DRAFT

Long Term Financial Plan 2022 - 2032

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Introduction

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

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

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

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

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

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

A Finacially Sustainable Future

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

The 2022-2023 Operational Plan and Long Term Financial Plan have been prepared within the context of the Sustainable Financial Strategy. Council will demonstrate financial sustainability to the community by implementing 11 Key Financial Objectives contained within the four principles below.

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

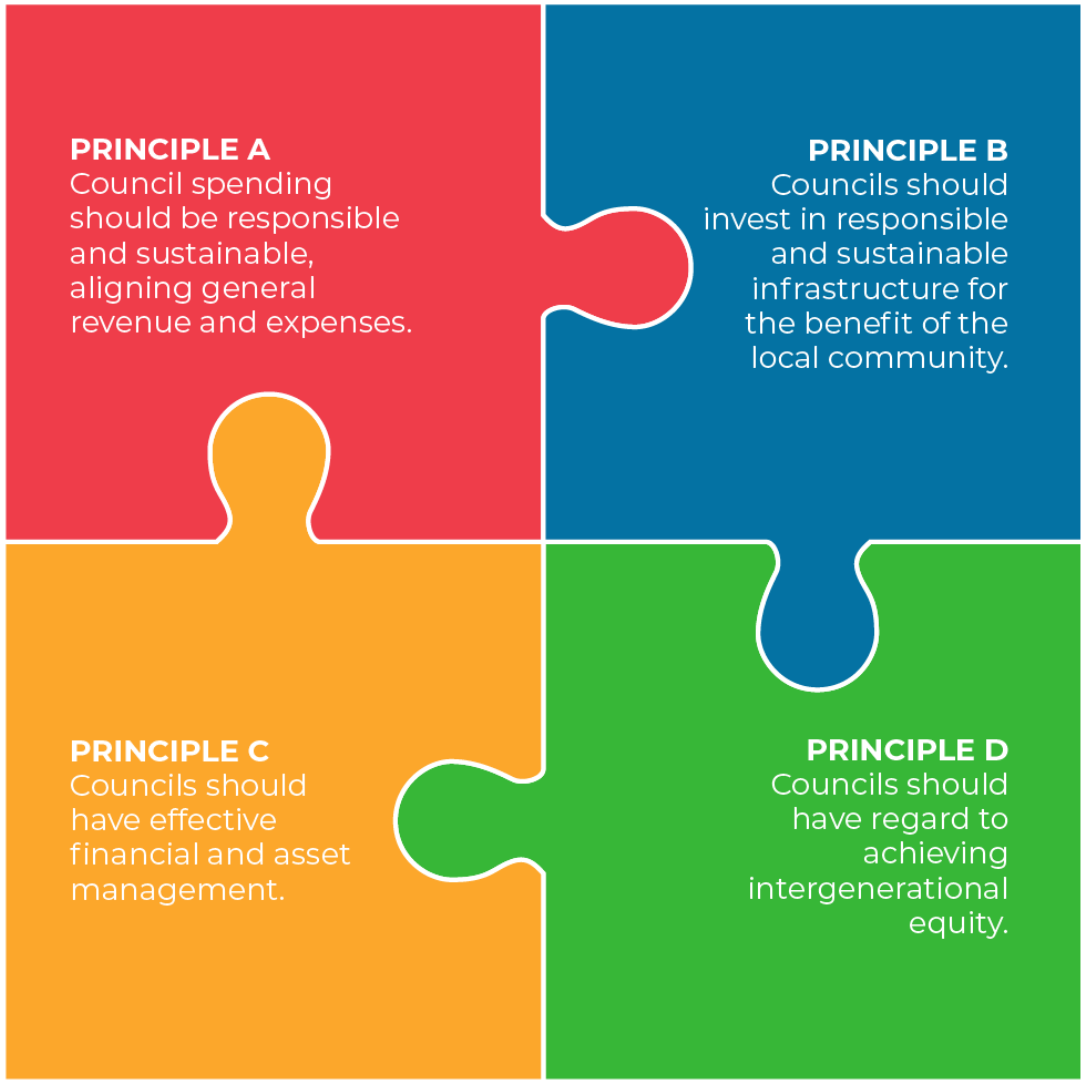
PRINCIPLE B **- Councils should invest in responsible and sustainable infrastructure for the benefit of the local community**

PRINCIPLE C **- Councils should have effective financial and asset management**

PRINCIPLE D **- Councils should have regard to achieving intergenerational equity**

Council has applied the following 11 Key Financial Objectives to the 2022-2023 Operational Plan and Long Term Financial Plan to ensure financial sustainability.

Council's Principles of Sound Financial Management



Council's Principles of Sound Financial Management

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

Key Objective 1	Financially sustainable over the short, medium and long term to meet community's specific needs.

Actions

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

Outcomes

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

Measure - Performance Measures and other Metrics

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

Key Objective 2	Optimise returns from Council's commercial ventures thereby reducing burden for rate payers and minimising revenue volatility.

Actions

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

Outcomes

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

Measure - Performance Measures and other Metrics

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

Key Objective 3	Council will continually review its services to better define service requirements and refine delivery methods.

Actions

- Determine costs of providing services and compare to industry benchmarks.
- Undertake a review of existing service levels to ensure services are aligned with community expectation.
- Develop a rolling program of service level reviews to ensure ongoing services are delivered in accordance with best value principles.

Outcomes

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

Measure - Performance Measures and other Metrics

- Assists Council in achieving the Operating Performance ratio.

Key Objective 4	Adequately resourced cross-functional sustainability teams will be formed to address specific risks to Council's financial sustainability.

Actions

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

Outcomes

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

Measure - Performance Measures and other Metrics

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

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

Key Objective 5	Council will systematically assess asset conditions and determine funding to ensure desired condition levels are achieved at the best value for Council.

Actions

- The community will be engaged to determine service levels. Council's Strategic Asset Management Plan will reflect community expectations and prioritise assets spending.
- Continue with Council's asset conditional assessment program to reduce maintenance expenditure within the Delivery Program.
- Implementing processes to enable whole of life costing for assets.
- Ensure the appropriate classification of asset renewal expenditure and asset maintenance exist.
- Implement a program that ensures Infrastructure Renewal ratio greater than 100% annually.
- Further refine the program that identifies the frequency and method of conditional assessments for infrastructure assets to ensure the Infrastructure Backlog Ratio is less than 2%.
- Implement a program that ensures infrastructure assets maintenance is greater than 100%.
- Enhance the community asset strategy that ensures community assets are safe, well maintained and fit for purpose.
- Educate the community on the costs associated with maintaining assets according to the various condition categories and benchmark with peer councils.
- Undertake a strategic review of the current asset base to ensure assets are utilised and delivering value to the community. Where they are not meeting expectation divest/retire the asset.

Outcomes

- Council's asset base is fit for purpose and aligns with community service requirements.
- Achieve compliance with OLG Asset Performance Measures by prioritising expenditure and ensuring sufficient type of expenditure is performed on infrastructure assets.
- Strategic Asset Management Plan is integrated within the Operational Plan, Delivery Program and LTFP thereby guaranteeing funding.

Measure - Performance Measures and other Metrics

- Infrastructure Renewal ratio greater than 100%.
- Infrastructure Backlog ratio less than 2%.
- Asset Maintenance ratio is greater than 100% which indicates Council is investing enough funds to reduce the infrastructure backlog

Key Objective 6	Council's Delivery Program will be used to determine infrastructure service levels and funding to meet community expectations.

Actions

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

Outcomes

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

Measure - Performance Measures and other Metrics

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

PRINCIPLE C
Councils should have effective financial and asset management.

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

Actions

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

Outcomes

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

Measure - Performance Measures and other Metrics

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

Key Objective 8	Effective Capital Expenditure Framework will ensure capital expenditure is sufficiently planned, scoped, approved and regularly monitored to maximise infrastructure delivered to the community.

Actions

- Procurement Policy and Procurement Procedures are implemented ensuring capital expenditure procurement roles and responsibilities are clear and individuals are held accountable.
- Rollout the recently developed capital reporting framework that ensures capital expenditure is appropriately approved with the Project Manager being held to account for phasing, forecasting and project risk mitigation.

Outcomes

- Council officers involved in capital expenditure are held to account resulting in predictable and efficient capital expenditure.

Measure - Performance Measures and other Metrics

- Infrastructure Renewal ratio greater than 100%.
- Infrastructure Backlog ratio less than 2%.
- Asset Maintenance ratio is greater than 100% which indicates Council is investing enough funds to reduce the infrastructure backlog.

Key Objective 9	Having a financially sustainable culture supported by effective Policies and Procedures ensures all Council officers are accountable to deliver services to the community efficiently.

Actions

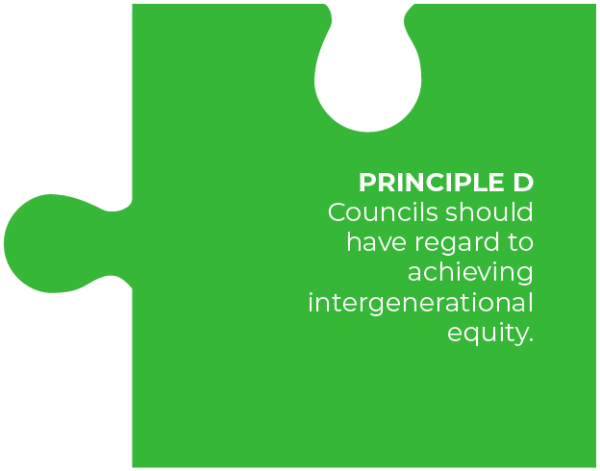
- The Quarterly Operational Plan Review process includes year-end forecasting and year-to-date variance commentary.
- Procurement Policy and Procurement Procedure are implemented so Council officers are aware of their delegated budget, remain within their delegated budget and are aware of the processes to adjust their delegated budgets.
- Provide regular finance training/education to Council's Senior Management Team.

Outcomes

- Financial literacy is achieved throughout Council thereby ensuring financial performance is maximised and is aligned with the Operational Plan and Delivery Program.

Measure - Performance Measures and other Metrics

- Assists Council in achieving all performance measures and performance benchmarks set by the Office of Local Government (OLG).
- Reduction in instances where budget allocations are exceeded.



PRINCIPLE D
- Councils should have regard to achieving intergenerational equity

Key Objective 10	Excess working capital should be minimised and potential to borrow competitively for infrastructure projects should always exist.

Actions

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

Outcomes

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

Measure - Performance Measures and other Metrics

- Unrestricted Current ratio remains within the range 1.5 to 3.5 times.
- Annualised Investment Return should be 1% above the AusBond bank Bill Index.
- Debt Service ratio remains within the range 0% to 20%.

Key Objective 11	Maintaining intergenerational equity is a key consideration for all strategic decisions.

Actions

- Utilising borrowings to assist in funding long term assets and ensuring borrowing periods do not exceed the useful life of the asset.
- Where appropriate, and not to the detriment of achieving Performance Measures and metrics, Council will pursue loans and other commercial options to further align costs with generations that are receiving benefits.
- Where it is economically sound to do so, Council will incur costs today that will ultimately provide significant benefits in the future.
- Monitor and strategically manage borrowings, including acquiring and retiring debt to maintain the Debt Service ratio.
- External borrowings will not be used for current operational expenditure.

Outcomes

- Further aligns infrastructure benefits with infrastructure costs.
- Strategic financial decisions may extend beyond Council's 10 year Long Term Financial Plan.
- Inter-generational impacts will be highlighted to ensure informed strategic decisions are made.

Measure - Performance Measures and other Metrics

- The Debt Service Cover ratio is always greater than 2%.

Planning Assumptions

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

Inflation

The LTFP has been prepared assuming a 2.5% inflation across the 10 year Long Term Financial Plan period. If more accurate forecasts are available for specific items, Council will adopt these rates and highlight the rates utilised where forecasts are significant.

Service Priorities

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

Increase in dwellings

Shellharbour City Council's estimated population for 2022 is 79,573. The average household size (persons per dwelling) is 2.73, slightly above the state average of 2.61 . Council is forecasting a year-on-year average annual dwelling growth rate of 1.76% over the LTFP.

Business
0.5%
(based on historical data)

Residential
1.76%
(based on expected dwelling growth)

Farmland
0.0%
(based on historical data)

Anticipated annual growth by Rate Category

Revenue Forecasts

The sources of funds for Council are varied and the following shows the breakdown of revenues budgeted for Council for 2022/23. This is expected to remain an indicative breakup of sources of revenue for the term of the LTFP.

Rates & Annual Charges

Rating is a major component of Council's revenue base. The rate peg for 2022/23 is 2.1% which is based on advice from IPART NSW. The rate peg assumption for the rest of the LTFP period has been set at 2.5%, which again is consistent with IPART NSW recommendations.

User Charges and Fees

Many of the services provided by Council are offered on a 'cost recovery' basis to allow a 'user pays' principle to be applied. Other considerations when determining user charges and fees include: Regulated charges, Market price, Community Service requirements and Developer Contributions (discussed separately). The 2022/23 Operational Plan includes information on Council's pricing policies for its user charges and fees. In general, a CPI based increase has been applied to most user charges and fees pricing over the LTFP period.

Grants

$5.6M

Federal Assistance Grant

Council receives a Financial Assistance Grant from the Commonwealth Government and anticipates the continuation of this grant along with annual growth.

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

Development Contributions

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

Interest and Investments

Based on advice from Council's investment advisor, existing term deposits held and taking into consideration the 10 year Australian Bond rate, interest returns have been included at 1.5% for 2022/23, 1.55% for 2023/24, 1.62% for 2024/25 and increasing on average 0.11% per annum each year after. The balance of funds available for investment has been calculated after taking into account cashflow forecasts.

1.5%

Expenditure Forecasts

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

Employee Costs

Wages for 2022/23 are based on an award increase and salary system movements of 2.55%. A vacancy factor of 5% is built into the 2022/23 budget and this is included in all later year projections. Calculations for this large expenditure category is also informed by the Workforce Management Plan, as well as legislative requirements for superannuation increases and any changes to workers' compensation legislation.

Depreciation

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

Borrowing Costs

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

Loan borrowings have been factored in for the following capital projects. The use of loan borrowings is based on the intergenerational equity principle around the funding of long life assets. The interest rate for new loans have been based on best estimate at the time of developing the LTFP and with rates expected to increase over the plan period. The new loans are:

- Shell Cove Marina – Loans to fund the Shell Cove Marina capital program commenced drawdowns in 2020/21 along with further drawdowns in the 2021/22 year based on the capital program spend. This will continue in the 2022/23, 2023/24 and 2024/25 years with a further $25.3M to be drawn.
- Warilla Seawall - $5.2M to be drawn down in the 2022/23 and 2023/24 years.
- Tripoli Way (Albion Park Bypass) – $9.7M loan to be drawndown in 2024/25 to part fund the Tripoli Way Extension project.

Repayments currently included in the LTFP include:

Road Renewal

Borrowings from 2012/13 under the Local Infrastructure Renewal Scheme (LIRS) – Round 1 for $3.0M expenditure on the renewal of Council's road infrastructure. The term of this loan is 10 years.

Shellharbour Beachside Holiday Park Amenity Improvement

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

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

Stadium roof replacement

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

Civic Centre

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

Shell Cove Marina

Loan borrowings of $32.0M to fully fund the Shell Cove Marina capital program. The loan being drawndown based on projected cashflows with further drawdowns of $25.3M in 2022/23, 2023/24 and 2024/25. It has been assumed for the preparation of the modelling in this document that the loans will be repaid upon receipt of the dividend from the Shell Cove project. Should that change the modelling will be updated.

Warilla Seawall

Loan borrowings of $5.2M to part fund the renewal of the Warilla Seawall. The loan is expected to draw down $2.5M in the 2022/23 year and $2.7M in 2023/24. Repayments are to be made over a 20 year term.

Oak Flats Depot Upgrade

Loan borrowings of $1.1M to part fund the upgrade of Oak Flats Works Depot. The loan is expected to be fully drawn down in 2021/22. Repayments are to be made over a 20 year term.

Tripoli Way Extension

Loan borrowings of $9.7M to part fund the Tripoli Way Extension. The loan is expected to be fully drawn down in 2024/25. Repayments are to be made over a 20 year term.

Capital Expenditure

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

- Tripoli Way: $28.6M has been budgeted in total, including years 2022/23 ($3.8M), 2023/24 ($0.3M), 2024/25 ($0.1M), 2025/26 ($12.2M) and 2026/27 ($12.2M).
- Capital expenditure associated with the Shell Cove Marina will continue in 2022/23 ($2.6M), 2023/24 ($10.7M) and 2024/25 ($12.0M).
- The renewal of Warilla Seawall will continue into the Long Term Financial Plan period with expenditure spanning 2022/23 ($4.7M), 2023/24 ($4.8M) and 2024/25 ($0.4M).
- Shell Cove Visitors Centre and Library will commence in 2022/23 ($0.2M) and continue in 2023/24 ($6.0M) and 2024/25 ($9.4M).
- Shell Cove Sportsfields will commence in 2022/23 ($0.2M) and continue in 2023/24 ($6.0M) and 2024/25 ($3.1M).

Other Assumptions

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

- Utility costs increase at 2.5% per year.
- Insurance costs are expected to increase approximately 13.5% in 2022/23 and a further increase of 9% in 2023/24. Year on year growth of 5% each year after 2023/24.
- Materials and contracts as well as other expenses growth over LTFP is 1.5%. This has been based on CPI of 2.5% less 1.0% for an efficiency target.

Financial Performance and Sustainability

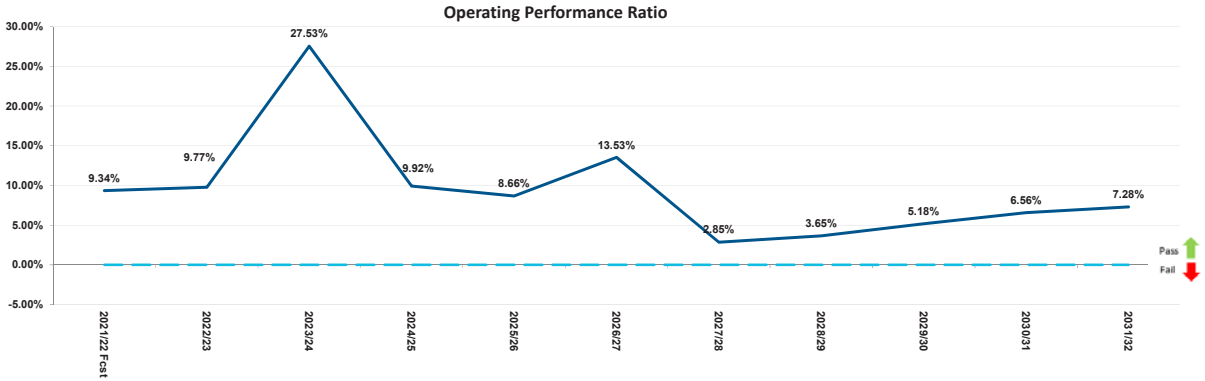
PRINCIPLE A - Council spending should be responsible and sustainable, aligning general revenue and expenses.

Operating Performance Ratio

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

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

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



What do the results tell us?

Council exceeds the breakeven benchmark for all years. Council's share of the Shell Cove project has contributed to the outperformance until the project is scheduled to end in 2027.

Benchmark is greater than 0%

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

Own Source Revenue Ratio

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

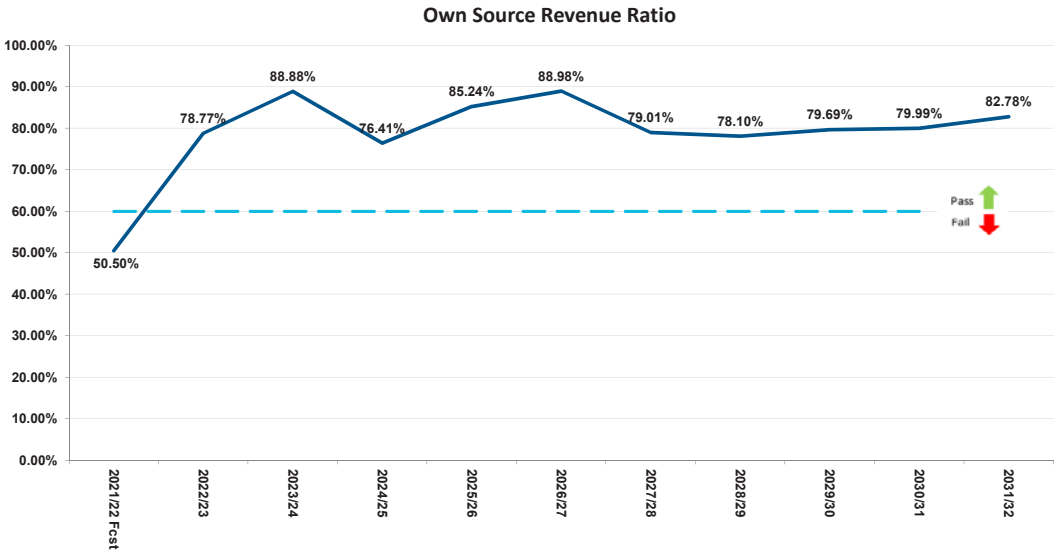
Own source revenue measures the degree of reliance on external funding sources (eg. Grants and Contributions). Financial flexibility increases as the level of own source revenue increases and gives Council greater ability to respond to external shocks or challenges.

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

What do the results tell us?

Council meets the benchmark for this indicator in all years except for 2021/22. The ratio is not expected to exceed the benchmark in 2021/22 due to the Shell Cove Marina assets being handed over to Council, which is reflected as a $90.0M capital contribution in that year. This is an extraordinary item and the exclusion of this asset transfer would result in Council meeting this ratio in 2021/22.

Benchmark is greater than 60%



PRINCIPLE D - Councils should have regard to achieving intergenerational equity

Debt Service Cover Ratio

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

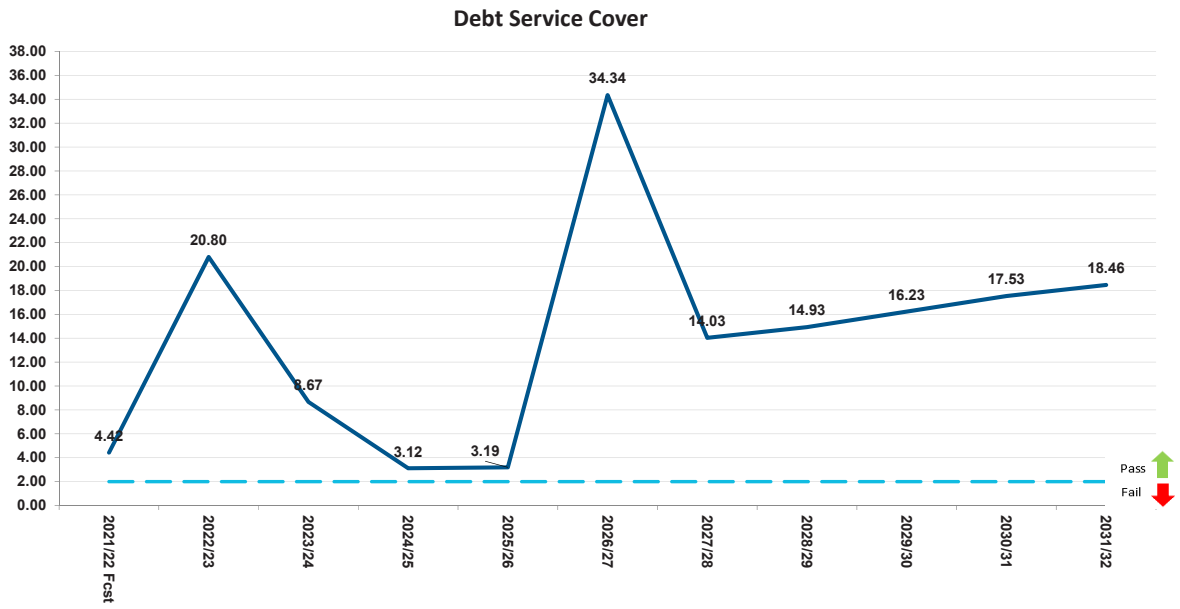
Prudent and active debt management is a key part of Council's approach to funding and managing infrastructure over the longer term.

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

What do the results tell us?

Council has sufficent operating cash to meet borrowing repayments. The ratio declines from 2023/24 to 2025/26 where it has been assumed Shell Cove dividend payments will be utilised to repay the Shell Cove Marina borrowings.

Benchmark is greater than 2%.



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

Cash Expense Cover Ratio

Does Council have sufficient liquidity?

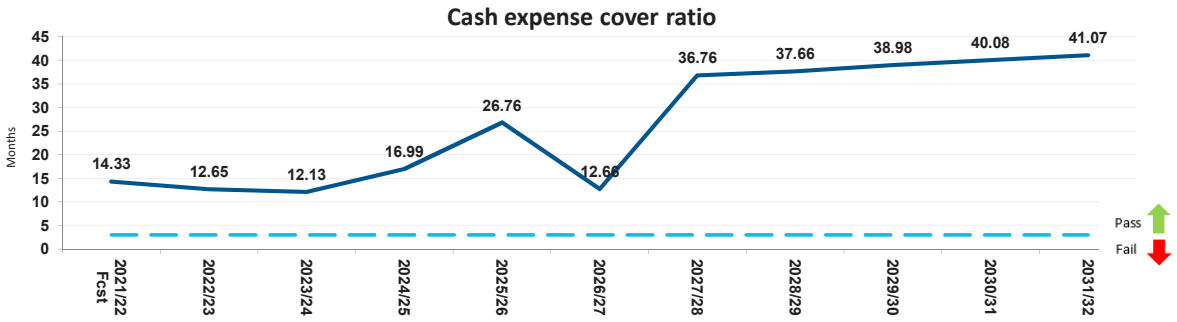
This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.

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

What do the results tell us?

Council exceeds the benchmark for all years reflected in the graph below.

Benchmark is greater than 3 months.



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

Rates and Annual charges outstanding percentage

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

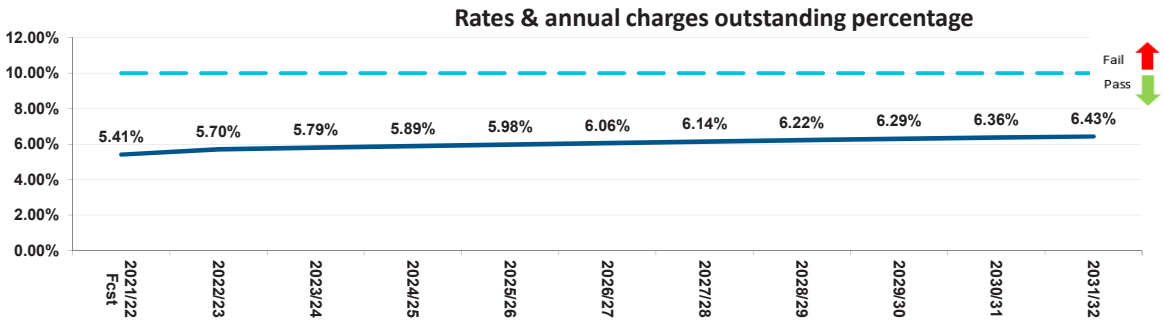
This ratio assesses the impact of uncollected rates and annual charges on liquidity and the efficiency of Councils' debt recovery.

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

What do the results tell us?

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

Benchmark is less than 10% for rural councils.



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

Infrastructure Renewals Ratio

Is Council renewing existing infrastructure?

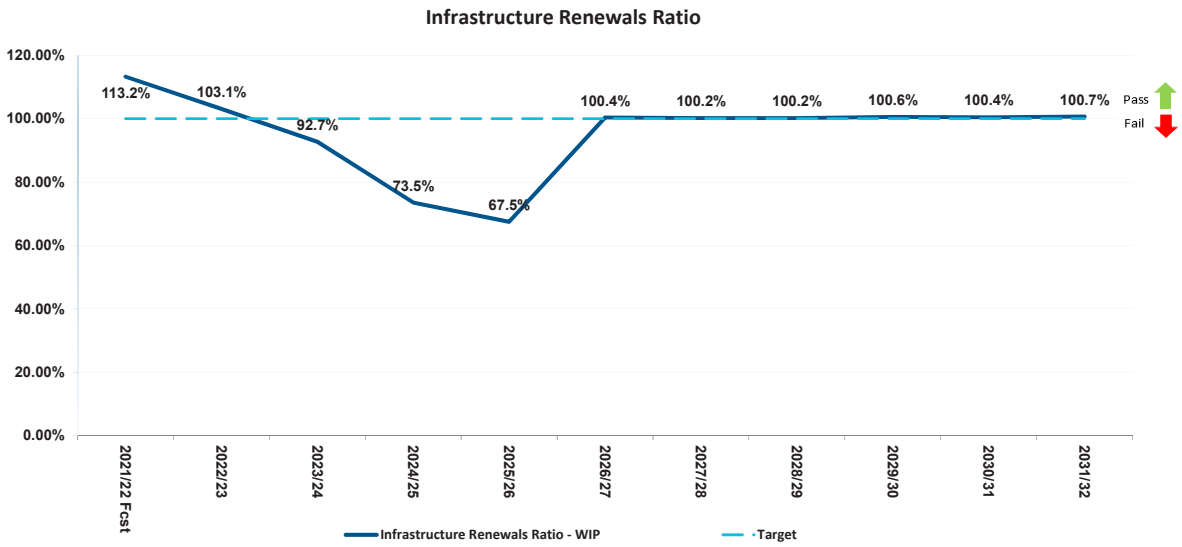
The infrastructure renewals ratio assesses the rate at which assets are being renewed against the rate at which they are depreciating.

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

What do the results tell us?

The chart shows the forecast ratio based on current funding sources. In order to meet the required benchmark Council will actively seek grant funding so it can increase the amount of renewals expenditure planned in 2023/24, 2024/25 and 2025/26.

Benchmark is greater than 100%.



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

Infrastructure Backlog Ratio

Is Council infrastructure at a satisfactory level?

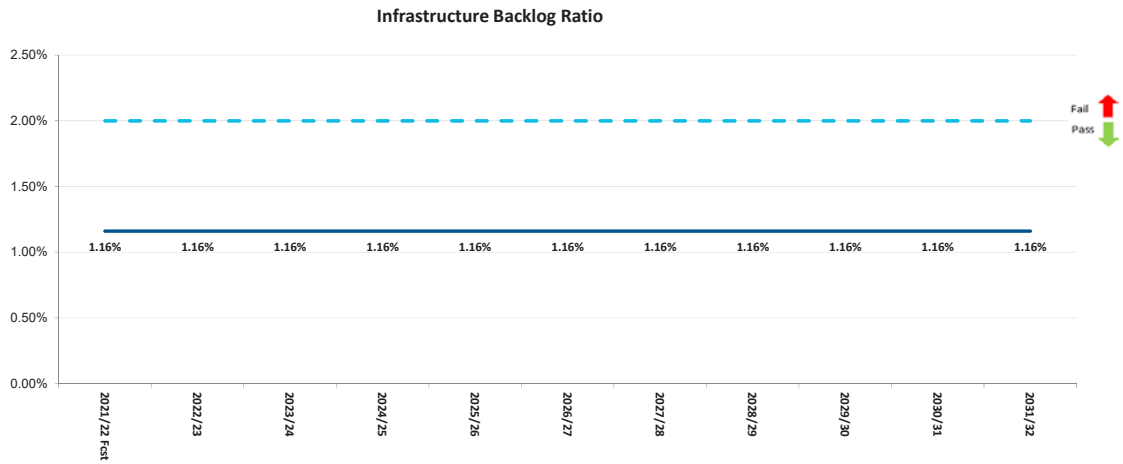
Satisfactory level is achieved when Council estimates the cost to bring Council's poor conditioned infrastructure assets to a satisfactory standard is below 2% of the total written down value.

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

What do the results tell us?

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

Benchmark is less than 2%.



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

Asset Maintenance Ratio

Is Council investing enough funds to reduce the infrastructure backlog?

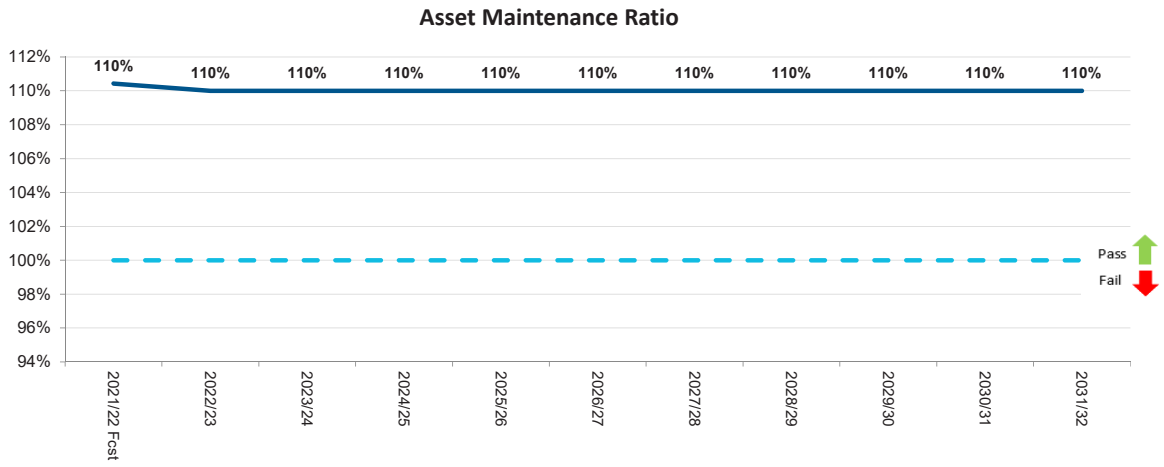
An effective maintenance program allocates sufficient asset maintenance funds that meet or exceed the estimated level of maintenance.

Ratio = Estimated level of asset maintenance / required level of asset maintenance.

What do the results tell us?

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

Benchmark is greater than 100%.



Income Statement

Account Description	Draft Budget 2022/23 $'000	Draft Budget 2023/24 $'000	Draft Budget 2024/25 $'000	Draft Budget 2025/26 $'000	Draft Budget 2026/27 $'000	Draft Budget 2027/28 $'000	Draft Budget 2028/29 $'000	Draft Budget 2029/30 $'000	Draft Budget 2030/31 $'000	Draft Budget 2031/32 $'000
Income from continuing operations										
Rates and annual charges	71,496	74,361	77,403	80,501	83,502	86,542	89,696	92,969	96,367	99,532
User charges and fees	19,247	19,728	20,221	20,727	21,245	21,776	22,320	22,878	23,450	24,036
Other revenue	103,288	194,894	107,882	93,329	152,955	4,282	4,396	4,512	4,632	4,753
Grants and contributions provided for operating purposes	8,632	8,667	8,800	9,060	9,346	9,681	10,025	10,170	10,738	11,109
Grants and contributions provided for capital purposes	44,601	27,954	55,809	25,360	23,200	21,988	24,600	22,422	22,393	17,454
Interest and investment income	2,157	2,218	2,369	2,723	3,495	5,079	5,521	5,964	6,407	7,281
Other income	1,331	1,364	1,398	1,433	1,469	1,506	1,543	1,582	1,621	1,662
Total income from continuing operations	**250,750**	**329,186**	**273,882**	**233,132**	**295,212**	**150,854**	**158,101**	**160,497**	**165,608**	**165,827**
Expenses from continuing operations										
Employee benefits and on-costs	44,269	45,233	46,531	47,677	48,791	49,922	51,137	52,408	53,738	55,292
Materials and services	34,408	35,106	36,479	36,848	37,936	38,731	40,065	40,386	41,230	42,700
Borrowing costs	1,025	969	1,172	1,217	980	1,313	1,273	1,230	1,185	1,140
Depreciation, amortisation and impairment for non-financial assets	21,938	23,225	24,246	25,309	25,921	26,507	27,303	27,916	28,540	29,177
Other expenses	84,362	113,780	88,016	78,739	121,592	8,725	8,856	8,988	9,123	9,260
Net losses from the disposal of assets	(700)	-	-	-	-	-	-	-	-	-
Total expenses from continuing operations	**185,302**	**218,312**	**196,444**	**189,788**	**235,220**	**125,197**	**128,633**	**130,929**	**133,816**	**137,569**
Operating result from continuing operations	**65,448**	**110,874**	**77,438**	**43,344**	**59,992**	**25,657**	**29,468**	**29,569**	**31,792**	**28,258**
Net operating result for the year before grants and contributions provided for capital purposes	**20,848**	**82,920**	**21,628**	**17,984**	**36,792**	**3,668**	**4,868**	**7,147**	**9,399**	**10,804**

Balance Sheet

Account Description	Draft Budget 2022/23 $'000	Draft Budget 2023/24 $'000	Draft Budget 2024/25 $'000	Draft Budget 2025/26 $'000	Draft Budget 2026/27 $'000	Draft Budget 2027/28 $'000	Draft Budget 2028/29 $'000	Draft Budget 2029/30 $'000	Draft Budget 2030/31 $'000	Draft Budget 2031/32 $'000
Current Assets										
Cash & Cash Equivalents	16,726	19,393	19,334	19,107	19,941	18,083	20,366	20,901	19,697	19,163
Current Investments	19,484	31,421	34,704	33,659	37,539	39,031	40,523	42,313	44,402	46,640
Current Receivables	13,894	11,806	11,147	9,615	9,290	9,607	9,935	10,275	10,627	10,959
Inventories	46,822	7,519	5,276	62,614	1,862	1,909	1,956	2,005	2,055	2,107
Contract assets and contract cost assets	-	-	-	-	-	-	-	-	-	-
Other Current Assets	1,062	1,088	1,116	1,144	1,172	1,201	1,231	1,262	1,294	1,326
Total Current Assets	**97,989**	**71,228**	**71,576**	**126,139**	**69,804**	**69,830**	**74,011**	**76,756**	**78,075**	**80,196**
Non Current Assets										
Non-current investments	111,102	183,484	206,519	204,881	231,320	244,146	256,972	271,499	287,728	304,808
Non-current Receivables	1,623	1,704	1,790	1,879	1,973	2,072	2,175	2,284	2,398	2,518
Infrastructure, Prop, Plant & Equip	1,193,705	1,234,655	1,296,347	1,325,584	1,351,308	1,368,478	1,384,978	1,401,224	1,419,374	1,432,494
Investments accounted for using the equity method	-	-	-	-	-	-	-	-	-	-
Investment Property	29,001	29,206	29,416	29,632	29,852	30,079	30,310	30,548	30,792	31,042
Intangible Assets	3,035	3,035	3,035	3,035	3,035	3,035	3,035	3,035	3,035	3,035
Right of use Assets	1,801	1,846	1,892	1,939	1,988	2,038	2,089	2,141	2,194	2,249
Non-current assets classified as held for sale	-	-	-	-	-	-	-	-	-	-
Total Non Current Assets	**1,340,267**	**1,453,930**	**1,538,999**	**1,566,950**	**1,619,476**	**1,649,846**	**1,679,559**	**1,710,731**	**1,745,521**	**1,776,146**
Total Assets	**1,438,257**	**1,525,158**	**1,610,575**	**1,693,089**	**1,689,280**	**1,719,677**	**1,753,571**	**1,787,488**	**1,823,597**	**1,856,341**
Current Liabilities										
Current Payables	46,155	19,995	21,404	82,459	18,298	19,084	19,647	20,143	20,621	21,291
Contract liabilities	500	513	525	538	552	566	580	594	609	624
Lease liabilities	884	906	928	951	975	1,000	1,025	1,050	1,077	1,103
Current Borrowings	11,720	14,190	12,995	1,261	1,309	1,355	1,403	1,453	1,504	1,560
Current Provisions	14,996	15,750	16,306	16,811	17,290	17,764	18,184	18,632	19,106	19,598
Total Current Liabilities	**74,255**	**51,353**	**52,158**	**102,021**	**38,424**	**39,768**	**40,839**	**41,873**	**42,917**	**44,176**
Non Current Liabilities										
Lease liabilities	927	950	974	998	1,023	1,048	1,075	1,101	1,129	1,157
Non-current Borrowings	18,541	17,782	26,426	25,165	23,856	22,501	21,098	19,645	18,141	16,581
Non-current Provisions	19,419	19,795	20,178	20,569	20,968	21,374	21,789	22,212	22,644	23,084
Total Non Current Liabilities	**38,887**	**38,527**	**47,578**	**46,732**	**45,847**	**44,924**	**43,962**	**42,959**	**41,914**	**40,822**
Total Liabilities	**113,142**	**89,880**	**99,736**	**148,753**	**84,271**	**84,692**	**84,801**	**84,831**	**84,830**	**84,999**
Net Assets	**1,325,115**	**1,435,278**	**1,510,839**	**1,544,335**	**1,605,009**	**1,634,984**	**1,668,770**	**1,702,656**	**1,738,766**	**1,771,342**
Equity										
Retained Earnings	843,968	954,131	1,029,692	1,063,188	1,123,862	1,153,837	1,187,623	1,221,509	1,257,619	1,290,195
Revaluation Reserves	480,906	480,906	480,906	480,906	480,906	480,906	480,906	480,906	480,906	480,906
Non Controlling Equity Interest	241	241	241	241	241	241	241	241	241	241
Total Equity	**1,325,115**	**1,435,278**	**1,510,839**	**1,544,335**	**1,605,009**	**1,634,984**	**1,668,770**	**1,702,656**	**1,738,766**	**1,771,342**

Statement of Cash Flow

Account Description	Draft Budget 2022/23 $'000	Draft Budget 2023/24 $'000	Draft Budget 2024/25 $'000	Draft Budget 2025/26 $'000	Draft Budget 2026/27 $'000	Draft Budget 2027/28 $'000	Draft Budget 2028/29 $'000	Draft Budget 2029/30 $'000	Draft Budget 2030/31 $'000	Draft Budget 2031/32 $'000
Cash Flows from Operating Activities										
Receipts:										
Rates & Annual Charges	71,093	74,046	77,069	80,157	83,159	86,190	89,330	92,588	95,969	99,144
User Charges & Fees	19,159	19,666	20,156	20,661	21,181	21,712	22,255	22,811	23,381	23,972
Interest & Investment Revenues	2,157	2,218	2,369	2,723	3,495	5,079	5,521	5,964	6,407	7,281
Other Revenues	63,687	237,727	112,272	39,045	215,577	5,499	5,643	5,791	5,943	6,097
Operating Grants & Contributions	8,632	8,667	8,800	9,060	9,346	9,681	10,025	10,170	10,738	11,109
Capital Grants & Contributions	22,667	5,623	10,477	2,243	3,663	2,178	4,517	2,067	1,767	1,767
Payments:										
Employee Benefits & Oncosts	(44,092)	(45,021)	(46,539)	(47,758)	(48,922)	(50,082)	(51,376)	(52,646)	(53,977)	(55,542)
Materials & Services	(23,261)	(23,186)	(23,844)	(24,469)	(25,002)	(25,402)	(26,051)	(26,622)	(27,158)	(28,200)
Borrowing Costs	(739)	(603)	(796)	(826)	(582)	(906)	(858)	(807)	(754)	(700)
Other Expenses	(70,275)	(151,308)	(98,671)	(29,475)	(198,077)	(20,632)	(21,646)	(21,571)	(22,003)	(22,348)
Net cash provided (or used in) operating activities	**49,027**	**127,828**	**61,293**	**51,362**	**63,838**	**33,317**	**37,360**	**37,746**	**40,314**	**42,580**
Cash Flows from Investing Activities										
Receipts:										
Sale of Investments	68,000	83,000	87,000	77,000	78,000	80,000	78,000	81,000	83,000	85,000
Sale of Real Estate Assets	-	-	-	-	-	-	-	-	-	-
Sale of infrastructure, property, plant and equipment	700	-	-	-	-	-	-	-	-	-
Payments:										
Purchase of infrastructure, property, plant and equipment	(42,839)	(46,872)	(46,800)	(45,594)	(35,743)	(23,867)	(23,722)	(23,808)	(26,064)	(26,610)
Purchase of Investments	(91,000)	(163,000)	(109,000)	(70,000)	(104,000)	(90,000)	(88,000)	(93,000)	(97,000)	(100,000)
Net cash provided (or used in) investing activities	**(65,139)**	**(126,872)**	**(68,800)**	**(38,594)**	**(61,743)**	**(33,867)**	**(33,722)**	**(35,808)**	**(40,064)**	**(41,610)**
Cash Flows from Financing Activities										
Receipts:										
Proceeds from Borrowings & Advances	5,191	13,432	21,639	-	-	-	-	-	-	-
Payments:										
Repayment of Borrowings and Advances	(1,398)	(11,720)	(14,190)	(12,995)	(1,261)	(1,309)	(1,355)	(1,403)	(1,453)	(1,504)
Net cash provided (or used in) financing activities	**3,794**	**1,711**	**7,449**	**(12,995)**	**(1,261)**	**(1,309)**	**(1,355)**	**(1,403)**	**(1,453)**	**(1,504)**
Net (increase) / decrease in cash	**(12,319)**	**2,667**	**(59)**	**(227)**	**834**	**(1,859)**	**2,283**	**535**	**(1,204)**	**(534)**
Cash & cash equivalents at beginning of reporting period	**29,045**	**16,726**	**19,393**	**19,334**	**19,107**	**19,941**	**18,083**	**20,366**	**20,901**	**19,697**
Cash & cash equivalents at end of reporting period	**16,726**	**19,393**	**19,334**	**19,107**	**19,941**	**18,083**	**20,366**	**20,901**	**19,697**	**19,163**

Sensitivity Analysis/ Scenario Modelling

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

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

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

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

Inflation – Increase by 1% from the planned scenario of 2.5%. This will impact User Charges and Fees, Operating Grants and Contributions, Employee Benefits, Materials and Contracts, Other Expenses and Other Revenues. This is applicable from 2023/24 onwards.

Dwelling Growth – Increase by 0.5% from the planned scenario. This will impact Rates and Annual Charges. This is applicable from 2023/24 onwards.

Rate Peg – Increase by 0.5% from the planned scenario of 2.5%. This will impact Rates and Annual Charges. This is applicable from 2023/24 onwards.

Interest Returns – Increase by 0.5% from the planned scenario. This will impact Interest and Investment Revenues. This is applicable from 2023/24 onwards.

The net impact of the scenario is a surplus of $18.1M in 2031/32 compared to the planned surplus of $10.8M.

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

Inflation – Decrease of 1% from the planned scenario of 2.5%. This will impact User Charges and Fees, Operating Grants and Contributions, Employee Benefits, Materials and Contracts, Other Expenses and Other Revenues. This is applicable from 2023/24 onwards.

Dwelling Growth – Decrease by 0.5% from the planned scenario. This will impact Rates and Annual Charges. This is applicable from 2023/24 onwards.

Rate Peg – Decrease of 0.5% from the planned scenario of 2.5%. This will impact Rates and Annual Charges. This is applicable from 2023/24 onwards.

Interest Returns – Decrease by 0.5% from the planned scenario. This will impact Interest and Investment Revenues. This is applicable from 2023/24 onwards.

The net impact of the scenario is a surplus of $6.9M in 2031/32 compared to the planned surplus of $10.8M.

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

LTFP Income Statement - Scenario 2 Increase

Income Statement

Account Description	Draft Budget 2022/23 $'000	Draft Budget 2023/24 $'000	Draft Budget 2024/25 $'000	Draft Budget 2025/26 $'000	Draft Budget 2026/27 $'000	Draft Budget 2027/28 $'000	Draft Budget 2028/29 $'000	Draft Budget 2029/30 $'000	Draft Budget 2030/31 $'000	Draft Budget 2031/32 $'000
Income from continuing operations										
Rates and annual charges	71,496	75,006	78,754	82,678	86,750	91,014	95,500	100,219	105,186	110,324
User charges and fees	19,247	19,920	20,618	21,339	22,086	22,859	23,659	24,487	25,344	26,231
Other revenue	103,288	194,932	107,960	93,450	153,124	4,501	4,668	4,841	5,021	5,208
Grants and contributions provided for operating purposes	8,632	8,746	9,007	9,401	9,830	10,317	10,820	11,134	11,881	12,439
Grants and contributions provided for capital purposes	44,601	27,954	55,809	25,360	23,200	21,988	24,600	22,422	22,393	17,454
Interest and investment income	2,157	2,874	3,044	3,424	4,321	6,194	6,640	7,087	7,535	8,417
Other income	1,331	1,377	1,426	1,475	1,527	1,580	1,636	1,693	1,752	1,814
Total income from continuing operations	**250,750**	**330,810**	**276,617**	**237,128**	**300,838**	**158,453**	**167,522**	**171,884**	**179,113**	**181,886**
Expenses from continuing operations										
Employee benefits and on-costs	44,269	45,632	47,355	48,952	50,545	52,182	53,933	55,771	57,700	59,886
Materials and services	34,408	35,403	37,089	37,787	39,222	40,381	42,095	42,812	44,069	45,969
Borrowing costs	1,025	969	1,172	1,217	980	1,313	1,273	1,230	1,185	1,140
Depreciation, amortisation and impairment for non-financial assets	21,938	23,225	24,246	25,309	25,921	26,507	27,303	27,916	28,540	29,177
Other expenses	84,362	113,861	88,181	78,992	121,947	9,174	9,404	9,639	9,880	10,127
Net losses from the disposal of assets	(700)	-	-	-	-	-	-	-	-	-
Total expenses from continuing operations	**185,302**	**219,089**	**198,043**	**192,256**	**238,614**	**129,557**	**134,008**	**137,368**	**141,374**	**146,299**
Operating result from continuing operations	**65,448**	**111,721**	**78,574**	**44,872**	**62,224**	**28,895**	**33,514**	**34,516**	**37,739**	**35,587**
Net operating result for the year before grants and contributions provided for capital purposes	**20,848**	**83,767**	**22,765**	**19,512**	**39,024**	**6,907**	**8,914**	**12,094**	**15,346**	**18,133**

LTFP Income Statement - Scenario 3 Decrease

Account Description	Draft Budget 2022/23 $'000	Draft Budget 2023/24 $'000	Draft Budget 2024/25 $'000	Draft Budget 2025/26 $'000	Draft Budget 2026/27 $'000	Draft Budget 2027/28 $'000	Draft Budget 2028/29 $'000	Draft Budget 2029/30 $'000	Draft Budget 2030/31 $'000	Draft Budget 2031/32 $'000
Income from continuing operations										
Rates and annual charges	71,496	73,766	76,166	78,576	80,844	83,105	85,431	87,824	90,285	92,481
User charges and fees	19,247	19,535	19,828	20,126	20,428	20,734	21,045	21,361	21,681	22,006
Other revenue	103,288	194,857	107,805	93,211	152,795	4,078	4,145	4,213	4,283	4,352
Grants and contributions provided for operating purposes	8,632	8,587	8,595	8,724	8,874	9,068	9,265	9,258	9,668	9,874
Grants and contributions provided for capital purposes	44,601	27,954	55,809	25,360	23,200	21,988	24,600	22,422	22,393	17,454
Interest and investment income	2,157	1,562	1,694	2,024	2,671	3,969	4,408	4,848	5,288	6,160
Other income	1,331	1,351	1,371	1,392	1,412	1,434	1,455	1,477	1,499	1,522
Total income from continuing operations	**250,750**	**327,612**	**271,268**	**229,411**	**290,225**	**144,376**	**150,349**	**151,402**	**155,098**	**153,849**
Expenses from continuing operations										
Employee benefits and on-costs	44,269	44,834	45,716	46,426	47,087	47,748	48,473	49,236	50,037	51,042
Materials and services	34,408	34,809	35,875	35,926	36,688	37,144	38,131	38,097	38,577	39,675
Borrowing costs	1,025	969	1,172	1,217	980	1,313	1,273	1,230	1,185	1,140
Depreciation, amortisation and impairment for non-financial assets	21,938	23,225	24,246	25,309	25,921	26,507	27,303	27,916	28,540	29,177
Other expenses	84,362	113,699	87,852	78,491	121,247	8,292	8,334	8,375	8,417	8,459
Net losses from the disposal of assets	(700)	-	-	-	-	-	-	-	-	-
Total expenses from continuing operations	**185,302**	**217,535**	**194,861**	**187,368**	**231,923**	**121,004**	**123,514**	**124,854**	**126,757**	**129,494**
Operating result from continuing operations	**65,448**	**110,077**	**76,407**	**42,044**	**58,302**	**23,372**	**26,835**	**26,548**	**28,341**	**24,355**
Net operating result for the year before grants and contributions provided for capital purposes	**20,848**	**82,122**	**20,598**	**16,684**	**35,101**	**1,384**	**2,235**	**4,126**	**5,948**	**6,902**

Monitoring and Reporting

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

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

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

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

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

- An Annual Report, at the end of each financial year to report on Council's progress on delivering on the financial objectives of the LTFP.