LONG TERM FINANCIAL PLAN

2023-2033



WILLOUGHBY CITY COUNCIL

FOR PUBLIC EXHIBITION

City of Diversity

Acknowledgment of Country

Willoughby City Council acknowledges the Traditional Owners of the lands on which we stand, the Gamaragal people. We pay our respects to their Elders past and present.

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Executive Summary

Overview

This draft Long Term Financial Plan sets out Council's response to an unprecedented and volatile economic climate. High inflation is driving costs to grow faster than income, a situation which has been exacerbated by ongoing rate revenue capping by the NSW Government. This difficult environment challenges the financial sustainability of this Council, and indeed councils across NSW.

Our choices to address this are limited. These include further reducing costs, changing services and service levels, or increasing revenue. Council has been actively managing this situation. We seek to match community needs with available resources. We will continue to identify cost savings, review services and to seek efficiencies.

However, as we continue to carry out this important work, we will need to secure additional revenue to ensure long-term financial sustainability. This draft Plan includes a proposal to increase rates through a Special Rate Variation. Council has not made a decision to pursue a Special Rate Variation at this stage, but is seeking early feedback on this proposal through this draft Plan.

The situation - costs have been increasing faster than income

The Council finds itself entering 2023/24 with significant financial sustainability headwinds, primarily due to cost increases outpacing income. This is explained further below:

- Across 2021/22 and 2022/23, inflation has increased by 13.1%, compared to an overall rates revenue increase of just 4.1% set by the NSW Government during the same period. This includes fuel costs increasing by an average annual of 8%, general insurance premiums by 5%, construction costs by 9.6% and workers' compensation premiums by 19.2%. This has considerably weakened the Council's financial position.
- User fees and charges remain some $3 million per annum below pre-COVID levels, mainly due to reduced car parking demand.
- It is becoming far more expensive to renew and repair Council's assets, with this cost rising from $12.8m in 2017/18 to $20.9m in 2022/23, in part because of the significant cost increases in material and labour.
- The Council was required to absorb $20.6m in lost revenue due to the COVID-19 pandemic. COVID-19 losses came about from Council providing rent relief, closing facilities, waiving fees and from changes in consumer behaviour.

What we've done - reduced costs, maximised external income and continued to deliver services

Council has consistently delivered operating surpluses while delivering services and new projects, along with maintaining assets. We've been making difficult but necessary decisions to reduce costs, and have successfully sought external grants and funds to supplement our revenue.

Council has acted with care and diligence in our financial management and forecasting. We have used, and continually monitored the best available data, to ensure we understand our financial position, now and into the future.

Our work, to meet the above outcomes, has included:

- Delivering, since 2018/19, annual average savings of $591,000 in consultancy costs and $963,000 in other miscellaneous expenses.
- Winning significant grants from other levels of government totalling $21.2m across the 18 months to December 2022, including a $5m NSW Government grant to upgrade the Willoughby Leisure Centre.
- Deciding to outsource or close some under-utilised, loss-making or non-core community services, including Loop Bus services (closed), Bales Park Out of School Hours centre (closed) and the Devonshire Street child care centre, and food services (proposed to be outsourced). The closure of the Loop Bus in itself generated $340,000 in savings.
- Supporting a more enabled and efficient workforce, through the implementation of the CONNECT information technology enterprise-wide platform which allows staff to more easily access information and deliver community outcomes.
- Rolling out the replacement of nearly 1,800 street lights with more cost efficient and environmentally friendly lights, which will save ratepayers $1m over 5 years.
- Ceasing the Council's Infrastructure Levy at the end of 2021/22, generating an overall fall in rates revenue of 5.2% and cutting average residential rates by $38 in 2022/23.
- Containing employee cost increases to just 1.4% in the four years to 2021/22.
- Maintaining the second lowest average residential rate amount among all North Shore Councils. The Council's average rate of $1,087 (in 2020/21) also sits well below the North Shore council average rate of $1,300 in the same year.

What we are proposing

This draft Plan proposes a range of measures to build on the Council's work in recent years, and to ensure Council can continue to deliver high-quality services, maintain our assets and parks and deliver significant new community projects over the next decade.

Firstly, as has been the case in recent years, the Council will continue to examine ways to increase efficiencies and reduce costs. We are currently developing a new service review framework and program to guide this work.

Secondly, the Council will continue to advocate against decisions by other levels of government which cause an unreasonable cost burden for the Council and Willoughby community. This includes a $100,000 increase to run the September 2024 election, an unexpected $487,000 increase in the NSW Government's Emergency Services Levy in 2023/24, and the ongoing capping of statutory fees well below the actual cost of delivering the service.

Finally, this draft Plan outlines the need for Council to consider a Special Rate Variation.

It outlines two potential future rating scenarios – one scenario maintains rates based on the expected NSW Government overall rate revenue cap, with the second scenario modelled on a rate variation of between 15-20% (above this cap) from 2024/25.

The first scenario would involve maintaining current service levels, with no rate increases above the expected rate revenue cap. This scenario would result in a severe deterioration in Council's financial position in the near to medium term, with cumulative losses over 10 years of $38.3 million.

Under this scenario, if Council attempted to deliver asset renewals to meet NSW Government benchmarks, the Council's working capital would be progressively exhausted and Council would be insolvent by 2025/26. Alternatively, Council would have to limit asset renewal spending to an extent that it would not be able to meet NSW Government benchmarks and asset conditions would deteriorate and may become unsafe.

The second scenario involves a 15-20% rate variation above the expected rate revenue cap commencing in 2024/25 and remaining in place on an ongoing basis. Such an increase would set the Council on a path for a secure and sustainable financial future, including:

- Allowing the Council to meet the NSW Government benchmark for asset renewals.
- Continued delivery of major projects and asset management initiatives funded by existing internal and external reserves.
- Operating surpluses from 2024/25 to 2032/33.
- $1 million of extra open space maintenance funding per year after 2024/25.
- Placing the Council in a position to both maintain existing service levels and consider service level improvements.

This proposed 15-20% variation also seeks to recoup the cumulative past impacts of a rate revenue cap that is below inflation, and to manage forecast future financial requirements. This will ensure the current level of services experienced by residents can be maintained.

A 15% variation would result in Council's minimum residential rate (paid by the majority of ratepayers) increasing by $132 a year in 2024/25, above the expected increase allowable under the NSW Government's rate revenue cap. A 20% variation would result in a $176 increase.

For other residential ratepayers, a 15% variation would result in an average $202 increase above the rate revenue cap, while a 20% variation would result in a $270 increase.

The proposed 15-20% variation is modest compared to rate increases either proposed by, or approved for, a number of other Sydney councils. For instance, for 2023/24, Strathfield is proposing a 93% increase over four years, Canada Bay is proposing a 32.52% increase over four years and Hornsby is proposing a 28% increase over four years. Meanwhile, in recent years, councils to receive Special Rate Variation approvals include Canterbury Bankstown (36.34% increase), Georges River (32.6% increase) and Hunters Hill (26% increase).

It should also be noted that, even if this draft Plan is approved following community engagement, a number of very significant steps would need to be followed before the proposed Special Rate Variation could be implemented. These steps include further Council resolutions to progress a variation proposal and extensive community engagement across the financial year 2023/24.



Introduction and Purpose

The *Long Term Financial Plan 2023-2033* (LTFP) reflects our financial capacity to deliver the strategies, initiatives and works identified in Willoughby City's *Community Strategic Plan: Our Future Willoughby 2032,* the four-year *Delivery Program 2022-2026* and the annual Operational Plans and Budgets.

The LTFP enables the community's vision for the future to be assessed against the financial and other resources available. It ensures that we have a financially sustainable long term plan and that we can manage financial risks and optimise opportunities while delivering the community's aspirations.

The LTFP expresses in financial terms our planned activities in the short, medium and long term and provides a framework for strategic decision making, problem identification and corrective action.

The objectives of the LTFP are to:

- Provide a **transparent account** of our financial position and forecasts to the community
- Identify the **financial risks and opportunities** arising in the short, medium and long term
- Measure the **financial impacts of change** through sensitivity testing of key assumptions
- Model the financial effects of our other **strategic plans and initiatives** including other resourcing strategies (asset management and workforce management)
- Provide early warning of potential risks to our financial sustainability and provide a framework for decision making and **corrective action**
- Provide a basis to make sound **strategic decisions** to best meet community expectations and aspirations

1 Strategic Financial Objectives

Our Strategic Financial Objectives and Key Performance Indicators (KPIs) are driven by the overriding principle of financial sustainability. These objectives and Key Performance Indicators ensure alignment with Asset Management and Workforce strategies and drive the construction of the Long Term Financial Plan.

Figure 1 – Strategic Financial Objectives

Sustainability Principle	Objectives	Key Performance Indicators
Positive Operating Performance	• Surplus each year • Balanced Budget • Fully funded operating position including debt and depreciation	• Operating Performance Ratio >0% (OLG) • Operating Performance Ratio of 2%-4% (Council) to withstand financial shocks • Own Source Operating Revenue Ratio >60%
Strong Cash-flow	• Cash surplus each year • Restricted Cash and liabilities fully funded • Adequate working capital	• Unrestricted Current ratio >1.5 • Rates and charges outstanding <5% • Cash Expense cover ratio >3 months
Asset Focus	• Alignment to Asset Management Strategy • Fully funded capital works program • Reduce and eliminate the asset backlog • Optimise returns from assets	• Asset Renewal Ratio >100% • Asset Maintenance Ratio >1 • Infrastructure Backlog Ratio <2% • Declining backlog • Improved return on investment
Manage Debt Levels	• Reduce debt levels over the medium term • Focus on intergenerational equity • Debt used only for assets with life over 20 years or projects with a payback under 7 years.	• Debt Service Cover Ratio >2% • Debt Service Ratio <20%
Maintain and enhance service levels	• Delivery aligned to CSP and Delivery Program. • Prioritised spend to optimise outcomes • Measurable productivity improvements	• Operating expenditure per capita trends down (unless conscious service level improvements) • Service levels maintained or improved • Individual business cases with positive outcomes

Our KPIs align to the Office of Local Government (OLG) financial sustainability and infrastructure Asset Management Ratios. These ratios are measured annually, subject to external audit, and are comparable to other councils across NSW.

The OLG sets a target of 0% for the Operating Performance Ratio (OPR). Council has set an internal target for the OPR of between 2% to 4%. This is to protect and provide an adequate buffer against budget shocks that typically impact Council throughout the year. It is considered financially prudent to target an OPR of at least 2% to enable Council to respond to unexpected financial shocks, failure of infrastructure, the impact of natural disasters and cost shifting from other tiers of government.

The need for a financial buffer becomes even more evident with the recent invoices received from the State Government for the 2023/24 Emergency Services Levy (ESL). After formulation and socialisation of the budget and LTFP, Council received an invoice for the ESL is was $487k higher than that provided for in the draft 2023/24 budget. This increased charge will need to be added to the 2023/24 budget prior to adoption and has already been included in the Long Term Financial Plan for the 2024/25 financial year onward. This unanticipated increase already erodes the 2% minimum OPR targeted by Council. The ESL has increased by $1 million since 2018/19 (an increase of 63% over 5 years).

2 Financial Planning Assumptions

Basis and Source of Assumptions

The 2023/24 budget has been used as the basis for the Long Term Financial Plan (LTFP). Market driven and internal forecasts and assumptions are then used to project revenue and expenditure over the 10 year duration of the plan.

The assumptions utilised in the LTFP have been sourced from several independent external bodies that are regarded as reputable, including the Reserve Bank of Australia, the Australian Bureau of Statistics, BIS Oxford Economics and The Big Four banks.

The global forecasts used to escalate costs and revenues are applied consistently between LTFP scenarios. Only Rating Revenue has been changed between the "Base Case (No SRV)" scenario (where rates assume only the rate revenue cap increase) and the "SRV Scenario" (where rates assume the rate revenue cap plus a one-off 15-20% permanent Special Rate Variation.

A number of one off and recurring adjustments have been made based on specific events and forecasts. These include the cost of local government elections, specific revenue and expenditure forecasts for upgraded or new leisure facilities, the increase in statutory superannuation to 12% by 2026 and specific forecasts for developer contributions.

SERVICE LEVELS

The current forecast financial position under each scenario is based on the continuation of services currently delivered by Council.

It is relevant to note that our most recent Community Perception Survey resulted in Council benchmarked an equal second when compared to other Sydney metropolitan councils despite the hardships faced, including a shortage in the labour market, the Global Pandemic and Natural Disaster Recovery over the past few years . Neither an increase nor reduction in the level of service has been contemplated in the LTFP scenarios presented, and further financial shocks or costs shifting will result in a further review of service provision

However, as part of our business improvement processes, we will regularly review services, services levels and processes to identify efficiency and improvement savings.

ASSUMED LABOUR SAVING DUE TO VACANCIES

To ensure the budget reflects realistic historic vacancy levels (and allows for the current tight labour market), a 7.7% vacancy rate (equating to $3.9 million in year one) is assumed throughout each year and reflected in the employee cost budget. This conservatively reflects historical vacancy rates and ensures the budget for labour costs is not unrealistically high.

3 Expenditure Assumptions

EMPLOYEE COSTS

Employee costs account for 38% of total Council operational expenditure. Employee costs include salaries, wages, superannuation, leave entitlements, workers compensation premiums, overtime and other employee related expenses. The majority of employee related cost increases are based on the Local Government Award increase each year.

Figure 3.1 – Expenditure Assumptions - Cost Escalations

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
Employee Costs	5.0%	5.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%

The existing Local Government Award expires in 2022/23 and a new Local Government Award is currently being negotiated. Reports from the negotiations indicate that due to high inflation and cost of living pressures, employees and their representatives are lobbying for increases of up to 5%. This model assumes a 4.5% Award increase for the first two years and then the award aligning with CPI (inflation) assumptions beyond that point.

Other employee related assumptions include:

- Superannuation is aligned to the growth in salaries and wages each year, plus the additional 0.5% increase in the mandated superannuation guarantee rate (legislated to increase from 10.5% in 2022/23 to 12% in 2026.
- Workers Compensation expense is expected to increase in line with salaries and wages.
- No material change is expected in existing staff numbers.
- To ensure the budget reflects realistic historic vacancy levels (and allows for the current tight labour market), a 7.7% vacancy rate (equating to $3.9 million in year one) is assumed throughout each year and reflected in the employee cost budget.

MATERIALS AND CONTRACTS AND OTHER COSTS

Materials and contracts and other expenses account for 44% of total Council operational expenditure. The Consumer Price Index (CPI), a measure of price movements on a basket of goods and services, is used to escalate materials and contract costs throughout the plan. Forward forecasts for CPI are sourced from the Reserve Bank of Australia and after following these recommendations of CPI carefully inflation has exceeded forecasts and been much higher than expected.

Figure 3.2 – Materials and Contracts and Other Costs - Cost Escalations

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
Materials & Contracts - Raw Materials & Consumables	3.50%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Materials & Contracts - Contracts	3.50%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Materials & Contracts - Legal Expenses	3.50%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Materials & Contracts - Insurance	3.50%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Materials & Contracts - All Other	3.50%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Other Expenses - Insurance	3.50%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Other Expenses - Utilities	3.50%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Other Expenses - Statutory & Regulatory	3.50%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Other Expenses - All Other	3.50%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%

WASTE COLLECTION AND DISPOSAL EXPENDITURE

In the early years of the LTFP, Waste Management Costs are forecast to follow the Consumer Price Index (as this will align with the "rise and fall" mechanisms within the Waste Management contracts). However, incremental costs are forecast upon the implementation of the State Government's "*NSW Waste and Sustainable Materials Strategy 2041*" which includes the requirement for all councils to offer "Food Organics, Garden Organics" (FOGO) by 2030. Industry modelling shows the introduction of FOGO will lead to significant increases in waste collection and disposal costs. For this reason, the LTFP forecasts a 10% one off cost increase in 2028/29 to allow Council to prepare for and commence the implementation of FOGO in 2029.

Figure 3.3 – Waste Collection and Disposal Expenditure - Cost Escalations

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
Waste Collection and Disposal Costs	3.50%	3.00%	3.00%	3.00%	10.00%	3.00%	3.00%	3.00%	3.00%

DEPRECIATION

It is assumed that asset values will continue to increase in line with inflation. For this reason, Depreciation is also forecast to grow in line with inflation. Specific additions and adjustments for Depreciation have been made for major new infrastructure being commissioned throughout the LTFP timeline (for example the redevelopment of the Willoughby Leisure Centre).

4 Revenue Assumptions

ORDINARY RATES

Historically, the rate revenue cap increase issued by the Independent Pricing and Regulatory Tribunal (IPART) has not kept pace with the inflation rate. IPART, in collaboration with councils, have been undertaking a review of the rating methodology. It is hoped that an outcome of this review is that rate increases will align more closely with cost of living increases. For this reason, the "No SRV" scenario escalates Rating Revenue at the same rate as CPI/Inflation.

Figure 4.1 – Ordinary Rates - Revenue

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
Rate Increases - No SRV Scenario	3.50%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%

The SRV scenario assumes that an application for a 15-20% one off permanent Special Rate Variation in 2024/25 is successful. Following that one off adjustment, the SRV scenario forecasts that rate increases will escalate at the same rate as CPI/Inflation.

Figure 4.2 – Special Rate Variation - Revenue

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
Rate Increases - SRV Scenario	18.50%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%

DOMESTIC WASTE MANAGEMENT CHARGE

Increases in the Domestic Waste Management charge (which is restricted to be expended only on Domestic Waste Management costs), has been aligned to the same increases as Waste Collection and Disposal expenditure. In general, the Domestic Waste Management Charge increases are aligned to CPI/Inflation, but to compensate for the increased cost associated with implementing the State Government's "*NSW Waste and Sustainable Materials Strategy 2041*" (including Food Organics and Garden Organics) the Long Term Financial Plan forecasts a one off 10% increase to the Domestic Waste Management Charge in 2028/29.

Figure 4.3– Domestic Waste Management Charge - Revenue

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
Annual Charges - Domestic Waste Management	3.50%	3.00%	3.00%	3.00%	10.00%	3.00%	3.00%	3.00%	3.00%

USER CHARGES AND FEES

User charges and fees revenue continues to be lower than pre-COVID levels. There is no way of predicting whether demand for major user charges and fees such as parking, fine revenues, community services etc. will return to pre-pandemic levels. For this reason, user charges and fees revenues are expected to grow in line with inflation. The exception to this is planning fee revenue which is expected to increase by more than CPI in the early years of the Long Term Financial Plan due to higher development activity arising from recent major development approvals and the new *Willoughby Local Environment Plan* 2022 (LEP).

Figure 4.4 – User Charges and Fees - Revenue

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
User Charges and Fees Revenue	3.50%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Planning Fees Revenue	5.00%	5.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%

RENTAL AND OTHER INCOME

Rental Income is forecast to grow in line with inflation as most rental reviews reference the CPI to determine the contracted rental increase.

No major fluctuations are expected in the volumes of other revenue. Prices will be adjusted in line with CPI on an annual basis. For this reason, Other Revenues are escalated based on CPI in the Long Term Financial Plan.

Figure 4.5 – Rental and Other Income - Revenue

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
Rental Income	3.50%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Other Revenue - All Other	3.50%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%

GRANTS AND CONTRIBUTIONS

Council receives a number of operational and capital grants from various Federal and State Government agencies. Capital grants in particular are difficult to forecast and have been high in recent years. Council expects capital grants will decline slightly from previous years and that operational grants will be maintained at current levels with CPI adjustments being applied.

5 Factors Impacting Financial Sustainability

The previous version of Council's Long Term Financial Plan (LTFP) covering the period 2022-2032 was adopted by Council in June 2022 following a public exhibition period. The previous plan was marginal but sustainable based on reputable external forecasts existing at that time. This was despite Council already having absorbed material financial shocks and high inflation on critical goods and services. That LTFP did highlight significant risks to Council's future financial position depending on economic conditions.

Since that time, the trend of costs rising at a rate higher than revenue has continued and worsened. The hardships forced upon Council over the past years, the acceleration of costs at very high levels, and the worsening economic environment now pose a serious threat to Council's financial sustainability in the future.

FORCED EFFICIENCIES ALREADY ABSORBED

Council has been forced to innovate and reduce costs to absorb a number of adverse financial events that have occurred across the past financial years including but not limited to:

- **$20.6 million in revenue losses over 3 years arising from COVID lockdowns and behavioural changes**. Over years between 2019/20 and 2021/22, Council lost $20.6 million of revenue as a direct result of the COVID pandemic. User pays revenue streams have partially recovered in 2022/23 but have not returned to pre-pandemic levels.
- **Costs growing faster than revenue.** Inflation and one off price shocks on specific items has resulted in Council expenditure growing at a much faster rate than revenue. Figure 5.1 shows a sample of Council cost increases between 2018/19 and 2023/24.

Figure 5.1 – Sample of Council Cost escalations between 2018/19 and 2023/24

Item	2018/19 Cost	2023/24 Cost	Increase $	Increase %	Average Annual Inflation
Fuel	264,000	370,000	106,000	40.2%	8.0%
Workers Compensation	1,098,928	2,152,355	1,053,427	95.9%	19.2%
Insurance	1,746,010	2,186,181	440,171	25.2%	5.0%
State Government Emergency Services Levy	1,592,000	2,590,466	998,466	62.7%	12.5%

Conversely, as shown in Figure 5.2, Council Revenues have grown at a much slower rate or even dropped.

Figure 5.2 – Movements on major Council Revenue streams

Item	2018/19 Revenue	2023/24 Revenue	Movement $	Movement %	Average Annual Movement
User Fees and Charges	18,774,000	15,499,000	-3,275,000	-17.4%	-3.5%
Rates and Annual Charges	66,322,000	73,301,000	6,979,000	10.5%	2.1%

This gap, where expenditure has grown at a higher rate than revenue has now reached a point where the marginal financial position forecast in the previous LTFP has now become unsustainable.

- **Increased costs to replace assets.** Inflation on construction materials used in Council asset replacement programs has led to material increases in the cost of replacing assets. The Gross Cost of Replacement (GCR) of Council's infrastructure assets increased by $132 million in 2022 alone. This increased cost of replacement is also reflected in increased depreciation. Depreciation has increased from $16.3m in 2018/19 to $21.6 million in 2023/24 (an increase of 31.3% and an average annual increase of 6.5%).

- **Non extension of Council's seven year 7.3% infrastructure levy.** Based on the benign inflation forecasts issued by the Reserve Bank of Australia in late 2021 and early 2022, the financial future for Council looked sustainable without the need to apply to IPART for the continuation of Council's seven year 7.3% infrastructure levy (a 7.3% SRV on rates between 2015 and 2022). The cessation of the infrastructure levy in 2022/23 resulted in a $2.96 million permanent reduction in rating revenue.

Council has responded to these shocks and price increases by implementing a Financial Repair Strategy which has identified a number of efficiencies and savings across the business. This has included stopping lowly utilised services, examining alternative delivery models for some services and identifying non-strategic assets for sale.

However, the magnitude of the shocks absorbed in recent years has left Council's financial position in a marginal state and vulnerable to any future shocks.

FUTURE FORECASTS AND RISKS

Major financial forecasts indicate that the trend of costs growing faster than revenue will continue in the near to medium term. This erodes Council's already marginal financial position. In addition, risks such as the following will further impact Council's financial sustainability:

- **Risk that high inflation prevails**. Based on Reserve Bank of Australia (RBA) forecasts, the LTFP adopted in June 2022 forecast that CPI would increase by between 2.0% and 3.75%. The actual CPI increased to 7.8% in the year to December 2022. By the end of March 2023, the annualised inflation rate was still 7%. The RBA is forecasting that inflation will subside to 4.8% in 2023, further reduce to 3.5% by 2024/25 and then drop to 3% from that time onward. If inflation remains higher than these forecasts, costs will continue to outstrip revenue growth and Council's financial sustainability will be placed under more pressure.
- **Employee Costs growth further due to tight labour market**. Due to a combination of increases arising from a new Local Government Award currently being negotiated and the increase in statutory superannuation from 10.5% to 12%, employee costs (representing 38% of total Council expenditure) are forecast to increase by 5% annually over the next two financial years. The economy is experiencing the tightest labour market since World War 2 and this is causing competition in attracting and retaining key talent. There is risk that in addition to Award and superannuation increases, the need to pay more for critical talent will further increase labour costs and place further pressure on Council's financial position.

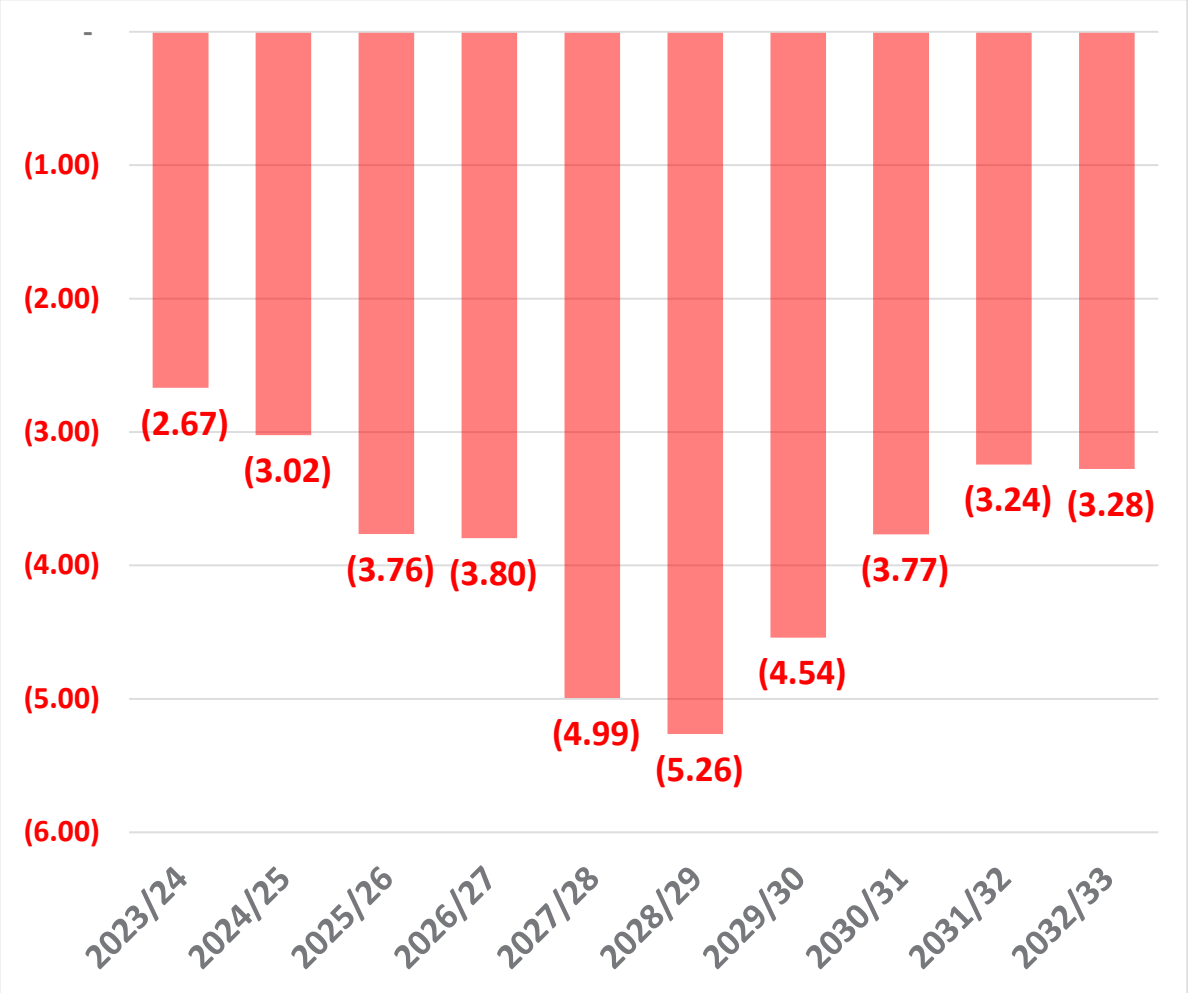
6 Financial Results – Base Case – Maintain Current Service Levels with No Special Rate Variation (No SRV)

Modelling of the base case, where Council would attempt to maintain current service levels with no Special Rate Variation clearly demonstrates that this scenario cannot be afforded and is not financially sustainable. Following are the significant financial issues arising from this scenario

Material Operating Deficit in all years of the Long Term Financial Plan

Modelling of the Base case with No SRV shows an Operating Deficit is recorded in all 10 years of the Long Term Financial Plan. The cumulative losses over 10 years of $38.3 million, with an average annual deficit of $3.8 million.

Figure 6.1 – Profile of Council deficits under the No SRV Scenario



INADEQUATE CASH FLOW FROM OPERATIONS RESULTS IN UNDER-FUNDING OF ASSETS, LOW WORKING CAPITAL AND THE RISK OF NOT MEETING COMMITMENTS

The poor Operating Performance results in a lack of cash flow generated from operations. Low cash-flow from operations provides insufficient cash to fund required asset renewals. In addition, very low Working Capital balances (Current Assets less Current Liabilities) throughout the life of the LTFP gives rise to the risk of not being able to meet commitments, especially if further financial shocks arise.

If Council attempted to fund Asset renewals from working capital, working capital would be exhausted and Council would be insolvent by 2025/26.

BUILDING AND INFRASTRUCTURE RENEWALS RATIO NOT ACHIEVED AND ASSET BACKLOG GROWS

The inability to fund asset renewals through cash flow from operations results in an average annual funding gap (under-funding of asset renewals) of $6.5 million per annum beyond 2025/26.

The Building and Infrastructure Renewals Ratio is assisted in the early years by some major projects using internal and external reserves. However, by 2025/26, the lack of cash-flow from operations means the Building and Infrastructure Renewals Ratio misses the OLG target of 100% every year beyond 2025/26.

This results in the asset backlog growing. The Infrastructure Backlog Ratio (a measure of the asset backlog divided by total asset values) moves from 0.57% 2021/22 to 5.83% by 2032/33 and misses the OLG target of less than 2% from 2027/28 onward.

In dollar terms the Asset backlog grows from a manageable $5.3 million in 2021/22 to $57.8 million in 2032/33. This means asset conditions deteriorate, may become unsafe, and the resulting levels of service delivered by assets reduces.

NO SRV – COUNCIL'S INADEQUATE PERFORMANCE AGAINST OLG RATIOS AND STRATEGIC FINANCIAL TARGETS

Figure 6.2 – Council's Performance against OLG Ratios – NO SRV Scenario

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
Operating Performance Ratio	-2.99%	-3.21%	-3.68%	-3.60%	-4.37%	-4.38%	-3.77%	-3.16%	-2.74%	-2.67%
Own Source Operating Revenue Ratio	85.13%	90.16%	88.72%	88.83%	88.89%	89.11%	89.20%	90.69%	90.78%	90.88%
Unrestricted Current Ratio	2.20	2.11	2.14	2.03	2.08	2.17	2.29	2.46	2.58	2.70
Debt Service Cover Ratio	5.29	5.48	5.49	5.60	5.46	5.49	5.79	7.14	7.80	7.82
Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage	2.11%	2.11%	2.11%	2.11%	2.11%	2.11%	2.11%	2.11%	2.11%	2.11%
Cash Expense Cover Ratio	16.95	15.39	15.25	12.81	12.82	12.94	13.91	14.88	15.82	16.75
Building & Infrastructure Renewals Ratio	216.30%	128.96%	78.50%	70.27%	67.95%	59.48%	70.50%	63.85%	64.91%	62.98%
Infrastructure Backlog Ratio	0.57%	0.57%	0.97%	1.49%	2.11%	2.92%	3.52%	4.27%	5.02%	5.83%
Asset Maintenance Ratio	102.4%	102.1%	102.1%	101.1%	100.1%	101.1%	100.1%	101.1%	102.1%	101.1%

In the base "No SRV" scenario, Council's Operating Performance Ratio (OPR) is negative in every year of the plan. This poor operating performance flows to under-funding of asset renewals. This is evident in the Building and Infrastructure Renewals Ratio (BIR Ratio) being below OLG target in eight of the 10 years. As a result, asset conditions and service levels deteriorate. The asset renewal backlog grows due to average under-funding of $6.5 million per annum and Council's "Infrastructure Backlog Ratio" is higher than the acceptable OLG benchmark of 2% in six of the 10 years. In the last three years of the plan, the Infrastructure Backlog Ratio is over double the acceptable OLG percentage and growing.

CONCLUSION – BASE CARE WITH NO SRV IS NOT FINANCIALLY SUSTAINABLE

In conclusion, the results arising from this scenario indicate that Council's forecast operating capacity is unsatisfactory and not financially sustainable. Immediate action, including the proposal of a Special Rate Variation is recommended to ensure Council's financial sustainability.

Figure 6.3 – Base Case No SRV – Profit and Loss Statement

INCOME STATEMENT - GENERAL FUND	Current Year	Projected Years									
Scenario: Base Case	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30**	**2030/31**	**2031/32**	**2032/33**
	$	$	$	$	$	$	$	$	$	$	$
Income from Continuing Operations											
Revenue:											
Rates & Annual Charges	69,620,900	73,301,000	75,842,035	78,096,296	80,418,185	82,809,730	86,756,395	89,338,086	91,997,229	94,736,146	97,557,230
User Charges & Fees	16,324,182	15,498,733	19,780,740	20,488,446	21,122,758	21,768,001	22,433,015	23,118,405	23,824,801	24,552,845	25,303,205
Other Revenues	7,046,623	8,508,108	8,657,821	8,891,903	9,132,917	9,381,066	9,636,565	9,899,631	10,170,491	10,449,373	10,741,803
Grants & Contributions provided for Operating Purposes	6,442,745	9,741,794	5,383,008	5,535,588	5,692,568	5,855,432	6,023,025	6,194,043	6,369,998	6,551,035	6,716,773
Grants & Contributions provided for Capital Purposes	13,116,565	10,994,914	8,292,413	10,811,778	10,934,687	11,061,242	11,191,557	11,375,739	9,013,905	9,156,175	9,298,290
Interest & Investment Revenue	3,441,030	7,320,629	6,455,666	6,116,819	6,088,467	5,477,892	5,600,111	5,852,070	6,420,284	6,974,951	7,568,464
Other Income:											
Net Gains from the Disposal of Assets	130,880	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Fair value increment on investment properties	1,000,000	1,070,000	1,070,000	1,070,000	1,070,000	1,070,000	1,070,000	1,070,000	1,070,000	1,070,000	1,070,000
Reversal of revaluation decrements on IPPE previously expensed	-	-	-	-	-	-	-	-	-	-	-
Reversal of impairment losses on receivables	-	-	-	-	-	-	-	-	-	-	-
Other Income	13,052,157	14,076,410	14,569,084	15,006,157	15,456,341	15,920,032	16,397,633	16,889,562	17,396,249	17,918,136	18,455,680
Joint Ventures & Associated Entities - Gain	-	-	-	-	-	-	-	-	-	-	-
Total Income from Continuing Operations	**130,175,081**	**140,611,587**	**140,150,766**	**146,116,986**	**150,015,923**	**153,443,396**	**159,208,301**	**163,837,536**	**166,362,956**	**171,508,661**	**176,811,445**
Expenses from Continuing Operations											
Employee Benefits & On-Costs	44,954,128	50,452,992	51,938,174	54,535,084	56,171,136	57,856,270	59,591,958	61,379,717	63,221,109	65,117,742	67,071,274
Borrowing Costs	2,319,250	2,307,990	2,305,910	2,295,255	2,292,312	2,294,536	2,295,270	2,295,427	2,301,188	2,333,522	2,368,718
Materials & Contracts	49,860,411	54,857,896	54,685,418	55,618,300	57,136,303	58,870,896	62,429,362	63,739,411	65,369,502	67,269,746	69,810,709
Depreciation & Amortisation	17,437,276	21,565,110	22,386,676	22,948,417	23,496,791	24,461,902	24,956,795	25,461,361	25,975,802	26,500,314	27,035,101
Impairment of investments	-	-	-	-	-	-	-	-	-	-	-
Impairment of receivables	15,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Other Expenses	2,987,141	3,051,748	3,516,422	3,621,915	3,730,572	3,842,489	3,957,764	4,076,497	4,198,792	4,324,756	4,454,498
Interest & Investment Losses	-	-	-	-	-	-	-	-	-	-	-
Net Losses from the Disposal of Assets	-	-	-	-	-	-	-	-	-	-	-
Revaluation decrement/impairment of IPPE	-	-	-	-	-	-	-	-	-	-	-
Fair value decrement on investment properties	-	-	-	-	-	-	-	-	-	-	-
Joint Ventures & Associated Entities - Loss	-	-	-	-	-	-	-	-	-	-	-
Total Expenses from Continuing Operations	**117,573,206**	**132,285,736**	**134,882,601**	**139,068,971**	**142,877,114**	**147,376,093**	**153,281,150**	**157,002,413**	**161,116,392**	**165,596,079**	**170,790,301**
Operating Result from Continuing Operations	**12,601,876**	**8,325,851**	**5,268,164**	**7,048,016**	**7,138,809**	**6,067,303**	**5,927,152**	**6,835,123**	**5,246,564**	**5,912,581**	**6,021,144**
Discontinued Operations - Profit/(Loss)	-	-	-	-	-	-	-	-	-	-	-
Net Profit/(Loss) from Discontinued Operations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net Operating Result for the Year	**12,601,876**	**8,325,851**	**5,268,164**	**7,048,016**	**7,138,809**	**6,067,303**	**5,927,152**	**6,835,123**	**5,246,564**	**5,912,581**	**6,021,144**
Net Operating Result before Grants and Contributions provided for Capital Purposes	**(514,690)**	**(2,669,063)**	**(3,024,248)**	**(3,763,762)**	**(3,795,878)**	**(4,993,939)**	**(5,264,405)**	**(4,540,616)**	**(3,767,341)**	**(3,243,594)**	**(3,277,146)**

Figure 6.4 – Base Case No SRV – Balance Sheet

BALANCE SHEET - GENERAL FUND	Current Year	Projected Years									
Scenario: Base Case	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
	$	$	$	$	$	$	$	$	$	$	$
ASSETS											
Current Assets											
Cash & Cash Equivalents	10,000,000	10,000,000	10,000,000	12,999,155	10,000,000	13,856,052	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000
Investments	139,515,894	117,139,044	108,208,199	108,208,199	94,384,276	94,384,276	98,896,695	110,577,620	122,100,371	134,522,449	148,304,708
Receivables	6,808,602	6,609,231	7,324,146	7,519,189	7,509,586	7,691,297	7,930,948	8,205,864	8,466,546	8,761,274	9,075,973
Inventories	13,282	14,614	14,568	14,816	15,221	15,683	16,631	16,980	17,414	17,920	18,597
Other	1,478,145	1,619,732	1,627,905	1,656,948	1,702,446	1,754,092	1,856,847	1,896,810	1,945,824	2,002,497	2,077,197
Non-current assets classified as "held for sale"	4,667,000	4,667,000	4,667,000	4,667,000	4,667,000	4,667,000	4,667,000	4,667,000	4,667,000	4,667,000	4,667,000
Total Current Assets	162,482,924	140,049,621	131,841,817	135,065,306	118,278,529	122,368,400	128,368,120	140,364,274	152,197,154	164,971,140	179,143,475
Non-Current Assets											
Investments	31,260,775	26,246,883	24,245,783	24,245,783	21,148,312	21,148,312	22,159,392	24,776,690	27,358,548	30,141,914	33,230,050
Receivables	52,695	54,688	56,064	57,284	58,541	59,836	61,973	63,371	64,810	66,293	67,821
Inventories	-	-	-	-	-	-	-	-	-	-	-
Contract assets and contract cost assets	-	-	-	-	-	-	-	-	-	-	-
Infrastructure, Property, Plant & Equipment	1,817,002,508	1,854,272,708	1,868,197,068	1,873,685,481	1,901,623,069	1,904,575,199	1,904,866,323	1,898,120,596	1,889,763,219	1,882,120,297	1,873,049,504
Investment Property	97,206,000	98,276,000	99,346,000	100,416,000	101,486,000	102,556,000	103,626,000	104,696,000	105,766,000	106,836,000	107,906,000
Intangible Assets	-	-	-	-	-	-	-	-	-	-	-
Right of use assets	796,000	796,000	796,000	796,000	796,000	796,000	796,000	796,000	796,000	796,000	796,000
Investments Accounted for using the equity method	-	-	-	-	-	-	-	-	-	-	-
Non-current assets classified as "held for sale"	-	-	-	-	-	-	-	-	-	-	-
Other	593,509	650,359	653,641	665,302	683,571	704,308	745,566	761,612	781,293	804,048	834,042
Total Non-Current Assets	1,946,911,488	1,980,296,637	1,993,294,556	1,999,865,851	2,025,795,493	2,029,839,655	2,032,255,254	2,029,214,269	2,024,529,870	2,020,764,552	2,015,883,417
TOTAL ASSETS	**2,109,394,412**	**2,120,346,258**	**2,125,136,373**	**2,134,931,157**	**2,144,074,022**	**2,152,208,055**	**2,160,623,374**	**2,169,578,543**	**2,176,727,024**	**2,185,735,692**	**2,195,026,892**
LIABILITIES											
Current Liabilities											
Payables	27,387,644	28,582,998	28,770,283	29,095,321	29,498,529	29,946,812	30,761,328	31,135,079	31,575,521	32,072,309	32,696,607
Income received in advance	-	-	-	-	-	-	-	-	-	-	-
Contract liabilities	9,228,941	9,529,756	7,622,424	8,669,994	8,858,107	9,051,133	9,249,938	9,471,933	8,794,784	9,011,424	9,225,701
Lease liabilities	199,618	109,114	26,260	-	-	-	-	-	-	-	-
Borrowings	1,280,651	1,326,556	1,376,224	1,426,209	1,477,691	1,494,359	1,512,981	968,776	796,964	822,530	848,916
Employee benefit provisions	11,569,784	13,393,301	15,281,327	17,263,754	19,305,655	21,408,812	23,575,065	25,806,304	28,104,481	30,471,604	32,909,740
Total Current Liabilities	49,666,637	52,941,725	53,076,518	56,455,279	59,139,982	61,901,117	65,099,312	67,382,092	69,271,751	72,377,868	75,680,965
Non-Current Liabilities											
Lease liabilities	135,374	26,260	-	-	-	-	-	-	-	-	-
Borrowings	36,310,663	35,684,107	35,007,883	34,281,674	33,503,983	32,709,624	31,896,643	31,627,867	31,530,903	31,408,373	31,259,457
Employee benefit provisions	577,862	668,940	763,239	862,253	964,237	1,069,281	1,177,476	1,288,917	1,403,702	1,521,930	1,643,704
Total Non-Current Liabilities	37,023,899	36,379,307	35,771,122	35,143,927	34,468,220	33,778,905	33,074,119	32,916,784	32,934,605	32,930,303	32,903,161
TOTAL LIABILITIES	**86,690,536**	**89,321,032**	**88,847,639**	**91,599,205**	**93,608,202**	**95,680,022**	**98,173,431**	**100,298,877**	**102,206,355**	**105,308,170**	**108,584,126**
Net Assets	**2,022,703,876**	**2,031,025,226**	**2,036,288,733**	**2,043,331,952**	**2,050,465,820**	**2,056,528,033**	**2,062,449,943**	**2,069,279,666**	**2,074,520,669**	**2,080,427,522**	**2,086,442,766**
EQUITY											
Retained Earnings	1,260,486,876	1,268,812,726	1,274,080,891	1,281,128,907	1,288,267,716	1,294,335,018	1,300,262,170	1,307,097,293	1,312,343,857	1,318,256,438	1,324,277,582
Revaluation Reserves	762,217,000	762,217,000	762,217,000	762,217,000	762,217,000	762,217,000	762,217,000	762,217,000	762,217,000	762,217,000	762,217,000
Total Equity	**2,022,703,876**	**2,031,029,726**	**2,036,297,891**	**2,043,345,907**	**2,050,484,716**	**2,056,552,018**	**2,062,479,170**	**2,069,314,293**	**2,074,560,857**	**2,080,473,438**	**2,086,494,582**

7 Special Rate Variation

As demonstrated by the Base Case (no SRV) Scenario (refer Section 6), Council cannot afford to continue to deliver the same level of service and renew assets to the required level within existing financial resources. Extra revenue is required if Council is to continue to deliver the same level of service, fund asset replacements and not become insolvent.

To determine the extent of the Special Rate Variation required, modelling has been undertaken to define the revenue levels required to fund existing service levels, fund asset replacements to the required level, and to create a buffer to protect Council against future economic shocks.

The modelling shows that to meet each of these requirements requires a one-off Permanent Special Rate Variation of 15-20% above the NSW Government rate revenue cap in 2024/25 (18.5% in total including the assumed 3.5% rate cap increase for that year).

The financial forecasts have been recalculated allowing for a one off Permanent 15-20% Special Rate Variation in 2024/25. The revised LTFP Scenario presented in Section 10 includes each of the following items and assumptions:

- The normal continuance of current service levels into the future (assuming no further financial shocks or inflation rises)
- Sufficient funding to resolve the asset management funding gap averaging $6.5 million per year
- Extra recurring maintenance funding of $1 million per year from 2024/25 onward
- Sufficient capacity to achieve at least a 2% Operating Performance Ratio each year beyond 2024/25
- Additional income from a one off Permanent Special Rate Variation of 15-20% in 2024/25.

RESIDENTIAL RATES COMPARISON WITH OTHER COUNCILS

It should also be noted that, as shown in Figure 7.1, the Council currently has a comparatively low residential rates cost, with our average residential rate (in 2020/21) being the second lowest among all councils who are part of the Northern Sydney Regional Organisation of Councils (NSROC). This means that, even with a Special Rate Variation, the Council's average residential rate is likely to remain close to the average rating cost among all NSROC councils.

Figure 7.1 – Average residential rates (in 2020/21) among councils in Northern Sydney Regional Organisation of Councils (NSROC) group

North Sydney	Willoughby	Ryde	Hornsby	Lane Cove	Ku-ring-gai	Mosman	Hunters Hill	NSROC Group Average
$878	$1,087	$1,100	$1,153	$1,303	$1,303	$1,488	$1,953	$1,300

In addition, and as shown in Figure 7.2, the 15-20% variation increase is modest compared to rate increases either approved for, or proposed by, a number of other Sydney councils.

Figure 7.2 – Special rate variations either approved for, or proposed by, other Sydney councils

Year	Council	Increase (including rate cap)
2021/22 (approved)	Canterbury Bankstown	36.34% cumulative increase over 5 years, retained permanently in the rate base
2021/22 (approved)	Georges River	32.6% cumulative increase over 5 years, retained permanently in the rate base
2022/23 (approved)	Central Coast	Extension of the current temporary 15.0% increase for a further 7-year period
2022/23 (approved)	Hunters Hill	Permanent increase of 16.9% in 2022-23 and 7.8% in 2023-24 i.e. 26.02% cumulative increase over 2 years
2023/24 (proposed)	Hornsby	Cumulative 28% increase over 4 years
2023/24 (proposed)	Canada Bay	Cumulative 32.52% increase over 4 years
2023/24 (proposed)	Strathfield	Cumulative 92.8% increase over 4 years

8 Financial Results – Maintain Current Service Levels with a 15-20% Special Rate Variation (SRV)

Modelling of the 15-20% SRV Scenario shows that if Council is successful with an application for a one-off 15-20% Permanent Special Rate Variation in 2024/25, it will have sufficient financial capacity and resilience into the future. This scenario shows positive Operating Performance and adequate cash-flow to fund required asset renewals. Funding asset renewals at required levels ensures that community assets are in appropriate condition and that an asset backlog does not grow. This scenario sees all OLG Benchmarks for Financial Sustainability and Asset Management achieved following the Special Rate Variation.

This scenario also delivers an Operating Performance Ratio averaging over 2% after the SRV, providing Council with a buffer to withstand future financial shocks and potentially the opportunity to improve some aspects of service delivery that the community desires. Council will also continue to focus on efficiencies and may consider modification of services in the future dependant on future CPI.

POSITIVE OPERATING RESULTS IN ALL YEARS FOLLOWING THE SPECIAL RATE VARIATION

Modelling of the 15-20% permanent SRV in 2024/25 shows positive Operating results from that Financial Year onward. The average annual surplus across the 10 years of the LTFP is between $3.93 million (15% SRV) and $7.08 million (20% SRV).

Figure 8.1 – Profile of Council Surplus results under the 15% SRV Scenario

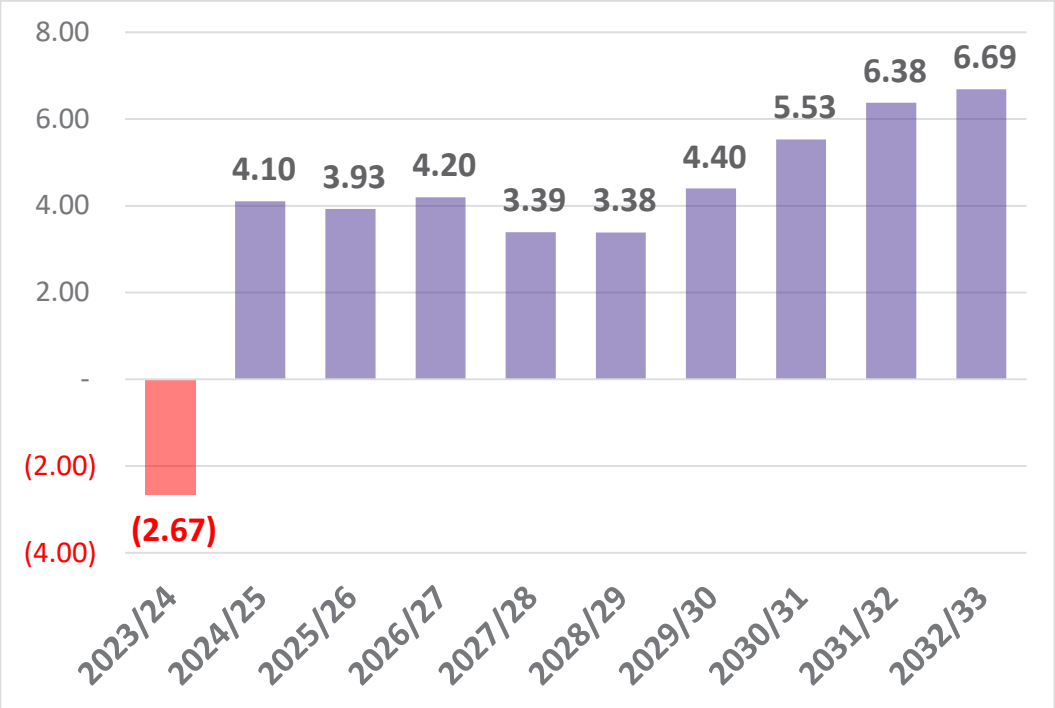
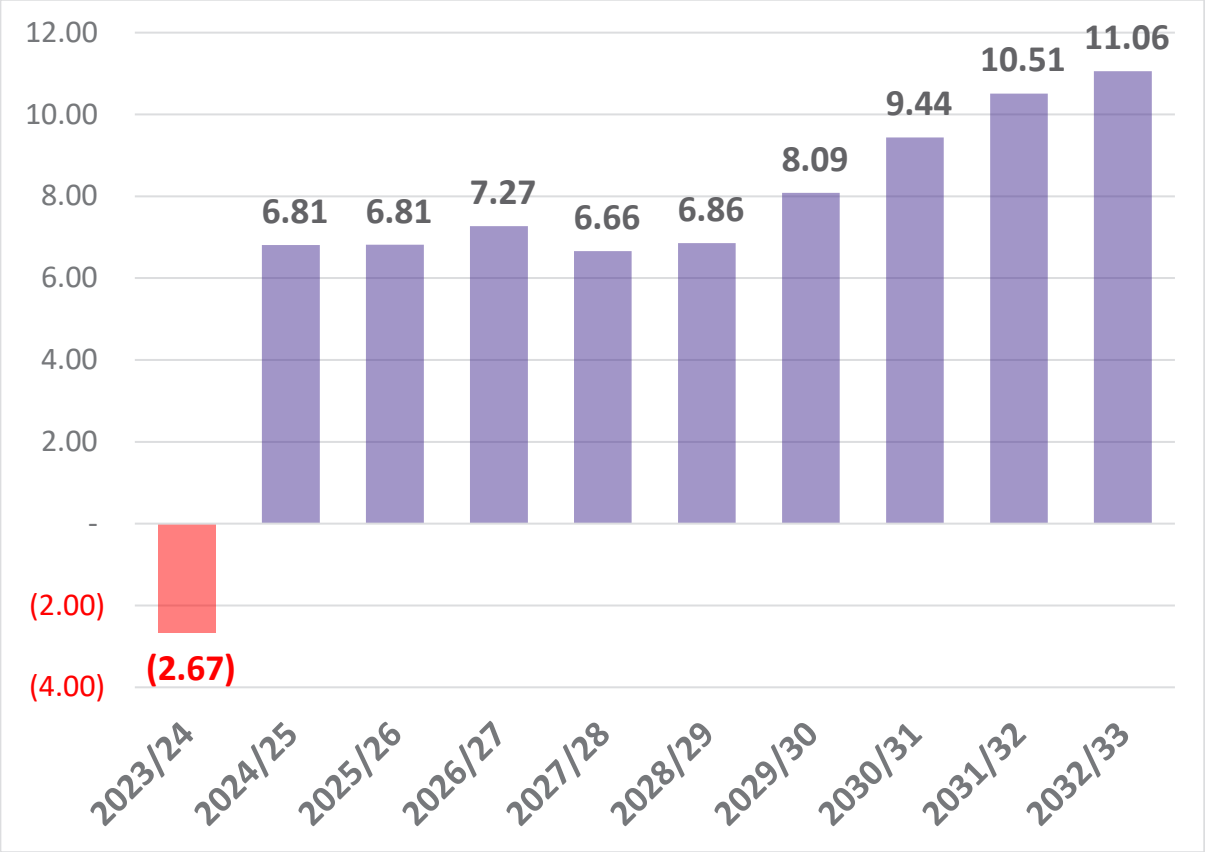


Figure 8.2 – Profile of Council Surplus results under the 20% SRV Scenario



OPERATING PERFORMANCE RATIO AVERAGES >2% FOLLOWING THE SPECIAL RATE VARIATION

The 15-20% SRV Scenario shows an Operating Performance Ratio averaging between 2.2% (15% SRV) and 4.3% (20% SRV) from 2024/25 to 2032/33. This meets Council's aim of providing suitable buffer to cater for unanticipated and un-forecast financial shocks as indicated in previous years.

BUILDING AND INFRASTRUCTURE RENEWALS RATIO ACHIEVED IN ALL YEARS OF THE LTFP

Strong cash-flow from operations means that asset renewals can be funded to required levels and that there is no growth in the asset backlog. Assets can be renewed on time and kept in appropriate condition to deliver high levels of service to the community.

ALL OLG RATIOS ACHIEVED FROM 2024/25 ONWARD

Council is budgeting for a deficit and a negative Operating Performance Ratio (OPR) in 2023/24. Outside of missing the OPR in 2023/24, the extra revenue delivered by a 15-20% Permanent Special Rate Variation in 2024/25 finds Council achieving all OLG benchmarks from that year forward.

Figure 8.3 – Council's Performance against OLG Ratios – 15% Permanent SRV Scenario

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
Operating Performance Ratio 1)	↓ -2.99%	– 2.11%	– 1.93%	– 2.06%	– 1.47%	– 1.41%	– 2.00%	– 2.62%	– 3.03%	– 3.11%
Own Source Operating Revenue Ratio 1)	– 85.13%	– 90.70%	– 89.36%	– 89.47%	– 89.54%	– 89.73%	– 89.82%	– 91.23%	– 91.32%	– 91.42%
Unrestricted Current Ratio	– 2.20	– 2.32	– 2.48	– 2.46	– 2.60	– 2.73	– 2.95	– 3.21	– 3.40	– 3.58
Debt Service Cover Ratio 1)	– 5.29	– 7.38	– 7.57	– 7.75	– 7.68	– 7.78	– 8.14	– 9.98	– 10.87	– 10.94
Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage	– 2.11%	– 2.11%	– 2.11%	– 2.11%	– 2.11%	– 2.11%	– 2.11%	– 2.11%	– 2.11%	– 2.11%
Cash Expense Cover Ratio 1)	– 16.95	– 16.04	– 16.19	– 13.91	– 14.00	– 14.01	– 15.09	– 16.05	– 17.00	– 17.91
Building & Infrastructure Renewals Ratio	– 216.3%	– 129.0%	– 100.8%	– 100.1%	– 100.2%	– 100.2%	– 101.2%	– 100.7%	– 100.8%	– 100.1%
Infrastructure Backlog Ratio	– 0.57%	– 0.57%	– 0.58%	– 0.58%	– 0.60%	– 0.61%	– 0.63%	– 0.65%	– 0.66%	– 0.68%
Asset Maintenance Ratio	– 102.4%	– 102.1%	– 102.1%	– 101.1%	– 100.1%	– 101.1%	– 100.1%	– 101.1%	– 102.1%	– 101.1%

Figure 8.4 – Council's Performance against OLG Ratios – 20% Permanent SRV Scenario

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
Operating Performance Ratio	↓ -2.99%	– 3.99%	– 3.87%	– 4.07%	– 3.57%	– 3.56%	– 4.19%	– 4.85%	– 5.31%	– 5.44%
Own Source Operating Revenue Ratio	– 85.13%	– 90.87%	– 89.56%	– 89.67%	– 89.74%	– 89.94%	– 90.03%	– 91.42%	– 91.51%	– 91.61%
Unrestricted Current Ratio	– 2.20	– 2.41	– 2.65	– 2.71	– 2.93	– 3.13	– 3.44	– 3.79	– 4.07	– 4.32
Debt Service Cover Ratio	– 5.29	– 8.11	– 8.35	– 8.58	– 8.55	– 8.69	– 9.10	– 11.18	– 12.19	– 12.31
Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage	– 2.11%	– 2.11%	– 2.11%	– 2.11%	– 2.11%	– 2.11%	– 2.11%	– 2.11%	– 2.11%	– 2.11%
Cash Expense Cover Ratio	– 16.95	– 16.32	– 16.76	– 14.77	– 15.16	– 15.45	– 16.83	– 18.10	– 19.35	– 20.55
Building & Infrastructure Renewals Ratio	– 216.30%	– 128.96%	– 100.83%	– 100.11%	– 100.20%	– 100.21%	– 101.16%	– 100.72%	– 100.77%	– 100.08%
Infrastructure Backlog Ratio	– 0.57%	– 0.57%	– 0.58%	– 0.58%	– 0.60%	– 0.61%	– 0.63%	– 0.65%	– 0.66%	– 0.68%
Asset Maintenance Ratio	– 102.4%	– 102.1%	– 102.1%	– 101.1%	– 100.1%	– 101.1%	– 100.1%	– 101.1%	– 102.1%	– 101.1%

CONCLUSION – 15-20% PERMANENT SRV SCENARIO

Modelling of the one-off 15-20% Permanent Special Rate variation in 2024/25 sees Council achieve all OLG benchmarks for financial sustainability and Infrastructure Asset Management. It provides Council with adequate financial capacity to meet community expectations.

On this basis, applying for a one-off 15-20% Permanent Special Rate variation in 2024/25 is the preferred option to ensure Council's financial sustainability into the future and to provide Council with the financial resilience to withstand future financial shocks

A 15% variation would result in Council's minimum residential rate (paid by the majority of ratepayers) increasing by $132 a year in 2024/25, above the expected increase allowable under the NSW Government's rate revenue cap. A 20% variation would result in a $176 increase.

For other residential ratepayers, a 15% variation would result in an average $202 increase above the rate revenue cap, while a 20% variation would result in a $270 increase.

An SRV is managed through IPART and is an important means of providing additional funding to councils to allow them to deliver services and infrastructure that the community has requested, and the council is unable to fund within its existing revenue. A council may need a SRV to either maintain current service levels or to increase service levels.

The inclusion of commentary and data on a SRV in the LTFP does not commit Council to undertaking an SRV. No decision has been made to undertake an SRV. No approval has been sought or received from IPART for an SRV.

The inclusion of an SRV in the LTFP is a first step and there is a significant process required by IPART, if Council and the community decide to apply for an SRV. The process includes:

- various points at which a formal resolution of Council is required;
- demonstration of meeting five key criteria;
- detailed scenario analysis;
- extensive community consultation by Council;
- a detailed submission to IPART;
- a public exhibition process by IPART;
- then a determination by IPART, all of which will take approximately 12 months.

Any feedback received through this public exhibition process will inform future decisions of Council and any subsequent processes associated with an SRV.

Figure 8.5 – 15% SRV Scenario – Profit and Loss Statement

INCOME STATEMENT - GENERAL FUND	Current Year	Projected Years									
Scenario: 15% Permanent SRV	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
	$	$	$	$	$	$	$	$	$	$	$
Income from Continuing Operations											
Revenue:											
Rates & Annual Charges	69,620,900	73,301,000	83,921,635	86,418,284	88,989,833	91,638,528	95,850,056	98,704,557	101,644,694	104,673,035	107,792,226
User Charges & Fees	16,324,182	15,498,733	19,780,740	20,488,446	21,122,758	21,768,001	22,433,015	23,118,405	23,824,801	24,552,845	25,303,205
Other Revenues	7,046,623	8,508,108	8,657,821	8,891,903	9,132,917	9,381,066	9,636,565	9,899,631	10,170,491	10,449,373	10,741,803
Grants & Contributions provided for Operating Purposes	6,442,745	9,741,794	5,383,008	5,535,588	5,692,568	5,855,432	6,023,025	6,194,043	6,369,998	6,551,035	6,716,773
Grants & Contributions provided for Capital Purposes	13,116,565	10,994,914	8,292,413	10,811,778	10,934,687	11,061,242	11,191,557	11,375,739	9,013,905	9,156,175	9,298,290
Interest & Investment Revenue	3,441,030	7,320,629	6,503,643	6,489,171	6,509,422	6,033,498	6,154,075	6,423,525	7,069,459	7,657,956	8,299,873
Other Income:											
Net Gains from the Disposal of Assets	130,880	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Fair value increment on investment properties	1,000,000	1,070,000	1,070,000	1,070,000	1,070,000	1,070,000	1,070,000	1,070,000	1,070,000	1,070,000	1,070,000
Reversal of revaluation decrements on IPPE previously expensed	-	-	-	-	-	-	-	-	-	-	-
Reversal of impairment losses on receivables	-	-	-	-	-	-	-	-	-	-	-
Other Income	13,052,157	14,076,410	14,569,084	15,006,157	15,456,341	15,920,032	16,397,633	16,889,562	17,396,249	17,918,136	18,455,680
Joint Ventures & Associated Entities - Gain	-	-	-	-	-	-	-	-	-	-	-
Total Income from Continuing Operations	**130,175,081**	**140,611,587**	**148,278,343**	**154,811,326**	**159,008,526**	**162,827,799**	**168,855,926**	**173,775,462**	**176,659,596**	**182,128,555**	**187,777,849**
Expenses from Continuing Operations											
Employee Benefits & On-Costs	44,954,128	50,452,992	51,938,174	54,535,084	56,171,136	57,856,270	59,591,958	61,379,717	63,221,109	65,117,742	67,071,274
Borrowing Costs	2,319,250	2,307,990	2,305,910	2,295,255	2,292,312	2,294,536	2,295,270	2,295,427	2,301,188	2,333,522	2,368,718
Materials & Contracts	49,860,411	54,857,896	55,685,418	56,618,300	58,136,303	59,870,896	63,429,362	64,739,411	66,369,502	68,269,746	70,810,709
Depreciation & Amortisation	17,437,276	21,565,110	22,386,676	22,948,417	23,496,791	24,461,902	24,956,795	25,461,361	25,975,802	26,500,314	27,035,101
Impairment of investments	-	-	-	-	-	-	-	-	-	-	-
Impairment of receivables	15,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Other Expenses	2,987,141	3,051,748	3,516,422	3,621,915	3,730,572	3,842,489	3,957,764	4,076,497	4,198,792	4,324,756	4,454,498
Interest & Investment Losses	-	-	-	-	-	-	-	-	-	-	-
Net Losses from the Disposal of Assets	-	-	-	-	-	-	-	-	-	-	-
Revaluation decrement/impairment of IPPE	-	-	-	-	-	-	-	-	-	-	-
Fair value decrement on investment properties	-	-	-	-	-	-	-	-	-	-	-
Joint Ventures & Associated Entities - Loss	-	-	-	-	-	-	-	-	-	-	-
Total Expenses from Continuing Operations	**117,573,206**	**132,285,736**	**135,882,601**	**140,068,971**	**143,877,114**	**148,376,093**	**154,281,150**	**158,002,413**	**162,116,392**	**166,596,079**	**171,790,301**
Operating Result from Continuing Operations	**12,601,876**	**8,325,851**	**12,395,741**	**14,742,356**	**15,131,412**	**14,451,706**	**14,574,777**	**15,773,049**	**14,543,204**	**15,532,475**	**15,987,548**
Discontinued Operations - Profit/(Loss)	-	-	-	-	-	-	-	-	-	-	-
Net Profit/(Loss) from Discontinued Operations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net Operating Result for the Year	**12,601,876**	**8,325,851**	**12,395,741**	**14,742,356**	**15,131,412**	**14,451,706**	**14,574,777**	**15,773,049**	**14,543,204**	**15,532,475**	**15,987,548**
Net Operating Result before Grants and Contributions provided for Capital Purposes	**(514,690)**	**(2,669,063)**	**4,103,329**	**3,930,578**	**4,196,725**	**3,390,464**	**3,383,220**	**4,397,310**	**5,529,299**	**6,376,300**	**6,689,258**

Figure 8.6 – 15% SRV Scenario – Balance Sheet

BALANCE SHEET - GENERAL FUND	Current Year	Projected Years									
Scenario: 15% Permanent SRV	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
	$	$	$	$	$	$	$	$	$	$	$
ASSETS											
Current Assets											
Cash & Cash Equivalents	10,000,000	10,000,000	10,000,000	15,000,000	10,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000
Investments	139,515,894	117,139,044	114,016,420	114,934,363	104,109,997	104,134,106	109,046,452	122,012,225	133,761,751	146,612,784	160,609,618
Receivables	6,808,602	6,609,231	7,550,520	7,773,251	7,781,740	7,977,897	8,217,937	8,510,882	8,779,531	9,084,413	9,407,387
Inventories	13,282	14,614	14,834	15,083	15,487	15,949	16,897	17,246	17,680	18,186	18,863
Other	1,478,145	1,619,732	1,655,875	1,684,918	1,730,416	1,782,062	1,884,817	1,924,780	1,973,794	2,030,467	2,105,167
Non-current assets classified as "held for sale"	4,667,000	4,667,000	4,667,000	4,667,000	4,667,000	4,667,000	4,667,000	4,667,000	4,667,000	4,667,000	4,667,000
Total Current Assets	162,482,924	140,049,621	137,904,649	144,074,614	128,304,639	133,577,015	138,833,102	152,132,134	164,199,757	177,412,851	191,808,036
Non-Current Assets											
Investments	31,260,775	26,246,883	25,547,209	25,752,889	23,327,516	23,332,918	24,433,608	27,338,797	29,971,467	32,850,947	35,987,163
Receivables	52,695	54,688	60,438	61,790	63,182	64,616	66,897	68,442	70,034	71,674	73,362
Infrastructure, Property, Plant & Equipment	1,817,002,508	1,854,272,708	1,868,197,068	1,878,229,315	1,912,472,304	1,922,622,680	1,932,217,255	1,932,820,542	1,933,476,162	1,934,919,881	1,935,546,593
Investment Property	97,206,000	98,276,000	99,346,000	100,416,000	101,486,000	102,556,000	103,626,000	104,696,000	105,766,000	106,836,000	107,906,000
Intangible Assets	-	-	-	-	-	-	-	-	-	-	-
Right of use assets	796,000	796,000	796,000	796,000	796,000	796,000	796,000	796,000	796,000	796,000	796,000
Other	593,509	650,359	664,871	676,533	694,801	715,539	756,797	772,843	792,523	815,279	845,272
Total Non-Current Assets	1,946,911,488	1,980,296,637	1,994,611,586	2,005,932,526	2,038,839,803	2,050,087,752	2,061,896,556	2,066,492,624	2,070,872,186	2,076,289,780	2,081,154,390
TOTAL ASSETS	**2,109,394,412**	**2,120,346,258**	**2,132,516,235**	**2,150,007,140**	**2,167,144,442**	**2,183,664,768**	**2,200,729,658**	**2,218,624,757**	**2,235,071,943**	**2,253,702,631**	**2,272,962,426**
LIABILITIES											
Current Liabilities											
Bank Overdraft	-	-	-	-	-	-	-	-	-	-	-
Payables	27,387,644	28,582,998	29,022,568	29,349,387	29,754,429	30,204,603	31,021,065	31,396,820	31,839,327	32,338,241	32,964,730
Income received in advance	-	-	-	-	-	-	-	-	-	-	-
Contract liabilities	9,228,941	9,529,756	7,622,424	8,669,994	8,858,107	9,051,133	9,249,938	9,471,933	8,794,784	9,011,424	9,225,701
Lease liabilities	199,618	109,114	26,260	-	-	-	-	-	-	-	-
Borrowings	1,280,651	1,326,556	1,376,224	1,426,209	1,477,691	1,494,359	1,512,981	968,776	796,964	822,530	848,916
Employee benefit provisions	11,569,784	13,393,301	15,281,327	17,263,754	19,305,655	21,408,812	23,575,065	25,806,304	28,104,481	30,471,604	32,909,740
Total Current Liabilities	49,666,637	52,941,725	53,328,803	56,709,345	59,395,883	62,158,907	65,359,048	67,643,833	69,535,556	72,643,799	75,949,087
Non-Current Liabilities											
Lease liabilities	135,374	26,260	-	-	-	-	-	-	-	-	-
Borrowings	36,310,663	35,684,107	35,007,883	34,281,674	33,503,983	32,709,624	31,896,643	31,627,867	31,530,903	31,408,373	31,259,457
Employee benefit provisions	577,862	668,940	763,239	862,253	964,237	1,069,281	1,177,476	1,288,917	1,403,702	1,521,930	1,643,704
Total Non-Current Liabilities	37,023,899	36,379,307	35,771,122	35,143,927	34,468,220	33,778,905	33,074,119	32,916,784	32,934,605	32,930,303	32,903,161
TOTAL LIABILITIES	**86,690,536**	**89,321,032**	**89,099,925**	**91,853,271**	**93,864,103**	**95,937,812**	**98,433,167**	**100,560,617**	**102,470,161**	**105,574,102**	**108,852,248**
Net Assets	**2,022,703,876**	**2,031,025,226**	**2,043,416,310**	**2,058,153,869**	**2,073,280,339**	**2,087,726,956**	**2,102,296,491**	**2,118,064,140**	**2,132,601,782**	**2,148,128,529**	**2,164,110,178**
EQUITY											
Retained Earnings	1,260,486,876	1,268,812,726	1,281,208,468	1,295,950,824	1,311,082,235	1,325,533,941	1,340,108,718	1,355,881,767	1,370,424,970	1,385,957,446	1,401,944,994
Revaluation Reserves	762,217,000	762,217,000	762,217,000	762,217,000	762,217,000	762,217,000	762,217,000	762,217,000	762,217,000	762,217,000	762,217,000
Total Equity	**2,022,703,876**	**2,031,029,726**	**2,043,425,468**	**2,058,167,824**	**2,073,299,235**	**2,087,750,941**	**2,102,325,718**	**2,118,098,767**	**2,132,641,970**	**2,148,174,446**	**2,164,161,994**

Figure 8.7 – 15% SRV Scenario – Cash-Flow Statement

CASH FLOW STATEMENT - GENERAL FUND	Current Year	Projected Years									
Scenario: 15% Permanent SRV	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30**	**2030/31**	**2031/32**	**2032/33**
	$	$	$	$	$	$	$	$	$	$	$
Cash Flows from Operating Activities											
Receipts:											
Rates & Annual Charges	70,471,411	73,248,802	83,770,994	86,382,872	88,953,358	91,600,959	95,790,320	98,664,070	101,602,992	104,630,081	107,747,984
User Charges & Fees	16,749,378	15,464,692	19,957,326	20,517,632	21,148,917	21,794,611	22,460,440	23,146,670	23,853,932	24,582,869	25,334,149
Investment & Interest Revenue Received	2,668,794	7,534,435	6,524,359	6,447,392	6,652,256	5,993,138	6,107,213	6,300,346	6,958,388	7,535,987	8,167,194
Grants & Contributions	20,049,501	21,145,386	11,183,216	17,283,770	16,720,860	17,013,488	17,314,231	17,689,454	14,608,262	15,815,314	16,117,550
Bonds & Deposits Received	-	-	-	-	-	-	-	-	-	-	-
Other	20,631,302	22,519,005	22,841,454	23,796,695	24,505,320	25,215,410	25,945,910	26,698,000	27,484,674	28,270,945	29,097,605
Payments:											
Employee Benefits & On-Costs	(44,063,599)	(48,510,041)	(49,947,395)	(52,438,457)	(54,017,685)	(55,638,215)	(57,307,362)	(59,026,583)	(60,797,380)	(62,621,302)	(64,499,941)
Materials & Contracts	(49,243,956)	(54,248,134)	(55,529,645)	(56,493,197)	(57,940,338)	(59,648,448)	(62,986,817)	(64,567,278)	(66,158,389)	(68,025,649)	(70,488,980)
Borrowing Costs	(1,593,828)	(1,610,853)	(1,608,876)	(1,598,332)	(1,595,501)	(1,597,840)	(1,598,611)	(1,598,810)	(1,603,354)	(1,635,304)	(1,670,557)
Bonds & Deposits Refunded	-	-	-	-	-	-	-	-	-	-	-
Other	(2,861,736)	(2,718,457)	(3,367,025)	(3,491,605)	(3,610,938)	(3,713,622)	(3,766,560)	(3,957,277)	(4,066,731)	(4,181,432)	(4,287,612)
Net Cash provided (or used in) Operating Activities	32,807,268	32,824,836	33,824,409	40,406,770	40,816,250	41,019,480	41,958,764	43,348,592	41,882,393	44,371,510	45,517,393
Cash Flows from Investing Activities											
Receipts:											
Sale of Investment Securities	6,223,330	27,390,743	3,822,298	-	13,249,739	-	-	-	-	-	-
Sale of Investment Property	-	-	-	-	-	-	-	-	-	-	-
Sale of Real Estate Assets	-	-	-	-	-	-	-	-	-	-	-
Sale of Infrastructure, Property, Plant & Equipment	311,863	-	-	-	-	-	-	-	-	-	-
Payments:											
Purchase of Investment Securities	-	-	-	(1,123,623)	-	(29,512)	(6,013,035)	(15,870,963)	(14,382,196)	(15,730,513)	(17,133,050)
Purchase of Investment Property	-	-	-	-	-	-	-	-	-	-	-
Purchase of Infrastructure, Property, Plant & Equipment	(36,027,767)	(58,735,310)	(36,211,037)	(32,880,664)	(57,639,780)	(34,512,278)	(34,451,370)	(25,964,648)	(26,531,422)	(27,844,033)	(27,561,813)
Purchase of Real Estate Assets	-	-	-	-	-	-	-	-	-	-	-
Net Cash provided (or used in) Investing Activities	(29,492,574)	(31,344,567)	(32,388,739)	(34,004,286)	(44,390,041)	(34,541,789)	(40,464,405)	(41,835,611)	(40,913,617)	(43,574,546)	(44,694,863)
Cash Flows from Financing Activities											
Receipts:											
Proceeds from Borrowings & Advances	-	-	-	-	-	-	-	-	-	-	-
Payments:											
Repayment of Borrowings & Advances	(1,488,686)	(1,280,651)	(1,326,556)	(1,376,224)	(1,426,209)	(1,477,691)	(1,494,359)	(1,512,981)	(968,776)	(796,964)	(822,530)
Repayment of lease liabilities (principal repayments)	(307,008)	(199,618)	(109,114)	(26,260)	-	-	-	-	-	-	-
Distributions to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-
Other Financing Activity Payments	-	-	-	-	-	-	-	-	-	-	-
Net Cash Flow provided (used in) Financing Activities	(1,795,694)	(1,480,269)	(1,435,670)	(1,402,484)	(1,426,209)	(1,477,691)	(1,494,359)	(1,512,981)	(968,776)	(796,964)	(822,530)
Net Increase/(Decrease) in Cash & Cash Equivalents	1,519,000	(0)	(0)	5,000,000	(5,000,000)	5,000,000	(0)	(0)	0	-	0
plus: Cash & Cash Equivalents - beginning of year	8,481,000	10,000,000	10,000,000	10,000,000	15,000,000	10,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000
Cash & Cash Equivalents - end of the year	**10,000,000**	**10,000,000**	**10,000,000**	**15,000,000**	**10,000,000**	**15,000,000**	**15,000,000**	**15,000,000**	**15,000,000**	**15,000,000**	**15,000,000**
Cash & Cash Equivalents - end of the year	10,000,000	10,000,000	10,000,000	15,000,000	10,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000
Investments - end of the year	170,776,670	143,385,927	139,563,629	140,687,251	127,437,512	127,467,024	133,480,059	149,351,022	163,733,218	179,463,731	196,596,781
Cash, Cash Equivalents & Investments - end of the year	**180,776,670**	**153,385,927**	**149,563,629**	**155,687,251**	**137,437,512**	**142,467,024**	**148,480,059**	**164,351,022**	**178,733,218**	**194,463,731**	**211,596,781**
Representing:											
- External Restrictions	103,773,657	93,508,750	88,580,366	84,728,093	63,963,571	60,814,076	57,593,161	63,198,270	66,625,502	69,866,143	74,036,874
- Internal Restricitons	57,102,076	36,532,208	30,838,612	34,211,284	31,058,406	34,087,289	38,548,386	41,346,126	45,474,577	48,917,218	52,712,768
- Unrestricted	19,900,937	23,344,968	30,144,650	36,747,874	42,415,536	47,565,659	52,338,512	59,806,626	66,633,139	75,680,371	84,847,139
	180,776,670	**153,385,927**	**149,563,629**	**155,687,251**	**137,437,512**	**142,467,024**	**148,480,059**	**164,351,022**	**178,733,218**	**194,463,731**	**211,596,781**

Figure 8.8 – 20% SRV Scenario – Profit and Loss Statement

INCOME STATEMENT - GENERAL FUND	Current Year	Projected Years									
Scenario: 20% SRV	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
	$	$	$	$	$	$	$	$	$	$	$
Income from Continuing Operations											
Revenue:											
Rates & Annual Charges	69,620,900	73,301,000	86,614,835	89,192,280	91,847,048	94,581,460	98,881,276	101,826,714	104,860,516	107,985,331	111,203,891
User Charges & Fees	16,324,182	15,498,733	19,780,740	20,488,446	21,122,758	21,768,001	22,433,015	23,118,405	23,824,801	24,552,845	25,303,205
Other Revenues	7,046,623	8,508,108	8,657,821	8,891,903	9,132,917	9,381,066	9,636,565	9,899,631	10,170,491	10,449,373	10,741,803
Grants & Contributions provided for Operating Purposes	6,442,745	9,741,794	5,383,008	5,535,588	5,692,568	5,855,432	6,023,025	6,194,043	6,369,998	6,551,035	6,716,773
Grants & Contributions provided for Capital Purposes	13,116,565	10,994,914	8,292,413	10,811,778	10,934,687	11,061,242	11,191,557	11,375,739	9,013,905	9,156,175	9,298,290
Interest & Investment Revenue	3,441,030	7,320,629	6,519,482	6,599,423	6,725,344	6,359,869	6,598,820	6,989,500	7,760,434	8,480,009	9,257,528
Other Income:											
Net Gains from the Disposal of Assets	130,880	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Fair value increment on investment properties	1,000,000	1,070,000	1,070,000	1,070,000	1,070,000	1,070,000	1,070,000	1,070,000	1,070,000	1,070,000	1,070,000
Reversal of revaluation decrements on IPPE previously expensed	-	-	-	-	-	-	-	-	-	-	-
Reversal of impairment losses on receivables	-	-	-	-	-	-	-	-	-	-	-
Other Income	13,052,157	14,076,410	14,569,084	15,006,157	15,456,341	15,920,032	16,397,633	16,889,562	17,396,249	17,918,136	18,455,680
Joint Ventures & Associated Entities - Gain	-	-	-	-	-	-	-	-	-	-	-
Total Income from Continuing Operations	**130,175,081**	**140,611,587**	**150,987,382**	**157,695,574**	**162,081,664**	**166,097,103**	**172,331,892**	**177,463,594**	**180,566,393**	**186,262,904**	**192,147,169**
Expenses from Continuing Operations											
Employee Benefits & On-Costs	44,954,128	50,452,992	51,938,174	54,535,084	56,171,136	57,856,270	59,591,958	61,379,717	63,221,109	65,117,742	67,071,274
Borrowing Costs	2,319,250	2,307,990	2,305,910	2,295,255	2,292,312	2,294,536	2,295,270	2,295,427	2,301,188	2,333,522	2,368,718
Materials & Contracts	49,860,411	54,857,896	55,685,418	56,618,300	58,136,303	59,870,896	63,429,362	64,739,411	66,369,502	68,269,746	70,810,709
Depreciation & Amortisation	17,437,276	21,565,110	22,386,676	22,948,417	23,496,791	24,461,902	24,956,795	25,461,361	25,975,802	26,500,314	27,035,101
Impairment of investments	-	-	-	-	-	-	-	-	-	-	-
Impairment of receivables	15,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Other Expenses	2,987,141	3,051,748	3,516,422	3,621,915	3,730,572	3,842,489	3,957,764	4,076,497	4,198,792	4,324,756	4,454,498
Interest & Investment Losses	-	-	-	-	-	-	-	-	-	-	-
Net Losses from the Disposal of Assets	-	-	-	-	-	-	-	-	-	-	-
Total Expenses from Continuing Operations	**117,573,206**	**132,285,736**	**135,882,601**	**140,068,971**	**143,877,114**	**148,376,093**	**154,281,150**	**158,002,413**	**162,116,392**	**166,596,079**	**171,790,301**
Operating Result from Continuing Operations	**12,601,876**	**8,325,851**	**15,104,780**	**17,626,604**	**18,204,550**	**17,721,009**	**18,050,742**	**19,461,181**	**18,450,000**	**19,666,824**	**20,356,868**
Discontinued Operations - Profit/(Loss)	-	-	-	-	-	-	-	-	-	-	-
Net Profit/(Loss) from Discontinued Operations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net Operating Result for the Year	**12,601,876**	**8,325,851**	**15,104,780**	**17,626,604**	**18,204,550**	**17,721,009**	**18,050,742**	**19,461,181**	**18,450,000**	**19,666,824**	**20,356,868**
Net Operating Result before Grants and Contributions provided for Capital Purposes	**(514,690)**	**(2,669,063)**	**6,812,368**	**6,814,826**	**7,269,862**	**6,659,767**	**6,859,185**	**8,085,441**	**9,436,096**	**10,510,650**	**11,058,579**

Figure 8.9 – 20% SRV Scenario – Balance Sheet

BALANCE SHEET - GENERAL FUND	Current Year	Projected Years									
Scenario: 20% SRV	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30**	**2030/31**	**2031/32**	**2032/33**
	$	$	$	$	$	$	$	$	$	$	$
ASSETS											
Current Assets											
Cash & Cash Equivalents	10,000,000	10,000,000	10,000,000	15,000,000	10,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000
Investments	139,515,894	117,139,044	116,181,115	119,436,674	111,102,665	113,776,132	121,505,340	137,459,945	152,375,538	168,577,077	186,114,869
Receivables	6,808,602	6,609,231	7,628,160	7,874,291	7,908,124	8,131,180	8,399,758	8,722,928	9,023,536	9,362,184	9,720,788
Inventories	13,282	14,614	14,834	15,083	15,487	15,949	16,897	17,246	17,680	18,186	18,863
Other	1,478,145	1,619,732	1,655,875	1,684,918	1,730,416	1,782,062	1,884,817	1,924,780	1,973,794	2,030,467	2,105,167
Non-current assets classified as "held for sale"	4,667,000	4,667,000	4,667,000	4,667,000	4,667,000	4,667,000	4,667,000	4,667,000	4,667,000	4,667,000	4,667,000
Total Current Assets	162,482,924	140,049,621	140,146,983	148,677,966	135,423,691	143,372,323	151,473,813	167,791,899	183,057,549	199,654,914	217,626,687
Non-Current Assets											
Investments	31,260,775	26,246,883	26,032,243	26,761,704	24,894,335	25,493,368	27,225,222	30,800,107	34,142,185	37,772,399	41,702,023
Receivables	52,695	54,688	61,896	63,292	64,729	66,210	68,538	70,133	71,775	73,467	75,210
Infrastructure, Property, Plant & Equipment	1,817,002,508	1,854,272,708	1,868,197,068	1,878,229,315	1,912,472,304	1,922,622,680	1,932,217,255	1,932,820,542	1,933,476,162	1,934,919,881	1,935,546,593
Investment Property	97,206,000	98,276,000	99,346,000	100,416,000	101,486,000	102,556,000	103,626,000	104,696,000	105,766,000	106,836,000	107,906,000
Intangible Assets	-	-	-	-	-	-	-	-	-	-	-
Right of use assets	796,000	796,000	796,000	796,000	796,000	796,000	796,000	796,000	796,000	796,000	796,000
Other	593,509	650,359	664,871	676,533	694,801	715,539	756,797	772,843	792,523	815,279	845,272
Total Non-Current Assets	1,946,911,488	1,980,296,637	1,995,098,079	2,006,942,843	2,040,408,169	2,052,249,796	2,064,689,811	2,069,955,624	2,075,044,645	2,081,213,026	2,086,871,098
TOTAL ASSETS	**2,109,394,412**	**2,120,346,258**	**2,135,245,062**	**2,155,620,809**	**2,175,831,860**	**2,195,622,119**	**2,216,163,623**	**2,237,747,523**	**2,258,102,193**	**2,280,867,940**	**2,304,497,785**
LIABILITIES											
Current Liabilities											
Bank Overdraft	-	-	-	-	-	-	-	-	-	-	-
Payables	27,387,644	28,582,998	29,042,356	29,369,769	29,775,423	30,226,226	31,043,337	31,419,760	31,862,955	32,362,578	32,989,797
Income received in advance	-	-	-	-	-	-	-	-	-	-	-
Contract liabilities	9,228,941	9,529,756	7,622,424	8,669,994	8,858,107	9,051,133	9,249,938	9,471,933	8,794,784	9,011,424	9,225,701
Lease liabilities	199,618	109,114	26,260	-	-	-	-	-	-	-	-
Borrowings	1,280,651	1,326,556	1,376,224	1,426,209	1,477,691	1,494,359	1,512,981	968,776	796,964	822,530	848,916
Employee benefit provisions	11,569,784	13,393,301	15,281,327	17,263,754	19,305,655	21,408,812	23,575,065	25,806,304	28,104,481	30,471,604	32,909,740
Other provisions	-	-	-	-	-	-	-	-	-	-	-
Liabilities associated with assets classified as "held for sale"	-	-	-	-	-	-	-	-	-	-	-
Total Current Liabilities	49,666,637	52,941,725	53,348,591	56,729,727	59,416,876	62,180,530	65,381,320	67,666,773	69,559,184	72,668,137	75,974,154
Non-Current Liabilities											
Lease liabilities	135,374	26,260	-	-	-	-	-	-	-	-	-
Borrowings	36,310,663	35,684,107	35,007,883	34,281,674	33,503,983	32,709,624	31,896,643	31,627,867	31,530,903	31,408,373	31,259,457
Employee benefit provisions	577,862	668,940	763,239	862,253	964,237	1,069,281	1,177,476	1,288,917	1,403,702	1,521,930	1,643,704
Total Non-Current Liabilities	37,023,899	36,379,307	35,771,122	35,143,927	34,468,220	33,778,905	33,074,119	32,916,784	32,934,605	32,930,303	32,903,161
TOTAL LIABILITIES	**86,690,536**	**89,321,032**	**89,119,713**	**91,873,654**	**93,885,096**	**95,959,435**	**98,455,439**	**100,583,558**	**102,493,789**	**105,598,439**	**108,877,316**
Net Assets	**2,022,703,876**	**2,031,025,226**	**2,046,125,349**	**2,063,747,156**	**2,081,946,764**	**2,099,662,684**	**2,117,708,184**	**2,137,163,965**	**2,155,608,404**	**2,175,269,501**	**2,195,620,469**
EQUITY											
Retained Earnings	1,260,486,876	1,268,812,726	1,283,917,507	1,301,544,111	1,319,748,660	1,337,469,669	1,355,520,411	1,374,981,592	1,393,431,592	1,413,098,417	1,433,455,285
Revaluation Reserves	762,217,000	762,217,000	762,217,000	762,217,000	762,217,000	762,217,000	762,217,000	762,217,000	762,217,000	762,217,000	762,217,000
Other Reserves	-	-	-	-	-	-	-	-	-	-	-
Council Equity Interest	2,022,703,876	2,031,029,726	2,046,134,507	2,063,761,111	2,081,965,660	2,099,686,669	2,117,737,411	2,137,198,592	2,155,648,592	2,175,315,417	2,195,672,285
Non-controlling equity interests	-	-	-	-	-	-	-	-	-	-	-
Total Equity	**2,022,703,876**	**2,031,029,726**	**2,046,134,507**	**2,063,761,111**	**2,081,965,660**	**2,099,686,669**	**2,117,737,411**	**2,137,198,592**	**2,155,648,592**	**2,175,315,417**	**2,195,672,285**

Figure 8.10 – 20% SRV Scenario – Cash-Flow Statement

CASH FLOW STATEMENT - GENERAL FUND	Actuals	Current Year	Projected Years									
Scenario: 20% SRV	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
	$	$	$	$	$	$	$	$	$	$	$	$
Cash Flows from Operating Activities												
Receipts:												
Rates & Annual Charges	70,626,000	70,471,411	73,248,802	86,425,994	89,155,722	91,809,394	94,542,676	98,820,288	101,784,937	104,817,485	107,941,009	111,158,240
User Charges & Fees	14,155,000	16,749,378	15,464,692	19,957,326	20,517,632	21,148,917	21,794,611	22,460,440	23,146,670	23,853,932	24,582,869	25,334,149
Investment & Interest Revenue Received	1,879,000	2,668,794	7,534,435	6,519,088	6,535,939	6,844,582	6,294,410	6,525,272	6,838,006	7,619,369	8,326,299	9,091,304
Grants & Contributions	17,910,000	20,049,501	21,145,386	11,183,216	17,283,770	16,720,860	17,013,488	17,314,231	17,689,454	14,608,262	15,815,314	16,117,550
Bonds & Deposits Received	2,231,000	-	-	-	-	-	-	-	-	-	-	-
Other	21,459,000	20,631,302	22,519,005	22,841,454	23,796,695	24,505,320	25,215,410	25,945,910	26,698,000	27,484,674	28,270,945	29,097,605
Payments:												
Employee Benefits & On-Costs	(43,358,000)	(44,063,599)	(48,510,041)	(49,947,395)	(52,438,457)	(54,017,685)	(55,638,215)	(57,307,362)	(59,026,583)	(60,797,380)	(62,621,302)	(64,499,941)
Materials & Contracts	(52,618,000)	(49,243,956)	(54,248,134)	(55,529,645)	(56,493,197)	(57,940,338)	(59,648,448)	(62,986,817)	(64,567,278)	(66,158,389)	(68,025,649)	(70,488,980)
Borrowing Costs	(1,528,000)	(1,593,828)	(1,610,853)	(1,608,876)	(1,598,332)	(1,595,501)	(1,597,840)	(1,598,611)	(1,598,810)	(1,603,354)	(1,635,304)	(1,670,557)
Bonds & Deposits Refunded	-	-	-	-	-	-	-	-	-	-	-	-
Other	(1,885,000)	(2,861,736)	(2,718,457)	(3,367,025)	(3,491,605)	(3,610,938)	(3,713,622)	(3,766,560)	(3,957,277)	(4,066,731)	(4,181,432)	(4,287,612)
Net Cash provided (or used in) Operating Activities	28,871,000	32,807,268	32,824,836	36,474,138	43,268,168	43,864,610	44,262,469	45,406,791	47,007,119	45,757,868	48,472,751	49,851,759
Cash Flows from Investing Activities												
Receipts:												
Sale of Investment Securities	126,177,000	6,223,330	27,390,743	1,172,569	-	10,201,378	-	-	-	-	-	-
Sale of Investment Property	-	-	-	-	-	-	-	-	-	-	-	-
Sale of Real Estate Assets	-	-	-	-	-	-	-	-	-	-	-	-
Sale of Infrastructure, Property, Plant & Equipment	238,000	311,863	-	-	-	-	-	-	-	-	-	-
Payments:												
Purchase of Investment Securities	(132,126,000)	-	-	-	(3,985,020)	-	(3,272,500)	(9,461,062)	(19,529,490)	(18,257,670)	(19,831,753)	(21,467,416)
Purchase of Investment Property	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of Infrastructure, Property, Plant & Equipment	(22,542,000)	(36,027,767)	(58,735,310)	(36,211,037)	(32,880,664)	(57,639,780)	(34,512,278)	(34,451,370)	(25,964,648)	(26,531,422)	(27,844,033)	(27,561,813)
Purchase of Real Estate Assets	-	-	-	-	-	-	-	-	-	-	-	-
Net Cash provided (or used in) Investing Activities	(28,253,000)	(29,492,574)	(31,344,567)	(35,038,468)	(36,865,684)	(47,438,401)	(37,784,778)	(43,912,432)	(45,494,138)	(44,789,092)	(47,675,787)	(49,029,229)
Cash Flows from Financing Activities												
Receipts:												
Proceeds from Borrowings & Advances	-	-	-	-	-	-	-	-	-	-	-	-
Payments:												
Repayment of Borrowings & Advances	(1,431,000)	(1,488,686)	(1,280,651)	(1,326,556)	(1,376,224)	(1,426,209)	(1,477,691)	(1,494,359)	(1,512,981)	(968,776)	(796,964)	(822,530)
Repayment of lease liabilities (principal repayments)	(367,000)	(307,008)	(199,618)	(109,114)	(26,260)	-	-	-	-	-	-	-
Distributions to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-
Other Financing Activity Payments	-	-	-	-	-	-	-	-	-	-	-	-
Net Cash Flow provided (used in) Financing Activities	(1,798,000)	(1,795,694)	(1,480,269)	(1,435,670)	(1,402,484)	(1,426,209)	(1,477,691)	(1,494,359)	(1,512,981)	(968,776)	(796,964)	(822,530)
Net Increase/(Decrease) in Cash & Cash Equivalents	(1,180,000)	1,519,000	(0)	(0)	5,000,000	(5,000,000)	5,000,000	(0)	(0)	0	(0)	0
plus: Cash & Cash Equivalents - beginning of year	9,661,000	8,481,000	10,000,000	10,000,000	10,000,000	15,000,000	10,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000
Cash & Cash Equivalents - end of the year	**8,481,000**	**10,000,000**	**10,000,000**	**10,000,000**	**15,000,000**	**10,000,000**	**15,000,000**	**15,000,000**	**15,000,000**	**15,000,000**	**15,000,000**	**15,000,000**
Cash & Cash Equivalents - end of the year	8,481,000	10,000,000	10,000,000	10,000,000	15,000,000	10,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000
Investments - end of the year	177,000,000	170,776,670	143,385,927	142,213,358	146,198,378	135,997,000	139,269,500	148,730,562	168,260,052	186,517,723	206,349,476	227,816,892
Cash, Cash Equivalents & Investments - end of the year	**185,481,000**	**180,776,670**	**153,385,927**	**152,213,358**	**161,198,378**	**145,997,000**	**154,269,500**	**163,730,562**	**183,260,052**	**201,517,723**	**221,349,476**	**242,816,892**
Representing:												
- External Restrictions	107,259,460	103,773,657	93,508,750	88,580,366	84,728,093	63,963,571	60,814,076	57,593,161	63,198,270	66,625,502	69,866,143	74,036,874
- Internal Restricitons	61,113,120	57,102,076	36,532,208	30,838,612	34,211,284	31,058,406	34,087,289	38,548,386	41,346,126	45,474,577	48,917,218	52,712,768

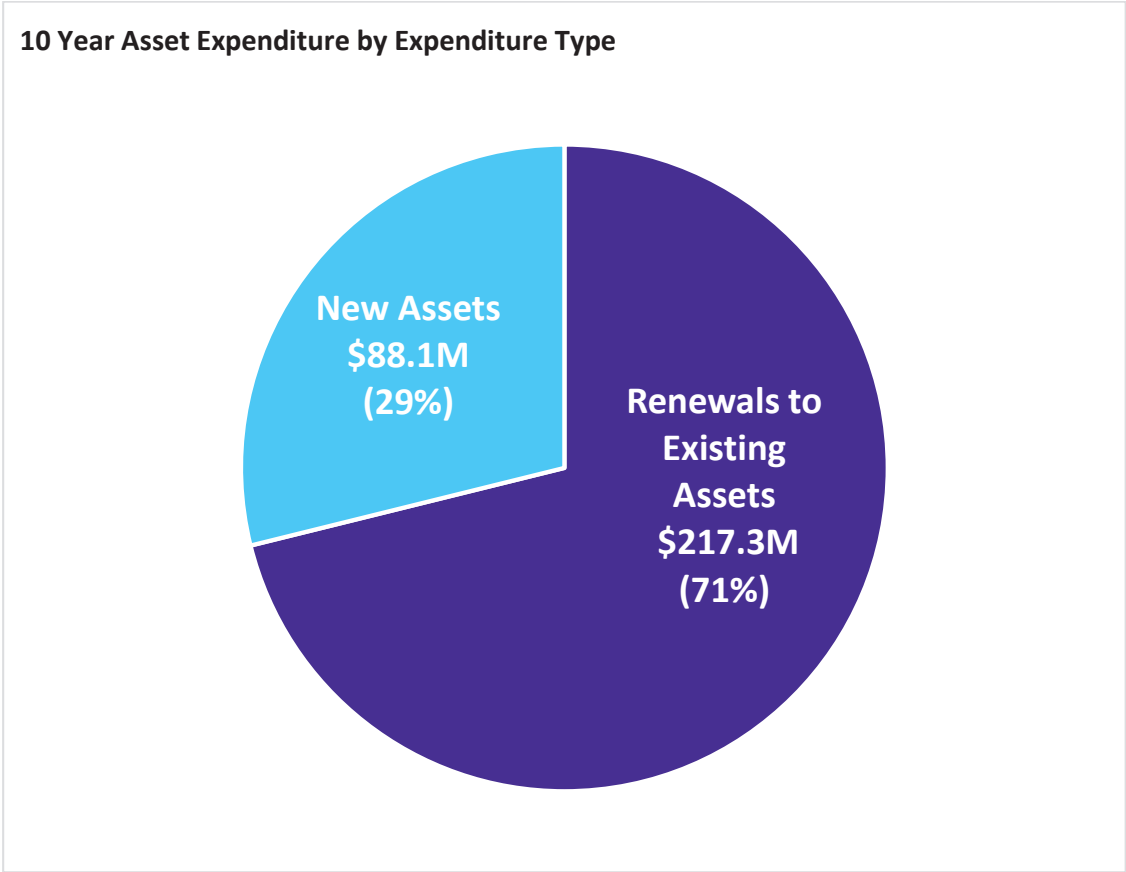
9 Infrastructure Asset Management Expenditure

INFRASTRUCTURE ASSET EXPENDITURE – FOCUS ON RENEWALS

Council will spend $305.4 million on Infrastructure Assets (an average of $30.5 million per year). Consistent with Council's Asset Management Strategy, the focus of this expenditure will be on renewal of existing assets as shown in 9.1

Figure 9.1 – Total Asset Expenditure by Expenditure Type

Asset Expenditure Type	10 Year Total ('M)
Renewals to Existing Assets	217.3
New Assets	88.1
Grand Total	**305.4**



INFRASTRUCTURE ASSET EXPENDITURE – MAJOR INFRASTRUCTURE CATEGORIES

Asset expenditure will be targeted on major infrastructure categories such as buildings, transport, drainage and open space as shown in 9.2 below.

Figure 9.2 – Total Asset Expenditure by Asset Category

Infrastructure Asset Category	10 Year Total ('M)
Buildings	131.1
Roads	45.5
Recreational Parks and Playgrounds	35.5
Stormwater and Drainage	33.6
Footpaths and Active Transport	22.1
Open Space Sporting Fields	15.5
Traffic Management	5.9
Kerb and Gutter	5.2
Retaining Walls	5.0
Bushland Walking Tracks	4.9
Bridges	1.3
Grand Total	**305.4**

MAJOR PROJECTS INCLUDED IN THE LTFP

Expenditure on the following major projects is included in the Long Term Financial Plan. These projects are funded by External or Internal Reserves or External Grants. External Reserves and Grants must be expended on the purpose they were collected for. It follows that these projects will not impact Council's operational working capital as the funds for these projects have been quarantined.

Figure 9.3 – Major Projects included in LTFP

Infrastructure Asset Category	Total Project Expenditure ('M) (includes expenditure to date)
Gore Hill Indoor Sports Complex	44.9
Willoughby Leisure Centre Redevelopment	38.9
Victor Street Asset Replacement and Refurbishment	10.4
Abbott Road Essential Housing	8.7
Artarmon Streetscapes - Hampden Road	8.5
Artarmon Parklands Pavilion	1.7

10 Sensitivity Analysis

This sensitivity analysis models two major expense groups that could adversely affect Council's financial position if the planning assumptions underpinning the LTFP are too conservative. Note that sensitivity analysis has only been performed between the base case and a 15% SRV (not the 20% SRV).

EMPLOYEE COSTS

In both the Base (No SRV) and 15% SRV versions of the LTFP, a 7.7% vacancy rate (equating to $3.9 million in year one) is assumed throughout each year and reflected in the employee cost budget. This is to ensure the budget reflects realistic historic vacancy levels (and allows for the current tight labour market).

There is potential that as the labour market eases, and extra resources are required to deliver on the strategic initiatives and desired service levels sought by the community, vacancy rates may be significantly lower than historic levels. To estimate the impact on Council's financial position in the event that vacancy rates are 50% lower than historical levels, a sensitivity analysis has been undertaken to assess the increased employee costs arising from a lower vacancy rate.

Figure 10.1 - Additional Employee Expenditure – Lower Vacancy Rate

Labour Sensitivity	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
Additional Expenditure if Assumed Vacancy Rate Reduced	1,942,500	2,039,625	2,100,814	2,163,838	2,228,753	2,295,616	2,364,484	2,435,419	2,508,481

On average, additional employee costs of $2.2 million is required each year over the life of the plan.

CPI FORECAST

CPI (a measure of inflation) is the driver for the majority of Council's Materials, Contracts and Other Expenditure. CPI in the LTFP is based on Reserve Bank of Australia (RBA) forecasts. CPI has been forecast to trend in line with the rates revenue cap over the life of the plan. This creates a risk for Council should CPI (inflation) rise to a greater extent than the rates revenue cap each year. To assess the sensitivity of higher inflation, modelling has been undertaken on the impact of CPI being 0.5% higher than forecast in the LTFP.

Figure 10.2 - Additional Materials, Contracts and Other Expenditure if CPI is 0.5% higher

CPI Sensitivity	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
CPI Used in LTFP	3.50%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
CPI Plus 0.5%	4.00%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Additional Expenditure with 0.5% CPI Increase	235,199	489,297	759,666	1,047,097	129,490	416,864	722,779	1,048,140	1,393,892

CPI at 0.5% higher than forecast attracts an average extra cost of $694k per year throughout the life of the plan.

RESULTS

The impact of additional expenditure on employee costs and inflation on Council's Operating Result and Operating Performance Ratio are below.

Figure 10.3 – Net Operating Result before Capital – with and without extra costs

Comparative Operating Result	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
Net Operating Result (LTFP with 15% SRV)	4.10	3.93	4.20	3.39	3.38	4.40	5.53	6.38	6.69
Net Operating Result Extra Labour and CPI Costs	1.93	1.40	1.34	0.18	1.02	1.68	2.44	2.89	2.79

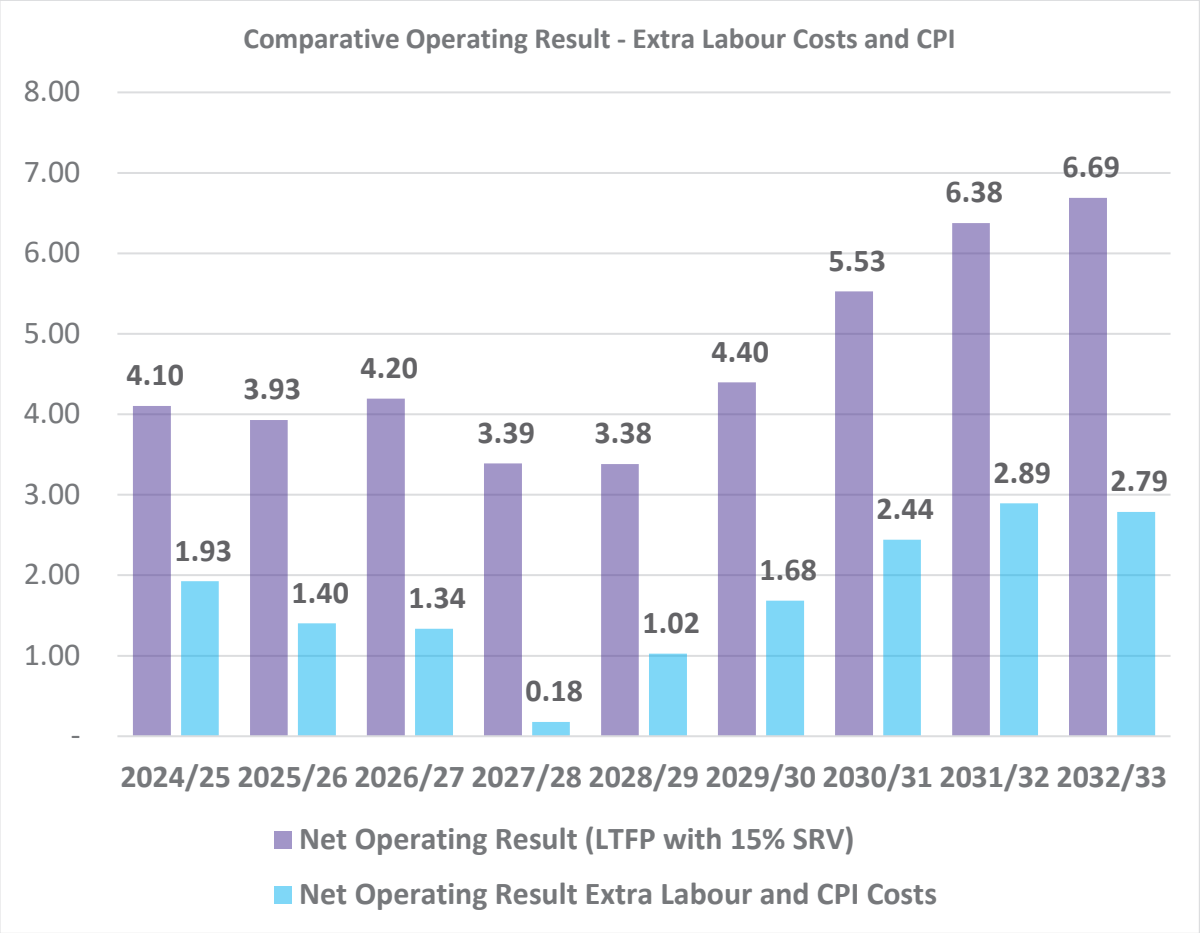
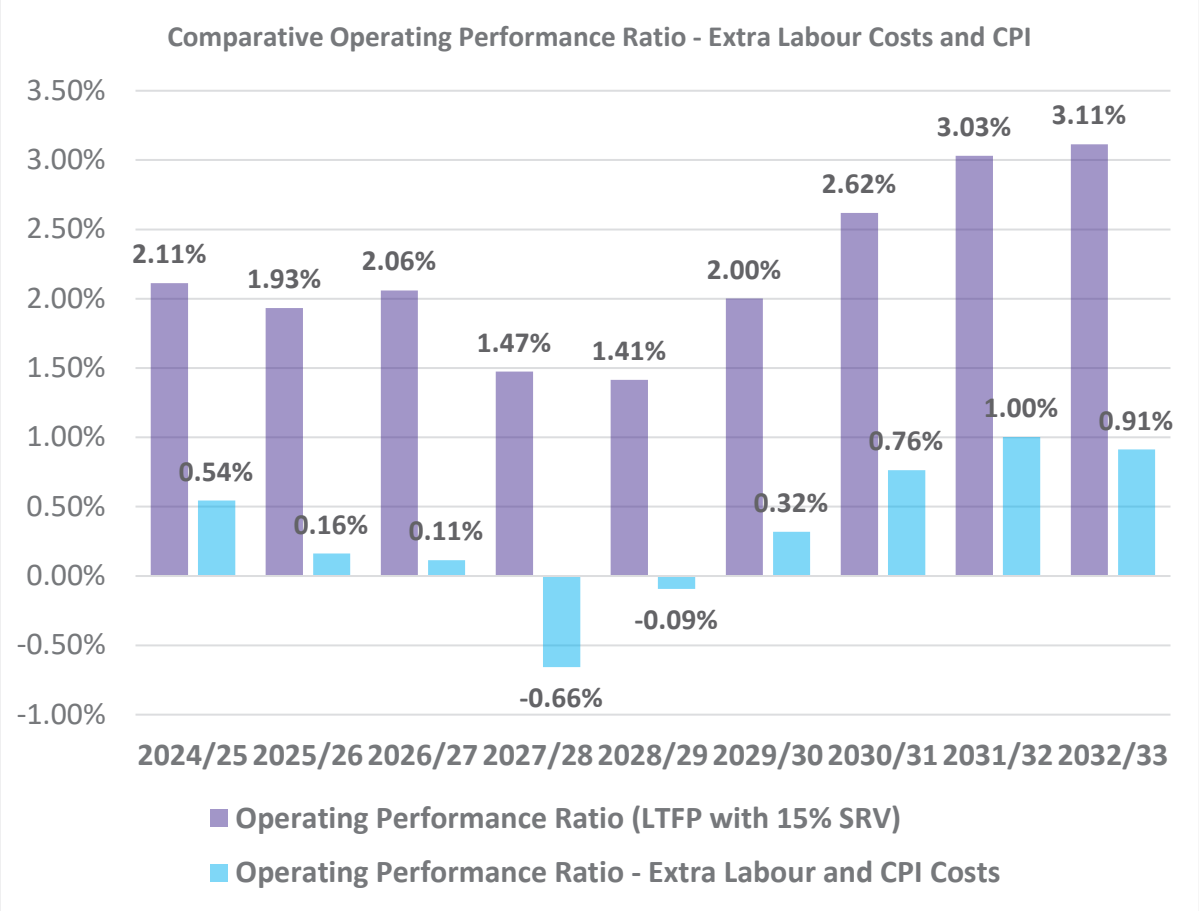


Figure 10.4 – Operating Performance Ratio – with and without extra costs

Comparative Operating Performance Ratio	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
Operating Performance Ratio (LTFP with 15% SRV)	2.11%	1.93%	2.06%	1.47%	1.41%	2.00%	2.62%	3.03%	3.11%
Operating Performance Ratio - Extra Labour and CPI Costs	0.54%	0.16%	0.11%	-0.66%	-0.09%	0.32%	0.76%	1.00%	0.91%



CONCLUSION

The sensitivity analysis confirms that Council's future financial position is highly sensitive to minor changes in the economic environment. Both of the sensitivities tested (lower vacancy rate and slightly higher inflation) are entirely realistic and have a large impact Council's Operating Result and Operating Performance Ratio.

Council's Operating Result would drop by from an average surplus of $4.67 million per year to $1.74 million per year (a $2.93 million annual reduction). Council's Operating Performance Ratio would drop from an average of 2.2% per year to 0.34% per year (with 2 years of negative Operating Performance Ratio results).

This sensitivity analysis further validates and confirms the need for a 15-20% Special Rate Variation and Council's target of an average 2% Operating Performance Ratio.



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