencing in the next financial plan and unspent proceeds will be restricted to the Assets Sales Reserve available for projects commencing beyond 10 years. Further asset sales are required beyond the 10 years of the LTFP to fund Council's co-contribution.
- Provide a "Property Development Reserve" for major town centre revitalisation projects.

In addition assets sales of $5m are allocated to the 2020/21 budget and are anticipated to be carried forward to future years to fund renewal of a major project.

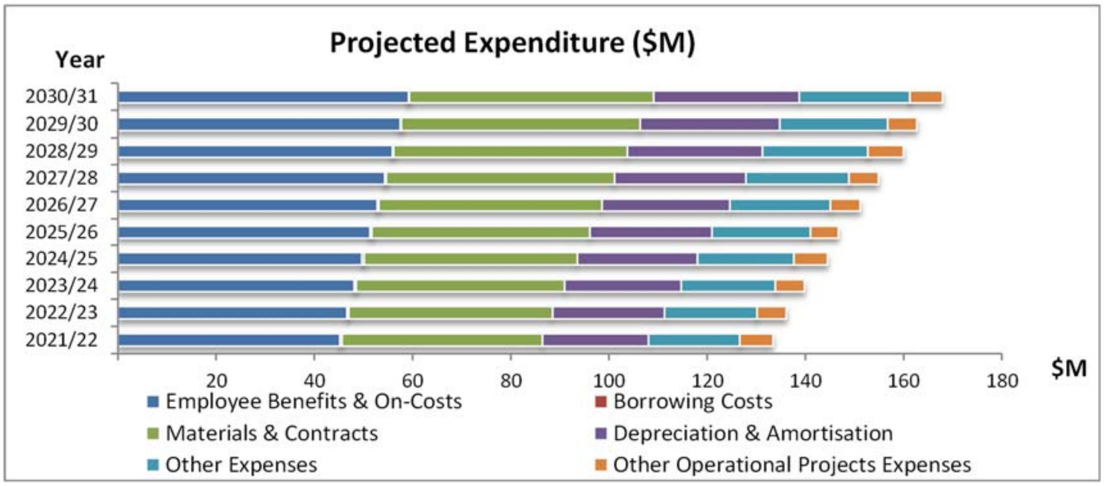
The chart below provides projected asset sales over a 10 year period only and identifies the categories to which the funding will be allocated.



Projected Operational Expenditure

Council incurs the following expenditure in the course of its operations: employee benefits and on-costs, borrowing costs, materials and contracts, depreciation, other expenses. Total operating expenses are projected to increase by an average annual increase of 2.4% over the forecast period.

The projected operational expenditure for the 10 year forecast period is detailed in the chart below.



Employee Costs

Employee costs increase by an average of 2.9% p.a. over the forecast period. Employee related expenditure is the largest expense type incurred by Council. The LTFP reflects the Workforce Management Strategy. With the allocation of additional funding to Council's infrastructure asset renewals program, workforce resourcing allocation will require review and adjustment in order to meet increased workload demands. Other employee related issues such as maintaining/improving workforce capacity are dealt with in the Workforce Management Strategy and have therefore not been addressed in the LTFP.

Workers compensation

Workers compensation insurance premium payments are based on previous claims history. Projected premiums therefore are based on the most recent premium and increased by CPI.

Capitalisation rate for employee related expenditure

Council capitalises a portion of employee related expenditure that relates to the construction of assets per the requirements of AASB 116 – Property, Plant and Equipment. The percentage of employee related expenditure capitalised has been assumed to stay constant from year to year for the purpose of the LTFP.

Superannuation

Contributions by Council to both defined benefit and defined contribution superannuation plans have been forecast to increase per the increase in salaries and wages plus the expected increase in the superannuation guarantee. The Government has announced an increase in the superannuation guarantee rate from 9.5% to 12% between the 2020/21 and 2025/26 financial years.

Employee benefits

Employee leave entitlements such as annual leave and long service leave have been projected to increase at the same rate as general salaries expenditure.

Borrowing costs

Borrowing costs incurred include interest on loans held by Council. Borrowing costs form 0.2% of the total expenditure incurred by Council. Borrowing cost projections are based on current loans, including the loan facility for the investment property at 828 Pacific Highway, Gordon. The LTFP reflects additional borrowings of:

- refurbishment of the Council administration building and investment property of $1 million reflected in 2020/21.
- new loan of $13.5 million reflected in 2021/22 to 2030/31 to fund Council's contribution to the joint project with the Department of Education, to build a joint use indoor sports centre at St Ives High School.

Materials & Contracts

Materials and contracts expenses increase by an average of 2% p.a. over the forecast period. Materials and contractors is the second largest cash expense item incurred by Council (31% of total expenditure in the 2021/22 financial year). Materials and contracts payments include contractor and consultancy costs, which also relate predominantly to Council's maintenance program. Other materials and contracts costs include operating lease expenses, legal expenses, and auditor fees.

Depreciation and Amortisation

Depreciation and amortisation expenses increase by an average of 4% p.a. Depreciation expense has been reviewed as part of the review of infrastructure assets together with a thorough review of useful lives for each asset class. Additional depreciation has been reflected in the budget to cater for new and upgraded assets. Depreciation is dealt with in the Asset Management Strategy (AMS) and Asset Management Plans, and further details on all assumption calculations can be found in the AMS.

Other expenses

Other expenses increase by an average of 2.1% per year from 2021/22 and include items like street lighting charges, insurance costs, utility expenses, rental rebates and other sundry expenditure.

Projected Capital Expenditure

A significant highlight of the LTFP is its commitment to the capital works program. The LTFP forecasts delivery of a total capital works and other major projects program over 10 years totalling over $608 million (at future prices). A portfolio of all project proposals has been developed, including estimates of costs and funding sources to determine current and future funding requirements. This project portfolio has been linked to the LTFP. Some significant projects included in this and delivered in the next year are listed below:

Major capital projects initiatives for 2021/22 and future years

Council considers a range of available projects competing for resources each year and evaluates major ones based on their financial sustainability and potential contribution to community needs. During 2021/22, the following projects will be commenced or progressed:

- **Implementation of St Ives Village Green Master Plan** – Staged implementation of works is ongoing. Demolition of the old scouts and girl guides halls, relocation of the Village Green Parade pedestrian crossing and an upgrade of the central amenities building are all complete. The St Ives Community Hall upgrade including the reconstruction of the FITZ Youth Café is also nearing completion.

  Construction of the new recreation precinct will start mid-2021. Key features will include a skate and bike park, performance space, an inclusive children's play space, and picnic facilities.

  Future years will see further parts of the masterplan implemented, including terraced seating to William Cowan Oval, relocation of the tennis courts adjacent to the bowling club and construction of a perimeter exercise path.

- **Local Roads Community Infrastructure Grant – Phase 2** - Council has received the Local Roads and Community Infrastructure Grant as part of the Federal Government's commitment to support jobs, businesses and the resilience of the local economy in the wake of COVID-19. The grant will be utilised by Council to undertake works on key infrastructure classes in the local government area (LGA) including, but not limited to, roads, community buildings, footpaths and open space areas.

- **Norman Griffiths Oval Upgrade** – Council approved the concept design for the project at the Ordinary Meeting in November 2020 following community consultation. The project will be released as a design and construct tender in May 2021 with construction to begin in the second half of 2021.

- **Robert Pymble Park** – Upgrade works to park and surrounding streets. Community consultation and concept finalisation has taken place for the first stage of the works being the play space upgrade. Council is now in detailed design with a view to release to tender by end of April 2021. The remaining Masterplan works will be phased as budgets allow over the next two years.

- **Lindfield Village Green** – this project will involve constructing a new public park on the site of Council's car park at Tryon Road Lindfield. The existing car parking will be relocated to a new basement car park freeing the surface area to create a public plaza and landscaped open space.

- **Lindfield Village Hub** – is a new urban village planned to be located on Council's car park off Woodford Lane on the western side of Lindfield. The project will deliver a new park and urban plaza, an integrated community hub, which will provide a library and community services, alongside new homes, retail and dining experiences. The hub will become a destination for community activities, shopping and dining experiences for the southern part of the Ku-ring-gai LGA.

- **Turramurra Community Hub** – is a new urban village proposed for the centre of Turramurra. The three-hectare site will feature a new community hub and public open space, supported by new homes and a thriving retail precinct. The hub will become a destination for community activities, shopping and dining experiences for the northern part of the Ku-ring-gai LGA.

- **Marian Street Theatre, Marian Street, Killara** – The Marian Street Theatre (MST) building operated as a theatre for over 40 years until 2013 when it was closed due to significant BCA compliance upgrades and repairs being required. Council resolved to fund renovations of the site, enabling the theatre to re-open to the community. The renovated MST will focus on building a vibrant, multi-use arts venue with a strong focus on drama using multiple rehearsal and performance spaces that collectively create a 'theatre ecosystem'.

- **Joint use indoor sports facility – St Ives Indoor Sports Complex, St Ives High School, Horace Road, St Ives** – this project involves construction of a new indoor sports facility at St Ives High School for joint use with the NSW Department of Education (DoE). Stage 1, being two indoor basketball courts, was completed by DoE in the first quarter of 2021. Council's portion (Stage 2) being an additional 2 x indoor basketball courts plus ancillary rooms and a car park is programmed for delivery early in 2024.

- **St Johns Avenue, Gordon** – The vision for St Johns Avenue is to create a vibrant "eat street" to activate the precinct and promote a night time economy that will serve local residents and visitors to Gordon. The proposed design will deliver wider footpaths, outdoor dining, new pavements, street furniture and tree planting. Key pedestrian areas will be greatly improved by the proposal. Improvements to Heritage Square and the footpaths in Werona Avenue, and Henry Street, between St Johns Avenue and the underpass, will also be part of the project. The works will be funded through Section 7.11 contributions and grants and Council will manage the project.

  Council has completed the works to the Wombat crossing on the corner of Werona and Park Avenue. The first stage of the St Johns Streetscape - Wade Lane upgrade - has been awarded for construction with works commenced on March 1, 2021. This stage is expected to take 2-3 months. Stage 2 of St Johns – encompassing works to St Johns Avenue, Henry Street and Heritage Park – will be released for tender in March with works to begin June/July 2021.

- **Council Chambers Upgrade** – Undertaking of refurbishment, compliance and improvement works to the Council Chambers building 818 Pacific Highway Gordon. Works include structural works to rectify subsidence issues and bank stabilisation below the building, drainage works to prevent water ingress, roof repairs, landscape improvements to building entries, internal design inclusive of rationalisation of office layouts, modifications/replacement of air conditioning systems.

  The structural/civil repairs inclusive of underpinning, crack stitching and embankment stabilisation are now complete. Drainage works to commence shortly.

Projected Capital Expenditure

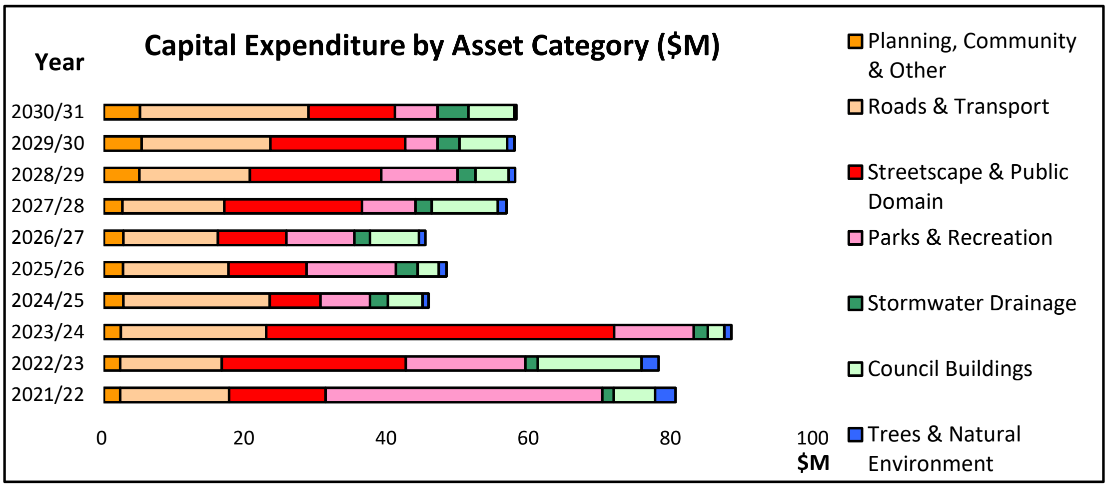
Assumptions around capital expenditure, asset valuations and asset management are covered in the Asset Management Strategy and have been incorporated into the LTFP. A summary of future capital expenditure by asset category is provided below:

Projected Capital Expenditure (including Major Local Centre Projects)

$ '000	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Planning, Community & Other	2,272	2,311	2,361	2,740	2,709	2,754	2,586	5,011	5,319	5,090
Roads & Transport	15,359	14,246	20,454	20,587	14,811	13,275	14,344	15,506	18,101	23,703
Streetscape & Public Domain	13,541	25,903	48,965	7,145	11,006	9,648	19,381	18,494	18,965	12,150
Parks & Recreation	38,943	16,838	11,208	6,959	12,580	9,528	7,517	10,731	4,568	6,006
Stormwater Drainage	1,620	1,760	1,971	2,529	3,054	2,212	2,307	2,499	3,038	4,307
Council Buildings	5,777	14,590	2,310	4,856	2,978	6,892	9,259	4,684	6,748	6,441
Trees & Natural Environment	2,897	2,400	1,002	858	1,047	898	1,221	939	1,020	307
Total Projects	**80,409**	**78,048**	**88,271**	**45,674**	**48,185**	**45,207**	**56,615**	**57,864**	**57,759**	**58,004**

The largest capital expenditure goes to Streetscape & Public Domain with 30% of total expenditure for the forecast period, followed by Roads & Transport (28%) and Parks & Recreation (20%). Parks & Recreation, among others, includes acquisition of community land, which is funded by s7.11 contributions.

The following chart provides the breakdown of capital expenditure by category for the next 10 years and the sources and use of funds for capital projects.



Working Capital & Cash Reserves

Working Capital

Working capital is a measure of Council's liquidity and ability to meet its obligations as they fall due. It is one of the primary measures of the overall financial position of Council, which allows for unforeseen expenditure, reductions in revenue or other accounting adjustments.

Council's current policy is to maintain a minimum working capital of 5.5% of operating expense. The working capital is projected at $5.5 million for 2021/22. The working capital is gradually increasing by an average of 2.1% annually in future years. The level of working capital highlights an adequate liquidity position with Council being able to meet its short term liabilities when they fall due.

Cash Reserves

Council has a number of cash reserves which are held for the following reasons:

- Legal constraint (externally restricted) - e.g. Section 7.11 Development Contributions
- To manage cash flow for abnormal items and thus reduce impact on service delivery
- Specific revenue - e.g. contribution to works.

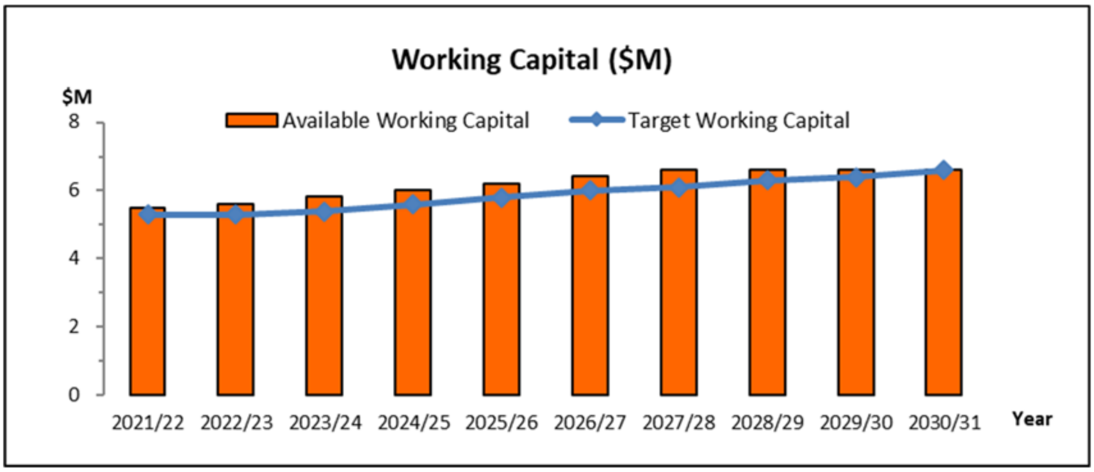
There are three (3) types of cash reserves, namely:

1. Statutory (externally restricted) – e.g. S7.11 Development Contributions, Specific Purpose Unexpended Grants, Domestic Waste Management, Infrastructure Levy and Environmental Levy
2. Internal Liability Reserves – to provide for future liabilities e.g. employee entitlements
3. Internal Project Reserves – to provide for future expenditure on assets renewal and other capital projects.

External reserves can only be used for the purpose for which funds were collected. Internal projects reserves are used solely to fund capital items. One of the targets identified in the LTFP is to maintain a minimum level of internal discretionary cash reserves (excluding liability cash reserves) of 10% of revenue. Any surplus cash funds are allocated towards future asset renewals.

Cash reserves are carefully managed to achieve optimum investment income and to be available when needed for unplanned expenditure. Internal cash reserves are kept at a sustainable level for all future years of the LTFP.

The level of working capital for the 10 year forecast period is illustrated in the Chart below:



Summary of Borrowings

One of the major underlying principles incorporated into Council's Long Term Financial Plan is the Borrowing and Debt Strategy.

Using this strategy, the LTFP identifies a permissible level of borrowing in each year to ensure that the required level of borrowing is below this level. This is a borrowing level that the Plan regards as sustainable, principally because:

- Sources of debt repayment have been identified and modelled into overall cash flows
- The Debt Service Ratio (DSR) is within the Fit for the Future benchmark of less than 20%.

Maintaining a maximum Debt Service Ratio below the industry benchmark of 20% in any one year is one of the key financial sustainability tests applied by the LTFP. During the current planning period, this test will be satisfied. Council's ability to service its debt remains strong for the entire period of the LTFP. The Debt Service Ratio is discussed further under the section Key Financial Indicators.

Council's outstanding debt at the end of 2020/21 stands at $22.4 million mainly from the acquisition of Council's investment property at 828 Pacific Highway, Gordon. The building has currently been fully leased out and will generate enough revenue over the life of the Plan to discharge the outstanding debt in future years. This principle aligns with Council's current funding strategy and the matching concept of "intergenerational equity".

Currently additional loans are reflected in the LTFP for the following purpose:

- $1 million reflected in the 2020/21 budget for future refurbishment of the Council administration and investment property to be repaid from net surplus from the investment property
- $13.5 million loan during 2021/22 to 2030/31, to fund Council's contribution to the new St Ives Indoor Sport Courts facility. This loan will be repaid across 10 years from general funds and proposed asset sales in 2026.

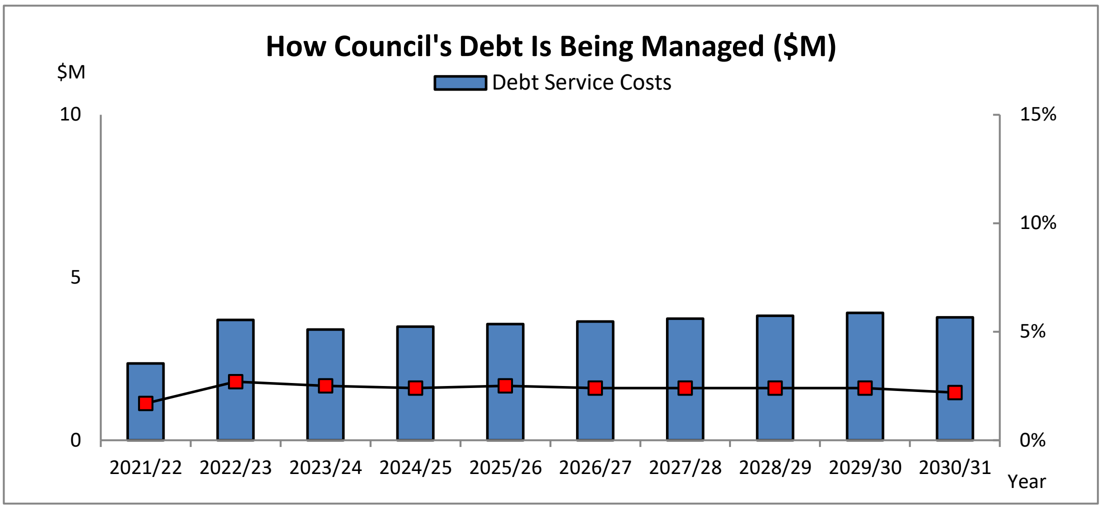
How Council's Debt is being managed

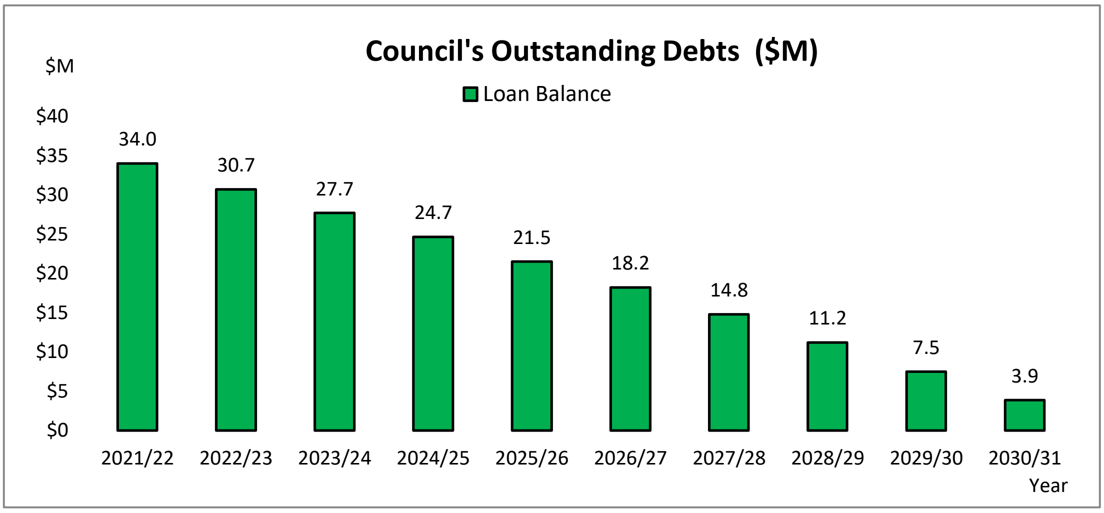
As described above, the LTFP includes a dynamic capital management strategy which continuously monitors:

- Actual need for loan funds based on actual expenditure occurring within projects designated for loan funding
- Obtaining loans under terms which not only offer the best interest rate but also offer maximum flexibility for repayment timing and/or further loan drawdown
- Updated forecasts of sources of loan repayment
- Updated reviews of operating budgets.

The LTFP provides for repayments of debt to occur on either a schedule specified by the terms of individual loans or at a time where funds are available and the overall cost of debt can be reduced by making opportunistic repayments.

The following charts show Council's projected outstanding debt and the net debt service cost for the next 10 years. Total Debt Service Cost includes total interest plus principal repayments.





Key Financial Indicators

The key financial indicators are industry accepted measures of financial health and sustainability. This section provides the financial ratios for Council's preferred scenario - Scenario 1 with additional funding for Infrastructure.

Council's future financial performance and position is measured against the Fit for the Future (FFTF) performance indicators. In addition to the standard FFTF indicators a new ratio has been included "Cost to bring assets to Agreed Service level". This new ratio is prescribed in the latest Draft Code of Accounting Practice (Special Schedules) released by the Office of Local Government (OLG) in April 2018. As per the OLG guidelines: "The ratio indicates proportion of the gross replacement cost of Council assets that have reached the intervention level set by Council based on the condition of the asset." This ratio is simply the sum of the outstanding renewal works, valued as the work will be undertaken, compared to the total replacement cost of Council's assets. The ratio provides a meaningful snapshot of the proportion of outstanding renewal works compared to the total infrastructure assets portfolio. Council's funding strategy addressed future budget decisions in relation to the outstanding works. This ratio is discussed in more detail in the Asset Management Strategy.

A summary of these indicators and their benchmarks is provided below.

Key Financial Indicators	Purpose of indicator	Benchmark
SUSTAINABILITY		
Operating Performance Ratio (Operating revenue excluding capital grants and contributions-operating expenses divided by Operating revenue excluding capital grants and contributions)	*To measure Council's ability to contain operating expenditure within operating revenue*	*>=break-even average over 3 years*
Own Source Revenue Ratio (Total Operating revenue less grants and contributions divided by total Operating revenue)	*To assess the degree of Council's dependence upon grants and contributions*	*>60% average over 3 years*
Building & Infrastructure Renewal Ratio (Asset renewals expenditure divided by depreciation, amortisations and impairment expenses)	*To assess the rates at which assets are renewed relative to the rate at which they are depreciated (consumed)*	*>100% average over 3 years*
INFRASTRUCTURE AND SERVICE MANAGEMENT		
Infrastructure Backlog Ratio (Estimated cost to bring assets to a satisfactory condition (from Special Schedule 7) divided by total infrastructure assets	*To measure the proportion of assets backlog against total value of Council's infrastructure assets*	*<2%*
Cost to agreed level of service (The sum of the outstanding renewal works, valued as the work will be undertaken, compared to the total replacement cost of Council's assets)	*The ratio indicates proportion of the gross replacement cost of Council assets that have reached the intervention level set by Council based on the condition of the asset*	*0*
Asset Maintenance Ratio (Actual maintenance expenditure divided by required annual asset maintenance)	*To assess the actual asset maintenance expenditure relative to required asset maintenance*	*>100% average over 3 years*
Debt Service Ratio (Net debt service cost divided by revenue from continuing operations)	*To assess the impact of loan principal and interest repayment on the discretionary revenue of Council*	*<20% average over 3 years*
EFFICIENCY		
Real Operating Expenditure per capita (Operating expenditure divided by total population)	*To asses real operational expenditure per capita*	*Decreasing*

The projected key financial indicators for Scenario 1 – with additional funding for Infrastructure are presented below.

Key Performance Indicators - Scenario 1

Description	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
SUSTAINABILITY										
Operating Performance Ratio	3.7%	1.6%	1.6%	1.0%	0.9%	1.0%	1.7%	1.8%	2.1%	2.3%
Own Source Revenue	81.1%	80.2%	79.3%	80.1%	79.9%	81.3%	80.2%	79.7%	79.7%	81.0%
Building & Infrastructure Asset Renewal Ratio	130%	119%	123%	126%	133%	108%	109%	103%	102%	103%
INFRASTRUCTURE AND SERVICE MANAGEMENT										
Infrastructure Backlog Ratio to Bring to Satisfactory	2.2%	1.7%	1.4%	0.9%	0.6%	0.6%	0.7%	0.9%	1.0%	1.1%
Infrastructure Backlog Ratio to bring to Agreed Level of Service	6.3%	5.7%	5.2%	4.8%	4.3%	4.1%	4.0%	3.9%	3.8%	3.7%
Asset Maintenance Ratio	107%	105%	103%	103%	104%	105%	105%	105%	106%	105%
Debt Service Ratio (3 year Av)	1.1%	1.7%	2.3%	2.5%	2.4%	2.4%	2.4%	2.4%	2.4%	2.3%
EFFICIENCY										
Real Operating expenditure (per capita)	983	973	966	963	944	944	939	942	931	933

Scenario 1 highlights Council's strong future financial position and performance as indicated by the financial ratios above.

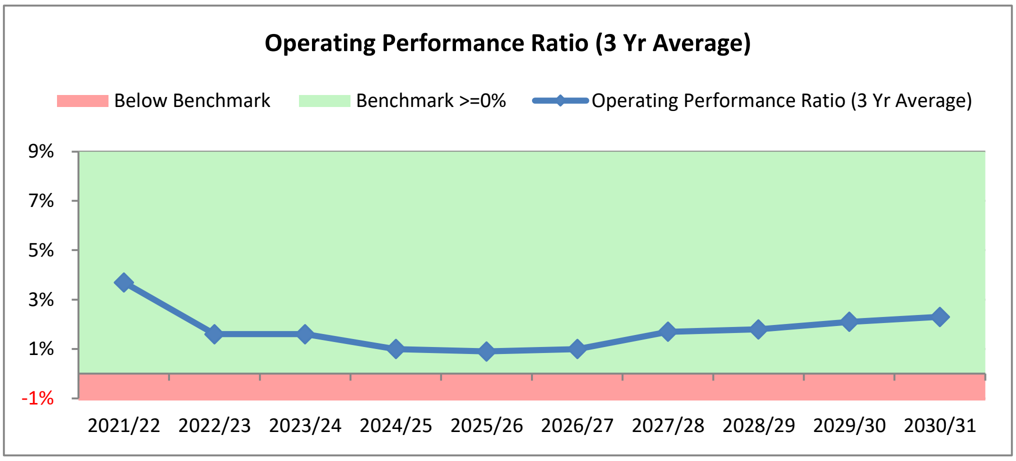
All FFTF financial indicators are meeting current industry benchmarks in all forecast years. Council adopted a new funding strategy for asset renewals, which will see the assets ratios significantly improve in future years. Council forecasts that the infrastructure backlog will be fully addressed after 2030/31 and will meet the current benchmark of 2% by 2022/23. The current funding strategy is discussed in detail under the Funding Strategy section in this document.

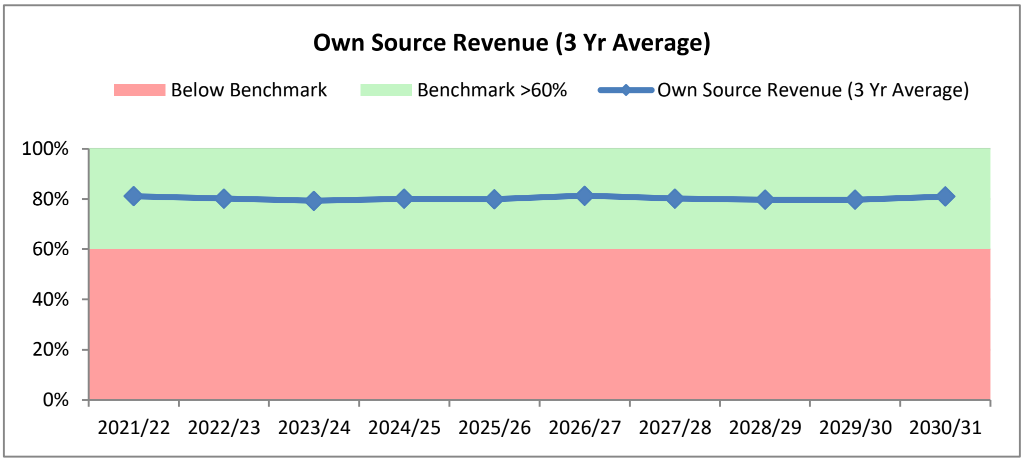
Sustainability Ratios: Operating Performance Ratio, Own Source Revenue Ratio and Infrastructure Backlog Ratio

Operating Performance Ratio is an important financial indicator for Council. Our long term financial sustainability is dependent upon ensuring that on average over time this indicator is positive, making sure that Council's expenses are below its associated revenue. This indicator excludes capital income and gain or loss on sale of assets.

Council's current performance ratio is above the benchmark, which means that Council can easily contain operating expenditure (excluding capital grants and contributions) within its operating revenue. The ratio outperforms the benchmark for the entire forecast period of the LTFP with an increasing trend starting from 2021/22 onwards.

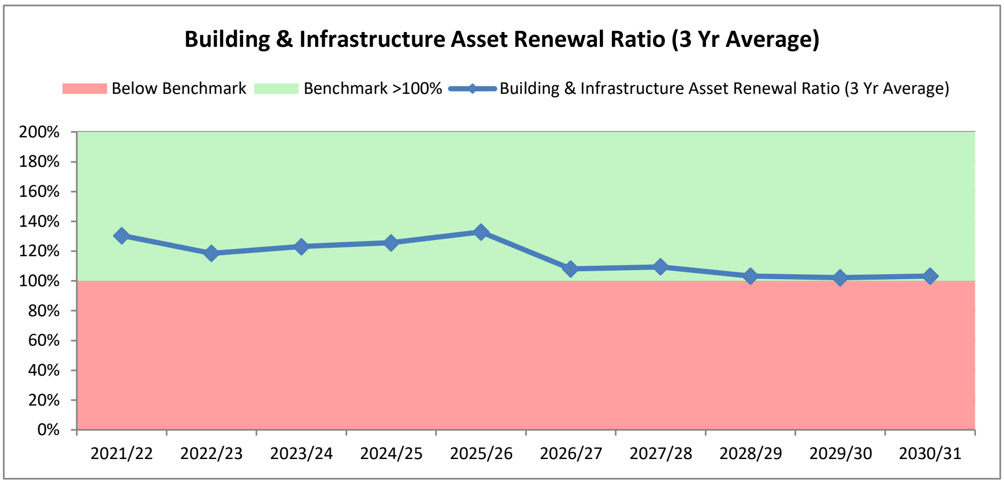
Own Source Revenue Ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions. Council's Own Source Operating Revenue Ratio remains above the benchmark of (>60%) in all future years. Council forecasts a sufficient level of fiscal flexibility, in the event of being faced with future unforeseen events.





Building & Infrastructure Asset renewals Ratio assesses Council's rate at which buildings and infrastructure assets are being renewed against the rate at which they are depreciating. An indicator of 100% indicates that the amount spent on asset renewals equals the amount of depreciation. Council's ratio stands at 150% in 2020/21 and will be above benchmark in all future years. This is due to additional expenditure on infrastructure renewal related to a number of major projects planned in the early years of the LTFP.

Council is continuing to focus on appropriate asset standards for renewal and maintenance.



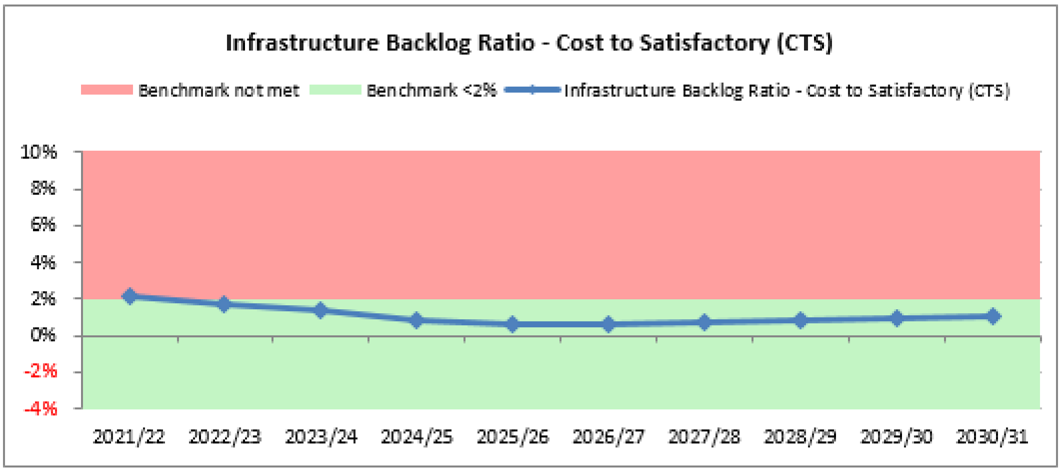
Infrastructure and Service Management: Infrastructure Backlog Ratio, Assets Maintenance Ratio and Debt Service Ratio

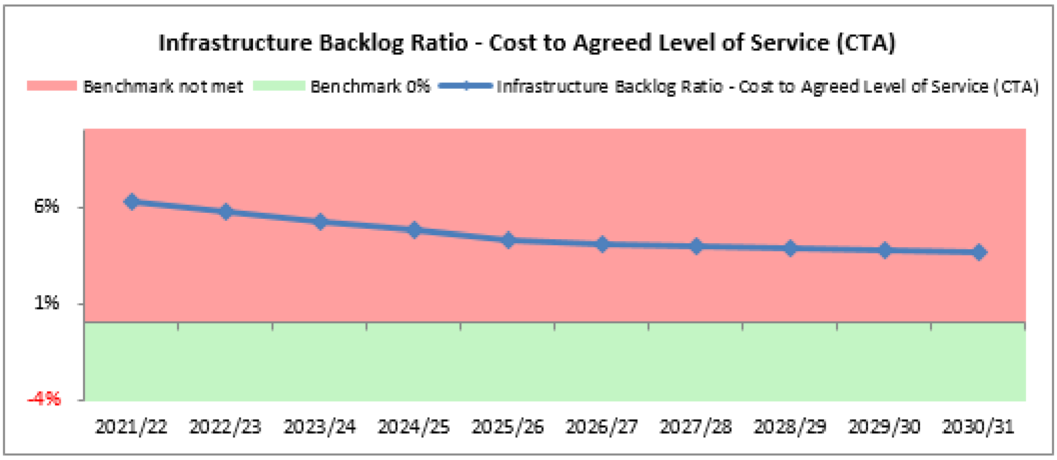
The Infrastructure Assets Ratios measure Council's ability to renew and maintain its asset base to decrease the infrastructure asset backlog in future years. Asset Ratios have been incorporated into Council's Asset Management Strategy and Asset Management Plans and are monitored within Council's Long Term Financial Plan. Council continues its commitment to maintain financial sustainability and decrease the infrastructure backlog.

Infrastructure Backlog Ratio measures what proportion the backlog is against the total value of Council's infrastructure. Council's Infrastructure Backlog Ratio has a positive downward trend in the first six years, recording a decrease from 2.2% in 2022 to 0.06% in 2027. The infrastructure backlog will achieve the benchmark of 2% by 2023 and will be fully addressed after 2031.

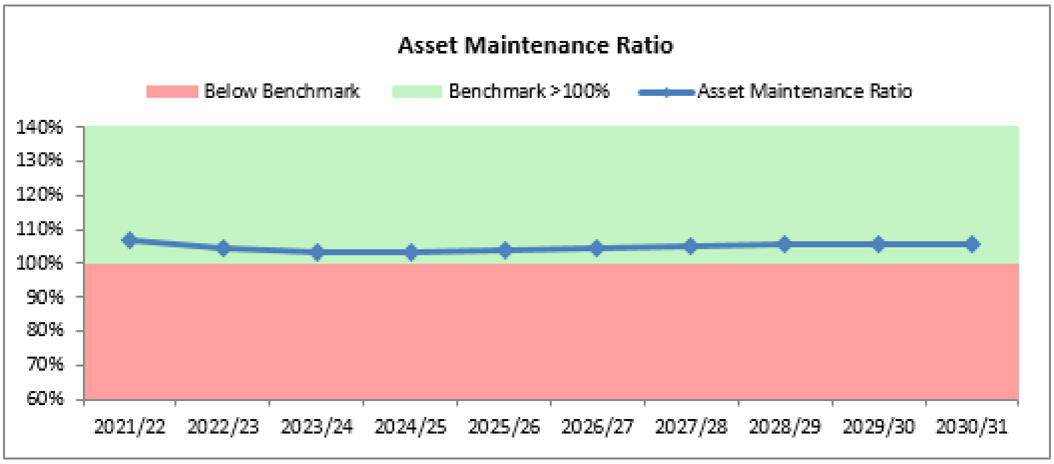
Cost to bring assets to Agreed Service level indicates the proportion of the gross replacement cost of Council assets that have reached the intervention level set by Council based on the condition of the asset. This ratio is simply the sum of the outstanding renewal works, valued as the work will be undertaken, compared to the total replacement cost of Council's assets. With the allocated amount of funding this liability can only be eliminated after 2030/31, unless Council identifies further additional funding in the earlier years of the LTFP.

Over 10 years of this financial plan a total of $260 million is invested into infrastructure asset renewals and the backlog, as well as the cost to agreed level of service is eliminated by the end of this financial plan.



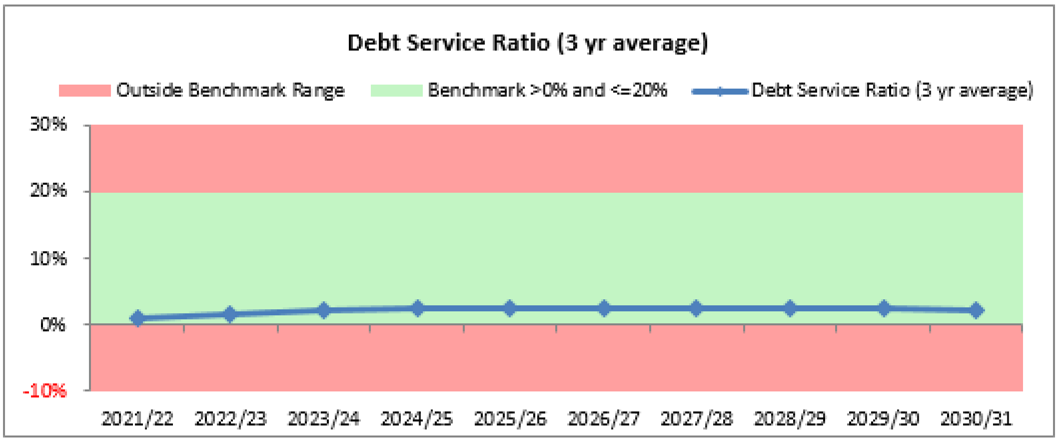


Council's Asset Maintenance Ratio is on average above benchmark at 104.9%. An indicator above 100% indicates Council is investing enough funds to stop the infrastructure backlog from growing. Council is committed to increase expenditure on asset maintenance in the future to stop the increase in infrastructure backlog. Asset maintenance expenditure is explained in more detail in the funding strategy section of this document.



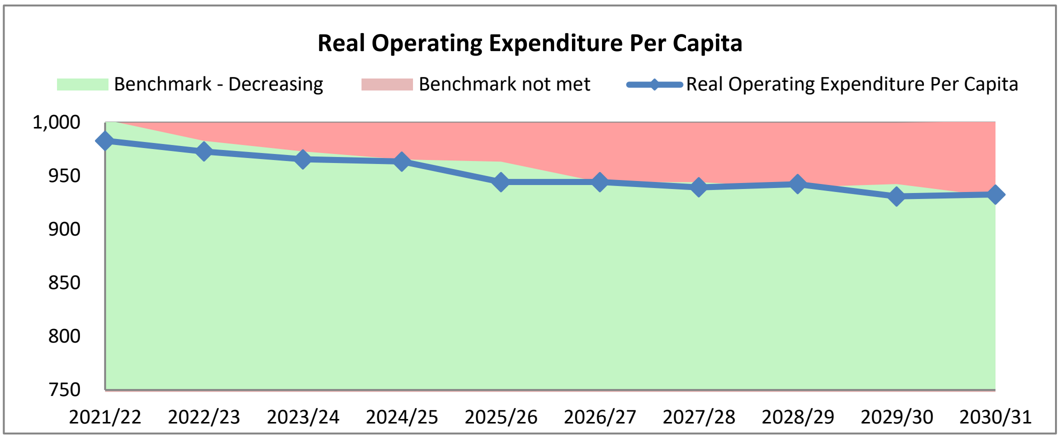
Debt Service Ratio: The purpose of the Debt Service Ratio is to assess the impact of loan principal and interest repayments on the discretionary revenue of Council. In accordance with Council's Long Term Financial Plan, borrowing is only undertaken in accordance with Council's borrowing principles outlined in this document.

Council's ability to service its debt remains strong for the entire period of the LTFP. As per Council's funding strategy, the outstanding debt is fully discharged by 2033 from general revenue, part asset sales and net revenue generated through leasing out Council's investment property. The level of Council's borrowing is discussed in more detail under Summary of Borrowing section of this document.



Efficiency Ratio: Real Operating Expenditure per Capita

This indicator compares operational expenditure to population and is a ratio that measures efficiency. Council forecasts a downward trend in all future years of the financial plan. A decrease in the operating expenditure per capita of approximately 1% per year will be achieved while maintaining the same level of service. It is worth mentioning that this can be achieved while maintaining a strong operating surplus in all future years after funding depreciation on infrastructure assets.



Conclusion

Ku-ring-gai Council is in a sound financial position. The LTFP provides for Operating Surpluses after allowing for the depreciation expense on Council's $1.553 billion portfolio of largely depreciable assets such as roads, footpaths, drains and buildings. If capital grants and contributions are excluded, the operating result remains in surplus throughout the 10 years of the LTFP. Council maintains healthy levels of working capital and reserves in the LTFP, and has a strategy in place to fund renewal of infrastructure assets and to manage its debt funding via identified sources of repayment from its investment property.

As part of the long term planning, Council has developed strategic asset management plans and is continuously reviewing and quantifying the renewal gap for infrastructure assets, identifying opportunities to broaden the revenue base, and reviewing its borrowing strategies.

The LTFP provides for the following:

- Meets all Fit for the Future Key Performance Indicators during the life of this Plan
- Achieves operating surpluses in all years
- Has affordable loan borrowing
- Meets benchmark for the infrastructure assets backlog (cost to satisfactory) and significantly reduces cost to agreed level of service while providing for ongoing renewal expenditure to match depreciation
- Invests in capital expenditure to provide new open space and community facilities for our growing community.

Appendix A - LTFP Forecasts and Assumptions

LTFP FORECASTS AND ASSUMPTIONS

	Projected 2021/22	Projected 2022/23	Projected 2023/24	Projected 2024/25	Projected 2025/26	Projected 2026/27	Projected 2027/28	Projected 2028/29	Projected 2029/30	Projected 2030/31
FORECASTS - ACCESS ECONOMICS										
Consumer Price Index (CPI)	1.0%	1.7%	2.2%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%
BBSW - 90 Day	0.1%	0.1%	0.2%	0.9%	0.9%	1.0%	1.1%	1.2%	1.3%	1.4%
INCOME ASSUMPTIONS										
Rates										
Rates Pegging Forecast	2.0%	2.0%	2.0%	2.0%	2.1%	2.2%	2.3%	2.3%	2.4%	2.4%
Rates Growth	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.8%	0.8%	0.8%	0.8%
Total Rates Change	2.7%	2.7%	2.7%	2.7%	2.8%	2.9%	3.1%	3.1%	3.2%	3.2%
Fees and Charges	1.6%	1.7%	2.2%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%
Domestic Waste Price Increase	0.0%	0.0%	0.0%	2.0%	2.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Pensioner Rebate Growth	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.8%	1.8%	1.8%	1.8%
Stormwater Management Charge (rates growth only)	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.8%	0.8%	0.8%	0.8%
Trade Waste - Annual Charges	1.6%	1.7%	2.2%	2.3%	2.3%	3.0%	3.0%	3.0%	3.0%	3.0%
Interest Income										
Interest Income - Rate	1.2%	1.2%	1.3%	2.0%	2.0%	2.1%	2.2%	2.3%	2.4%	2.5%
Grants Income										
Recurrent Grants (CPI)	1.0%	1.7%	2.2%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%
Capital Grants (CPI)	1.0%	1.7%	2.2%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%
Proceeds from Assets Sales										
Asset Sales	1,900	15,496	16,007	4,174	47,518	6,600	8,063	800	2,600	9,300
EXPENDITURE ASSUMPTIONS										
Labour Costs	2.8%	2.8%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%
Superannuation	10.0%	10.5%	11.0%	11.5%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%
Material & Contracts - Operational Expenditure										
Operating Expenses (CPI)	1.0%	1.7%	2.2%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%
Street Lighting Charges (IPART Decision)	1.0%	1.7%	2.2%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%
Building Electricity Charges (IPART)	1.0%	1.7%	2.2%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%
Water Charges (IPART Determination)	1.0%	1.7%	2.2%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%
Fire Levy (CPI)	1.0%	1.7%	2.2%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%
Planning Levy (CPI)	1.0%	1.7%	2.2%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%
Materials & Contracts - Capital Expenditure	1.0%	1.7%	2.2%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%
Borrowing Costs										
Loan Rate (95 bps over 90 BBSW or max of 3.4%)	1.1%	1.1%	1.2%	1.9%	1.9%	2.0%	2.1%	2.2%	2.3%	2.4%

Appendix B - Scenario 1 - Base Case Scenario additional funding for Infrastructure

10 Year Financial Plan for the Years ending 30 June 2031

Projected Income Statement
Scenario 1- Base Case Scenario with additional funding for Infrastructure

$'000	Projected 2021/22	Projected 2022/23	Projected 2023/24	Projected 2024/25	Projected 2025/26	Projected 2026/27	Projected 2027/28	Projected 2028/29	Projected 2029/30	Projected 2030/31
Income from Continuing Operations										
Rates & Annual Charges	92,426	95,548	97,906	100,358	102,948	105,874	109,029	112,163	115,468	119,124
User Charges & Fees	20,133	20,434	20,884	21,364	21,856	22,374	22,905	23,448	24,004	24,574
Interest & Investment Revenue	2,419	1,505	1,355	1,852	2,319	3,056	3,459	3,718	3,922	4,216
Other Revenues	12,287	12,507	12,824	13,158	13,502	13,854	14,217	14,589	14,972	15,365
Grants & Contributions for Operating Purposes	8,706	8,467	8,608	8,026	8,210	8,382	8,519	8,704	8,873	9,093
Grants & Contributions for Capital Purposes	23,364	17,659	31,661	21,157	23,109	26,757	31,173	30,187	29,541	24,853
Other Income:										
Net gains from the disposal of assets	1,900	14,330	13,649	3,773	24,159	6,600	7,917	800	2,600	9,300
Total Income from Continuing Operations	**161,235**	**170,450**	**186,887**	**169,688**	**196,103**	**186,897**	**197,219**	**193,609**	**199,380**	**206,525**
Total Income excluding Proceeds from Asset Sales & Capital Income	135,971	138,461	141,577	144,758	148,835	153,540	158,129	162,622	167,239	172,372
Expenses from Continuing Operations										
Employee Benefits & On-Costs	45,221	46,639	48,154	49,724	51,349	52,834	54,361	55,933	57,551	59,215
Borrowing Costs	458	407	382	452	400	358	310	255	194	134
Materials & Contracts	40,823	41,517	42,431	43,406	44,405	45,426	46,471	47,540	48,633	49,752
Depreciation & Amortisation	21,573	22,777	23,742	24,470	24,849	25,997	26,749	27,539	28,439	29,686
Other Expenses	18,566	18,796	19,159	19,599	20,051	20,512	20,984	21,467	21,960	22,465
Other Operational Projects Expenses	6,789	5,949	5,943	6,881	5,685	6,023	5,973	7,250	5,954	6,649
Total Expenses from Continuing Operations	**133,430**	**136,085**	**139,811**	**144,532**	**146,739**	**151,150**	**154,848**	**159,984**	**162,731**	**167,901**
Net Operating Result for the Year	**27,805**	**34,365**	**47,076**	**25,156**	**49,364**	**35,747**	**42,371**	**33,625**	**36,649**	**38,624**
Net Operating Result for the year before Grants & Contributions provided for Capital Purposes	4,441	16,706	15,415	3,999	26,255	8,990	11,198	3,438	7,108	13,771

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10 Year Financial Plan for the Years ending 30 June 2031

Projected Balance Sheet

Scenario 1- Base Case Scenario with additional funding for Infrastructure

$ '000	Projected 2021/22	Projected 2022/23	Projected 2023/24	Projected 2024/25	Projected 2025/26	Projected 2026/27	Projected 2027/28	Projected 2028/29	Projected 2029/30	Projected 2030/31
ASSETS										
Current Assets										
Cash & Cash Equivalents	19,824	30,118	31,331	33,823	35,214	38,382	41,667	37,479	36,284	40,018
Investments	52,000	34,800	24,900	25,200	45,800	50,400	53,000	55,100	57,400	59,300
Receivables	11,983	11,342	13,156	11,983	12,403	13,060	13,853	13,955	14,084	13,706
Inventories	197	197	197	197	197	197	197	197	197	197
Other	2,697	2,758	2,664	2,707	2,710	2,694	2,703	2,702	2,700	2,702
Non-Current Assets Held for Sale	1,166	2,358	401	23,359	-	146	-	-	-	1,781
Total Current Assets	**87,867**	**81,573**	**72,649**	**97,268**	**96,324**	**104,879**	**111,419**	**109,432**	**110,664**	**117,704**
Non-Current Assets										
Investments	61,144	40,763	29,317	29,567	53,757	59,159	62,202	64,669	67,455	69,538
Receivables	117	117	117	117	117	117	117	117	117	117
Infrastructure, Property, Plant & Equipment	1,612,978	1,666,098	1,730,434	1,728,488	1,752,031	1,771,302	1,801,376	1,831,908	1,861,434	1,888,178
Investment Property	46,170	46,170	46,170	46,170	46,170	46,170	46,170	46,170	46,170	46,170
Intangible Assets	804	687	570	453	336	220	103	- 14	- 131	- 248
Total Non-Current Assets	**1,721,212**	**1,753,835**	**1,806,608**	**1,804,795**	**1,852,411**	**1,876,968**	**1,909,968**	**1,942,850**	**1,975,045**	**2,003,756**
TOTAL ASSETS	**1,809,080**	**1,835,407**	**1,879,257**	**1,902,063**	**1,948,735**	**1,981,847**	**2,021,387**	**2,052,282**	**2,085,709**	**2,121,459**
LIABILITIES										
Current Liabilities										
Payables	27,589	22,466	21,866	22,142	22,197	22,424	22,575	22,960	22,996	23,285
Borrowings	1,903	3,286	3,021	3,033	3,164	3,289	3,422	3,566	3,720	3,639
Provisions	12,080	12,418	12,779	13,149	13,531	13,923	14,327	14,742	15,170	15,610
Total Current Liabilities	**41,572**	**38,171**	**37,665**	**38,324**	**38,892**	**39,636**	**40,324**	**41,269**	**41,885**	**42,534**
Non-Current Liabilities										
Payables	-	-	-	-	-	-	-	-	-	-
Borrowings	32,114	27,445	24,689	21,645	18,350	14,936	11,381	7,670	3,796	238
Provisions	300	308	317	326	336	345	355	366	376	387
Total Non-Current Liabilities	32,414	27,753	25,006	21,971	18,686	15,281	11,736	8,036	4,172	625
TOTAL LIABILITIES	**73,986**	**65,924**	**62,671**	**60,295**	**57,577**	**54,917**	**52,061**	**49,304**	**46,058**	**43,159**
Net Assets	**1,735,094**	**1,769,484**	**1,816,586**	**1,841,768**	**1,891,157**	**1,926,929**	**1,969,326**	**2,002,978**	**2,039,652**	**2,078,301**
EQUITY										
Retained Earnings	913,955	948,320	995,396	1,020,552	1,069,916	1,105,663	1,148,034	1,181,659	1,218,308	1,256,932
Revaluation Reserves	821,139	821,164	821,190	821,216	821,241	821,266	821,293	821,319	821,344	821,369
Council Equity Interest	**1,735,094**	**1,769,484**	**1,816,586**	**1,841,768**	**1,891,157**	**1,926,929**	**1,969,326**	**2,002,978**	**2,039,652**	**2,078,301**
Total Equity	**1,735,094**	**1,769,484**	**1,816,586**	**1,841,768**	**1,891,157**	**1,926,929**	**1,969,326**	**2,002,978**	**2,039,652**	**2,078,301**

10 Year Financial Plan for the Years ending 30 June 2031

Projected Cash Flow Statement
Scenario 1- Base Case Scenario with additional funding for Infrastructure

$ '000	Projected 2021/22	Projected 2022/23	Projected 2023/24	Projected 2024/25	Projected 2025/26	Projected 2026/27	Projected 2027/28	Projected 2028/29	Projected 2029/30	Projected 2030/31
Cash Flows from Operating Activities										
Receipts:										
Rates & Annual Charges	91,906	96,189	96,093	101,531	102,528	105,217	108,237	112,061	115,339	119,502
User Charges & Fees	20,133	20,434	20,884	21,364	21,856	22,374	22,905	23,448	24,004	24,574
Investment & Interest Revenue Received	2,419	1,505	1,355	1,852	2,319	3,056	3,459	3,718	3,922	4,216
Grants & Contributions	32,070	26,126	40,269	29,183	31,319	35,139	39,692	38,891	38,414	33,946
Bonds, Deposits, Retention amounts received	-	-	-	-	-	-	-	-	-	-
Other	12,127	12,446	12,918	13,116	13,499	13,870	14,207	14,590	14,975	15,363
Payments:										
Employee Benefits & On-Costs	- 44,884	- 46,292	- 47,785	- 49,344	- 50,958	- 52,432	- 53,947	- 55,507	- 57,113	- 58,764
Materials & Contracts	- 41,072	- 46,640	- 43,031	- 43,130	- 44,350	- 45,199	- 46,320	- 47,155	- 48,598	- 49,463
Borrowing Costs	- 458	- 407	- 382	- 452	- 400	- 358	- 310	- 255	- 194	- 134
Bonds, Deposits, Retention amounts refunded	-	-	-	-	-	-	-	-	-	-
Other	- 25,355	- 24,745	- 25,102	- 26,480	- 25,736	- 26,535	- 26,957	- 28,717	- 27,914	- 29,114
Net Cash provided (or used) in Operating Activities	**46,886**	**38,616**	**55,218**	**47,639**	**50,077**	**55,132**	**60,966**	**61,074**	**62,835**	**60,126**
Cash Flows from Investing Activities										
Receipts:										
Sale of investment securities	77,971	138,513	143,773	122,925	85,210	119,997	124,357	125,433	124,914	126,016
Sale of Infrastructure, Property, Plant & Equipment	1,900	15,496	16,007	4,174	47,518	6,600	8,063	800	2,600	9,300
Payments:										
Purchase of investment securities	- 62,437	- 100,932	- 122,428	- 123,474	- 130,000	- 130,000	- 130,000	- 130,000	- 130,000	- 130,000
Purchase of investment property	-	-	-	-	-	-	-	-	-	-
Purchase of Infrastructure, Property, Plant & Equipment	- 80,409	- 78,048	- 88,272	- 45,676	- 48,185	- 45,207	- 56,616	- 57,864	- 57,758	- 58,004
Purchase of Intangible Assets	-	-	-	-	-	-	-	-	-	-
Net Cash provided in Investing Activities	**- 62,975**	**- 24,971**	**- 50,919**	**- 42,051**	**- 45,457**	**- 48,610**	**- 54,195**	**- 61,631**	**- 60,244**	**- 52,688**
Cash Flows from Financing Activities										
Receipts:										
Proceeds from Borrowings & Advances	13,500	-	-	-	-	-	-	-	-	-
Payments:										
Repayments of Borrowings & Advances	- 1,903	- 3,286	- 3,021	- 3,033	- 3,164	- 3,289	- 3,422	- 3,566	- 3,720	- 3,639
Lease Liabilities (Principal Repayment)	- 65	- 65	- 65	- 65	- 65	- 65	- 65	- 65	- 65	- 65
Net Cash provided in Financing Activities	11,532	- 3,351	- 3,086	- 3,098	- 3,229	- 3,354	- 3,487	- 3,631	- 3,785	- 3,704
Net Increase/(Decrease) in Cash & Cash Equivalents	**- 4,557**	**10,294**	**1,213**	**2,490**	**1,391**	**3,168**	**3,284**	**- 4,189**	**- 1,194**	**3,734**
Plus: Cash & Cash Equivalents - beginning of year	24,382	19,824	30,118	31,331	33,823	35,214	38,382	41,667	37,479	36,284
Cash & Cash Equivalents - end of year	19,824	30,118	31,330	33,822	35,214	38,382	41,666	37,478	36,285	40,018
Plus: Investments on hand - end of year	113,144	75,563	54,217	54,767	99,557	109,559	115,202	119,769	124,855	128,838
Total Cash, Cash Equivalents & Investments	**132,968**	**105,681**	**85,548**	**88,589**	**134,771**	**147,942**	**156,868**	**157,247**	**161,139**	**168,856**

Appendix C - Scenario 2 - Scenario with reduced funding for Infrastructure

10 Year Financial Plan for the Years ending 30 June 2031

Projected Income Statement

Scenario 2 - Scenario with reduced funding for Infrastructure

$'000	Projected 2021/22	Projected 2022/23	Projected 2023/24	Projected 2024/25	Projected 2025/26	Projected 2026/27	Projected 2027/28	Projected 2028/29	Projected 2029/30	Projected 2030/31
Income from Continuing Operations										
Rates & Annual Charges	92,426	95,548	97,906	100,358	102,948	105,874	109,029	112,163	115,468	119,124
User Charges & Fees	20,133	20,434	20,884	21,364	21,856	22,374	22,905	23,448	24,004	24,574
Interest & Investment Revenue	2,404	1,498	1,377	1,939	2,467	3,267	3,719	4,092	4,448	4,829
Other Revenues	12,287	12,507	12,824	13,158	13,502	13,854	14,217	14,589	14,972	15,365
Grants & Contributions for Operating Purposes	8,706	8,467	8,608	8,026	8,210	8,382	8,519	8,704	8,873	9,093
Grants & Contributions for Capital Purposes	23,364	17,659	31,661	21,157	23,109	26,757	31,173	30,187	29,541	24,853
Other Income:										
Net gains from the disposal of assets	-	12,930	12,549	673	21,959	-	417	-	-	-
Total Income from Continuing Operations	**159,320**	**169,043**	**185,809**	**166,675**	**194,051**	**180,508**	**189,979**	**193,183**	**197,306**	**197,838**
Total Income excluding Proceeds from Asset Sales & Capital Income	135,956	138,454	141,599	144,845	148,983	153,751	158,389	162,996	167,765	172,985
Expenses from Continuing Operations										
Employee Benefits & On-Costs	45,221	46,639	48,154	49,724	51,349	52,834	54,361	55,933	57,551	59,215
Borrowing Costs	458	407	382	452	400	358	310	255	194	134
Materials & Contracts	40,823	41,517	42,431	43,406	44,405	45,426	46,471	47,540	48,633	49,752
Depreciation & Amortisation	21,573	22,777	23,742	24,470	24,849	25,997	26,749	27,539	28,439	29,686
Other Expenses	18,566	18,796	19,159	19,599	20,051	20,512	20,984	21,467	21,960	22,465
Other Operational Projects Expenses	6,789	5,949	5,943	6,881	5,685	6,023	5,973	7,250	5,954	6,649
Total Expenses from Continuing Operations	**133,430**	**136,085**	**139,811**	**144,532**	**146,739**	**151,150**	**154,848**	**159,984**	**162,731**	**167,901**
Net Operating Result for the Year	**25,890**	**32,958**	**45,998**	**22,143**	**47,312**	**29,358**	**35,131**	**33,199**	**34,575**	**29,937**
Net Operating Result for the year before Grants & Contributions provided for Capital Purposes	2,526	15,299	14,337	986	24,203	2,601	3,958	3,012	5,034	5,084

10 Year Financial Plan for the Years ending 30 June 2031

Projected Balance Sheet

Scenario 2 - Scenario with reduced funding for Infrastructure

$ '000	Projected 2021/22	Projected 2022/23	Projected 2023/24	Projected 2024/25	Projected 2025/26	Projected 2026/27	Projected 2027/28	Projected 2028/29	Projected 2029/30	Projected 2030/31
ASSETS										
Current Assets										
Cash & Cash Equivalents	19,909	31,606	36,097	40,959	46,283	50,909	56,541	59,373	63,313	67,786
Investments	51,500	34,200	24,300	24,500	45,100	49,600	52,200	54,200	56,500	58,200
Receivables	11,983	11,342	13,156	11,983	12,403	13,060	13,853	13,955	14,084	13,706
Inventories	197	197	197	197	197	197	197	197	197	197
Other	2,697	2,758	2,664	2,707	2,710	2,694	2,703	2,702	2,700	2,702
Non-Current Assets Held for Sale	1,166	2,358	401	23,359	-	146	-	-	-	1,781
Total Current Assets	**87,452**	**82,462**	**76,814**	**103,705**	**106,692**	**116,606**	**125,493**	**130,427**	**136,793**	**144,372**
Non-Current Assets										
Investments	60,380	40,143	28,599	28,836	52,923	58,329	61,271	63,591	66,269	68,371
Receivables	117	117	117	117	117	117	117	117	117	117
Infrastructure, Property, Plant & Equipment	1,611,142	1,661,407	1,721,486	1,714,269	1,731,930	1,743,449	1,764,036	1,787,369	1,809,796	1,827,295
Investment Property	46,170	46,170	46,170	46,170	46,170	46,170	46,170	46,170	46,170	46,170
Intangible Assets	804	687	570	453	336	220	103	- 14	- 131	- 248
Total Non-Current Assets	**1,718,613**	**1,748,524**	**1,796,942**	**1,789,845**	**1,831,476**	**1,848,285**	**1,871,697**	**1,897,234**	**1,922,221**	**1,941,705**
TOTAL ASSETS	**1,806,064**	**1,830,985**	**1,873,756**	**1,893,550**	**1,938,169**	**1,964,891**	**1,997,191**	**2,027,661**	**2,059,014**	**2,086,077**
LIABILITIES										
Current Liabilities										
Payables	27,589	22,466	21,866	22,142	22,197	22,424	22,575	22,960	22,996	23,285
Borrowings	1,903	3,286	3,021	3,033	3,164	3,289	3,422	3,566	3,720	3,639
Provisions	12,080	12,418	12,779	13,149	13,531	13,923	14,327	14,742	15,170	15,610
Total Current Liabilities	**41,572**	**38,171**	**37,665**	**38,324**	**38,892**	**39,636**	**40,324**	**41,269**	**41,885**	**42,534**
Non-Current Liabilities										
Payables	-	-	-	-	-	-	-	-	-	-
Borrowings	32,114	27,445	24,689	21,645	18,350	14,936	11,381	7,670	3,796	238
Provisions	300	308	317	326	336	345	355	366	376	387
Total Non-Current Liabilities	32,414	27,753	25,006	21,971	18,686	15,281	11,736	8,036	4,172	625
TOTAL LIABILITIES	**73,986**	**65,924**	**62,671**	**60,295**	**57,577**	**54,917**	**52,061**	**49,304**	**46,058**	**43,159**
Net Assets	**1,732,079**	**1,765,062**	**1,811,085**	**1,833,254**	**1,880,591**	**1,909,974**	**1,945,130**	**1,978,357**	**2,012,956**	**2,042,918**
EQUITY										
Retained Earnings	910,940	943,898	989,896	1,012,039	1,059,351	1,088,709	1,123,840	1,157,039	1,191,614	1,221,551
Revaluation Reserves	821,139	821,164	821,189	821,215	821,240	821,265	821,290	821,318	821,342	821,367
Council Equity Interest	**1,732,079**	**1,765,062**	**1,811,085**	**1,833,254**	**1,880,591**	**1,909,974**	**1,945,130**	**1,978,357**	**2,012,956**	**2,042,918**
Total Equity	**1,732,079**	**1,765,062**	**1,811,085**	**1,833,254**	**1,880,591**	**1,909,974**	**1,945,130**	**1,978,357**	**2,012,956**	**2,042,918**

10 Year Financial Plan for the Years ending 30 June 2031

Projected Cash Flow Statement

Scenario 2 - Scenario with reduced funding for Infrastructure

$ '000	Projected 2021/22	Projected 2022/23	Projected 2023/24	Projected 2024/25	Projected 2025/26	Projected 2026/27	Projected 2027/28	Projected 2028/29	Projected 2029/30	Projected 2030/31
Cash Flows from Operating Activities										
Receipts:										
Rates & Annual Charges	91,906	96,189	96,093	101,531	102,528	105,217	108,237	112,061	115,339	119,502
User Charges & Fees	20,133	20,434	20,884	21,364	21,856	22,374	22,905	23,448	24,004	24,574
Investment & Interest Revenue Received	2,404	1,498	1,377	1,939	2,467	3,267	3,719	4,092	4,448	4,829
Grants & Contributions	32,070	26,126	40,269	29,183	31,319	35,139	39,692	38,891	38,414	33,946
Bonds, Deposits, Retention amounts received	-	-	-	-	-	-	-	-	-	-
Other	12,127	12,446	12,918	13,116	13,499	13,870	14,207	14,590	14,975	15,363
Payments:										
Employee Benefits & On-Costs	- 44,884	- 46,292	- 47,785	- 49,344	- 50,958	- 52,432	- 53,947	- 55,507	- 57,113	- 58,764
Materials & Contracts	- 41,072	- 46,640	- 43,031	- 43,130	- 44,350	- 45,199	- 46,320	- 47,155	- 48,598	- 49,463
Borrowing Costs	- 458	- 407	- 382	- 452	- 400	- 358	- 310	- 255	- 194	- 134
Bonds, Deposits, Retention amounts refunded	-	-	-	-	-	-	-	-	-	-
Other	- 25,355	- 24,745	- 25,102	- 26,480	- 25,736	- 26,535	- 26,957	- 28,717	- 27,914	- 29,114
Net Cash provided (or used) in Operating Activities	**46,871**	**38,609**	**55,240**	**47,726**	**50,225**	**55,343**	**61,226**	**61,448**	**63,361**	**60,739**
Cash Flows from Investing Activities										
Receipts:										
Sale of investment securities	79,413	139,696	145,168	124,286	85,313	120,094	124,458	125,680	125,023	126,198
Sale of Infrastructure, Property, Plant & Equipment	-	14,096	14,907	1,074	45,318	-	563	-	-	-
Payments:										
Purchase of investment securities	- 63,716	- 102,159	- 123,724	- 124,723	- 130,000	- 130,000	- 130,000	- 130,000	- 130,000	- 130,000
Purchase of investment property	-	-	-	-	-	-	-	-	-	-
Purchase of Infrastructure, Property, Plant & Equipment	- 78,573	- 75,193	- 84,015	- 40,405	- 42,303	- 37,455	- 47,129	- 50,665	- 50,658	- 48,759
Purchase of Intangible Assets	-	-	-	-	-	-	-	-	-	-
Net Cash provided in Investing Activities	**- 62,875**	**- 23,560**	**- 47,664**	**- 39,767**	**- 41,672**	**- 47,361**	**- 52,108**	**- 54,986**	**- 55,635**	**- 52,561**
Cash Flows from Financing Activities										
Receipts:										
Proceeds from Borrowings & Advances	13,500	-	-	-	-	-	-	-	-	-
Payments:										
Repayments of Borrowings & Advances	- 1,903	- 3,286	- 3,021	- 3,033	- 3,164	- 3,289	- 3,422	- 3,566	- 3,720	- 3,639
Lease Liabilities (Principal Repayment)	- 65	- 65	- 65	- 65	- 65	- 65	- 65	- 65	- 65	- 65
Net Cash provided in Financing Activities	11,532	- 3,351	- 3,086	- 3,098	- 3,229	- 3,354	- 3,487	- 3,631	- 3,785	- 3,704
Net Increase/(Decrease) in Cash & Cash Equivalents	**- 4,473**	**11,698**	**4,490**	**4,861**	**5,323**	**4,628**	**5,631**	**2,831**	**3,941**	**4,474**
Plus: Cash & Cash Equivalents - beginning of year	24,382	19,909	31,606	36,097	40,959	46,283	50,909	56,541	59,373	63,313
Cash & Cash Equivalents - end of year	19,909	31,607	36,096	40,958	46,283	50,910	56,540	59,372	63,314	67,786
Plus: Investments on hand - end of year	111,880	74,343	52,899	53,336	98,023	107,929	113,471	117,791	122,769	126,571
Total Cash, Cash Equivalents & Investments	**131,789**	**105,950**	**88,995**	**94,293**	**144,306**	**158,840**	**170,012**	**177,163**	**186,082**	**194,357**

Contact Us

For assistance or information regarding any of Council's services or facilities please contact us.

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