HAWKESBURY CITY COUNCIL

RESOURCING STRATEGY:

LONG TERM FINANCIAL PLAN

2023-2033

www.hawkesbury.nsw.gov.au

CONTENTS

INTRODUCTION

The Community Strategic Plan provides a vehicle for expressing long-term community aspirations. To achieve these aspirations, we need to ensure that there are adequate resources (money, assets and people).

The Resourcing Strategy consists of 3 components:

- Long-Term Financial Planning
- Workforce Management Planning
- Asset Management Planning.

The **Resourcing Strategy** is the point where we explain to our Hawkesbury community how we intend to perform all our functions, including implementing the strategies set out in the Community Strategic Plan. The Resourcing Strategy articulates how Council will allocate resources to deliver the objectives under its responsibility.

The **Long-Term Financial Plan (LTFP)** is a 10-year rolling plan that informs decision-making and demonstrates how the objectives of the Community Strategic Plan and commitments of the Delivery Program and Operational Plan will be resourced and funded. The Long Term Financial Plan captures financial implications of asset management and workforce planning. For example, by identifying how additional assets will be funded, or existing assets renewed or upgraded and what provisions are made for changes to service levels.

The Long Term Financial Plan is a tool to aid decision making, priority setting and problem solving. It is a guide for future action, to be reviewed and updated annually, and addresses:

- how council will survive future financial pressures
- opportunities for future income and economic growth
- whether council can afford what the community requests
- how council can achieve outcomes agreed with the community.

The development of a Long Term Financial Plan (LTFP) is a requirement under the Integrated Planning and Reporting Framework (IP&R) and forms part of the Resourcing Strategy, also including the Workforce Management Plan (WMP) and the Asset Management Plan (AMP).

Over recent years, financial sustainability in local government has received heightened attention and has become a greater challenge to maintain due to:

- increased demand for services from the community
- the diversion of resources away from local government due to cost shifting
- constraints over major income streams due to rate pegging
- constraints over income streams subject to relatively static statutory fees
- dependence on grant income
- caps placed on development contributions
- ageing infrastructure and escalating expenditure required for asset maintenance and renewals
- natural disasters and the COVID-19 Pandemic
- a range of reviews undertaken by the Independent Pricing and Regulatory Tribunal.

The LTFP is an important part of Council's strategic planning process. This is the point where long-term community aspirations and goals, outlined within the CSP, are tested against financial realities.

The LTFP provides a dynamic framework in which Council maintains financial sustainability in the delivery of its core functions and assists in measuring the performance of implementing objectives within the CSP. The LTFP also:

- establishes greater transparency and accountability of Council to the community
- provides an opportunity for early identification of financial issues and any likely impacts in the longer term
- provides a mechanism to address financial constraints as a whole,
- provides a 'big picture' on how various plans fit together,
- identifies the impact of decisions on other plans or strategies.

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

- background
- current financial performance
- projected financial performance in 2023/2024
- maintaining financial sustainability
- planning assumptions used to develop the Plan
- revenue and expenditure forecasts, including risk assessment
- consideration of asset management and its impact on the LTFP
- outline of potential scenarios
- projected financial statements and financial performance measures
- methods of monitoring financial performance
- methods and timings for subsequent reviews.

Due to the on-going nature of the current flood recovery efforts and the recently announced WestInvest Grant Program, these key elements that will impact upon future versions of the LTFP, but were unable to be factored into Asset Management Plans, and hence the LTFP for 2023/2024.

FLOOD RECOVERY AND COMMUNITY RESILIENCE

The Hawkesbury community has faced several natural disasters in recent years, including floods, bushfires, and the COVID-19 pandemic. In March and July 2022, floods hit the area again, causing widespread damage. These floods were the largest to impact upon the Hawkesbury in 44 years and compounded the effects on our community, environment and infrastructure of the previous flooding through 2020 and 2021. The remarkable strength, generosity and support shown throughout these testing times is a testament to the values and resilience of our people.

Funding received under State and Federal Government grant programs is being added to Council's Budget and works program, to accelerate the recovery of infrastructure in our region in the coming years. This includes damaged parks and recreation spaces, roads, bridges and drainage infrastructure.

Several projects have been completed, with many more in the planning and delivery phase throughout 2023/2024. Due to funding arrangements, these works will be added to Council's Resourcing Strategy as funding and programming becomes more certain.

WESTINVEST PROGRAM

In 2022, the NSW Government created the Westinvest funding program, which provided 15 Western Sydney Councils a total of $2 billion - consisting of $400 million of guaranteed funding and $1.6 billion of competitive funding to deliver transformational infrastructure.

Hawkesbury City Council has received $98 million in funding, contributing to a total of $113 million to deliver significant recreation, culture and amenity projects for the Hawkesbury community. Council will be resourcing the project management capability to deliver the projects in 2023/2024, with significant planning and design for each project. Some projects will commence as designs are completed and funding becomes available. The community will be informed and updated as the projects take shape.

As designs, scoping and service delivery decisions are made, the cost of operating, maintaining and renewing these assets will be incorporated into Council's Resourcing Strategy.

BACKGROUND

GEOGRAPHY AND DEMOGRAPHY

Council is a peri-urban council on the north-western periphery of the Metropolitan Region and is the largest local government area within Sydney. It straddles the divide between urban metropolitan councils to its east and rural councils to its west. While the southeast corner of the Local Government Area (LGA) is predominantly urban, the remainder of LGA forms a much larger rural hinterland. In comparison with adjoining metropolitan councils, Council has a relatively smaller, but growing, population of 68,009 persons spread over an area of 2,776km^2. As a result, it is required to maintain a large asset holding serving a dispersed population.

The Hawkesbury is dominated by the Hawkesbury-Nepean River System and the escarpment of the Blue Mountains to its west. The topography of the area varies widely. 70% of the LGA is located in National Parks with significant world heritage values and riparian and wetland communities. The LGA contains substantial areas of bushland which are prone to bushfire while at the same time most of its urban areas are affected by flooding or flood evacuation constraints. The LGA also has a productive rural hinterland with more than three-quarters of its agricultural output exported beyond its borders. The Richmond RAAF Base is also located in the Hawkesbury.

These physical characteristics have impacted and continue to impact on the development of the Hawkesbury. The combination of topography, flooding, evacuation constraints, bushfire risk, airport noise, agricultural land and environmental values has meant that the majority of the LGA is 'highly constrained' with significant implications for future urban development.

In comparison with its neighbouring urban councils, the Hawkesbury has a large land area and road network but a relatively smaller and decentralised rating base. Council is required to provide core services and local facilities to outlying areas with small population catchments. Given that population density is an important driver of sustainability, these relative differentials result in higher per unit service costs and per-capita asset management costs. Each resident in the Hawkesbury has to support a relatively greater proportion of infrastructure assets. As an example, Council is required to maintain 16 metres of road length per resident in comparison to comparable figures of between three metres and nine metres in adjoining council areas.

CHALLENGES

Constraints on revenue growth arising from limited development potential, rate pegging and caps on statutory fees and charges together with escalating cost indices, cost shifting, and increasing compliance costs will mean that Council will continue to have a revenue shortfall resulting in a significant constraint on the ability to fund the maintenance and renewal of its assets and sustain current levels of service into the future.

Like many NSW councils, and due to some specific attributes Council faces a number of challenges in maintaining long-term financial sustainability.

The new rate-peg methodology including a growth factor presents low growth councils like Hawkesbury with the challenge of limited allowance for growth. For the 2023/2024 Council was granted a rate-peg increase of 3.7%, but no allowance for growth. This methodology will disadvantage Council on an ongoing basis as the annual growth will continue to be minimal.

Whilst development has commenced in Vineyard, is ongoing at Redbank and in the pipeline for Glossodia, growth will continue to be minimal when compared to growing LGA's including the Blacktown, The Hills and Camden Local Government Areas.

Are major challenge at present is the current Consumer Price Index (CPI) and price escalations relating to specific industries that Council uses (in particular, construction). The CPI as at Dec 2022 was 7.8% and with the rate peg set at 3.7%, this places significant burden on Council being able to maintain service levels.

In addition to constraints on revenue, Council is faced with the added challenge of the need to significantly invest in emergency planning, management and resilience. Council requested the Minister for Local Government to amend legislative provisions to allow Council to levy an Emergency Management Charge to fund an increased investment in emergency planning, management and resilience. Unfortunately, Council's request was rejected, which means the additional investment will need to be funded from current levels of funding and diverting funds from other core Council services and works.

During the new four-year Delivery Program, there are a number of strategic challenges that will also need to be addressed, including:

- Redbank development
- Vineyard Precinct development
- Jacaranda development
- NSW Local Infrastructure Contributions Review
- NSW Waste and Sustainable Materials Strategy
- NSW Planning Reform Action Plan (including Planning Portal)
- IPART Review of Cemeteries (internment costs and pricing)

The Redbank, Vineyard and Jacaranda developments present a challenge in terms of uncertainty around the timing of development and the associated asset delivery and maintenance implications.

The various NSW State Government and IPART reviews and reforms currently underway or not yet finalised have impacted on the ability to accurately capture the applicable financial implications in Council's Budget and the Long-Term Financial Plan, as well as presenting challenges regarding the unknown future obligations that Council may be accountable to deliver against.

This LTFP has been prepared within the context of these challenges and includes sensitivity analysis regarding some of these challenges and other relevant variables.

CURRENT FINANCIAL PERFORMANCE

Council generates revenue through the levying of general rates and annual charges, user fees, investment income, grants, and other income sources.

The revenue generated from the various sources is used to deliver operational programs in line with the adopted CSP. Council's operating budgets are expended in maintaining the infrastructure in the Hawkesbury such as parks, recreational facilities, roads, bridges, community buildings and community facilities, and in delivering services and programs in line with Council's adopted Plans.

These funds are also required to deliver essential services to the community, including waste management services, and community and cultural services. Other services provided include city planning and support services. Apart from direct service delivery, Council also supports other bodies, including emergency services and recreational services by way of contributions and donations. Some expenditure items include employee costs, materials, contractors, legal expenses, utilities, contributions, and insurance.

Capital expenditure is incurred on road works, footpaths, drainage, bridge construction, the sewer network, park improvement, recreation, building works, plant replacement program, and on other assets including library resources, and IT equipment.

The following are extracts from the NSW Audit Offices' report on Council's General Purpose Financial Statements as at 30 June 2022:

INCOME STATEMENT

Operating Result

	2022 $m	2021* $m	Variance %
Rates and annual charges revenue	69.1	67.0	3.1
Grants and contributions revenue	51.9	23.5	121
Operating result from continuing operations	42.1	(3.8)	1,208
Net operating result before capital grants and contributions	21.5	(16.1)	233

Rates and annual charges revenue ($69.1 million) increased by $2.1 million (3.1 per cent) in 2021–22 due to:

- $873,000 increase in residential ordinary rates
- $598,000 increase in domestic waste management services charges
- $410,000 increase in sewerage services charges.

Grants and contributions revenue ($51.8 million) increased by $28.4 million (121 per cent) in 2021–22 due to:

- increase of $9.4 million in grants recognised received for roads and bridges
- increase of $3.86 million in grants recognised received for community case
- increase of $13.5 million in developer contributions recognised during the year.

Council's operating result from continuing operations ($42.1 million including depreciation and amortisation expense of $24.2 million) was $45.9 million higher than the 2020–21 result.

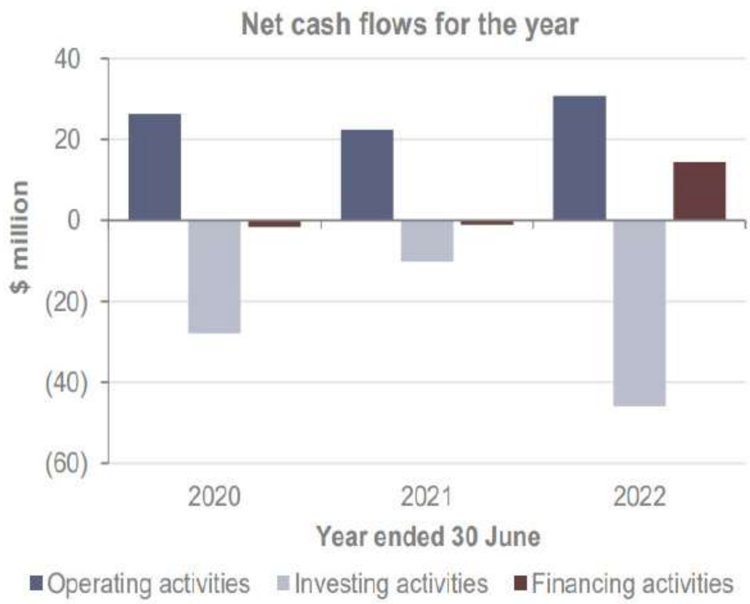
The net operating result before capital grants and contributions ($21.5 million) was $37.6 million higher than the 2020–21 result.

STATEMENT OF CASH FLOWS

Cash inflows from operating activities in 2021-22 increased by $8.5 million mainly due to increased inflows in grants and contributions by $5.3 million and increased inflows in user charges and fees by $1.5 million.

Cash outflows from investing activities increased significantly due to an increase in payments on term deposit of $17.1 million.

Cash outflows from financing activities increased $15.5 million mainly due to proceeds from borrowings.



FINANCIAL POSITION

Cash and investments

Cash and investments	2022	2021	Commentary
	$m	$m	
Total cash, cash equivalents and investments	**83.7**	**66.0**	• Significant externally restricted funds include $18.3 million in general developer contributions and $13.7 million in specific purpose unexpended loans • Significant internally restricted funds include $8.2 million for unspent work reserve and $3.9 million for infrastructure projects.
Restricted and allocated cash, cash equivalents and investments:			
• External restrictions	46.4	37.0	
• Internal allocations	17.2	20.6	

Debt

Council has an overdraft facility in place as at 30 June 2022, with a drawdown limit of $800,000. There were no drawdown as at 30 June 2022. During the current and prior year, there were no defaults or breaches on any of the loans.

Council also entered into a new borrowing facility of $16.5 million repayable over 9 years, obtained under the NSW Government Low Costs Loans Initiative (LCLI).

PERFORMANCE

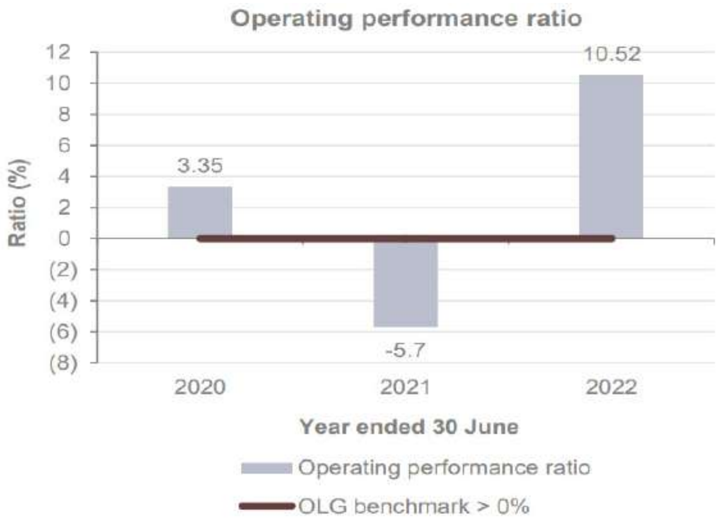
Performance Measures

The following section provides an overview of Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning and Environment.

Operating Performance Ratio

Council exceeded the OLG benchmark for the current reporting period.

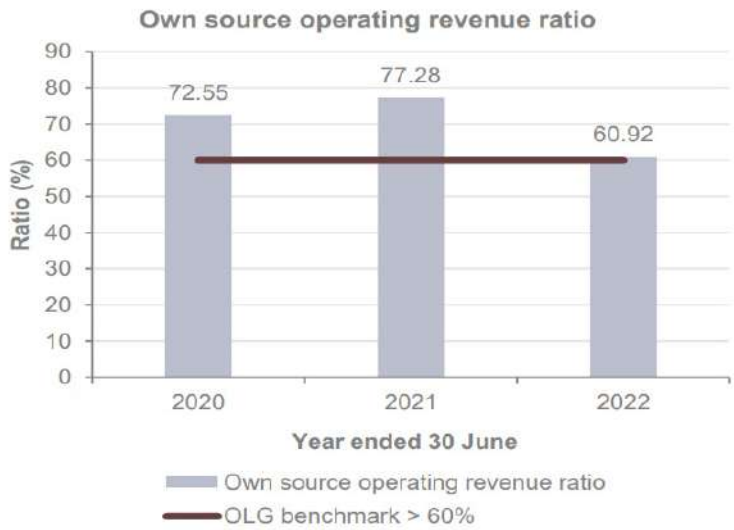
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by OLG is greater than zero per cent.



Own Source Operating Revenue Ratio

Council met the OLG benchmark for the current reporting period.

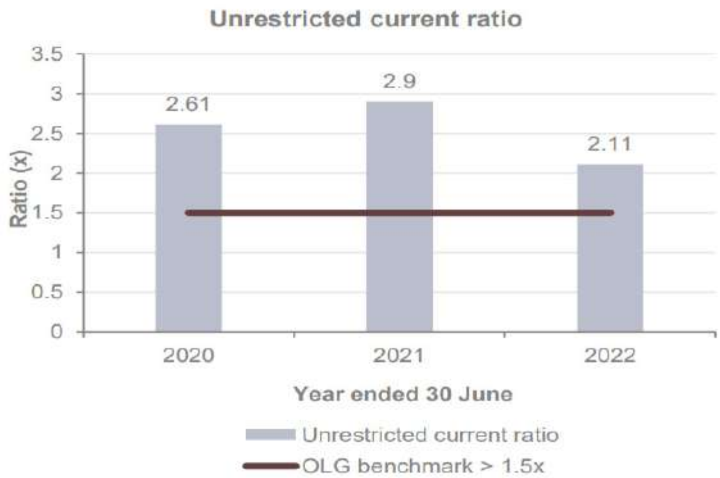
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted Current Ratio

Council exceeded the OLG benchmark for the current reporting period.

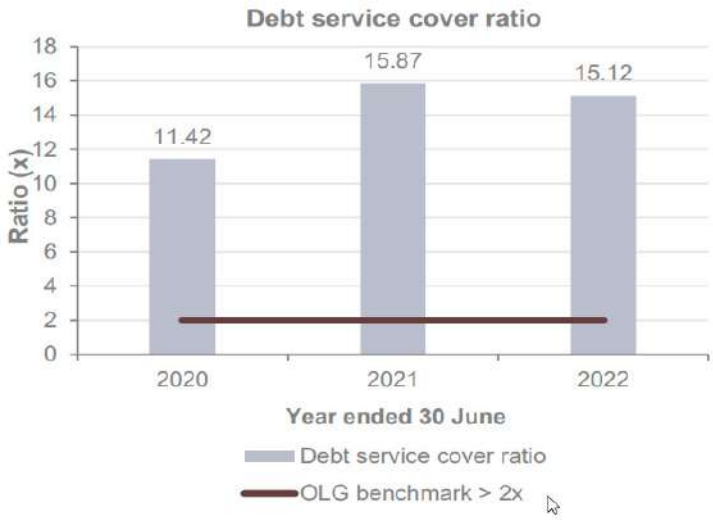
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greaterthan 1.5 times.



Debt Service Cover Ratio

Council exceeded the OLG benchmark for the current reporting period.

The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.

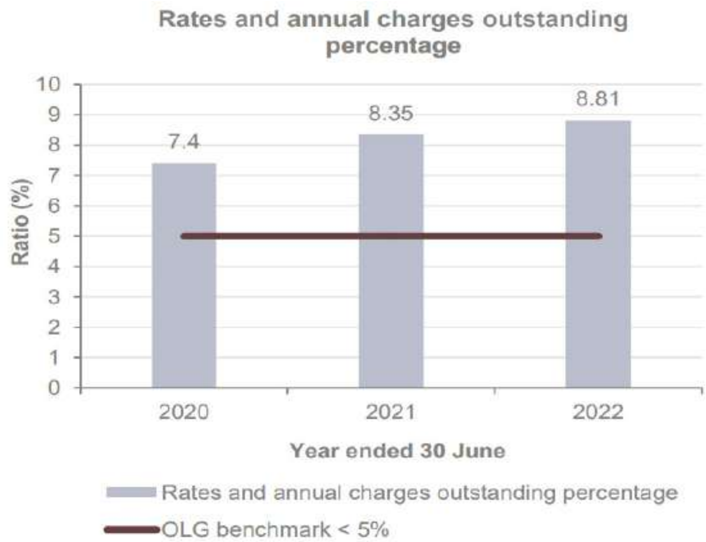


Rates and Annual Charges Outstanding Percentage

Council did not meet the OLG benchmark for the current reporting period.

The ratio deteriorated as outstanding rates and annual charges increased in line with the economic impacts of COVID-19 and recurring floods.

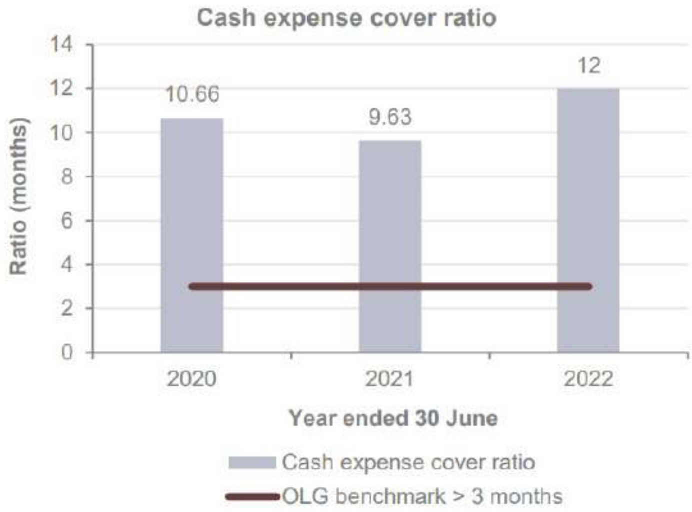
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 5 per cent for metropolitan councils.



Cash Expense Cover Ratio

Council exceeded the OLG benchmark for the current reporting period.

This liquidity ratio indicates the number of months Council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months.



PROJECTED FINANCIAL PERFORMANCE IN 2023/2024

The projected financial performance as included in the 2023/2024 Operational Plan is as follows:

INCOME STATEMENT AND CAPITAL STATEMENT – CONSOLIDATED

Income Type	Original Budget 2022/2023 ($'000)	Draft Budget 2023/2024 ($'000)
Income from Continuing Operations		
REVENUE		
Rates and Annual Charges	(70,598)	(76,696)
User Charges and Fees	(7,044)	(9,162)
Other Revenue	(1,851)	(1,874)
Grants and Contributions provided for Operating Purposes	(10,765)	(19,179)
Grants and Contributions provided for Capital Purposes	(11,935)	(30,509)
Interest and Investment Income	(1,058)	(3,393)
Other Income	(3,106)	(3,307)
Total Income from Continuing Operations	**(106,357)**	**(144,120)**
EXPENSES FROM CONTINUING OPERATIONS		
Employee Benefits and On-Costs	34,807	37,133
Materials and Services	30,440	37,584
Borrowing Costs	522	3,144
Depreciation and Amortisation and Impairment	22,570	24,622
Other Expenses	5,197	6,125
Total Expenses from Continuing Operations	**93,536**	**108,608**
Net Operating Result for the Year	**(12,821)**	**(35,512)**
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	**(886)**	**(5,003)**
SOURCE OF CAPITAL FUNDING (EXCLUDING RESERVES)		
Proceeds from the sale of capital assets	(1,067)	(1,728)
Depreciation	(25,570)	(24,622)
Grants and Contributions - Capital	(11,935)	(30,509)
	(35,572)	**(56,859)**
APPLICATION OF CAPITAL FUNDING		
New Assets		
Land, Building and Land Improvements	5,300	6,919
Roads, Bridges, Footpaths and Drainage	1,991	14,959
Sewer Infrastructure	5,541	2,916
Parks Assets and Other Structures	2,128	7,268
Renewal of Assets		
Land, Building and Land Improvements	2,163	2,536
Roads, Bridges, Footpaths and Drainage	14,384	13,298
Sewer Infrastructure	525	1,710
Parks Assets and Other Structures	4,742	5,939
Other Assets	3,896	914
Plant and Equipment	3,021	5,565
	43,691	**62,024**
Net Capital Expenditure	**8,119**	**5,165**
Retained (surplus)/deficit from prior years		
Transfer to/(from) Reserves	(7,233)	(162)
Retained (surplus)/deficit available for general funding purposes		-

FINANCIAL PERFORMANCE MEASURES

Performance Measure	Benchmark	2019/2020 Actual Results	2020/2021 Actual Results	2021/2022 Actual Result	2022/23 Original Budget	2023/2024 Draft Budget
Operating Performance	0	0.003	-0.08	0.15	0.00	**0.05**
Own Source Revenue	>60%	70.3%	75.3%	58.1%	76.7%	**62.9%**
Building and Infrastructure Asset Renewal	>100%	68.4%	78.6%	63.7%	136.1%	**132.6%**
Infrastructure Backlog	<2%	0.8%	2.1%	2.1%	1.5%	**2.1%**
Asset Maintenance	>100%	104.11%	98.04%	91.7%	93.5%	**102.1%**
Debt Service	>0%<20%	4.7%	0.1%	2.8%	4.3%	**4.3%**

PROJECTED FINANCIAL PERFORMANCE MEASURES EXPLAINED

In combination, the financial performance measures are used to assess a council's ability to generate sufficient revenue to enable it to maintain asset renewal and maintenance at an optimum level and to use debt funding to spread the burden of the cost of long-lived assets and its infrastructure backlog over a period of time to achieve intergenerational equity.

In this context, intergenerational equity means the consideration of the financial effects of Council decisions on future generations. Council's financial management strategies are aimed at achieving equity between generations of ratepayers whereby the mechanisms to fund specific capital expenditure and operations consider the ratepayers who benefit from the expenditure and therefore on a user pay basis who should pay for the costs associated with such expenditure. Funding long-lived infrastructure assets works through a program of borrowings over a number of years achieves intergenerational equity.

An explanation of Council's projected performance against each ratio and what it means in terms of future sustainability is provided below.

Operating Performance Ratio – Council's Operating Performance Ratio (OPR) is projected to meet the benchmark in 2023/2024. This is due to a one-off grant included in operating revenue.

This ratio is a main indicator of Council's sustainability into the future and it is therefore critical that strategies are implemented to continue to meet this ratio.

Own Source Revenue Ratio – Council's Own Source Revenue Ratio is projected to continue to meet the relevant benchmark. This means that it is expected that a significant portion of Council's total revenue is revenue Council can generate itself and therefore has control over. Meeting this benchmark indicates that Council's reliance on other revenue sources such as grant funding, and consequently the risk associated with uncertainty, is limited.

Asset Renewal Ratio – Council's Asset Renewal Ratio is projected to meet the benchmark. In 2023/2024. This ratio is significantly impacted by the delivery of asset renewal impacted by flood restoration works.

Infrastructure Backlog Ratio – Council's Infrastructure Backlog Ratio is projected to not meet the benchmark in 2023/2024, as a result of the damage arising from floods. The recovery from the flood damage will take several years to complete, which should bring this ratio back within the benchmark.

Asset Maintenance Ratio - Council's Asset Maintenance Ratio is projected to meet the benchmark in 2023/2024, meaning that Council is maintaining assets at the level required to keep assets functional and safe. Additional funding for roads maintenance from the Regional and Local Road Repair Program has assisted with meeting this benchmark.

Debt Service Ratio – Council's Debt Service Ratio is projected to continue to be met. Council intends on borrowing $7million via an external loan in 2023/2024 to bring forwarded needed infrastructure renewal works. The loan will be secured by Council's income in accordance with Clause 23 of the Local Government (General) Regulation, 2021.

MAINTAINING FINANCIAL SUSTAINABILITY

Council's aim is to remain financially sustainable in the long term, whilst achieving the objectives of the CSP The Hawkesbury 2042, through the Delivery Program 2022-2026. Council also aims to maintain service levels in line with the community's expectations and address its infrastructure requirements.

Council's LTFP is based on the continued implementation of a number of financial sustainability strategies commenced in 2017/2018 and service sustainability reviews undertaken in line with the requirements of the Integrated Planning and reporting Framework:

- improve strategic capacity
- continuous improvement in financial position
- meeting all the sustainability ratios over the LTFP period
- addressing the infrastructure backlog
- intergenerational equity through the use of debt financing
- aiming for progressive increased level of funding for asset maintenance and renewal and optimal asset intervention methods
- aiming for progressively achieving full cost recovery for the provision of services
- maintaining a fair and equitable rating structure
- maintaining affordability of Council's services
- considering revenue generating opportunities
- maintaining or improving service levels in all service areas.
- Undertaking service reviews

ADDITIONAL REVENUE

The on-going financial sustainability of Council requires additional revenue to be available to renew and maintain infrastructure assets as required and to be able to sustain current service levels meeting the community's expectations.

A number of revenue generating strategies can be applied to inject an on-going increased revenue stream to sustain the required asset management funding and maintain service levels in line with the community's expectations.

Borrowings Program – A borrowings program has been incorporated to be undertaken over a period of time with the primary aim of targeting road renewal and the delivery of an enhanced program of asset maintenance and renewal. The availability of loan funds will enable works to be brought forward, therefore bringing assets to satisfactory standard sooner resulting in increased community satisfaction and facilitating optimal asset intervention methods. The use of debt financing results in costs being spread over a number of years, therefore achieving inter-generational equity. A Borrowings Program of any magnitude is dependent on the availability of additional funding to service the debt.

Stormwater Management Charge - The continuation of a Stormwater Management Charge of $25 per property generates funding to enable maintenance and renewal works relating to stormwater infrastructure. This strategy will generate $544K in 2023/2024 that will be invested in the management of stormwater asset management.

Drainage Management Charge – The Drainage Management Charge is levied on property applicable to the Redbank development to recover ongoing maintenance and renewal costs, and legislative obligations in regard to the retained dams that form part of the heritage 'keyline' drainage system in this area. Funding collected under this charge will be applied specifically to works and maintenance in the collection area. This strategy will generate $111K in 2023/2024.

Return on Businesses - This strategy is aimed at ensuring that Council receives a return on assets invested in non-core services operating as a business. Council operates a Waste Management Facility and a Sewerage Program. An annual dividend payment based on a 12% rate of return on the value of those assets has been implemented. This strategy generates $621,000 each year.

Property Strategy – This strategy is aimed at undertaking a comprehensive review of Council's property and asset holdings with a view to rationalising under-utilised and/or under–performing assets. The Strategy will also look at strategic investment opportunities.

CONTAINMENT OF COSTS AND EFFICIENCY IMPROVEMENTS

Council is continually seeking cost savings and efficiencies through on-going process improvements, increased use of technology, best value for money procurement processes, resource sharing and partnerships.

A number of areas where a specific targeted approach to cost reductions and efficiency improvements can be applied are outlined below.

Review of Operations – A review of current service models and resourcing of operational activities including roads, parks and waste will identify areas to be investigated for potential efficiencies to reduce the cost per unit of works and consequently be able to deliver more works with available funding. The financial outcome of these initiatives has not been taken into consideration in this LTFP but will be included in future reviews of the Plan once financial benefits can be quantified with confidence.

Service Reviews – In accordance with the requirements of the Integrated Planning and Reporting Framework, over the next four years Council will select a number of areas to be subject to a service review. The financial outcome of these initiatives has not been taken into consideration in this LTFP but will be included in future reviews of the Plan once financial benefits can be quantified with confidence.

Project Management Framework – Council is in the process of implementing an organisation wide Project Management Framework. The objective of the Framework is to ensure projects are delivered in a consistent and cost effective manner, within a robust governance framework.

ASSET MANAGEMENT PLANS

Council commenced the process of undertaking condition audits to inform a major review of its Asset Management Plans. When completed, these Plans will support asset management modelling and consequently the development of asset maintenance and renewal scenarios that can be supported within the LTFP.

In light of the 2020, 2021 and 2022 floods impacting significantly on Council's asset network, the progress of undertaking condition audits, and consequently the review of Asset Management Plans has also been impacted.

Consequently, this LTFP is limited in its ability to take into consideration the current condition of Council's assets, the likely condition after flood restoration works have been carried out, and the infrastructure maintenance and renewals requirements and the associated funding.

Once Asset Management Plans have been updated to incorporate the conditions and asset funding requirements post flood recovery works, and the new and upgraded assets arising from the recently announced WestInvest Program, future reviews of the LTFP will be more robust.

CAPACITY BUILDING

Council will continue to work in partnership with other councils and other levels of government to support its strategic capacity. This LTFP includes continued participation in the Western City Parkland initiative, Resilient Sydney Partnership and Western Sydney Regional Organisation of Councils (WSROC).

ELEMENTS OF THE PLAN

STRATEGIC PLANNING ASSUMPTIONS

Council's LTFP and associated scenarios and resulting financial models have been based on a number of key assumptions.

SERVICE LEVELS

The LTFP is based on the assumption that the current service levels relating to services are maintained within the limits of available funding. Funding allocation has been guided by community feedback received through the Community Survey.

INFRASTRUCTURE

The LTFP is based on the assumption that no major new capital works are undertaken in the next ten years other than those funded by Grants, Contribution Plans, Voluntary Planning Agreements and/or Reserves. Capital projects proposed to be undertaken in 2022/2023 are mainly focused on asset renewal, flood recovery and grant funded works.

POPULATION GROWTH AND DEMOGRAPHIC CHANGES

The LTFP is based on the existing local government area boundaries and the assumption that Council's projected population movement over the next ten years will not be significant. This may result in an increasingly older population placing increased pressure on existing infrastructure and services. The growth factor used in this LTFP is 0.1% in line assuming an increase on the previous trend of 0.5%, as a result of the Redbank and Vineyard developments.

Council currently has some development areas – Redbank at North Richmond, Jacaranda Ponds at Glossodia, Pitt Town development area and the Vineyard development area. Due to uncertainties around timing and the status of planning documents at this time, the impact of growth in Pitt Town and Glossodia has not been included in this LTFP. Some growth relating to the Redbank development has been included.

It is to be noted that new capital works required because of a new development, would be funded through developer contributions by way of Developer Contribution Plans or Voluntary Planning Agreements. Any additional demands on existing assets and services would be funded through an increased rates base and special rates aimed at covering additional costs specific to the development area. It is noted that a $16.5M loan has been drawn down under the Low Loan Cost Initiative to accelerate the provision of infrastructure in the Vineyard Development area.

The impacts of these developments will continue to be factored in future reviews of the LTFP.

REVENUE FORECASTS

GENERAL RATES

Council's rating strategy and structure is reviewed every year as part of the annual Operational Plan process. The LTFP is based on the rating structure as incorporated within the 2023/2024 Draft Operational Plan.

Council's proposed rating structure provides for three different categories of ordinary rates: residential, farmland and business. The rate type applicable to a particular property is determined on the basis of the property's rating categorisation. All properties are categorised in accordance with the provisions set out in the Local Government Act 1993.

The LTFP is based on the assumption that Council's rating structure remains unchanged over the next ten years. Any changes in the rating structure would not impact on the total revenue but merely redistribute the income amongst the different categories and sub-categories thereof. Council's rating income or notional yield may be increased from one year to the next up to the rate-pegging limit as determined by IPART.

The LTFP includes three scenarios in regard to rates revenue. Scenarios 1 and 2 are based on an increase of 2.5% in rates peg in 2023/2024 with the same increase continuing in future years. Scenario 3 is based on an increase of 2.5% in rates revenue in 2023/2024, and an increase of 3.0% in future years.

DOMESTIC WASTE CHARGES

Council's Domestic Waste Management Program is self-funded by way of an externally restricted reserve. The Local Government Act 1993 limits annual domestic waste management charges to an amount sufficient to recover the costs of providing the service.

The LTFP includes the reviewed 10 Year Plan in relation to Domestic Waste. As more information regarding the regulations around the compulsory provision of Food Organics Garden Organics (FOGO) collection by 2030 is known, various scenarios are likely to be included in future versions of the LTFP.

SEWERAGE CHARGES

In accordance with legislative requirements, Council maintains an externally restricted reserve for the Sewerage Program. All funds received through annual sewerage charges are quarantined to fund on-going program operational costs, and asset renewal and replacement. This LTFP has been prepared on a consolidated basis including the sewerage function, but financial performance measures are based on General funds only, excluding the sewerage function.

The LTFP includes the reviewed 10 Year Plan in relation to Sewer. Council is awaiting advice regarding funding potential for the restoration of Rising Main C. Council is also about to commence detailed a feasibility study on divestment of this function. The requirements around the Nutrient Offset Framework to be applied by 2028 are not known at the time of preparing this LTFP. Once further information has been received regarding these issues, various scenarios are likely to be included in future versions of the LTFP.

SULLAGE CHARGES

Council maintains an internally restricted reserve to fund its Sullage Program. All funds received in relation to sullage charges are quarantined to fund the operational cost of running the Program, as well as provide for a contingency to manage any external shocks.

The revenue from annual sullage charges included in this LTFP reflects funding required ensuring the sustainability of the Sullage Program over the next ten years, taking into account the expected demand for the service.

STORMWATER MANAGEMENT SERVICE AND DRAINAGE MANAGEMENT CHARGES

Council maintains an externally restricted reserve to fund its Stormwater Management Program. All funds received in relation to stormwater management charges are quarantined to fund the provision of an enhanced program to deliver new stormwater infrastructure and fund the ongoing renewal, maintenance and monitoring costs of this additional infrastructure. The revenue from annual stormwater charges included in this LTFP reflects funding that can be generated, in line with legislation over the next ten years.

It is to be noted that the proposed drainage management charge for 2023/2024 of $100 per property applicable to the Redbank development area will not generate sufficient revenue on an ongoing basis to fund the necessary standard of maintenance in the area. If this charge is not reviewed in future years, funds will need to be reallocated from other services and works to fund ongoing maintenance in this area.

This LTFP includes three scenarios in relation to the level of subsidisation to be provided for the Redbank Drainage system. Scenario 1 is based on a $5 increase applied to the current $30 charge in 2024/2025, with further $5 increases in future years. Scenario 2 is based on an increase of to $100 in 2023/2024 with an increase of 10% for CPI in future years. Scenario 3 is based on an increase to $100 in 2023/2024 and increases in future years applied until 50% of the additional maintenance requirements are met by the income brought in by the charge.

INTEREST ON INVESTMENTS

Council's investment portfolio consists of term deposits, on-call accounts and a TCorp Growth Fund. The portfolio size varies from one year to another as reflected in the cash flow statement applicable to the different scenarios modelled. All Council's investments are made in accordance with the Minister's Order and Council's adopted Investment Policy.

As there is a high-risk element relating to interest income due to interest rates being subject to external market fluctuations, interest rates have been maintained at a conservative level.

USER CHARGES, FEES, OTHER INCOME AND OTHER REVENUE

Council generates in the vicinity of $14 million each year through User Charges, Fees, Other Income and Other Revenue. Activities subject to user fees and charges include Building and Development Activities, Animal Management, Parking Patrol, Pool Income and Rental Income. The revenue projections relating to these items are based on appropriate assumptions regarding increases in statutory fees, recent trends, expected trends, cost recovery and local and general economic conditions over the next ten years.

GRANTS AND CONTRIBUTIONS

Council receives a significant amount of funding each year from other levels of government through operating and capital grants and contributions. Council's financial planning approach with regards to grants and contributions has generally been that known, regular and certain grants are budgeted for, while one-off grants and contributions are accounted for in Council's budgets when certain to be received.

In line with this approach, the LTFP mainly reflects known and certain grants, which are budgeted to increase slightly or remain static. The main grants included are the Financial Assistance Grant (FAG), Regional Roads funding, completion of currently approved grant programs and the Roads to Recovery Grant. Grant funding levels in future years will be significantly reduced as a result of the completion of the Liveability Program, Bushfire Grants and Flood Grants. It is also to be noted that the impact of the recently announced WestInvest Program has not been incorporated into this LTFP but will be included in future versions of the LTFP once funding approvals and scheduling has been completed.

NET GAINS FROM DISPOSAL OF ASSETS

This LTFP assumes that all assets are disposed at their written down value.

RESTRICTED ASSETS

Council has a number of internally and externally restricted reserves aimed at quarantining funds in line with legislative requirements or for specific uses in the future. In relation to externally restricted reserves, the LTFP reflects projected reserve movements and balances as determined by the programs' respective ten-year plans. Internally restricted reserves over the next ten years are projected in line with the expected timing of the specific expenditure the reserves are aimed at funding.

EXPENDITURE FORECASTS

STAFF COSTS

The LTFP assumes annual increase in staff costs of 3.5% for 2023/204 and 3% in future years including an allowance for an award increase of 2.5%, step progressions, superannuation increases in line with the current legislation, and potential changes to the current staff establishment.

BORROWING COSTS

The LTFP includes debt servicing costs for current borrowings under the Low-Cost Loans Initiative, Sewer Loan and Council's Infrastructure Renewal Borrowing Program.

MATERIALS AND CONTRACTS

Financial projections relating to materials and contracts have been based on a combination of service levels requirements, asset management requirements, predicted CPI increases, known specific increases and one-off expenditure if known. Due to the recent increases in CPI, scenarios include different changes in relation to CPI.

OTHER EXPENSES

Financial projections relating to other expenses have been based on a combination of service levels requirements, predicted CPI increases, specific increases and one-off expenditure if known.

DEPRECIATION

Depreciation estimates in outer years has been based on an increase of 1.75% on the written down value of assets. Condition audits, future asset revaluations, and actual maintenance and renewal expenditure undertaken will have an impact on Council's infrastructure assets useful lives and consequently impact on depreciation charges and Council's operating result. The impact of the flood recovery work and WestInvest projects have not been included in this version of the LTFP, but will impact on Council's long term financial sustainability, which will be reflected in future versions of the LTFP.

RISK ASSESSMENT

The LTFP and the financial models contained within are based on a number of key assumptions.

The projected income and expenditure could be impacted by the following:

- variations in underlying planning assumptions
- changes to legislation and/or relevant regulations
- future Council resolutions
- major unplanned projects
- service levels reviews arising from a community consultation process.

Should any of the above situations arise resulting in an impact on the LTFP, those impacts will be considered in future annual reviews of the Plan.

CERTAINTY OF REVENUE STREAMS

Projections of revenue streams over the next ten years are based on historic trends, planned pricing methodologies, known and recurrent grants, current statutory prices, and the assumption of the continuation of rate pegging in each of the ten years. Pricing methodologies are aimed at providing services in a sustainable manner, with the community's capacity to pay taken into consideration.

A major risk contained within the LTFP relates to the assumed rate peg limits for years 2 to 10. Any reduction will have an impact on the services and asset management functions that can be delivered.

ACCURACY OF EXPENDITURE ESTIMATES

Projections of operating expenditure over the next ten years are based on a combination of CPI assumptions, specific increases and one-off expenditure where known. In the case of infrastructure maintenance costs, expenditure required to maintain service levels is based on asset management projections. Capital expenditure estimates mainly relate to infrastructure renewal, based on the service levels required and Council's current asset condition data.

If any of the assumptions in relation to the projected expenditure vary, then Council can modify service provision and asset management practices in order to recover any negative impacts.

ASSET MANAGEMENT

The review of Asset Plans as referred to earlier will have a significant impact on future reviews of this LTFP. As referred to earlier, recent floods had a significant impact on the condition of Council's infrastructure assets network. Ascertaining the condition and standard of Council's infrastructure assets network is critical in determining optimal infrastructure maintenance and renewal strategies and timing of associated works. It is envisaged that the review of the Asset Plans will incorporate other strategies including, but not limited to:

- asset rationalisation and review of asset growth strategies
- more efficient use and operation of assets by turning them into income producing opportunities
- choosing optimal cost strategies over high-cost asset strategies
- demand management
- evaluation of service levels and standards
- continuing the focus on capital spending on renewal, rather than new infrastructure
- cost/benefit analysis on the services being provided.

It is envisaged that future versions of the LTFP would incorporate the results of pursuing some of the above strategies.

POTENTIAL SCENARIOS AND FINANCIAL MODELS

Council's Long-Term Financial Plan has been reviewed. The reviewed LTFP is based on the Draft 2022-2026 Delivery Program. Sensitivity analysis has been undertaken regarding a number of matters that can significantly impact on Council's ability to maintain its current service levels and financial sustainability in future years.

A critical assumption in Council's LTFP is the allowable increase in rating income from one year to the next (rate-peg). The rate-peg announced for 2023/2024 for Council is 3.7%. The level of rating income will be a major driver of services, programs and works delivered by Council over the next ten years, and Council's capacity to maintain financial sustainability.

The CPI is another variable that will have a significant impact on the LTFP. For 2023/2024 an inflation factor of 3.5% has been included in budget estimates. Based on recent economic trends it is likely that the inflation factor will be higher for 2023/2024 and future years.

The impact of the additional maintenance requirements for the Redbank key line drainage assets that will be transferred to Council is a significant financial challenge to overcome and has been included as a variable for modelling. The proposed drainage management charge for 2023/2024 of $100 per property applicable to the Redbank development area will not generate sufficient revenue on an ongoing basis to fund the necessary standard of maintenance in the area. If this charge is not reviewed in future years, funds will need to be reallocated from other services and works to fund ongoing maintenance in this area.

The Transport for NSW funding of $500K towards the operation of the Lower Portland Ferry is due to cease in 2023/2024. Council is currently working with The Hills Council to lobby the NSW Government to continue this funding. It is not financially viable for Council to continue to operate this service and hence has also been considered as a variable for modelling.

This LTFP includes assumptions and financial modelling for three potential scenarios:

- Pessimistic Model
- Likely Model
- Optimistic Model

SCENARIO 1 – PESSIMISTIC MODEL

This scenario is based on the following assumptions:

- Rate Peg of 2.5% from 2024/2025 to 2032/2033
- Inflation Rate of 3.5% from 2024/2025 to 2032/2033
- Redbank Drainage Charge increasing to $40 in 2023/2024 + $5 per year increase
- Lower Portland Ferry service retained but no longer funded by NSW State Government

Under this scenario, Council will experience operating deficits in relation to the General Fund from $50K in 2024/2025 to $0.8M in 2028/2029, before generating operating surpluses, reaching $2.0M in 2023/2033. This is a result of the projected rating income relating to the Vineyard Precinct development, prior to the peak operational and asset maintenance expenditure occurs. It is likely that a funding gap will occur once these costs are incurred in future years, outside the 10 years included within the Long Term Financial Plan.

Council is projected to have a $56M funding gap in regard to infrastructure renewal, which will result in continuing deterioration of the condition of community infrastructure and therefore, reduced service levels. It is to be noted that this shortfall will be significantly reduced as a result of the Flood Recovery Program and the upgrades relating to current assets as part of the WestInvest Program.

Based on this scenario Council would not be considered as financially sustainable and is therefore not the optimal long-term model to pursue.

Financial modelling has been undertaken based on the assumptions above. A projected Income Statement, Capital Budget Statement, Balance Sheet and Cash Flow Statement and the resulting Financial Performance Measures are included as Attachment 2 – Pessimistic Model.

SCENARIO 2 – LIKELY MODEL

This scenario is based on the following assumptions:

- Rate-Peg of 2.5% from 2024/2025 to 2032/2033
- Inflation Rate of 3.5% until 2026/2027 and then 2.5% until 2032/2033
- Redbank Drainage Charge increasing to $100 in 2023/2204 + $10 per year increase
- Lower Portland Ferry service retained and funded by NSW State Government

Under this scenario, Council will continue to have positive Operating Performance Results in most years, with surpluses ranging from $0.5M in 2024/2025 to $2.8M in 2032/2033. This is a result of the projected rating income relating to the Vineyard Precinct development, prior to the peak operational and asset maintenance expenditure occurs. It is likely that a funding gap will occur once these costs are incurred in future years, outside the 10 years included within the Long Term Financial Plan.

Council is projected to have a $49M funding gap in regard to the funding of infrastructure renewal, which will result in continuing deterioration of the condition of community infrastructure and therefore reduced service levels. It is to be noted that this shortfall will be significantly reduced as a result of the Flood Recovery Program and upgrades relating to current assets as part of the WestInvest Program. It is anticipated that both the Infrastructure Renewal Ratio and the Infrastructure Backlog Ratio will be met during the Long Term Financial Plan horizon.

Financial modelling has been undertaken based on the assumptions above. A projected Income Statement, Capital Budget Statement, Balance Sheet and Cash Flow Statement and the resulting Financial Performance Measures are included as Attachment 3 – Likely Model.

SCENARIO 3 - OPTIMISTIC MODEL

This scenario is based on the following assumptions:

- Rate-Peg of 3.0% from 2024/2025 to 2032/2033
- Inflation Rate of 3% from 2024/2025 until 2025/2026 and then 2.5% until 2032/2033
- Redbank Drainage Charge increasing to $100 in 2023/2204 + increased until 50% of additional costs associated with the key line drainage system are met annually
- Lower Portland Ferry service retained and funded by NSW State Government

Under this scenario, Council will continue to have positive Operating Performance Results, with surpluses ranging from $1.5M in 2024/2025 to $9.0M in 2032/2033. This is a result of the projected rating income relating to the Vineyard Precinct development, prior to the peak operational and asset maintenance expenditure occurs. At this income level, it is likely that there will be sufficient funding to cover these costs, when they are incurred in future years, outside the 10 years included within the Long Term Financial Plan.

This scenario also indicates the enhanced capacity Council will have with the increase in the rates-peg to endure any financial shocks, including macro-economic conditions, natural disasters and pandemics. It also provides opportunity for Council to maintain and potentially enhance services to the community.

Council is projected to have a $48M funding gap in regard to the funding of infrastructure renewal, which will result in continuing deterioration of the condition of community infrastructure and therefore reduced service levels. It is to be noted that this shortfall will be significantly reduced as a result of the Flood Recovery Program and upgrades relating to current assets as part of the WestInvest Program. It is anticipated that both the Infrastructure Renewal Ratio and the Infrastructure Backlog Ratio will be met during the Long Term Financial Plan horizon.

Financial modelling has been undertaken based on the assumptions above. A projected Income Statement, Capital Budget Statement, Balance Sheet and Cash Flow Statement and the resulting Financial Performance Measures are included as Attachment 4 – Optimistic Model.

MONITORING FINANCIAL PERFORMANCE

MANAGEMENT REPORTING

The annual budget adopted by Council each financial year is subject to rigorous monitoring during the year. Council's Managers are required to review their respective actual financial results against monthly targets and provide explanations for variances above the threshold and comment on the planned corrective action if required. The monthly variance reports are reviewed by Council's Senior Leadership Team and Executive Leadership Team.

QUARTERLY BUDGET REVIEWS

Council is required to review its annual budget position on a quarterly basis. A Quarterly Budget Review Statement is prepared including any budget variations required and submitted for Council adoption. The Quarterly Budget Reviews assist in maintaining financial projections in line with actual results on an ongoing basis during the financial year and provide a realistic platform on which future budgets are based.

ANNUAL BUDGETING PROCESS

Each year Council undertakes a rigorous process to prepare its budget estimates for the following year. The process involves budget submissions by each respective Manager, and a comprehensive review by Council's Leadership Team. The allocation of funds is based on service levels, Council Resolutions, Councillor input, continued implementation of financial sustainability strategies, asset renewal priorities and continuous improvement. The annual budget prepared for each respective financial year forms the basis upon which future years within the LTFP are reviewed.

REVIEWING THE PLAN

The LTFP is reviewed on an annual basis to ensure assumptions underpinning the Plan are still relevant and to reflect the latest financial results, the impacts of any Council resolutions and changes in trends.

ATTACHMENT 1 – SUSTAINABILITY MEASURES EXPLAINED

OPERATING PERFORMANCE RATIO

Total continuing operating revenue (exc. capital grants and contributions) less operating expenses

---

Total continuing operating revenue (exc. capital grants and contributions)

DESCRIPTION AND RATIONALE FOR CRITERIA

- TCorp in their review of financial sustainability of local government found that operating performance was a core measure of financial sustainability.
- Ongoing operating deficits are unsustainable and they are one of the key financial sustainability challenges facing the sector as a whole. While operating deficits are acceptable over a short period, consistent deficits will not allow Councils to maintain or increase their assets and services or execute their infrastructure plans.
- The Operating Performance Ratio is an important measure as it provides an indication of how a Council generates revenue and allocates expenditure (e.g. asset maintenance, staffing costs). It is an indication of continued capacity to meet on-going expenditure requirements.

DESCRIPTION AND RATIONALE FOR BENCHMARK

- TCorp recommended that all Councils should be at least break even operating position or better, as a key component of financial sustainability. Consistent with this recommendation the benchmark for this criteria is greater than or equal to break even.

OWN SOURCE REVENUE RATIO

$$\frac{\text{Total continuing operating revenue less all grants and contributions}}{\text{Total continuing operating revenue inclusive of capital grants and contributions}}$$

DESCRIPTION AND RATIONALE FOR CRITERIA

- Own source revenue measures the degree of reliance on external funding sources (e.g. grants and contributions). This ratio measures fiscal flexibility and robustness. Financial flexibility increases as the level of own source revenue increases. It also gives councils greater ability to manage external shocks or challenges.
- Councils with higher own source revenue have greater ability to control or manage their own operating performance and financial sustainability.

DESCRIPTION AND RATIONALE FOR BENCHMARK

- TCorp has used a benchmark for own source revenue of greater than 60 per cent of total operating revenue. All Councils should aim to meet or exceed this benchmark over a three year period.
- It is acknowledged that many councils have limited options in terms of increasing its own source revenue, especially in rural areas. However, 60 per cent is considered the lowest level at which councils have the flexibility necessary to manage external shocks and challenges.

BUILDING AND INFRASTRUCTURE ASSET RENEWAL RATIO

$$\frac{\textbf{Asset renewals (building and infrastructure)}}{\textbf{Depreciation, amortisation and impairment (building and infrastructure)}}$$

DESCRIPTION AND RATIONALE FOR CRITERIA

- The building and infrastructure renewals ratio represents the replacement or refurbishment of existing assets to an equivalent capacity or performance, as opposed to the acquisition of new assets or the refurbishment of old assets that increase capacity or performance. The ratio compares the proportion spent on infrastructure asset renewals and the asset's deterioration.
- This is a consistent measure that can be applied across councils of different sizes and locations. A higher ratio is an indicator of strong performance.

DESCRIPTION AND RATIONALE FOR BENCHMARK

- Performance of less than one hundred percent indicates that a Council's existing assets are deteriorating faster than they are being renewed and that potentially council's infrastructure backlog is worsening. Councils with consistent asset renewals deficits will face degradation of building and infrastructure assets over time.

INFRASTRUCTURE BACKLOG RATIO

Estimated cost to bring assets to a satisfactory condition

Total (WDV) of infrastructure, buildings, other structures and depreciable land improvement assets

DESCRIPTION AND RATIONALE FOR CRITERIA

- The infrastructure backlog ratio indicates the proportion of backlog against the total value of the Council's infrastructure assets. It is a measure of the extent to which asset renewal is required to maintain or improve service delivery in a sustainable way. This measures how councils are managing their infrastructure which is so critical to effective community sustainability.
- It is acknowledged, that the reliability of infrastructure data within NSW local government is mixed. However, as asset management practices within councils improve, it is anticipated that infrastructure reporting data reliability and quality will increase.
- This is a consistent measure that can be applied across councils of different sizes and locations. A low ratio is an indicator of strong performance.

DESCRIPTION AND RATIONALE FOR BENCHMARK

- High infrastructure backlog ratios and an inability to reduce this ratio in the near future indicate an underperforming Council in terms of infrastructure management and delivery. Councils with increasing infrastructure backlogs will experience added pressure in maintaining service delivery and financing current and future infrastructure demands.
- TCorp adopted a benchmark of less than two per cent to be consistently applied across councils. The application of this benchmark reflects the State Government's focus on reducing infrastructure backlogs.

ASSET MAINTENANCE RATIO

$$\frac{\textbf{Actual asset maintenance}}{\textbf{Required asset maintenance}}$$

DESCRIPTION AND RATIONALE FOR CRITERIA

- The asset maintenance ratio reflects the actual asset maintenance expenditure relative to the required asset maintenance as measured by an individual council.
- The ratio provides a measure of the rate of asset degradation (or renewal) and therefore has a role in informing asset renewal and capital works planning.

DESCRIPTION AND RATIONALE FOR BENCHMARK

- The benchmark adopted is greater than one hundred percent, which implies that asset maintenance expenditure exceeds the council identified requirements. This benchmark is consistently adopted by the NSW Treasury Corporation (TCORP). A ratio of less than one hundred percent indicates that there may be a worsening infrastructure backlog.

DEBT SERVICE RATIO

$$\frac{\textbf{Cost of debt service (interest expense and principal repayments)}}{\textbf{Total continuing operating revenue (exc. capital grants and contributions)}}$$

DESCRIPTION AND RATIONALE FOR CRITERIA

- Prudent and active debt management is a key part of Councils' approach to both funding and managing infrastructure and services over the long term.
- Prudent debt usage can also assist in smoothing funding costs and promoting intergenerational equity. Given the long life of many council assets it is appropriate that the cost of these assets should be equitably spread across the current and future generations of users and ratepayers. Effective debt usage allows councils to do this.
- Inadequate use of debt may mean that councils are forced to raise rates that a higher than necessary to fund long life assets or inadequately fund asset maintenance and renewals. It is also a strong proxy indicator of a council's strategic capacity.
- Council's effectiveness in this area is measured by the Debt Service Ratio.

DESCRIPTION AND RATIONALE FOR BENCHMARK

- As outlined above, it is appropriate for Councils to hold some level of debt given their role in the provision and maintenance of key infrastructure and services for their community. It is considered reasonable for Councils to maintain a Debt Service Ratio of greater than zero and less than or equal to 20 per cent.
- Councils with low or zero debt may incorrectly place the funding burden on current ratepayers when in fact it should be spread across generations, who also benefit from the assets. Likewise high levels of debt generally indicate a weakness in financial sustainability and/or poor balance sheet management.

ATTACHMENT 2 – PESSIMISTIC MODEL PROJECTIONS

Pessimistic Model - Income Statement

$'000	DRAFT Budget 2023/24	PROJECTED 2024/25	PROJECTED 2025/26	PROJECTED 2026/27	PROJECTED 2027/28	PROJECTED 2028/29	PROJECTED 2029/30	PROJECTED 2030/31	PROJECTED 2031/32	PROJECTED 2032/33
Income										
Rates & Annual Charges	76,696	82,090	86,696	90,988	93,905	96,994	100,298	104,086	107,686	111,749
User Charges & Fees	9,162	9,560	9,962	10,316	10,646	10,986	11,337	11,700	12,074	12,460
Other Revenue	1,874	1,902	1,966	2,032	2,101	2,211	2,245	2,320	2,398	2,479
Grants & Contributions - Operating	19,179	8,346	8,207	8,298	8,424	8,925	8,625	8,731	8,851	9,006
Grants & Contributions - Capital	30,509	11,731	11,763	11,724	14,965	14,929	14,965	14,861	14,971	15,082
Interest & Investment Income	3,393	4,568	4,133	4,135	3,946	3,854	4,456	4,466	5,055	4,890
Other Income	3,307	3,422	3,541	3,664	3,791	3,923	4,060	4,201	4,347	4,499
Total Income from Continuing Operations	**144,120**	**121,618**	**126,267**	**131,157**	**137,778**	**141,822**	**145,986**	**150,364**	**155,382**	**160,165**
Expenses										
Employee Costs	37,133	38,222	39,211	40,368	41,551	42,818	44,022	45,312	46,641	48,008
Materials & Services	37,584	35,771	38,593	41,392	43,822	46,414	47,691	49,738	52,124	55,169
Borrowing Costs	3,144	3,392	3,522	3,497	3,360	3,216	2,989	2,775	2,556	2,322
Depreciation & Amortisation	24,622	25,575	25,648	25,831	26,102	26,266	26,161	26,268	26,416	26,617
Other Expenses	6,125	6,329	6,541	6,761	6,996	7,233	7,479	7,734	7,999	8,281
Total Expenses from Continuing Operations	**108,607**	**109,289**	**113,515**	**117,849**	**121,831**	**125,946**	**128,342**	**131,826**	**135,734**	**140,397**
Net Operating Result for the Year	**35,512**	**12,329**	**12,751**	**13,308**	**15,947**	**15,876**	**17,644**	**18,538**	**19,648**	**19,768**
Net Operating Result before Capital Items	**5,003**	**598**	**989**	**1,584**	**983**	**947**	**2,679**	**3,677**	**4,677**	**4,686**

Pessimistic Model - Capital Budget Statement

$'000	DRAFT Budget 2023/24	PROJECTED 2024/25	PROJECTED 2025/26	PROJECTED 2026/27	PROJECTED 2027/28	PROJECTED 2028/29	PROJECTED 2029/30	PROJECTED 2030/31	PROJECTED 2031/32	PROJECTED 2032/33
Net Operating Result (excl. Capital Grants)	5,003	598	989	1,584	983	947	2,679	3,677	4,677	4,686
Capital Funding and Expenditure										
Source of Capital Funding (excluding reserves)										
Proceeds from the sale of capital assets	1,728	297	785	568	232	646	307	500	808	617
Depreciation	24,622	25,575	25,648	25,831	26,102	26,266	26,161	26,268	26,416	26,617
Grants & Contributions provided for Capital Purposes	30,509	11,731	11,763	11,724	14,965	14,929	14,965	14,861	14,971	15,082
	56,859	37,603	38,196	38,123	41,299	41,841	41,434	41,629	42,195	42,315
Application of Capital Funding										
New Assets	32,062	18,247	8,302	21,478	12,084	19,430	9,351	4,930	21,950	13,623
Renewal of Assets	23,483	13,423	14,275	13,184	13,657	10,842	12,321	12,437	11,392	14,584
Other Assets	915	709	640	640	651	646	680	675	711	704
Plant & Equipment	5,565	1,549	2,809	1,949	1,582	3,510	1,778	3,027	2,994	3,066
	62,024	33,928	26,026	37,252	27,974	34,428	24,130	21,069	37,047	31,976
Net Capital Expenditure	(5,165)	3,675	12,169	871	13,324	7,412	17,304	20,560	5,148	10,339
Net Reserve Transfers & Capital Movements	162	(4,273)	(13,158)	(2,455)	(14,307)	(8,359)	(19,983)	(24,237)	(9,825)	(15,025)
Retained surlplus/(deficit) available for general funding purposes	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Pessimistic Model - Balance Sheet

$'000	DRAFT Budget 2023/2024	PROJECTED 2024/2025	PROJECTED 2025/2026	PROJECTED 2026/2027	PROJECTED 2027/2028	PROJECTED 2028/2029	PROJECTED 2029/2030	PROJECTED 2030/2031	PROJECTED 2031/2032	PROJECTED 2032/2033
Current Assets										
Cash & Cash Equivalents	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
Investments	62,468	69,107	82,268	81,955	91,532	94,942	108,999	128,088	133,537	143,952
Receivables	38,008	38,008	38,008	38,008	38,008	38,008	38,008	38,008	38,008	38,008
Inventories	324	324	324	324	324	324	324	324	324	324
Other	1,243	1,243	1,243	1,243	1,243	1,243	1,243	1,243	1,243	1,243
	105,543	112,182	125,343	125,030	134,607	138,017	152,074	171,163	176,612	187,027
Non-Current Assets										
Investments	3,432	3,697	3,962	4,227	4,492	4,757	5,022	5,287	5,552	5,817
Infrastructure Property, Plant & Equipment	1,539,103	1,546,507	1,546,101	1,556,730	1,557,817	1,565,196	1,562,343	1,556,325	1,566,097	1,570,603
Investment Property	44,131	44,371	44,516	44,668	44,802	44,940	45,081	45,226	45,374	45,524
Intangible Assets	515	615	715	815	915	1,015	1,115	1,215	1,315	1,415
Other	9,417	10,026	10,566	11,107	11,657	12,203	12,783	13,358	13,968	14,572
	1,596,599	1,605,217	1,605,860	1,617,547	1,619,684	1,628,111	1,626,345	1,621,410	1,632,307	1,637,931
TOTAL ASSETS	**1,702,142**	**1,717,399**	**1,731,203**	**1,742,577**	**1,754,291**	**1,766,128**	**1,778,419**	**1,792,573**	**1,808,918**	**1,824,958**
Current Liabilities										
Payables	20,472	20,472	20,472	20,472	20,472	20,472	20,472	20,472	20,472	20,472
Borrowings	9,540	10,232	10,726	10,973	11,047	11,121	9,571	9,139	9,139	9,139
Provisions	19,240	19,240	19,240	19,240	19,240	19,240	19,240	19,240	19,240	19,240
	49,252	49,944	50,438	50,685	50,759	50,833	49,283	48,851	48,851	48,851
Non-Current Liabilities										
Payables	3,930	3,930	3,930	3,930	3,930	3,930	3,930	3,930	3,930	3,930
Borrowings	85,245	87,157	85,810	81,587	74,042	66,423	59,322	52,653	45,984	39,315
Provisions	7,861	7,861	7,861	7,861	7,861	7,861	7,861	7,861	7,861	7,861
	97,036	98,948	97,601	93,378	85,833	78,214	71,113	64,444	57,775	51,106
TOTAL LIABILITIES	**146,288**	**148,892**	**148,039**	**144,063**	**136,592**	**129,047**	**120,396**	**113,295**	**106,626**	**99,957**
NET ASSETS	**1,555,854**	**1,568,507**	**1,583,164**	**1,598,514**	**1,617,699**	**1,637,081**	**1,658,023**	**1,679,278**	**1,702,292**	**1,725,001**
Equity										
Accumulated Surplus	562,265	574,918	589,575	604,925	624,110	643,492	664,434	685,689	708,703	731,412
IPPE Revaluation Reserve	993,589	993,589	993,589	993,589	993,589	993,589	993,589	993,589	993,589	993,589
TOTAL EQUITY	**1,555,854**	**1,568,507**	**1,583,164**	**1,598,514**	**1,617,699**	**1,637,081**	**1,658,024**	**1,679,278**	**1,702,292**	**1,725,001**

Pessimistic Model - Cashflow Statement

$'000	DRAFT Budget 2023/24	PROJECTED 2024/25	PROJECTED 2025/26	PROJECTED 2026/27	PROJECTED 2027/28	PROJECTED 2028/29	PROJECTED 2029/30	PROJECTED 2030/31	PROJECTED 2031/32	PROJECTED 2032/33
Cash Flows from Operating Activities										
Receipts										
Rates & Annual Charges	76,696	82,090	86,696	90,988	93,905	96,994	100,298	104,086	107,686	111,749
User Charges & Fees	9,162	9,560	9,962	10,316	10,646	10,986	11,337	11,700	12,074	12,460
Investment & Interest Revenue Received	3,128	4,303	3,868	3,870	3,681	3,589	4,191	4,201	4,790	4,625
Grants & Contributions	49,688	20,077	19,969	20,022	23,389	23,854	23,590	23,592	23,822	24,087
Other	5,180	5,323	5,507	5,696	5,892	6,135	6,304	6,521	6,746	6,978
Payments										
Employee Benefits & On-Costs	(37,133)	(38,222)	(39,211)	(40,368)	(41,551)	(42,818)	(44,022)	(45,312)	(46,641)	(48,008)
Materials & Contracts	(37,584)	(35,771)	(38,593)	(41,392)	(43,822)	(46,414)	(47,691)	(49,738)	(52,124)	(55,169)
Borrowing Costs	(3,139)	(3,349)	(3,451)	(3,396)	(3,231)	(3,049)	(2,817)	(2,567)	(2,335)	(2,096)
Other Expenses	(6,125)	(6,329)	(6,541)	(6,761)	(6,996)	(7,233)	(7,479)	(7,734)	(7,999)	(8,281)
Net Cash provided (or used in) Operating Activities	59,874	37,683	38,206	38,975	41,913	42,044	43,713	44,748	46,019	46,345
Cash Flows from Investing Activities										
Receipts										
Sale of Infrastructure, Property, Plant & Equipment	1,728	297	785	568	232	646	307	500	808	617
Payments										
Purchases of Infrastructure, Property, Plant & Equipment	(62,024)	(33,928)	(26,026)	(37,252)	(27,974)	(34,428)	(24,130)	(21,069)	(37,047)	(31,976)
Net Cash provided (or used in) Investing Activities	(60,296)	(33,632)	(25,241)	(36,684)	(27,743)	(33,783)	(23,823)	(20,569)	(36,238)	(31,359)
Cash Flows from Financing Activities										
Receipts										
Prcoeeds from Borrowings & Advances	7,000	7,000	5,000	2,500	750	750	0	0	0	0
Payments										
Repayment of Borrowings & Advances	(3,931)	(4,412)	(4,804)	(5,104)	(5,344)	(5,602)	(5,832)	(5,091)	(4,332)	(4,571)
Net Cash provided (or used in) Financing Activities	3,069	2,588	196	(2,604)	(4,594)	(4,852)	(5,832)	(5,091)	(4,332)	(4,571)
Net Increase / (Decrease) in Cash & Cash Equivalents	2,646	6,639	13,160	(312)	9,577	3,409	14,058	19,088	5,449	10,415
plus: Cash, Cash Equivalents & Investments - beginning of year	63,322	65,968	72,607	85,768	85,455	95,032	98,442	112,499	131,588	137,037
Cash & Cash Equivalents - end of year	**65,968**	**72,607**	**85,768**	**85,455**	**95,032**	**98,442**	**112,499**	**131,588**	**137,037**	**147,452**

Pessimistic Model – Financial Performance Measures

Performance Measure	Benchmark	DRAFT Budget 2023/24	PROJECTED 2024/25	PROJECTED 2025/26	PROJECTED 2026/27	PROJECTED 2027/28	PROJECTED 2028/29	PROJECTED 2029/30	PROJECTED 2030/31	PROJECTED 2031/32	PROJECTED 2032/33
Operating Performance	**0%**	0.053	-0.004	-0.006	0.000	0.006	-0.010	0.004	0.009	0.014	0.012
Own Source Revenue	**>60%**	62.9%	81.9%	82.6%	83.3%	81.4%	81.6%	82.3%	82.8%	83.2%	83.5%
Asset Renewal	**>100%**	132.6%	70.6%	68.7%	62.1%	64.6%	54.3%	63.5%	58.4%	60.0%	61.3%
Infrastructure Backlog	**< or = 2%**	2.1%	2.6%	3.1%	3.7%	4.3%	5.0%	5.6%	6.3%	6.9%	7.5%
Asset Maintenance	**>100%**	102.1%	101.9%	101.9%	101.9%	101.9%	101.8%	101.8%	101.8%	101.8%	101.7%
Debt Service	**>0%<20%**	4.3%	5.2%	5.5%	5.5%	5.4%	5.3%	5.2%	3.7%	3.2%	3.1%

ATTACHMENT 3 – LIKELY MODEL PROJECTIONS

Likely Model - Income Statement

$'000	DRAFT Budget 2023/24	PROJECTED 2024/25	PROJECTED 2025/26	PROJECTED 2026/27	PROJECTED 2027/28	PROJECTED 2028/29	PROJECTED 2029/30	PROJECTED 2030/31	PROJECTED 2031/32	PROJECTED 2032/33
Income										
Rates & Annual Charges	76,696	82,176	86,798	91,109	94,034	97,138	100,465	104,269	107,891	111,977
User Charges & Fees	9,162	9,560	9,962	10,247	10,504	10,766	11,034	11,310	11,592	11,881
Other Revenue	1,874	1,902	1,966	2,015	2,065	2,156	2,170	2,224	2,280	2,337
Grants & Contributions - Operating	19,179	8,596	8,457	8,545	8,659	9,145	8,853	8,955	9,071	9,212
Grants & Contributions - Capital	30,509	11,731	11,763	11,715	14,945	14,899	14,924	14,808	14,906	15,004
Interest & Investment Income	3,393	4,693	4,383	4,510	4,446	4,479	4,956	4,841	5,305	5,140
Other Income	3,307	3,422	3,541	3,629	3,720	3,813	3,908	4,006	4,106	4,209
Total Income from Continuing Operations	**144,120**	**122,080**	**126,869**	**131,769**	**138,374**	**142,396**	**146,311**	**150,412**	**155,150**	**159,759**
Expenses										
Employee Costs	37,133	38,222	39,211	40,368	41,551	42,818	44,022	45,312	46,641	48,008
Materials & Services	37,584	35,771	38,593	41,368	43,627	46,097	47,201	49,045	51,216	53,994
Borrowing Costs	3,144	3,392	3,522	3,497	3,359	3,215	2,988	2,772	2,553	2,319
Depreciation & Amortisation	24,622	25,575	25,648	25,831	26,102	26,266	26,161	26,268	26,416	26,617
Other Expenses	6,125	6,329	6,541	6,760	6,992	7,227	7,472	7,726	7,990	8,268
Total Expenses from Continuing Operations	**108,607**	**109,289**	**113,515**	**117,823**	**121,631**	**125,623**	**127,844**	**131,123**	**134,814**	**139,205**
Net Operating Result for the Year	**35,512**	**12,791**	**13,353**	**13,946**	**16,743**	**16,773**	**18,467**	**19,289**	**20,336**	**20,554**
Net Operating Result before Capital Items	**5,003**	**1,060**	**1,591**	**2,231**	**1,797**	**1,874**	**3,543**	**4,481**	**5,430**	**5,550**

Likely Model - Capital Budget Statement

$'000	DRAFT Budget 2023/24	PROJECTED 2024/25	PROJECTED 2025/26	PROJECTED 2026/27	PROJECTED 2027/28	PROJECTED 2028/29	PROJECTED 2029/30	PROJECTED 2030/31	PROJECTED 2031/32	PROJECTED 2032/33
Net Operating Result (excl. Capital Grants)	5,003	1,060	1,591	2,231	1,797	1,874	3,543	4,481	5,430	5,550
Capital Funding and Expenditure										
Source of Capital Funding (excluding reserves)										
Proceeds from the sale of capital assets	1,728	297	785	568	232	646	307	500	808	617
Depreciation	24,622	25,575	25,648	25,831	26,102	26,266	26,161	26,268	26,416	26,617
Grants & Contributions provided for Capital Purposes	30,509	11,731	11,763	11,715	14,945	14,899	14,924	14,808	14,906	15,004
	56,859	37,603	38,196	38,114	41,279	41,811	41,393	41,576	42,130	42,237
Application of Capital Funding										
New Assets	32,062	18,247	8,302	21,478	12,084	19,430	9,351	4,930	21,950	13,623
Renewal of Assets	23,483	13,885	14,877	13,834	14,477	11,786	13,198	13,256	12,165	15,436
Other Assets	915	709	640	638	645	637	668	659	691	680
Plant & Equipment	5,565	1,549	2,809	1,949	1,582	3,490	1,778	3,027	2,994	3,061
	62,024	34,390	26,629	37,899	28,789	35,343	24,994	21,872	37,800	32,800
Net Capital Expenditure	(5,165)	3,213	11,567	215	12,490	6,468	16,399	19,703	4,330	9,437
Net Reserve Transfers & Capital Movements	162	(4,273)	(13,158)	(2,446)	(14,287)	(8,342)	(19,942)	(24,184)	(9,760)	(14,987)
Retained surlplus/(deficit) available for general funding purposes	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Likely Model - Balance Sheet

$'000	DRAFT Budget 2023/2024	PROJECTED 2024/2025	PROJECTED 2025/2026	PROJECTED 2026/2027	PROJECTED 2027/2028	PROJECTED 2028/2029	PROJECTED 2029/2030	PROJECTED 2030/2031	PROJECTED 2031/2032	PROJECTED 2032/2033
Current Assets										
Cash & Cash Equivalents	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
Investments	62,468	69,107	82,268	81,946	91,502	94,893	108,908	127,941	133,322	143,696
Receivables	38,008	38,008	38,008	38,008	38,008	38,008	38,008	38,008	38,008	38,008
Inventories	324	324	324	324	324	324	324	324	324	324
Other	1,243	1,243	1,243	1,243	1,243	1,243	1,243	1,243	1,243	1,243
	105,543	112,182	125,343	125,021	134,577	137,968	151,983	171,016	176,397	186,771
Non-Current Assets										
Investments	3,432	3,697	3,962	4,227	4,492	4,757	5,022	5,287	5,552	5,817
Infrastructure Property, Plant & Equipment	1,539,103	1,546,968	1,547,164	1,558,443	1,560,350	1,568,653	1,566,677	1,561,478	1,572,023	1,577,376
Investment Property	44,131	44,371	44,516	44,668	44,802	44,940	45,081	45,226	45,374	45,524
Intangible Assets	515	615	715	815	915	1,015	1,115	1,215	1,315	1,415
Other	9,417	10,026	10,566	11,104	11,649	12,186	12,753	13,313	13,904	14,484
	1,596,599	1,605,679	1,606,924	1,619,257	1,622,209	1,631,551	1,630,649	1,626,518	1,638,168	1,644,616
TOTAL ASSETS	**1,702,142**	**1,717,861**	**1,732,266**	**1,744,278**	**1,756,786**	**1,769,519**	**1,782,632**	**1,797,535**	**1,814,565**	**1,831,388**
Current Liabilities										
Payables	20,472	20,472	20,472	20,472	20,472	20,472	20,472	20,472	20,472	20,472
Borrowings	9,540	10,232	10,726	10,973	11,047	11,121	9,571	9,139	9,139	9,139
Provisions	19,240	19,240	19,240	19,240	19,240	19,240	19,240	19,240	19,240	19,240
	49,252	49,944	50,438	50,685	50,759	50,833	49,283	48,851	48,851	48,851
Non-Current Liabilities										
Payables	3,930	3,930	3,930	3,930	3,930	3,930	3,930	3,930	3,930	3,930
Borrowings	85,245	87,157	85,810	81,587	74,042	66,423	59,322	52,653	45,984	39,315
Provisions	7,861	7,861	7,861	7,861	7,861	7,861	7,861	7,861	7,861	7,861
	97,036	98,948	97,601	93,378	85,833	78,214	71,113	64,444	57,775	51,106
TOTAL LIABILITIES	**146,288**	**148,892**	**148,039**	**144,063**	**136,592**	**129,047**	**120,396**	**113,295**	**106,626**	**99,957**
NET ASSETS	**1,555,854**	**1,568,969**	**1,584,227**	**1,600,215**	**1,620,194**	**1,640,472**	**1,662,236**	**1,684,240**	**1,707,939**	**1,731,431**
Equity										
Accumulated Surplus	562,265	575,380	590,638	606,626	626,605	646,883	668,646	690,651	714,350	737,842
IPPE Revaluation Reserve	993,589	993,589	993,589	993,589	993,589	993,589	993,589	993,589	993,589	993,589
TOTAL EQUITY	**1,555,854**	**1,568,969**	**1,584,227**	**1,600,215**	**1,620,194**	**1,640,472**	**1,662,236**	**1,684,240**	**1,707,939**	**1,731,431**

Likely Model Cashflow Statement

$'000	DRAFT Budget 2023/24	PROJECTED 2024/25	PROJECTED 2025/26	PROJECTED 2026/27	PROJECTED 2027/28	PROJECTED 2028/29	PROJECTED 2029/30	PROJECTED 2030/31	PROJECTED 2031/32	PROJECTED 2032/33
Cash Flows from Operating Activities										
Receipts										
Rates & Annual Charges	76,696	82,176	86,798	91,109	94,034	97,138	100,465	104,269	107,891	111,977
User Charges & Fees	9,162	9,560	9,962	10,247	10,504	10,766	11,034	11,310	11,592	11,881
Investment & Interest Revenue Received	3,128	4,428	4,118	4,245	4,181	4,214	4,691	4,576	5,040	4,875
Grants & Contributions	49,688	20,327	20,219	20,260	23,605	24,044	23,777	23,763	23,977	24,216
Other	5,180	5,323	5,507	5,644	5,785	5,969	6,078	6,230	6,386	6,546
Payments										
Employee Benefits & On-Costs	(37,133)	(38,222)	(39,211)	(40,368)	(41,551)	(42,818)	(44,022)	(45,312)	(46,641)	(48,008)
Materials & Contracts	(37,584)	(35,771)	(38,593)	(41,368)	(43,627)	(46,097)	(47,201)	(49,045)	(51,216)	(53,994)
Borrowing Costs	(3,139)	(3,349)	(3,451)	(3,396)	(3,231)	(3,049)	(2,817)	(2,567)	(2,335)	(2,096)
Other Expenses	(6,125)	(6,329)	(6,541)	(6,760)	(6,992)	(7,227)	(7,472)	(7,726)	(7,990)	(8,268)
Net Cash provided (or used in) Operating Activities	59,874	38,144	38,808	39,613	42,708	42,940	44,534	45,497	46,704	47,128
Cash Flows from Investing Activities										
Receipts										
Sale of Infrastructure, Property, Plant & Equipment	1,728	297	785	568	232	646	307	500	808	617
Payments										
Purchases of Infrastructure, Property, Plant & Equipment	(62,024)	(34,390)	(26,629)	(37,899)	(28,789)	(35,343)	(24,994)	(21,872)	(37,800)	(32,800)
Net Cash provided (or used in) Investing Activities	(60,296)	(34,093)	(25,844)	(37,331)	(28,557)	(34,698)	(24,687)	(21,373)	(36,991)	(32,183)
Cash Flows from Financing Activities										
Receipts										
Prcoeeds from Borrowings & Advances	7,000	7,000	5,000	2,500	750	750	0	0	0	0
Payments										
Repayment of Borrowings & Advances	(3,931)	(4,412)	(4,804)	(5,104)	(5,344)	(5,602)	(5,832)	(5,091)	(4,332)	(4,571)
Net Cash provided (or used in) Financing Activities	3,069	2,588	196	(2,604)	(4,594)	(4,852)	(5,832)	(5,091)	(4,332)	(4,571)
Net Increase / (Decrease) in Cash & Cash Equivalents	2,646	6,639	13,160	(322)	9,557	3,390	14,015	19,033	5,381	10,374
plus: Cash, Cash Equivalents & Investments - beginning of year	63,322	65,968	72,607	85,768	85,446	95,002	98,393	112,408	131,441	136,822
Cash & Cash Equivalents - end of year	**65,968**	**72,607**	**85,768**	**85,446**	**95,002**	**98,393**	**112,408**	**131,441**	**136,822**	**147,196**

Likely Model – Financial Performance Measures

Performance Measure	Benchmark	DRAFT Budget 2023/24	PROJECTED 2024/25	PROJECTED 2025/26	PROJECTED 2026/27	PROJECTED 2027/28	PROJECTED 2028/29	PROJECTED 2029/30	PROJECTED 2030/31	PROJECTED 2031/32	PROJECTED 2032/33
Operating Performance	**0%**	0.053	0.000	-0.001	0.006	0.002	-0.002	0.011	0.016	0.020	0.019
Own Source Revenue	**>60%**	62.9%	81.7%	82.5%	83.1%	81.3%	81.5%	82.2%	82.7%	83.0%	83.4%
Asset Renewal	**>100%**	132.6%	72.5%	71.4%	65.0%	68.5%	58.7%	67.5%	62.0%	64.2%	65.1%
Infrastructure Backlog	**< or = 2%**	2.1%	2.5%	3.0%	3.5%	4.1%	3.3%	3.9%	4.5%	5.1%	7.8%
Asset Maintenance	**>100%**	102.1%	101.9%	101.9%	101.9%	101.9%	101.8%	101.8%	101.8%	101.8%	101.7%
Debt Service	**>0%<20%**	4.3%	5.2%	5.0%	4.8%	4.7%	4.5%	4.4%	4.2%	4.1%	4.0%

ATTACHMENT 4 – OPTIMISTIC MODEL PROJECTIONS

Optimistic Model - Income Statement

$'000	DRAFT Budget 2023/24	PROJECTED 2024/25	PROJECTED 2025/26	PROJECTED 2026/27	PROJECTED 2027/28	PROJECTED 2028/29	PROJECTED 2029/30	PROJECTED 2030/31	PROJECTED 2031/32	PROJECTED 2032/33
Income										
Rates & Annual Charges	76,696	82,434	87,313	91,889	95,101	98,503	102,146	106,292	110,277	114,745
User Charges & Fees	9,162	9,528	9,863	10,145	10,399	10,659	10,924	11,197	11,476	11,762
Other Revenue	1,874	1,894	1,941	1,990	2,039	2,129	2,143	2,196	2,251	2,308
Grants & Contributions - Operating	19,179	8,594	8,451	8,539	8,653	9,136	8,846	8,948	9,064	9,205
Grants & Contributions - Capital	30,509	11,727	11,749	11,701	14,931	14,885	14,909	14,793	14,890	14,988
Interest & Investment Income	3,393	4,756	4,508	4,697	4,696	4,792	5,331	5,278	5,805	5,578
Other Income	3,307	3,405	3,491	3,578	3,667	3,759	3,853	3,949	4,048	4,149
Total Income from Continuing Operations	**144,120**	**122,337**	**127,316**	**132,538**	**139,487**	**143,862**	**148,153**	**152,653**	**157,811**	**162,735**
Expenses										
Employee Costs	37,133	38,222	39,211	40,368	41,551	42,818	44,022	45,312	46,641	48,008
Materials & Services	37,584	35,705	38,377	41,133	43,387	45,835	46,944	48,781	50,946	53,704
Borrowing Costs	3,144	3,392	3,521	3,496	3,359	3,214	2,987	2,772	2,552	2,318
Depreciation & Amortisation	24,622	25,575	25,648	25,831	26,102	26,266	26,161	26,268	26,416	26,617
Other Expenses	6,125	6,329	6,542	6,760	6,994	7,230	7,475	7,729	7,993	8,273
Total Expenses from Continuing Operations	**108,607**	**109,224**	**113,299**	**117,589**	**121,393**	**125,363**	**127,589**	**130,862**	**134,546**	**138,920**
Net Operating Result for the Year	**35,512**	**13,114**	**14,017**	**14,949**	**18,094**	**18,499**	**20,564**	**21,791**	**23,265**	**23,815**
Net Operating Result before Capital Items	**5,003**	**1,387**	**2,268**	**3,248**	**3,163**	**3,614**	**5,654**	**6,998**	**8,374**	**8,828**

Optimistic Model - Capital Budget Statement

$'000	DRAFT Budget 2023/24	PROJECTED 2024/25	PROJECTED 2025/26	PROJECTED 2026/27	PROJECTED 2027/28	PROJECTED 2028/29	PROJECTED 2029/30	PROJECTED 2030/31	PROJECTED 2031/32	PROJECTED 2032/33
Net Operating Result (excl. Capital Grants)	5,003	1,387	2,268	3,248	3,163	3,614	5,654	6,998	8,374	8,828
Capital Funding and Expenditure										
Source of Capital Funding (excluding reserves)										
Proceeds from the sale of capital assets	1,728	297	785	568	232	646	307	500	808	617
Depreciation	24,622	25,575	25,648	25,831	26,102	26,266	26,161	26,268	26,416	26,617
Grants & Contributions provided for Capital Purposes	30,509	11,727	11,749	11,701	14,931	14,885	14,909	14,793	14,890	14,988
	56,859	37,599	38,182	38,100	41,265	41,796	41,378	41,561	42,114	42,221
Application of Capital Funding										
New Assets	32,062	18,247	8,302	21,478	12,084	19,430	9,351	4,930	21,950	13,623
Renewal of Assets	23,483	14,210	15,562	14,855	15,847	13,523	15,314	15,778	15,114	18,701
Other Assets	915	708	636	633	641	633	663	655	687	676
Plant & Equipment	5,565	1,549	2,809	1,949	1,582	3,486	1,778	3,027	2,993	3,066
	62,024	34,714	27,309	38,916	30,155	37,072	27,106	24,390	40,744	36,065
Net Capital Expenditure	(5,165)	2,885	10,873	(816)	11,110	4,724	14,273	17,170	1,370	6,156
Net Reserve Transfers & Capital Movements	162	(4,272)	(13,141)	(2,432)	(14,273)	(8,339)	(19,927)	(24,169)	(9,745)	(14,984)
Retained surlplus/(deficit) available for general funding purposes	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Optimistic Model - Balance Sheet

$'000	DRAFT Budget 2023/2024	PROJECTED 2024/2025	PROJECTED 2025/2026	PROJECTED 2026/2027	PROJECTED 2027/2028	PROJECTED 2028/2029	PROJECTED 2029/2030	PROJECTED 2030/2031	PROJECTED 2031/2032	PROJECTED 2032/2033
Current Assets										
Cash & Cash Equivalents	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
Investments	62,468	69,107	82,249	81,912	91,454	94,841	108,841	127,858	133,223	143,593
Receivables	38,008	38,008	38,008	38,008	38,008	38,008	38,008	38,008	38,008	38,008
Inventories	324	324	324	324	324	324	324	324	324	324
Other	1,243	1,243	1,243	1,243	1,243	1,243	1,243	1,243	1,243	1,243
	105,543	112,182	125,324	124,987	134,529	137,916	151,916	170,933	176,298	186,668
Non-Current Assets										
Investments	3,432	3,697	3,962	4,227	4,492	4,757	5,022	5,287	5,552	5,817
Infrastructure Property, Plant & Equipment	1,539,103	1,547,293	1,548,174	1,560,473	1,563,751	1,573,786	1,573,926	1,571,250	1,584,743	1,593,366
Investment Property	44,131	44,371	44,516	44,668	44,802	44,940	45,081	45,226	45,374	45,524
Intangible Assets	515	615	715	815	915	1,015	1,115	1,215	1,315	1,415
Other	9,417	10,025	10,561	11,094	11,635	12,168	12,731	13,286	13,872	14,448
	1,596,599	1,606,002	1,607,928	1,621,278	1,625,596	1,636,667	1,637,876	1,636,263	1,650,856	1,660,570
TOTAL ASSETS	**1,702,142**	**1,718,184**	**1,733,252**	**1,746,266**	**1,760,125**	**1,774,583**	**1,789,792**	**1,807,196**	**1,827,154**	**1,847,238**
Current Liabilities										
Payables	20,472	20,472	20,472	20,472	20,472	20,472	20,472	20,472	20,472	20,472
Borrowings	9,540	10,232	10,726	10,973	11,047	11,121	9,571	9,139	9,139	9,139
Provisions	19,240	19,240	19,240	19,240	19,240	19,240	19,240	19,240	19,240	19,240
	49,252	49,944	50,438	50,685	50,759	50,833	49,283	48,851	48,851	48,851
Non-Current Liabilities										
Payables	3,930	3,930	3,930	3,930	3,930	3,930	3,930	3,930	3,930	3,930
Borrowings	85,245	87,157	85,810	81,587	74,042	66,423	59,322	52,653	45,984	39,315
Provisions	7,861	7,861	7,861	7,861	7,861	7,861	7,861	7,861	7,861	7,861
	97,036	98,948	97,601	93,378	85,833	78,214	71,113	64,444	57,775	51,106
TOTAL LIABILITIES	**146,288**	**148,892**	**148,039**	**144,063**	**136,592**	**129,047**	**120,396**	**113,295**	**106,626**	**99,957**
NET ASSETS	**1,555,854**	**1,569,292**	**1,585,213**	**1,602,203**	**1,623,533**	**1,645,536**	**1,669,396**	**1,693,901**	**1,720,528**	**1,747,281**
Equity										
Accumulated Surplus	562,265	575,703	591,624	608,614	629,944	651,947	675,806	700,312	726,939	753,692
IPPE Revaluation Reserve	993,589	993,589	993,589	993,589	993,589	993,589	993,589	993,589	993,589	993,589
TOTAL EQUITY	**1,555,854**	**1,569,292**	**1,585,213**	**1,602,203**	**1,623,533**	**1,645,536**	**1,669,396**	**1,693,901**	**1,720,528**	**1,747,281**

Optimistic Model - Cashflow Statement

$'000	DRAFT Budget 2023/24	PROJECTED 2024/25	PROJECTED 2025/26	PROJECTED 2026/27	PROJECTED 2027/28	PROJECTED 2028/29	PROJECTED 2029/30	PROJECTED 2030/31	PROJECTED 2031/32	PROJECTED 2032/33
Cash Flows from Operating Activities										
Receipts										
Rates & Annual Charges	76,696	82,434	87,313	91,889	95,101	98,503	102,146	106,292	110,277	114,745
User Charges & Fees	9,162	9,528	9,863	10,145	10,399	10,659	10,924	11,197	11,476	11,762
Investment & Interest Revenue Received	3,128	4,491	4,243	4,432	4,431	4,527	5,066	5,013	5,540	5,313
Grants & Contributions	49,688	20,320	20,200	20,240	23,584	24,021	23,756	23,741	23,954	24,193
Other	5,180	5,299	5,432	5,568	5,707	5,888	5,996	6,146	6,299	6,457
Payments										
Employee Benefits & On-Costs	(37,133)	(38,222)	(39,211)	(40,368)	(41,551)	(42,818)	(44,022)	(45,312)	(46,641)	(48,008)
Materials & Contracts	(37,584)	(35,705)	(38,377)	(41,133)	(43,387)	(45,835)	(46,944)	(48,781)	(50,946)	(53,704)
Borrowing Costs	(3,139)	(3,349)	(3,451)	(3,396)	(3,231)	(3,049)	(2,817)	(2,567)	(2,335)	(2,096)
Other Expenses	(6,125)	(6,329)	(6,542)	(6,760)	(6,994)	(7,230)	(7,475)	(7,729)	(7,993)	(8,273)
Net Cash provided (or used in) Operating Activities	59,874	38,467	39,470	40,615	44,059	44,665	46,630	47,999	49,632	50,389
Cash Flows from Investing Activities										
Receipts										
Sale of Infrastructure, Property, Plant & Equipment	1,728	297	785	568	232	646	307	500	808	617
Payments										
Purchases of Infrastructure, Property, Plant & Equipment	(62,024)	(34,714)	(27,309)	(38,916)	(30,155)	(37,072)	(27,106)	(24,390)	(40,744)	(36,065)
Net Cash provided (or used in) Investing Activities	(60,296)	(34,417)	(26,524)	(38,348)	(29,923)	(36,426)	(26,798)	(23,890)	(39,935)	(35,448)
Cash Flows from Financing Activities										
Receipts										
Prcoeeds from Borrowings & Advances	7,000	7,000	5,000	2,500	750	750	0	0	0	0
Payments										
Repayment of Borrowings & Advances	(3,931)	(4,412)	(4,804)	(5,104)	(5,344)	(5,602)	(5,832)	(5,091)	(4,332)	(4,571)
Net Cash provided (or used in) Financing Activities	3,069	2,588	196	(2,604)	(4,594)	(4,852)	(5,832)	(5,091)	(4,332)	(4,571)
Net Increase / (Decrease) in Cash & Cash Equivalents	2,646	6,638	13,142	(336)	9,542	3,387	14,000	19,017	5,365	10,370
plus: Cash, Cash Equivalents & Investments - beginning of year	63,322	65,968	72,607	85,749	85,412	94,954	98,341	112,341	131,358	136,723
Cash & Cash Equivalents - end of year	**65,968**	**72,607**	**85,749**	**85,412**	**94,954**	**98,341**	**112,341**	**131,358**	**136,723**	**147,093**

Optimistic Model – Financial Performance Measures

Performance Measure	Benchmark	DRAFT Budget 2023/24	PROJECTED 2024/25	PROJECTED 2025/26	PROJECTED 2026/27	PROJECTED 2027/28	PROJECTED 2028/29	PROJECTED 2029/30	PROJECTED 2030/31	PROJECTED 2031/32	PROJECTED 2032/33
Operating Performance	**0%**	0.053	0.004	0.006	0.015	0.014	0.013	0.029	0.036	0.043	0.043
Own Source Revenue	**>60%**	62.9%	81.8%	82.6%	83.3%	81.5%	81.7%	82.4%	83.0%	83.4%	83.7%
Asset Renewal	**>100%**	132.6%	74.4%	75.3%	70.8%	76.0%	68.3%	79.1%	75.8%	80.2%	82.6%
Infrastructure Backlog	**< or = 2%**	2.1%	2.5%	2.9%	3.3%	3.7%	4.2%	4.5%	5.0%	5.2%	5.5%
Asset Maintenance	**>100%**	102.1%	101.9%	101.9%	101.9%	101.9%	102.0%	102.0%	102.0%	102.0%	102.0%
Debt Service	**>0%<20%**	4.3%	5.2%	5.0%	4.8%	4.6%	4.4%	4.3%	4.2%	4.0%	3.9%

Address	366 George Street, Windsor NSW 2756
Mailing Address	PO Box 146, Windsor NSW 2756
Phone	(02) 4560 4444
Email	council@hawkesbury.nsw.gov.au
Website	www.hawkesbury.nsw.gov.au
Office Hours	Monday to Friday 8:30am - 5pm