



SOUTHERN CROSS SHIPRE

RESOURCING STRATEGY

# LONG TERM FINANCIAL PLAN

2023 - 2033



## 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  
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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](mailto:ssc@ssc.nsw.gov.au)  
[sutherlandshire.nsw.gov.au](http://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.

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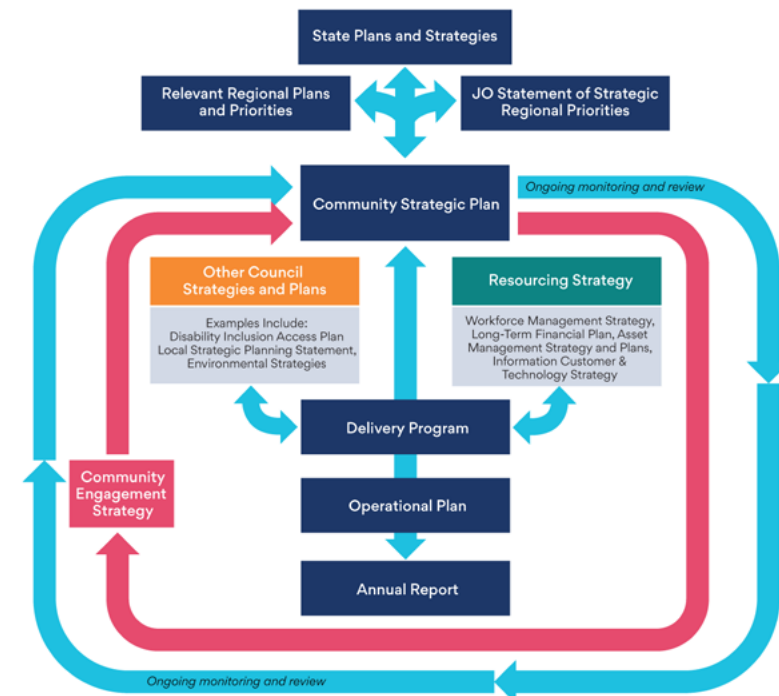
# INTRODUCTION

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 Services, 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 \$3.9 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

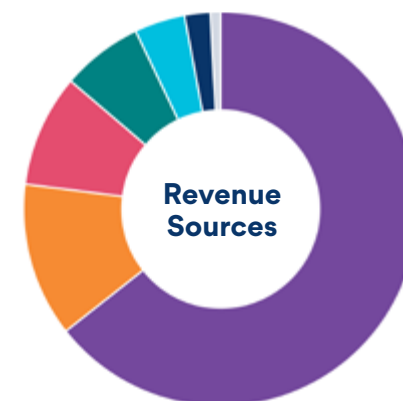
As at 30th June 2022 Sutherland Shire Council was in a sound financial position. All of the financial management indicators which form part of the Financial Strategy were meeting industry benchmarks. In addition to this, the asset management performance indicator benchmarks were being met and Council 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.

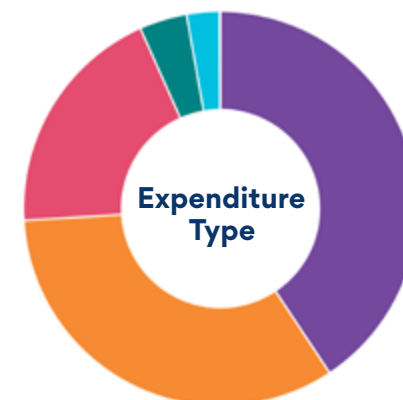
Council is increasing its level of maturity in relation to its asset management which is improving the quality of Council's data which it uses to make decisions on its future. This includes undertaking asset inventory reviews, condition assessments and conducting comprehensive asset revaluations. It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



Rates & Annual Charges	64%
User Charges & Fees	13%
Investment & Interest Revenue Received	1%
Other Revenue	4%
Other income	2%
Grants & Contributions - Operating	7%
Grants & Contributions - Capital	9%



Employee Benefits & On-Costs	41%
Materials & Services	33%
Depreciation & Amortisation	19%
Other Expenses	3%
Net Losses from the Disposal of Assets	4%





# 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 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	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
Consumer Price Index	3.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Rate Peg Increase	3.70%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Minimum Rates	1,001	1,026	1,052	1,078	1,105	1,133	1,161	1,190	1,220	1,250
Rates Assessments	91,626	92,126	92,626	93,126	93,626	94,126	94,626	95,126	95,626	96,126
New Rates Assessments	500	500	500	500	500	500	500	500	500	500
Rates Growth	0.55%	0.55%	0.54%	0.54%	0.54%	0.53%	0.53%	0.53%	0.53%	0.52%
Total Rates Increase	4.25%	3.05%	3.04%	3.04%	3.04%	3.03%	3.03%	3.03%	3.03%	3.02%
Stormwater Manager Charge	0.55%	0.55%	0.54%	0.54%	0.54%	0.53%	0.53%	0.53%	0.53%	0.52%
Domestic Waste Charge	0.55%	0.55%	0.54%	3.04%	3.04%	3.03%	3.03%	3.03%	3.03%	3.02%
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	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Other Revenue	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	3.55%	3.45%	3.20%	2.95%	2.95%	2.95%	2.95%	2.95%	2.95%	2.95%
Employee Costs	5.15%	4.55%	4.05%	3.05%	3.05%	3.05%	3.05%	3.05%	3.05%	3.05%
Superannuation	11.00%	11.50%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%
Materials & Services	3.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Efficiency Dividend	-0.20%	-0.20%	-0.20%	-0.20%	-0.20%	-0.20%	-0.20%	-0.20%	-0.20%	-0.20%
Other Expenses	3.50%	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 \$146 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 2023/24 rate peg for Sutherland Shire Council at 3.7%. This rate peg is lower than current inflation CPI levels, and is significantly lower than the anticipated 4.6% Award increase Council is required to apply to the salaries and wages of its employee for the 2023/24 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 9.03% across the period 2023-36. 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%	\$739,000
LTFP Impact	\$7,390,000

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 \$125 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
2021/22	2.00%	10.00%
2022/23	2.00%	10.50%
2023/24	4.50%	11.00%
2024/25*	3.50%	11.50%
2025/26*	3.00%	12.00%
2026/27	2.50%	12.00%
2027/28	2.50%	12.00%
2028/29	2.50%	12.00%
2029/30	2.50%	12.00%
2030/31	2.50%	12.00%
2031/32	2.50%	12.00%
2032/33	2.50%	12.00%

\* Plus a lump sum payment of \$1,000

In addition to having its own Enterprise Agreements, Council is also party to the *Local Government (State) Award 2023*. 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%	\$644,300
LTFP Impact	\$6,443,000

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 88% 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 \$83.2 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 \$13.7 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 \$3.9 billion which incurs an annual depreciation expense of over \$48 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 \$43 million per annum in user fees and charges with the services of Children Child Care and Leisure Centres accounting for over 60% 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 & Services

Council expends over \$100 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 \$4.8 million in revenue each year in addition to the \$2.6 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 only has one loan being \$18.26 million loan which was taken out in January 2022 to fund the refurbishment of the Sutherland Entertainment Centre.

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 10 years fixed rate loan agreement at 2.92% 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 net increase in 2023/24 for example increasing 48.79%. 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
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
<b>Income from Continuing Operations</b>										
<i>Revenue:</i>										
Rates & Annual Charges	190,527	195,262	200,130	206,159	212,364	218,752	225,327	232,095	239,061	246,231
User Charges & Fees	42,715	43,728	44,765	45,828	46,916	48,030	49,172	50,341	51,539	52,765
Interest & Investment Revenue	8,504	8,943	9,228	9,501	9,782	10,071	10,368	10,675	10,990	11,315
Other Revenue	12,485	12,616	12,747	12,878	13,011	13,145	13,281	13,418	13,556	13,696
Other Income	5,301	5,354	5,408	5,462	5,517	5,572	5,628	5,684	5,741	5,798
Grants & Contributions provided for Operating Purposes	14,447	20,579	20,888	21,202	21,520	21,842	22,170	22,503	22,840	23,183
Grants & Contributions provided for Capital Purposes	13,948	14,157	14,369	14,585	14,804	15,026	15,251	15,480	15,712	15,948
<b>Total Income from Continuing Operations</b>	<b>287,927</b>	<b>300,639</b>	<b>307,536</b>	<b>315,614</b>	<b>323,913</b>	<b>332,438</b>	<b>341,197</b>	<b>350,195</b>	<b>359,439</b>	<b>368,936</b>
<b>Expenses from Continuing Operations</b>										
Employee Benefits & On-Costs	124,960	131,246	134,387	138,503	142,745	147,117	151,623	156,266	161,052	165,984
Borrowing Costs	533	492	444	394	345	290	236	181	123	103
Materials & Services	100,426	103,088	97,501	99,740	102,031	104,374	109,270	109,222	111,730	114,296
Depreciation & Amortisation	48,207	50,476	53,251	55,873	58,329	61,159	63,804	66,540	69,387	72,386
Other Expenses	8,196	10,383	8,576	8,773	8,975	11,182	9,393	9,609	9,830	12,056
Net Losses from the Disposal of Assets	5,605	6,927	6,515	6,597	6,411	6,867	7,007	7,250	7,597	7,847
<b>Total Expenses from Continuing Operations</b>	<b>287,927</b>	<b>302,613</b>	<b>300,675</b>	<b>309,882</b>	<b>318,835</b>	<b>330,988</b>	<b>341,333</b>	<b>349,067</b>	<b>359,718</b>	<b>372,671</b>
<b>Operating Result from Continuing Operations</b>	<b>0</b>	<b>(1,973)</b>	<b>6,861</b>	<b>5,732</b>	<b>5,077</b>	<b>1,450</b>	<b>(136)</b>	<b>1,127</b>	<b>(279)</b>	<b>(3,735)</b>
<b>Net Operating Result for the year before Grants and Contributions provided for Capital Purposes</b>	<b>(13,948)</b>	<b>(16,130)</b>	<b>(7,508)</b>	<b>(8,853)</b>	<b>(9,726)</b>	<b>(13,575)</b>	<b>(15,387)</b>	<b>(14,352)</b>	<b>(15,991)</b>	<b>(19,683)</b>

Statement of Financial Position	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
<b>ASSETS</b>										
<b>Current Assets</b>										
Cash & Cash Equivalents	12,459	11,330	14,349	17,774	22,243	26,470	26,888	31,809	34,856	39,393
Investments	227,020	198,891	191,424	187,998	188,611	179,265	178,959	173,694	171,470	164,287
Receivables	21,438	21,602	22,031	22,523	23,079	23,529	24,104	24,635	25,218	25,758
Inventories	336	344	353	362	371	380	389	399	409	419
Other	1,967	2,016	2,067	2,119	2,172	2,226	2,281	2,339	2,397	2,457
<b>Total Current Assets</b>	<b>263,219</b>	<b>234,184</b>	<b>230,224</b>	<b>230,775</b>	<b>236,476</b>	<b>231,869</b>	<b>232,621</b>	<b>232,875</b>	<b>234,350</b>	<b>232,315</b>
<b>Non-Current Assets</b>										
Investments	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Receivables	796	819	842	866	890	916	941	968	996	1,024
Inventories	336	344	353	362	371	380	389	399	409	419
Infrastructure, Property, Plant & Equipment	2,866,240	2,951,780	3,023,689	3,089,218	3,152,731	3,222,311	3,288,866	3,356,541	3,426,181	3,496,812
Investment Property	84,155	84,655	85,160	85,670	86,185	86,705	87,231	87,762	88,298	88,839
Right of Use Assets	4,929	6,078	5,188	6,395	5,460	6,728	5,745	7,078	6,045	7,445
<b>Total Non-Current Assets</b>	<b>2,976,456</b>	<b>3,063,676</b>	<b>3,135,231</b>	<b>3,202,510</b>	<b>3,265,636</b>	<b>3,337,039</b>	<b>3,403,173</b>	<b>3,472,748</b>	<b>3,541,929</b>	<b>3,614,540</b>
<b>TOTAL ASSETS</b>	<b>3,239,676</b>	<b>3,297,860</b>	<b>3,365,455</b>	<b>3,433,286</b>	<b>3,502,112</b>	<b>3,568,909</b>	<b>3,635,794</b>	<b>3,705,623</b>	<b>3,776,279</b>	<b>3,846,854</b>
<b>LIABILITIES</b>										
<b>Current Liabilities</b>										
Payables	31,683	32,499	33,328	34,161	35,016	35,892	36,789	37,710	38,653	39,620
Contract Liabilities	4,470	4,599	4,728	4,850	4,976	5,104	5,236	5,372	5,510	5,653
Lease Liabilities	1,913	1,961	2,010	2,061	2,112	2,165	2,219	2,274	2,331	2,390
Borrowing	1,704	1,755	1,806	1,858	1,915	1,971	2,029	1,561	-	-
Provisions	1,938	2,011	2,079	2,131	2,184	2,239	2,295	2,352	2,411	2,471
Employee Leave Provisions	34,988	37,843	39,222	40,289	41,403	42,561	43,766	45,017	46,314	47,659
<b>Total Current Liabilities</b>	<b>76,697</b>	<b>80,668</b>	<b>83,172</b>	<b>85,350</b>	<b>87,605</b>	<b>89,932</b>	<b>92,335</b>	<b>94,286</b>	<b>95,220</b>	<b>97,792</b>
<b>Non-Current Liabilities</b>										
Lease Liabilities	2,842	2,913	2,985	3,060	3,136	3,215	3,295	3,378	3,462	3,549
Borrowing	12,896	11,141	9,335	7,477	5,561	3,590	1,561	-	-	-
Provisions	6,544	6,802	7,037	7,213	7,393	7,578	7,767	7,961	8,160	8,364
Employee Leave Provisions	740	740	740	740	740	740	740	740	740	740
<b>Total Non-Current Liabilities</b>	<b>23,021</b>	<b>21,595</b>	<b>20,097</b>	<b>18,489</b>	<b>16,831</b>	<b>15,123</b>	<b>13,363</b>	<b>12,079</b>	<b>12,362</b>	<b>12,653</b>
<b>TOTAL LIABILITIES</b>	<b>99,718</b>	<b>102,263</b>	<b>103,269</b>	<b>103,839</b>	<b>104,436</b>	<b>105,055</b>	<b>105,698</b>	<b>106,364</b>	<b>107,582</b>	<b>110,445</b>
<b>Net Assets</b>	<b>3,139,958</b>	<b>3,195,597</b>	<b>3,262,186</b>	<b>3,329,447</b>	<b>3,397,676</b>	<b>3,463,854</b>	<b>3,530,096</b>	<b>3,599,259</b>	<b>3,668,697</b>	<b>3,736,409</b>
<b>EQUITY</b>										
Retained Earnings	1,725,035	1,723,061	1,729,923	1,735,655	1,740,732	1,742,183	1,742,047	1,743,174	1,742,895	1,739,160
IPPE Revaluation Reserve	1,414,923	1,472,536	1,532,263	1,593,792	1,656,944	1,721,671	1,788,050	1,856,085	1,925,802	1,997,250
<b>Total Equity</b>	<b>3,139,958</b>	<b>3,195,597</b>	<b>3,262,186</b>	<b>3,329,447</b>	<b>3,397,676</b>	<b>3,463,854</b>	<b>3,530,096</b>	<b>3,599,259</b>	<b>3,668,697</b>	<b>3,736,409</b>



Cashflow Statement	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
<b>Cash Flows from Operating Activities</b>										
<b>Receipts:</b>										
Rates & Annual Charges	190,144	194,979	199,838	205,859	212,056	218,435	225,001	231,759	238,715	245,875
User Charges & Fees	42,634	43,644	44,679	45,739	46,825	47,937	49,077	50,243	51,439	52,663
Investment & Interest Revenue Received	8,714	9,247	9,280	9,503	9,733	10,142	10,329	10,695	10,972	11,355
Grants & Contributions	28,394	34,736	35,257	35,786	36,323	36,868	37,421	37,982	38,552	39,130
Bonds, Deposits & Retention amounts received	460	471	483	495	508	520	533	547	560	574
Other	12,316	12,443	12,570	12,697	12,825	12,955	13,085	13,218	13,351	13,486
<b>Payments:</b>										
Employee Benefits & On-Costs	(122,969)	(129,389)	(132,664)	(137,181)	(141,371)	(145,691)	(150,144)	(154,734)	(159,466)	(164,344)
Materials & Services	(99,978)	(102,750)	(97,159)	(99,398)	(101,680)	(104,014)	(108,902)	(108,844)	(111,343)	(113,898)
Borrowing Costs	(532)	(492)	(444)	(394)	(344)	(290)	(236)	(180)	(123)	(102)
Other	(7,442)	(11,582)	(7,736)	(10,033)	(8,093)	(12,504)	(8,466)	(10,999)	(8,856)	(13,516)
<b>Net Cash provided (or used in) Operating Activities</b>	<b>51,741</b>	<b>51,308</b>	<b>64,106</b>	<b>63,073</b>	<b>66,782</b>	<b>64,359</b>	<b>67,699</b>	<b>69,686</b>	<b>73,802</b>	<b>71,223</b>
<b>Cash Flows from Investing Activities</b>										
<b>Receipts:</b>										
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	(377)	(386)	(396)	(406)	(416)	(426)	(437)	(448)	(459)	(471)
<b>Payments:</b>										
Purchase of Investment Securities	(80,000)	(66,000)	(68,000)	(92,000)	(96,000)	(86,000)	(95,000)	(90,000)	(93,000)	(88,000)
Purchase of Infrastructure, Property, Plant & Equipment	(76,116)	(81,611)	(68,135)	(62,564)	(61,095)	(68,773)	(66,780)	(69,117)	(72,485)	(74,885)
<b>Net Cash provided (or used in) Investing Activities</b>	<b>(56,493)</b>	<b>(47,998)</b>	<b>(56,531)</b>	<b>(54,970)</b>	<b>(57,511)</b>	<b>(55,200)</b>	<b>(62,217)</b>	<b>(59,565)</b>	<b>(65,945)</b>	<b>(63,356)</b>
<b>Cash Flows from Financing Activities</b>										
<b>Receipts:</b>										
Borrowings and advances	-	-	-	-	-	-	-	-	-	-
<b>Repayments:</b>										
Borrowings and advances	(1,655)	(1,704)	(1,755)	(1,806)	(1,858)	(1,915)	(1,971)	(2,029)	(1,561)	-
Leases	(2,692)	(2,734)	(2,802)	(2,872)	(2,944)	(3,017)	(3,093)	(3,170)	(3,249)	(3,331)
<b>Net Cash provided (or used in) Financing Activities</b>	<b>(4,347)</b>	<b>(4,438)</b>	<b>(4,556)</b>	<b>(4,678)</b>	<b>(4,802)</b>	<b>(4,932)</b>	<b>(5,064)</b>	<b>(5,199)</b>	<b>(4,810)</b>	<b>(3,331)</b>
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>	<b>(9,100)</b>	<b>(1,128)</b>	<b>3,018</b>	<b>3,426</b>	<b>4,469</b>	<b>4,227</b>	<b>418</b>	<b>4,921</b>	<b>3,047</b>	<b>4,537</b>
<b>plus: Cash &amp; Cash Equivalents - beginning of year</b>	<b>21,558</b>	<b>12,459</b>	<b>11,330</b>	<b>14,349</b>	<b>17,774</b>	<b>22,243</b>	<b>26,470</b>	<b>26,888</b>	<b>31,809</b>	<b>34,856</b>
<b>Cash &amp; Cash Equivalents - end of the year</b>	<b>12,459</b>	<b>11,330</b>	<b>14,349</b>	<b>17,774</b>	<b>22,243</b>	<b>26,470</b>	<b>26,888</b>	<b>31,809</b>	<b>34,856</b>	<b>39,393</b>

Funding Statement	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
<b>Operating Revenue</b>										
Rates & Annual Charges	190,527	195,262	200,130	206,159	212,364	218,752	225,327	232,095	239,061	246,231
User Charges & Fees	42,715	43,728	44,765	45,828	46,916	48,030	49,172	50,341	51,539	52,765
Interest & Investment Revenue	8,504	8,943	9,228	9,501	9,782	10,071	10,368	10,675	10,990	11,315
Other Revenue	12,485	12,616	12,747	12,878	13,011	13,145	13,281	13,418	13,556	13,696
Other Income	5,301	5,354	5,408	5,462	5,517	5,572	5,628	5,684	5,741	5,798
Grants & Contributions provided for Operating Purposes	14,447	20,579	20,888	21,202	21,520	21,842	22,170	22,503	22,840	23,183
Grants & Contributions provided for Capital Purposes	13,948	14,157	14,369	14,585	14,804	15,026	15,251	15,480	15,712	15,948
<b>Total Operating Revenue</b>	<b>287,927</b>	<b>300,639</b>	<b>307,536</b>	<b>315,614</b>	<b>323,913</b>	<b>332,438</b>	<b>341,197</b>	<b>350,195</b>	<b>359,439</b>	<b>368,936</b>
<b>Operating Expenses</b>										
Employee Benefits & On-Costs	124,960	131,246	134,387	138,503	142,745	147,117	151,623	156,266	161,052	165,984
Borrowing Costs	533	492	444	394	345	290	236	181	123	103
Materials & Services	100,426	103,088	97,501	99,740	102,031	104,374	109,270	109,222	111,730	114,296
Depreciation & Amortisation	48,207	50,476	53,251	55,873	58,329	61,159	63,804	66,540	69,387	72,386
Other Expenses	8,196	10,383	8,576	8,773	8,975	11,182	9,393	9,609	9,830	12,056
Loss on Disposal	5,605	6,927	6,515	6,597	6,411	6,867	7,007	7,250	7,597	7,847
<b>Total Expenses from Continuing Operations</b>	<b>287,927</b>	<b>302,613</b>	<b>300,675</b>	<b>309,882</b>	<b>318,835</b>	<b>330,988</b>	<b>341,333</b>	<b>349,067</b>	<b>359,718</b>	<b>372,671</b>
<b>Operating Result from Operations</b>	<b>0</b>	<b>(1,973)</b>	<b>6,861</b>	<b>5,732</b>	<b>5,077</b>	<b>1,450</b>	<b>(136)</b>	<b>1,127</b>	<b>(279)</b>	<b>(3,735)</b>
Add back depreciation	45,355	47,624	50,327	52,876	55,257	58,010	60,577	63,232	65,996	68,910
Add back other non-cash items	7,449	8,408	8,253	5,761	7,701	6,108	8,423	6,444	9,153	7,064
<b>Funding available for capital expenditure</b>	<b>52,804</b>	<b>54,059</b>	<b>65,441</b>	<b>64,369</b>	<b>68,036</b>	<b>65,568</b>	<b>68,863</b>	<b>70,803</b>	<b>74,869</b>	<b>72,240</b>
Capital Expenditure on Assets	76,116	81,611	68,135	62,564	61,095	68,773	66,780	69,117	72,485	74,885
Loan Principal Repayment	1,655	1,704	1,755	1,806	1,858	1,915	1,971	2,029	1,561	-
<b>Net Capital Additions</b>	<b>77,772</b>	<b>83,316</b>	<b>69,890</b>	<b>64,370</b>	<b>62,954</b>	<b>70,688</b>	<b>68,751</b>	<b>71,147</b>	<b>74,046</b>	<b>74,885</b>
<b>Net Transfer to/(from) reserves</b>	<b>(25,204)</b>	<b>(29,800)</b>	<b>(4,800)</b>	<b>(170)</b>	<b>4,355</b>	<b>(6,253)</b>	<b>(1,762)</b>	<b>(1,274)</b>	<b>240</b>	<b>(4,193)</b>
<b>Movement in available funds</b>	<b>236</b>	<b>543</b>	<b>352</b>	<b>169</b>	<b>728</b>	<b>1,133</b>	<b>1,874</b>	<b>930</b>	<b>583</b>	<b>1,548</b>
<b>Net Overall Funding Surplus/(Deficit)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Capital Expenditure	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
<b>Infrastructure Capital Expenditure</b>										
Roads	15,245	16,756	14,137	16,597	13,893	14,165	14,444	14,730	15,023	15,324
Footpaths	11,551	7,420	3,530	3,709	3,289	3,371	3,456	3,542	3,631	3,721
Stormwater Drainage	2,338	1,353	2,455	2,440	2,477	2,514	2,552	2,591	2,631	2,672
Open Space/Recreational Assets	27,122	27,209	25,229	17,988	14,967	15,341	15,724	16,117	18,520	20,933
Buildings	13,512	24,648	19,519	17,816	22,438	25,889	26,248	27,617	27,995	27,382
<b>Total Infrastructure</b>	<b>69,768</b>	<b>77,386</b>	<b>64,870</b>	<b>58,550</b>	<b>57,063</b>	<b>61,280</b>	<b>62,425</b>	<b>64,598</b>	<b>67,800</b>	<b>70,033</b>
<b>Non-Infrastructure Capital Expenditure</b>										
Plant and Equipment	1,503	2,356	1,765	2,514	2,432	2,493	2,556	2,619	2,685	2,752
Office Equipment (includes CCTV and WiFi)	3,345	369	-	-	-	3,300	-	-	-	-
Library Books	1,500	1,500	1,500	1,500	1,600	1,700	1,800	1,900	2,000	2,100
<b>Total Other</b>	<b>6,348</b>	<b>4,225</b>	<b>3,265</b>	<b>4,014</b>	<b>4,032</b>	<b>7,493</b>	<b>4,356</b>	<b>4,519</b>	<b>4,685</b>	<b>4,852</b>
<b>Total Capital Expenditure</b>	<b>76,116</b>	<b>81,611</b>	<b>68,135</b>	<b>62,564</b>	<b>61,095</b>	<b>68,773</b>	<b>66,780</b>	<b>69,117</b>	<b>72,485</b>	<b>74,885</b>
<b>Source of Funds</b>										
General Fund	30,774	41,874	39,290	35,775	38,425	46,195	43,888	45,902	48,940	51,001
Grants and Contributions	7,343	8,357	1,630	1,630	1,930	1,978	2,028	2,078	2,130	2,184
Unexpended Grants & Contributions	1,643	6,100	-	-	-	-	-	-	-	-
Plant Replacement Reserve (Proceeds from Sale)	377	702	450	900	778	797	817	838	858	880
Developer Contributions	15,695	5,916	14,150	13,500	12,316	12,549	12,788	13,033	13,283	13,540
Stormwater Management Reserve	1,923	1,231	1,255	1,240	1,247	1,253	1,260	1,267	1,273	1,280
Cleanaway VPA Funds	3,744	2,104	3,606	3,398	3,000	3,000	3,000	3,000	3,000	3,000
Cronulla Town Centre Refurbishment Project Reserve	7,869	3,210	-	-	-	-	-	-	-	-
Cronulla CBD Special Rates	1,514	-	-	-	-	-	-	-	-	-
Sutherland Shire Climate Strategy Reserve	680	1,094	800	400	400	-	-	-	-	-
Leisure Centre Strategy Reserve	911	1,214	-	-	-	-	-	-	-	-
Child Care Centres - Asset Renewal Fund	1,091	877	820	721	-	-	-	-	-	-
Library Reserve	757	66	-	-	-	-	-	-	-	-
Strategic Priorities Reserve	1,796	8,867	6,135	5,000	3,000	3,000	3,000	3,000	3,000	3,000
<b>Total Source of Funds</b>	<b>76,116</b>	<b>81,611</b>	<b>68,135</b>	<b>62,564</b>	<b>61,095</b>	<b>68,773</b>	<b>66,780</b>	<b>69,117</b>	<b>72,485</b>	<b>74,885</b>
<b>Surplus / (Deficit)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



Reserves Closing Balance	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
<b>Externally Restricted Reserves</b>										
Developer Contributions	58,183	60,274	54,252	49,001	45,057	41,006	36,844	32,567	28,170	23,650
Domestic Waste Management	47,701	46,734	45,734	44,734	43,734	42,734	41,734	40,734	39,734	38,734
Stormwater Management	2,875	2,875	2,875	2,875	2,875	2,875	2,875	2,875	2,875	2,875
Unexpended Grants & Contributions	18,341	-	-	-	-	-	-	-	-	-
Cleanaway VPA	5,869	7,262	7,237	7,504	8,255	9,094	10,020	11,036	12,671	15,982
Australand Wetland VPA	2,959	2,959	2,959	2,959	2,959	2,959	2,959	2,959	2,959	2,959
Kirrawee South Village VPA	258	-	-	-	-	-	-	-	-	-
Woollooware Bay VPA	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400
<b>Total Externally Restricted Reserves</b>	<b>137,587</b>	<b>121,505</b>	<b>114,457</b>	<b>108,473</b>	<b>104,280</b>	<b>100,068</b>	<b>95,832</b>	<b>91,571</b>	<b>87,809</b>	<b>85,600</b>
<b>Internally Allocation</b>										
<b>Operational</b>										
Security Bonds and Deposits	19,239	19,239	19,239	19,239	19,239	19,239	19,239	19,239	19,239	19,239
Employees Leave Entitlements	12,485	13,053	13,582	13,996	14,423	14,863	15,317	15,784	16,266	16,762
Sylvania Waters Dredging	2,500	500	1,000	1,500	2,000	2,500	500	1,000	1,500	2,000
SSHED Business Accelerator	70	70	70	70	70	70	70	70	70	70
Elections	1,513	-	-	-	-	-	-	-	-	-
<b>Capital</b>										
Child Care Centres - Asset Renewal Fund	3,125	2,248	1,429	708	708	708	708	708	708	708
Cronulla Wastewater Reuse Scheme - Asset Renewal Fund	114	134	154	174	194	214	234	254	274	294
Cronulla Town Centre Refurbishment Project	4,763	-	-	-	-	-	-	-	-	-
<b>Strategy</b>										
Property Strategy Reserve	15,479	15,479	15,479	15,479	15,479	15,479	15,479	15,479	15,479	15,479
Sutherland Shire Climate Strategy Reserve	2,699	1,605	805	405	5	5	5	5	5	5
Leisure Centre Strategy Reserve	850	-	-	-	-	-	-	-	-	-
ICT Strategy Reserve	477	-	-	-	-	-	-	-	-	-
Library Strategy Reserve	113	47	-	-	-	-	-	-	-	-
Community Venues Strategy Reserve	269	269	269	269	269	269	269	269	269	269
Strategic Priorities Reserve	18,452	15,785	18,650	24,650	32,650	29,650	33,650	35,650	38,650	35,650
<b>Total Internally Allocation</b>	<b>82,147</b>	<b>68,429</b>	<b>70,677</b>	<b>76,491</b>	<b>85,038</b>	<b>82,998</b>	<b>85,471</b>	<b>88,459</b>	<b>92,460</b>	<b>90,477</b>
<b>Total Reserves</b>	<b>219,734</b>	<b>189,934</b>	<b>185,134</b>	<b>184,964</b>	<b>189,318</b>	<b>183,066</b>	<b>181,304</b>	<b>180,030</b>	<b>180,269</b>	<b>176,077</b>
<b>Total Cash &amp; Investments</b>	<b>259,478</b>	<b>230,221</b>	<b>225,773</b>	<b>225,772</b>	<b>230,854</b>	<b>225,734</b>	<b>225,846</b>	<b>225,503</b>	<b>226,326</b>	<b>223,681</b>
<b>Available Funds</b>	<b>39,745</b>	<b>40,288</b>	<b>40,639</b>	<b>40,808</b>	<b>41,536</b>	<b>42,669</b>	<b>44,543</b>	<b>45,473</b>	<b>46,056</b>	<b>47,604</b>

Performance Measurement Indicators	TARGET	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
		2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
<b>1 Operating Performance Ratio</b> measures the extent to which a council has succeeded in containing operating expenditure within operating revenue	>0%	-5.09%	-5.63%	-2.56%	-2.94%	-3.15%	-4.28%	-4.72%	-4.29%	-4.65%	-5.58%
		✗	✗	✗	✗	✗	✗	✗	✗	✗	✗
<b>2 Own Source Operating Revenue Ratio</b> measures fiscal flexibility. It is the degree of reliance on external funding sources	>= 60%	90.14%	88.45%	88.54%	88.66%	88.79%	88.91%	89.03%	89.15%	89.27%	89.39%
		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
<b>3 Infrastructure Renewals Ratio</b> assesses the rate at which these assets are being renewed against the rate at which they are depreciating	>= 100%	140.0%	138.3%	118.3%	113.8%	101.1%	104.3%	101.6%	100.7%	101.4%	100.2%
		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
<b>4 Available Funds</b> cash levels less externally and internally restricted reserves	> 5%	14.5%	14.1%	13.9%	13.6%	13.4%	13.4%	13.7%	13.6%	13.4%	13.5%
		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
<b>5 Debt Service Cover Ratio</b> measures the availability of operating cash to service loan repayments	2.00x	8.18x	8.37x	10.44x	10.55x	10.66x	10.38x	10.4x	10.98x	12.28x	17.51x
		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
<b>6 Unrestricted Current Ratio</b> represents a council's ability to meet short-term obligations as they fall due	>= 1.5	2.93	2.46	2.45	2.52	2.65	2.57	2.60	2.63	2.74	2.67
		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
<b>7 Rates, Annual Charges, Interest &amp; Extra Charges Outstanding Percentage</b> expressed as a percentage of total rates and charges available for collection in the financial year	< 5%	4.54%	4.55%	4.58%	4.58%	4.58%	4.58%	4.58%	4.58%	4.58%	4.58%
		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
<b>8 Cash Expense Cover Ratio</b> liquidity ratio indicates the number of months a council can continue paying for its immediate expenses without additional cash inflow	>= 3	12.44	10.33	10.38	10.00	10.06	9.41	9.23	8.98	8.85	8.37
		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
<b>9 Balanced Budget</b> utilisation of council's funds minus total sources of income	>= \$0	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓





## Long Term Financial Position & Performance

The LTFP represents the utilisation of around \$3.2 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.

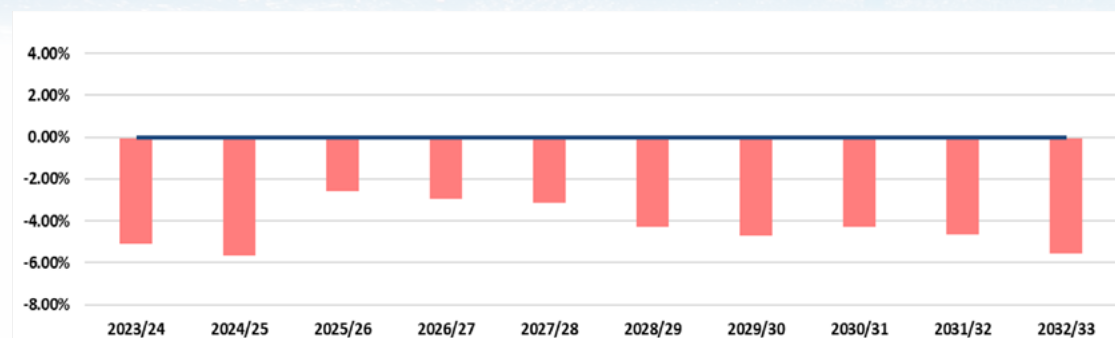


**Key Result:  
Operating Result Before  
Capital Revenue**

The Long Term Financial Plan provides for the delivery of services totalling more than \$3.2 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.

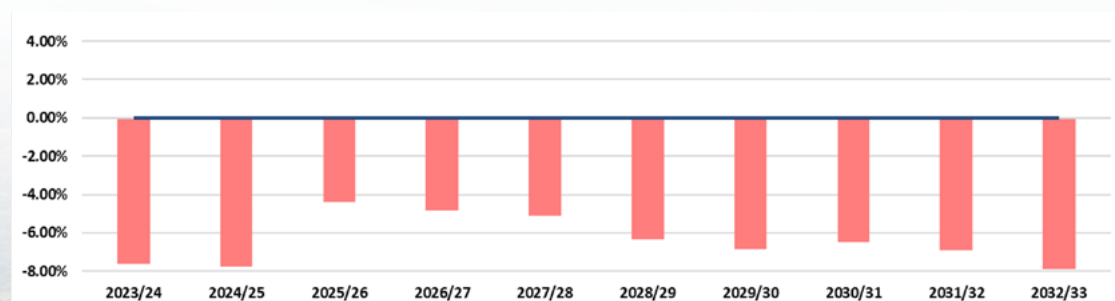
**Operating Performance Ratio – Base Model**

FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33
●	●	●	●	●	●	●	●	●	●
-5.09%	-5.63%	-2.56%	-2.94%	-3.15%	-4.28%	-4.72%	-4.29%	-4.65%	-5.58%



**Operating Performance Ratio (Exclude Domestic Waste) - Base Model**

FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33
●	●	●	●	●	●	●	●	●	●
-7.60%	-7.77%	-4.39%	-4.84%	-5.12%	-6.32%	-6.84%	-6.48%	-6.91%	-7.91%

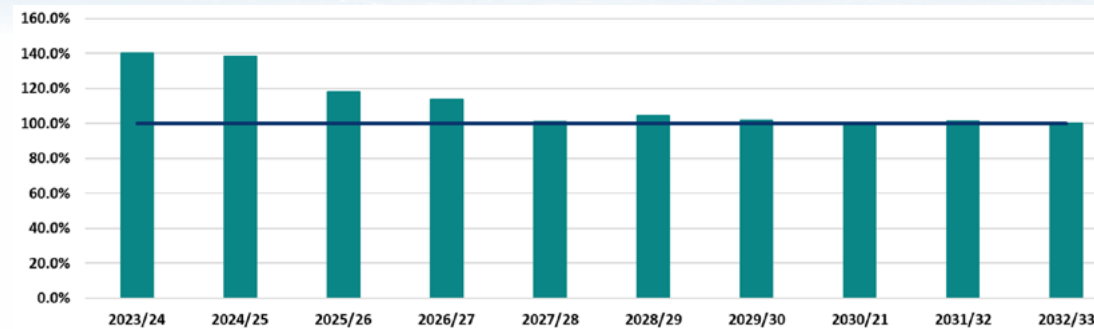


### Key Result: Infrastructure Renewal

The Long Term Financial Plan provides an investment of over \$700 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

FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33
●	●	●	●	●	●	●	●	●	●
140.0%	138.3%	118.3%	113.8%	101.1%	104.3%	101.6%	100.7%	101.4%	100.2%

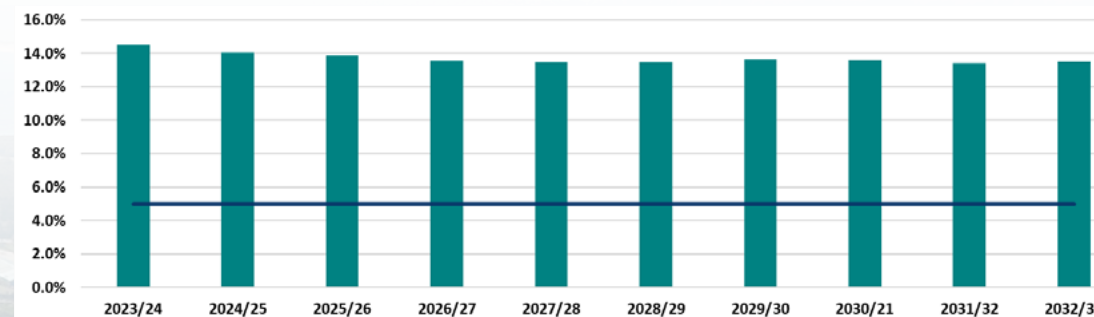


### Key Result: Available Funds

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

FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33
●	●	●	●	●	●	●	●	●	●
14.5%	14.1%	13.9%	13.6%	13.4%	13.4%	13.7%	13.6%	13.4%	13.5%





# 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 five 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 Council's 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 2023/24 Operational Plan, with plans such as the Leisure Centres Strategy, Catchment and Waterways 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 \$16 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**

FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33
●	●	●	●	●	●	●	●	●	●
-5.09%	0.24%	3.20%	2.86%	2.62%	1.52%	1.09%	1.51%	1.17%	0.28%

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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