

RESOURCING STRATEGY

LONG TERM FINANCIAL PLAN

2022 - 2032



SOUTH BRITAIN WINDSHIRE

At Sutherland Shire Council we do more than serve our community - we are our community.

We understand that our natural landscapes - the bays, beaches and bush - and our love of outdoor living gives us a unique energy that sets us apart from anywhere else.

This translates into an active community, and a living energy, that propels us forward.

To align our culture to our community, we are active, evolving, respectful and collaborative in everything we do. From having a can-do attitude, to embracing opportunity and change, being people-centred and working together as one.

That's why Sutherland Shire is a place for life; its vibrancy brings people to life and makes it a place they want to stay forever.

It's our role to enhance the spirit of our area and its people.

Prepared by
Sutherland Shire Council
June 2022

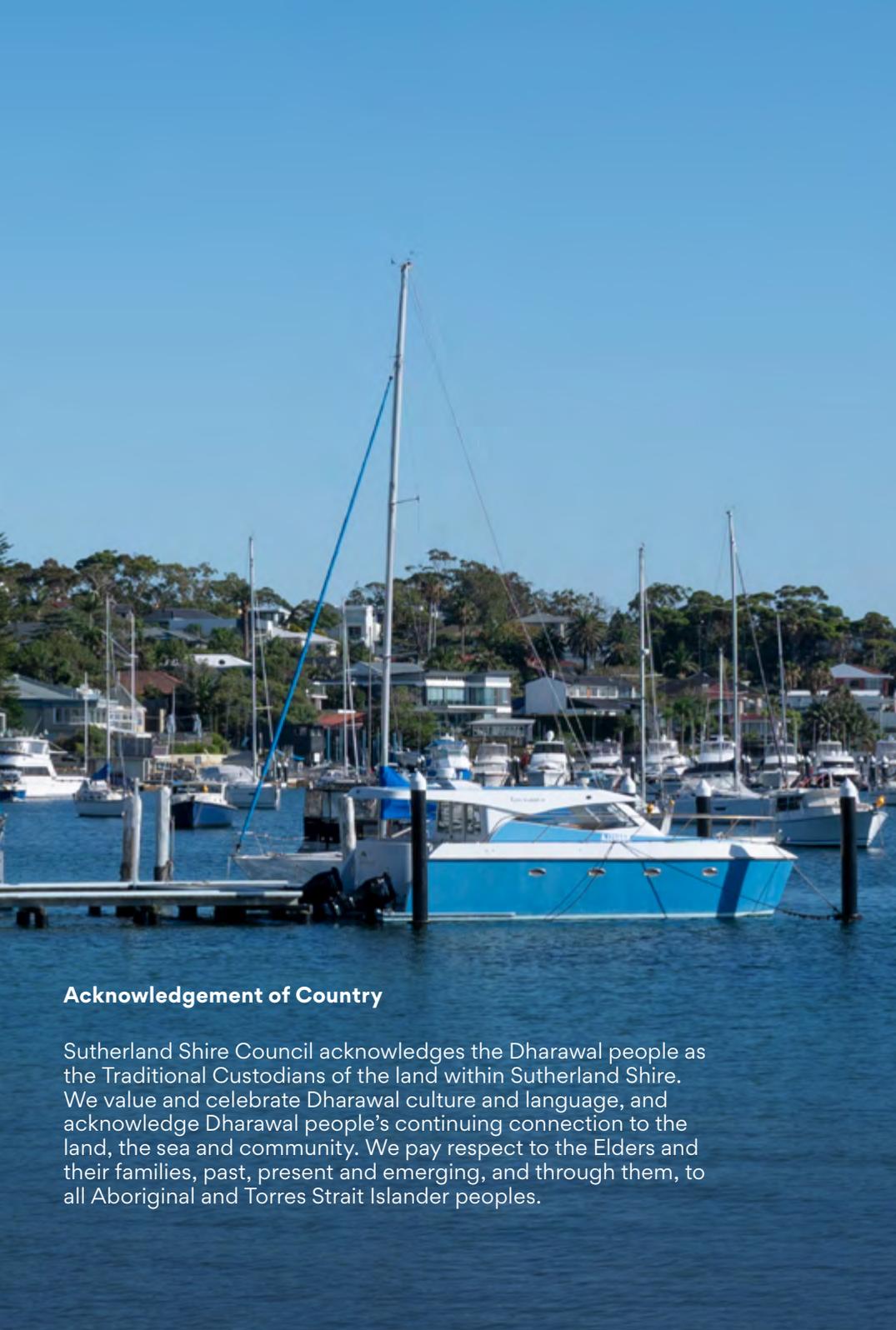
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Contact Details
4-20 Eton Street Sutherland NSW
Australia

Locked Bag 17,
Sutherland NSW 1499

T 02 9710 0333
ssc@ssc.nsw.gov.au
sutherlandshire.nsw.gov.au





Acknowledgement of Country

Sutherland Shire Council acknowledges the Dharawal people as the Traditional Custodians of the land within Sutherland Shire. We value and celebrate Dharawal culture and language, and acknowledge Dharawal people's continuing connection to the land, the sea and community. We pay respect to the Elders and their families, past, present and emerging, and through them, to all Aboriginal and Torres Strait Islander peoples.

CONTENTS

Introduction	2
Our Financial Principles	3
Our Financial Strategy	4
Our Modelling	7
Our Financial Sustainability Roadmap	26
Monitoring Our Progress	30

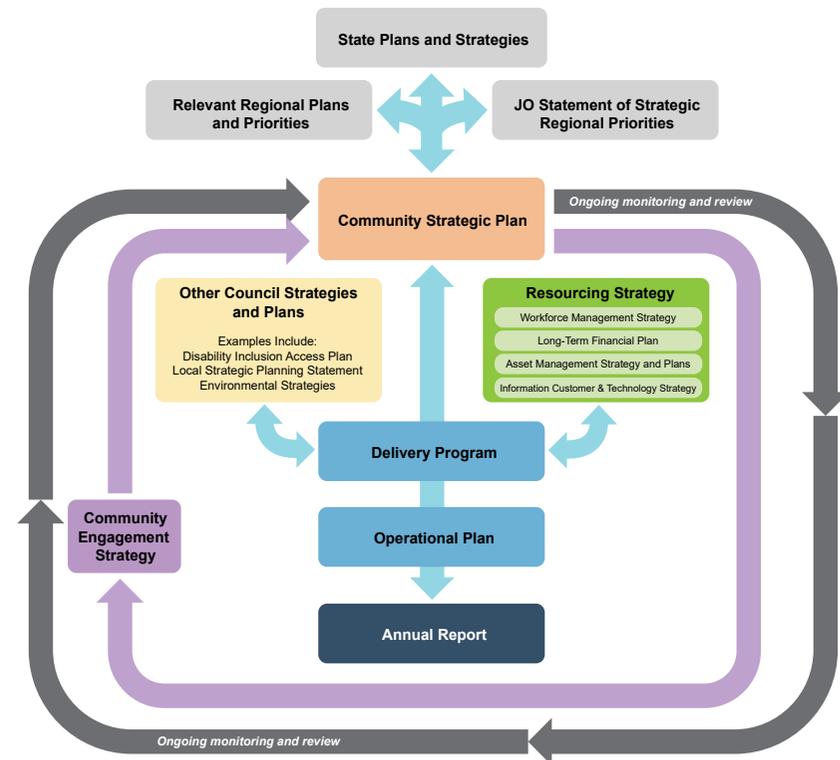
INTRODUCTION

The Sutherland Shire Council Long Term Financial Plan (LTFP) is a high level financial strategy that ensures we have the planning in place to sustainably meet the needs of our community now and into the future.

This Plan projects our financial position over the coming decade using a series of conservative financial assumptions. This financial modelling provides Council and the community with reliable and robust information to assess our ability to achieve and maintain overall financial sustainability into the long term and, most importantly, to ensure we have in place the necessary funding arrangements to support major strategic projects.

It is essential Council understands how the decisions that are made today impact its future. Council needs to ensure the effective delivery of services, and the appropriate maintenance and renewal of its significant asset base, are done in a financially sustainable manner.

This Long Term Financial Plan demonstrates the challenges that Council faces in securing its long term financial sustainability. To assist in overcoming those challenges, this plan provides a framework to help guide future decision making.



OUR FINANCIAL PRINCIPLES

Council's financial principles are guided by the principles of sound financial management outlined in section 8B of the Local Government Act 1993. The principles outlined below serve to guide decision-making and as a basis against which the financial strategy can be tested, reviewed and updated.

Responsible

Council spending will be responsible and sustainable aligning revenue and expenditure. Council will also invest in responsible and sustainable infrastructure for the benefit of the community.

Equitable

Revenue generation and resource allocation must be fair and reasonable. Council will also have regard to achieving intergenerational equity through its financial management decisions.

Value Driven

Council will ensure value for money when making financial decisions including those associated with the allocation of funds and application of those financial resources.

Engaged

Council will ensure that the community is engaged with its financial management decisions including those associated with the allocation of funding to services based on levels of importance and satisfaction.

Transparent

Information about how Council manages its finances will be readily available, accessible to the community and easy to understand.

Flexible

Council's financial planning framework will have the flexibility to take advantage of strategic opportunities and changing circumstances.



OUR FINANCIAL STRATEGY

The purpose of this Plan is not to provide specific detail about individual works, projects or services but to create a tool that allows scenarios and sensitivity analysis to be carried out, indicating the ongoing ability of Council to deliver services to our community.

This Plan balances the funding needs for the renewal, upgrade or the creation of new infrastructure assets, delivery of existing services against rating expectations, reasonable fees, and the strategic use of the accumulated funds held in reserve.

A number of strategic challenges remain ahead over the next ten years including renewing existing assets and continuing to provide an appropriate range and level of services to a growing and changing community and achieving this whilst maintaining a sound financial position. This LTFP contains a financial strategy which aims to meet these financial sustainability challenges over the long term by using a set of financial parameters. This set of financial parameters are based around three (3) key focus areas - Sustainable Operations, Infrastructure Investment and Financial Position.

Financial Strategy Focus Area 1: Sustainable Services

Council should ensure that it raises enough operating revenue to cover all of the operating expenditure associated with the provision of its existing services provided to the community. These services include libraries, beach services, leisure centres, Hazelhurst Art Gallery, community halls, waste services, community facilities, town planning, parks, gardens, road maintenance, playgrounds and many more.

This means that Council should aim for a break even operating position where total operating revenue equals total expenses, and ratepayers and customers in that year are paying for all the resources consumed. Operating deficits are not sustainable or equitable in the long term, as they result in services consumed by current ratepayers and customers, being paid for by future ratepayers and customers. A fair and equitable system is one in which the rates, fees and charges paid by each generation is in proportion to the benefits each generation receives.

A break even operating position will also ensure Council is placed in position where its asset depreciation expense is being fully funded, providing adequate levels of funding for required asset renewals and upgrades in the future.

Financial Strategy Focus Area 2: Infrastructure Investment

Council has a large infrastructure asset base with a replacement cost of almost \$3 billion. This LTFP, in conjunction with Council's Asset Management Strategy and Plans, aims to ensure Council has adequate financial capacity to fund investment in infrastructure renewals when they are required.

Council's various Asset Management Plans set out priorities for capital renewals in order to maintain appropriate levels of service to the community over the long term. These priorities are largely based on the conditions of those assets. Deviations from these plans can lead to unexpected asset failure, additional costs and reduced service levels.

However, change is constant. The way we work, live and play continues to change and to remain a progressive local government area; we must challenge the status quo to ensure best value. We do this by pausing and consider our re-investment in community assets. Are they the same priority they once were? Have the needs of our customer base evolved? Are there new ways of providing the service that may create better value? Will our investment be future proofed and valued over time?

Financial Strategy Focus Area 3: Financial Position

This Plan has been developed to ensure that the financial position of Council is maintained across the life of the Plan. It is important for Council to have a strong cash position and be in a position where it can service its debts and liabilities in the short term and also in the long-term.

There are external influences out of the control of Council which can have significant impacts on Council's financial position. It is for this reason that securing the financial position is of high importance and financial strategy parameters exist to help guide Council to achieving this.

The existence of an adequate level of available funds will provide a strong foundation for council to maintain its financial position during turbulent times and consequently this level of available funds is one of the financial strategy parameters.

Financial Parameters

It must be appreciated that there is no single indicator that demonstrates a local government's financial sustainability, nor does it necessarily mean that it is fatal if the Council falls short of the benchmark for a specific indicator in a given year. The circumstances leading to the calculation of an indicator value must be understood to ensure that it is interpreted in context.

The financial strategy parameters will be used to guide the development of all future budgets including decisions made in relation to levels of revenue and expenditure. These parameters support a positive forward outlook, and adherence over the long term will contribute to Council's financial sustainability.

The Plan references our financial strategy parameters (financial ratios) against industry benchmarks across each of the Plan's ten years to identify periods of financial challenge. Whilst a specific parameter may not be met in a specific year, the LTFP presents a responsible and realistic plan to ensure trends and average ratios across the life of the Plan meet or exceed preferred industry benchmarks.

Financial Strategy Parameters		Target
Operating Performance Ratio	Measures the extent to which Council has succeeded in containing operating expenditure within operating revenue.	> 0.00%
Own Source Revenue Ratio	Measures Council's fiscal flexibility and is the degree of reliance on external funding sources such as grants and contributions.	>0.00% YOY Increase
Infrastructure Renewal Ratio	Measures Council's capital expenditure on renewal or replacement of infrastructure assets relative to their rate of consumption (depreciation).	> 100.00%
Available Funds	Measures the level of unrestricted cash available to enable Council to take advantage of strategic opportunities or mitigate the financial impact of changing circumstances.	> 5.00% operating revenue
Debt Service Cover Ratio	Measures availability of operating cash to service debt including interest, principal and lease payments.	>2.0
Other Industry Financial Parameters		
Unrestricted Current Ratio	Specific to local government and designed to assess adequacy of working capital and ability to satisfy short-term obligations for unrestricted activities of Council.	>1.5
Cash Expense ratio	Indicates the number of months Council can continue to pay for immediate expenses without additional cashflow.	>3 months
Outstanding Rates and Charges	Used to assess impacts of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.	<5.0%

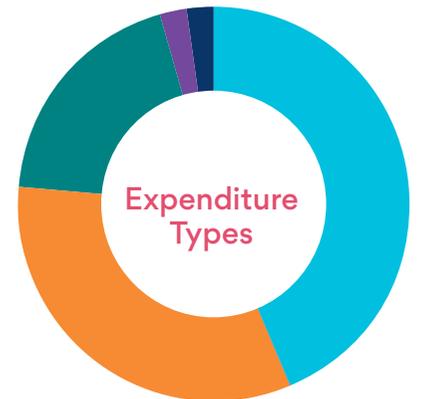
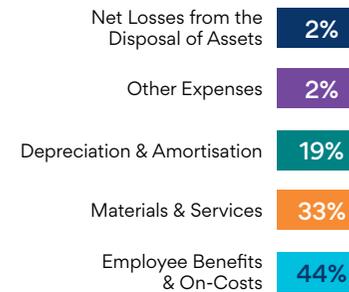
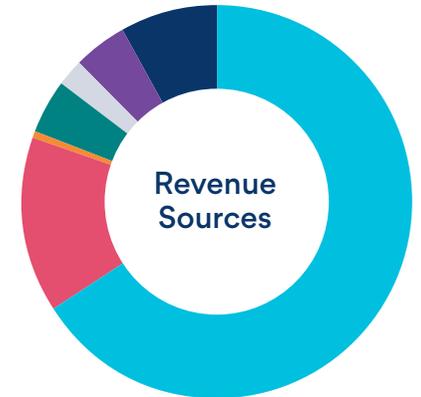
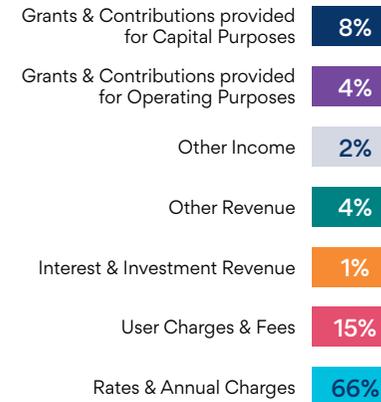
Current Financial Position

As at 30th June 2021 Sutherland Shire Council was in a sound financial position. All of the financial management indicators which form part of the Financial Strategy were meeting industry benchmarks. In addition to this, the asset management performance indicator benchmarks were being met and Council also had adequate level of available funds.

In the recent past Council has undertaken various initiatives to improve its financial positions such as the Special Rate Variation in 2019/20 which generated additional income for Council to invest in asset renewals. As part of that Council committed to providing an efficiency dividend over a ten (10) year period which will drive down operating expense and improve operating results.

Council is increasing its level of maturity in relation to its asset management which is improving the quality of Councils data which it uses to make decisions on its future. This includes undertaking asset inventory reviews, condition assessments and conducting comprehensive asset revaluations. It is these asset revaluations which are generating increased depreciation non-cash expenses which are having impacts on Council's future operating performance results.

[View report here](#)



OUR MODELLING

Key Assumptions

As with any long-term financial model, it is important to understand any qualifications and/or limitations that may relate to the outputs of the model. The Plan is expected to influence Council's Annual Budget each year - but it is recognised the LTFP is a dynamic and evolving document that responds to changing strategic priorities, service level expectations and economic conditions.

In early March 2022, the OLG announced an Additional Special Variation process for 2022/23 to allow councils to apply for an increase in the rate peg up to a maximum of 2.5%. Applications to IPART close 29 April 2022, with IPART to notify councils of their decision no later than 21 June 2022. The rates set in this plan incorporate the scenario of rate peg 2.5% increase.

In regularly reviewing the Plan, where such changes occur and the impact is significant, the financial modelling will be adjusted to reflect these changes.

Included in the financial assumptions are anticipated movements in both the consumer price index and interest rates as they relate to investment returns and operating costs across the ten-year life of the plan. Unanticipated changes in any of these parameters - or indeed in government policy directions - are likely to have an impact on the financial modelling outcomes.

Assumption	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Consumer Price Index	2.25%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Rate Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Minimum Rates	948	972	996	1,021	1,047	1,073	1,100	1,127	1,156	1,184
Rates Assessments	86,616	87,016	87,416	87,816	88,216	88,616	89,016	89,416	89,816	90,216
New Rates Assessments	400	400	400	400	400	400	400	400	400	400
Rates Growth	0.46%	0.46%	0.46%	0.46%	0.46%	0.45%	0.45%	0.45%	0.45%	0.45%
Total Rates Increase	1.16%	2.96%	2.96%	2.96%	2.96%	2.95%	2.95%	2.95%	2.95%	2.95%
Stormwater Manager Charge	0.46%	0.46%	0.46%	0.46%	0.46%	0.45%	0.45%	0.45%	0.45%	0.45%
Domestic Waste Charge	0.46%	0.46%	0.46%	0.46%	2.96%	2.95%	2.95%	2.95%	2.95%	2.95%
User Charges & Fees	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Statutory Charges	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Grants	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Investment Return	0.60%	0.80%	0.80%	1.00%	1.00%	1.50%	1.50%	1.50%	1.50%	1.50%
Employee Costs - Award Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Superannuation	10.50%	11.00%	11.50%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%
Materials & Services	2.25%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Efficiency Dividend	-0.10%	-0.10%	-0.10%	-0.10%	-0.10%	-0.10%	-0.10%	-0.10%	-0.10%	-0.10%
Other Expenses	2.25%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%

The modelling assumes there is a stable external economic environment combined with a stable legislative and political environment. It assumes that the current state of the Shire's natural environment remains constant over the period of the plan, therefore not taking into account any potential impacts from climate change. It also assumes there is no major deviation from Council's current strategic direction as set out in its *Our Shire* Community Strategic Plan.

Most importantly, the modelling in the LTFP has been based on the overarching assumption that the full range of services Council currently provides to the community have been included and funded.

The model is designed to be dynamic that it can be updated to reflect changes in the external economic environment and or Council's operations. Any assumptions in relation to either the financial modelling parameters, projects or service proposals are prepared based on the best available information at hand.

Key Risks & Sensitivities

External Influences

Unforeseen global, federal, state or local economic related events when they occur do have an impact on Council's finances, and may impact service provision and the ability to renew infrastructure.

Such events, like a global pandemic, are often hard to predict, however the existence of adequate available funds (ie unrestricted cash) will act as a mitigation measure against these. It is for this reason having an adequate level of available funds is one of Council's core financial strategy parameters.

Investment Income

Historically, Council has relied on the interest income generated from its cash and investments portfolio to fund its normal services and operations. Typically, this amount has ranged from \$2.4 million and \$4.7 million.

Although interest rates are predicted to rise over the period of the Plan, the reliance on this additional revenue should not be factored in to fund the normal delivery of services so to mitigate against any unforeseen downward fluctuation. Any additional income from investment should be used to contribute funding towards Council's many strategic projects and priorities.

Rates

Council raises over \$141 million annually through the levying of residential and business rates. Rates revenue, and the level at which Council can increase its rates revenue – referred to as the rate peg, is determined by the Independent Pricing and Regulatory Tribunal (IPART). IPART's rate peg takes into account the annual change in the Local Government Cost Index (LGCI), which measures the average costs faced by NSW councils, in addition to a population factor based on each council's population growth.

Councils can make an application to IPART if it wishes to exceed this rate peg and this process is called a Special rate Variation (SRV). Sutherland Shire Council successfully applied for an 8.76% SRV in 2019/20 which resulted in Council being able to raise an additional \$7.3 million in rate revenue each financial year. This then allowed Council to invest an additional \$7.3 million into asset renewals on an ongoing basis.

IPART set the 2022/23 rate peg for Sutherland Shire Council at a very low 0.70%. This low rate peg is significantly smaller than any assumption used in previous forecasts, significantly lower than CPI levels, and is significantly lower than the 2.0% Award increase Council is required to apply to the salaries and wages of its employee for the 2022/23 financial year.

When a rate peg does not allow a Council to adequately fund the increases in its operating expenditure this results in a reduction in its ability to meet asset renewal requirements. Ongoing decreases in asset renewal investment results in an increase in the infrastructure backlog and ultimately having assets which are not at a community satisfactory standard.

The population of Sutherland Shire Council is expected to grow 9.56% across the period 2022-36. As the population grows and the density of living evolves, there is increasing demand on Council services. There is a need to ensure that the increase in income resulting from that growth is aligned to the increase in costs to deliver new and existing services.

Council is required to provide a rebate on the rates and annual charges paid by eligible pensioners across the Shire. These rebates are partially subsidised by the State Government however Council still funds over \$1.4 million of the rebates granted to pensioners each financial year. In addition to the compulsory rebates, Council also provides a voluntary rebate which totals \$1.3 million annually.

Rates Revenue	
Assumption	IPART Rate Peg
+/- 0.5%	\$693,000
LTFP Impact	\$6,930,000

As demonstrated by the table any 0.5% fluctuation in rates revenue assumptions in any one year has a significant impact on the annual budget and is then compounded throughout the life of the long term financial plan.

Employee Costs

Council's workforce is its greatest asset, and critical to successful achievement of our Community Strategic Plan. Council invests over \$118 million annually on its workforce which includes salaries, superannuation, leave entitlements, workers compensation and Councils commitment to the ongoing professional development of its people.

Council operates under two (2) Enterprise Agreements being the Core Enterprise Agreement and the *Waste Services Enterprise Agreement*. These agreements provide the workforce with generous entitlements in relation to leave and redundancies which have an impact on employee costs. Council has also undertaken significant change to its casual workforce and through the use of a Casual Transition Enterprise Agreement has shifted towards a more permanent employment arrangement.

Assumption	Award Increase	Superannuation
2017/18	2.35%	9.50%
2018/19	2.50%	9.50%
2019/20	2.50%	9.50%
2020/21	1.50%	9.50%
2021/22	2.00%	10.00%
2022/23	2.00%	10.50%
2023/24	2.00%	11.00%
2024/25	2.00%	11.50%
2025/26	2.00%	12.00%
2026/27	2.00%	12.00%
2027/28	2.00%	12.00%
2028/29	2.00%	12.00%
2029/30	2.00%	12.00%
2030/31	2.00%	12.00%
2031/32	2.00%	12.00%

In addition to having its own Enterprise Agreements, Council is also party to the *Local Government (State) Award 2020*. The Award sets out annual increases to be applied to salary and wage employees (excluding Senior Staff) from the first full pay period after 1 July each year.

A new Local Government Award instrument is due for commencement in July 2023 and in addition to this Council is undertaking the renegotiation of its Core Enterprise Agreement.

The Federal Government has approved progressive increases in superannuation payable to employees under the *Superannuation Guarantee (Administration) Act 1992* which will see the superannuation guarantee gradually increase to 12% in 2025/26.

Being a major component of Council's operating expenditure, levels of employee costs (and materials and contracts) are heavily influenced by Council decisions around service provision operating models, for example a service delivered in house or outsourced to external providers.

Employee Costs	
Assumption	Award Increase
+/- 0.5%	\$593,500
LTFP Impact	\$5,935,000

As demonstrated by the table any 0.5% fluctuation in the assumptions used in any one year has a significant impact on the annual budget and is then compounded throughout the life of the long term financial plan.

Grant Funding

Council generates over 85% of own source revenue, which provides for enhanced levels of financial autonomy. However, we do still have some reliance on grants and contributions from other levels of government as an annual funding source.

The Financial Assistance Grant provided to Council contributes over \$72.5 million worth of revenue across the life of the plan. Any change to the current distribution model, including the exclusion of metropolitan councils from the distribution pool, would have significant financial implications for Council.

Similarly, the Roads to Recovery Program contributes over \$15.2 million worth of revenue across the life of the plan and contributes directly to the funding of Councils asset renewal program. This will also have implications should there be material changes to the program.

There are a range of grants which contribute to funding in areas such as libraries, community services, and roads which, should there be changes, would also have a significant impact to the Plan.

Depreciation

Council has a significant asset base valued at almost \$3 billion which incurs an annual depreciation expense of over \$51 million. Council is required to adhere to asset accounting requirements, which are mandated through accounting standards and State government accounting codes. These requirements include the use of straight line depreciation and residual value restrictions both which do not address renewal intervention levels or the consumption of long lived assets.

Ongoing asset revaluations also have an impact on depreciation expense, with a correlated increase in depreciation with the increase in asset replacement value over time.

User Charges & Fees

Council generates almost \$40 million per annum in user fees and charges with the services of Children Child Care and Leisure Centres accounting for over 50% of this total income.

User fees and charges operate on a 'fee for service' basis. Any increase in existing fees will only provide Council with a limited ability to increase ongoing annual revenue before high pricing starts to detrimentally influence consumer behaviour.

There are also a large number of statutory user fees and charges which have associated legislation mandating maximum fees. This is particularly predominant in the development assessment area. This restricts Council's capacity to generate additional income in these areas.

Council's policy decisions influence User Fees & Charges, such as the policy decision to not charge for the use of sports fields.

Council has *National Competition Policy* obligations in relation to its child care service and its commercial waste service. This obligation influences the level of user fees and charges charged through these services as Council endeavours to achieve full cost recovery.

Materials & Contracts

Council expends over \$88 million annually on non-employee costs and there are a large number of factors that can influence these costs such as inflation, service delivery methods, supply and impacts from global economic events.

The Consumer Price Index (CPI) is intended to measure the inflation in prices of goods and services and it is this measure that is used extensively through the financial modelling of the Plan.

The delivery method of services can also impact the level of expenditure on materials. An example of this being Council's waste service which it delivers inhouse. This type of inhouse delivery method results in higher levels of expenditure on fuel which is influenced by the fluctuation in fuel prices which can be impacted by external events both nationally and globally.

As technology advances so too does the delivery of IT services to the business. As Council moves towards Software as a Service (SaaS) and Devices as a Service (DaaS) this switches the type of expenditure from capital (servers and infrastructure) to operational (subscriptions and licences). The advances in technology also enable Council to implement technology based business improvement initiatives which when fully operational will provide significant efficiencies.

Investment in new LED street lighting and the installation of energy and water saving initiatives is resulting in the reduction in expenses relating to Council's utility consumption. These savings in both consumption and costs will accelerate as Council continues to implement its CleanClimateCouncil Strategy.

Other Revenue & Income

Council's commercial property portfolio generates over \$4.5 million in revenue each year in addition to the \$2 million received annual through other property related lease income. Council's commercial property portfolio is exposed to the external economic environment and fluctuations in that environment will have an impact on the value of those properties.

Developer Contributions

Council uses developer contributions to fund its new and upgraded assets to accommodate the demand created through population growth across the Shire. Legislative reform around these contributions, including the potential capping of contributions and providing the ability to defer contributions, will have impacts on the amount of revenue it can generate but also impact Council's funding capabilities into the future.

Council has entered into Voluntary Planning Agreements (VPA) in conjunction with various developments across the local government area. VPAs provide benefit to the community through the contribution of physical assets, and generation of additional revenue streams. Council's largest VPA is associated with the Lucas Heights Resource Recovery site, which will generate \$100 million over the period 2016-2033.

Developer contributions and VPA's are also influenced by the external economic environment with the level of development activity impacting annual revenue yields and potential VPA's.

Borrowing Costs

Historically, Council has utilised low levels of external borrowing. Council currently has an \$18.26 million loan which was taken out in January 2022 to fund the refurbishment of the Sutherland Entertainment Centre, with all other loan liabilities being fully satisfied during the 2021/22 financial year.

Fluctuating cash rates will influence loan interest rates. With cash rates at historical lows, rising interest rates is a risk. With the Sutherland Entertainment Centre loan Council has been able to mitigate any impact from rising interest rates by entering into a fixed rate loan agreement and utilising the income stream generated from the Lucas Heights Resource Recovery VPA to fully service the loan.



Other expenses

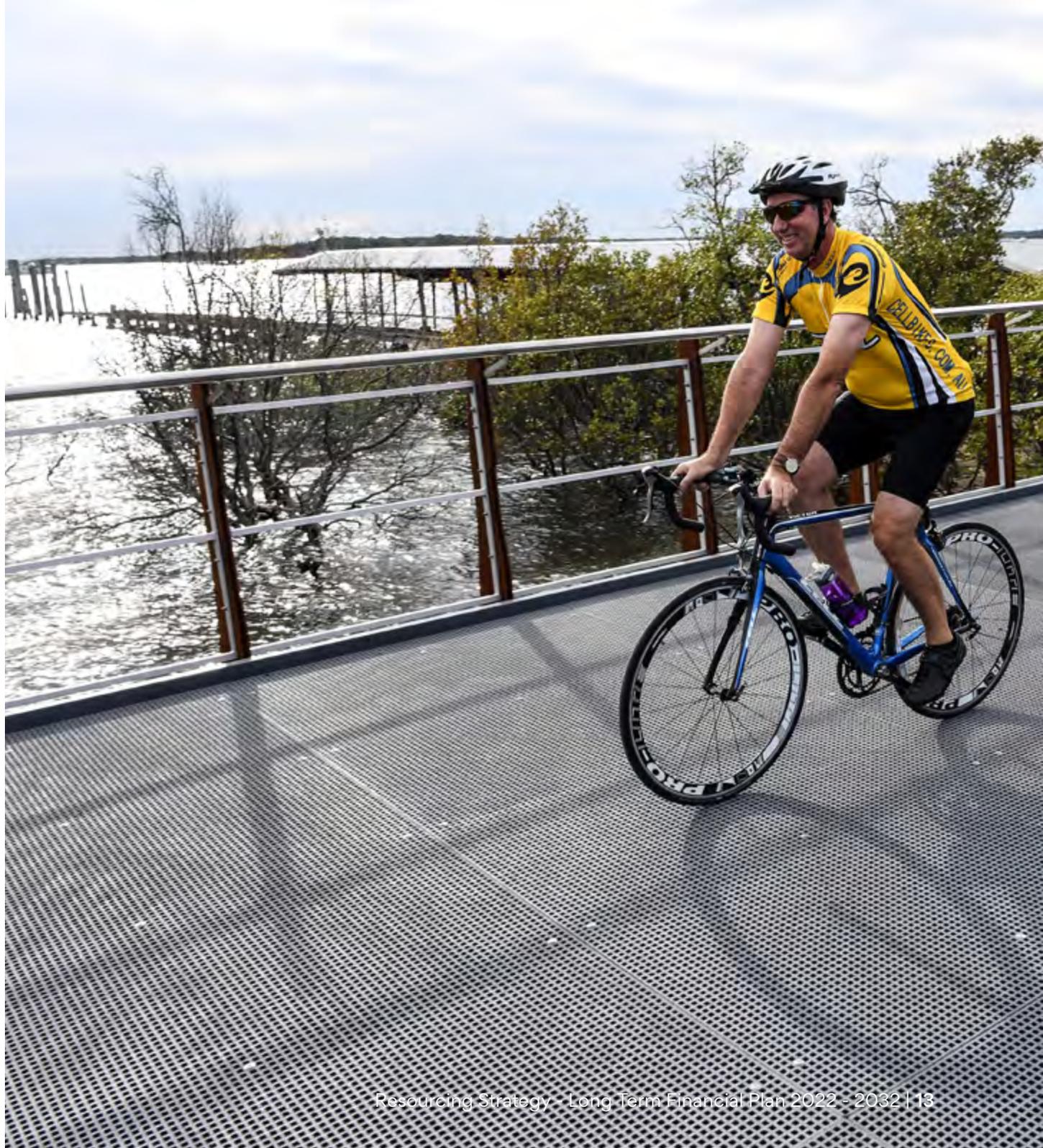
Other expense payments to other levels of government include levy payments associated with the Rural Fire Service, Fire NSW and State Emergency Services. These often increase well beyond rate peg and CPI with the increase in 2020/21 for example increasing 17.9%. Council has limited ability to influence these levies and is obliged to pay them.

Informing Strategies

Council has been undertaking extensive work to advance the maturity level of its Integrated Planning & Reporting Framework. This includes delivering a number of informing strategies such as the Open Space Strategy, Play Strategy, and Integrated Transport Strategy with more under development.

The implementation plans associated with these Strategies include action items which advocate the utilisation of the same resourcing in different ways. There are items which will require additional funding and these will need to be considered through the annual planning prioritisation process.

Some of the major items which will flow from strategies include waste minimisation/reuse initiatives from the Waste Strategy, the Gunnamatta Pavilion which will flow from the Gunnamatta Plan of Management and the Caringbah Leisure Centre which will flow from the Leisure Strategy. The decisions that are made on these items will be informed by and will have impact on the LTFP.





Forecasted Financial Statements

Income Statement

The Income Statement includes estimates of all revenues and expenditures that are required in the operating (normal day-to-day) activities of Council. This includes interest payments on loans and non-cash items such as depreciation but excludes repayments of loan principal and capital expenditure items.

The Income Statement also allows for estimated (book entry) movements in the value of Council's non-current assets. Information from the Income Statement is used to calculate the Operating Performance Ratio which is one of Council's Financial Strategy Parameters.

See table → [Income Statement on page 16](#)

Balance Sheet

The Balance Sheet demonstrates Councils' assets, liabilities and the community equity. It provides a snapshot of what Councils owns and owes.

Council holds and operates a large range of different assets that provide future economic benefits to the community. Some of these assets that are held, and provide benefit, over the long term are classified as non-current assets. Assets that provide benefits over the short term (usually within one year) are classified as current assets. In fulfilling its objectives, Council also enter into commitments and obligations that give rise to liabilities (such as loans and employee leave entitlements). Similar to assets, liabilities are either current (short term, usually requiring settlement within the following financial year) or non-current (due after more than one financial year). The difference between assets and liabilities (net assets or net liabilities) represents the equity of Council.

See table → [Statement of Financial Position on page 17](#)

Cashflow Statement

The cashflow statement provides information on the cash inflows and outflows of the Council as is classified by different types of cashflows – operating activities, investing activities and financing activities. Cash flows from operating activities will include cash receipts (inflows) and payments (outflows) from the day-to-day operations of the Council. Cash flows from investing activities will normally include payments and receipts on purchase and disposal of investments as well as the cash flows associated with capital works and the purchase of other non-current assets. Cash flows from financing activities for a council will normally include loans received and loans repaid, including the cash flows associated with any leases.

See table → [Cashflow Statement on page 18](#)

Funding Statement

This financial statement is a single consolidated view of Council's funding requirements and demonstrates the movement in Council's available funds. It includes the estimates of both operating and non-operating revenues and expenditures, as well as incorporating transfers to and/or from cash reserves, repayments of loan principal, capital expenditure items and excludes all non-cash items which do not require cash funding.

See table → [Funding Statement on page 19](#)

Reserve Funds

The Reserve Funds Statement demonstrates the cash reserves that Council holds and will be utilising over the period of the Plan. Reserves are classified as either Externally Restricted or Internally Restricted and provide Council with the cash funding to satisfy various obligations but also to afford Council with opportunities to implement strategic priorities.

Externally Restricted reserves include developer contribution, domestic waste management charges, stormwater management charges, and cash contributions from VPA's. These reserves have legislative obligations placed on them restricting how Council can use those funds.

Internally Restricted reserves include funds which Council has identified to be allocated to various strategic projects, reduce funding fluctuations and meet obligations such as the return of bonds and deposits and payment of employee leave entitlements.

See table → [Reserves Closing Balance on page 21](#)

Income Statement	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Income from Continuing Operations										
<i>Revenue:</i>										
Rates & Annual Charges	184,154	188,558	193,084	197,735	203,523	209,478	215,604	221,906	228,390	235,059
User Charges & Fees	39,911	40,810	41,732	42,675	43,680	44,709	45,764	46,844	47,951	49,084
Interest & Investment Revenue	2,024	2,584	2,596	3,156	3,168	4,553	4,566	4,579	4,593	4,607
Other Revenue	11,745	12,038	12,339	12,648	12,964	13,288	13,620	13,961	14,310	14,668
Other Income	6,539	6,702	6,870	7,041	7,217	7,398	7,583	7,772	7,967	8,166
Grants & Contributions provided for Operating Purposes	6,130	12,538	12,726	11,629	11,804	11,981	12,160	12,343	12,528	12,716
Grants & Contributions provided for Capital Purposes	24,150	19,746	20,188	20,638	21,095	21,568	22,055	22,576	23,111	23,689
Total Income from Continuing Operations	274,652	282,977	289,534	295,522	303,451	312,975	321,352	329,981	338,848	347,989
Expenses from Continuing Operations										
Employee Benefits & On-Costs	118,058	120,955	122,720	125,731	128,241	130,801	133,412	136,076	138,793	141,564
Borrowing Costs	89	545	498	450	401	351	297	243	187	130
Materials & Services	89,684	91,837	92,041	94,248	96,508	98,822	101,191	103,618	106,102	108,646
Depreciation & Amortisation	51,622	56,538	59,197	61,851	64,562	67,404	70,409	73,540	76,802	80,234
Other Expenses	5,996	6,140	8,287	6,438	6,593	6,751	8,913	7,079	7,249	7,423
Net Losses from the Disposal of Assets	5,438	5,600	5,408	5,108	5,347	5,738	5,936	6,143	6,505	6,749
Total Expenses from Continuing Operations	270,887	281,615	288,152	293,826	301,651	309,867	320,159	326,698	335,638	344,747
Operating Result from Continuing Operations	3,764	1,362	1,383	1,696	1,800	3,108	1,193	3,282	3,210	3,242
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	(20,386)	(18,384)	(18,805)	(18,941)	(19,295)	(18,460)	(20,862)	(19,293)	(19,901)	(20,447)

Statement of Financial Position

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
ASSETS										
Current Assets										
Cash & Cash Equivalents	16,645	10,218	19,304	24,128	19,064	14,076	17,881	24,492	25,422	27,577
Investments	174,535	181,574	165,739	160,033	164,459	169,021	163,722	158,566	158,556	158,695
Receivables	16,545	16,937	17,304	17,720	18,185	18,664	19,117	19,583	20,082	20,595
Inventories	268	275	282	289	296	304	311	319	327	335
Other	2,750	2,818	2,889	2,961	3,035	3,111	3,189	3,268	3,350	3,434
Total Current Assets	210,743	211,823	205,517	205,131	205,040	205,175	204,220	206,229	207,736	210,636
Non-Current Assets										
Investments	37,000	25,000	26,000	27,000	28,000	29,000	30,000	31,000	32,000	33,000
Receivables	788	809	831	853	876	900	924	949	974	1,001
Inventories	268	275	282	289	296	304	311	319	327	335
Infrastructure, Property, Plant & Equipment	2,676,555	2,736,294	2,791,885	2,843,209	2,895,570	2,950,245	3,005,403	3,061,005	3,118,364	3,176,263
Investment Property	83,520	85,185	86,891	88,641	90,434	92,271	94,155	96,086	98,065	100,094
Intangible Assets	98	73	49	24	-	-	-	-	-	-
Right of Use Assets	5,888	6,015	6,145	6,278	6,415	6,555	6,698	6,845	6,996	7,150
Total Non-Current Assets	2,804,118	2,853,652	2,912,083	2,966,294	3,021,591	3,079,275	3,137,491	3,196,204	3,256,727	3,317,842
TOTAL ASSETS	3,014,860	3,065,474	3,117,600	3,171,425	3,226,631	3,284,450	3,341,711	3,402,433	3,464,463	3,528,478
LIABILITIES										
Current Liabilities										
Payables	26,569	27,229	27,905	28,599	29,309	30,038	30,784	31,549	32,334	33,137
Contract Liabilities	3,371	3,453	3,538	3,624	3,713	3,804	3,897	3,993	4,091	4,191
Lease Liabilities	2,462	2,524	2,587	2,651	2,718	2,786	2,855	2,927	3,000	3,075
Borrowing	1,655	1,704	1,755	1,806	1,858	1,915	1,971	2,029	1,561	-
Provisions	2,751	2,808	2,867	2,927	2,988	3,050	3,113	3,178	3,245	3,312
Employee Leave Provisions	37,326	38,040	38,768	39,511	40,269	41,042	41,831	42,635	43,455	44,292
Total Current Liabilities	74,134	75,758	77,420	79,119	80,856	82,635	84,452	86,312	87,685	88,008
Non-Current Liabilities										
Lease Liabilities	2,943	3,016	3,092	3,169	3,248	3,329	3,413	3,498	3,585	3,675
Borrowing	14,600	12,896	11,141	9,335	7,477	5,561	3,590	1,561	-	-
Provisions	5,194	5,298	5,404	5,513	5,623	5,736	5,851	5,968	6,088	6,210
Employee Leave Provisions	768	783	799	815	831	848	865	882	900	918
Total Non-Current Liabilities	23,505	21,994	20,436	18,832	17,179	15,475	13,719	11,910	10,573	10,803
TOTAL LIABILITIES	97,639	97,752	97,856	97,951	98,035	98,110	98,171	98,221	98,259	98,811
Net Assets	2,917,222	2,967,722	3,019,744	3,073,474	3,128,596	3,186,340	3,243,540	3,304,211	3,366,204	3,429,667
EQUITY										
Retained Earnings	1,536,746	1,538,108	1,539,491	1,541,187	1,542,987	1,546,095	1,547,288	1,550,570	1,553,780	1,557,022
IPPE Revaluation Reserve	1,380,476	1,429,615	1,480,253	1,532,287	1,585,609	1,640,245	1,696,252	1,753,641	1,812,424	1,872,645
Total Equity	2,917,222	2,967,722	3,019,744	3,073,474	3,128,596	3,186,340	3,243,540	3,304,211	3,366,204	3,429,667

Cashflow Statement	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Cash Flows from Operating Activities										
Receipts:										
Rates & Annual Charges	183,889	188,281	192,799	197,442	203,222	209,168	215,285	221,579	228,053	234,713
User Charges & Fees	39,846	40,744	41,664	42,606	43,609	44,636	45,689	46,767	47,872	49,004
Investment & Interest Revenue Received	2,067	2,569	2,617	3,138	3,111	4,495	4,543	4,555	4,548	4,560
Grants & Contributions	30,266	32,269	32,900	32,252	32,884	33,534	34,200	34,903	35,623	36,390
Bonds, Deposits & Retention amounts received	414	425	435	446	457	469	480	492	505	517
Other	11,670	11,961	12,260	12,567	12,881	13,203	13,533	13,871	14,218	14,574
Payments:										
Employee Benefits & On-Costs	(117,144)	(120,054)	(121,801)	(124,794)	(127,285)	(129,826)	(132,418)	(135,062)	(137,758)	(140,509)
Materials & Contracts	(89,465)	(91,591)	(91,789)	(93,990)	(96,243)	(98,551)	(100,914)	(103,333)	(105,810)	(108,347)
Borrowing Costs	(88)	(544)	(498)	(450)	(400)	(351)	(296)	(243)	(187)	(130)
Other	(6,237)	(6,311)	(8,463)	(6,619)	(6,779)	(6,967)	(9,134)	(7,306)	(7,481)	(7,661)
Net Cash provided (or used in) Operating Activities	55,218	57,749	60,124	62,598	65,456	69,810	70,970	76,225	79,582	83,111
Cash Flows from Investing Activities										
Receipts:										
Sale of Investment Securities	100,000	100,000	80,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Sale of Infrastructure, Property, Plant & Equipment	508	520	533	547	560	574	589	603	619	634
Payments:										
Purchase of Investment Securities	(80,000)	(90,000)	(60,000)	(90,000)	(100,000)	(100,000)	(90,000)	(90,000)	(95,000)	(95,000)
Purchase of Infrastructure, Property, Plant & Equipment	(77,666)	(70,002)	(66,752)	(63,373)	(66,001)	(70,160)	(72,399)	(74,721)	(78,629)	(81,326)
Net Cash provided (or used in) Investing Activities	(57,159)	(59,481)	(46,219)	(52,826)	(65,440)	(69,585)	(61,810)	(64,118)	(73,011)	(75,692)
Cash Flows from Financing Activities										
Receipts:										
Borrowings and advances	-	-	-	-	-	-	-	-	-	-
Repayments:										
Borrowings and advances	(2,007)	(1,655)	(1,704)	(1,755)	(1,806)	(1,858)	(1,915)	(1,971)	(2,029)	(1,561)
Leases	(2,978)	(3,039)	(3,115)	(3,193)	(3,273)	(3,355)	(3,439)	(3,525)	(3,613)	(3,703)
Net Cash provided (or used in) Financing Activities	(4,985)	(4,695)	(4,820)	(4,948)	(5,079)	(5,213)	(5,354)	(5,496)	(5,642)	(5,264)
Net Increase/(Decrease) in Cash & Cash Equivalents	(6,926)	(6,427)	9,085	4,825	(5,064)	(4,989)	3,805	6,611	929	2,155
plus: Cash & Cash Equivalents - beginning of year	23,571	16,645	10,218	19,304	24,128	19,064	14,076	17,881	24,492	25,422
Cash & Cash Equivalents - end of the year	16,645	10,218	19,304	24,128	19,064	14,076	17,881	24,492	25,422	27,577

Funding Statement	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Operating Revenue										
Rates & Annual Charges	184,154	188,558	193,084	197,735	203,523	209,478	215,604	221,906	228,390	235,059
User Charges & Fees	39,911	40,810	41,732	42,675	43,680	44,709	45,764	46,844	47,951	49,084
Interest & Investment Revenue	2,024	2,584	2,596	3,156	3,168	4,553	4,566	4,579	4,593	4,607
Other Revenue	11,745	12,038	12,339	12,648	12,964	13,288	13,620	13,961	14,310	14,668
Other Income	6,539	6,702	6,870	7,041	7,217	7,398	7,583	7,772	7,967	8,166
Grants & Contributions provided for Operating Purposes	6,130	12,538	12,726	11,629	11,804	11,981	12,160	12,343	12,528	12,716
Capital Revenue - Grants and Contributions	24,150	19,746	20,188	20,638	21,095	21,568	22,055	22,576	23,111	23,689
Total Operating Revenue	274,652	282,977	289,534	295,522	303,451	312,975	321,352	329,981	338,848	347,989
Operating Expenses										
Employee Benefits & On-Costs	118,058	120,955	122,720	125,731	128,241	130,801	133,412	136,076	138,793	141,564
Borrowing Costs	89	545	498	450	401	351	297	243	187	130
Materials & Contracts	89,684	91,837	92,041	94,248	96,508	98,822	101,191	103,618	106,102	108,646
Depreciation & Amortisation	51,622	56,538	59,197	61,851	64,562	67,404	70,409	73,540	76,802	80,234
Other Expenses	5,996	6,140	8,287	6,438	6,593	6,751	8,913	7,079	7,249	7,423
Loss on Disposal	5,438	5,600	5,408	5,108	5,347	5,738	5,936	6,143	6,505	6,749
Total Expenses from Continuing Operations	270,887	281,615	288,152	293,826	301,651	309,867	320,159	326,698	335,638	344,747
Operating Result from Operations	3,764	1,362	1,383	1,696	1,800	3,108	1,193	3,282	3,210	3,242
Add back depreciation	48,833	53,672	56,251	58,823	61,451	64,208	67,125	70,166	73,337	76,674
Add back other non-cash items	6,638	6,819	6,645	6,364	6,621	7,032	7,250	7,475	7,857	8,122
Funding available for capital expenditure	59,236	61,853	64,280	66,884	69,873	74,348	75,568	80,924	84,404	88,038
Capital Expenditure on Assets	77,666	70,002	66,752	63,373	66,001	70,160	72,399	74,721	78,629	81,326
Loan Principal Repayment	2,007	1,655	1,704	1,755	1,806	1,858	1,915	1,971	2,029	1,561
Net Capital Additions	79,673	71,657	68,457	65,127	67,807	72,018	74,314	76,693	80,659	82,887
Net Transfer to/(from) reserves	(20,535)	(8,038)	(7,212)	3,772	234	(193)	(2,310)	2,201	(1,178)	3,511
Movement in available funds	98	(1,767)	3,035	(2,016)	1,832	2,522	3,564	2,031	4,923	1,640
Net Overall Funding Surplus/(Deficit)	-	-	-	-	-	-	-	-	-	-

Capital Expenditure	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Infrastructure Capital Expenditure										
Roads	12,055	23,515	24,252	18,549	19,690	20,693	21,422	22,178	23,413	24,378
Footpaths	6,631	7,654	7,678	7,852	8,029	8,211	8,397	8,588	8,783	8,983
Stormwater Drainage	2,387	1,212	1,248	1,285	1,323	1,362	1,402	1,443	1,486	1,529
Open Space/Recreational Assets	30,795	17,609	17,267	19,049	20,351	21,461	22,199	22,966	24,364	25,392
Buildings	22,490	17,612	13,882	14,187	14,130	15,927	16,444	16,981	17,989	18,418
Total Infrastructure	74,358	67,603	64,328	60,921	63,522	67,654	69,865	72,157	76,035	78,701
Non-Infrastructure Capital Expenditure										
Plant and Equipment	1,859	949	975	1,001	1,028	1,056	1,085	1,114	1,144	1,175
Library Books	1,450	1,450	1,450	1,450	1,450	1,450	1,450	1,450	1,450	1,450
Total Other	3,309	2,399	2,425	2,451	2,478	2,506	2,535	2,564	2,594	2,625
Total Capital Expenditure	77,666	70,002	66,752	63,373	66,001	70,160	72,399	74,721	78,629	81,326
Source of Funds										
General Fund	27,672	35,317	38,829	37,329	39,631	43,458	45,358	47,335	50,690	52,527
Grants and Contributions	14,533	8,087	6,869	6,997	7,129	7,263	7,400	7,539	7,682	7,828
Unexpended Grants & Contributions	-	4,713	-	-	-	-	-	-	-	-
Plant Replacement Reserve (Proceeds from Sale)	508	520	533	547	560	574	589	603	619	634
Developer Contributions	16,346	14,465	8,757	8,888	9,022	9,157	9,294	9,434	9,575	9,719
Stormwater Levy	2,187	1,212	1,248	1,285	1,323	1,362	1,402	1,443	1,486	1,529
Cleanaway VPA Funds	11,640	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,200	3,000
South Village VPA Funds	319	-	-	-	-	-	-	-	-	-
Cronulla CBD Special Rates	-	-	2,447	-	-	-	-	-	-	-
Cronulla Plaza Upgrade	-	-	4,753	-	-	-	-	-	-	-
Energy Audit Upgrade Reserve	1,176	-	-	-	-	-	-	-	-	-
Waste Water Reuse Reserve	123	-	-	-	-	-	-	-	-	-
Capital Works Reserve	622	-	-	-	-	-	-	-	-	-
Works In Progress	-	2,279	-	-	-	-	-	-	-	-
Leisure Centres Reserve	590	-	-	-	-	-	-	-	-	-
Children Services Reserve	779	308	317	327	336	346	356	367	378	389
Library Reserve	65	100	-	-	-	-	-	-	-	-
Major Strategic Priorities	172	-	-	5,000	5,000	5,000	5,000	5,000	5,000	5,700
Total Source of Funds	77,666	70,002	66,752	63,373	66,001	70,160	72,399	74,721	78,629	81,326
Surplus / (Deficit)	-	-	-	-	-	-	-	-	-	-

Reserves Closing Balance	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Externally Restricted Reserves										
Domestic Waste Service	48,583	49,483	50,383	51,283	51,283	51,283	51,283	51,283	51,283	51,283
Cleanaway VPA	4,369	2,672	5,533	5,206	4,693	4,707	4,956	6,971	9,060	13,792
Stormwater Management Services	1,180	1,180	1,180	1,180	1,180	1,180	1,180	1,180	1,180	1,180
Developer Contributions	60,133	54,295	54,295	54,295	54,295	54,295	54,295	54,295	54,295	54,295
Cronulla CBD Special Rates	2,447	2,447	-	-	-	-	-	-	-	-
Australand VPA	3,019	3,019	3,019	3,019	3,019	3,019	3,019	3,019	3,019	3,019
South Village VPA	67	67	67	67	67	67	67	67	67	67
Woolooware Bay VPA	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400
Breen VPA	1,100	2,100	3,350	3,350	3,350	3,350	3,350	3,350	3,350	3,350
Unexpended Grants & Contributions	1,547	-	-	-	-	-	-	-	-	-
Total Externally Restricted Reserves	123,845	116,663	119,227	119,800	119,287	119,301	119,550	121,565	123,654	128,386
Internally Restricted Reserves										
Asset Management										
Anzac Youth & Recreation Centre Fund	40	40	40	40	40	40	40	40	40	40
SSHED IT & Furniture	70	70	70	70	70	70	70	70	70	70
Children Services Reserve	3,752	3,444	3,126	2,800	2,463	2,117	1,761	1,394	1,016	627
Community Facilities Fund	339	339	339	339	339	339	339	339	339	339
Cronulla Plaza Refurbishment	4,753	4,753	-	-	-	-	-	-	-	-
Cronulla Wastewater Reuse Scheme	95	134	173	211	250	289	328	367	406	444
Tennis Facilities	64	64	64	64	64	64	64	64	64	64
Energy Audit Upgrade	3,250	3,250	3,250	3,250	3,250	3,250	3,250	3,250	3,250	3,250
Leisure Facilities	242	242	242	242	242	242	242	242	242	242
Library Improvement	553	553	553	553	553	553	553	553	553	553
Sylvania Waters Dredging	2,000	2,500	-	500	1,000	1,500	2,000	2,500	-	500
Corporate										
Elections	880	1,850	-	900	1,350	1,850	-	900	1,350	1,850
Employees Leave Entitlements	12,121	12,363	12,611	12,863	13,120	13,382	13,650	13,923	14,201	14,486
Security Bonds and Deposits	16,824	16,655	16,489	16,324	16,161	15,999	15,839	15,681	15,524	15,369
Sporting Facilities Development Fund	953	976	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Works in Progress	2,279	-	-	-	-	-	-	-	-	-
Strategy										
IMT Reserve	4,374	2,500	-	-	-	-	-	-	-	-
Informing Strategies	1,410	1,410	1,410	1,410	1,410	1,410	1,410	1,410	1,410	1,410
Property Fund	9,997	9,997	9,997	9,997	9,997	9,997	9,997	9,997	9,997	9,997
Major Strategic Priorities	19,938	21,938	23,938	25,938	25,938	24,938	23,938	22,938	21,938	19,938
Total Internally Restricted Reserves	83,933	83,078	73,301	76,501	77,247	77,041	74,481	74,667	71,400	70,178
Total Reserves	207,778	199,740	192,528	196,300	196,534	196,341	194,031	196,232	195,054	198,565
Total Cash & Investments	230,665	216,792	211,042	211,161	211,524	212,097	211,603	214,058	215,977	219,272
Available Funds	22,887	17,052	18,514	14,861	14,990	15,756	17,572	17,826	20,923	20,707

Performance Measurement Indicators	TARGET	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
		2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
1 Operating Performance Ratio measures the extent to which a council has succeeded in containing operating expenditure within operating revenue	>0%	-8.14%	-6.98%	-6.98%	-6.89%	-6.83%	-6.33%	-6.97%	-6.28%	-6.30%	-6.31%
		✗	✗	✗	✗	✗	✗	✗	✗	✗	✗
2 Own Source Operating Revenue Ratio measures fiscal flexibility. It is the degree of reliance on external funding sources	>= 60%	88.98%	88.59%	88.63%	89.08%	89.16%	89.28%	89.35%	89.42%	89.48%	89.54%
		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
3 Infrastructure Renewals Ratio assesses the rate at which these assets are being renewed against the rate at which they are depreciating	>= 100%	124.5%	123.9%	113.3%	102.3%	102.0%	104.1%	102.7%	101.4%	102.2%	101.2%
		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
4 Available Funds cash levels less externally and internally restricted reserves	> 5%	9.1%	6.5%	6.9%	5.4%	5.3%	5.4%	5.9%	5.8%	6.6%	6.4%
		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
5 Debt Service Cover Ratio measures the availability of operating cash to service loan repayments.	2.00x	6.92x	8.13x	8.38x	8.65x	8.97x	9.55x	9.53x	10.22x	10.56x	11.97x
		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
6 Unrestricted Current Ratio represents a council's ability to meet short-term obligations as they fall due.	>= 1.5	2.03	2.18	1.93	1.87	1.84	1.80	1.73	1.69	1.66	1.64
		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
7 Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage expressed as a percentage of total rates and charges available for collection in the financial year	< 5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
8 Cash Expense Cover Ratio liquidity ratio indicates the number of months a council can continue paying for its immediate expenses without additional cash inflow	>= 3	10.77	10.53	9.98	9.78	9.55	9.32	8.98	8.93	8.79	8.71
		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
9 Balanced Budget utilisation of councils funds minus total sources of income	>= \$0	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓



Long Term Financial Position & Performance

The LTFP represents the utilisation of around \$2.6 billion dollars of funding over the life of the plan. These funds are applied to delivering a program of relevant services to our community whilst maintaining and renewing our infrastructure and creating new community facilities that leave a legacy for our community.

The Long Term Financial Plan has been prepared using a balanced budget philosophy in accordance with one of the financial strategy parameters. The financial modelling in the earlier years of the Plan is necessarily more certain than the later years - however adequate flexibility has been allowed in the later years of the Plan to cope with new or emerging community priorities or project opportunities.

The Long-Term Financial Plan presents the optimum financial model to meet the Council's financial needs over the next ten years in a way that respects and works towards achieving the Financial Strategy Parameters and financial indicators that have been set as benchmarks for local government to aspire to.

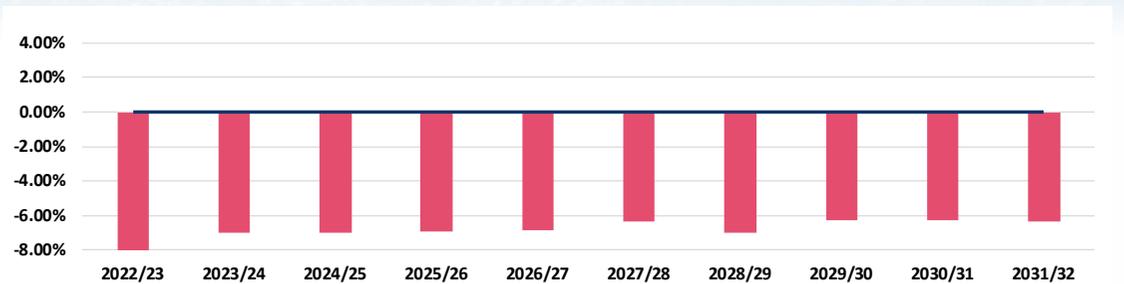
Where an indicator may not be attained in a given year, the Plan presents a responsible strategy to move Council towards the preferred industry benchmarks.

**Key Result:
Operating Result Before
Capital Revenue**

The Long Term Financial Plan provides for the delivery of services totalling more than \$2.6 billion across the life of the plan. However, the base financial model does demonstrate that there is an ongoing operating deficit before capital revenue over the life of the plan. This indicator does take into account significant non-cash items such as depreciation.

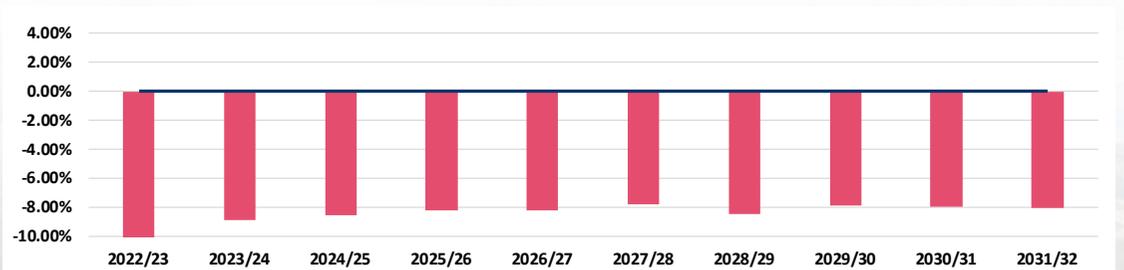
Operating Performance Ratio – Base Model

FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32
●	●	●	●	●	●	●	●	●	●
-8.14%	-6.98%	-6.98%	-6.89%	-6.83%	-6.33%	-6.97%	-6.28%	-6.30%	-6.31%



Operating Performance Ratio (Exclude Domestic Waste) - Base Model

FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32
●	●	●	●	●	●	●	●	●	●
-10.33%	-8.83%	-8.54%	-8.16%	-8.18%	-7.76%	-8.47%	-7.85%	-7.95%	-8.03%

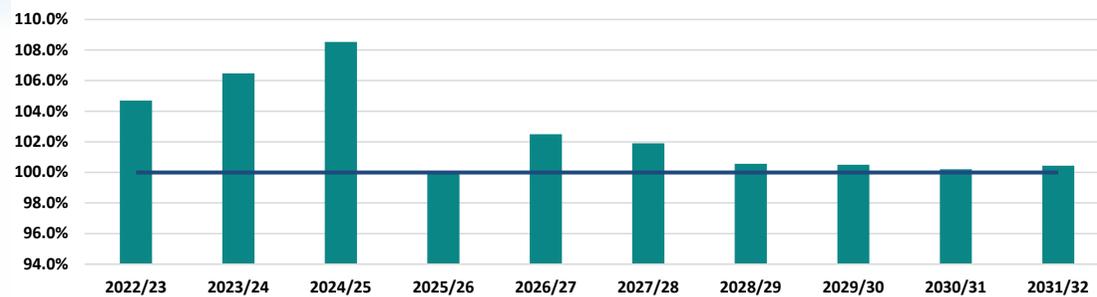


**Key Result:
Infrastructure Renewal**

The Long Term Financial Plan provides an investment of over \$623 million into the renewal, upgrade and creation of new assets – this includes funding for the upgrade of the Cronulla CBD Town Centre.

Infrastructure Renewal Ratio – Base Model

FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32
●	●	●	●	●	●	●	●	●	●
104.7%	106.5%	108.5%	100.0%	102.5%	101.9%	100.6%	100.5%	100.2%	100.4%

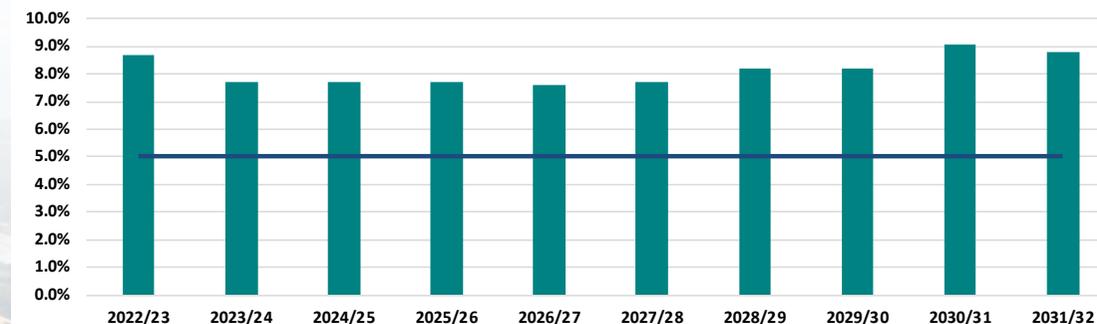


**Key Result:
Available Funds**

The level of available funds across the life of the plan is achieving the financial parameter of being maintained above 5% of total operating revenue on an annual basis.

Available Funds – Base Model

FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32
●	●	●	●	●	●	●	●	●	●
8.7%	7.7%	7.7%	7.7%	7.6%	7.7%	8.2%	8.2%	9.1%	8.8%



OUR FINANCIAL SUSTAINABILITY ROADMAP

Key Challenges & Opportunities

The ongoing negative operating performance ratios forecasted in the LTFP represent a significant challenge which Council faces and one which can be overcome by implementing a variety of remedial actions over time.

Asset Management Maturity

Since 2019 Council has been undertaking a project to increase the maturity levels of its asset management practices associated with its almost \$3 billion asset portfolio. This has included the comprehensive revaluation of its Open Space Assets, Buildings Assets and Transport Assets which has resulted favourably in an uplift in the asset inventory data that Council holds. However, it has also increased the fair value of these assets from an accounting perspective on Council's Balance Sheet.

An increase in fair value results in higher depreciation costs and it is this increased depreciation cost which is the main driver of the operating deficit before capital revenue result illustrated in the long term financial modelling.

Depreciation is a non-cash expense and all avenues will be explored to reduce this expense including the review of residual values, useful lives and renewal timeframes. This also includes working at an industry level to better understand emerging technologies, sourcing actual lives achieved on assets and working with the NSW Audit Office on the use of residual values. However, in the interim Council will not be looking at alternate ways to fund this increase in non-cash expenditure with cash generated from additional income such as rates.

Efficiency Dividend

As part of the IPART approved Special Rate Variation in 2019/20, Council committed to providing an efficiency dividend from its operations to the value of \$54M by the end of the 2027/28 financial year. An efficiency dividend is an annual reduction in resources allocated to the day-to-day business operations of the Council. This commitment is largely being achieved by reducing the indexation applied to materials and services annual budget allocations. Council is including in the efficiency dividend calculations any permanent reduction in expenses that is being identified by the organisation.

The efficiency dividend contributes to the contraction of Council's operating deficits and those funds directly contribute to the funding of ongoing asset renewals. The continuation of this dividend from 2028/29 has the potential to deliver an additional \$11M in the final four years of the Plan.

Other Efficiency Initiatives

In addition to delivering on the efficiency dividend there are also a number of initiatives being implemented across Council.

One significant example is the implementation of new integrated enterprise wide technology solutions, which will see the replacement and upgrade of the systems that support functions such as asset management, project management, record management, property, rates, risk management, human resources and customer request management.

This project will generate direct cost savings and efficiencies across Council through the review of current processes, and will also deliver in-direct value add through the improvement of the customer and employee experience, and increased information security and business resilience.

Service Reviews

As part of Councils commitment to continuous improvement a program of service reviews will be implemented. These reviews, in conjunction with any new or revised Council Strategy, will provide an opportunity to optimise service delivery which may result in cost savings and efficiencies. Included as part of that process review, will be a review performed on Council’s commercial business activities including an Early Education Childcare Service across 11 sites and a Commercial Waste Collection Service. Council’s efforts to ensure that these services are operating at full cost recovery will over time be able to contribute an additional \$1.2M annually to Council’s operating result.

Strategy Development

Over the last three years, Council has been developing strategies and plans across most of its services. This continues as part of the 2022/23 Operational Plan, with plans such as the Active Transport Strategy, Public Domain Strategy and the various Precinct Plans for centres across the local government area being developed.

The challenge that Council has is to successfully implement all of these new and revised strategies and plans in a financially sustainable way and continue to work with the financial strategies of Council’s LTFP.



Alternate Model

To eliminate future operating deficits, Council must either increase its operating revenue (excluding capital revenue) and/ or decrease its operating expenditure on a recurrent basis.

An alternate financial model that has been undertaken illustrates that this revenue increase and/or expenditure decrease must equate to approximately \$17 million per annum. The table below illustrates the impact this will have on the operating performance ratio in an alternate model.

Operating Performance Ratio – Alternate Model									
FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32
●	●	●	●	●	●	●	●	●	●
-5.31%	0.28%	0.22%	0.32%	0.33%	0.80%	0.17%	0.84%	0.80%	0.79%

This can be achieved by implementing any or all of the following pathway options, in varying compositions.

Pathways

Pathway Option: Increasing Operating Revenue

The increasing of operating revenue may be achieved via increases to rates, user fees and charges, and property income.

Recent operating deficits have largely arisen as a result of increases in non-cash items such as depreciation rather than any upward adjustments to services. The step changes in annual depreciation expense have typically followed a revaluation of a specific class of assets.

Until we have a greater degree of confidence in useful lives, asset condition, and residual values, all of which are drivers of depreciation, it would be not be appropriate to pursue a Special Rate Variation (SRV) in the short term.

User fees and charges operate on a 'fee for service' basis. Any increase in existing fees will only provide Council with a limited ability to increase ongoing annual revenue before high pricing starts to detrimentally influence consumer behaviour.

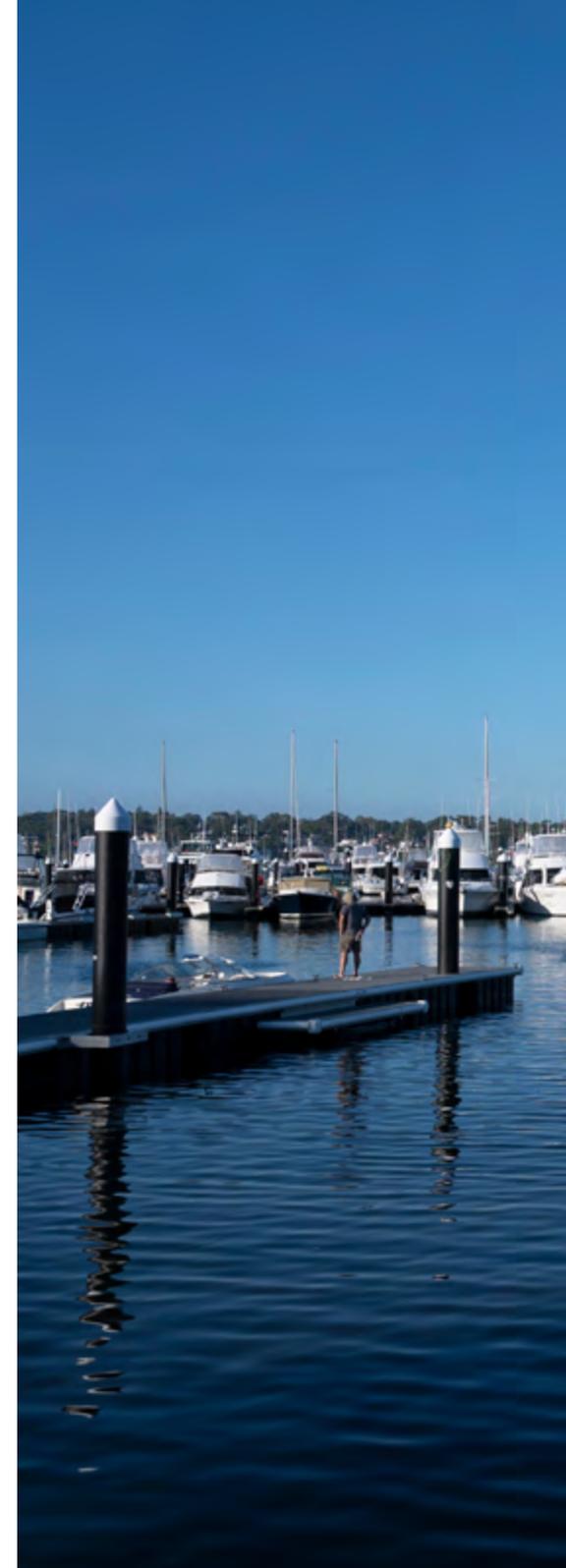
There are also a large number of users fees and charges which have associated legislation mandating maximum fees. This is particularly predominating in the development assessment area. This heavily restricts Council's capacity to generate additional income in these areas.

There is also the option of introducing new fees and charges for services which Council has historically offered free to the community.

The use of Council's Property Strategy to generate additional revenue through an increase in the size of the property investment portfolio is another option. The current portfolio generates over \$4 million per annum.

Council has taken a number of policy decisions over the years that have shaped our current income streams. These decisions include its position on charging for sportsfields, use of paid parking, and voluntary pensioner rebates. Councils revenue policy includes its pricing policy which include fees which are classified partial cost recovery (PCR) and these are where Council has made the decision to subsidise certain services.

Any introduction of new or increased revenue initiatives must be reviewed against Councils financial principles specifically the principle of 'equitable'.





Pathway Option: Decreasing Operating Expenditure

Councils operating expenditure includes employee costs, materials and services, other expenses, borrowing costs and depreciation. The pathway option of decreasing operating expenditure would require a reduction in any of these categories.

As part of the Special rate Variation implemented in 2019-20, Council committed to providing a 1.25% operating expenditure efficiency dividend of \$54 million over a ten year period (2019-2028). This efficiency dividend is included in all models included in the LTFP. An increase or extension of the efficiency dividend would generate a further reduction in operating expenditure, however any increase would be limited to the point where it started to impact existing service levels. Increasing the efficiency dividend to 1.50% would increase the dividend by \$10 million over life of the plan.

Although depreciation is a non-cash item it is still included as an operating expense of Council. As Council's asset management maturity levels increase this will allow for a more comprehensive review of councils asset accounting methodologies which has the potential to drive down these expenditure levels.

As a comprehensive suite of service reviews take place across the Council services, combined with the introduction of new and/or revised strategies and plans, new and innovative ways of operating should be introduced. This combined with new technologies and methodologies should also create efficiencies and contribute to the decreasing the levels of operating expenditure without compromising service levels.

As part of the service reviews, Council will work closely with the community to understand the services they value, the standards they expect and what they are willing to pay for. This conversation with the community will include determining whether adjustments can be made to service provision for example rationalising community facilities, changing park maintenance standards and/or closing library branches.

MONITORING OUR PROGRESS

The financial strategy parameters contained in this Plan are the key tools that will be used to monitor Council's progress towards achieving the outcomes of this plan and becoming financially sustainable. The parameters will be reported on at each quarter through inclusion in the Quarterly Budget Review Statement and also as part of Council annual report and financial statements.

The LTFP will be updated and adopted annually as part of the annual planning process. In addition, and as Council's financial modelling tools increase in maturity levels, the LTFP modelling will have the future capacity to be updated during each quarterly budget review and be presented as part of that process.



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