



LONG TERM FINANCIAL PLAN

2025/26 to 2034/35

TABLE OF CONTENTS

Executive Summary	2
Introduction	10
Special Rate Variation (SRV)	12
Financial Objectives	13
Assumptions.....	19
Asset Management Planning	28
Strategic Initiatives	32
Results	34
Financial Risks	47
Opportunities	51
Sensitivity Analysis – Employee Costs.....	52
Sensitivity Analysis – Investment Income.....	54
Recommendations	57

Executive Summary

Previous versions of the Long Term Financial Plan (LTFP) that were adopted by Council in July 2022 and November 2022 concluded that forecast financial capacity was below acceptable levels and action was required to ensure that recurrent services, including allocating appropriate budgets for asset maintenance and renewal could be provided in a sustainable manner into the future. These versions of the Plan recommended a Special Rate Variation (SRV) to rebalance Council's finances within acceptable levels over the long term. A special rate variation was recommended in the first instance because of the quantum of funds required to provide balanced budgets, with rates representing Council's largest income stream.

Following the adoption of the 2023/24 – 2032/33 Long Term Financial Plan in November 2022 and based on modelling within that Plan Council commenced a significant project to apply to the Independent Pricing and Regulatory Tribunal (IPART) for a total rate increase of 28% (31% cumulative increase) over 4 years inclusive of the estimated annual rate peg and comprising four consecutive rate increases of 8.5% in 2023/24, 7.5% in 2024/25, 6.5% in 2025/26 and 5.5% in 2026/27. Following a rigorous application to IPART, which included extensive community engagement an approval was granted in full in June 2023.

Accordingly, all subsequent versions of the LTFP include income and expenditure allocations that align with Council's SRV application, including:

- Providing funding for the normal continuance of services into the future.
- Addressing the requirements identified in Council's Asset Management Plans and Asset Management Strategy funded by an SRV allocation of \$4.1 million per year, on average.
- Providing recurrent maintenance funding from the SRV for Hornsby Park once construction is complete.
- Addressing the aspirations of the community as identified in numerous technical documents and strategies by funding Strategic Initiatives averaging \$6.7 million per year from the SRV.
- Generating income based on a total rate increase of 28% (31.05% cumulative), comprising four consecutive increases of 8.5% in 2023/24, 7.5% in 2024/25, 6.5% in 2025/26 and 5.5% in 2026/27.

The SRV application also included an objective to forecast an adequate budget surplus each year to provide capacity to respond in a timely manner towards budget 'shocks' including infrastructure assets that may fail, the impact of natural disasters on local service provision and cost shifting from other tiers of

government. The original LTFP that supported the SRV forecast an average budget (cash) surplus of \$3.0 million per year, which was considered sufficient to provide the level of financial capacity required, whilst balancing the impact on the community at the time, as aiming for a forecast surplus above this level would have required a larger rate increase. It is considered financially prudent to target a budget surplus of this level (\$3.0 million per year, on average) to provide Council with the capacity to respond to one-off budget shocks that can occur over the course of the year without affecting the normal continuance of service provision. A commitment was made to the community during the SRV application process and community engagement of ongoing balanced budgets to ensure Council's long term financial sustainability.

The LTFP has been updated once since the SRV was approved with this previous version of the Plan spanning a forecast period from 2024/25 to 2033/34. This Plan noted that Council had incurred a number of unexpected cost increases since the SRV was approved. Most of the increases were broadly attributable to a continuation of the high inflationary environment for longer than economists at the time had predicted, and whilst forecast expenditure had increased, forecast investment income returns had also risen, which offset a portion of the total cost increase incurred. The combined impact of these changes was a reduction in the average forecast Budget (cash) surplus over the ten-year term of the previous Plan from \$3.0 million in the SRV version to \$2.3 million in the 2024/25 – 2033/34 Plan. This previous version of the Plan therefore concluded that whilst some improvement was required, the Special Rate Variation was continuing to rebalance Council's projected financial capacity.

A number of recommendations were also included in the previous Plan, that were designed to increase financial capacity back to the level forecast at the time the SRV was approved. Key recommendations included maintaining cost increases at modest levels, ensuring no new positions for permanent staff from Council's general fund were created (unless offset by an equivalent position elsewhere), and pursuing opportunities to increase income through streams other than rates, such as by renewing contracts for advertising space across the Shire.

LTFP 2025/26 – 2034/35

A further revision of the LTFP has now been completed to align with the long-term resourcing strategy from 2025/26, as required by the Integrated Planning and Reporting Framework mandated by the Office of Local Government. This Plan commences two years after the SRV was approved and spans a ten-year period from 2025/26 to 2034/35. This forecast therefore further assess Council's success in maintaining financial capacity, including whether capacity has successfully been increased back to the level when the SRV was approved.

The Plan has been prepared on the same basis as both the previous version (2024/25 – 2033/34) and the SRV version (2023/24 – 2032/33) and therefore continues to include all income and expenditure allocations that provide for the normal continuance of services, and includes allocations in line with the SRV and the latest Asset Management Strategy.

Draft LTFP 2025/26 – 2034/35

A draft version of the Plan was adopted for public exhibition at the 14 May 2025 General Meeting.

Despite the recommendations made in the previous version, forecast financial capacity in the draft Plan had continued to decline and the average annual forecast budget (cash) surplus had reduced to \$1.1 million per year, \$1.9 million per year less than the surplus forecast when the SRV was approved of \$3.0 million. The further decline in financial capacity was attributable to discretionary and non-discretionary cost increases incurred over the course of the past year..

The draft Plan concluded that Council was unable to sustain future cost increases of this magnitude, noting that the average remaining budget (cash) surplus forecast of \$1.1 million was less than the total value of discretionary cost increases incurred over the past 12 months of \$1.2 million.

A number of recommendations were therefore proposed in the draft Plan, including for Council's Executive Leadership Team to meet to develop specific actions to increase forecast financial capacity, and for an informal briefing with councillors to be held to discuss the outcomes from this meeting and next steps. This recommendation has been completed during the exhibition period, with a series of actions to increase financial capacity agreed by Council's Executive Leadership Team and the Plan updated to include the actions agreed to.

Final LTFP 2025/26 – 2034/35 including Agreed Actions to Increase Financial Capacity

The LTFP has been updated during the exhibition period to include immediate agreed actions that increase forecast financial capacity from \$1.1 million per year to \$2.3 million per year, closer to the level of financial capacity forecast when the SRV was approved. A number of further actions to be progressed over the next 12 months have also been agreed, with future iterations of this Plan to include progress updates in respect of each action.

The agreed actions relate to new initiatives rather than core services and were selected on this basis to ensure alignment with a long standing principle in the LTFP to continue to provide for the normal continuance of services and existing assets ahead of funding new initiatives or new assets.

Immediate Agreed Actions

The following actions have increased the average forecast budget (cash) surplus during the exhibition period from \$1.1 million to \$2.3 million per year:

1. Westleigh Park recurrent maintenance and renewal budget – Successive versions of the LTFP have included an annual \$1.4 million budget from general funds to provide for the ongoing costs of operating and maintaining Westleigh Park, once construction is complete. This allocation has been reviewed due to uncertainty regarding the retention of the grant needed to progress the project, with the recurrent budget adjusted as follows:

Years 1 & 2: The annual allocation of \$1.4 million has been retained in 2025/26 and 2026/27 to provide \$2.8 million of capital funding to meet DA conditions of consent and initial works, should the grant from the State Government be lost.

Year 3: The allocation has been removed fully in 2027/28 to reduce the deficit forecast in this year of the LTFP.

Year 4 onwards: The allocation has been reduced by \$600K from \$1.4 million to \$800K from 2028/29 to provide an ongoing maintenance budget should the grant be retained, and the first stage of works be completed. The \$800K allocation has been calculated using a 2% industry benchmark of a construction cost of \$40 million.

2. SRV Funded Strategic Initiatives – Council is bound by the terms of IPART's approval to allocate funding for the Strategic Initiatives originally included in its application for the SRV until 30 June 2033. However, from 2033/34 Council can reduce or reallocate funding as required, such as to align with changed priorities or strategic direction. The funding for a number of initiatives has therefore been reduced from 2033/34 to improve forecast financial sustainability. Initiatives that provide funding to mitigate risk (e.g. bushfire risk & cyber security) or that provide funding for the maintenance and renewal of existing assets have not been altered:

Strategic Initiative	Year 10 of SRV (2033)	Reduction	Future Allocations	Notes
Bushfire risk mitigation	428,000	0	428,000	Risk mitigation – retained.
Hello Hornsby (social planning events)	80,000	0	80,000	Operational services budget – retained.
Renewal of public amenity buildings (e.g. toilet blocks within Parks)	1,000,000	-300,000	700,000	New/upgrade - haircut applied.
Upgrading community infrastructure for disability requirements	431,000	0	431,000	External legislative requirements – retained.
Renewal and upgrade of community changing rooms (sports ground facilities)	650,000	-150,000	500,000	New/upgrade - haircut applied.
Prioritised stormwater drainage	1,000,000	-500,000	500,000	New/upgrade - haircut applied. \$1 million per year is also provided in the AMP for this asset class, leaving a budget of \$1.5 million per year from 2033/34.
Enhancing Cyber Security maturity	100,000	0	100,000	Risk mitigation – retained.
Track and trail asset management	97,000	0	97,000	Maintenance and renewal of existing asset base – retained.
Track and trail upgrade including accessibility and signage	403,000	-150,000	253,000	New/upgrade - haircut applied.
Connected walking and cycling paths	1,392,600	-392,600	1,000,000	New/upgrade - haircut applied.
Bushland reserve asset management	1,164,000	0	1,164,000	Maintenance and renewal of existing asset base – retained.
New and upgraded playspaces	85,000	-85,000	0	Supplemented by general fund allocation.

Total	6,830,600	-1,577,600	5,253,000	
--------------	------------------	-------------------	------------------	--

3. Playground Upgrades – A \$1 million budget from general funds is provided each year in the LTFP and Annual Budget to progressively upgrade play equipment across the shire in line with Council's Play Plan. A reduction has been applied from 2033/34 that decreases the recurrent budget by \$200K from \$1 million per year to \$800K per year. This budget was selected as it is the only sizeable general fund budget in later years of the LTFP that funds the creation of new and upgraded assets.
4. Street Lighting Efficiencies – Over recent years Council has progressively transitioned streetlights in the Shire to LED technology to reduce energy consumption. Following a review of current costs and budgets annual energy efficiency savings of \$68K have been identified and factored into future years of the Plan.
5. Review of recent Cost Increases - in light of declining financial capacity recent cost increases for the restructure of Council's Infrastructure and Major Projects Division and for the progression of the Property Strategy have been revisited. One vacant full-time staff position has been removed from the restructure, inclusive of superannuation that achieves \$130K of savings each year. The consultancy and contractor budget for the Property Strategy has also been reduced, from \$120K to \$50K to provide recurrent savings of \$70K per year.

Actions to Improve Financial Capacity

The following actions will be progressed over the next 12 months with an update regarding the latest status of each to be provided in the next version of the LTFP. If successful, these actions should increase financial capacity above the average cash surplus of \$2.3 million per year currently forecast:

1. Income from non-statutory user charges and fees will be analysed to assess opportunities to generate additional revenue. The analysis will include market benchmarking and a review of cost allocation and apportionment, as appropriate, with a project team established to review Aquatic and Recreation Centres, Parks, Community Centres and Commercial Properties.

2. A detailed plan, including an indicative timeline for the retendering of both small and large format outdoor advertising sites across the shire will be completed by August 2025, with the aim of progressing this initiative next year. The project is expected to run over multiple years with progress against milestones to be reported back in future versions of the LTFP.
3. A working group responsible for the revision of Council's Development Contribution Plans will consider whether existing general fund allocations for the upgrade and construction of new assets that cater for a growth in population could be funded from development contributions instead, provided this approach is fully compliant with all applicable legislation. There are two applicable general fund budgets that will be considered, \$500K per year up to and including 2027/28 for the construction of new footpaths and \$1 million per year for playground upgrade and renewals (reducing to \$800K per year from 2033/34).

Ongoing Recommendations to Ensure Financial Sustainability

During the exhibition period Council's Executive Leadership Team further expressed their support for ongoing recommendations to ensure financial sustainability, similar to those included in previous versions of this Plan:

- No further discretionary, recurrent cost increases to be incurred unless offset by the substitution of existing budgets elsewhere.
- No new general fund positions to be created unless offset by an equivalent position elsewhere, or unless funding is identified such as from external grants, existing capital works budgets or additional income, with a business case required for the creation of new positions.
- Cash reserves to be maintained at existing levels with any funding that is transferred to respond to immediate financial challenges or unforeseen events to be repaid, to preserve Council's cash liquidity position over the term of this Plan and beyond.
- Consideration for paid parking to be implemented on a staged basis with the aim of testing the assumptions that underpin the Car Parking Management Study before committing significant funding to new infrastructure and technology.
- The S7.11 Development Contributions Plan to prioritise projects that maximise development contribution funding on hand instead of Councils general fund.
- No new loan borrowing to be undertaken.

- Continuance of financial improvement initiatives (the development of business improvement plans and service reviews), ensuring that any such plans are based on a principle of increasing financial capacity, having caution to potential cost increases that can arise where improvements are reliant on the implementation of new technology.
- Maximise returns from Council's property holdings, subject to appropriate business cases, including independent due diligence of key financial assumptions. Undertake a review of progressed initiatives that examines whether the benefits forecast in the original business case have been achieved.
- Progress areas for improvement identified in Council's Asset Management Plans to ensure assets used by the community are maintained and renewed to the level of service required, to further protect Council from the risk of budget shocks from reactive asset maintenance.
- Future capital grants to be carefully considered, including identification of a funding source for recurrent costs before they can be accepted. It is recommended that Council decline future capital grants for major new discretionary infrastructure projects, unless additional funding to cover ongoing maintenance and renewal costs is identified, noting the current forecast Budget (cash) surplus is insufficient to fund an expansion of Council's asset base above the level already forecast.

If the above actions are addressed progressively over coming years, Council should remain financially sustainable into the future.

Introduction

Council's 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 main purpose of the LTFP is to guide and inform decision making in respect to Council's financial sustainability and to ensure that Council has sufficient financial resources to fund asset maintenance and renewal and provide services to the standard that the community expects. The LTFP establishes the framework for sound financial decisions and provides 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 and Income Statement results that provide sufficient capacity to respond to budget 'shocks' as they arise
- Maintenance into the future of a level of service that the community has come to expect
- Assets provided by Council that are designed and funded to meet a defined level of service to the community
- Continuation of Council's debt free position
- Continuation of Council's historically strong liquidity position and retention of cash reserves
- Achievement/Maintenance of Local Government Performance Indicators

The LTFP is based on Council's 2025/26 budget that was adopted at the General Meeting of Council held on the 11 June 2025. The 2025/26 budget forms year one of ten of the forecast period of the Plan. The 2024/25 budget as at the 31 December 2024 Quarterly Review is also disclosed in the Budget results (page 34) as a reference point in the year before the ten-year forecast period commences. The actual audited Financial Statement results for the year ended 30 June 2024 are disclosed within the Income Statement, Balance Sheet and Cash Flow Statement results (pages 40, 41, & 42 respectively). Future years are based on a range of forecasted assumptions used to determine:

- Future revenue and expenditure (Income Statement result including non-cash items prescribed by Australian Accounting Standards and a budget cash/liquidity result in the same format as reported to Council through the annual budget cycle/Integrated Planning and Reporting Framework).
- Balance Sheet and Cash Flow Statements.
- A projection for a range of key financial indicators prescribed by the Office of Local Government.

In addition to the presentation of financial results, information is 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.

This Plan seeks to ensure that Hornsby Shire Council can be financially sustainable and prosperous; achieving the performance benchmarks set by the Office of Local Government and delivering a normal continuance of services into the future.

Special Rate Variation (SRV)

Previous versions of the LTFP adopted by Council in July 2022 and November 2022 concluded that forecast financial capacity was below acceptable levels and action was required to ensure that recurrent services, including allocating appropriate budgets for asset maintenance and renewal could be provided in a sustainable manner into the future. Accordingly, these Plans included a range of recommendations to increase financial capacity of which the first was to consider a-Special Rate Variation (SRV) to rebalance Council's finances within acceptable levels over the long term. A special rate variation was recommended in the first instance because of the quantum of funds required to provide balanced budgets. Income from rates typically makes up more than 80% of Council's own source of revenue each year, and therefore was the only revenue stream with the capacity to provide the level of funding required.

To ascertain the extent of the special rate variation modelling was undertaken with consideration of each of the matters identified above, as well as the need to maintain an Operating Performance Ratio of at least 2% each year, which is the level considered necessary to protect against unexpected budget shocks from year to year.

The modelling undertaken derived a total rate increase of 28% (31% cumulative increase) over 4 years inclusive of the estimated annual rate peg and comprising four consecutive rate increases of 8.5% in 2023/24, 7.5% in 2024/25, 6.5% in 2025/26 and 5.5% in 2026/27.

Following the adoption of the November 2022 LTFP, Council commenced a rigorous project to apply to the Independent Pricing and Regulatory Tribunal (IPART) for the increase required. The project included numerous Councillor workshops, extensive community engagement and decisions from Council for the application to proceed. The application was duly lodged in February 2023 to meet the applicable deadline set by IPART.

An approval was granted by IPART in full in June 2023 and Council was issued an Instrument of Approval that governs the funding allocations sought to ensure that they can only be allocated and expended in line with the original application for the SRV.

Council is required to report expenditure incurred compared to the original application and the Instrument of Approval each year in the Annual Report.

Financial Objectives

In preparing the LTFP several key objectives have been considered. These objectives are listed below.

Balanced Budgets/Income Statement Result that provide sufficient capacity to respond to budget 'shocks' as they arise

Council has a strong commitment to adopting annually a balanced budget and Income Statement results that meet financially acceptable benchmarks.

This includes an annual operating performance ratio that is in the range of 2-4% and a forecast budget (cash) surplus that is also in the same range to enable Council to respond in a timely manner towards budget shocks including infrastructure assets that may fail, the impact of natural disasters on local service provision and cost shifting from other tiers of government.

Examples of previous events that have guided this targeted operating performance ratio include:

- An urgent program to implement an asbestos remediation plan for Council's administration building from 2020 to 2024 including the identification of funding to re-install office furniture and utilities across 2023 and 2024.
- Remediation at Foxglove Oval, Mount Colah which has presented issues due to this site being a historic landfill.
- Absorbing reduced income and increased costs as a result of service shutdowns, physical distancing and lock downs from the COVID-19 pandemic throughout 2020 and 2021, as well as the ongoing economic consequences from the pandemic.
- The ongoing transfer of Crown Land to Council to maintain, with no funds provided.
- Investment income returns – investment returns have fluctuated over recent years, with the majority of Council's investment products linked to the base rate set by the Reserve Bank of Australia. When the base rate was reduced to 0.1% Council's budget for investment income was reduced significantly. Council's investments in managed funds with NSW Treasury Corporation have also experienced significant volatility during the post COVID-19 economic recovery and an unrealised loss of \$1.44 million was recorded for the year ended 30 June 2022, which contributed to investment returns \$2.35 million below the budgeted amount of income for the year.
- The 2016 boundary adjustment and abandonment of amalgamation plans for the Shire that left Council with a yearly reduction of \$10 million in revenue, without a commensurate reduction in costs.

- The implementation of state mandated initiatives such as the Audit Risk and Improvement Committee requirements that must be funded every year recurrently.
- Three declared Natural Disasters in the Hornsby Local Government Area between 2018 and 2022. Each of these events cost Council several hundreds of thousand dollars in clean-up costs that were unable to be recouped from the NSW Government. Furthermore, flooding caused significant damage at Wisemans Ferry that added \$3.57 million in flood related clean up to the cost of Council's project to construct a new boat ramp and associated infrastructure.

Should a surplus budget be generated at the end of a financial year, the surplus amount will be directed towards the Capital Projects and Restricted Working Funds account, which is used to fund key strategic capital projects that require reasonable capital investment from the Council, or to fund cash shortfalls in future years of the Plan. This is consistent with Council's objective to maintain prudent financial management of its finances and to allocate financial surpluses towards key strategic issues.

Maintenance into the future of a level of service that the community has come to expect

Financial sustainability in local government is not only about balancing budgets; it also involves ensuring that the level of services that the community has come to expect is maintained and continues to be provided into the future. This is a key input into the Financial Planning Assumptions section of this Plan to determine whether Council can afford what the community needs and wants into the future and if not, what action is required.

To establish the level of service that the community has come to expect and desires (referred to in this Plan as the 'Normal Continuance' of service) reference has been made to a range of community consultation. This has included a Quality of Life and Asset Management survey completed in March 2020, asset management workshops in November 2020, Community Satisfaction Surveys in April 2021, February 2023 and November 2024. These surveys identified a desire from the community for a sustained or increased level of services, which supports at least the continuance of normal operations included in this Plan. Community consultation during the preparation of 36 adopted strategies and technical documents over recent years also suggests an increase in the aspirations of the community, which were funded through Strategic Initiative project allocations by Council's approved Special Rate Variation (page 32). Accordingly, forecast income and expenditure to fund the normal continuance of services has been included in the LTFP.

Assets provided by Council that are designed and funded to meet a desired level of service of the community

The Asset Management Planning section (page 28) includes further information with regards to the community's desired level of service for Council assets that were identified through asset management workshops held in November 2020.

Continuation of Council's Debt Free Position

Council became debt free in June 2023 and the only ongoing borrowing costs in the LTFP after this point represent notional interest that is recognised for leased IT equipment, in line with accounting standards. Further external loan borrowing depends on the availability of financial capacity above a budget surplus level of 2% in future years of the LTFP, and this Plan includes a recommendation for no further loan borrowing to be undertaken. Notwithstanding, from time-to-time business cases may be proposed that require external borrowing to support the generation of new income. Even in this scenario, any decision to borrow should be approached with caution. Detailed business cases would be required that include financial analysis of the potential benefits and costs of such initiatives over future years. Furthermore, any such business case should be independently assessed to ensure certainty of positive returns, with the business case continually updated throughout the project to ensure that the assumptions used continue to be valid.

Continuation of Council's historically strong liquidity position and retention of cash reserves

Council has maintained a healthy liquidity position through the retention of cash reserves and an Unrestricted Current Ratio that exceeds the benchmark set by the Office for Local Government. These cash and internal restricted asset reserves were gradually accumulated over a long period of time through an ongoing commitment to prudent financial management over successive terms of Council, with most of these reserves accumulated prior to the 2016 boundary adjustment with the City of Parramatta Council, at a time when Council was generating substantial Income Statement surpluses. The 2023 Special Rate Variation (SRV) sought to resolve budget deficits forecast in future years in previous versions of this plan, to prevent the need to draw from these historic reserves to balance the budget each year.

Whilst the SRV aimed to rebalance Council's financial capacity into the future the Income Statement surpluses forecast over the next ten years remain far lower than prior to the boundary adjustment and high inflationary environment (2014/15: \$14.770 million and 2015/16: \$14.638 million). It is therefore unlikely that Council's historic cash reserves will increase in the future, as demonstrated by this Plan.

Council is fortunate to have access to the reserves on hand to call upon when needed, noting that many Councils in the State are not in this favourable position, with a number reported for financial sustainability issues in various media publications over recent years. These issues could have been avoided had historic cash reserves been maintained for these Councils.

From time-to-time Hornsby Shire Council has called upon cash reserves to ensure that significant unavoidable events that occur rarely but that have significant financial ramifications could be funded without the need to request assistance from other levels of government, borrow externally or cut services. Most recently this included calling upon funds to remediate the Administration Centre following the discovery of asbestos, balance the Annual Budget during the COVID-19 pandemic to offset lost income from lock down measures and lend funds to Council's Domestic Waste function to fund remediation works required at Foxglove Oval.

Whilst cash reserves were utilised in each of these scenarios, they have always been repaid in future years to ensure Council's liquidity levels could be maintained over the long term. In the case of Foxglove Oval, a plan is currently in place to repay the amount drawn from reserves through future increases in Domestic Waste Annual Charges.

Because of the importance of historic cash reserves to ensure the long-term sustainability of Council, not only over the 10-year period of this Plan but also into the future, the Plan has been prepared on the assumption that these reserves will be retained. The Plan also recommends that historic cash reserves are always replenished in unavoidable instances when they are called upon (page 57). Fulfilling the requirement of this recommendation is regarded as vital to ensure Council's financial sustainability over the very long term, beyond the tenure of the current Council and its Officers.

Achievement/Maintenance of Local Government Performance Indicators

The Office of Local Government has previously prescribed a range of Performance Indicators that are used to measure Council's financial position to assess its financial sustainability. A benchmark is set for each indicator, which sets the level of financial sustainability that Council should aim to achieve for each indicator. Each indicator is disclosed in Council's annual financial statements. The OLG has a program underway to review the current suite of indicators, with no changes yet announced at the time of preparing this Plan.

The Performance Indicators that are considered the most important measures of Council's financial sustainability are listed below:

Indicator	Quantitative Measure	Definition	Benchmarks
Operating Performance Ratio (and budget (cash) surplus)	Measures a council's 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)	>0% (OLG Benchmark) 2% - 4% (Council Benchmark) It is recommended that an Operating Performance Ratio/Budget Surplus of 2%-4% is forecast at the start of each year to respond to budget shocks that can occur throughout the year and still meet the OLG benchmark.
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 all 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

Indicator	Quantitative Measure	Definition	Benchmarks
Debt Service Cover Ratio	The availability 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
Asset Maintenance Ratio	Compares actual versus required annual asset maintenance.	Actual maintenance / Required asset maintenance	>100%
Infrastructure Renewals Ratio	Compares the proportion spent on infrastructure asset renewals and the assets deterioration.	Asset renewals/Depreciation of building and infrastructure assets	>100% (on average over the life of the Plan). This ratio compares depreciation calculated on a straight-line basis to asset renewals each year. By nature, asset renewals will vary from year to year depending on when certain assets reach the end of their useful life. Therefore, an average benchmark of >100% over the life of the Plan is appropriate rather than achieving 100% in an individual year.
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%

Assumptions

Council's Best Estimate from Applying Financial Assumptions

The key financial information in the form of financial statements and indicators within this document are results based on a range of forecast financial assumptions set out below. These assumptions can change due to variations in economic conditions and/or a change in priorities set by Council. It is therefore intended that the financial assumptions be reviewed annually.

Operating Expenditure Assumptions

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

- Employee benefits and on-costs
- Borrowing expenses
- Materials and services
- Depreciation (non-cash)
- Other expenses

Employee Benefits and On-costs

Employee costs include salaries, wages, superannuation, leave entitlements, workers compensation premiums and other employee related expenses. Most employee related costs increase based on the local government award increase each year, for which the last published year is the year ending 30 June 2026. Local Government Award increases beyond that date are not yet set, therefore the forecast expenditure increase has been based on the Wage Price Index, which is deemed to appropriately reflect the impact of the economic environment over the next 10 years. The forecast Wage Price Index has been sourced from BIS Oxford Economics from 2027 until the end of the Plan.

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Salary Movement	3.0%	3.0%	3.0%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%

Additional employee related assumptions include:

- Superannuation increases in line with salaries and wages growth each year, plus an additional 0.5% increase in the legislated superannuation guarantee rate from 11.5% in 2025 to 12% in 2026.
- No material change expected in existing staff numbers and employee working hours, noting that Council's three previous Long Term Financial Plans have included a recommendation for a freeze on general fund FTE headcount as a method of cost containment.
- Workers' compensation expense expected to increase in line with salaries and wages.
- As a method of cost containment and to account for savings from vacancies that occur from normal operations, the Plan includes a budget for 50 weeks of the year for each position in Council's approved organisation chart, which results in an effective annual productivity measure of 4% (compared to if the Plan included costs for all 52 weeks of the year). This matter is analysed further in a sensitivity analysis on page 52.

Borrowing Expenses

A key objective by Council in previous versions of this Plan has been to reduce the level of external borrowing. This objective has now been achieved with Council becoming debt free in June 2023. Therefore, this Plan is predicated on no loan borrowing, with the only remaining borrowing expenses in Council's Income Statement relating to notional interest on operating leases for IT equipment that are recognised in the Income Statement as required by Australian Accounting Standards.

External borrowing could be a strategy considered by Council to assist in funding significant capital projects to benefit future generations. The beneficiaries of these future projects would assist in their funding as their rates would be applied in part to repaying the loans. This contrasts with current ratepayers bearing the entire burden in one year, possibly at the expense of other worthy expenditures. Whilst this strategy could be considered by Council in future years, the use of external borrowing is not recommended at this time as there is insufficient financial capacity available to commit Council to interest and principal repayments that would require recurrent funding.

Materials and Services

Local government expenditure is characterised by high levels of materials and services. Materials and services are used in the creation and maintenance of assets and to provide recurrent operational services. Materials and services also include items such as street lighting, utility costs, insurances and legal expenses.

The Consumer Price Index (CPI) has been chosen as the relevant factor in modelling these expenses over the term of the Plan. This has been sourced from the Reserve Bank of Australia to the extent available (until 2027) and from BIS Oxford Economics from 2028 until the end of the Plan using the compound annual growth rate estimated for this timeframe.

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
CPI	3.2%	2.7%	2.7%	2.7%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%

Additional material and service related assumptions include:

- The inclusion of 10-year forecasts for asset maintenance as required by Council's Asset Management Plans, as noted within the Asset Management Planning section of this report, with a portion of this expense funded from the Special Rate Variation.
- A maintenance allocation for Hornsby Park from 2026, as identified in the previous version of the Plan and funded from the Special Rate Variation.
- Allocations for Strategic Initiatives funded from the Special Rate Variation that align with Council's application for the variation.
- Previously agreed Councillor initiatives for vegetation mapping, progressing rural land planning studies and preparing a reconciliation action plan from funds previously set aside for these purposes.
- Providing a budget for the Council election in line with the 4-year cycle.

Depreciation (non-cash)

Depreciation is a non-cash allowance made in the Financial Statements for "wear and tear" and "technical obsolescence" of plant and equipment. The idea of depreciation is to spread the cost of a capital asset over the period of its "useful life to the entity" that currently owns it. Depreciation forecasts relate to existing assets and forecast capital works program. Council's assets are also progressively revalued to fair value in accordance with Australian Accounting Standards, with each revaluation typically resulting in increased depreciation, as replacement costs rise over time.

Council's depreciation expense increased by an average of 3.94% per year between 2017 and 2022 (1.3% greater than CPI of 2.64% over the same period) because of new depreciation associated with Council's large capital works program and because of increases in replacement costs generally rising faster than CPI. The Roads, Bridges and Construction Price Index published by the ABS is used for the annual indexing of asset values for revaluation purposes.

A forward forecast for the Roads, Bridges and Construction Price Index from the ABS is not available. Therefore, Council's historic experience for depreciation to rise 1.3% greater than CPI has been used to calculate an index for this non-cash expense:

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Forecast CPI	3.2%	2.7%	2.7%	2.7%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Plus 1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%
Total	4.5%	4.0%	4.0%	4.0%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%

Other Expenses

This category includes statutory charges payable to other levels of government such as the Emergency Services Levy and State Revenue infringement processing fees.

The Consumer Price Index (CPI) has also been chosen as the relevant factor in modelling these expenses over the term of the Plan. Whilst this Plan assumes CPI increases for statutory charges over the life of the Plan, there is an ongoing risk that cost shifting from other levels of government can result in increases greater than CPI.

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 revenues and other income
- Grants and contributions provided for operating and capital purposes

Rates and Annual Charges

Rates and Annual Charges are a major source of Council's revenue, typically representing more than 80% of own source revenue each year. The amount of rates income a council may levy is limited by an approved rate peg set by the Independent Pricing and Regulatory Tribunal (IPART). The Rate peg refers to the process in which the State Government determines annually the total allowable increase in rates expressed as a percentage. This allowable increase is announced annually by the Independent Pricing and Regulatory Tribunal (IPART) and Councils are only permitted to increase rates by more than this amount if they have made a successful application to IPART for a Special Rate Variation (SRV).

Council's 2023 application for an SRV was successful with IPART approving Council for four consecutive rate increases (inclusive of the rate peg) of 8.5% in 2023/24, 7.5% in 2024/25, 6.5% in 2025/26 and 5.5% in 2026/27. Therefore, these percentages have informed the LTFP up to and including 2027.

Forecasting expected income from rates when a SRV is not in place (beyond 2027) is notoriously challenging as the rate peg is based on methodology set by IPART, which has typically only been available 6 to 9 months before the start of any given year. Forward projections of the rate peg for future years are not published and, in some years, IPART has applied a productivity factor to the rate peg, reducing the amount of income that Council can generate. However, IPART have previously stated that a rate peg of 2.5% should be used to forecast future years for any Council preparing a LTFP for the purpose of supporting an application for an SRV, which provides some, albeit limited guidance to estimate income in future years.

Over time the rate peg should trend in line CPI. However, historically it has faced criticism for adversely impacting Councils by not keeping track with actual costs incurred each year (refer to the Risks section on page 47 for further information) leading to a recent revision of the methodology used by IPART. On this basis it is hoped that the rate peg should track in line with CPI after the special rate variation increases end. A comparison of forecast CPI to IPART's suggested rate peg of 2.5% has been undertaken:

	2026 - 2027	2028	2029	2030	2031	2032	2033	2034	2035	Average
Forecast CPI	N/A – SRV Increases	2.7%	2.7%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.55%
Rate peg suggested by IPART		2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Difference		0.2%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.05%

The analysis shows that there is minimal difference between a forecast rate peg of 2.5% (as suggested by IPART) and forecast CPI, therefore 2.5% has been used in the forecast from 2028 onwards. This close alignment between the forecast rate peg and CPI is considered appropriate as this ensures a linear relationship between income from rates and forecast materials and services, and other expenses that have also increased by CPI over the term of the Plan.

10 Year Rate Income Assumptions:

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
SRV/Rate Peg	6.5%	5.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%

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 (CPI) has also been chosen as the relevant factor in modelling these expenses over the term of the Plan:

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
CPI	3.2%	2.7%	2.7%	2.7%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%

Additionally, previously approved increases for User Charges and Fees have been compared to actual CPI published by the RBA during the high inflationary environment. This period proved challenging for economists to predict, both in terms of the size of the price growth forecast each year and in terms of the duration that the high inflationary environment was predicted to last. The impact is that Council has increased User Charges and Fees by a much lesser extent than actual price growth during this period:

	2022	2023	2024	Total
Council Increase	1.40	2.10	3.50	7.00
Actual CPI (RBA)	6.10	6.00	3.60	15.70
Difference	4.70	3.90	0.10	8.70

Many of Council's Fees were previously calculated using Partial Cost Recovery or Full Cost Recovery methodology and are therefore dependent upon actual cost increases incurred by Council each year being accurately reflected to ensure pricing remains appropriate.

The analysis shows that pricing for Fees and Charges has not kept pace with price growth by 8.7% (before compounding). This Plan therefore includes a recommendation for Council to consider increasing User Charges and Fees to catch up on this missed cost growth.

Interest and Investment Revenue

Interest on investments will vary over the planning period due to cash-flow levels and interest rate percentages. The LTFP calculates interest on forecast investments based on estimated cash-flow (allowing for estimated infrastructure project expenditure) and a forecast of the base rate set by the Reserve Bank

of Australia. The margins earned on each of Council's investment products above the base rate have been sourced from Council's investment advisor, Prudential Investment Services and are based on forecasts from Reuters.

The percentage investment return on Council's portfolio is forecast to decline over the term of the LTTP in line with expected decreases to the base rate. There is significant uncertainty with regards to this assumption, noting challenges over recent years to accurately predict when increases and decreases to the base rate would occur (including challenges in forecasting encountered by the RBA itself). The total average expected investment income return ranges from 4% in 2026 to 3.35% in 2035.

A sensitivity analysis has been undertaken (page 54) to assess Council's reliance on investment income over the term of the Plan.

Other Revenues and Other Income

Other revenue and other income is obtained from a variety of sources including insurance recoveries, parking fines, legal costs recovered, property rentals, etc. It is anticipated that other revenue and other income will be maintained at current levels, plus forecast CPI.

Grants and Contributions

Council receives a number of operational and capital grants from various Federal and State Government agencies, and capital contributions.

Capital contributions such as Section 7.11 Development Contributions are expected to continue in line with current income levels, which represents a decline in development activity since the peak in Hornsby Shire between 2015 and 2017. Capital contributions received in respect to Council's Section 7.11 Development Contribution Plan are to be spent in accordance with the works program identified in this Plan.

It is anticipated that grants and contributions will reduce compared to peak levels over previous years when large grants from other government agencies were provided during recovery from the COVID-19 pandemic, and as a form of compensation for the 2016 boundary adjustment. The current level of grant income has been used to forecast future years with grant income only predicted to continue where agreements are in place, or where there is an extensive past history of recurrent grants being provided from year to year.

Capital Expenditure

Capital expenditure 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 in the base LTFP is forecast to average \$44.5 million per year and is largely funded by external grants and restricted assets, as well as from general funds. The most significant capital cash flow is for the Field of Play at Hornsby Park in 2025/26 and 2026/27, which is funded from an external grant and development contributions. Recurrent capital budgets for routine asset renewal are funded from general funds, SRV funds and other recurrent income sources.

The ten-year capital works budget has been prepared using an analysis of the 2025/26 Capital Works program to establish a base level of capital works that is undertaken each year, with asset renewal funding as forecast in Council's Asset Management Plans factored into this base amount. Capital works forecast in early years are the largest as significant budgets for Hornsby Park, Westleigh Park (subject to retention of grant funds) and Galston Public Domain are currently forecast to be undertaken in these years. Comparatively, the budgets forecast in later years are lower, marking the expected end of most of Council's current major projects:

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Capital Exp.	\$61,741,610	\$45,603,942	\$43,183,108	\$40,584,688	\$40,967,044	\$41,854,098	\$43,069,389	\$44,036,470	\$44,923,766	\$45,833,244

Asset Management Planning

Previous versions of the LTFP recommended that Council's Asset Management Plans be updated to provide evidence-based estimates for future asset maintenance and renewal expenditure. This work was completed prior to Council's application for a Special Rate Variation with an Asset Management Strategy and revised Asset Management Plans prepared that covered 95% of Council's depreciable asset base.

Results from Council's Community Satisfaction survey (Asset Management Community Insights Report – November 2020) were used to inform the basis of forecast maintenance and renewal requirements where a rating was provided by survey participants with 1 being Excellent, 2 - Good, 3 - Satisfactory and 4 - Poor:

- Buildings – participants preferred a level of service of 2 for libraries and amenities buildings and a level of service of 3 for aquatic centres, community centres and indoor sporting facilities.
- Open Spaces – participants preferred a level of service of 2 for sporting fields, park facilities and playgrounds and a level of service of 3 for trees, gardens and mountain bike tracks. Safety was considered a high priority for playgrounds.
- Roads and related infrastructure - participants preferred a level of service of 2 for footpaths, bridges and roads and a level of service of 3 for carparks, shared paths, kerb and guttering. Emphasis was placed on the importance of flat, safe and unobstructed footpaths and pedestrian crossings.
- Stormwater infrastructure – participants preferred a level of service of 3 for stormwater drainage.

The need to fund additional average expenditure of \$4.1 million per year was identified, with this amount included in Council's application for the SRV. Since the success of the SRV, Council has been continuing with the revision of asset management planning across the Shire, including completing ongoing condition assessments and progressing areas for improvement identified in the Asset Management Strategy, including collecting data for some small groups of assets that were not previously included. A quarterly Asset Management Governance Committee has been established to assist with the progression of actions identified for improvement and to ensure that SRV funding is expended in accordance with the terms of IPART's approval. This approach has generally resulted in improvements to average asset conditions compared with prior to the SRV.

The new data collected has informed a revised Asset Management Strategy 2025/26 – 2034/35 that was adopted by Council on 9 April 2025, which includes revised expenditure requirements. After factoring these requirements compared to available budgets, the majority of funding required is covered by existing general fund allocations and the \$4.1 million of SRV funding that was previously approved. An additional average annual allocation of \$211K per year for Building Infrastructure assets is required due to the inclusion of additional facilities, such as the recently renovated Galston Aquatic Centre. The additional funding has been substituted from existing budgets for reactive maintenance and therefore has no impact to Council's general fund over the ten-year term of the Strategy.

The expenditure requirements included in the revised Strategy have been included in this Plan:

<i>Year</i>	<i>25/26</i>	<i>26/27</i>	<i>27/28</i>	<i>28/29</i>	<i>29/30</i>	<i>30/31</i>	<i>31/32</i>	<i>32/33</i>	<i>33/34</i>	<i>34/35</i>
<i>Recurrent General Funds ('000)</i>	\$23,595	\$24,329	\$25,176	\$25,967	\$26,793	\$27,654	\$28,570	\$29,488	\$30,260	\$31,051
<i>Approved SRV Funding ('000)</i>	\$3,558	\$3,824	\$7,692	\$5,372	\$3,648	\$3,808	\$4,170	\$4,313	\$4,470	\$4,581
<i>Additional Funding Required ('000)</i>	\$332	-\$65	-\$279	-\$71	\$183	\$775	\$383	-\$7	\$56	\$800
<i>Transfer from reactive maintenance budget ('000)</i>	-\$332	\$65	\$279	\$71	-\$183	-\$775	-\$383	\$7	-\$56	-\$800
<i>Shortfall ('000)</i>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

The Asset Management funding provided by the SRV does not cover:

- The remaining 5% of Council's depreciable asset base for which Asset Management Plans are still being revised. This includes foreshore assets and some 'other structures'.
- Creating new assets or upgrading assets to increase the level of service required, noting that the Strategic Initiatives funded separately from the SRV include a number of allocations to upgrade existing infrastructure (page 32).

- Allocations for the ongoing renewal and maintenance of Hornsby Park, noting that separate SRV funding has been secured for this purpose as explained below.

Hornsby Park

The Hornsby Park project involves the redevelopment of the abandoned Hornsby Quarry and surrounding lands into open space for a broad range of recreation purposes.

Due to the size and scale of this project the future cost estimates were prepared by independent consulting firm, Capital Insight. Further due diligence was exercised through a peer review of the capital and recurrent costs by specialist consulting firm, WT Australia. Their review validated the forecasts used in the Plan to be appropriate.

The SRV includes a separate allocation to fund the ongoing renewal and maintenance costs for the Park, calculated by Capital Insight. These allocations are subject to SRV governance and reporting conditions meaning the funding can only be expended in accordance with Council's original application:

Year	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033 Onwards
Hornsby Park Renewals	\$0	\$0	\$716,000	\$716,000	\$1,603,000	\$1,641,000	\$1,681,000	\$1,721,000	\$1,764,000	\$1,808,000
Hornsby Park Operations & Maintenance	\$0	\$0	\$684,000	\$684,000	\$1,532,000	\$1,568,000	\$1,606,000	\$1,645,000	\$1,686,000	\$1,728,000

As noted in Deputy General Manager's Report No. IM2/21 – Master Plan for Hornsby and Westleigh Parks (considered at the 14 April 2021 General Meeting), the total estimated capital cost of the facilities canvassed in the Master Plan for the Park is significantly above the total level of funding available. Therefore, a reduction in scope compared to the Master Plan or staging the project over an extended period will be required unless additional capital funding can be identified from external sources noting that there is insufficient financial capacity forecast in this Plan to allocate general funds.

Continuous Improvement in Asset Management

Comfort can be taken that the majority of Council's asset base can be maintained and renewed as required over the life of the Plan with the use of SRV funds.

The revised Asset Management Strategy adopted by Council includes a number of recommendations to continuously improve Council's asset management processes to ensure assets provided to the community are maintained and renewed to the required standard.

Completing each of the recommendations will provide further assurance of Council's ability to maintain its asset base into the future and will further reduce the risk of budget shocks from asset failure or reactive remediation work that could affect the budget in any given year. Accordingly, this Plan includes a recommendation for the points raised within the Asset Management Strategy to be progressed.

Strategic Initiatives

In addition to maintaining financial stability and ensuring ongoing funding for the maintenance of current assets and services, the Special Rate Variation also provided funding to deliver strategic initiatives to address identified community aspirations, including:

- Building a resilient community that is well prepared for future shocks including climate change and bush fires and is socially connected.
- Planning for the future, including a masterplan to revive Pennant Hills Town Centre.
- Upgrading community infrastructure, including public toilets, community centres, sportsgrounds and stormwater systems.
- Delivering a connected network of footpaths, cycleways and trails with improved accessibility.
- Managing assets to better protect bushland and improve open spaces.
- Improving technology to provide better customer service, including enhanced cyber security.

Adopted Documents

Over recent years Council has undertaken a series of technical and evidence-based strategies to formulate initiatives required to deliver services to the community for each of Council's unique disciplines. Thirty-six different strategies and technical documents were adopted by Council prior to the application for the SRV. A range of community surveys were also undertaken to support these strategies.

Funding from the SRV was approved to deliver \$67.26 million of strategic initiatives over the ten-year term of the SRV, and Council is governed by an Instrument of Approval that requires the funding allocations that supported the application for the SRV to be provided each year in line with that application, comprising the following amounts:

Strategic Initiative	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
Community climate change mitigation and adaptation	160,000	160,000	160,000							
Bushfire risk mitigation	319,000	561,000	666,000	644,000	428,000	428,000	428,000	428,000	428,000	428,000

Strategic Initiative	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
Hello Hornsby (social planning events)	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000
Renewal of public amenity buildings (e.g. toilet blocks within Parks)	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Upgrading community infrastructure for disability requirements	431,000	431,000	431,000	431,000	431,000	431,000	431,000	431,000	431,000	431,000
Renewal and upgrade of community changing rooms (sports ground facilities)	650,000	650,000	650,000	650,000	650,000	650,000	650,000	650,000	650,000	650,000
Prioritised stormwater drainage	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Enhancing Cyber Security maturity	250,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Track and trail asset management	63,000	66,000	69,000	72,000	76,000	80,000	84,000	88,000	92,000	97,000
Track and trail upgrade including accessibility and signage	260,000	273,000	287,000	301,000	316,000	332,000	348,000	366,000	384,000	403,000
Connected walking and cycling paths	1,392,600	1,392,600	1,392,600	1,392,600	1,392,600	1,392,600	1,392,600	1,392,600	1,392,600	1,392,600
Pennant Hills Town Centre Review				250,000	250,000	250,000	250,000			
Bushland reserve asset management	750,000	788,000	827,000	868,000	912,000	957,000	1,005,000	1,055,000	1,108,000	1,164,000
New and upgraded play spaces	85,000	85,000	85,000	85,000	85,000	85,000	85,000	85,000	85,000	85,000
Total	6,440,600	6,586,600	6,747,600	6,873,600	6,720,600	6,785,600	6,853,600	6,675,600	6,750,600	6,830,600

Results

Budget (Cash Liquidity Result)

Hornsby Shire Council	Current Year	Projected Years									
10 Year Financial Plan	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35
BUDGET SUMMARY - GENERAL FUND	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Income from Continuing Operations											
Rates & Annual Charges	125,123,289	134,804,066	141,081,995	144,891,209	148,803,271	152,523,353	156,336,437	160,244,848	164,250,969	168,357,243	172,566,174
User Charges & Fees	14,958,137	14,938,137	15,341,467	15,755,687	16,181,090	16,585,617	17,000,258	17,425,264	17,860,896	18,307,418	18,765,104
Other Revenues	3,962,866	3,932,866	4,039,054	4,148,108	4,260,107	4,366,610	4,475,775	4,587,669	4,702,361	4,819,920	4,940,418
Grants & Contributions provided for Operating Purposes	5,465,418	10,238,806	10,515,254	10,799,166	11,090,744	11,368,012	11,652,213	11,943,518	12,242,106	12,548,158	12,861,862
Grants & Contributions provided for Capital Purposes	16,511,957	13,630,810	14,538,380	7,667,500	7,736,823	7,802,743	7,870,312	7,939,569	8,010,559	8,083,323	8,157,906
Interest & Investment Revenue	10,271,333	8,928,982	7,508,573	6,915,185	6,957,791	6,851,034	6,774,049	6,878,490	6,986,287	7,097,549	7,212,389
Fair value increment on investment properties	200,000	250,000	256,750	263,682	270,802	277,572	284,511	291,624	298,914	306,387	314,047
Other Income	2,849,734	2,844,734	3,071,541	3,304,473	3,543,694	3,782,286	3,876,843	3,973,764	4,073,109	4,174,936	4,279,310
Total Income from Continuing Operations	179,342,734	189,568,401	196,353,014	193,745,009	198,844,321	203,557,227	208,270,397	213,284,747	218,425,200	223,694,935	229,097,210
Expenses from Continuing Operations											
Employee Benefits & On-Costs	58,487,712	61,150,704	62,434,651	64,145,234	65,886,205	67,961,764	70,103,740	72,314,260	74,595,516	76,949,773	79,379,366
Borrowing Costs	9,736	18,000	18,486	18,985	19,498	19,985	20,485	20,997	21,522	22,060	22,611
Materials & Contracts	71,362,582	75,745,426	77,326,193	80,246,503	84,060,077	83,678,155	84,996,907	86,509,408	89,360,602	89,684,117	91,848,761
Depreciation & Amortisation	25,461,122	26,559,589	27,621,973	28,726,851	29,875,926	31,011,211	32,189,637	33,412,843	34,682,531	36,000,467	37,368,485
Other Expenses	5,088,223	5,100,824	5,238,546	5,379,987	5,525,247	5,663,378	5,804,962	5,950,086	6,098,839	6,251,310	6,407,592
Net Losses from the Disposal of Assets	2,511,333	2,511,333	2,611,786	2,716,258	2,824,908	2,932,255	3,043,680	3,159,340	3,279,395	3,404,012	3,533,365
Total Expenses from Continuing Operations	162,920,708	171,085,876	175,251,635	181,233,818	188,191,860	191,266,747	196,159,412	201,366,935	208,038,405	212,311,738	218,560,180
Net Operating Profit/(Loss) for the Year	16,422,026	18,482,525	21,101,379	12,511,191	10,652,461	12,290,480	12,110,985	11,917,812	10,386,795	11,383,197	10,537,030
Capital (Balance Sheet) and Reserve Movements											
Capital Expenditure	(78,139,310)	(61,741,610)	(45,603,942)	(42,483,108)	(40,284,688)	(40,667,044)	(41,554,098)	(42,769,389)	(43,736,470)	(42,846,166)	(43,750,644)
ELE Provisions paid out	(956,069)	(956,069)	(956,069)	(956,069)	(956,069)	(956,069)	(956,069)	(956,069)	(956,069)	(956,069)	(956,069)
Other Capital Payments from Provisions	-	36,302,000	-	-	-	-	-	-	-	-	-
Proceeds from Sale of intangible & tangible Assets	1,000,000	1,000,000	1,027,000	1,054,729	1,083,207	1,110,287	1,138,044	1,166,495	1,195,658	1,225,549	1,256,188
Non-cash Expense Contra Income	25,461,122	26,559,589	27,621,973	28,726,851	29,875,926	31,011,211	32,189,637	33,412,843	34,682,531	36,000,467	37,368,485
Net Transfers (to)/from Reserves	35,583,719	15,579,315	(2,434,366)	(2,434,482)	(2,548,630)	(2,437,180)	(2,753,220)	(3,246,669)	(3,554,770)	(4,231,282)	(4,168,712)
Total Capital (Balance Sheet) and Reserve Movements	(17,050,538)	16,743,225	(20,345,404)	(16,092,079)	(12,830,255)	(11,938,796)	(11,935,707)	(12,392,789)	(12,369,121)	(10,807,501)	(10,250,752)
Net Result (including Depreciation & Other non-cash items)	(628,512)	35,225,750	755,975	(3,580,888)	(2,177,794)	351,684	175,278	(474,977)	(1,982,326)	575,696	286,278
Add back net loss from disposal of assets (non cash) and funds released from provisions	2,511,333	(33,790,667)	2,611,786	2,716,258	2,824,908	2,932,255	3,043,680	3,159,340	3,279,395	3,404,012	3,533,365
Cash Budget Surplus/(Deficit)	1,882,821	1,435,083	3,367,761	(864,630)	647,114	3,283,939	3,218,959	2,684,363	1,297,069	3,979,708	3,819,642

Average Cash Surplus (2025/26 to 2034/35)

2,286,901

Commentary on Results – Budget (Cash Liquidity Result)

The average forecast budget cash surplus over the ten-year term of the Plan is in line with the previous version of \$2.3 million, and \$0.7 million less than the surplus forecast when the SRV was approved of \$3.0 million:

Version of Plan	Average Budget (Cash) Result
2025/26 – 2034/35 (this Plan)	\$2,286,901
2024/25 – 2033/34 (previous Plan)	\$2,304,325
2023/24 – 2032/33 (Plan used to support SRV)	\$2,996,613

The draft version of this Plan that was adopted for public exhibition originally forecast an average surplus of only \$1.1 million per year, with this decline in financial capacity partly attributable to cost increases incurred by Council over the course of the past year. A number of recommendations to improve the result were proposed in the draft Plan, including for Council's Executive Leadership Team to meet to develop specific actions to increase forecast financial capacity, and for an informal briefing with councillors to be held to discuss the outcomes from this meeting and next steps. This recommendation has been completed during the exhibition period, with a series of actions to increase financial capacity agreed to by Council's Executive Leadership Team and included in the Plan that have increased the average surplus back to \$2.3 million per year. Details of the cost increases incurred, and actions agreed to increase financial capacity in response are as follows:

Non-discretionary Cost Increases

The cost increases incurred between 2023/24 and 2024/25 (SRV Plan) and 2024/25 (previous Plan) were broadly attributable to a continuation of the high inflationary environment for longer than economists at the time predicted, including increases for grass cutting on renewal of this contract, significant workers compensation and general insurance price increases, an increase in the Emergency Services Levy in 2023/24 and salary and wage increases prescribed by the Local Government Award greater than the level forecast at the time of the SRV. These cost increases reduced forecast financial capacity by an average of \$700K per year but are non-discretionary in nature due to being largely caused by factors external to Council.

Discretionary Cost Increases

The cost increases incurred between 2024/25 (previous Plan) and 2025/26 (this Plan) include \$808K to fund newly created staff positions in the Infrastructure & Major Projects Division and \$409K to progress Property Strategy matters to deliver key works and initiatives identified by Council. These cost increases are discretionary in nature due to being incurred internally for reasons within Councils control but have been offset by the remediation actions listed below that have been made during the exhibition period.

Immediate Agreed Actions

The following actions have increased the average forecast budget (cash) surplus during the exhibition period from \$1.1 million to \$2.3 million per year:

1. Westleigh Park recurrent maintenance and renewal budget – Successive versions of the LTFP have included an annual \$1.4 million budget from general funds to provide for the ongoing costs of operating and maintaining Westleigh Park, once construction is complete. This allocation has been reviewed due to uncertainty regarding the retention of the grant needed to progress the project, with the recurrent budget adjusted as follows:

Years 1 & 2: The annual allocation of \$1.4 million has been retained in 2025/26 and 2026/27 to provide \$2.8 million of capital funding to meet DA conditions of consent and initial works, should the grant from the State Government be lost.

Year 3: The allocation has been removed fully in 2027/28 to reduce the deficit forecast in this year of the LTFP.

Year 4 onwards: The allocation has been reduced by \$600K from \$1.4 million to \$800K from 2028/29 to provide an ongoing maintenance budget should the grant be retained, and the first stage of works be completed. The \$800K allocation has been calculated using a 2% industry benchmark of a construction cost of \$40 million.

2. SRV Funded Strategic Initiatives – Council is bound by the terms of IPART's approval to allocate funding for the Strategic Initiatives originally included in its application for the SRV until 30 June 2033. However, from 2033/34 Council is legally able to reduce or reallocate funding as required, such as to

align with changed priorities or a change in strategic direction. The funding for a number of initiatives has therefore been reduced from 2033/34 to improve forecast financial sustainability. Initiatives that provide funding to mitigate risk (e.g. bushfire risk & cyber security) or that provide funding for the maintenance and renewal of existing assets have not been altered:

Strategic Initiative	Year 10 of SRV (2033)	Reduction	Future Allocations	Notes
Bushfire risk mitigation	428,000	0	428,000	Risk mitigation – retained.
Hello Hornsby (social planning events)	80,000	0	80,000	Operational services budget – retained.
Renewal of public amenity buildings (e.g. toilet blocks within Parks)	1,000,000	-300,000	700,000	New/upgrade - haircut applied.
Upgrading community infrastructure for disability requirements	431,000	0	431,000	External legislative requirements – retained.
Renewal and upgrade of community changing rooms (sports ground facilities)	650,000	-150,000	500,000	New/upgrade - haircut applied.
Prioritised stormwater drainage	1,000,000	-500,000	500,000	New/upgrade - haircut applied. \$1 million per year is also provided in the AMP for this asset class, leaving a budget of \$1.5 million per year from 2033/34.
Enhancing Cyber Security maturity	100,000	0	100,000	Risk mitigation – retained.
Track and trail asset management	97,000	0	97,000	Maintenance and renewal of existing asset base – retained.
Track and trail upgrade including accessibility and signage	403,000	-150,000	253,000	New/upgrade - haircut applied.
Connected walking and cycling paths	1,392,600	-392,600	1,000,000	New/upgrade - haircut applied.
Bushland reserve asset management	1,164,000	0	1,164,000	Maintenance and renewal of existing asset base – retained.
New and upgraded playspaces	85,000	-85,000	0	Supplemented by general fund allocation.
Total	6,830,600	-1,577,600	5,253,000	

3. Playground Upgrades – A \$1 million budget from general funds is provided each year in the LTFP and Annual Budget to progressively upgrade play equipment across the shire in line with Council's Play Plan. A haircut has been applied from 2033/34 that reduces the recurrent budget by \$200K from \$1 million per year to \$800K per year. This budget was selected as it is the only sizeable general fund budget in later years of the LTFP that funds the creation of new and upgraded assets.
4. Street Lighting Efficiencies – Over recent years Council has progressively transitioned streetlights in the Shire to LED technology to reduce energy consumption. Following a review of current costs and budgets annual energy efficiency savings of \$68K have been identified and factored into future years of the Plan.

Review of recent Cost Increases - in light of declining financial capacity recent cost increases for the restructure of Council's Infrastructure and Major Projects Division and for the progression of the Property Strategy have been revisited. One vacant full-time staff position has been removed from the restructure, inclusive of superannuation that achieves \$130K of savings each year. The consultancy and contractor budget for the Property Strategy has also been reduced, from \$120K to \$50K to provide recurrent savings of \$70K per year.

Income Statement (Non-Cash Result)

Hornsby Shire Council	Actuals	Current Year	Projected Years									
10 Year LTFP	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35
INCOME STATEMENT - GENERAL FUND	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Income from Continuing Operations												
Rates & Annual Charges	116,643,000	125,123,289	134,804,066	141,081,995	144,891,209	148,803,271	152,523,353	156,336,437	160,244,848	164,250,969	168,357,243	172,566,174
User Charges & Fees	14,762,000	14,960,230	14,940,283	15,343,666	15,757,941	16,183,400	16,587,986	17,002,685	17,427,752	17,863,446	18,310,032	18,767,783
Other Revenues	4,179,000	3,962,866	3,932,866	4,039,054	4,148,108	4,260,107	4,366,610	4,475,775	4,587,669	4,702,361	4,819,920	4,940,418
Grants & Contributions - Operating Purposes	10,642,000	5,465,418	10,238,806	10,515,254	10,799,166	11,090,744	11,368,012	11,652,213	11,943,518	12,242,106	12,548,158	12,861,862
Grants & Contributions - Capital Purposes	(22,203,000)	16,511,957	13,630,810	14,538,380	7,667,500	7,736,823	7,802,743	7,870,312	7,939,569	8,010,559	8,083,323	8,157,906
Interest & Investment Revenue	12,970,000	10,271,333	8,928,982	7,508,573	6,915,185	6,957,791	6,851,034	6,774,049	6,878,490	6,986,287	7,097,549	7,212,389
Fair value increment on investment properties	795,000	200,000	250,000	256,750	263,682	270,802	277,572	284,511	291,624	298,914	306,387	314,047
Other Income	4,964,000	2,849,734	2,844,734	3,071,541	3,304,473	3,543,694	3,782,286	3,876,843	3,973,764	4,073,109	4,174,936	4,279,310
Total Income from Continuing Operations	142,752,000	179,344,827	189,570,546	196,355,213	193,747,263	198,846,632	203,559,595	208,272,825	213,287,235	218,427,750	223,697,549	229,099,889
Expenses from Continuing Operations												
Employee Benefits & On-Costs	54,031,000	58,487,712	61,150,704	62,434,651	64,145,234	65,886,205	67,961,764	70,103,740	72,314,260	74,595,516	76,949,773	79,379,366
Borrowing Costs	16,000	9,736	7,341	4,866	2,326	6,594	11,196	8,442	5,596	2,675	12,876	123,450
Materials & Contracts	82,222,000	71,362,582	75,745,426	77,326,193	80,246,503	84,060,077	83,678,155	84,996,907	86,509,408	89,360,602	89,684,117	91,848,761
Depreciation & Amortisation	25,107,000	25,461,122	26,559,589	27,621,973	28,726,851	29,875,926	31,011,211	32,189,637	33,412,843	34,682,531	36,000,467	37,368,485
Other Expenses	4,813,000	5,088,223	5,100,824	5,238,546	5,379,987	5,525,247	5,663,378	5,804,962	5,950,086	6,098,839	6,251,310	6,407,592
Net Losses from the Disposal of Assets	4,560,000	2,511,333	2,511,333	2,611,786	2,716,258	2,824,908	2,932,255	3,043,680	3,159,340	3,279,395	3,404,012	3,533,365
Total Expenses from Continuing Operations	170,749,000	162,920,708	171,075,217	175,238,015	181,217,159	188,178,956	191,257,958	196,147,369	201,351,534	208,019,558	212,302,554	218,661,019
Net Operating Result for the Year	(27,997,000)	16,424,119	18,495,329	21,117,198	12,530,104	10,667,675	12,301,637	12,125,455	11,935,701	10,408,192	11,394,995	10,438,870
Net Operating Result before Grants and Contributions provided for Capital	(5,794,000)	(87,838)	4,864,519	6,578,818	4,862,604	2,930,853	4,498,894	4,255,144	3,996,131	2,397,634	3,311,672	2,280,965

Average Net Result (2025/26 to 2034/35)

3,997,723

Commentary on Results – Income Statement

Income Statement (non-cash) results forecast over the period of this Plan are in line with the previous version, but have reduced compared to the forecast at the time the SRV was approved:

Version of Plan	Average Income Statement Result
2025/26 – 2034/35 (this Plan)	\$3,997,723
2024/25 – 2033/34 (previous Plan)	\$4,059,837
2023/24 – 2032/33 (used to support SRV)	\$6,584,543

The results have reduced because of the cost increases incurred, as noted in the Budget results section above (page 34).

Whilst the actions agreed to increase financial capacity during the exhibition period of this Plan (page 34) have slightly improved the results compared to in the draft version, many of the actions relate to capital expenditure (rather than operating budgets) and therefore have no impact on the Income Statement result. Comparatively, many of the cost increases incurred over the past two years are operating in nature and have therefore reduced the forecast (non-cash) surplus compared to when the SRV was approved.

The forecast Income Statement also highlights a trend of diminishing capacity over time, from a forecast surplus of \$6.6 million in 2026/27 when the last special rate rise of 5.5% is generated, to \$2.3 million in year 10 of the Plan. This trend of diminishing results over time is similar to the trend witnessed in successive versions of the Plan that led to the SRV. In the years prior to the SRV, the LTFP was characterised by a gradual erosion of financial capacity, with diminishing results in later years eventually turning into deficits after each annual update of the Plan. This trend will need to be reversed to ensure Council remains financially sustainable over the forecast period, which further supports the need to implement the recommendations included in the Plan (page 57).

Balance Sheet

Hornsby Shire Council	Actuals	Current Year	Projected Years									
10 Year Financial Plan	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35
BALANCE SHEET - GENERAL FUND	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Current Assets												
Cash & Cash Equivalents	60,080,000	8,574,975	5,772,039	5,767,994	5,730,891	7,988,761	8,219,057	8,467,014	8,716,140	8,935,242	9,260,023	9,584,377
Investments	56,499,000	99,298,212	95,233,643	90,740,535	92,355,796	94,712,465	92,910,571	98,048,025	103,336,061	101,006,533	107,231,063	113,629,638
Receivables	17,167,000	12,963,313	13,342,554	13,799,096	12,991,962	13,305,151	13,624,306	13,953,893	14,290,680	14,628,529	14,995,235	15,369,227
Inventories	191,000	189,168	200,780	204,974	212,716	222,918	221,911	225,410	229,423	236,982	237,845	243,586
Contract assets and contract cost assets	64,000	66,093	68,238	70,437	72,691	75,002	77,370	79,797	82,285	84,835	87,449	90,129
Other	1,323,000	734,709	776,932	793,458	822,888	861,269	858,945	872,991	888,933	917,770	922,362	944,678
Total Current Assets	135,324,000	121,826,470	115,394,187	111,376,494	112,186,946	117,165,565	115,912,160	121,647,131	127,543,522	125,809,893	132,733,977	139,861,634
Non-Current Assets												
Investments	160,097,000	137,126,102	126,239,945	130,577,843	127,538,957	125,549,082	133,700,578	135,399,654	136,980,360	145,350,865	148,080,992	150,625,334
Receivables	987,000	1,333,012	1,355,193	1,399,794	1,437,589	1,476,404	1,513,314	1,551,147	1,589,925	1,629,674	1,670,415	1,712,176
Infrastructure, Property, Plant & Equipment	2,237,754,000	2,367,409,060	2,475,985,042	2,570,300,042	2,663,526,214	2,756,628,495	2,847,311,953	2,940,748,820	3,037,293,627	3,136,722,675	3,237,201,114	3,340,544,063
Investment Property	36,790,000	36,990,000	37,240,000	37,496,750	37,760,432	38,031,234	38,308,806	38,593,317	38,884,940	39,183,855	39,490,242	39,804,289
Intangible Assets	883,000	747,050	612,038	586,626	558,702	528,125	494,810	458,613	419,384	376,965	331,195	281,901
Right of use assets	356,000	281,000	196,000	107,600	15,664	331,625	232,378	129,360	22,428	84,742	269,528	149,936
Total Non-Current Assets	2,436,867,000	2,543,886,225	2,641,628,218	2,740,468,654	2,830,837,558	2,922,544,965	3,021,561,838	3,116,880,910	3,215,190,664	3,323,348,776	3,427,043,486	3,533,117,699
TOTAL ASSETS	2,572,191,000	2,665,712,694	2,757,022,405	2,851,845,148	2,943,024,504	3,039,710,530	3,137,473,998	3,238,528,041	3,342,734,186	3,449,158,669	3,559,777,463	3,672,979,334
Current Liabilities												
Payables	13,877,000	15,152,635	15,968,066	16,317,403	16,862,381	17,530,908	17,644,201	17,993,586	18,374,452	18,942,534	19,172,622	19,658,529
Contract liabilities	2,658,000	2,225,108	2,267,327	2,341,234	2,233,620	2,290,689	2,344,958	2,400,583	2,457,599	2,516,040	2,575,943	2,637,343
Lease liabilities	80,000	54,357	56,832	59,372	60,111	61,981	62,745	63,116	63,999	64,420	65,995	67,211
Employee benefit provisions	14,795,000	14,558,572	14,838,198	15,152,510	15,502,583	15,889,528	16,316,937	16,786,149	17,298,540	17,855,537	18,458,612	19,109,285
Other provisions	44,488,000	41,300,000	7,193,109	6,173,860	2,224,426	381,586	374,422	367,743	361,742	356,224	351,384	346,786
Total Current Liabilities	75,898,000	73,290,672	40,323,532	40,044,380	36,883,122	36,154,692	36,743,264	37,611,177	38,556,332	39,734,756	40,624,556	41,819,154
Non-Current Liabilities												
Contract liabilities	577,000	250,063	257,337	266,421	244,856	250,922	256,690	262,602	268,663	274,874	281,241	287,768
Lease liabilities	275,000	248,951	192,119	132,747	72,636	357,230	294,485	231,369	167,370	276,261	463,826	396,615
Employee benefit provisions	1,509,000	2,025,635	2,064,541	2,108,274	2,156,982	2,210,820	2,270,289	2,335,573	2,406,866	2,484,365	2,568,275	2,658,807
Other provisions	18,709,000	17,973,000	10,777,891	4,911,140	3,633,574	3,560,414	3,493,578	3,431,257	3,375,258	3,323,776	3,278,616	3,235,714
Total Non-Current Liabilities	21,070,000	20,497,649	13,291,888	7,418,581	6,108,047	6,379,386	6,315,041	6,260,801	6,218,157	6,359,276	6,591,958	6,578,904
TOTAL LIABILITIES	96,968,000	93,788,320	53,615,420	47,462,961	42,991,169	42,534,078	43,058,305	43,871,978	44,774,489	46,094,032	47,216,514	48,398,058
Net Assets	2,475,223,000	2,571,924,374	2,703,406,985	2,804,382,188	2,900,033,334	2,997,176,452	3,094,415,693	3,194,656,063	3,297,959,697	3,403,064,637	3,512,560,948	3,624,581,276
EQUITY												
Retained Earnings	1,324,321,000	1,340,715,119	1,359,204,449	1,380,321,647	1,392,851,751	1,403,519,426	1,415,821,063	1,427,946,518	1,439,882,219	1,450,290,411	1,461,685,406	1,472,124,277
Revaluation Reserves	1,150,938,000	1,231,215,255	1,307,900,536	1,387,758,541	1,470,879,584	1,557,355,027	1,642,292,631	1,730,407,545	1,821,775,478	1,916,472,226	2,014,573,542	2,116,154,999
Other Reserves	(36,000)	(6,000)	-	-	-	-	-	-	-	-	-	-
Total Equity	2,475,223,000	2,571,924,374	2,667,104,985	2,768,080,188	2,863,731,334	2,960,874,453	3,058,113,694	3,158,354,063	3,261,657,697	3,366,762,638	3,476,258,948	3,588,279,276

Cash Flow Statement

Hornsby Shire Council 10 Year Financial Plan CASH FLOW STATEMENT - GENERAL FUND	Actuals 2023/24	Current Year 2024/25	Projected Years									
	\$	\$	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cash Flows from Operating Activities												
Rates & Annual Charges	116,752,000	124,965,572	134,636,814	140,973,533	144,825,398	148,735,684	152,459,082	156,270,559	160,177,323	164,181,756	168,286,300	172,493,458
User Charges & Fees	16,542,000	14,622,396	14,935,824	15,388,121	15,803,601	16,230,298	16,632,410	17,048,221	17,474,426	17,911,287	18,359,069	18,818,046
Investment & Interest Revenue Received	9,510,000	13,445,598	9,005,927	7,497,100	6,927,253	6,923,930	6,797,498	6,716,722	6,820,769	6,934,481	7,024,038	7,138,921
Grants & Contributions	21,900,000	25,059,133	23,785,907	25,001,255	18,758,063	18,811,601	19,155,573	19,506,963	19,867,137	20,236,315	20,614,723	21,002,591
Other	21,965,000	4,175,974	6,655,471	6,852,777	7,828,213	7,604,747	7,959,610	8,158,600	8,362,565	8,571,630	8,785,920	9,005,568
Employee Benefits & On-Costs	(53,872,000)	(58,329,707)	(60,738,640)	(62,030,154)	(63,684,799)	(65,388,208)	(67,404,978)	(69,497,102)	(71,656,127)	(73,884,191)	(76,183,502)	(78,556,339)
Materials & Contracts	(83,807,000)	(70,842,645)	(75,321,065)	(77,159,752)	(79,950,372)	(83,673,985)	(83,701,147)	(84,855,373)	(86,348,814)	(89,070,408)	(89,637,567)	(91,624,089)
Borrowing Costs	(16,000)	(9,736)	(7,341)	(4,866)	(2,326)	(6,594)	(11,196)	(8,442)	(5,596)	(2,675)	(12,876)	(123,450)
Bonds & Deposits Refunded	(3,000)	-	-	-	-	-	-	-	-	-	-	-
Other	(5,296,000)	(7,572,293)	(9,910,592)	(12,043,497)	(10,478,006)	(7,286,216)	(5,688,216)	(5,776,861)	(5,907,806)	(6,013,304)	(6,225,192)	(6,326,982)
Net Cash - Operating Activities	43,675,000	45,514,292	43,042,304	44,474,519	40,027,025	41,951,256	46,198,636	47,563,287	48,783,878	48,864,891	51,010,914	51,827,723
Cash Flows from Investing Activities												
Sale of Investment Securities	168,131,000	-	14,950,727	155,210	1,423,624	-	-	-	-	-	-	-
Sale of Infrastructure, Property, Plant & Equipment	1,202,000	1,000,000	1,000,000	1,027,000	1,054,729	1,083,207	1,110,287	1,138,044	1,166,495	1,195,658	1,225,549	1,256,188
Purchase of Investment Securities	(121,550,000)	(19,828,314)	-	-	-	(366,794)	(6,349,601)	(6,836,531)	(6,868,742)	(6,040,976)	(8,954,657)	(8,942,918)
Purchase of Investment Property	(2,175,000)	-	-	-	-	-	-	-	-	-	-	-
Purchase of Infrastructure, Property, Plant & Equipment	(68,925,000)	(78,139,310)	(61,741,610)	(45,488,942)	(42,365,003)	(40,163,395)	(40,542,718)	(41,426,664)	(42,638,769)	(43,602,584)	(42,708,933)	(43,609,980)
Purchase of Intangible Assets	-	-	-	(115,000)	(118,105)	(121,294)	(124,326)	(127,434)	(130,620)	(133,886)	(137,233)	(140,664)
Net Cash - Investing Activities	(23,317,000)	(96,967,625)	(45,790,883)	(44,421,732)	(40,004,755)	(39,568,276)	(45,906,358)	(47,252,585)	(48,471,636)	(48,581,789)	(50,575,274)	(51,437,374)
Cash Flows from Financing Activities												
Repayment of lease liabilities (principal repayments)	(361,000)	(51,692)	(54,357)	(56,832)	(59,372)	(125,111)	(61,981)	(62,745)	(63,116)	(63,999)	(110,860)	(65,995)
Net Cash Flow - Financing Activities	(361,000)	(51,692)	(54,357)	(56,832)	(59,372)	(125,111)	(61,981)	(62,745)	(63,116)	(63,999)	(110,860)	(65,995)
Net Increase/(Decrease) in Cash & Cash Equivalents	19,997,000	(51,505,025)	(2,802,936)	(4,045)	(37,102)	2,257,869	230,296	247,957	249,125	219,103	324,780	324,355
plus: Cash & Cash Equivalents - beginning of year	40,083,000	60,080,000	8,574,975	5,772,039	5,767,994	5,730,891	7,988,761	8,219,057	8,467,014	8,716,140	8,935,242	9,260,023
Cash & Cash Equivalents - end of the year	60,080,000	8,574,975	5,772,039	5,767,994	5,730,891	7,988,761	8,219,057	8,467,014	8,716,140	8,935,242	9,260,023	9,584,377
Cash & Cash Equivalents - end of the year	60,080,000	8,574,975	5,772,039	5,767,994	5,730,891	7,988,761	8,219,057	8,467,014	8,716,140	8,935,242	9,260,023	9,584,377
Investments - end of the year	216,596,000	236,424,314	221,473,588	221,318,377	219,894,753	220,261,547	226,611,148	233,447,679	240,316,421	246,357,398	255,312,055	264,254,972
Cash, Cash Equivalents & Investments - end of the year	276,676,000	244,999,290	227,245,627	227,086,371	225,625,645	228,250,308	234,830,206	241,914,693	249,032,561	255,292,640	264,572,077	273,839,350
Representing:												
- External Restrictions	165,032,000	133,710,617	124,643,640	127,498,490	130,112,495	132,616,420	134,879,652	136,922,701	138,923,412	140,881,471	142,796,584	144,668,472
- Internal Restrictions	88,737,000	84,474,664	77,962,326	77,541,842	77,362,319	77,407,025	77,580,972	78,291,144	79,537,102	81,133,813	83,449,983	85,746,807
- Unrestricted	22,907,000	26,814,008	24,639,661	22,046,039	18,150,830	18,226,864	22,369,581	26,700,848	30,572,047	33,277,356	38,325,511	43,424,071
	276,676,000	244,999,290	227,245,627	227,086,371	225,625,645	228,250,308	234,830,206	241,914,693	249,032,561	255,292,640	264,572,077	273,839,350

Commentary on Results – Balance Sheet & Cash Flow Statement

The Balance Sheet and Cash Flow Statement results over the 10-year period maintain equity, liabilities, non-current assets and cash inflows and outflows within acceptable levels.

The most notable changes are a forecast increase in the value of Council's significant infrastructure asset base from \$2.238 billion at 30 June 2024 to \$3.341 billion at 30 June 2035 and a decline in investments comprising externally restricted assets in the first two years of the Plan. The increase in assets and reduction in cash and investments forecast is reflective of Council's current program of capital works, which is largely funded by external grants and restricted assets. Annual SRV and Asset Management allocations are also forecast to increase the value of Council's asset base over the term of the Plan, as are cyclical asset revaluations that are required by Australian Accounting Standards.

Sufficient unrestricted cash is forecast each year. Unrestricted cash is essential for Council to operate on a 'business as usual' basis as it represents Council's working funds from month to month, noting the timing of income receipts and expenditure payments is not linear throughout the year.

Local Government Performance Indicators

Indicator	Benchmark	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	Average
Operating Performance Ratio	>2% (>0% OLG)	4.06%	4.92%	3.94%	2.87%	3.66%	3.51%	3.35%	2.56%	2.98%	2.49%	3.43%
Own Source Operating Revenue	>60%	87.39%	87.22%	90.46%	90.52%	90.57%	90.61%	90.67%	90.72%	90.76%	90.81%	89.97%
Unrestricted Current Ratio	>1.5	5.23	4.95	4.76	4.64	4.77	4.89	4.99	4.91	5.10	5.23	4.95
Debt Service Cover Ratio	>2	546.09	592.58	584.21	268.54	521.69	550.84	586.25	600.88	342.85	226.94	482.09
Asset Maintenance Ratio	>100%	0.97	0.98	0.98	0.99	0.99	1.00	1.00	1.00	1.00	1.00	0.99
Asset Renewals Ratio	>100%	129%	124%	120%	115%	111%	107%	104%	100%	97%	94%	110%
Infrastructure Backlog Ratio	<2%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%

Commentary on Results - Performance Indicators

6 of the 7 indicators are within the required range on an average basis over the 10-year term of the Plan, with further commentary and an explanation of variability between years explained further as follows:

Operating Performance Ratio (OPR) - The plan forecasts an average OPR of 3.43%, which is above the benchmark set by Council of 2%. However, whilst the result for this ratio is satisfactory it is noted that it trends down over the ten-year term of the Plan and therefore highlights a sequence of diminishing results that need to be reversed to ensure Council remains financially sustainable beyond the current forecast period.

Own Source Operating Revenue - The ratio is well above the benchmark of 60% all years with an average ratio of 89.97% over the term of the Plan. This indicates that Council is not overly reliant on the continuation of grants to fund general operations meaning the budget is appropriately structured with expenditure to fund the normal continuance of services covered by operating income each year.

Unrestricted Current Ratio - The ratio is well above the benchmark of 1.5 set by the OLG in all years with an average forecast ratio of 4.95.

Debt Service Cover Ratio – The ratio is significantly above the benchmark of 2 set by the OLG with an average forecast ratio of 482.09 over 10 years. This represents a forecast continuation of Council's debt free position, noting that a recommendation is included within this Plan for this to be maintained (refer page 57). Therefore, the only debt and interest repayments forecast in the plan represent non-cash accounting adjustments to estimate notional amounts in respect of operating lease agreements for IT equipment, as required by Australian Accounting Standards.

Asset Maintenance Ratio – The ratio averages 99% over the life of the Plan and is inclusive of the funding requirements identified in Council's revised Asset Management Strategy that covers the majority of the asset base (page 28). The ratio is slightly below the benchmark as revised Asset Management Plans for some of Council's asset base, such as Foreshores and some Other Structures are still to be prepared, with the completion of these Plans being recommended in the Asset Management Strategy and supported by a further recommendation in this Plan. The ratio is forecast to increase to 100% in future years on the basis that these recommendations should be completed over the coming years.

Asset Renewals Ratio – The ratio averages 110% over the life of the Plan, which appears acceptable. However, this is due to forecast results over 100% in the first 8 years of the Plan, which gradually decrease to less than 100% in the later years of the forecast period. This is attributable to an increased program of capital expenditure funded from external sources in the early years of the Plan, which reduces over time. Depreciation is also forecast to increase over the

term of the Plan, which reduces the result in later years and highlights the possibility of additional asset renewal funding being required in these years. The decline in this ratio further supports the need to forecast a budget (cash) surplus greater than 2% to be forecast to allow Council to respond to future budget shocks that could eventuate.

Infrastructure Backlog Ratio – the ratio averages 1% over the life of the Plan and is below the maximum benchmark of 2% set by the Office of Local Government in all years forecast as the Plan includes funding to maintain the condition of the majority of Council's assets to the level of service required.

Financial Risks

There are several significant risks, many based on past experience, that may place pressure on Council's Annual Budget over the period of the Plan.

- Major Projects – Whilst most major capital projects are funded from external sources such as grants and development contributions, there is an unavoidable level of financial risk from capital budgets of this size given the nature of complex infrastructure projects and large construction costs relative to the size of Council's overall budget. Should costs escalate above the level of external funds available, Council general funds would be required to complete works, which could place significant pressure on the Annual Budget in any given year. Past examples of capital cost escalations include sizeable additional allocations provided to the Wisemans Ferry Boat Ramp project and Galston Aquatic Centre Remediation projects.
- Additional Capital Grant funding – As noted throughout this Plan, Council has received significant funding from capital grants for large infrastructure projects over recent years, with \$90 million provided by the NSW State Government for partial compensation of the financial loss suffered by Council following the 2016 boundary adjustment, as well as numerous other large grants received from other layers of government to provide economic stimulus during the recovery period from the COVID-19 pandemic. Whilst income from capital grants is forecast at much lower levels in future years, there is the potential for further large capital grants to be offered to Council over the long term. Whilst large grants provide an opportunity for Council to increase service provision through new assets, ongoing operating, maintenance and renewal costs are significant. The recurrent costs required to maintain and operate Hornsby Park contributed to deficits forecast in previous versions of this Plan that led to the Special Rate Variation.

With an average forecast cash surplus of \$2.3 million per year Council has insufficient financial capacity to maintain new projects of this magnitude over the next ten years, should additional capital grant funding for new infrastructure of this scale be offered. This Plan therefore includes a recommendation for future capital grants to be carefully considered including the identification of a funding source for recurrent costs before acceptance. It is recommended that Council decline future major capital grants for new discretionary infrastructure unless an additional funding source to cover ongoing maintenance and renewal costs is also provided.

- Investment income returns – Investment returns over the life of the Plan are based on a forecast of the base rate set by the Reserve Bank of Australia. If the base rate is set at a lower level, less investment income will be generated, which will reduce financial capacity. Conversely, should the base rate

be set at a higher rate, Council would benefit from having more investment income to allocate to expenditure. A sensitivity analysis has been completed with regards to potential changes to the base rate to demonstrate Council's reliance on investment income (page 54).

- Natural Disasters – The Hornsby Shire Local Government Area was impacted by multiple severe weather events that were declared Natural Disasters by the NSW Government between 2018 and 2022. These events cost Council several hundred thousand dollars in clean-up costs that were not able to be recouped from the NSW Government. Furthermore, flooding caused significant damage at Wisemans Ferry that added \$3.57 million in flood related clean up to the cost of Council's project to construct a new boat ramp and associated infrastructure. Costs to rectify damaged roads from the February 2022 and July 2022 floods also cost in the order of \$6.5 million.
- Electricity Prices – Council's sustainability team have raised a potential risk to the Annual Budget upon renewal of the electricity contract for Council facilities from 1 January 2026. Initial investigation by the team suggests that prices could rise by as much as 70%, or approximately \$700K, subject to market rates at the time the contract is renewed. This increase in cost would significantly reduce forecast financial capacity and, should an increase of this size be incurred, it would be appropriate to increase user charges and fees where possible to offset part of the impact.
- Reactive asset remediation – the discovery of asbestos in Council's Administration Centre created financial challenges over multiple years. Council staff were based at a temporary office location in Thornleigh for a number of years with this short-term solution incurring a rental expense each year. The unexpected refit of the Administration Centre also required a total capital budget of \$10.8 million, with this funding identified from savings and opportunities over a number of years including funds temporarily drawn from Council's internal reserves.
- Hornsby Town Centre – The Hornsby Town Centre Masterplan was adopted by Council in November 2023 and included provision for 4,900 new homes in the Town Centre and identified the infrastructure improvements required to cater for this increase in population. The construction of the first new dwellings is expected to occur towards the end of the forecast period of the Plan due to ongoing challenges in the construction industry, notably rising costs and high interest rates that limit the current financial feasibility of large-scale developments. Because of this, and because there is limited financial capacity forecast over the next ten years, there is no funding included within this Plan for an increase in operating costs that could be incurred to progress associated infrastructure improvements from general funds. Whilst income from development contributions will go some way to provide the

new infrastructure required, there is a risk that some projects may require the use of general funds to cover costs, noting this is often the case for new infrastructure that is not wholly attributable to new development. As there is limited financial capacity over the next ten years, it is recommended that Council's Development Contribution Plans prioritise projects that maximise development contribution funding on hand instead of Council's general fund.

- State Government Costs – There are some costs over which Council has no control such as levies charged by the NSW Government. Over recent years the Emergency Services Levy payable to the State has increased by around \$2 million per year and in the order of 100%, which is above the level of estimated increases in previous Plans that had forecast the annual increase in the levy to track in line with CPI. There is a risk of future cost increases of this nature over which Council has no control.
- The Rate Peg set by IPART – Previous versions of this Plan discussed the impact of recurrent annual cost increases greater than the annual rate peg increase permitted each year. In 2022/23 Council sought an Additional Special Rate variation to apply a 2.28% increase to rates in response to a historically low rate peg increase of 0.7% for that year set by IPART, with this application subsequently approved. The approved increase of 2.28% went some way to provide additional financial capacity to cover cost increases during that year, but fell short of actual CPI of 6% reported by the Reserve Bank of Australia at 30 June 2023. The cumulative impact of ongoing rate increases falling short of actual cost increases was one of the factors that led to Council's application for the current SRV. Whilst the current SRV provides some protection until the last SRV increase is applied in 2026/27, Council remains at risk of a trend of decreasing financial capacity unless future rate peg increases appropriately cover actual cost increases incurred by Council.
- Foxglove Oval – Council controls several historic landfill sites including Foxglove Oval that pose a potential risk to Council should remediation works be required. Testing confirmed the presence of methane gas at Foxglove Oval following severe weather events in recent years, with Council subsequently progressing a plan to undertake significant remediation works. The relevant Director and Project Manager prepared an estimate of the total costs required to remediate the site in line with a forecast program of work over the next four financial years, which has a total estimated cost of \$23.38 million. \$23.38 million has been transferred from Council's Capital Projects and Restricted Working Funds internally restricted asset account to fund an internal loan to Domestic Waste for this purpose, with all costs incurred to be recovered, most likely through future increases in Domestic Waste

Annual Charges. Whilst Council remains in a stable financial position, a reduction in cash of this size will weaken Council's liquidity position until the internal loan can be repaid, and the repayment of these funds is critical to Council's long term financial sustainability.

- Westleigh Park Grant Funding – In 2024 Council received notification from the Office of Local Government that remaining grant funding in the order of \$36 million (excluding interest earned to date) would be required to be returned. The matter is currently ongoing with Council pursuing opportunities available to retain the funding. The notification received jeopardises the future of the project as insufficient available financial capacity is forecast over the ten-year term of the Plan to replace funding of this magnitude.
- Legal matter – a legal matter has arisen during the public exhibition period that could require Council's cash reserves to be called upon. Whilst the matter is confidential in nature the emergence of the matter places greater emphasis on the need for ongoing prudent financial management, including ensuring that Council's cash reserves are maintained at existing levels as recommended within this Plan (page 57).

Opportunities

- User Charges and Fees – Page 24 of the Plan (User Charges and Fees) notes that previously applied increases for User Charges and Fees over the last three years are 8.7% less than CPI-based cost increases incurred on a cumulative basis over this period due to CPI increases exceeding economic forecasts given the unpredictable nature of the high inflationary environment. This Plan therefore includes an action (page 57) to analyse options to increase non statutory fees and charges to catch up on this lost cost growth.
- Advertising Space – Income from Council's advertising space, such as at bus stops and shelters is under contracts that have not been priced by the market in some time. With the contractual end date for the majority of locations now passed there is an opportunity for Council to tender the use of this advertising space at current market rates. It is likely that income generated in the current market would exceed the current level, noting the success of the advertising signage on the George Street pedestrian bridge as an example, which makes a positive net contribution to Council's Annual Budget each year. This Plan therefore includes an action for advertising space to be retendered (page 57).
- Paid Parking – Council's adopted Car Parking Management Study recommends that paid parking be implemented across a number of locations. As noted, it is regarded as crucial that Council retains existing levels of cash reserves (page 15) to ensure that Council is best placed to remain in a financially stable position over the long term. As income from paid parking requires an upfront investment in equipment and technology to implement management of paid parking it is recommended that any future roll out is undertaken on a staged basis with the aim of testing the assumptions that have underpinned the study before committing significant funding. It is therefore recommended that a location with the highest forecast yield be tested first, with the implementation of paid parking at other locations only following if the assumptions that underpin the study are proven to be sound, when there is certainty that funding invested in equipment and technology will be repaid. If successful, the implementation of paid parking could increase Council's financial capacity over future years.

Sensitivity Analysis – Employee Costs

As a method of cost containment, a two-week productivity measure has been applied to budgets provided for salaries and wages, which are based on a 50 week instead of 52 week year on the assumption that there will be vacancies from time to time across the organisation. The result is a funding gap of 4% between available budgets and the level of expenditure required to employ staff to each of Council's approved positions for a full year.

The first year of this Plan is Council's adopted 2025/26 Annual Budget, which was prepared on the basis of a 50-week year for salaries and wages. Therefore, all future years in the 10-year Plan also include the 2-week productivity measure. The Plan has also been prepared on the assumption that a long-standing freeze on Council's Full Time Establishment headcount will remain, with the creation of no new general fund positions forecast over the next 10 years. This is despite the Plan also including funding for increased annual budgets for asset management and strategic initiatives funded from the SRV (pages 28 and 32). The delivery of each of these initiatives will require additional operating capacity and it is expected that a move towards full headcount could result. To estimate the impact on Council's financial capacity from a 0% vacancy rate, a sensitivity analysis has been undertaken based on salary and wage budgets for a 52-week year.

Additional Expenditure – 52 Week Year

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Additional expenditure	\$2,246,734	\$2,314,136	\$2,383,560	\$2,459,834	\$2,538,549	\$2,619,782	\$2,703,615	\$2,790,131	\$2,879,415	\$2,971,556

On average, additional annual expenditure of \$2,590,731 would be required in this scenario inclusive of forecasted increases to the wage price index over the life of the Plan.

Results

Net Operating Surplus before Capital Items

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Base LTFP	\$4,864,519	\$6,578,818	\$4,862,604	\$2,930,853	\$4,498,894	\$4,255,144	\$3,996,131	\$2,397,634	\$3,311,672	\$2,280,965
Sensitivity Analysis	\$2,617,785	\$4,264,682	\$2,479,044	\$471,019	\$1,960,345	\$1,635,362	\$1,292,516	-\$392,497	\$432,257	-\$690,591

Budget (Cash Liquidity Result)

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Base LTFP	\$1,435,083	\$3,367,761	-\$864,630	\$647,114	\$3,283,939	\$3,218,959	\$2,684,363	\$1,297,069	\$3,979,708	\$3,819,642
Sensitivity Analysis	-\$811,651	\$1,053,625	-\$3,248,190	-\$1,812,720	\$745,390	\$599,177	-\$19,253	-\$1,493,062	\$1,100,293	\$848,085

In this scenario the average Income Statement surplus would reduce from \$4.0 million to \$1.4 million. Of greater concern, the budget (cash liquidity) result averages a deficit of -\$304K over the ten-year term of the Plan. This indicates that Council would be unsustainable if the vacancy rate reduces to 0%, and demonstrates sensitivity to cost increases from new positions or salary growth above the forecast wages price increase included in the Plan.

A recommendation is therefore proposed (page 57) for no new general fund positions to be created unless they are offset by an equivalent position elsewhere, or unless funding is identified such as from external grants, existing capital works budgets or additional income, with a business case required for the creation of new positions.

Sensitivity Analysis – Investment Income

As noted in the Budget Results section (page 34), additional investment income forecast in this revised version of the Plan has partially offset an increase in recurrent ongoing costs above the level previously forecast.

However, predicting investment income is notoriously challenging, with significant fluctuations in the base rate set by the Reserve Bank of Australia occurring over recent years. Ongoing uncertainty in this area is a risk for Council given the degree of reliance on this income to achieve a balanced budget each year.

A sensitivity analysis has therefore been performed to calculate the change in Council's forecast capacity should the base rate decrease by 1% below the level forecast, and should it increase by 1% above the level forecast.

Results – Investment Returns 1% Less

Net Operating Surplus before Capital Items

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Base LTFP	\$4,864,519	\$6,578,818	\$4,862,604	\$2,930,853	\$4,498,894	\$4,255,144	\$3,996,131	\$2,397,634	\$3,311,672	\$2,280,965
Sensitivity Analysis	\$2,648,183	\$4,485,406	\$2,825,424	\$863,507	\$2,445,287	\$2,206,706	\$1,843,252	\$249,247	\$1,110,003	\$23,693

Budget (Cash Liquidity Result)

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Base LTFP	\$1,435,083	\$3,367,761	-\$864,630	\$647,114	\$3,283,939	\$3,218,959	\$2,684,363	\$1,297,069	\$3,979,708	\$3,819,642
Sensitivity Analysis	\$218,747	\$1,995,388	-\$2,159,069	-\$647,326	\$1,989,499	\$1,924,519	\$1,389,923	\$2,629	\$2,685,269	\$2,525,202

The results show that in this scenario the average Income Statement surplus reduces from \$4.0 million to \$1.9 million, indicating a sizeable reduction in operating capacity. Council's forecast budget (cash) result reduces from an average of \$2.3 million to \$992K per year, highlighting the reliance of investment income to balance the budget, and further emphasising the limited level of protection that the current average surplus of \$2.3 million per year provides.

This sensitivity therefore demonstrates that Council is significantly reliant on investment income returns to maintain long term financial sustainability. This places emphasis on the need to:

- Maintain forecast budget surpluses to respond to budget shocks, including an unforeseen reduction in the base rate.
- Maintain historic cash reserves to ensure investment returns used to fund the continuance of normal services are sustained (refer to page 57 for a recommendation specifically regarding this).

Results – Investment Returns 1% Greater

Net Operating Surplus before Capital Items

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Base LTFP	\$4,864,519	\$6,578,818	\$4,862,604	\$2,930,853	\$4,498,894	\$4,255,144	\$3,996,131	\$2,397,634	\$3,311,672	\$2,280,965
Sensitivity Analysis	\$7,080,855	\$8,691,231	\$6,934,032	\$5,048,790	\$6,620,750	\$6,389,981	\$6,198,704	\$4,671,890	\$5,661,763	\$4,711,257

Budget (Cash Liquidity Result)

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Base LTFP	\$1,435,083	\$3,367,761	-\$864,630	\$647,114	\$3,283,939	\$3,218,959	\$2,684,363	\$1,297,069	\$3,979,708	\$3,819,642
Sensitivity Analysis	\$2,651,419	\$4,740,134	\$429,810	\$1,941,554	\$4,475,540	\$4,513,398	\$3,978,802	\$2,591,509	\$5,274,148	\$5,114,081

In this scenario Council's average Income Statement surplus increases from \$4.0 million to \$6.2 million with a corresponding increase in the forecast budget (cash) result from an average of \$2.3 million to \$3.5 million.

This sensitivity therefore demonstrates that increased investment returns from a higher than forecast base rate in any given year could provide Council with a larger surplus with which to respond to unforeseen budget shocks.

Recommendations

Actions to Improve Financial Capacity

The following actions will be progressed over the next 12 months with an update regarding the latest status of each to be provided in the next version of the LTFP. If successful, these actions should increase financial capacity above the average cash surplus of \$2.3 million per year currently forecast:

4. Income from non-statutory user charges and fees will be analysed to assess opportunities to generate additional revenue. The analysis will include market benchmarking and a review of cost allocation and apportionment, as appropriate, with a project team established to review Aquatic and Recreation Centres, Parks, Community Centres and Commercial Properties.
5. A detailed plan, including an indicative timeline for the retendering of both small and large format outdoor advertising sites across the shire will be completed by August 2025, with the aim of progressing this initiative next year. The project is expected to run over multiple years with progress against milestones to be reported back in future versions of the LTFP.
6. A working group responsible for the revision of Council's Development Contribution Plans will consider whether existing general fund allocations for the upgrade and construction of new assets that cater for a growth in population could be funded from development contributions instead, provided this approach is fully compliant with all applicable legislation. There are two applicable general fund budgets that will be considered, \$500K per year up to and including 2027/28 for the construction of new footpaths and \$1 million per year for playground upgrade and renewals (reducing to \$800K per year from 2033/34).

Ongoing Recommendations to Ensure Financial Sustainability

During the exhibition period Council's Executive Leadership Team further expressed their support for ongoing recommendations to ensure financial sustainability, similar to those included in previous versions of this Plan:

- No further discretionary, recurrent cost increases to be incurred unless offset by the substitution of existing budgets elsewhere.

- No new general fund positions to be created unless offset by an equivalent position elsewhere, or unless funding is identified such as from external grants, existing capital works budgets or additional income, with a business case required for the creation of new positions.
- Cash reserves to be maintained at existing levels with any funding that is transferred to respond to immediate financial challenges or unforeseen events to be repaid, to preserve Council's cash liquidity position over the term of this Plan and beyond.
- Consideration for paid parking to be implemented on a staged basis with the aim of testing the assumptions that underpin the Car Parking Management Study before committing significant funding to new infrastructure and technology.
- The S7.11 Development Contributions Plan to prioritise projects that maximise development contribution funding on hand instead of Council's general fund.
- No new loan borrowing to be undertaken.
- Continuance of financial improvement initiatives (the development of business improvement plans and service reviews), ensuring that any such plans are based on a principle of increasing financial capacity, having caution to potential cost increases that can arise where improvements are reliant on the implementation of new technology.
- Maximise returns from Council's property holdings, subject to appropriate business cases, including independent due diligence of key financial assumptions. Undertake a review of progressed initiatives that examines whether the benefits forecast in the original business case have been achieved.
- Progress areas for improvement identified in Council's Asset Management Plans to ensure assets used by the community are maintained and renewed to the level of service required, to further protect Council from the risk of budget shocks from reactive asset maintenance.
- Future capital grants to be carefully considered, including identification of a funding source for recurrent costs before they can be accepted. It is recommended that Council decline future capital grants for major new discretionary infrastructure projects, unless additional funding to cover ongoing maintenance and renewal costs is identified, noting the current forecast Budget (cash) surplus is insufficient to fund an expansion of Council's asset base above the level already forecast.

If the above actions are addressed progressively over coming years, Council should remain financially sustainable into the future.