Long Term Financial Plan 2020- 2030

Shellharbour
CITY COUNCIL

Contents

Introduction

The Long Term Financial Plan (LTFP) is an important part of Council's strategic planning process, as it is used to model various scenarios. It is also used to inform and guide future action and to allow Council to identify financial issues at an earlier stage. The LTFP provides a means to forecast Shellharbour City Council's capacity to provide financial resources to meet the Objectives of the Community Strategic Plan.

Council's Sustainable Financial Strategy supports the LTFP by providing direction and context. The LTFP is developed in conjunction with the Asset Management Plans and Workforce Management Plan and incorporates the strategies and actions contained within Council's Delivery Program.

The LTFP is for a period of ten years and includes the following:

- the planning assumptions used to develop the plan
- projected income and expenditure, balance sheet and cash-flow statement
- sensitivity analysis
- monitoring financial performance and sustainability

The primary purpose of this LTFP is to facilitate effective financial decision-making which is informed by the short, medium and long term expectations of the community.

The LTFP is reviewed on an annual basis, with a major review process undertaken in line with the review of the Community Strategic Plan.

A Financially Sustainable Future

Council's key objective is to be financially sustainable over the short, medium and long terms to meet community's specific needs. At its meeting on 13 March 2018, Council endorsed the "Sustainable Financial Strategy".

The 2020/21 Operational Plan and 2019-20 Delivery Program have been prepared within the context of the endorsed strategy. Council will demonstrate financial sustainability to the Community by implementing 11 Key Financial Objectives contained within the four principles below.

Principles
PRINCIPLE A - Council spending should be responsible and sustainable, aligning general revenue and expenses

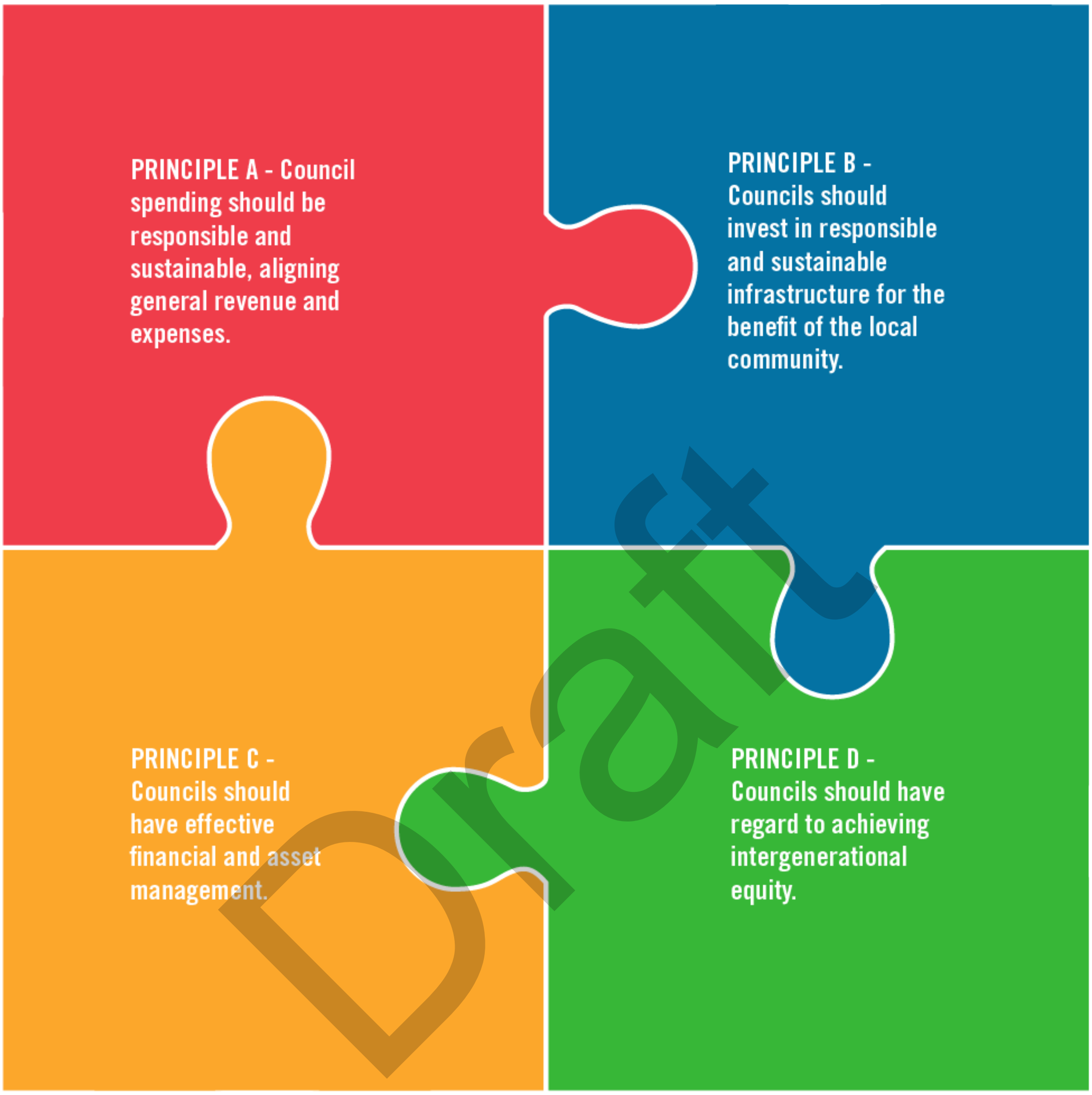
PRINCIPLE B - Councils should invest in responsible and sustainable infrastructure for the benefit of the local community

PRINCIPLE C - Councils should have effective financial and asset management

PRINCIPLE D - Councils should have regard to achieving intergenerational equity

Council has applied the 11 Key Financial Objectives below to the 2020/21 Operational Plan and 2018-21 Delivery program to ensure financial sustainability.

Council's Principles of Sound Financial Management



Council's Principles of Sound Financial Management

PRINCIPLE A
- Council spending should be responsible and sustainable, aligning general revenue and expenses

Key Objective 1	**Financially sustainable over the short, medium and long term to meet community's specific needs.**

Actions

- Maintaining a professional finance team.
- Ensuring an effective "Integrating Planning & Reporting" (IP&R) process throughout Council.
- Having Operating Performance Ratio as a key assessment criteria for Council's strategic decisions.
- Council integrates FFtF and Cash reporting within the Quarterly Operational Plan Review, Delivery Program (updated annually for the Council term) and the LTFP (updated annually for a 10 Year outlook).

Outcomes

- Council access attractive TCorp borrow rates to reduce costs and drive further investment into the community.
- Council will demonstrate to the community and other stakeholders that it is financially responsible and efficiently meets the needs of the community today and into the future.

Measure - Fit For the Future (FFtF) Ratio & Other Metrics

- Council achieves all (FFtF) ratios and cash ratio and be deemed "Fit" by the Office of Local Government (OLG).

Key Objective 2	Optimise returns from Council’s commercial ventures thereby reducing burden for rate payers and minimising revenue volatility.

Actions

- Develop a Shell Cove Business Plan that creates a surplus from commercial enterprises to fund ongoing maintenance of the precinct and providing a dividend to Council.
- Links Shell Cove business to produce a net surplus (after depreciation) and thereby providing a dividend to Council.
- Complete the Links Shell Cove precinct sub-division and investigate further sub-division options.
- Expand commercial operations (including regular passenger transport services) at the airport precinct.
- Have a working group focusing on increasing returns from Council owned surplus land.
- Further commercialise business plans for Council’s enterprises.
- Ensure all commercial ventures business plans are reviewed and updated regularly.

Outcomes

- Increasing the performance of commercial assets/ventures that provide a net positive return to Council.
- Contributing positively to the Own Source Revenue and Operating Performance FFtF ratios.
- Assists in reducing the need for special rate variations.
- Improve commercial returns for the wholesale nursery, Shellharbour Tourist Caravan Park and the Sand Mine.

Measure - Fit For the Future (FFtF) Ratio & Other Metrics

- Achieve the FFtF Own Source Revenue target of 60% each year with aspiration goal of increasing the percentage year-on-year.
- Assists Council in achieving the Operating Performance ratio.

Key Objective 3	Council will continually review its services to better define service requirements and refine delivery methods.

Actions

- Determine costs of providing services and compare to industry benchmarks.
- Develop service levels and further refine existing service levels to align with community expectation to minimise over-servicing (spending).

Outcomes

- Increasing the awareness of whole of-life costs in providing services to the community and further drive efficiencies.
- Minimise the burden to general rate payers of non-commercial ventures.

Measure - Fit For the Future (FFtF) Ratio & Other Metrics

- Assists Council in achieving the Operating Performance ratio.

Key Objective 4	Adequately resourced cross-functional sustainability teams will be formed to address specific risks to Council's financial sustainability.

Actions

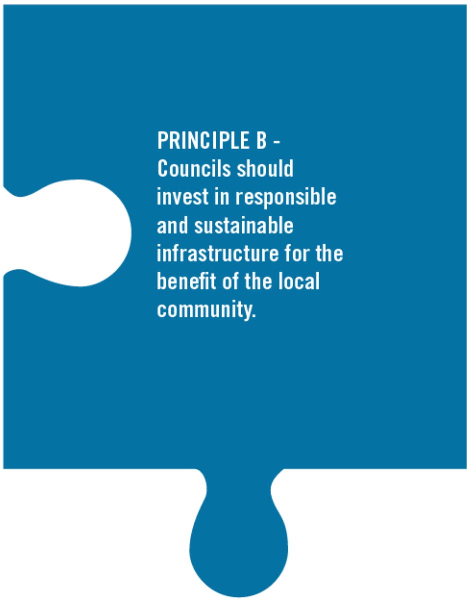
- Cross functional sustainable teams will be formed to address specific risks to Council's financial sustainability.
- Teams will consist of subject matter experts who are resourced to identify and implement solutions.

Outcomes

- Significant risks to Council's financial sustainability is timely identified and mitigated.

Measure - Fit For the Future (FFtF) Ratio & Other Metrics

- Assists Council in achieving the Operating Performance ratio and other FFtF ratios.



PRINCIPLE B
- Councils should invest in responsible and sustainable infrastructure for the benefit of the local community

Key Objective 5	**Council will systematically assess asset conditions and determine funding to ensure desired condition levels are achieved at the best value for Council.**

Actions

- The Community will be engaged to determine service levels. Council's Asset Management Plan (AMP) will reflect community expectations and prioritise assets spending.
- Continue with Council's asset conditional assessment program to reduce maintenance expenditure within the Delivery Program.
- Implementing processes to enable whole of life costing for assets.
- Ensure the appropriate classification of asset renewal expenditure and asset maintenance exist.
- Implement a program that ensures Infrastructure Renewal ratio greater than 100% annually per Council's Asset Management Plan.
- Further refine the program that identifies the frequency and method of conditional assessments for infrastructure assets to ensure the Infrastructure Backlog Ratio is less than 2% as per Special Schedule 7 requirements contained within Council's Asset Management plan.
- Implement a program that ensures infrastructure assets maintenance is greater than 100% as per Special Schedule 7 requirements contained within Council's Asset Management plan.
- Enhance the community asset strategy that ensures community assets are safe, well maintained and fit for purpose.
- Educate the community on the costs associated with maintaining assets according to the various condition categories and benchmark with peer councils.

Outcomes

- Achieve Special Schedule 7 Compliance by prioritising expenditure and ensuring sufficient type of expenditure is performed on infrastructure assets.
- Strategic Asset Management Plan is integrated within the Operating Plan, Delivery Program and LTFP thereby guaranteeing funding

Measure - Fit For the Future (FFtF) Ratio & Other Metrics

- Infrastructure Renewal ratio greater than 100%.
- Infrastructure Backlog ratio less than 2%.
- Asset Maintenance ratio is greater than 100% which indicates Council is investing enough funds to reduce the infrastructure backlog.

Key Objective 6 — Council's Delivery Program will be used to determine infrastructure service levels and funding to meet community expectations.

Actions

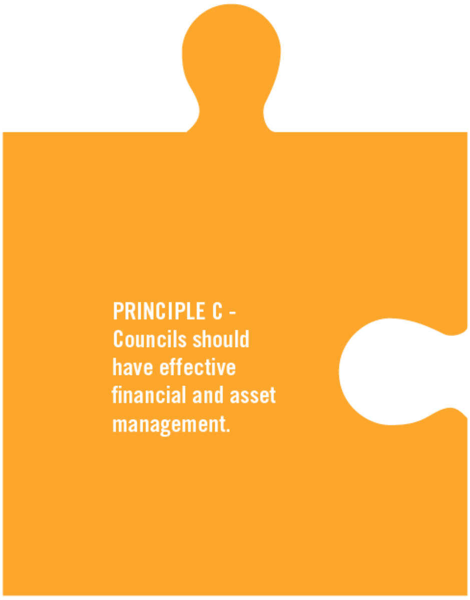
- The Sustainable Financial Strategy will provide the overall parameters for asset related FFtF ratios and funding availability.
- Asset Management Plan (AMP) is prepared at a project level within required FFtF parameters.
- Ensure the AMP is integrated with the Delivery Program

Outcomes

- Community infrastructure service levels and relevant FFtF ratios will be met within the Delivery Program.
- As the Delivery Program contains project level detail, information will be available for strategic decision makers to make infrastructure changes and remain within FFtF parameters.

Measure - Fit For the Future (FFtF) Ratio & Other Metrics

- Assists Council in achieving the FFtF ratios, Infrastructure Renewal ratio, Infrastructure Backlog ratio and Asset Maintenance ratio.
- Assists Council in achieving the Unrestricted Current ratio.



PRINCIPLE C
- Councils should have effective financial and asset management

Key Objective 7	**Financial Reporting of operational performance must be accurate and transparent to ensure Council is accountable for the efficient use of community resources.**

Actions

- Council continues with the ‘Budgeting for Outcomes’ architecture that enables Council to monitor the costs of the Objectives contained within the Community Strategic Plan (CSP).
- Regular and rigorous reporting regime that identifies current and future variances, risks to the operational plan that enables timely corrective action.
- Continue to develop Council’s finance partnering model so finance staff increase their understanding of Council’s activities and increase the financial acumen of Council officers.

Outcomes

- The ‘Budgeting for Outcomes’ model enables Council to identify the true cost of achieving the community’s Objectives within the CSP which drives efficiencies and improves strategic planning.
- Council’s finance partnering model, will educate Council officers of the financial impact of their activities and how they will be held to account for their financial performance.
- Council officers will be held to account to ensure Council resources are efficiently utilised.

Measure - Fit For the Future (FFtF) Ratio & Other Metrics

- Real Operating Expenditure ratio declined over time.
- Achieve Operating Performance ratio.

Key Objective 8	Effective Capital Expenditure Framework will ensure capital expenditure is sufficiently planned, scoped, approved and regularly monitored to maximise infrastructure delivered to the community.

Actions

- Rollout the new Procurement Policy and Procurement Procedures to ensure capital expenditure procurement roles and responsibilities are clear and individuals are held accountable.
- Rollout the recently developed capital reporting framework that ensures capital expenditure is appropriately approved with the project manager being held to account for phasing, forecasting and project risk mitigation.

Outcomes

- Council officers involved in capital expenditure are held to account resulting in predictable and efficient capital expenditure.

Measure - Fit For the Future (FFtF) Ratio & Other Metrics

- Infrastructure Renewal ratio greater than 100%
- Infrastructure Backlog ratio less than 2%
- Asset Maintenance ratio is greater than 100% which indicates Council is investing enough funds to reduce the infrastructure backlog.

Key Objective 9	Having a financially sustainable culture supported by effective Policies and Procedures ensures all Council officers are accountable to deliver services to the community efficiently.

Actions

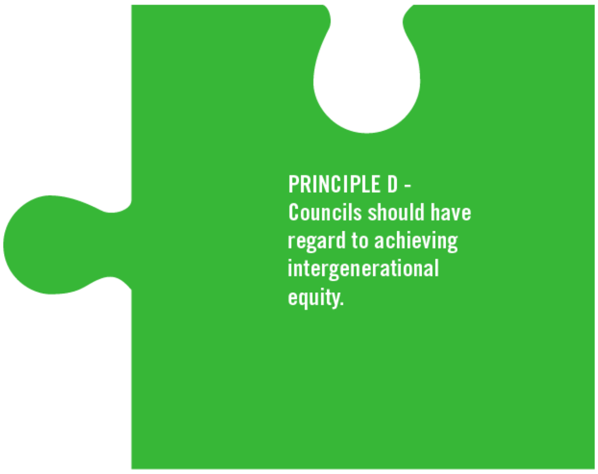
- The Quarterly Operational Plan Review process has been updated to include year-end forecasting and year-to-date variance commentary.
- Rollout the recently endorsed Procurement Policy and Procurement Procedure so Council officers are aware of their delegated budget, remain within their delegated budget and are aware of the processes to adjust their delegated budgets.
- Provide regular finance training/education to Council’s Senior Management Team.

Outcomes

- Financial literacy is achieved throughout Council thereby ensuring financial performance is maximised and is aligned with the Operational Plan and Delivery Program.

Measure - Fit For the Future (FFtF) Ratio & Other Metrics

- Assists Council in achieving all FFtF ratios.
- Reduction in instances where Budget allocations are exceeded.



PRINCIPLE D
- Councils should have regard to achieving intergenerational equity

Key Objective 10	**Excess working capital should be minimised and potential to borrow competitively for infrastructure projects should always exist.**

Actions

- Council's cash balance and investment portfolio will be managed daily and reported monthly to ensure the optimum funding exists to minimise cost of funds while maintaining liquidity.
- Ensuring Council remains financially sustainable and ensuring borrowings are commercially competitive and within sources defined by legislation.
- Investment Policy ensures Council's investment risk is appropriate.

Outcomes

- Maximise infrastructure expenditure that benefits current and future generations, maximises investment return and minimise operational volatility.

Measure - Fit For the Future (FFtF) Ratio & Other Metrics

- Unrestricted Current ratio remains within the range 1.5 to 3.5 times.
- Annualised Investment Return should be 1% above the AusBond bank Bill Index.
- Debt Service ratio remains within the range 0% to 20%.

Key Objective 11	Maintaining inter-generational equity is a key consideration for all strategic decisions.

Actions

- Utilising borrowings to assist in funding long term assets and ensuring borrowing periods do not exceed the useful life of the asset.
- Where appropriate, and not to the detriment of achieving FFtF ratios and metrics, Council will pursue loans and other commercial options to further align costs with generations that are receiving benefits.
- Where it is economically sound to do so, Council will incur costs today that will ultimately provide significant benefits in the future.
- Monitor and strategically manage borrowings, including acquiring and retiring debt to maintain the FFtF Debt Service ratio.
- External borrowings will not be used for current operational expenditure.

Outcomes

- Further aligns infrastructure benefits with infrastructure costs.
- Strategic financial decisions may extend beyond Council's 10 year long term financial plan.
- Inter-generational impacts will be highlighted to ensure informed strategic decisions are made.

Measure - Fit For the Future (FFtF) Ratio & Other Metrics

- The Debt Service ratio is always greater than 0% and less than or equal to 20%.

Planning Assumptions

The LTFP contains a number of assumptions, including some that are beyond the control of Council, such as interest rates and State Government waste levies. Variations in these assumptions during the life of the plan may have a significant impact on Council's future financial planning. The LTFP is updated annually in conjunction with preparation of the Operational Plan and Budget, which responds to the three year Delivery Program and Shellharbour's 10 year Community Strategic Plan, to ensure the assumptions are continually updated with the latest information available.

2.0%

Inflation

The LTFP has been prepared assuming a 2.0% inflation for 2020/21 and 1.50% (2.5% inflation less 1% efficiency target) each year after.

If more accurate forecasts are available for specific items, Council will adopt these rates and highlight the rates utilised where forecasts are significant.

Service Priorities

Council's objective is to ensure 'value for money' for ratepayers. Council also aims to deliver long-term financial sustainability, ensuring services remain relevant and align with the 'needs and wants' of the local community. Extensive consultation was conducted as part of the development of the Community Strategic Plan to determine the range and priority of services desired by the community.

Increase in dwellings

Shellharbour City Council's estimated population for 2019/20 is 74,391. The average household size (persons per dwelling) is 2.70, slightly above the state average of 2.61. Council is forecasting a year-on-year annual dwelling growth rate of 1.15% over the LTFP.

Business	Residential	Farmland
0.5%	**1.15%**	**0.0%**
(based on historical data)	(based on above expected dwelling growth)	(based on historical data)

Anticipated annual growth by Rate Category

Revenue Forecasts

The sources of funds for Council are varied and the following shows the breakdown of revenues budgeted for Council for 2020/21. This is expected to remain an indicative breakup of sources of revenue for the term of the LTFP.

Rates & Annual Charges

Rating is a major component of Council's revenue base. A 2.6% rate peg has been assumed for 2020/21, while the remainder of the LTFP has factored in an increase of 2.5%. This is in line with advice from the Office of Local Government.

User Charges and Fees

Many of the services provided by Council are offered on a 'cost recovery' basis to allow a 'user pays' principle to be applied. Other considerations when determining user charges and fees include: Regulated charges, Market price, Community Service requirements and Developer Contributions (discussed separately). The 2020/21 Operational Plan includes information on Council's pricing policies for its user charges and fees. In general, a CPI based increase has been applied to most user charges and fees pricing over the LTFP period.

Grants

Council receives a Financial Assistance Grant from the Commonwealth Government and anticipates the continuation of this grant along with CPI growth rate of 2.5%. Other budgeted grants are generally for specific purposes and projects, with the grant monies assumed to be expended in the year it is provided. In preparing the LTFP, Council has assumed that it will continue to receive grants. A CPI based increase has been applied to these grant amounts over the LTFP period. Should these grants and subsidies be reduced, Council's ability to provide the same level of service will be impacted.

$5.4m

Federal Assistance Grant

Development Contributions

Council collects contributions from new development toward funding the cost of additional infrastructure required as a result of the development. These contributions include cash, land and other assets and are collected through Council's Developer Contributions Plan, Works in Kind Agreements and/or Planning Agreements (also known as VPA's). Funds collected from developers are restricted and are allocated to projects in line with the relevant Developer Contributions Plan or Planning Agreement.

Interest and Investments

2.3%

Based on advice from Council's investment advisors, existing term deposits held and taking into consideration the 10 year Australian Bond rate, interest returns have been included at 2.3% for 2020/21, 1.75% for 2021/22, 1.8% for 2022/23 and increasing on average 0.04% per annum each year after. The balance of funds available for investment has been calculated after taking into account cashflow forecasts.

Expenditure Forecasts

The Community Strategic Plan and recent community satisfaction survey has given Council an indication of the community's expectations for the future. In developing expenditure forecasts Council has considered, not only the new expenditure but also Council's existing commitments, much of which is regular and ongoing. Extensive consultation with staff occurred during the preparation of the LTFP. All categories of expenditure have been examined and projections included have been based on varying factors, including historical averaging or staff projections in many cases.

Employee Costs

Wages for 2020/21 are based on an award increase and salary system movements of 3.25%. A vacancy factor of 3% is built into the 2020/21 budget and this is included in all later year projections. Staffing levels have been assumed as being stable apart additional resourcing associated with maintenance obligations attached to asset growth. Calculations for this large expenditure category is also informed by the Workforce Management Plan, as well as legislative requirements for superannuation increases and any changes to workers' compensation legislation.

Depreciation

Depreciation estimates have been based on Councils Asset Management Plans which takes into account existing asset levels and expected asset growth in the future.

Shell Cove Harbour assets depreciation is based on an average useful life of 70 years. This equates to a total annual depreciation of $1.9M. Depreciation will commence from 2022/23 and is based on the assets coming over to Council in 2021/22.

Borrowing Costs

Section 621 of the Local Government Act 1993 allows the Council to borrow at a level determined by the Council via approval of the Revenue Policy contained within the annual Operational Plan. Borrowing to build, renew and upgrade community assets is recognised across the industry as a prudent financial strategy when used to fund the cost of long life assets, refer to Principle D of Sustainable Financial Strategy.

Loan borrowings have been factored in for the following capital projects. The use of loan borrowings is based on the intergenerational equity principle around the funding of long life assets. All new loans are based on a 20 year term at 3.00% p.a. The new loans are:

- Shell Cove Wet and Dry Marina Business loan - $28m to be gradually drawn down from 2019/20 and continue to 2022/23 in line with expected capital spend budget.
- Tripoli Way (Albion Park Bypass) – $8.2m loan to part fund the Tripoli Way capital works.

Repayments currently included in the LTFP include:

Road Renewal

Borrowings from 2012/13 under the Local Infrastructure Renewal Scheme (LIRS) – Round 1 for $3m expenditure on the renewal of Council's road infrastructure. The term of this loan is 10 years.

Shellharbour Beachside Holiday Park Amenity Improvement

Borrowings from 2014/15 for $600K, with repayments to be funded from the Crown Reserve Restriction. The term of this loan is 10 years and was for the renewal of the existing amenities building and delivery of a camp kitchen.

A further loan of $400K was taken out to fund the installation of additional cabins. The term of this loan is also 10 years.

Stadium roof replacement

Borrowings were drawn down in 2014/15 for the Stadium Roof replacement for $987K. The term of this loan is 10 years.

Civic Centre

Loan borrowings commenced late in 2016/17 for the Civic Centre project. The LTFP includes $12.78M of borrowings over a 20 year term.

Shell Cove Marina

Loan borrowings of $28M to fully fund the Shell Cove Marina. The loan is expected to commence being drawn down in the 2019/20 year with $4M being drawn down in that year and a further $24M to be drawn down between 2020/21 and 2022/23. Repayments to be made over a 20 year term.

Capital Expenditure

The majority of the capital expenditure program included in the LTFP is for the renewal of existing assets. These costs are informed by the information contained in Council's Asset Management Plan. There is however some new capital expenditure items which is not unusual in a growing local government area. Refer below for key items:

- Tripoli Way: $28.9M has been budgeted in years 2025/26 ($2.9M), 2026/27 ($8.7M) and 2027/28 ($17.3M).
- Capital expenditure associated with the Shell Cove Wet and Dry Marina business assets will continue and will span. 2020/21 - $10.8M, 2021/22 - $9.3M, 2022/23 - $4.0M.
- The capital works associated with the Airport Business Plan Implementation will continue in 20/21 with the expected spend to be $14.4M .

Other Assumptions

- Refer below for other assumptions that underpin Council's Long Term Financial Plan
- Utility costs increase at 3% per year.
- Insurance costs are expected to grow 11% in 2021/22 and then 5% each year after based on historical averages.
- Materials and contracts as well as other expenses growth over LTFP is 1.5%. This has been based on CPI of 2.5% less 1.% for an efficiency target.
- Shell Cove Harbour assets estimated valuation is $129M. Expected handover dates are $119M in 2021/22, $10.M in 2022/23.
- Population numbers used in Real Operating Expenditure per Capita ratio expected to increase on average 1.31% per year over the 10 year period. This is based on data from "Forecast id" website plus additional population growth expected from Calderwood and Shell Cove.

Financial Performance and Sustainability

PRINCIPLE A - Council spending should be responsible and sustainable, aligning general revenue and expenses

Operating Performance Ratio

How well is Council managing its finances in terms of containing operating expenditure within operating revenue?

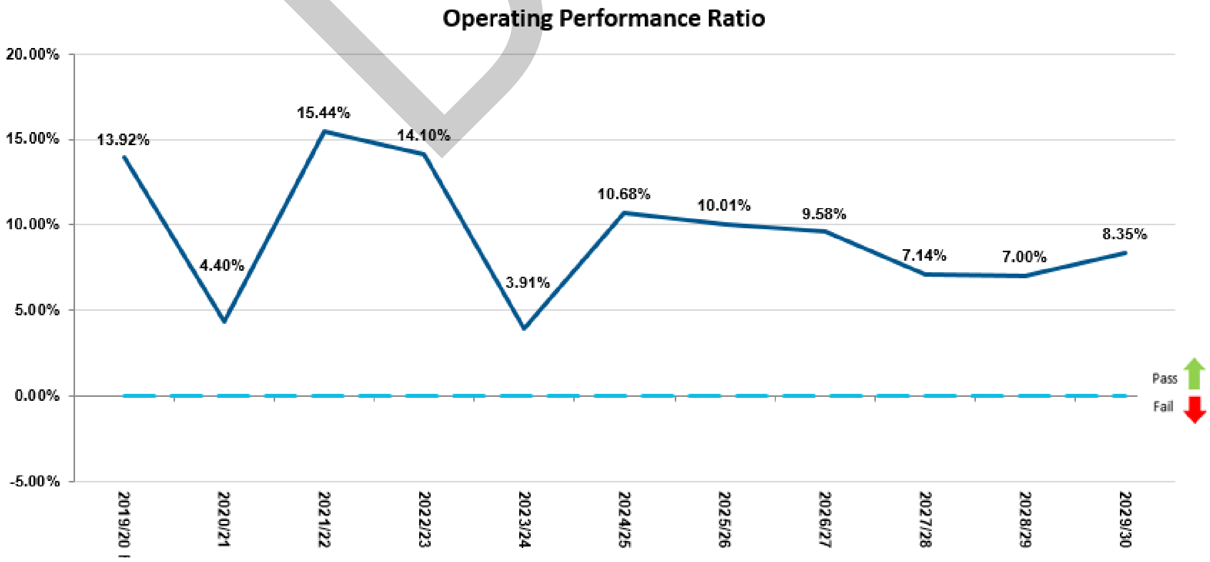
Operating performance ratio is an important measure as it provides an indication of whether a Council is containing its operating expenditure within its operating revenue.

Ratio = Operating revenue excluding capital grants and contributions less operating expenses divided by operating revenue excluding capital grants and contributions

What do the results tell us?

Council exceeds the breakeven benchmark for all years reflected in the graph below.

Benchmark is 0%



PRINCIPLE A - Council spending should be responsible and sustainable, aligning general revenue and expenses

Own Source Revenue Ratio

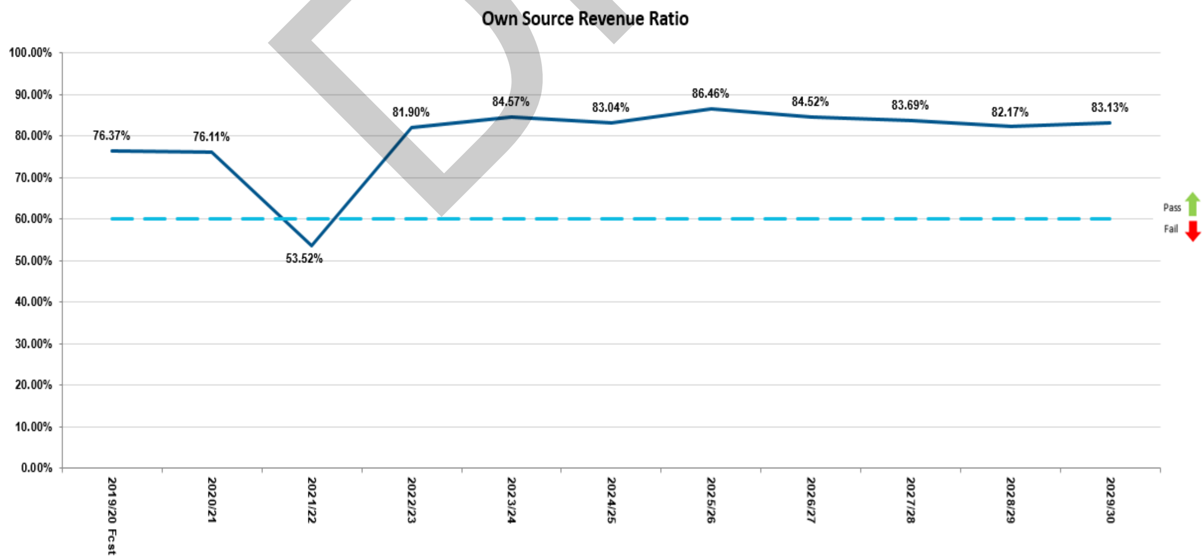
How reliant is Council upon external funding sources such as Operating Grants and Contributions?

Own source revenue measures the degree of reliance on external funding sources (eg. Grants and Contributions). Financial flexibility increases as the level of own source revenue increases and gives Council greater ability to respond to external shocks or challenges.

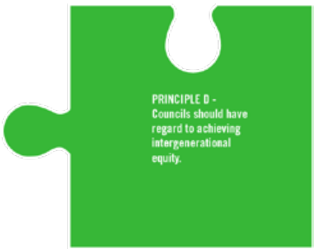
Ratio = Total revenue (excluding grants and contributions) divided by total operating revenue (inclusive of capital grants and contributions)

What do the results tell us?

Council meets the benchmark for this indicator and is projected to continue to do so in the future. The result indicates that Council has sufficient financial flexibility due to its levels of discretionary revenue. The decrease in 2021/22 is the result of significant assets from the Shell Cove project being handed over to Council



PRINCIPLE D - Councils should have regard to achieving intergenerational equity infrastructure and Service Management



Debt Service Ratio

What impact is loan repayments (principle & interest) having on the discretionary Revenue of Council?

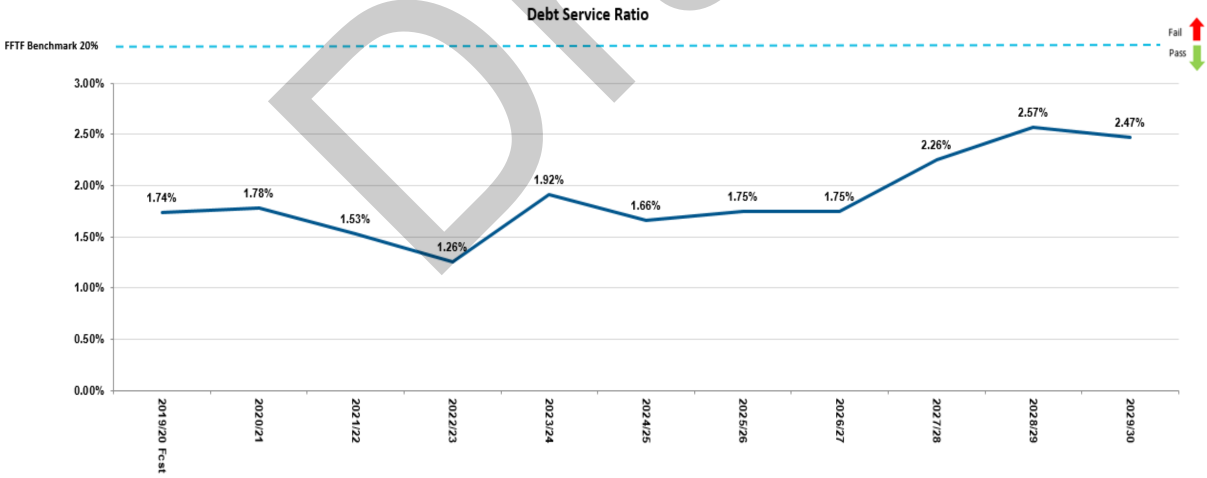
Prudent and active debt management is a key part of Council's approach to funding and managing infrastructure over the longer term.

Ratio = Total of Loan repayments is divided by income from continuing operations excluding capital grants and contributions.

What do the results tell us?

Council's debt levels are relatively low when compared to the Fit for the Future maximum benchmark for this ratio of 20%. Loan borrowings are used to smooth funding costs and equitably spread the cost of assets across current and future generations of users.

Benchmark is greater than 0% but less or equal to 20%.



PRINCIPLE A - Council spending should be responsible and sustainable, aligning general revenue and expenses

Real Operating Expenditure

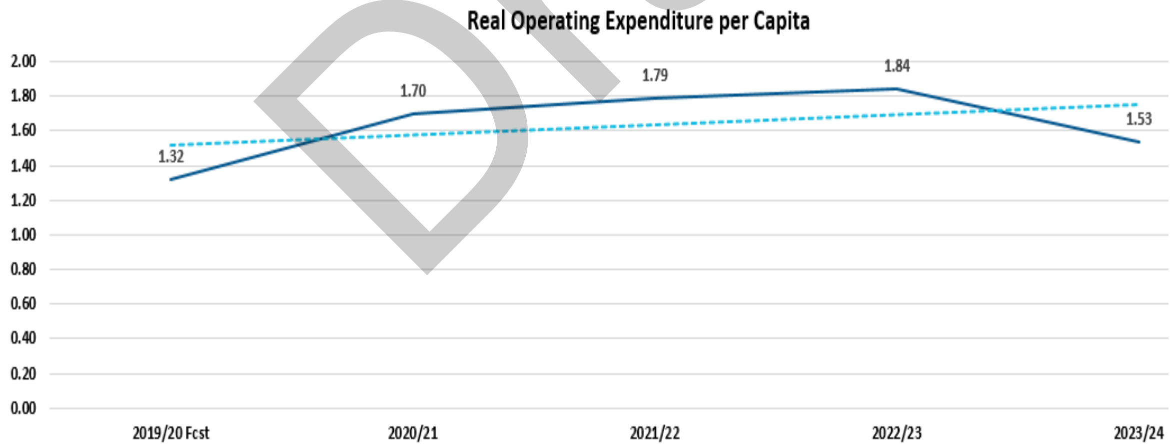
Is real expenditure per capita declining over time?

The ratio measures real per capita productivity over time. As Council adds additional services to the community, a declining real expenditure per capita ratio will be challenging.

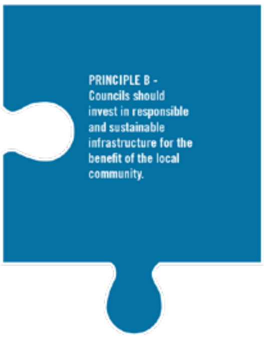
Ratio = Operating Expenditure (excl. inflation) / population
(Benchmark: Declining over 5 year period

What do the results tell us?

Whilst the ratio should be decreasing over time, the ratio is expected to slightly increase over the five year period. The increasing ratio has been driven by Council's share of the Shell Cove development costs. If Council's share of Shell Cove was excluded, the ratio would actually be declining over the measured period. A review of the development cost forecast timing is currently being undertaken



PRINCIPLE B - Councils should invest in responsible and sustainable infrastructure for the benefit of the local community



Infrastructure Renewals Ratio

Is Council renewing existing infrastructure?

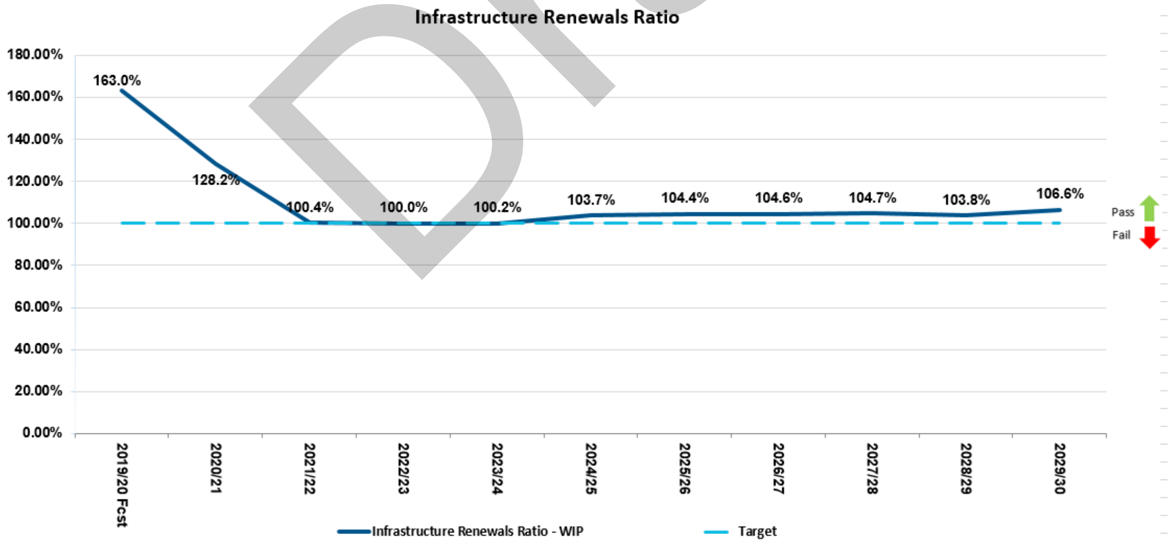
The infrastructure renewals ratio assesses the rate at which assets are being renewed against the rate at which they are depreciating.

Ratio = Asset renewals (building, infrastructure and other structures) is divided by Depreciation, Amortisation and Impairment (building, infrastructure and other structures).

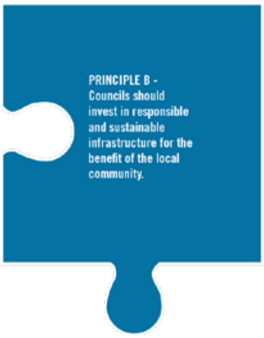
What do the results tell us?

The ratio has been presented on a Works In Progress (WIP) basis as it is better aligns with the way in which the infrastructure asset base depreciates. The chart shows that Council intends to meet the benchmark, which means Council will renews it's assets as they depreciate.

Benchmark: greater than 100%.



PRINCIPLE B - Councils should invest in responsible and sustainable infrastructure for the benefit of the local community



Infrastructure Backlog Ratio

Is Council infrastructure at a satisfactory level?

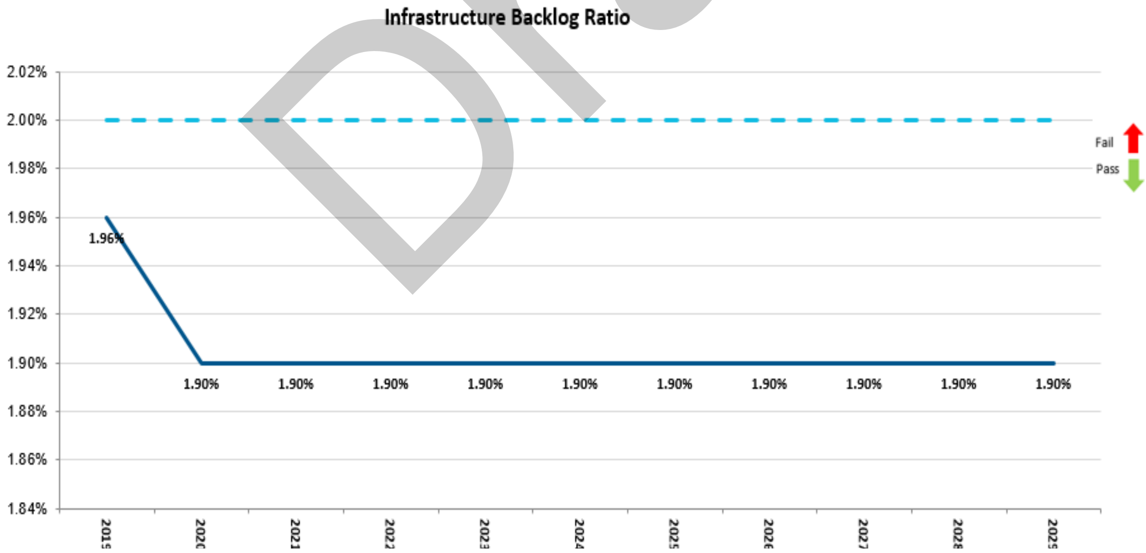
Satisfactory level is achieved when Council estimates the cost to bring Council's poor conditioned infrastructure assets to a satisfactory standard is below 2% of the total written down value

Ratio = Estimates cost to bring assets to a satisfactory condition / Total WDV of infrastructure, buildings, other structures and depreciable land improvement assets

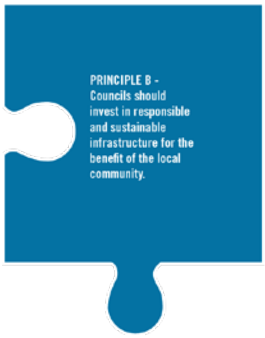
What do the results tell us?

As a result of Council's asset renewal strategy funded from the Special Rate Variation combined with an effective maintenance program, the cost to bring poor conditioned assets to a satisfactory condition is below the 2% benchmark.

Benchmark: (Benchmark < 2%)



PRINCIPLE B - Councils should invest in responsible and sustainable infrastructure for the benefit of the local community



Asset Maintenance Ratio

Is Council investing enough funds to reduce the infrastructure backlog?

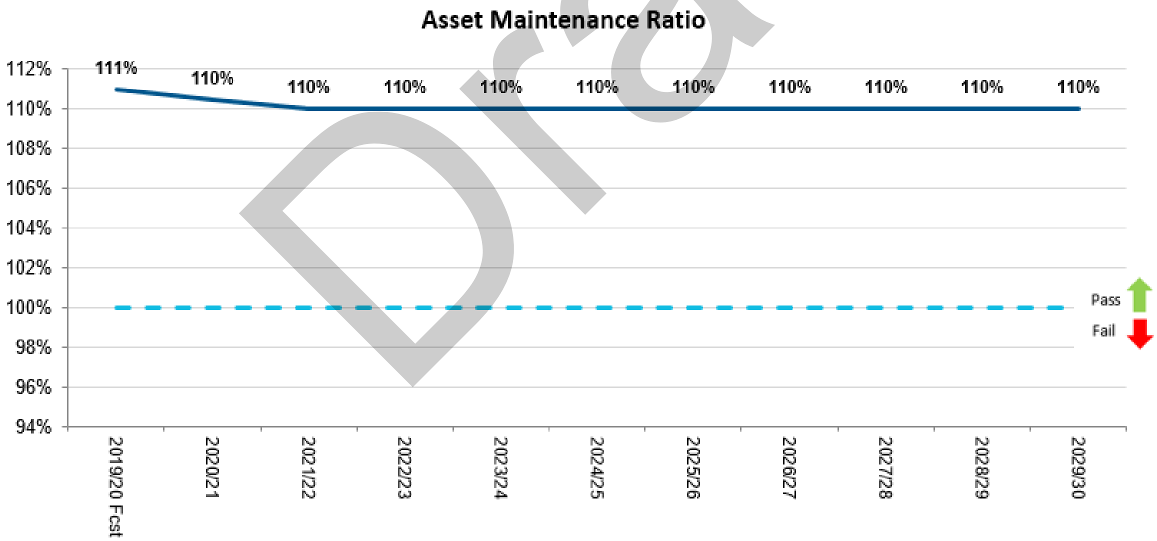
An effective maintenance program allocates sufficient asset maintenance funds that meet or exceed the estimated level of maintenance

Ratio = Estimated level of asset maintenance / required level of asset maintenance

What do the results tell us?

Council is maintaining assets above the required level of asset maintenance throughout the LTFP. This is achieved by implementing an effective assets renewal program and allocating sufficient funds for maintenance.

Benchmark: (Benchmark > 100%)



Income Statement ‘000

Account Description	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30
Income										
Rates & Annual Charges	65,668	68,185	71,049	73,774	76,605	79,546	82,602	85,776	89,074	92,501
User Charges & Fees	18,116	18,568	19,033	19,508	19,996	20,496	21,009	21,534	22,072	22,624
Interest & Investment Revenues	2,518	1,976	2,320	2,681	3,057	3,449	3,856	3,954	4,051	4,149
Other Revenues	52,536	85,139	104,090	54,600	74,338	50,903	43,992	16,916	6,565	6,731
Operating Grants & Contributions	7,549	7,435	7,577	7,249	7,867	8,041	8,221	8,404	8,593	8,786
Capital Grants & Contributions	36,041	143,553	35,835	20,225	27,659	16,143	19,509	16,578	17,826	16,787
Net Gains from Disposal of Assets	50	0	0	0	0	0	0	0	0	0
Total Income	**182,477**	**324,856**	**239,904**	**178,036**	**209,521**	**178,578**	**179,189**	**153,162**	**148,181**	**151,577**
Expenses										
Employee Benefits & Oncosts	40,750	41,126	42,147	42,808	44,175	45,727	47,057	48,071	49,108	50,169
Borrowing Costs	1,022	964	916	1,547	1,488	1,430	1,379	1,610	1,542	1,471
Materials & Contracts	25,884	21,921	22,148	22,449	22,785	23,126	23,472	23,823	24,179	24,541
Depreciation & Amortisation	17,918	19,625	22,233	23,022	23,631	24,111	24,614	25,116	25,630	26,156
Other Expenses	54,376	69,669	87,848	61,821	70,365	51,775	47,855	28,210	20,764	21,201
Total Expenses	**139,950**	**153,305**	**175,292**	**151,647**	**162,444**	**146,168**	**144,376**	**126,829**	**121,224**	**123,538**
Net Operating Surplus/(Deficit)	**42,528**	**171,552**	**64,611**	**26,390**	**47,077**	**32,410**	**34,813**	**26,333**	**26,957**	**28,040**
Net Operating Surplus/(Deficit) Before Capital	**6,487**	**27,999**	**28,776**	**6,165**	**19,418**	**16,267**	**15,303**	**9,755**	**9,131**	**11,253**

Balance Sheet '000

Account Description	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30
Current Assets										
Cash & Cash Equivalents	14,228	18,446	11,063	12,874	15,780	15,022	15,464	15,191	15,224	14,425
Current Investments	16,202	20,533	20,525	19,290	21,822	23,439	25,013	27,928	30,608	28,671
Current Receivables	7,930	10,984	10,519	8,278	8,918	8,498	8,798	9,108	9,434	9,771
Inventories	695	873	1,070	2,294	15,422	3,924	7,545	532	546	559
Other Current Assets	349	357	366	375	385	394	404	414	425	435
Non-current assets classified as held for sale	0	0	0	0	0	0	0	0	0	0
Total Current Assets	**39,403**	**51,194**	**43,543**	**43,111**	**62,327**	**51,278**	**57,225**	**53,174**	**56,236**	**53,862**
Non-Current Assets										
Non-current investments	68,427	95,604	85,120	100,354	121,823	125,206	133,631	150,717	162,037	179,974
Non-current receivables	1,426	1,497	1,572	1,651	1,733	1,820	1,911	2,006	2,107	2,212
Infrastructure, Prop, Plant & Equip	1,062,446	1,120,173	1,159,475	1,170,793	1,190,289	1,212,083	1,242,828	1,255,105	1,266,689	1,278,312
Investment Property	24,207	24,797	25,401	26,021	26,656	27,307	27,974	28,658	29,359	30,077
Intangible Assets	2,880	2,880	2,880	2,880	2,880	2,880	2,880	2,880	2,880	2,880
Total Non Current Assets	**1,159,387**	**1,244,951**	**1,274,449**	**1,301,699**	**1,343,381**	**1,369,295**	**1,409,224**	**1,439,366**	**1,463,071**	**1,493,455**
Total Assets	**1,198,790**	**1,296,144**	**1,317,992**	**1,344,810**	**1,405,708**	**1,420,573**	**1,466,450**	**1,492,540**	**1,519,307**	**1,547,317**
Current Liabilities										
Current Payables	29,280	51,223	18,002	21,928	37,000	19,289	19,825	20,237	20,708	21,381
Current Borrowings	2,177	2,017	1,854	1,916	1,795	1,814	2,182	2,255	2,331	2,409
Current Provisions	14,843	15,589	16,139	16,639	17,113	17,582	17,997	18,441	18,910	19,397
Total Current Liabilities	**46,299**	**68,829**	**35,995**	**40,483**	**55,908**	**38,684**	**40,004**	**40,933**	**41,949**	**43,187**
Non-Current Liabilities										
Non-current Borrowings	24,448	32,133	33,615	31,700	29,905	28,091	36,273	34,019	31,688	29,279
Non-current Provisions	18,585	18,946	19,312	19,688	20,071	20,462	20,861	21,267	21,682	22,105
Total Non Current Liabilities	**43,033**	**51,079**	**52,928**	**51,388**	**49,976**	**48,553**	**57,134**	**55,286**	**53,370**	**51,384**
Total Liabilities	**89,332**	**119,908**	**88,923**	**91,871**	**105,884**	**87,238**	**97,138**	**96,219**	**95,319**	**94,571**
Net Assets	**1,109,458**	**1,176,236**	**1,229,069**	**1,252,939**	**1,299,824**	**1,333,335**	**1,369,312**	**1,396,321**	**1,423,988**	**1,452,746**
Equity										
Retained Earnings	693,666	759,854	812,083	835,333	881,583	914,443	949,753	976,079	1,003,044	1,031,083
Revaluation Reserves	415,792	416,382	416,986	417,606	418,241	418,892	419,559	420,243	420,944	421,662
Total Equity	**1,109,459**	**1,176,236**	**1,229,069**	**1,252,939**	**1,299,824**	**1,333,335**	**1,369,312**	**1,396,321**	**1,423,988**	**1,452,746**
Total Equity	**1,109,459**	**1,176,236**	**1,229,069**	**1,252,939**	**1,299,824**	**1,333,335**	**1,369,312**	**1,396,321**	**1,423,988**	**1,452,746**

Statement of Cash Flow '000

Account Description	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30
Cash Flows from Operating Activities										
Receipts:										
Rates & Annual Charges	66,190	67,915	70,751	73,480	76,299	79,227	82,269	85,430	88,713	92,125
User Charges & Fees	18,278	18,515	18,973	19,452	19,938	20,436	20,947	21,471	22,007	22,558
Interest & Investment Revenues	2,518	1,976	2,320	2,681	3,057	3,449	3,856	3,954	4,051	4,149
Other Revenues	52,569	82,337	104,838	57,112	73,979	51,615	43,995	16,920	6,565	6,731
Operating Grants & Contributions	7,549	7,435	7,577	7,249	7,867	8,041	8,221	8,404	8,593	8,786
Capital Grants & Contributions	15,771	8,535	9,333	3,207	10,272	2,243	5,363	2,178	3,267	2,067
Payments:										
Employee Benefits & Oncosts	(40,073)	(40,380)	(41,597)	(42,308)	(43,701)	(45,258)	(46,641)	(47,627)	(48,639)	(49,682)
Borrowing Costs	(668)	(603)	(550)	(1,171)	(1,105)	(1,039)	(980)	(1,203)	(1,127)	(1,048)
Materials & Contracts	(24,708)	(21,308)	(21,783)	(22,169)	(22,481)	(22,719)	(23,188)	(23,577)	(23,944)	(24,203)
Other Expenses	(51,355)	(48,524)	(121,641)	(59,408)	(68,736)	(58,403)	(51,234)	(21,041)	(20,543)	(20,890)
Net cash provided (or used in) operating activities	**46,071**	**75,898**	**28,222**	**38,126**	**55,388**	**37,592**	**42,608**	**44,909**	**38,943**	**40,592**
Cash Flows from Investing Activities										
Receipts:										
Sale of Investments	46,000	43,000	52,000	47,000	44,000	47,000	42,000	39,000	42,000	44,000
Sale of Real Estate Assets	0	0	0	0	0	0	0	0	0	0
Sale of infrastructure, property, plant and equipment	50	0	0	0	0	0	0	0	0	0
Payments:										
Purchase of infrastructure, property, plant and equipment	(77,194)	(47,697)	(47,417)	(20,461)	(26,567)	(31,554)	(40,716)	(23,001)	(22,656)	(23,061)
Purchase of Investments	(23,508)	(74,508)	(41,508)	(61,000)	(68,000)	(52,000)	(52,000)	(59,000)	(56,000)	(60,000)
Net cash provided (or used in) investing activities	**(54,652)**	**(79,204)**	**(36,925)**	**(34,461)**	**(50,567)**	**(36,554)**	**(50,716)**	**(43,001)**	**(36,656)**	**(39,061)**
Cash Flows from Financing Activities										
Receipts:										
Proceeds from Borrowings & Advances	10,505	9,702	3,336	0	0	0	10,364	0	0	0
Payments:										
Repayment of Borrowings and Advances	(1,940)	(2,177)	(2,017)	(1,854)	(1,916)	(1,795)	(1,814)	(2,182)	(2,255)	(2,331)
Net cash provided (or used in) financing activities	**8,565**	**7,525**	**1,319**	**(1,854)**	**(1,916)**	**(1,795)**	**8,551**	**(2,182)**	**(2,255)**	**(2,331)**
Net (increase) / decrease in cash	**(16)**	**4,219**	**(7,384)**	**1,811**	**2,906**	**(758)**	**442**	**(273)**	**33**	**(799)**

Sensitivity Analysis/Scenario Modelling

Long term financial plans contain a wide range of assumptions, which if do not occur, may have varying levels of impact on future financial plans.

The following scenarios include modifications to some of the main assumptions made in Council's long term financial plan.

Scenario 1 – Planned - as per assumptions outlined in this document.

Scenario 2 – Increase – this includes an increase in movements in some of the main assumptions from the planned scenario as outlined below.

Inflation – increase by 1% from the planned scenario of 2.5%. This will impact User Charges and Fees, Operating Grants and Contributions, Employee Benefits, Materials and Contracts and Other Expenses. This is applicable from 2021/22 onwards.

Dwelling Growth – Increase by 0.5% from the planned scenario. This will impact Rates and Annual Charges. This is applicable from 2021/22 onwards.

Rate Peg – Increase by 0.5% from the planned scenario of 2.5%. This will impact Rates and Annual Charges. This is applicable from 2021/22 onwards.

Interest Returns – Increase by 0.5% from the planned scenario. This will impact Interest and Investment Revenues. This is applicable from 2021/22 onwards.

The net impact of the scenario is a surplus of $15.0M in 2029/30 compared to the planned surplus of $11.3M

The net impact of the scenario is a surplus of $30.0m in 2028/29 compared to the planned surplus of $13.3M

Scenario 3 – Decrease – this includes a decrease in movements in some of the main assumptions from the planned scenario as outlined below.

*I*nflation – increase by 1% from the planned scenario of 2.5%. This will impact User Charges and Fees, Operating Grants and Contributions, Employee Benefits, Materials and Contracts and Other Expenses. This is applicable from 2021/22 onwards.

Dwelling Growth – Increase by 0.5% from the planned scenario. This will impact Rates and Annual Charges. This is applicable from 2021/22 onwards.

Rate Peg – Increase by 0.5% from the planned scenario of 2.5%. This will impact Rates and Annual Charges. This is applicable from 2021/22 onwards.

Interest Returns – Increase by 0.5% from the planned scenario. This will impact Interest and Investment Revenues. This is applicable from 2021/22 onwards.

The net impact of the scenario is a surplus of $15.0M in 2029/30 compared to the planned surplus of $11.3M

LTFP Income Statement – Scenario 2 Increase

Account Description	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30
Income										
Rates & Annual Charges	65,668	68,864	72,468	75,998	79,702	83,588	87,666	91,944	96,434	101,146
User Charges & Fees	18,116	18,750	19,406	20,085	20,788	21,516	22,269	23,048	23,855	24,690
Interest & Investment Revenues	2,518	1,978	2,324	2,686	3,065	3,459	3,870	3,970	4,070	4,171
Other Revenues	52,536	85,149	104,111	54,633	74,383	50,961	44,065	17,004	6,668	6,851
Operating Grants & Contributions	7,549	7,499	7,707	7,451	8,144	8,398	8,662	8,934	9,216	9,508
Capital Grants & Contributions	36,041	143,553	35,835	20,225	27,659	16,143	19,509	16,578	17,826	16,787
Net Gains from Disposal of Assets	50	0	0	0	0	0	0	0	0	0
Total Income	**182,477**	**325,793**	**241,851**	**181,077**	**213,740**	**184,065**	**186,040**	**161,478**	**158,069**	**163,153**
Expenses										
Employee Benefits & Oncosts	40,750	41,499	42,914	43,992	45,801	47,820	49,643	51,177	52,764	54,403
Borrowing Costs	1,022	964	916	1,547	1,488	1,430	1,379	1,610	1,542	1,471
Materials & Contracts	25,884	22,135	22,585	23,117	23,694	24,284	24,890	25,510	26,146	26,798
Depreciation & Amortisation	17,918	19,625	22,233	23,022	23,631	24,111	24,614	25,116	25,630	26,156
Other Expenses	54,376	69,797	88,109	62,220	70,908	52,467	48,702	29,218	21,940	22,549
Total Expenses	**139,950**	**154,019**	**176,757**	**153,899**	**165,521**	**150,112**	**149,227**	**132,631**	**128,022**	**131,378**
Net Operating Surplus/(Deficit)	**42,528**	**171,773**	**65,094**	**27,179**	**48,219**	**33,953**	**36,812**	**28,847**	**30,047**	**31,774**
Net Operating Surplus/(Deficit) Before Capital	**6,487**	**28,220**	**29,259**	**6,954**	**20,559**	**17,810**	**17,303**	**12,269**	**12,222**	**14,988**

LTFP Income Statement – Scenario 3 Decrease

Account Description	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29
Income										
Rates & Annual Charges	65,668	67,565	69,767	71,784	73,860	75,998	78,199	80,465	82,798	85,200
User Charges & Fees	18,116	18,387	18,663	18,943	19,227	19,516	19,808	20,105	20,407	20,713
Interest & Investment Revenues	2,518	1,975	2,317	2,675	3,050	3,439	3,845	3,940	4,035	4,130
Other Revenues	52,536	85,129	104,070	54,568	74,295	50,848	43,925	16,836	6,471	6,623
Operating Grants & Contributions	7,549	7,372	7,447	7,051	7,598	7,699	7,801	7,905	8,010	8,117
Capital Grants & Contributions	36,041	143,553	35,835	20,225	27,659	16,143	19,509	16,578	17,826	16,787
Net Gains from Disposal of Assets	50	0	0	0	0	0	0	0	0	0
Total Income	**182,477**	**323,980**	**238,099**	**175,247**	**205,688**	**173,642**	**173,087**	**145,829**	**139,547**	**141,570**
Expenses										
Employee Benefits & Oncosts	40,750	40,754	41,387	41,646	42,595	43,714	44,594	45,141	45,694	46,253
Borrowing Costs	1,022	964	916	1,547	1,488	1,430	1,379	1,610	1,542	1,471
Materials & Contracts	25,884	21,707	21,716	21,794	21,903	22,012	22,122	22,232	22,343	22,454
Depreciation & Amortisation	17,918	19,625	22,233	23,022	23,631	24,111	24,614	25,116	25,630	26,156
Other Expenses	54,376	69,541	87,590	61,429	69,838	51,109	47,049	27,259	19,668	19,954
Total Expenses	**139,950**	**152,590**	**173,842**	**149,438**	**159,455**	**142,376**	**139,757**	**121,358**	**114,877**	**116,289**
Net Operating Surplus/(Deficit)	**42,528**	**171,390**	**64,257**	**25,808**	**46,233**	**31,266**	**33,331**	**24,471**	**24,670**	**25,282**
Net Operating Surplus/(Deficit) Before Capital	**6,487**	**27,837**	**28,422**	**5,583**	**18,574**	**15,123**	**13,821**	**7,892**	**6,844**	**8,495**

Shellharbour
CITY COUNCIL

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