



Shellharbour City Council

Business Paper

27 June 2023

Item no. 10.1.1 - Attachment 3.

Long Term Financial Plan 2023-2033

Long Term Financial Plan 2023- 2033



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Introduction

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

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

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

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

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

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

A Financially Sustainable Future

Council's key objective is to be financially sustainable over the short, medium and long term to meet community specific needs.

The 2023-2024 Operational Plan and Long Term Financial Plan have been prepared within the context of the Sustainable Financial Strategy. Council will demonstrate financial sustainability to the community by implementing 11 Key Financial Objectives contained within the four principles below.

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

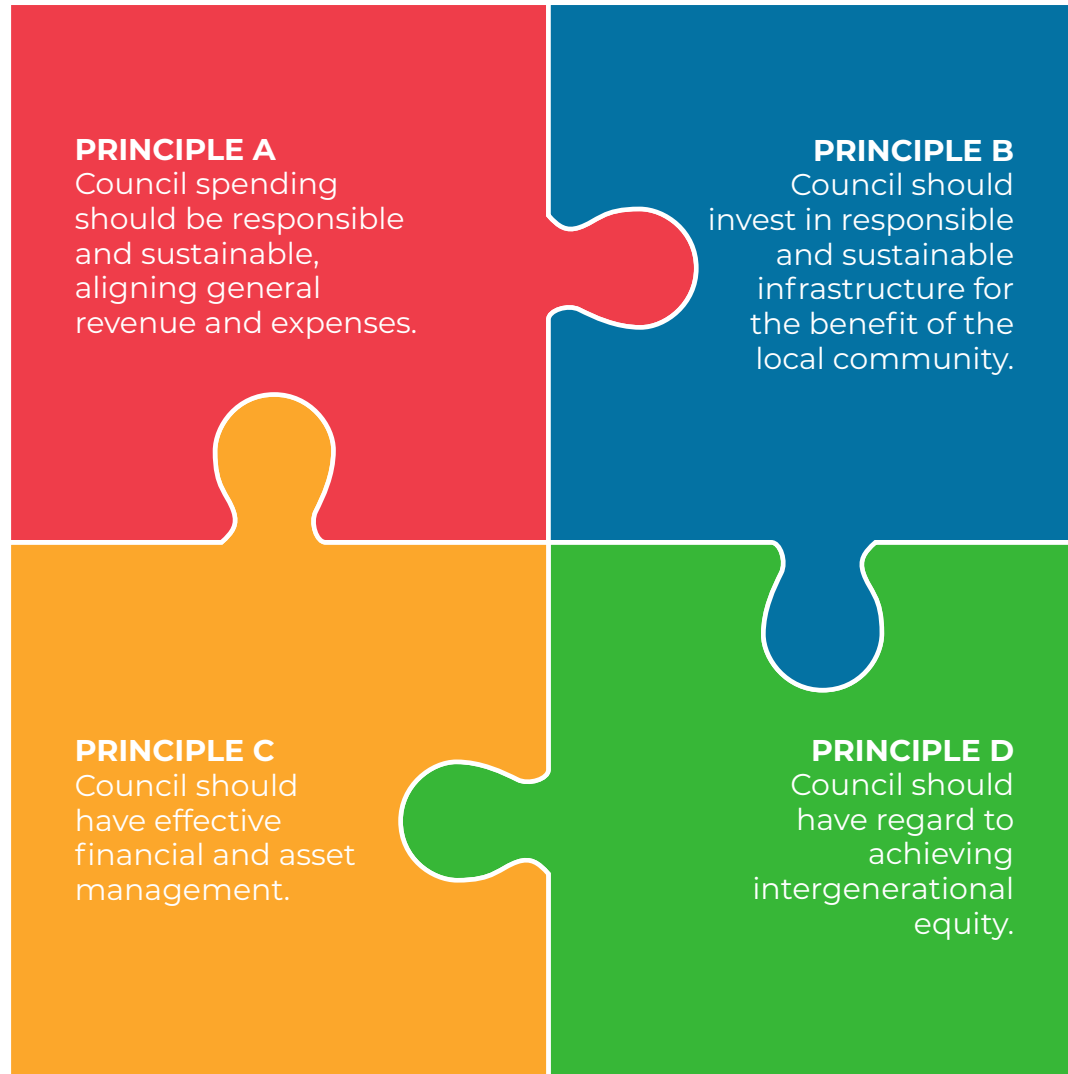
PRINCIPLE B - Council should invest in responsible and sustainable infrastructure for the benefit of the local community

PRINCIPLE C - Council should have effective financial and asset management

PRINCIPLE D - Council should have regard to achieving intergenerational equity

Council has applied the following 11 Key Financial Objectives to the 2023-2024 Operational Plan and Long Term Financial Plan to ensure financial sustainability.

Council's Principles of Sound Financial Management



Council's Principles of Sound Financial Management



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

Key Objective 1

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

Actions

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

Outcomes

- Council will demonstrate to the community and other stakeholders that it is financially responsible and efficiently meets the needs of the community today and into the future.

Measure - Performance Measures and other Metrics

- Council achieves all performance measures and performance benchmarks set by the Office of Local Government (OLG).

Key Objective 2

Optimise returns from Council's commercial ventures thereby reducing burden for rate payers and minimising revenue volatility.

Actions

- Develop a Shell Cove Business Plan that creates a surplus from commercial enterprises to fund ongoing maintenance of the precinct and provides a dividend to Council.
- Links Shell Cove business to produce a net surplus (after depreciation) and thereby providing a dividend to Council.
- Complete the Links Shell Cove precinct sub-division and investigate further sub-division options.
- Expand commercial operations (including regular passenger transport services) at the airport precinct.
- Have a working group focusing on increasing returns from Council owned surplus land.
- Develop, implement, and continuously review, business plans for Council's enterprises.

Outcomes

- Increasing the performance of commercial assets/ventures that provide a net positive return to Council.
- Contributing positively to the Operating Performance and Own Source Revenue ratio performance measures.
- Assists in reducing the need for special rate variations.
- Improve commercial returns for the Nursery, Shellharbour Beachside Holiday Park and the Shellharbour City Stadium.

Measure - Performance Measures and other Metrics

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

Key Objective 3

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

Actions

- Undertake a desktop audit of Council's current services to define the existing levels of service and costs of providing those services.
- Develop a program of service reviews to be undertaken and implement recommendations.
- Undertake legislated service reviews to ensure Council services align to community needs and are sustainable in the long term.

Outcomes

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

Measure - Performance Measures and other Metrics

- Assists Council in achieving the Operating Performance ratio.

Key Objective 4

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

Actions

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

Outcomes

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

Measure - Performance Measures and other Metrics

- Assists Council in achieving the Operating Performance ratio and other performance measures.

PRINCIPLE B
Council should invest in responsible and sustainable infrastructure for the benefit of the local community.

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

Key Objective 5

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

Actions

- The community will be engaged to further detail expected service levels, which will be considered in Council's Strategic Asset Management Plan (SAMP).
- Continue and improve with asset conditional assessment program.
- Implement processes to enable whole of life costing for assets.
- Ensure the appropriate classification of asset renewal expenditure and asset maintenance.
- Target capital renewal expenditure that delivers a Building and Infrastructure Renewal ratio greater than 100% annually.
- Target operational expenditure that delivers an Asset Maintenance ratio that is greater than 100% annually.
- Enhance the SAMP that ensures community assets are safe, well maintained and fit for purpose.
- Educate the community on the costs associated with maintaining assets according to the various condition categories and benchmark with peer councils.
- Undertake a strategic review of the current asset base to ensure assets are utilised and delivering value to the community. Where they are not meeting expectation divest/retire the asset.

Outcomes

- Council's asset base is fit for purpose and aligns with community expectations.
- Continued compliance with OLG Asset Performance Measures.
- The Strategic Asset Management Plan is integrated with the Operational Plan, Delivery Program and LTFP.

Measure - Performance Measures and other Metrics

- Buildings and Infrastructure Renewal ratio greater than 100%.
- Infrastructure Backlog ratio less than 2%.
- Asset Maintenance ratio is greater than 100%.

Key Objective 6

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

Actions

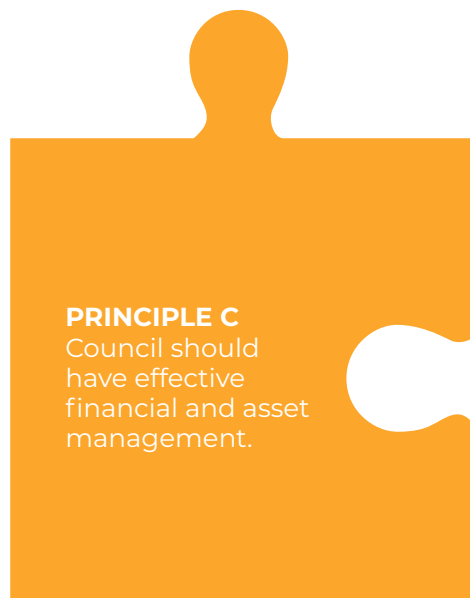
- The Sustainable Financial Strategy will provide the overall parameters for asset related Performance Measures and funding availability.
- Strategic Asset Management Plan is prepared at an asset class level within required Performance Measure parameters.
- Ensure the Strategic Asset Management Plan is integrated with the Delivery Program.

Outcomes

- Community infrastructure service levels and relevant Performance Measures will be met within the Delivery Program.
- As the Delivery Program contains asset class level detail, information will be available for strategic decision makers to make infrastructure changes and remain within Performance Measure parameters.

Measure - Performance Measures and other Metrics

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



PRINCIPLE C

- Council should have effective financial and asset management

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

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

Outcomes

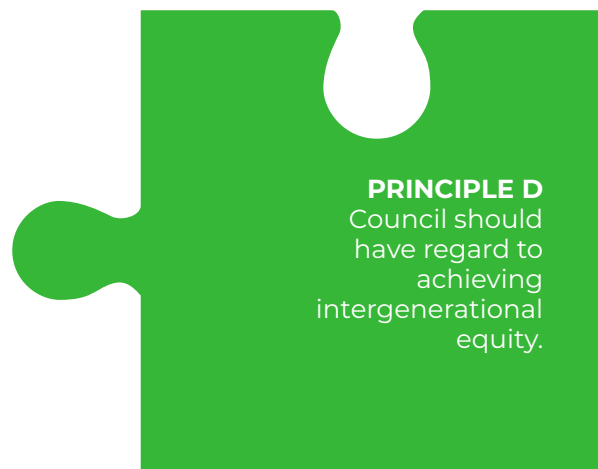
- The 'Planning for Outcomes' process enables Council to identify the true cost of achieving the community's Objectives within the CSP which drives efficiencies and improves strategic planning.
- Council's finance partnering model, will educate Council officers of the financial impact of their activities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

Measure - Performance Measures and other Metrics

- Council achieves all performance measures and performance benchmarks set by the OLG.

Key Objective 8	Effective Project Management Framework will ensure capital expenditure is sufficiently planned, scoped, approved and regularly monitored to maximise infrastructure delivered to the community.
Actions	
<ul style="list-style-type: none"> • Procurement Policy and Procurement Procedures are implemented ensuring capital expenditure procurement roles and responsibilities are clear and individuals are held accountable. • Embed the Project Management Framework (PMF) to empower project managers to effectively lead and manage a project, and its stakeholders, focusing on phasing, forecasting, and risk mitigation. • Continuously improve the framework through lessons learnt, knowledge sharing, and organisational reporting, to ensure it is fit for purpose. 	
Outcomes	
<ul style="list-style-type: none"> • Council officers involved in capital expenditure are held to account resulting in predictable and efficient capital expenditure. 	
Measure - Performance Measures and other Metrics	
<ul style="list-style-type: none"> • Building and Infrastructure Renewal ratio greater than 100%. • Infrastructure Backlog ratio less than 2%. • Asset Maintenance ratio is greater than 100% which indicates Council is investing enough funds to reduce the infrastructure backlog. 	

Key Objective 9	Having a financially sustainable culture supported by effective Policies and Procedures ensures all Council officers are accountable to deliver services to the community efficiently.
Actions	
<ul style="list-style-type: none"> • The Quarterly Operational Plan Review process includes year-end forecasting and year-to-date variance commentary. • Procurement Policy and Procurement Procedure are implemented so Council officers are aware of their delegated budget, remain within their delegated budget and are aware of the processes to adjust their delegated budgets. • Provide regular finance presentations and training/education to Council's Senior Management Team. 	
Outcomes	
<ul style="list-style-type: none"> • Financial literacy is achieved throughout Council thereby ensuring financial performance is maximised and is aligned with the Operational Plan and Delivery Program. 	
Measure - Performance Measures and other Metrics	
<ul style="list-style-type: none"> • Assists Council in achieving all performance measures and performance benchmarks set by the OLG. • Reduction in instances where budget allocations are exceeded. 	



PRINCIPLE D - Council should have regard to achieving intergenerational equity

Key Objective 10

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

Actions

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

Outcomes

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

Measure - Performance Measures and other Metrics

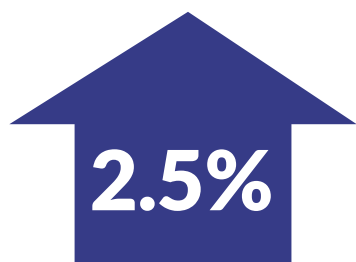
- Unrestricted Current ratio remains within the range 1.5 to 3.5 times.
- Annualised Investment Return should be 1% above the AusBond bank Bill Index.
- Debt Service Cover Ratio is always greater than 2%.

Key Objective 11	Maintaining intergenerational equity is a key consideration for all strategic decisions.
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Actions
<ul style="list-style-type: none">• Utilising borrowings to assist in funding long term assets and ensuring borrowing periods do not exceed the useful life of the asset.• Where appropriate, and not to the detriment of achieving Performance Measures and metrics, Council will pursue loans and other commercial options to further align costs with generations that are receiving benefits.• Where it is economically sound to do so, Council will incur costs today that will ultimately provide significant benefits in the future.• Monitor and strategically manage borrowings, including acquiring and retiring debt to maintain the Debt Service ratio.• External borrowings will not be used for current operational expenditure.
Outcomes
<ul style="list-style-type: none">• Further aligns infrastructure benefits with infrastructure costs.• Strategic financial decisions may extend beyond Council's 10 year Long Term Financial Plan.• Inter-generational impacts will be highlighted to ensure informed strategic decisions are made.
Measure - Performance Measures and other Metrics
<ul style="list-style-type: none">• The Debt Service Cover ratio is always greater than 2%.

Planning Assumptions

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



Inflation

The LTFP has been prepared assuming a 2.5% inflation rate for the years ended 30 June 2025 and beyond. If more accurate forecasts are available for specific items, Council will adopt these rates and highlight the rates utilised where forecasts are significant.



Service Priorities

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

Increase in dwellings

Shellharbour City Council's estimated population for 2023 is 80,852. The average household size (persons per dwelling) is 2.69, slightly above the state average of 2.61. Council is forecasting a year-on-year average annual dwelling growth rate of 1.65% over the LTFP. Below is the growth included for each of Council's three rating categories from year ending 2025 onwards.



Business
0.75%

(based on
historical data)



Residential
1.2%

(based on expected
dwelling growth)



Farmland
0.0%

(based on
historical data)

Anticipated annual growth by Rate Category

Revenue Forecasts

The sources of funds for Council are varied and the following shows the breakdown of revenues budgeted for Council for 2023/24. This is expected to remain an indicative breakup of sources of revenue for the term of the LTFP.

Rates & Annual Charges

Rating is a major component of Council's revenue base. The rate peg for 2023/24 is 3.7%, which is based on advice from IPART NSW. The rate peg assumption for the rest of the LTFP period has been set at 2.5% (excluding growth), which again is consistent with IPART NSW recommendations.

User Charges and Fees

Many of the services provided by Council are offered on a 'cost recovery' basis to allow a 'user pays' principle to be applied. Other considerations when determining user charges and fees include: Regulated charges, Market price, Community Service requirements and Developer Contributions (discussed separately). The 2023/24 Operational Plan includes information on Council's pricing policies for its user charges and fees. In general, a CPI based increase has been applied to most user charges and fees pricing over the LTFP period.

Grants

\$1.4M
Federal Assistance Grant

Council receives a Financial Assistance Grant from the Commonwealth Government and anticipates the continuation of this grant along with annual growth. The amount for 2023/24 has been reduced based on three quarters of next years entitlement being paid in advance in 2022/23.

Other budgeted grants are generally for specific purposes and projects, with the grant monies generally reflected in line with expected expenditure cashflows. In preparing the LTFP, Council has assumed that it will continue to receive grants. A CPI based increase has been applied to these grant amounts over the LTFP period. Should these grants and subsidies be reduced, Council's ability to provide the same level of service will be impacted.

Development Contributions

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

Interest and Investments

Based on advice from Council's investment advisor, and taking into consideration the 10 year Australian Bond rate, interest returns have been included at 2.5% for 2023/24, 3.5% for 2024/25, 4.0% for 2025/26.

2.5%


The majority of term deposits held by council at the date of this report are long term investments that mature after 30 June 2024 and were placed when the market interest rate was well below currently available term deposit rates. The balance of funds available for investment has been calculated after taking into account cashflow forecasts.

Expenditure Forecasts

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

Employee Costs

Wages for 2023/24 are based on an anticipated award increase of 5%. A vacancy factor of 5% is built into the 2023/24 budget to allow for vacant positions from staff turnover and this is included in all later year projections. Calculations for this large expenditure category are also informed by the Workforce Management Plan, as well as legislative requirements for superannuation increases and any changes to workers' compensation legislation.

Depreciation

Depreciation estimates have been based on Council's Strategic Asset Management Plan which takes into account, existing asset levels, expected asset growth and anticipated useful lives.

Borrowing Costs

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

Loan borrowings have been factored in for the following capital projects. The interest rate for new loans have been based on best estimate at the time of developing the LTFP and with rates expected to increase over the plan period. The new loans are:

- Shell Cove (Council funded projects) – Loans to fund the Shell Cove capital program commenced drawdowns in 2020/21 along with further drawdowns in the 2021/22 and 2022/23 years based on the capital program spend. This will continue until 2025/26 with a further \$10.5M to be drawn. It is anticipated that these loans will be repaid commencing from the 2024/25 financial year.
- Shell Cove Waterfront Centre - \$4.4M to be borrowed in the 2025/26 financial year.
- Warilla Seawall - \$6.7M to be drawn in 2023/24.

Repayments currently included in the LTFP include:

Shellharbour Beachside Holiday Park Amenity Improvement

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

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

Stadium roof replacement

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

Civic Centre

Loan borrowings commenced late in 2016/17 for the Civic Centre project with the total borrowing of \$12.8M over a 20 year term.

Shell Cove (Council funded projects)

Loan borrowings to fully fund the Shell Cove capital program. The loan being drawdown based on projected cashflows with further drawdowns of \$2M in 2023/24, \$1.5M in 2024/25, and \$7.0M in 2025/26. It has been assumed for the preparation of the modelling in this document that the loans (excluding one 20 year fixed rate loan for \$6.6M) will be repaid upon receipt of the dividend from the Shell Cove project. Should that change the modelling will be updated.

Shell Cove Waterfront Centre

Loan borrowings of \$4.4M are anticipated to be drawn down in the 2025/26 financial year to partly fund the construction of the \$17.4M Shell Cove Waterfront Centre.

Warilla Seawall

Loan borrowings of \$6.7M to part fund the renewal of the Warilla Seawall. The loan is expected to draw down in 2023/24. Repayments are to be made over a 20 year term.

Oak Flats Depot Upgrade

Loan borrowings of \$1.1M to part fund the upgrade of Oak Flats Works Depot. The loan was fully drawn down in 2021/22. Repayments are to be made over a 10 year term.

Capital Expenditure

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

- The Tripoli Way project is expected to incur capital expenditure in 2023/24 (\$1.9M), 2024/25 (\$9.5M), 2025/26 (\$14.0M), and 2026/27 (\$15.3M).
- Capital expenditure associated with the Shell Cove (Council funded projects) will continue in 2023/24 (\$0.2M), 2024/25 (\$13.7M) and 2025/26 (\$7.0M).
- The renewal of Warilla Seawall will be completed in 2023/24 (\$7.1M).
- Shell Cove Waterfront Centre will commence in 2023/24 (\$0.1M) and continue in 2024/25 (\$11.6M) and 2025/26 (\$4.4M).
- Shell Cove Sportsfields will commence in 2023/24 (\$0.3M) and continue in 2024/25 (\$2.7M) and 2025/26 (\$3.1M).

Other Assumptions

Refer below for other assumptions that underpin Council's Long Term Financial Plan:

- Utility costs increase at 4.0% per year.
- Insurance costs are expected to increase approximately 12% in 2023/24. Year on year growth of 5% has been factored in for each year after 2023/24.
- Materials and contracts as well as other expenses growth over LTFP is 2.5%.

Financial Performance and Sustainability

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

Operating Performance Ratio

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

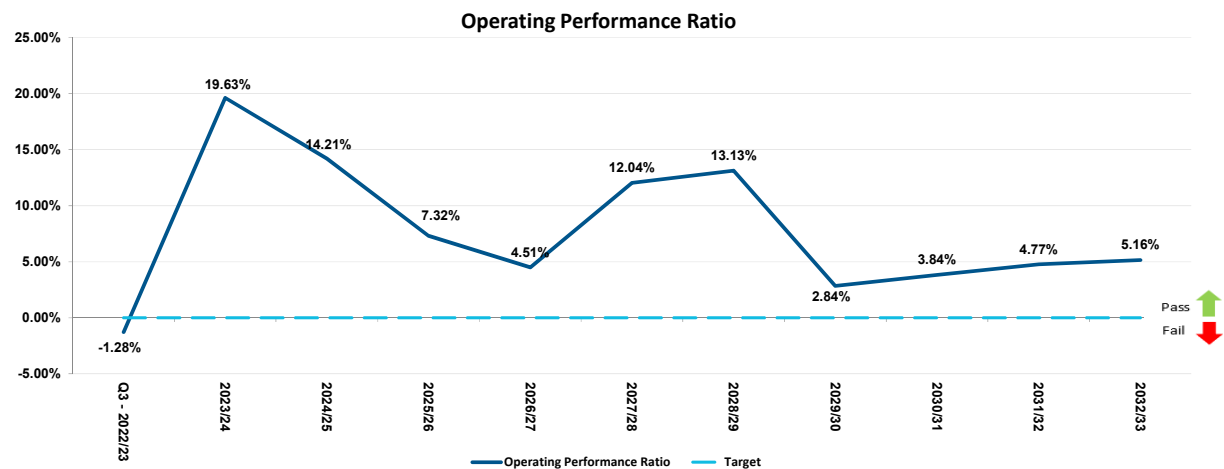
Operating performance ratio is an important measure as it provides an indication of whether a Council is containing its operating expenditure within its operating revenue.

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

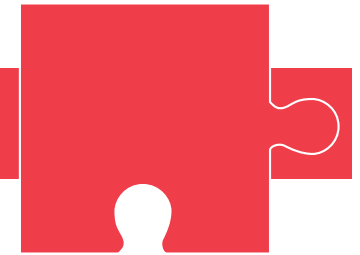
What do the results tell us?

Council exceeds the breakeven benchmark for all years from 2023/24. Council's share of the Shell Cove project has contributed to the outperformance until the project is scheduled to end in 2029.

Benchmark is greater than 0%



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



Own Source Revenue Ratio

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

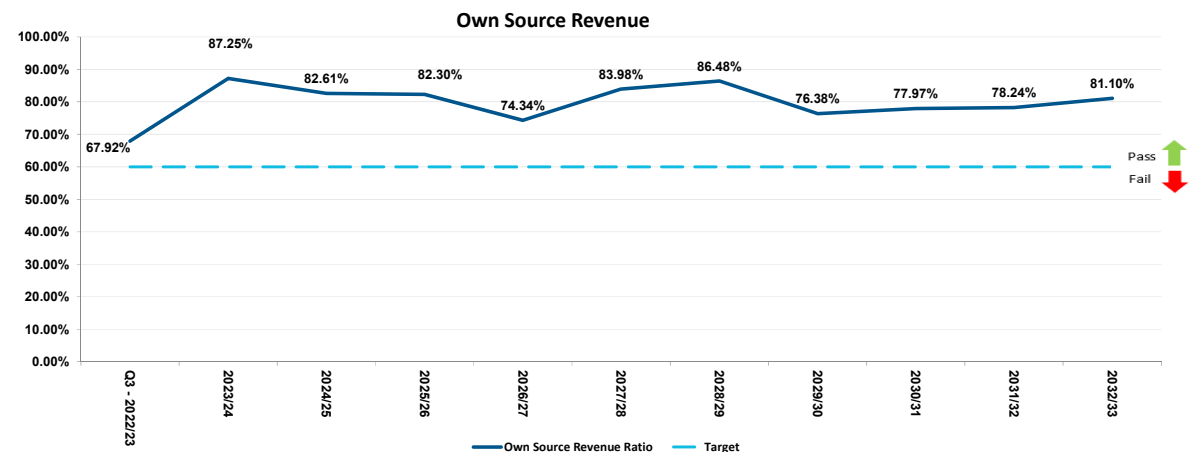
Own source revenue measures the degree of reliance on external funding sources (eg. Grants and Contributions). Financial flexibility increases as the level of own source revenue increases and gives Council greater ability to respond to external shocks or challenges.

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

What do the results tell us?

Council meets the benchmark for this indicator in all years indicating that Council is not reliant upon external funding sources to finance its operations.

Benchmark is greater than 60%



PRINCIPLE D - Council should have regard to achieving intergenerational equity

Debt Service Cover Ratio

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

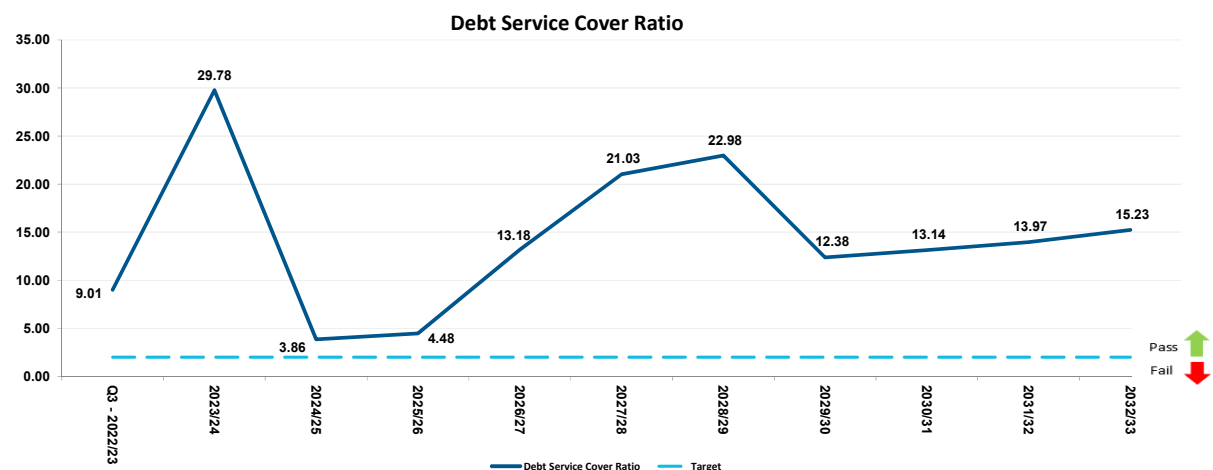
Prudent and active debt management is a key part of Council's approach to funding and managing infrastructure over the longer term.

Ratio = Operating result before capital (excluding interest and impairment, depreciation and amortisation) divided by principal repayments plus borrowing costs.

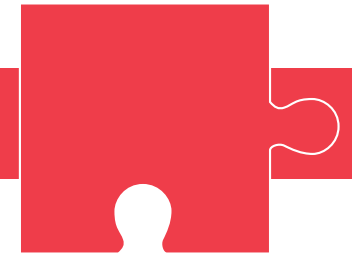
What do the results tell us?

Council has sufficient operating cash to meet borrowing repayments. The ratio declines from 2024/25 to 2025/26 where it has been assumed Shell Cove dividend payments will be utilised to repay the borrowings for Shell Cove (Council funded projects).

Benchmark is greater than 2%



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



Cash Expense Cover Ratio

Does Council have sufficient liquidity?

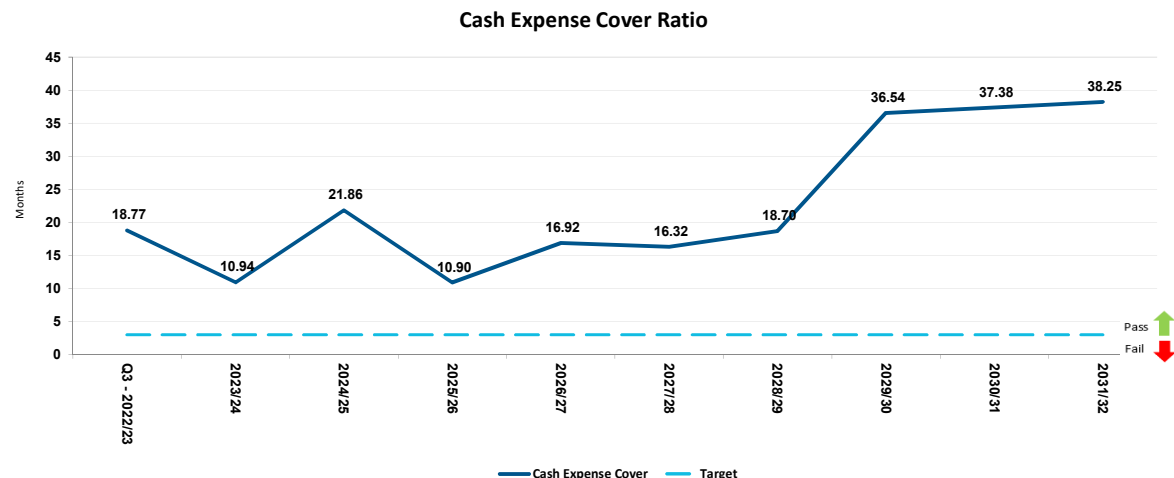
This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.

Ratio = Current year cash and cash equivalents, and term deposits divided by payments from cash flow of operating and financing activities, divided by 12

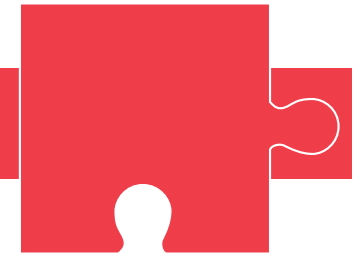
What do the results tell us?

Council's liquidity position remains strong over the 10 year LTFP with the results exceeding the benchmark comfortably over this period.

Benchmark is greater than 3 months.



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



Rates and Annual Charges Outstanding Percentage

What impacts do uncollected rates and annual charges have on Council's liquidity?

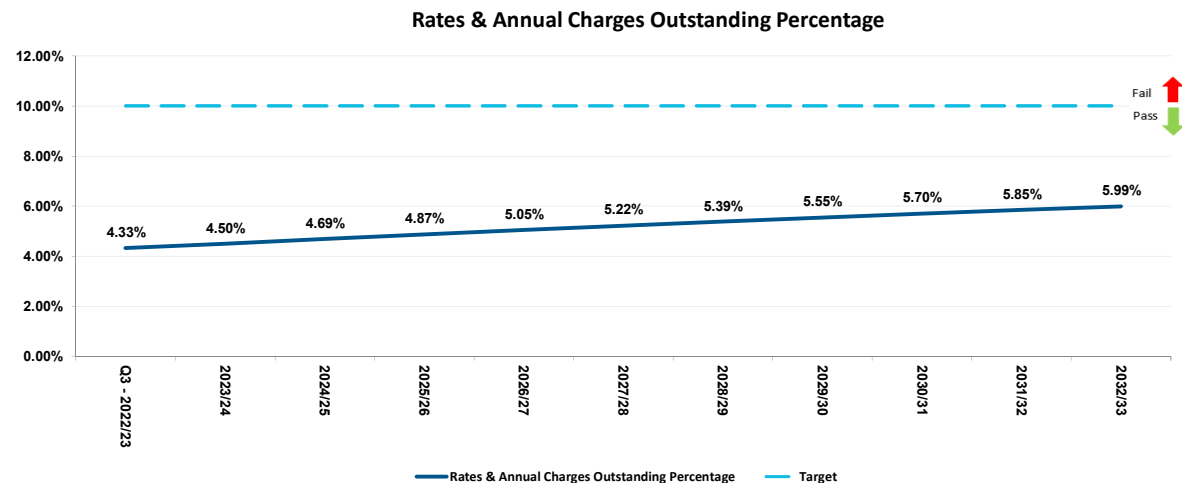
This ratio assesses the impact of uncollected rates and annual charges on liquidity and the efficiency of Councils' debt recovery.

Ratio = Rates and annual charges outstanding divided by rates and annual charges collectible.

What do the results tell us?

The target is currently being met and this result reflects that efficient credit management practices are being applied. It also indicates that a very high proportion of residents are managing to pay their rates on time and that residents have capacity to pay rates.

Benchmark is less than 10% for rural councils.



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

Building and Infrastructure Renewals Ratio

Is Council renewing existing infrastructure?

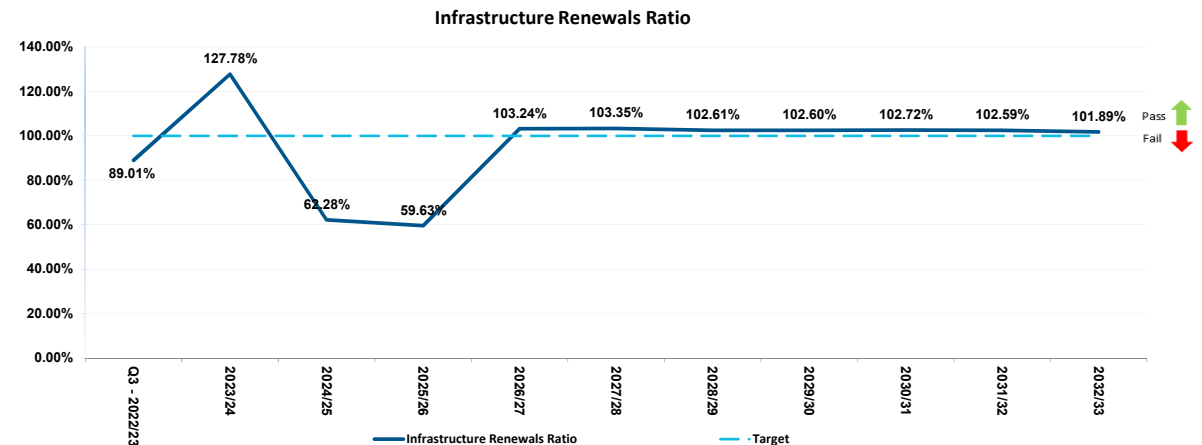
The Building and Infrastructure renewals ratio assesses the rate at which assets are being renewed against the rate at which they are depreciating.

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

What do the results tell us?

The chart shows the forecast ratio based on current funding sources. In order to meet the required benchmark Council will actively seek grant funding so it can increase the amount of renewals expenditure planned in 2024/25 and 2025/26.

Benchmark is greater than 100%.



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

Infrastructure Backlog Ratio

Is Council infrastructure at a satisfactory level?

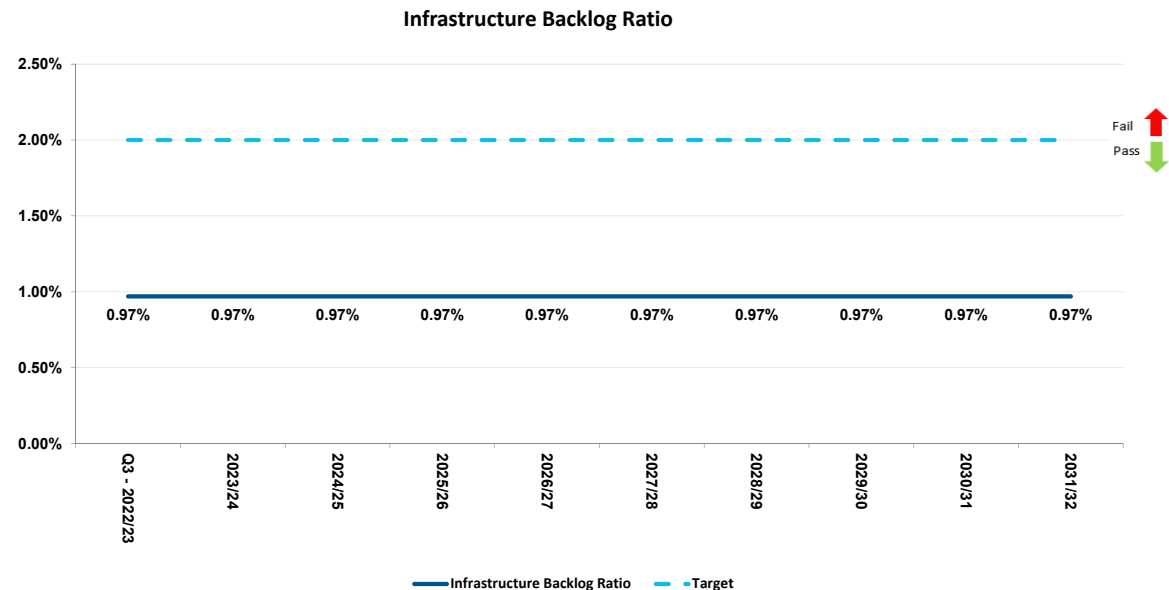
Satisfactory level is achieved when Council estimates the cost to bring Council's poor conditioned infrastructure assets to a satisfactory standard is below 2% of the total written down value.

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

What do the results tell us?

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

Benchmark is less than 2%.



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

Asset Maintenance Ratio

Is Council investing enough funds to reduce the infrastructure backlog?

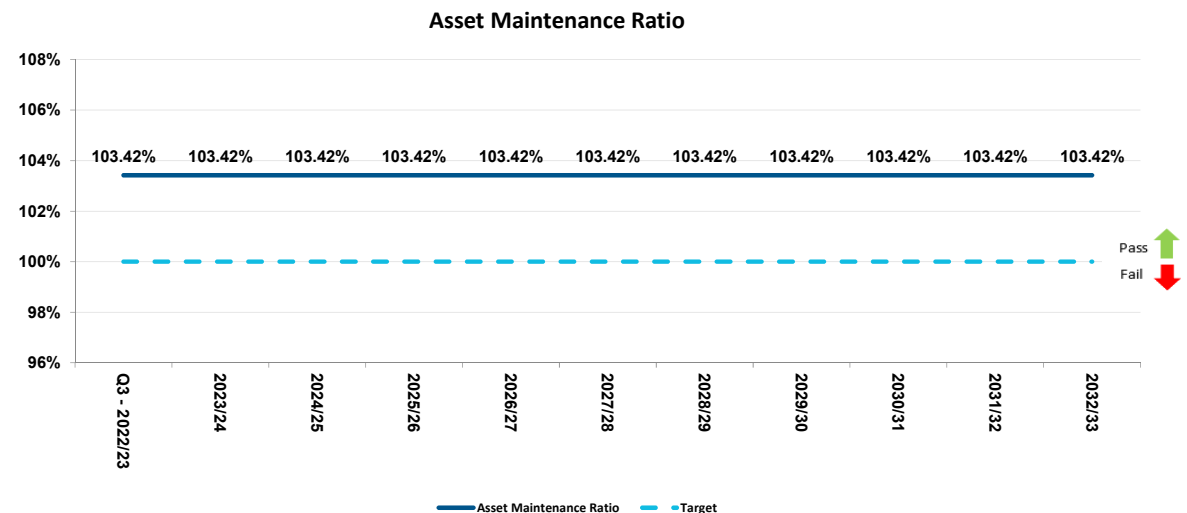
An effective maintenance program allocates sufficient asset maintenance funds that meet or exceed the estimated level of maintenance.

Ratio = Estimated level of asset maintenance divided by required level of asset maintenance.

What do the results tell us?

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

Benchmark is greater than 100%.



Income Statement

	Budget 2023/24 \$'000	Budget 2024/25 \$'000	Budget 2025/26 \$'000	Budget 2026/27 \$'000	Budget 2027/28 \$'000	Budget 2028/29 \$'000	Budget 2029/30 \$'000	Budget 2030/31 \$'000	Budget 2031/32 \$'000	Draft Budget 2033/33 \$'000
Income from continuing operations										
Rates and annual charges	74,388	76,927	79,555	82,274	85,088	87,999	91,012	94,129	97,355	100,693
User charges and fees	20,411	20,922	21,445	21,981	22,530	23,093	23,671	24,263	24,869	25,491
Other revenue	177,604	129,436	93,365	66,167	130,715	141,730	5,968	6,122	6,280	6,442
Grants and contributions provided for operating purposes	4,121	8,597	8,224	8,300	8,497	8,703	8,913	9,130	9,352	9,580
Grants and contributions provided for capital purposes	36,234	40,383	35,025	53,323	38,894	32,830	32,614	30,201	30,842	25,266
Interest and investment income	3,925	5,652	6,977	8,311	10,286	12,930	13,871	14,893	16,219	17,142
Total income from continuing operations	316,682	281,917	244,590	240,356	296,009	307,285	176,050	178,738	184,917	184,614
Expenses from continuing operations										
Employee benefits and on-costs	45,015	46,597	47,826	49,021	50,233	51,530	52,885	54,299	55,939	57,317
Materials and services	39,022	39,230	39,195	40,370	41,442	43,199	43,675	44,833	46,023	47,960
Borrowing costs	1,366	1,702	1,594	1,536	1,483	1,428	1,371	1,312	1,252	1,187
Depreciation, amortisation and impairment for non-financial assets	25,501	26,789	28,079	28,938	29,654	30,371	31,087	31,803	32,663	33,546
Other expenses	114,322	92,720	77,352	58,539	103,171	111,714	10,142	10,396	10,656	10,922
Net (gain)/losses from the disposal of assets (297)	-	-	-	-	-	-	-	-	-	-
Total expenses from continuing operations	224,929	207,038	194,046	178,403	225,982	238,242	139,161	142,643	146,533	150,931
Operating result from continuing operations	91,754	74,879	50,544	61,953	70,027	69,043	36,889	36,094	38,384	33,683
Net operating result for the year before grants and contributions provided for capital purposes	55,520	34,496	15,518	8,630	31,133	36,213	4,275	5,893	7,542	8,417

Balance Sheet

Account Description	Budget 2023/24 \$'000	Budget 2024/25 \$'000	Budget 2025/26 \$'000	Budget 2026/27 \$'000	Budget 2027/28 \$'000	Budget 2028/29 \$'000	Budget 2029/30 \$'000	Budget 2030/31 \$'000	Budget 2031/32 \$'000	Budget 2032/33 \$'000
Current Assets										
Cash & cash equivalents	27,733	32,871	26,985	39,626	43,268	39,877	34,996	41,226	43,841	42,995
Investments	34,494	44,309	35,377	35,377	43,230	54,027	57,953	59,916	62,861	66,787
Receivables	11,807	11,878	12,278	12,171	12,564	12,970	13,389	13,822	14,269	14,732
Inventories	22,721	14,425	19,978	14,247	8,025	1,640	1,681	1,723	1,766	1,810
Other	504	517	530	543	557	571	585	599	614	630
Total Current Assets	97,259	104,001	95,148	101,965	107,643	109,084	108,604	117,287	123,351	126,954
Non Current Assets										
Investments	140,815	180,999	144,431	144,431	176,579	220,782	236,855	244,892	256,948	273,021
Receivables	1,670	1,753	1,841	1,933	2,029	2,131	2,237	2,349	2,467	2,590
Infrastructure, property, plant & equipment	1,509,461	1,569,282	1,617,889	1,650,358	1,678,768	1,700,985	1,721,784	1,740,636	1,760,401	1,773,912
Investment property	22,106	22,311	22,521	22,737	22,957	23,184	23,415	23,653	23,897	24,147
Intangible assets	2,822	2,822	2,822	2,822	2,822	2,822	2,822	2,822	2,822	2,822
Right of use assets	1,399	1,434	1,470	1,507	1,544	1,583	1,623	1,663	1,705	1,747
Total Non Current Assets	1,678,273	1,778,601	1,790,974	1,823,787	1,884,700	1,951,486	1,988,737	2,016,016	2,048,239	2,078,239
Total Assets	1,775,532	1,882,601	1,886,122	1,925,752	1,992,343	2,060,569	2,097,341	2,133,303	2,171,591	2,205,193
Current Liabilities										
Payables	16,721	64,790	20,211	20,747	17,444	17,139	17,654	18,183	18,729	19,291
Contract liabilities	14,650	15,016	12,892	2,764	2,833	2,904	2,976	3,051	3,127	3,205
Lease liabilities	834	855	877	899	921	944	968	992	1,017	1,042
Borrowings	14,562	8,459	1,415	1,469	1,524	1,580	1,640	1,701	1,633	1,695
Provisions	13,730	14,213	14,588	14,952	15,322	15,718	16,131	16,562	17,063	17,483
Total Current Liabilities	60,498	103,333	49,982	40,831	38,043	38,285	39,369	40,489	41,568	42,716
Non Current Liabilities										
Lease liabilities	584	599	614	629	645	661	678	694	712	730
Borrowings	19,866	12,899	22,940	21,471	19,948	18,367	16,727	15,026	13,393	11,698
Provisions	12,870	13,253	13,644	14,042	14,449	14,864	15,287	15,718	16,159	16,608
Total Non Current Liabilities	33,320	26,751	37,198	36,143	35,042	33,892	32,691	31,439	30,264	29,035
Total Liabilities	93,818	130,083	87,180	76,974	73,085	72,178	72,060	71,928	71,832	71,751
Net Assets	1,681,714	1,752,518	1,798,942	1,848,778	1,919,258	1,988,392	2,025,281	2,061,375	2,099,759	2,133,442
Equity										
Accumulated surplus	1,110,752	1,181,555	1,227,979	1,277,816	1,348,295	1,417,430	1,454,318	1,490,412	1,528,797	1,562,479
Revaluation reserves	570,962	570,962	570,962	570,962	570,962	570,962	570,962	570,962	570,962	570,962
Total Equity	1,681,714	1,752,518	1,798,942	1,848,778	1,919,258	1,988,392	2,025,281	2,061,375	2,099,759	2,133,442

Statement of Cash Flow

Account Description	Budget 2023/24 \$'000	Budget 2024/25 \$'000	Budget 2025/26 \$'000	Budget 2026/27 \$'000	Budget 2027/28 \$'000	Budget 2028/29 \$'000	Budget 2029/30 \$'000	Budget 2030/31 \$'000	Budget 2031/32 \$'000	Budget 2033/33 \$'000
Cash Flows from Operating Activities										
Receipts:										
Rates & annual charges	74,075	76,564	79,178	81,882	84,680	87,576	90,572	93,673	96,881	100,201
User charges & fees	20,347	20,845	21,367	21,901	22,448	23,009	23,584	24,174	24,778	25,398
Interest & investment revenue received	3,925	5,652	6,977	8,311	10,286	12,930	13,871	14,893	16,219	17,142
Other revenues	167,078	129,833	90,948	56,259	130,510	141,521	5,754	5,902	6,054	6,210
Operating grants & contributions	4,121	8,597	8,224	8,300	8,497	8,703	8,913	9,130	9,352	9,580
Capital grants & contributions	13,902	17,087	10,780	28,249	17,371	10,678	9,828	6,778	6,778	6,778
Payments:										
Employee benefits & on-costs	(44,313)	(46,114)	(47,451)	(48,656)	(49,863)	(51,135)	(52,472)	(53,868)	(55,439)	(56,897)
Materials & services	(38,663)	(38,876)	(38,823)	(39,988)	(41,048)	(42,794)	(43,256)	(44,402)	(45,580)	(47,503)
Borrowing costs	(966)	(1,319)	(1,203)	(1,137)	(1,076)	(1,013)	(948)	(881)	(812)	(738)
Other expenses	(134,940)	(40,886)	(131,717)	(64,401)	(99,992)	(105,431)	(10,047)	(10,296)	(10,553)	(10,817)
Net cash provided (or used in) operating activities	64,567	131,383	(1,722)	50,720	81,814	84,044	45,801	45,103	47,679	49,355
Cash Flows from Investing Activities										
Receipts:										
Sale of investments	29,500	30,000	55,500	20,000	80,000	10,000	20,000	120,000	65,000	40,000
Sale of infrastructure, property, plant and equipment	700	-	-	-	-	-	-	-	-	-
Payments:										
Purchase of infrastructure, property, plant and equipment	(39,921)	(63,175)	(52,662)	(36,663)	(36,704)	(30,911)	(29,101)	(27,233)	(28,364)	(28,568)
Purchase of investments	(60,000)	(80,000)	(10,000)	(20,000)	(120,000)	(65,000)	(40,000)	(130,000)	(80,000)	(60,000)
Net cash provided (or used in) investing activities	(69,721)	(113,175)	(7,162)	(36,663)	(76,704)	(85,911)	(49,101)	(37,233)	(43,364)	(48,568)
Cash Flows from Financing Activities										
Receipts:										
Proceeds from borrowings & advances	8,752	1,492	11,457	-	-	-	-	-	-	-
Payments:										
Repayment of borrowings and advances	(3,733)	(14,562)	(8,459)	(1,415)	(1,469)	(1,524)	(1,580)	(1,640)	(1,701)	(1,633)
Net cash provided (or used in) financing activities	5,019	(13,070)	2,998	(1,415)	(1,469)	(1,524)	(1,580)	(1,640)	(1,701)	(1,633)
Net (increase) / decrease in cash	(135)	5,137	(5,886)	12,641	3,641	(3,390)	(4,881)	6,230	2,615	(846)
Cash & cash equivalents at beginning of reporting period	27,868	27,733	32,871	26,985	39,626	43,268	39,877	34,996	41,226	43,841
Cash & cash equivalents at end of reporting period	27,733	32,871	26,985	39,626	43,268	39,877	34,996	41,226	43,841	42,995

Sensitivity Analysis/ Scenario Modelling

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

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

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

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

Inflation – Increase by 1% from the planned scenario of 2.5%. This will impact User Charges and Fees, Operating Grants and Contributions, Employee Benefits, Materials and Contracts, Other Expenses and Other Revenues. This is applicable from 2024/25 onwards.

Dwelling Growth – Increase by 0.5% from the planned scenario. This will impact Rates and Annual Charges. This is applicable from 2024/25 onwards.

Rate Peg – Increase by 0.5% from the planned scenario of 3.7%. This will impact Rates and Annual Charges. This is applicable from 2024/25 onwards.

Interest Returns – Increase by 0.5% from the planned scenario. This will impact Interest and Investment Revenues. This is applicable from 2024/25 onwards.

The net impact of the scenario is a surplus of \$31.9M in 2032/33 compared to the planned surplus of \$33.6M.

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

Inflation – Decrease of 1% from the planned scenario of 2.5%. This will impact User Charges and Fees, Operating Grants and Contributions, Employee Benefits, Materials and Contracts, Other Expenses and Other Revenues. This is applicable from 2024/25 onwards.

Dwelling Growth – Decrease by 0.5% from the planned scenario. This will impact Rates and Annual Charges. This is applicable from 2024/25 onwards.

Rate Peg – Decrease of 0.5% from the planned scenario of 3.7%. This will impact Rates and Annual Charges. This is applicable from 2024/25 onwards.

Interest Returns – Decrease by 0.5% from the planned scenario. This will impact Interest and Investment Revenues. This is applicable from 2024/25 onwards.

The net impact of the scenario is a surplus of \$35.1M in 2032/33 compared to the planned surplus of \$33.6M.

The detail impacts of the assumption changes in scenarios 2 and 3 have been modelled in the following 10 year income statements.

LTFP Income Statement - Scenario 2 Increase

	Budget 2023/24 \$'000	Budget 2024/25 \$'000	Budget 2025/26 \$'000	Budget 2026/27 \$'000	Budget 2027/28 \$'000	Budget 2028/29 \$'000	Budget 2029/30 \$'000	Budget 2030/31 \$'000	Budget 2031/32 \$'000	Budget 2032/33 \$'000
Income from continuing operations										
Rates and annual charges	74,388	77,269	80,263	83,376	86,610	89,972	93,466	97,098	100,873	104,796
User charges and fees	20,411	21,024	21,654	22,304	22,973	23,662	24,372	25,103	25,856	26,632
Other revenue	177,604	129,481	93,457	66,310	130,911	141,983	6,281	6,498	6,722	6,955
Grants and contributions provided for operating purposes	4,121	8,610	8,251	8,343	8,555	8,777	9,005	9,240	9,481	9,729
Grants and contributions provided for capital purposes	36,234	40,383	35,025	53,323	38,894	32,830	32,614	30,201	30,842	25,266
Interest and investment income	3,925	6,452	7,884	9,349	11,584	14,567	15,675	16,878	18,410	19,544
Total income from continuing operations	316,682	283,219	246,535	243,004	299,527	311,792	181,414	185,018	192,185	192,923
Expenses from continuing operations										
Employee benefits and on-costs	45,015	47,040	48,744	50,440	52,184	54,044	55,994	58,036	60,338	62,415
Materials and services	39,022	39,574	39,907	41,473	42,964	45,167	46,115	47,773	49,495	51,994
Borrowing costs	1,366	1,702	1,594	1,536	1,483	1,428	1,371	1,312	1,252	1,187
Depreciation, amortisation and impairment for non-financial assets	25,501	26,789	28,079	28,938	29,654	30,371	31,087	31,803	32,663	33,546
Other expenses	114,322	92,807	77,532	58,817	103,553	112,206	10,751	11,127	11,516	11,920
Net (gain)/losses from the disposal of assets	(297)	-	-	-	-	-	-	-	-	-
Total expenses from continuing operations	224,929	207,913	195,855	181,205	229,839	243,216	145,317	150,051	155,264	161,061
Operating result from continuing operations	91,754	75,306	50,680	61,799	69,688	68,576	36,096	34,967	36,921	31,862
Net operating result for the year before grants and contributions provided for capital purposes	55,520	34,923	15,654	8,476	30,794	35,745	3,483	4,766	6,079	6,595

LTFP Income Statement - Scenario 3 Decrease

	Budget 2023/24 \$'000	Budget 2024/25 \$'000	Budget 2025/26 \$'000	Budget 2026/27 \$'000	Budget 2027/28 \$'000	Budget 2028/29 \$'000	Budget 2029/30 \$'000	Budget 2030/31 \$'000	Budget 2031/32 \$'000	Budget 2032/33 \$'000
Income from continuing operations										
Rates and annual charges	74,388	76,585	78,850	81,183	83,587	86,064	88,616	91,245	93,954	96,746
User charges and fees	20,411	20,820	21,236	21,661	22,094	22,536	22,986	23,446	23,915	24,393
Other revenue	177,604	129,392	93,273	66,027	130,524	141,486	5,669	5,766	5,864	5,964
Grants and contributions provided for operating purposes	4,121	8,583	8,196	8,259	8,440	8,631	8,826	9,027	9,231	9,441
Grants and contributions provided for capital purposes	36,234	40,383	35,025	53,323	38,894	32,830	32,614	30,201	30,842	25,266
Interest and investment income	3,925	4,860	6,085	7,298	9,025	11,344	12,137	12,998	14,144	14,882
Total income from continuing operations	316,682	280,623	242,665	237,750	292,563	302,891	170,849	172,683	177,951	176,694
Expenses from continuing operations										
Employee benefits and on-costs	45,015	46,153	46,917	47,628	48,337	49,113	49,925	50,775	51,830	52,601
Materials and services	39,022	38,887	38,490	39,287	39,963	41,307	41,351	42,058	42,780	44,227
Borrowing costs	1,366	1,702	1,594	1,536	1,483	1,428	1,371	1,312	1,252	1,187
Depreciation, amortisation and impairment for non-financial assets	25,501	26,789	28,079	28,938	29,654	30,371	31,087	31,803	32,663	33,546
Other expenses	114,322	92,632	77,174	58,266	102,799	111,241	9,563	9,706	9,852	10,000
Net (gain)/losses from the disposal of assets	(297)	-	-	-	-	-	-	-	-	-
Total expenses from continuing operations	224,929	206,164	192,254	175,655	222,237	233,458	133,297	135,656	138,377	141,560
Operating result from continuing operations	91,754	74,459	50,411	62,095	70,327	69,432	37,552	37,028	39,573	35,133
Net operating result for the year before grants and contributions provided for capital purposes	55,520	34,076	15,385	8,772	31,433	36,602	4,938	6,826	8,731	9,867

Monitoring and Reporting

Council is required to monitor and report on the implementation of this Long Term Financial Plan (LTFP). We will undertake this to ensure that the financial objectives are being achieved. Council will use the existing IP&R framework for the purposes of monitoring implementation of the LTFP.

Council will review the LTFP in line with the review of Council's Community Strategic Plan. In addition, if necessary, more regular updates can be made to the LTFP to reflect major changes that will affect our plan.

Regular reviews will ensure that the LTFP continues to reflect the community's vision for the future of Shellharbour City and that the LTFP is aligned to the latest trends and information available.

We will monitor and report on the progress of the LTFP through the IP&R Framework through:

- The Quarterly Reports of the Delivery Program/Operational Plan, at the end of each quarter report on Council's progress on delivering the financial objectives of the LTFP.
- An Annual Report, at the end of each financial year to report on Council's progress on delivering on the financial objectives of the LTFP.