



HORNSBY SHIRE COUNCIL
LONG TERM
FINANCIAL PLAN
2014/15 - 2023/24

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EXECUTIVE SUMMARY

The main purpose of the Long Term Financial Plan (LTFP) is to guide and inform decision making. The LTFP establishes the framework for sound financial decisions and to provide an insight as to the financial sustainability of the council over the planning period of this document. The key objectives in developing this Plan are:

- Balanced Budgets
- Continuous Financial Improvement
- Reduction in External Loan Borrowing
- Achieve/Maintain NSW Treasury Corporation (TCorp) Financial Sustainability Benchmarks

As part of undertaking financial modelling, key assumptions that underpin the forecasts must be made. The 2013/14 budget has been used as its base point, then makes a number of market driven and internal assumptions to project revenue and expenditure over the forecasted period.

Council's future financial position has been forecast on the basis of a continuance of 'normal operations'. This is difficult to define but can be regarded as the provision of services to stakeholders at levels of service that they have come to expect on a regular basis. Levels of service however may not remain the same given changes in community expectations in future years of the plan.

Financial planning over a ten year horizon is difficult and obviously relies on a variety of assumptions that may be subject to change during this period.

Financial Results

The Income Statement result over the 10 year period predicts a surplus for both the Net Operating Result and the Net Operating Result before Grants and Contributions provided for Capital Purposes. This result is within acceptable financial sustainability levels but must be considered in context of moderate increases to operational expenses and revenue. Any variation to these moderate increases and/or changes to the 'normal operations' level of service may impact on the surplus forecasted. A summary of the Income Statement result is presented on page 5.

A summary of the Income Statement result

	13/14 Actual	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24
Net Operating Surplus Result	\$20.170M	\$19.520M	\$23.287M	\$8.493M	\$11.805M	\$11.644M	\$11.246M	\$10.766M	\$12.029M	\$12.509M	\$13.057M
Net Operating Surplus Result before Grants and Contributions for Capital Purposes	\$6.746M	\$6.612M	\$3.932M	\$3.796M	\$4.227M	\$4.066M	\$3.668M	\$3.189M	\$4.451M	\$4.931M	\$5.480M

The Balance Sheet result over the 10 year period maintains equity, liabilities and non current assets within acceptable levels. The level of cash and cash equivalents rises substantially over the period of the Plan which is a direct result of annual operating surpluses due in part to Council's efforts to reduce costs and the level of S94 income received due to development activity. The Cash Flow Statement is within acceptable levels and sees a rise in cash levels reported at the end of each financial year due to the points raised above in respect to annual operating surpluses and the level of S94 income forecasted to be received.

In addition to the key financial statement reports above Council compares itself to a range of financial indicators as issued by the Office of Local Government and TCorp. Council is within reasonable levels of these financial indicators as represented on page 7.

Indicator	Benchmark	13/14 Actual	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24
Operating Performance Ratio	>-4.0%	5.15%	4.98%	2.93%	2.74%	2.98%	2.78%	2.43%	2.04%	2.76%	2.96%	3.18%
Own Source Operating Revenue Ratio	>60%	83.68%	83.02%	79.49%	88.05%	86.42%	88.61%	86.81%	87.00%	87.20%	87.39%	87.57%
Unrestricted Current Ratio	>1.5	1.79	2.55	3.43	4.07	2.96	3.90	4.89	5.81	6.84	7.76	8.83
Infrastructure Backlog Ratio	<2%	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Asset Maintenance Ratio	>100%	0.79	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86
Cash Expense Cover Ratio	>3 months	5.05	761	6.62	6.94	5.81	6.76	795	8.96	10.17	11.31	12.51
Building and Infrastructure Renewals Ratio	>100%	78.91%	80.90%	82.43%	80.50%	78.97%	77.50%	69.47%	68.33%	67.22%	66.15%	65.12%
Outstanding Rates and Annual Charges	< 5.0%	2.79%	3.06%	3.05%	3.05%	3.05%	3.05%	3.05%	3.05%	3.05%	3.05%	3.05%
Debt Service Cover Ratio	> 2	5.61	5.30	14.16	14.72	16.05	29.07	43.55	73.83	119.76	122.75	Debt free
Capital Expenditure Ratio	> 1	1.64	0.74	2.09	1.10	1.79	0.96	0.88	0.87	0.86	0.85	0.84

Under 'normal operations' the financial results are at acceptable levels compared to benchmarks. The results do not seek any additional special rate variations over the Plan, and in 2015/16 will see the removal of the Hornsby Quarry Rate. The level of S94 income forecasted provides opportunities to expand Council's level of capital expenditure towards a range of open space, traffic, road and facility improvements.

The 2014-2024 LTFP represents Council's progress towards financial sustainability with financial reports and indicators within acceptable levels compared to benchmarks. The foundation has been laid over the last several years by a range of initiatives that have substantially reduced Council expenses and increased income. The Council has been prudent with these savings applying these funds towards reducing debt and setting aside surplus funds in a restricted asset account to be able to fund the development of the Hornsby Quarry site and meeting the S94 gap towards infrastructure works.

Future Direction

To deliver and improve on these forecasted results will require the continuation and consideration of the following:

- Prudent financial management by Council
- Ongoing annual operational surplus
- Continuance of financial improvement initiatives (periodic reviews of business activities and organisational staffing levels)
- Ongoing annual review of financial assumptions and impact on future financial results
- Updating of asset management plans as key inputs into future asset maintenance and renewal expenditures
- Asset reviews of community facilities and small parks

In respect to Council owned community facilities much of the portfolio was constructed in the 1960's and 1970's now requiring significant budget allocation towards asset renewal and maintenance works. Many of the facilities operated by Council no longer meet community expectations due to their layout and age. A current trend across the local government sector is to construct multi-purpose facilities that more appropriately address community expectations and ongoing maintenance and renewal costs that have to be met by councils. It would be prudent for Council to consider the future demand and purpose of these facilities against rising maintenance costs with the aim of upgrading and/or constructing new facilities through asset rationalisation of some of these facilities. Of course such an action is dependent upon substantial investigation, consultation and deliberation by Council and the community.

The works schedule available as part of the Section 94 Development Contributions Plan provides the detail in respect to the infrastructure planned to be undertaken. The works schedule is not fully funded by the amount of income received from S94 fees. Therefore Council will need to set aside surplus funds from operational results to fund this S94 gap. An alternative strategy would be to review existing assets as to utilisation levels and determine if they are in surplus to current and future needs for the purpose of using asset sale proceeds to fund the S94 gap.

Council has for more than 10 years adopted a policy of improving the capacity of existing infrastructure to accommodate the increased demand generated by a new incoming population. An example of this approach has been the provision of open space. Today, many of Council's existing sportsgrounds have now reached/exceeded their capacity and there is little opportunity to accommodate an increase in users. There are currently small parks owned by Council that due to their location and size are under utilised that could be sold for residential purposes. In fact a prudent approach would be to sell these parcels of land and the use proceeds to augment / provide open space in the nominated growth areas. Of course such an action is dependent upon substantial investigation, consultation and deliberation by Council and the community.

INTRODUCTION

Council's Long Term Financial Plan (LTFP) is a requirement under the Integrated Planning and Reporting framework for NSW Local Government and forms part of the Resourcing Strategy. The LTFP must be for a minimum of 10 years with the purpose of making clear the financial direction of Council as well as the impact of that direction on achieving community priorities.

The LTFP is based on Council's adopted 2013/14 budget, which is the base year of the LTFP. Future years in the LTFP are based on a range of forecasted assumptions used to determine:

- Future revenue and expenditure (Income Statement)
- A projection for a range key financial indicators as expressed by the NSW Treasury Corporation (TCorp) review into the Financial Sustainability of NSW councils (January 2013)
- Balance sheet and Cash Flow statements

The main purpose of the LTFP is to guide and inform decision making. The LTFP establishes the framework for sound financial decisions and to provide an insight as to the financial sustainability of the Council over the planning period of this document. In addition to the presentation of financial results, information will be provided in respect to:

- Financial planning assumptions used
- An analysis of the factors and/or assumptions that are most likely to affect the plan
- Methods of monitoring financial performance

Financial planning over a ten year horizon is difficult and obviously relies on a variety of assumptions that may be subject to change during this period. The LTFP will therefore be closely monitored, and regularly revised, to reflect these changing circumstances.



FINANCIAL OBJECTIVES

In preparing the LTFP a number of key objectives have been considered. These objectives are listed below.

Balanced Budgets

Council has a strong commitment to adopting annually a balanced budget. Where a surplus budget is generated this amount will be directed towards a restricted asset account/s. The restricted asset accounts to be used are:

- S94 Gap Restricted Asset: to fund Council's identified S94 gap (of approximately \$19 million) identified in Council's 2012-2021 Section 94 Development Contributions Plan.
- Capital Projects and Debt Retirement Restricted Asset: to fund key strategic capital projects that requires reasonable capital investment from the council.

This is consistent with Council's objective to maintain prudent financial management of its finances and to allocate financial surpluses towards key strategic issues and reducing the need to increase rates above the rate pegging allowance.

Continuous Financial Improvement

Council has a longstanding commitment towards reviewing costs while maintaining existing service levels. This will require ongoing support towards:

- A general freeze on any non-labour operational expenditure unless grants and/or fees and charges can support an increase. Increases in these budgets are only increased after all options have been extensively explored.
- The independent review of Council's internal and external services realised \$3.450 million per annum, of which some of these savings have been applied to reducing external loan borrowings and reduced future debt servicing commitments.
- Evaluation on a periodic basis of Council's activities that compete with commercial suppliers to determine our competitiveness in terms of service provision and financial viability.
- To review Council's existing capital investment in information management systems and technology to ascertain value and existing cost structures.
- Review of financial charges to ensure closer alignment with costs.

Reduction in External Loan Borrowing

Council has a commitment towards reducing the need to externally borrow. This has been made possible by various financial improvements achieved totalling approximately \$7 million. Generated savings from financial improvement have been applied to eliminating the need to borrow \$1 million annually for recurrent capital projects and also towards original forecasted borrowings for the new Hornsby Aquatic Centre.

Over the time horizon of this plan it is forecast that Council will be debt free and will achieve significant savings from reducing debt service levels.

Achieve/Maintain TCorp Financial Sustainability Benchmarks

In 2012, the Office of Local Government engaged NSW Treasury Corporation (TCorp) to undertake a financial sustainability review of all general purpose councils in NSW. TCorp's report was the first time a comprehensive, independent analysis had been undertaken into the financial sustainability of every council in NSW. TCorp developed a Financial Sustainability Rating (FSR) for the purpose of rating each Council.

TCorp considers that a Council needs to be assessed with a FSR at a Moderate or higher level to be acceptable in terms of their Sustainability. A Moderate level FSR is on average equivalent to marginally exceeding the benchmarks utilised in TCorp's assessment process.


Hornsby Shire Council received a Moderate FSR from TCorp during their 2012 assessment of NSW councils. Significant financial reform at Council has been undertaken since this original assessment by TCorp which is reflected in a range of significant improvement to key financial indicators over the life of this plan. These indicators are endorsed by the Office of Local Government and are a requirement to report on in Council's annual financial statements.

The indicators to be measured are as follows:

Indicator	Quantitative Measure	Definition	Benchmarks
Operating Performance Ratio	Measures a councils ability to contain operating expenditure within operating revenue	Operating revenue (excluding capital grants and contributions less operating expenses)/Operating revenue(excluding capital grants and contributions	>-4.0%
Own Source Operating Revenue Ratio	Measures the level of a council's fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.	Total operating revenue less (inclusive of capital grants and contributions) / Total operating revenue	>60%
Unrestricted Current Ratio	This ratio is specific to local government and is designed to assess the adequacy of working capital and the ability to satisfy obligations in the short term for unrestricted activities of council.	Current assets less all external restrictions/current liabilities less specific purpose liabilities	>1.5
Infrastructure Backlog Ratio	This ratio shows what proportion the backlog is against total value of a council's infrastructure.	Estimated cost to bring assets to a satisfactory condition/total infrastructure assets.	<2%
Asset Maintenance Ratio	Compares actual versus required annual asset maintenance.	Actual maintenance / Required asset maintenance	>100%
Cash Expense Cover Ratio	This liquidity ratio indicates the number of months a council can continue to paying for its immediate expenses without additional cash inflow.	Current year's cash and cash equivalents/Total expenses less depreciation and interest costs multiplied by 12	>3 months
Building and Infrastructure Renewals Ratio	Compares the proportion spent on infrastructure asset renewals and the assets deterioration	Asset renewals/Depreciation of building and infrastructure assets	>100%
Outstanding Rates and Annual Charges	To assess the impact of uncollected rates and annual charges on liquidity and the adequacy of recovery efforts.	Rates, Annual and Extra Charges Outstanding / Rates, Annual and Extra Charges Collectible	< 5.0%
Debt Service Cover Ratio	The available of operating cash to service debt including interest, principal and lease payments	Operating Result before capital excluding interest and depreciation / Principal Repayments (from the Statement of Cash Flows + Borrowing Interest Costs (from the Income Statement)	> 2
Capital Expenditure Ratio	This indicates the extent to which a Council is forecasting to expand its asset base with capital expenditure spent on both new assets, and replacement and renewal of existing assets.	Annual Capital Expenditure/Annual Depreciation	> 1

The above core objectives of Council are to ensure that a tight control over its financial position and performance continues, with this being demonstrated through its strong operating results over the last few years. This Long Term Financial Plan continues with this strategy.

FINANCIAL PLANNING ASSUMPTIONS



The Long Term
Financial Plan is based
on 'Business as Usual'

As part of undertaking financial modelling, key assumptions that underpin the forecasts must be made. The assumptions utilised in the LTFP have been sourced and compared to various publications such as: BIS Shrapnel, Australian Bureau of Statistics and TCorp's economic forecasts.

The 2013/14 budget has been used as its base point, then makes a number of market driven and internal assumptions to project revenue and expenditure over the forecasted period. A number of one-off recurring adjustments have also been included in the LTFP. Where relevant, a brief description of these adjustments is also included below.

Service Levels

Council's future financial position has been forecast on the basis of a continuance of 'normal' operations'. This is difficult to define but can be regarded as the provision of services to stakeholders at levels of service that they have come to expect on a regular basis. Levels of service however may not remain the same given changes in community expectations in future years of the plan.

Council's existing infrastructure assets are generally in good condition, and Council is in a position whereby it can maintain the current levels of service and budget allocation towards asset maintenance and renewal expenditure. Service levels for asset based classes are of particular importance to Council's long term planning. These service levels are discussed in more detail within Council's Asset Management Strategy.

Workforce levels have been modelled taking into account staffing levels identified in Council's current Workforce Planning strategy. This is based on staffing levels identified in a new organisational structure implemented on the 4 June 2012.

EXPENDITURE ASSUMPTIONS

The major expense categories for Council's operating budget are:

- Employee Benefits and On-costs
- Borrowing Costs
- Materials and Contracts
- Depreciation
- Other Expenses

Employee Benefits and On-costs

Employee costs include salaries, wages, superannuation, leave entitlements, training, workers compensation premiums and other employee related expenses.

For the years ending June 2015, 2016 and 2017 the recently approved NSW Local Government (State) Award has been applied whilst late in the Plan, from 2018 to 2024, the TCorp benchmarks for annual increases was used as expressed in their financial assessment report on Hornsby Shire Council issued on the 1 March 2013.

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Award / CPI +1%	2.6%	2.7%	2.8%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

Additional employee related assumptions include:

- Council has modelled future superannuation expenditure based on the Federal Government's plan to increase the statutory contribution rate from 9.25% 2013/14 to 12% incrementally by 2019/20. (N.B. The percentage increase is currently being considered by the Federal Government)
- No material change is expected in existing staff numbers and employee working hours.
- Workers compensation expense is expected to increase in line with salaries and wages.
- A reduction in Council's contribution to the defined benefits superannuation shortfall estimated to be from 2019/20.

Borrowing Expenses

Council's current borrowing strategy to date has been to borrow for ten years at a fixed rate of interest repaying principal and interest. This has enabled a degree of certainty regarding the expected repayments over the ensuing ten years.

It has been Councils established practice to use loan funds to assist in funding significant capital projects which will benefit future generations or to acquire assets that are income producing or assets that hold strategic value. The beneficiaries of these future projects will assist in their funding as their rates will be applied in part to repaying the loans. This is in contrast to current ratepayers bearing the entire burden in one year, possibly at the expense of other worthy expenditures.

A key objective by Councillors is to reduce the level of external borrowing and so this Plan has been predicated on no loan borrowing. The level of debt servicing from previous external loan borrowing will cease at the end of 2022/23.

Materials and Contracts

Local government expenditure is characterised by high levels of materials and contracts. Materials and contracts are used in the creation and maintenance of assets and to provide recurrent operational services.

The Consumer Price Index has been chosen as the relevant factor in modelling these expenses over the term of the Plan. This has been sourced from TCorp’s Economic Forecasts October 2013.

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
CPI	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%

Additional material and contract related assumptions include:

- Reduction in information system lease payments
- Increase in maintenance costs due to new infrastructure being built as identified in Council’s 2012-2021 Section 94 Development Contributions Plan.

Depreciation

Depreciation is an allowance or provision made in the financial records for “wear and tear” and “technical obsolescence” of plant and equipment. The idea of depreciation is to spread the cost of that capital asset over the period of its “useful life to the entity” that currently owns it.

Depreciation forecasts relate to existing assets and any proposed capital works. The Council’s assets are being progressively revalued to fair value in accordance with asset revaluation cycles issued by the Office of Local Government.

Other Expenses

This consolidation of costs includes items such as street lighting, utility costs, insurances, legal costs, statutory charges and other program expenditure.

The Consumer Price Index has been chosen as the relevant factor in modelling these expenses over the term of the Plan. This has been sourced from TCorp’s Economic Forecasts October 2013.

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
CPI	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%

Additional other expense related assumptions include:

- Election expenses provided for in 2016/17 and 2020/21.

REVENUE ASSUMPTIONS

The major revenue categories for Council's operating budget are:

- Rates and Annual Charges
- User Charges and Fees
- Interest and Investment Revenue
- Other Revenue
- Grants and Contributions provided for Operating Purposes
- Grants and Contributions provided for Capital Purposes

Rates and Annual Charges

Rates and Charges are a major source of Council's revenue, representing approximately 69% of total revenue. The amount of rates income a council may levy is limited by rate pegging. Rate pegging refers to the process in which the State Government determines annually the allowable increase in rates, which is referred to as the rate peg. This allowable increase is announced annually by the Independent Pricing and Regulatory Tribunal (IPART).

The approved rate pegging increase for 2014/15 was set at 2.3% which Council has applied to the calculation of rates income in that year. For future years the rate peg increase has been applied based on the average over the last 17 years which has been approximately 3%.

Additional Rates and Annual Charges related assumptions include:

- The non-levying of the Hornsby Quarry Loan Rate which was approved in 2005/06 as a temporary rate due to the compulsory acquisition of the Hornsby Quarry site. This will occur for the 2015/16 calculation of rate income.

User Charges and Fees

Many of the services provided by Council are offered on a user pays basis. There is however a range of other factors that Council considers in determining an appropriate fee for its services.

The Consumer Price Index has been chosen as the relevant factor in modelling these expenses over the term of the Plan. This has been sourced from TCorp's Economic Forecasts October 2013.

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
CPI	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%

Additional User Charges and fee related assumptions include:

- Income to match the future years of the Hornsby Aquatic and Leisure Centre tender to run the operations of this facility.

Interest and Investment Revenue

Interest on investments will vary over the Plan period due to cash-flow levels and interest rate percentages. The LTFP calculates the interest on investments based on estimated cash-flow and the 90 day Bank Bill Rate. This has been sourced from TCorp’s Economic Forecasts October 2013.

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
90 Day Bank Bill	3.25%	4.13%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%

Additional Investment Revenue related assumptions include:

- Substantial increase to the size of the portfolio balance due to forecasted S94 Development Contributions income and improved annual operating surplus.

Other Revenue

Miscellaneous revenue is obtained from a variety of sources including insurance recoveries, parking fines, legal costs recovered, property rentals, etc. It is anticipated that other revenue will be maintained at current levels with CPI adjustments as reported above.

Grants and Contributions

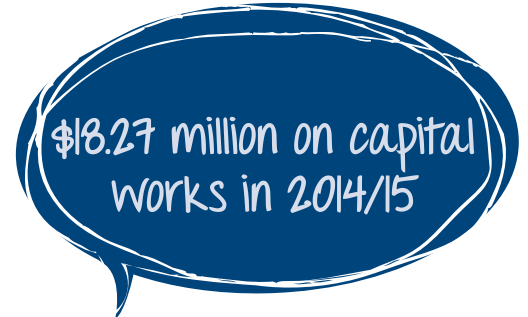
Council receives a number of operational and capital grants from various Federal and State Government agencies. Capital contributions are expected to rise significantly over the Plan as identified in Council’s 2012-2021 Section 94 Development Contributions Plan forecasted at approximately \$78 million. Capital contributions received in respect to Council’s Section 94 Development Contribution Plan are to be spent in accordance with the works program identified in this Plan.

It is anticipated that grants and contributions revenue will be maintained at current levels with CPI adjustments as reported above. A variation to this will be the two third’s capital contribution towards the construction of the Hornsby pedestrian overhead bridge by the State Government.

Capital Expenditure

This represents expenditure towards both the creation of new infrastructure assets and the renewal of existing assets (i.e. roads, drainage, footpaths and sportsgrounds). This expenditure category also includes capital purchases (i.e. information technology, fleet and plant assets).

Council’s capital works program for 2014/15 totalled \$18.271 million which is funded by rates, grants, restricted asset funding and/or a current year operational surplus. Consistent with the 2014/15 capital works allocation the future years of this Plan has been predicated on providing an equivalent level of capital expenditure.



The infrastructure levy approved for the 2011/12 financial year estimated a 10 year average of approximately \$4 million dollars per annum towards asset renewal expenditure. This level of asset renewal expenditure has been forecasted over the life of this Plan.

In addition to the above level of ‘recurrent’ capital expenditure, this Plan has forecasted additional capital expenditure at the following levels:

	2016	2017	2018	2019	2020	2021	2022	2023	2024
S94 Infrastructure Works (as identified in S94 Plan)	\$25.5M	\$7.4M	\$6.8M	\$6.8M	\$6.8M	\$6.8M	\$6.8M	\$6.8M	\$6.8M
Pedestrian Overbridge	\$7.0M								
Hornsby (2/3 funding from the State Gov’t)									
Capital Projects			\$20.0M						

In 2016/17 a provision to replace Councils information systems has been allowed for.



The ability for Council to deliver on the above forecasted capital expenditure is dependant upon a range of factors. Forecasted S94 infrastructure works is heavily dependant upon land acquisitions to meet increased demand for improved open space and recreational facilities. Potentially consideration could be given to the Hornsby Quarry Redevelopment. This would be subject to various planning controls, community consultation and the ongoing achievement of an annual operating surplus that can be set aside in a restricted asset to fund this project.

The capital works program prioritises projects based on asset condition, risk and community need. Over shorter periods, some areas of the shire may require more capital works than others to reflect short term needs and opportunities. For more detailed information in respect to various asset classes of Council can be sourced from Council’s Asset Management Strategy.

A major challenge confronting the NSW Local Government sector is the need to increase the level of funding towards the maintenance and renewal of infrastructure and community facilities. This has been highlighted in a number of studies such as the 2006 Local Government Shire’s Association Independent Inquiry into the Financial Sustainability of NSW Local Government and more recently the 2013 report released by NSW Treasury Corporation in regard to Financial Sustainability of all NSW Councils.

For Council, the Special Rate Variation approved for 2011/12, 2012/13 and 2013/14 provided approximately \$4 million per annum on an ongoing basis to be allocated towards asset renewal works. This was supported by Council's Asset Management Plan Strategy and the need to reduce the level of infrastructure backlog works. An independent assessment of Council's Infrastructure Backlog was undertaken by Morrison and Low in August 2013. This assessment reported that Council's overall asset backlog is under control and represents approximately 0.5% of value of council's assets portfolio and is well within acceptable limits and well below the TCorp benchmark of 2%.



In respect to Council owned community facilities much of the portfolio was constructed in the 1960's and 1970's now requiring significant budget allocation towards asset renewal and maintenance works. Many of the facilities operated by Council no longer meet community expectations due to their layout and age. A current trend across the local government sector is to construct multi-purpose facilities that more appropriately address community expectations and reduce ongoing maintenance and renewal costs. It would be prudent for Council to consider the future demand and purpose of these facilities against rising maintenance costs with the aim of upgrading and/or constructing new facilities through asset rationalisation of some of these facilities. Of course such an action is dependent upon substantial investigation, consultation and deliberation by Council and the community.

SECTION 94 DEVELOPMENT CONTRIBUTIONS PLAN

*Development contributions are paid by developers so Council
can provide new facilities for the increasing population*

The Section 94 Development Contributions Plan 2012 – 2021 (S94 Plan) is prepared by Council to satisfy the requirements of the Environmental and Planning Assessment Act and Regulation. This enables Council or an accredited certifier to levy contributions from development for the provision of community infrastructure that is required to meet the demands of that development.

The S94 Plan is to ensure that adequate community infrastructure is provided to meet the demands generated by new development and that the existing community is not burdened by the provision community infrastructure as a result of future development. The forecast development within the Hornsby Local Government Area as identified in this Plan will generate additional demand for use of local roads by vehicles, bicycle and pedestrian traffic, local open space and recreation facilities and these demands will require additional embellishment of existing facilities or the creation of new facilities to cater for increased pressure on existing facilities.

The works schedule available as part of the Section 94 Plan provides the detail in respect to the infrastructure planned to be undertaken. The works schedule is not fully funded by the amount of income received from S94 fees. Therefore Council will need to set aside surplus funds from operational results to fund this S94 gap. An alternative strategy would be to review existing assets as to utilisation levels and determine if they are in surplus to current and future needs for the purpose of using asset sale proceeds to fund the S94 gap.

Council has for more than 10 years adopted a policy of improving the capacity of existing infrastructure to accommodate the increased demand generated by a new incoming population. An example of this approach has been the provision of open space. Today, many of Council's existing sportsgrounds have now reached/exceeded their capacity and there is little opportunity to accommodate an increase in users. There are currently small parks owned by Council that due to their location and size are under utilised that could be sold for residential purposes. In fact a prudent approach would be to sell these parcels of land and the use proceeds to augment / provide open space in the nominated growth areas. Of course such an action is dependent upon substantial investigation, consultation and deliberation by Council and the community.

KEY FINANCIAL REPORTS FROM APPLYING FINANCIAL ASSUMPTIONS

Hornsby Council - 10 Year Financial Plan for the Years ending 30 June 2024

INCOME STATEMENT

Projected Years

Scenario: Normal Operations	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Income from Continuing Operations										
Revenue:										
Rates & Annual Charges	94,870,320	94,356,570	97,187,267	100,102,885	103,105,971	106,199,150	109,385,125	112,666,679	116,046,679	119,528,079
User Charges & Fees	18,098,225	18,940,884	19,414,406	19,899,766	20,397,260	20,907,192	21,429,871	21,965,618	22,514,759	23,077,627
Interest & Investment Revenue	1,964,000	2,617,604	3,231,727	2,815,706	3,386,355	4,079,823	4,798,467	5,609,303	6,485,113	7,449,199
Other Revenues	5,940,397	6,088,907	6,241,130	6,397,158	6,557,087	6,721,014	6,889,039	7,061,265	7,237,797	7,418,742
Grants & Contributions provided for Operating Purposes	11,822,304	12,117,862	12,420,808	12,731,328	13,049,612	13,375,852	13,710,248	14,053,004	14,404,329	14,764,438
Grants & Contributions provided for Capital Purposes	12,907,982	19,355,342	4,697,149	7,577,697	7,577,697	7,577,697	7,577,697	7,577,697	7,577,697	7,577,697
Other Income:										
Net gains from the disposal of assets	-	-	-	-	-	-	-	-	-	-
Joint Ventures & Associated Entities	-	-	-	-	-	-	-	-	-	-
Total Income from Continuing Operations	145,603,228	153,477,168	143,192,487	149,524,539	154,073,981	158,860,728	163,790,447	168,933,566	174,266,373	179,815,782
Expenses from Continuing Operations										
Employee Benefits & On-Costs	49,350,142	50,846,816	52,440,494	54,451,828	56,539,716	57,707,052	59,893,978	62,162,461	64,515,507	66,956,231
Borrowing Costs	681,197	386,000	297,413	213,689	137,630	81,117	44,462	24,070	9,508	-
Materials & Contracts	39,817,458	40,812,894	42,204,876	43,424,683	45,412,450	47,049,911	48,728,309	50,448,667	52,212,034	54,019,485
Depreciation & Amortisation	22,069,029	23,624,383	24,023,834	24,353,216	24,682,599	26,727,239	27,056,621	27,386,004	27,715,387	28,044,769
Impairment	-	-	-	-	-	-	-	-	-	-
Other Expenses	14,165,212	14,519,342	15,732,326	15,275,634	15,657,525	16,048,963	17,300,187	16,882,692	17,304,759	17,737,378
Interest & Investment Losses	-	-	-	-	-	-	-	-	-	-
Net Losses from the Disposal of Assets	-	-	-	-	-	-	-	-	-	-
Joint Ventures & Associated Entities	-	-	-	-	-	-	-	-	-	-
Total Expenses from Continuing Operations	126,083,038	130,189,435	134,698,943	137,719,051	142,429,920	147,614,282	153,023,557	156,903,894	161,757,195	166,757,863
Operating Result from Continuing Operations	19,520,190	23,287,732	8,493,544	11,805,489	11,644,062	11,246,445	10,766,890	12,029,672	12,509,179	13,057,919
Discontinued Operations - Profit/(Loss)										
Net Profit/(Loss) from Discontinued Operations	-	-	-	-	-	-	-	-	-	-
Net Operating Result for the Year	19,520,190	23,287,732	8,493,544	11,805,489	11,644,062	11,246,445	10,766,890	12,029,672	12,509,179	13,057,919
Net Operating Result before Grants and Contributions provided for Capital Purposes	6,612,208	3,932,391	3,796,395	4,227,792	4,066,365	3,668,748	3,189,193	4,451,975	4,931,482	5,480,222

Hornsby Council - 10 Year Financial Plan for the Years ending 30 June 2024

BALANCE SHEET

Projected Years

Scenario: Normal Operations	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
ASSETS										
Current Assets										
Cash & Cash Equivalents	65,532,674	58,612,499	63,838,024	54,818,498	66,293,077	80,065,146	94,068,014	109,700,815	126,379,137	144,601,280
Investments	-	-	-	-	-	-	-	-	-	-
Receivables	7,089,912	7,112,332	6,884,366	7,149,280	7,328,230	7,512,085	7,700,981	7,895,057	8,094,456	7,623,292
Inventories	203,069	208,146	215,245	221,466	231,603	239,955	248,514	257,288	266,281	275,499
Other	26,991	27,666	28,969	29,350	30,535	31,549	33,014	33,666	34,758	35,878
Total Current Assets	72,852,646	65,960,642	70,966,604	62,218,594	73,883,445	87,848,735	102,050,523	117,886,825	134,774,633	152,535,950
Non-Current Assets										
Investments	-	-	-	-	-	-	-	-	-	-
Receivables	271,329	269,860	277,956	286,294	294,883	303,730	312,841	322,227	331,894	341,850
Inventories	-	-	-	-	-	-	-	-	-	-
Infrastructure, Property, Plant & Equipment	1,425,712,730	1,451,395,106	1,453,837,849	1,473,092,139	1,472,017,047	1,468,897,315	1,465,448,200	1,461,669,703	1,457,561,823	1,453,124,560
Intangible Assets	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total Non-Current Assets	1,425,984,059	1,451,664,966	1,454,115,804	1,473,378,433	1,472,311,930	1,469,201,044	1,465,761,041	1,461,991,929	1,457,893,716	1,453,466,411
TOTAL ASSETS	1,498,836,706	1,517,625,608	1,525,082,408	1,535,597,027	1,546,195,375	1,557,049,779	1,567,811,564	1,579,878,755	1,592,668,349	1,606,002,361
LIABILITIES										
Current Liabilities										
Bank Overdraft	-	-	-	-	-	-	-	-	-	-
Payables	9,191,316	9,403,810	9,804,010	9,975,249	10,360,165	10,674,215	11,137,890	11,391,229	11,763,615	12,146,239
Borrowings	4,861,324	1,586,943	1,612,109	1,580,630	856,091	618,780	365,820	241,970	256,532	-
Provisions	13,210,430	13,355,930	13,501,430	13,646,930	13,792,430	13,937,930	14,083,430	14,228,930	14,374,430	14,519,930
Liabilities associated with assets classified as "held for sale"	-	-	-	-	-	-	-	-	-	-
Total Current Liabilities	27,263,070	24,346,683	24,917,549	25,202,809	25,008,686	25,230,925	25,587,141	25,862,129	26,394,577	26,666,169
Non-Current Liabilities										
Payables	-	-	-	-	-	-	-	-	-	-
Borrowings	7,118,876	5,531,933	3,919,823	2,339,193	1,483,102	864,322	498,502	256,532	(0)	-
Provisions	408,570	413,070	417,570	422,070	426,570	431,070	435,570	440,070	444,570	449,070
Total Non-Current Liabilities	7,527,446	5,945,003	4,337,393	2,761,263	1,909,672	1,295,392	934,072	696,602	444,570	449,070
TOTAL LIABILITIES	34,790,516	30,291,686	29,254,942	27,964,072	26,918,358	26,526,317	26,521,212	26,558,731	26,839,147	27,115,239
Net Assets	1,464,046,190	1,487,333,922	1,495,827,466	1,507,632,955	1,519,277,017	1,530,523,462	1,541,290,352	1,553,320,023	1,565,829,202	1,578,887,121
EQUITY										
Retained Earnings	1,052,500,190	1,075,787,922	1,084,281,466	1,096,086,955	1,107,731,017	1,118,977,462	1,129,744,352	1,141,774,023	1,154,283,202	1,167,341,121
Revaluation Reserves	411,546,000	411,546,000	411,546,000	411,546,000	411,546,000	411,546,000	411,546,000	411,546,000	411,546,000	411,546,000
Council Equity Interest	1,464,046,190	1,487,333,922	1,495,827,466	1,507,632,955	1,519,277,017	1,530,523,462	1,541,290,352	1,553,320,023	1,565,829,202	1,578,887,121
Minority Equity Interest	-	-	-	-	-	-	-	-	-	-
Total Equity	1,464,046,190	1,487,333,922	1,495,827,466	1,507,632,955	1,519,277,017	1,530,523,462	1,541,290,352	1,553,320,023	1,565,829,202	1,578,887,121

Hornsby Council - 10 Year Financial Plan for the Years ending 30 June 2024

CASH FLOW STATEMENT

Scenario: Normal Operations	Projected Years									
	2014/15 \$	2015/16 \$	2016/17 \$	2017/18 \$	2018/19 \$	2019/20 \$	2020/21 \$	2021/22 \$	2022/23 \$	2023/24 \$
Cash Flows from Operating Activities										
Receipts:										
Rates & Annual Charges	94,510,029	94,371,263	97,106,309	100,019,498	103,020,083	106,110,685	109,294,006	112,572,826	115,950,011	119,428,511
User Charges & Fees	18,194,314	18,862,751	19,390,730	19,875,498	20,372,385	20,881,695	21,403,737	21,938,831	22,487,302	23,049,484
Interest & Investment Revenue Received	1,905,389	2,619,145	3,223,235	2,806,959	3,377,346	4,070,544	4,788,909	5,599,458	6,474,973	7,438,754
Grants & Contributions	24,393,282	31,260,801	17,570,148	20,208,507	20,617,283	20,943,272	21,277,412	21,619,904	21,970,960	22,330,791
Bonds & Deposits Received	-	-	-	-	-	-	-	-	-	-
Other	7,107,828	6,328,390	6,978,673	6,920,177	6,924,418	6,924,371	6,923,284	6,922,928	6,922,549	7,294,171
Payments:										
Employee Benefits & On-Costs	(48,367,638)	(49,901,916)	(51,492,684)	(53,491,488)	(55,577,079)	(56,772,032)	(58,928,370)	(61,194,407)	(63,544,916)	(65,983,009)
Materials & Contracts	(38,762,594)	(40,668,439)	(41,871,920)	(43,332,391)	(45,113,018)	(46,794,067)	(48,354,689)	(50,288,491)	(51,935,824)	(53,736,795)
Borrowing Costs	(681,227)	(375,322)	(307,085)	(218,488)	(142,419)	(84,772)	(46,674)	(25,547)	(10,420)	(748)
Bonds & Deposits Refunded	-	-	-	-	-	-	-	-	-	-
Other	(14,165,212)	(14,519,342)	(15,732,326)	(15,275,634)	(15,657,525)	(16,048,963)	(17,300,187)	(16,882,692)	(17,304,759)	(17,737,378)
Net Cash provided (or used in) Operating Activities	44,134,171	47,977,332	34,865,079	37,512,638	37,821,473	39,230,733	39,057,427	40,262,811	41,009,875	42,083,783
Cash Flows from Investing Activities										
Receipts:										
Sale of Investment Securities	8,433,000	-	-	-	-	-	-	-	-	-
Sale of Real Estate Assets	-	-	-	-	-	-	-	-	-	-
Sale of Infrastructure, Property, Plant & Equipment	1,895,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Sale of Intangible Assets	-	-	-	-	-	-	-	-	-	-
Payments:										
Purchase of Investment Securities	(2,347,738)	(729,424)	(1,586,033)	(1,312,549)	(1,158,758)	(995,065)	(828,273)	(656,683)	(482,077)	2,400
Purchase of Investment Property	-	-	-	-	-	-	-	-	-	-
Purchase of Infrastructure, Property, Plant & Equipment	(18,387,759)	(50,806,759)	(27,966,576)	(45,107,507)	(25,107,507)	(25,107,507)	(25,107,507)	(25,107,507)	(25,107,507)	(25,107,507)
Purchase of Real Estate Assets	-	-	-	-	-	-	-	-	-	-
Purchase of Intangible Assets	-	-	-	-	-	-	-	-	-	-
Net Cash provided (or used in) Investing Activities	(10,407,497)	(50,036,183)	(28,052,609)	(44,920,056)	(24,766,265)	(24,602,572)	(24,435,780)	(24,264,190)	(24,089,584)	(23,605,107)
Cash Flows from Financing Activities										
Receipts:										
Proceeds from Borrowings & Advances	-	-	-	-	-	-	-	-	-	-
Other Financing Activity Receipts	-	-	-	-	-	-	-	-	-	-
Payments:										
Repayment of Borrowings & Advances	-	-	-	-	-	-	-	-	-	-
Repayment of Finance Lease Liabilities	-	-	-	-	-	-	-	-	-	-
Distributions to Minority Interests	-	-	-	-	-	-	-	-	-	-
Other Financing Activity Payments	-	-	-	-	-	-	-	-	-	-
Net Cash Flow provided (used in) Financing Activities	(4,472,000)	(4,861,324)	(1,586,943)	(1,612,109)	(1,580,630)	(856,091)	(618,780)	(365,820)	(241,970)	(256,532)
Net Increase/(Decrease) in Cash & Cash Equivalents	29,254,674	(6,920,176)	5,225,526	(9,019,527)	11,474,579	13,772,070	14,002,867	15,632,801	16,678,322	18,222,144
plus: Cash, Cash Equivalents & Investments - beginning of year	36,278,000	65,532,674	58,612,498	63,838,025	54,818,498	66,293,077	80,065,146	94,068,014	109,700,814	126,379,136
Cash & Cash Equivalents - end of the year	65,532,674	58,612,498	63,838,025	54,818,498	66,293,077	80,065,146	94,068,014	109,700,814	126,379,136	144,601,280
Cash & Cash Equivalents - end of the year	65,532,674	58,612,498	63,838,025	54,818,498	66,293,077	80,065,146	94,068,014	109,700,814	126,379,136	144,601,280
Investments - end of the year	-	-	-	-	-	-	-	-	-	-
Cash, Cash Equivalents & Investments - end of the year	65,532,674	58,612,498	63,838,025	54,818,498	66,293,077	80,065,146	94,068,014	109,700,814	126,379,136	144,601,280

Indicator	Benchmark	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Operating Performance Ratio	>4.0%	4.98%	2.93%	2.74%	2.98%	2.78%	2.43%	2.04%	2.76%	2.96%	3.18%
Own Source Operating Revenue Ratio	>60%	83.02%	79.49%	88.05%	86.42%	88.61%	86.81%	87.00%	87.20%	87.39%	87.57%
Unrestricted Current Ratio	>1.5	2.55	3.43	4.07	2.96	3.90	4.89	5.81	6.84	7.76	8.83
Infrastructure Backlog Ratio	<2%	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Asset Maintenance Ratio	>100%	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86
Cash Expense Cover Ratio	>3 months	761	6.62	6.94	5.81	6.76	7.95	8.96	10.17	11.31	12.51
Building and Infrastructure Renewals Ratio	>100%	80.90%	82.43%	80.50%	78.97%	77.50%	69.47%	68.33%	67.22%	66.15%	65.12%
Outstanding Rates and Annual Charges	< 5.0%	3.06%	3.05%	3.05%	3.05%	3.05%	3.05%	3.05%	3.05%	3.05%	3.05%
Debt Service Cover Ratio	> 2	5.30	14.16	14.72	16.05	29.07	43.55	73.83	119.76	122.75	Debt free
Capital Expenditure Ratio	> 1	0.74	2.09	1.10	1.79	0.96	0.88	0.87	0.86	0.85	0.84

COMMENTARY ON FINANCIAL RESULTS

The Income Statement result over the 10 year period predicts a surplus for both the Net Operating Result and the Net Operating Result before Grants and Contributions provided for Capital Purposes. This result is within acceptable financial sustainability levels but must be considered in context of moderate increases to operational expenses and revenue. Any variation to these moderate increases and/or changes to the 'normal operations' level of service may impact on the surplus forecasted.

The Balance Sheet result over the 10 year period maintains equity, liabilities and non current assets within acceptable levels. The level of cash and cash equivalents rises substantially over the period of the Plan. This is a direct result of annual operating surpluses due in part to Council's efforts to reduce costs and the level of S94 income received due to development activity.

The Cash Flow Statement is within acceptable levels and sees a rise in cash levels reported at the end of each financial year due to the points raised above in respect to annual operating surpluses and the level of S94 income forecasted to be received.

The financial indicators listed above predominately satisfy the TCorp indicators over the period of the LTFP. The exception to this is the Asset Maintenance Ratio and Building and Infrastructure Renewals Ratio. While falling short of the TCorp benchmark these ratios are within manageable levels in the short term but will need to be reviewed within future editions of the LTFP. This will involve an updating of Council's Asset Management Strategy in respect to asset conditions, service levels and expenditure requirements based on current data available.

Review of Forecasted Financial Results

The key financial information presented above in the form of financial statements and indicators are results based on a range of forecasted financial assumptions. These assumptions can change due to variations in economic conditions and the direction of Council. It is therefore intended that the financial assumptions be reviewed annually and compared to the actual results on an annual basis. This will be achieved via the reporting in Council's Annual Report by comparing the actual results on key financial statements and indicators to the forecasted figures for that year. Any issues identified through this process will be considered in the updating of the LTFP for the following year.

SENSITIVITY ANALYSIS

Council's LTFP has been developed based on a range of assumptions used to project future financial position. As it is not always possible to accurately predict future movements in all of the assumptions used to develop the LTFP, it is considered beneficial to conduct sensitivity analysis on the impact on those assumptions which have the most significant impact on the predicted financial forecast.

While moderate increases have been applied to revenue and expenses there are several items that require testing due to their dominant nature on Council's annual budget. These items are:

- Rate income due to it currently consisting of 69% of total income. From 2015/16 and onwards the rate peg be reduced from 3% to 2.5%. This represents a tolerance variance of 16.67% to the historical 17 year average of rate pegging.
- Grants and Contributions provided for Capital Purposes which has assumed a significant increase in S94 income due to forecasted development. That the forecasted S94 income be reduced to levels prior to the implementation of the current Section 94 Development Contributions Plan 2012 – 2021.
- Employee costs are a significant component of the annual budget and that these costs are highly sensitive to changes in rates of pay through award negotiations. That the estimate provided for award increases from 2018 to 2024 be amended from 3.5% to 4.5%. This change in percentage represents a tolerance variance of 28.57% to the assumption used under 'normal operations'.
- Interest from Investments increases significantly over the period of the Plan due to the rise in the portfolio balance and the rate of interest. That the portfolio balance be adjusted to reflect a reduction in S94 income and related expenditure. The interest rate for investments to be applied over the life of the Plan at the 14/15 estimate of 3.25%.

The revised assumptions are very much a worse case scenario and assess the financial impact if they were to impact at the same time.

KEY FINANCIAL REPORTS FROM APPLYING SENSITIVITY ANALYSIS

Hornsby Council - 10 Year Financial Plan for the Years ending 30 June 2024

INCOME STATEMENT

Scenario: Normal Operations	Projected Years									
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Income from Continuing Operations										
Revenue:										
Rates & Annual Charges	94,870,320	93,898,528	96,245,991	98,652,141	101,118,445	103,646,406	106,237,566	108,893,505	111,615,843	114,406,239
User Charges & Fees	18,098,225	18,940,884	19,414,406	19,899,766	20,397,260	20,907,192	21,429,871	21,965,618	22,514,759	23,077,627
Interest & Investment Revenue	1,964,000	2,464,023	2,691,061	2,370,851	2,678,850	3,021,832	3,330,307	3,646,335	3,947,645	4,243,269
Other Revenues	5,940,397	6,088,907	6,241,130	6,397,158	6,557,087	6,721,014	6,889,039	7,061,265	7,237,797	7,418,742
Grants & Contributions provided for Operating Purposes	11,822,304	12,117,862	12,420,808	12,731,328	13,049,612	13,375,852	13,710,248	14,053,004	14,404,329	14,764,438
Grants & Contributions provided for Capital Purposes	12,907,982	7,408,616	2,741,949	2,741,949	2,741,949	2,741,949	2,741,949	2,741,949	2,741,949	2,741,949
Other Income:										
Net gains from the disposal of assets	-	-	-	-	-	-	-	-	-	-
Joint Ventures & Associated Entities	-	-	-	-	-	-	-	-	-	-
Total Income from Continuing Operations	145,603,228	140,918,819	139,755,345	142,793,193	146,543,202	150,414,244	154,338,981	158,361,677	162,462,321	166,652,263
Expenses from Continuing Operations										
Employee Benefits & On-Costs	49,350,142	50,846,816	52,440,494	53,665,221	56,262,229	57,982,476	60,758,866	63,665,209	66,707,503	69,892,022
Borrowing Costs	681,197	386,000	297,413	213,689	137,630	81,117	44,462	24,070	9,508	-
Materials & Contracts	39,817,458	40,812,894	41,734,176	42,833,415	44,709,686	46,232,863	47,794,120	49,394,408	51,034,704	52,716,006
Depreciation & Amortisation	22,069,029	23,288,168	23,609,905	23,890,930	24,171,955	26,168,238	26,449,263	26,730,288	27,011,313	27,292,338
Impairment	-	-	-	-	-	-	-	-	-	-
Other Expenses	14,165,212	14,519,342	15,732,326	15,275,634	15,657,525	16,048,963	17,300,187	16,882,692	17,304,759	17,737,378
Interest & Investment Losses	-	-	-	-	-	-	-	-	-	-
Net Losses from the Disposal of Assets	-	-	-	-	-	-	-	-	-	-
Joint Ventures & Associated Entities	-	-	-	-	-	-	-	-	-	-
Total Expenses from Continuing Operations	126,083,038	129,853,221	133,814,314	135,878,890	140,939,026	146,513,657	152,346,898	156,696,667	162,067,787	167,637,744
Operating Result from Continuing Operations	19,520,190	11,065,598	5,941,031	6,914,304	5,604,177	3,900,587	1,992,083	1,665,010	394,534	(985,481)
Discontinued Operations - Profit/(Loss)	-	-	-	-	-	-	-	-	-	-
Net Profit/(Loss) from Discontinued Operations	-	-	-	-	-	-	-	-	-	-
Net Operating Result for the Year	19,520,190	11,065,598	5,941,031	6,914,304	5,604,177	3,900,587	1,992,083	1,665,010	394,534	(985,481)
Net Operating Result before Grants and Contributions provided for Capital Purposes	6,612,208	3,656,982	3,199,081	4,172,355	2,862,227	1,158,638	(749,867)	(1,076,940)	(2,347,415)	(3,727,430)

Hornsby Council - 10 Year Financial Plan for the Years ending 30 June 2024

BALANCE SHEET

Projected Years

Scenario: Normal Operations	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
ASSETS										
Current Assets										
Cash & Cash Equivalents	65,799,086	70,021,486	77,424,002	67,952,542	77,728,145	88,448,642	97,924,171	107,393,338	116,111,720	124,291,126
Investments	-	-	-	-	-	-	-	-	-	-
Receivables	6,823,500	6,679,245	6,687,888	6,847,422	7,010,945	7,178,556	7,350,356	7,526,452	7,706,951	7,323,764
Inventories	203,069	208,146	212,844	218,450	228,019	235,788	243,750	251,911	260,277	268,852
Other	26,991	27,666	28,733	29,055	30,184	31,141	32,547	33,139	34,170	35,227
Total Current Assets	72,852,646	76,936,543	84,353,467	75,047,470	84,997,293	95,894,126	105,550,824	115,204,841	124,113,118	131,918,969
Non-Current Assets										
Investments	-	-	-	-	-	-	-	-	-	-
Receivables	271,329	268,550	275,264	282,145	289,199	296,429	303,839	311,435	319,221	327,202
Inventories	-	-	-	-	-	-	-	-	-	-
Infrastructure, Property, Plant & Equipment	1,425,712,730	1,428,196,321	1,425,612,992	1,440,493,820	1,435,093,624	1,427,697,145	1,420,019,641	1,412,061,112	1,403,821,558	1,395,300,979
Intangible Assets	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total Non-Current Assets	1,425,984,059	1,428,464,870	1,425,888,255	1,440,775,965	1,435,382,823	1,427,993,574	1,420,323,481	1,412,372,548	1,404,140,779	1,395,628,181
TOTAL ASSETS	1,498,836,706	1,505,401,413	1,510,241,722	1,515,823,435	1,520,380,116	1,523,887,700	1,525,874,305	1,527,577,388	1,528,253,897	1,527,547,150
LIABILITIES										
Current Liabilities										
Bank Overdraft	-	-	-	-	-	-	-	-	-	-
Payables	9,191,316	9,401,749	9,737,971	9,867,489	10,250,623	10,563,712	11,027,014	11,280,908	11,654,853	12,040,118
Borrowings	4,861,324	1,586,943	1,612,109	1,580,630	856,091	618,780	365,820	241,970	256,532	-
Provisions	13,210,430	13,355,930	13,501,430	13,646,930	13,792,430	13,937,930	14,083,430	14,228,930	14,374,430	14,519,930
Liabilities associated with assets classified as "held for sale"	-	-	-	-	-	-	-	-	-	-
Total Current Liabilities	27,263,070	24,344,622	24,851,510	25,095,049	24,899,145	25,120,422	25,476,264	25,751,808	26,285,815	26,560,048
Non-Current Liabilities										
Payables	-	-	-	-	-	-	-	-	-	-
Borrowings	7,118,876	5,531,933	3,919,823	2,339,193	1,483,102	864,322	498,502	256,532	(0)	-
Provisions	408,570	413,070	417,570	422,070	426,570	431,070	435,570	440,070	444,570	449,070
Total Non-Current Liabilities	7,527,446	5,945,003	4,337,393	2,761,263	1,909,672	1,295,392	934,072	696,602	444,570	449,070
TOTAL LIABILITIES	34,790,516	30,289,625	29,188,903	27,856,312	26,808,816	26,415,814	26,410,336	26,448,410	26,730,385	27,009,118
Net Assets	1,464,046,190	1,475,111,788	1,481,052,819	1,487,967,123	1,493,571,299	1,497,471,886	1,499,463,969	1,501,128,978	1,501,523,513	1,500,538,032
EQUITY										
Retained Earnings	1,052,500,190	1,063,565,788	1,069,506,819	1,076,421,123	1,082,025,299	1,085,925,886	1,087,917,969	1,089,582,978	1,089,977,513	1,088,992,032
Revaluation Reserves	411,546,000	411,546,000	411,546,000	411,546,000	411,546,000	411,546,000	411,546,000	411,546,000	411,546,000	411,546,000
Council Equity Interest	1,464,046,190	1,475,111,788	1,481,052,819	1,487,967,123	1,493,571,299	1,497,471,886	1,499,463,969	1,501,128,978	1,501,523,513	1,500,538,032
Minority Equity Interest	-	-	-	-	-	-	-	-	-	-
Total Equity	1,464,046,190	1,475,111,788	1,481,052,819	1,487,967,123	1,493,571,299	1,497,471,886	1,499,463,969	1,501,128,978	1,501,523,513	1,500,538,032

Hornsby Council - 10 Year Financial Plan for the Years ending 30 June 2024

CASH FLOW STATEMENT

Projected Years

Scenario: Normal Operations	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cash Flows from Operating Activities										
Receipts:										
Rates & Annual Charges	94,510,029	93,926,321	96,178,854	98,583,325	101,047,908	103,574,106	106,163,459	108,817,545	111,537,984	114,326,433
User Charges & Fees	18,194,314	18,862,751	19,390,730	19,875,498	20,372,385	20,881,695	21,403,737	21,938,831	22,487,302	23,049,484
Interest & Investment Revenue Received	1,905,389	2,466,938	2,684,019	2,363,633	2,671,451	3,014,248	3,322,533	3,638,367	3,939,478	4,234,897
Grants & Contributions	24,393,282	19,690,397	15,300,215	15,463,496	15,781,535	16,107,525	16,441,664	16,784,157	17,135,212	17,495,044
Bonds & Deposits Received	-	-	-	-	-	-	-	-	-	-
Other	7,107,828	6,328,390	6,978,673	6,920,177	6,924,418	6,924,371	6,923,284	6,922,928	6,922,549	7,294,171
Payments:										
Employee Benefits & On-Costs	(48,367,638)	(49,901,916)	(51,492,684)	(52,728,479)	(55,284,319)	(57,030,869)	(59,775,574)	(62,678,019)	(65,716,235)	(68,896,486)
Materials & Contracts	(38,762,594)	(40,668,439)	(41,460,387)	(42,756,043)	(44,424,209)	(45,991,329)	(47,435,167)	(49,249,267)	(50,773,903)	(52,449,111)
Borrowing Costs	(681,227)	(375,322)	(307,085)	(218,488)	(142,419)	(84,772)	(46,674)	(25,547)	(10,420)	(748)
Bonds & Deposits Refunded	-	-	-	-	-	-	-	-	-	-
Other	(14,165,212)	(14,519,342)	(15,732,326)	(15,275,634)	(15,657,525)	(16,048,963)	(17,300,187)	(16,882,692)	(17,304,759)	(17,737,378)
Net Cash provided (or used in) Operating Activities	44,134,171	35,809,779	31,540,007	32,227,485	31,289,226	31,346,012	29,697,074	29,266,303	28,217,207	27,316,306
Cash Flows from Investing Activities										
Receipts:										
Sale of Investment Securities	8,433,000	-	-	-	-	-	-	-	-	-
Sale of Real Estate Assets	-	-	-	-	-	-	-	-	-	-
Sale of Infrastructure, Property, Plant & Equipment	1,895,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Sale of Intangible Assets	-	-	-	-	-	-	-	-	-	-
Payments:										
Purchase of Investment Securities	(2,081,326)	(954,296)	(1,523,972)	(1,315,076)	(1,161,234)	(997,665)	(831,007)	(659,556)	(485,096)	(108,609)
Purchase of Investment Property	-	-	-	-	-	-	-	-	-	-
Purchase of Infrastructure, Property, Plant & Equipment	(18,387,759)	(27,271,759)	(22,526,576)	(40,271,759)	(20,271,759)	(20,271,759)	(20,271,759)	(20,271,759)	(20,271,759)	(20,271,759)
Purchase of Real Estate Assets	-	-	-	-	-	-	-	-	-	-
Purchase of Intangible Assets	-	-	-	-	-	-	-	-	-	-
Net Cash provided (or used in) Investing Activities	(10,141,085)	(26,726,055)	(22,550,548)	(40,086,835)	(19,932,993)	(19,769,424)	(19,602,766)	(19,431,315)	(19,256,855)	(18,880,368)
Cash Flows from Financing Activities										
Receipts:										
Proceeds from Borrowings & Advances	-	-	-	-	-	-	-	-	-	-
Other Financing Activity Receipts	-	-	-	-	-	-	-	-	-	-
Payments:										
Repayment of Borrowings & Advances	(4,472,000)	(4,861,324)	(1,586,943)	(1,612,109)	(1,580,630)	(856,091)	(618,780)	(365,820)	(241,970)	(256,532)
Repayment of Finance Lease Liabilities	-	-	-	-	-	-	-	-	-	-
Distributions to Minority Interests	-	-	-	-	-	-	-	-	-	-
Other Financing Activity Payments	-	-	-	-	-	-	-	-	-	-
Net Cash Flow provided (used in) Financing Activities	(4,472,000)	(4,861,324)	(1,586,943)	(1,612,109)	(1,580,630)	(856,091)	(618,780)	(365,820)	(241,970)	(256,532)
Net Increase/(Decrease) in Cash & Cash Equivalents	29,521,086	4,222,400	7,402,516	(9,471,459)	9,775,603	10,720,496	9,475,528	9,469,168	8,718,382	8,179,406
plus: Cash, Cash Equivalents & Investments - beginning of year	36,278,000	65,799,086	70,021,486	77,424,001	67,952,543	77,728,145	88,448,642	97,924,170	107,393,338	116,111,721
Cash & Cash Equivalents - end of the year	65,799,086	70,021,486	77,424,001	67,952,543	77,728,145	88,448,642	97,924,170	107,393,338	116,111,721	124,291,126
Cash & Cash Equivalents - end of the year	65,799,086	70,021,486	77,424,001	67,952,543	77,728,145	88,448,642	97,924,170	107,393,338	116,111,721	124,291,126
Investments - end of the year	-	-	-	-	-	-	-	-	-	-
Cash, Cash Equivalents & Investments - end of the year	65,799,086	70,021,486	77,424,001	67,952,543	77,728,145	88,448,642	97,924,170	107,393,338	116,111,721	124,291,126

Indicator	Benchmark	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Operating Performance Ratio	>-4.0%	4.98%	2.74%	2.33%	2.98%	1.99%	0.78%	-0.49%	-0.69%	-1.47%	-2.27%
Own Source Operating Revenue Ratio	>60%	83.02%	86.14%	89.15%	89.16%	89.22%	89.28%	89.34%	89.39%	89.45%	89.50%
Unrestricted Current Ratio	>1.5	2.55	3.54	4.12	3.33	4.15	4.91	5.5	6.09	6.49	6.90
Infrastructure Backlog Ratio	<20%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%
Asset Maintenance Ratio	>100%	86%	86%	86%	86%	86%	86%	86%	86%	86%	86%
Cash Expense Cover Ratio	>3 months	761	791	8.45	7.30	8.00	8.83	9.34	9.92	10.32	10.63
Building and Infrastructure Renewals Ratio	>100%	80.90%	84.13%	82.50%	81.13%	79.80%	71.49%	70.46%	69.46%	68.48%	67.53%
Outstanding Rates and Annual Charges	< 5.0%	3.06%	3.05%	3.05%	3.05%	3.05%	3.05%	3.05%	3.05%	3.05%	3.05%
Debt Service Cover Ratio	> 2	5.30	13.85	14.20	15.76	27.34	39.16	62.75	96.52	92.74	Debt Free
Capital Expenditure Ratio	> 1	0.74	1.11	0.89	1.62	0.78	0.72	0.71	0.70	0.69	0.69

COMMENTARY ON SENSITIVITY FINANCIAL RESULTS

As stated above the sensitivity analysis performed is a worse case scenario on significant assumptions contained under the 'normal operations' scenario that may vary from their estimate. Below are the key points in respect to results derived from amending these assumptions:

- The Net Operating Result before Grants and Contributions provided for Capital Purposes deteriorates over the Plan becoming a deficit in 2020/21 and beyond. While this result still complies with the acceptable benchmark for this financial statement it would however in the long term require corrective action in the form of increased revenue and/or reduced expenditure.
- Most benchmarks are still at reasonable levels with some however deteriorating towards the end of the Plan.
- Capital expenditure is reduced significantly as a direct result of less S94 income being received and is reflected in a decline in relevant benchmarks.

The likelihood that all of the above factors considered in the worse case scenario were to impact in the one year and continue over the life of this Plan would be low. Council considers these factors on an annual basis with immediate action taken to correct an adverse variance to the forecasted LTFP.

FUTURE DIRECTIONS



To deliver and improve
on forecasted results

The 2014-2024 LTFP represents Council's progress towards financial sustainability. The foundation has been laid over the last several years by a range of initiatives that have substantially reduced Council expenses and increased income. The Council has been prudent with these savings applying these funds towards reducing debt and setting aside surplus funds in a restricted asset account to be able to fund future significant capital works and meeting the S94 gap towards infrastructure works.

Under 'normal operations' the financial results are at acceptable levels compared to benchmarks. The results do not seek any additional special rate variations over the Plan, and in 2015/16 will see the removal of the Hornsby Quarry Rate. The level of S94 income forecasted provides opportunities to expand Council's level of capital expenditure towards a range of open space, traffic, road and facility improvements.

To deliver and improve on these forecasted results will require the continuation and consideration of the following:

- Prudent financial management by Council
- Ongoing annual operational surplus
- Continuance of financial improvement initiatives (periodic reviews of business activities and organisational staffing levels)
- Ongoing annual review of financial assumptions and impact on future financial results
- Updating of asset management plans as key inputs into future asset maintenance and renewal expenditures
- Asset reviews of community facilities and small parks
- Updated capital expenditure plans (including S94)

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HOW TO CONTACT US

HORNSBY SHIRE COUNCIL

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Customer service desks are open from 8.30am-5pm business days

