LONG TERM FINANCIAL PLAN

2024/25 – 2033/34

hornsby.nsw.gov.au

HORNSBY SHIRE COUNCIL

Council recognises the Traditional Owners of the lands of Hornsby Shire, the Darug and GuriNgai peoples, and pays respect to their Ancestors and Elders past and present and to their Heritage.

We acknowledge and uphold their intrinsic connections and continuing relationships to Country.

Cover image: Hornsby Park. Inside cover image: Rainbow Serpent's Cave.

NEED HELP?

This document contains important information. If you do not understand it, please call the Translating and Interpreting Service on 131 450. Ask them to phone 9847 6666 on your behalf to contact Hornsby Shire Council. Council's business hours are Monday to Friday, 8.30am-5pm.

Chinese Simplified

需要帮助吗?

本文件包含了重要的信息。如果您有不理解之处，请致电 131 450 联系翻译与传译服务中心。请他们代您致电 9847 6666 联系 Hornsby 郡议会。郡议会工作时间为周一至周五，　早上 8：30 - 下午 5 点。

Chinese Traditional

需要幫助嗎?

本文件包含了重要的信息。如果您有不理解之處，請致電 131 450 聯繫翻譯與傳譯服務中心。請他們代您致電 9847 6666 聯繫 Hornsby 郡議會。郡議會工作時間爲周一至周五，早上 8：30 - 下午 5 點。

German

Brauchen Sie Hilfe?

Dieses Dokument enthält wichtige Informationen. Wenn Sie es nicht verstehen, rufen Sie bitte den Übersetzer- und Dolmetscherdienst unter 131 450 an. Bitten Sie ihn darum, für Sie den Hornsby Shire Council unter der Nummer 9847 6666 zu kontaktieren. Die Geschäftszeiten der Stadtverwaltung sind Montag bis Freitag, 8.30-17 Uhr.

Hindi

?क्या आपको सहायता की आवश्यकता है

इस दस्तावेज़ में महत्वपूर्ण जानकारी दी गई है। यदि आप इसे समझ न पाएँ, तो कृपया 131 450 पर अनुवाद और दुभाषिया सेवा को कॉल करें। उनसे हॉर्न्सबी शायर काउंसिल से संपर्क करने के लिए आपकी ओर से
9847 6666 पर फोन करने का निवेदन करें। काउंसिल के कार्यकाल का समय सोमवार से शुक्रवार, सुबह 8.30 बजे-शाम 5 बजे तक है।

Korean

?도움이 필요하십니까

본 문서에는 중요한 정보가 포함되어 있습니다. 이해가 되지 않는 내용이 있으시면, 통역번역서비스(Translating and Interpreting Service)로 전화하셔서(131 450번) 귀하를 대신하여 혼즈비 셔 카운슬에 전화(9847 6666번)를 걸어 달라고 요청하십시오. 카운슬의 업무시간은 월요일~ .금요일 오전 8시 30분~오후 5시입니다

Tagalog

Kailangan ng tulong?

Itong dokumento ay naglalaman ng mahalagang impormasyon. Kung hindi ninyo naiintindihan, pakitawagan ang Serbisyo sa Pagsasalinwika at Pag-iinterprete (Translating and Interpreting Service) sa 131 450. Hilingin sa kanilang tawagan ang 9847 6666 para sa inyo upang kontakin ang Hornsby Shire Council. Ang oras ng opisina ng Council ay Lunes hanggang Biyernes, 8.30n.u.-5n.h.

Farsi

نیاز به کمک دارید؟

این سند حاوی اطلاعات مهم می باشد. چنانچه آن را درک نمی کنید، لطفاً با خدمات ترجمه کتبی و شفاهی به شماره 450 131 تماس بگیرید. از آنها بخواهید از جانب شما با شماره 6666 9847 با شورای شهر هورنزبی شایر تماس بگیرند. ساعات کاری شورای شهر دوشنبه تا جمعه، از 8:30 صبح تا 5 بعدازظهر است.

Image: Hornsby Water Clock

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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 previous 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 by IPART in full in June 2023.

Accordingly, this Plan includes income and expenditure allocations that align with Council's original application for the SRV, which canvassed the following objectives:

- Provide funding for the normal continuance of services into the future (page 11)
- Fund the requirements identified in Council's Asset Management Plans and Asset Management Strategy requiring an additional allocation of $4.1 million per year, on average (page 33)
- Provide recurrent funding for Hornsby Park once construction is complete (page 35)
- Address the aspirations of the community as identified in numerous technical documents and strategies by funding Strategic Initiatives totalling $67.26 million over ten years (page 38)
- Forecast 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.

An additional objective to those listed above was to achieve at least a 2% Operating Performance Ratio each year to provide capacity to respond in a timely manner towards infrastructure assets that may fail, the impact of natural disasters on local service provision and cost shifting from other tiers of government. It is considered financially prudent to continue to target an acceptable operating performance range of 2% to 4% to respond to one off budget shocks that can occur over the course of the year and not affect the normal continuance of service provision, noting that a commitment of ongoing balanced budgets to ensure Councils long term financial sustainability was made to the community during the SRV application process and community engagement.

Since the previous version of the Plan and SRV was approved, Council has incurred a number of unexpected cost increases with a recurrent budget impact in the order of $1.5 million per year. Most of these increases are broadly attributable to a continuation of the high inflationary environment for longer than economists at the time predicted including cost 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 that greater than the level forecast in the LTFP.

Whilst additional forecast expenditure has increased because of these cost increases, forecast investment income returns have also increased, which has offset a portion of the total cost increase incurred. Council is holding larger cash reserves than previously forecast due to a slower delivery rate than originally forecast for the construction of capital works (noting ongoing supply side challenges in this area) and the base rate set by the Reserve Bank of Australia is now forecast to remain higher than previously predicted, particularly in the earlier years of the Plan.

The combined impact of these income and expenditure changes is a reduction in the average forecast Budget (cash) surplus over the ten-year term of the Plan from $2.9 million in the previous version to $2.3 million on average per year forecast by this Plan. Income Statement (non-cash) results have also reduced with an average surplus of $4.1 million per year forecast in this Plan compared with $6.6 million in the previous version.

Despite these reduced results financial capacity on average over the life of the Plan is slightly above acceptable levels with an average Operating Performance Ratio (OPR) of 2.11% forecast, which is above the target level of 2% required to respond to budget shocks that occur from year to year. However, the Operating Performance Ratio in the last four years of the Plan is below the 2% target indicating a trend of diminishing results over the long term that needs to be addressed. This Plan therefore includes a number of recommendations (refer page 66) to increase financial capacity from a range of measures that include cost containment recommendations and income enhancement opportunities from income streams such as User Charges and Fees and Other Revenue. Whilst prudent ongoing financial management is required over the next ten years the increase in financial capacity required is minor compared to the deficits that were forecast in the base case of the previous Plan that led to the Special Rate Variation. It is therefore appropriate to seek incremental increases in financial capacity from a range of measures across multiple parts of Council's budget, rather than rates.

The experience of Council over the past 18 months further supports the need for future iterations of the LTFP to continue to target an OPR of 2% to 4% each year to respond to budget shocks like those incurred since the last version of the Plan was prepared. This matter is explored further within the Financial Objectives section of this report (page 9).

Whilst some improvement in forecast Income Statement (non-cash) and Budget (cash) results is required, the Balance Sheet results over the 10-year period maintain equity, liabilities and non-current assets within acceptable levels and each of the ratios, other than the OPR ratio are above acceptable benchmarks over the life of the Plan including the

EXECUTIVE SUMMARY

Own Source Operating Revenue Ratio, the Unrestricted Current Ratio and the Debt Service Cover Ratio. Unrestricted cash is essential for Council to operate on a 'business as usual' basis as it represents the level of working funds available to fund the cash flow requirements of a normal continuance of services and capital projects from month to month, and the level forecast each year is sufficient to fulfill these requirements.

Infrastructure asset ratios are also regarded as acceptable over the life of the plan despite the average Asset Maintenance Ratio of 97% falling slightly below the benchmark of 100% as there is sufficient financial capacity within the Plan to allocate additional funding for asset maintenance once revised Asset Management Plans for Foreshore Assets and Other Structures are finalised, noting that the gap in maintenance funding is related to these asset classes only. The Asset Renewals ratio is also forecast to fall below 100% from 2029/30, around the time that Council's current ambitious program of capital works is forecast to reduce to more normalised levels experienced historically. Whilst this ratio falls below the benchmark in later years it averages 102% over the 10-year term of the Plan and as noted in the Asset Management Planning Section (page 33) the expected decrease relates to the timing of required renewals for long life stormwater drainage assets as well as the need to finalise Asset Management Plans for the remaining 5% of Council's asset base. This Plan therefore includes a recommendation to progress the Asset Management improvement Plan that is explained further within the Asset Management Planning section of this Report including the preparation of Asset Management Plans for these remaining assets.

The results from this version of the LTFP demonstrate that the Special Rate Variation continues to rebalance Council's projected finances over the term of the Plan with an Income Statements surplus result forecast each year from 2024/25, whilst noting the need for improvement initiatives to increase financial capacity back to the level forecast in the previous version of the Plan.

The following recommendations seek to address the incremental increase in financial capacity that is required with consideration of Council's current operations to identify opportunities and areas for future improvement:

Recommendations to Improve Future Direction

- Maintain cost increases to modest levels in regard to non-labour related expenses each year excluding the additional allowances that have been made in this Plan including annual allocations for asset management and strategic initiatives.
- 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.
- Council to consider increasing User Charges and Fees from 2025/26 to catch up on missed cost growth of 8.7% due to CPI price increases applied to Council's fees between 2022 and 2024 being less than actual CPI inflation in each of these years.
- Council's advertising space at bus stops and bus shelters to be retendered with the aim of increasing the level of income received compared to current levels.
- Cash reserves to be maintained at existing levels with any funding 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.
- Council's S7.11 Development Contributions Plan to include only projects that can be wholly attributed to new development and fully funded from development contributions.
- No new loan borrowing to be undertaken.
- No new 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.
- Continuance of financial improvement initiatives (the development of business improvement plans) ensuring that any such plans are based on a principle of increasing financial capacity, having caution to potential cost increases that can arise from improvements generated from 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.
- 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 infrastructure projects unless additional funding to cover ongoing maintenance and renewal costs is identified, noting the current forecast Budget (cash) surplus of $2.3 million per year 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's forecast financial capacity should increase. Increasing financial capacity back to the level that was forecast in the SRV scenario of the previous Plan will ensure that Council remains financially sustainable over the long term.

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
- Maintain into the future a level of service that the community has come to expect
- Assets provided by Council are designed and funded to meet a defined level of demand and/or need of the community
- Continuous Financial Improvement
- A continuation of no external loan borrowing
- Achieve/Maintain Financial Sustainability Benchmarks (Indicators prescribed by the Office of Local Government).

The LTFP is based on Council's 2024/25 draft budget that was placed on public exhibition at the General Meeting held on 10 April 2024 and is currently scheduled to be referred to Council for adoption on 12 June 2024 following a review of submissions received. The 2024/25 draft budget forms year one of ten of the forecast period of the Plan. The 2023/24 budget as at the 31 December 2024 Quarterly Review is also disclosed in the Budget results (page 46) 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 2023 are disclosed within the Income Statement, Balance Sheet and Cash Flow Statement results (pages 41, 48, & 49 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 will be provided in respect to:

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

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.


Image: Westside Vibe

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% to enable Council to respond in a timely manner towards infrastructure assets that may fail, the impact of natural disasters on local service provision and cost shifting from other tiers of government.

It is considered financially prudent to target an acceptable operating performance range of 2% to 4% to respond to one off budget shocks that can occur over the course of the year and not affect the normal continuance of service provision. Examples of previous events that have guided this targeted operating performance ratio include:

- The urgent program to implement an asbestos remediation plan for Council's administration building from 2020 including the need to identify funding to re-install office furniture and utilities across the 2022/23 and 2023/24 financial years.
- 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 investment 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 being $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.
- Asset Management – Following the success of the Special Rate Variation (SRV), forecast costs to maintain 95% of Council's depreciable asset base to the level desired by the community are now fully funded in accordance with Asset Management Plans that were revised ahead of Council's application for the SRV. However, Asset Management Plans for the remaining 5% of Council's depreciable assets comprising Foreshores and some Other Structures are still to be prepared and the funding requirements are not yet available to incorporate into this Plan. A forecast Operating Performance Ratio above 2% each year will provide capacity for the maintenance requirements identified in these Plans to be fully funded once they have been finalised. In this regard it is also noted that Hornsby's Local Government Area spans across a large geographical area from the M2 motorway in the south of the Shire to the Hawkesbury River in the north and Council therefore controls a large and dispersed number of infrastructure assets compared to other Council's in the Sydney metropolitan area. There is an unavoidable level of risk of some unexpected infrastructure asset failure from time to time from an asset base this large that could require additional funding in any given year.

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.

Maintain into the future 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 and a Community Satisfaction Survey covering 30 Council services in April 2021. A survey on the Community Strategic Plan Review in October 2021 identified a desire from the community for an 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 supports an increase in the aspirations of the

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community, which are funded through Strategic Initiative project allocations by Council's recently approved Special Rate Variation (refer to page 31).

Examples of important considerations identified by the community through the surveys noted above are detailed below:

- Maintaining Council's assets to a good standard.
- Changing demographics – the community identified that an ageing population increased usage of Council's open spaces and created a desire for improvements to infrastructure of flat and accessible spaces and seating.
- Frequency of use – participants in asset management workshops acknowledged competition for assets that are regularly used by the community and expressed a desire for additional funding for asset maintenance to be allocated according to usage.
- Access and hours of operation – the community expressed that a wide span of opening hours should encourage use. Hornsby Aquatic Centre and Council's Community Recycling Centre were the two most mentioned assets in this regard.
- Quality spaces – the community expressed a desire for Council to invest in maintenance to increase quality and noted that this would likely increase usage.

Accordingly, forecast income and expenditure to fund the normal continuance of services has been included in the LTFP.

Assets provided by Council are designed and funded to meet a defined level of demand and/or need of the community

The Asset Management Planning section of this report includes further information with regards to the communities desired level of service for Council assets that were identified through recently completed asset management workshops. This has also been included in the LTFP (refer to page 33 for further information).

Continuous Financial Improvement

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

- Prioritising funding requirements for existing assets identified in Council's Asset Management Plans and Asset Management Strategy before new initiatives such as the construction of new infrastructure.
- Evaluation on a periodic basis of Council's activities to determine competitiveness in terms of service provision and financial viability.
- To review Council's existing capital decisions ensuring business evaluations are undertaken where necessary to ascertain value and meet Capital Governance Framework requirements.
- Review of fees and charges to ensure closer alignment with costs.
- Investigating opportunities to enhance income from other revenue streams including paid parking and signage advertising.
- No new 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.
- Projects that are linked fully to a nexus of new population to be prioritised in Development Contribution Plans to avoid the need to allocate general funds to projects that are unable to be fully funded by contributions.
- Capital grants for major projects to construct new infrastructure that expands Council's asset base to only be accepted if a new recurrent funding source is identified, such as additional income. Major capital grants for new infrastructure with significant ongoing maintenance and renewal requirements that do not meet this criteria should be declined.

Continuation of Council's Debt Free Position

Council became debt free in June 2023 and the only ongoing borrowing cost 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 LTFP and this Plan includes a recommendation for no further loan borrowing to be undertaken unless this requirement is met. Even in this scenario any decision to externally borrow, such as to provide upfront capital for income generating opportunities 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 risk weighted to ensure certainty of positive returns, with business cases continually update during project planning and inception to ensure that any assumptions use to support borrowing 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 much of these reserves set aside prior to the 2016 boundary adjustment with the City of Parramatta Council at a time when Council was generating substantial Income Statement surpluses. The recently approved Special Rate Variation (SRV) sought to resolve budget deficits forecast in future years in the previous version of this plan to prevent the need to draw from these historic reserves to balance the budget each year.

Whilst the SRV has successfully rebalanced Council's financial capacity into the future the Income Statement surpluses forecast over the next

FINANCIAL OBJECTIVES

ten years are far lower than prior to the boundary adjustment and high inflationary environment (2014/15: $14.770 million and 2015/16: $14.638 million) with surpluses over the next ten years only forecast to be sufficient to protect the Annual Budget from shocks that typically occur throughout the course of the year. 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 available.

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 dealt with without the need to request assistance from other levels of government, borrow externally or cut services. Most recently this included calling upon funds to balance the Annual Budget during the COVID-19 pandemic to offset lost income from lock down measures, with the amount borrowed repaid over the following years. Reserves have also recently been internally leant to Council's Domestic Waste function to fund remediation works required at historic landfill sites, with this amount also to be repaid over future years by Domestic Waste.

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 beyond 2034 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 66). Fulfilling the requirement of this recommendation is regarded as vital to ensure Council's financial sustainability over the very long term, far beyond the tenure of the current Council and its Officers.

Image: Coronation Street

FINANCIAL OBJECTIVES

Achieve/Maintain Local Government Performance Indicators

The Office of Local Government has 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, and it is a requirement to report on each of the indicators in Council's annual financial statements.

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

Indicator	Quantitative Measure	Definition	Benchmarks
Operating Performance Ratio	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) The OLG set a benchmark of 0%. For this to be achieved 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.
Own Source Operating Revenue Ratio	Measures the level of a council's fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.	Total operating revenue less (inclusive of capital grants and contributions) / Total operating revenue	>60%
Unrestricted Current Ratio	This ratio is specific to local government and is designed to assess the adequacy of working capital and the ability to satisfy obligations in the short term for unrestricted activities of Council.	Current assets less all external restrictions/current liabilities less specific purpose liabilities	>1.5
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 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%

FINANCIAL PLANNING ASSUMPTIONS

As part of undertaking financial modelling, key assumptions that underpin forecasts must be made. The assumptions utilised in the LTFP have been sourced from external bodies that are regarded as reputable including the Reserve Bank of Australia, BIS Oxford Economics and Reuters (via Council's independent Investment Advisor, Prudential Investment Services).

The LTFP is based on Council's 2024/25 draft budget that was placed on public exhibition at the General Meeting held on 10 April 2024 and is currently scheduled to be referred to Council for adoption on 12 June 2024 following a review of submissions received. The 2024/25 draft budget has been used as the base point for the LTFP in year one of ten of the forecast, which then makes a number of market driven and internal assumptions to project revenue and expenditure over the forecasted period. Several one-off recurring adjustments have also been included in the LTFP to provide funding for known expenditure items such as the cost of local government elections, an increase in statutory employee superannuation to 12% by 2026 and for projects that were commenced by the previous term of Council such as a greater allocation to deliver new footpaths across the Shire. Following the success of Council's application for a Special Rate Variation (SRV) the LTFP also includes allocations for asset management and strategic initiatives that align with Council's original application for the SRV (refer to pages 33 and 38 for further information).

Service Levels – Normal Continuance of Service

Council's future financial position has been forecast based on a continuance of 'normal operations'. This is difficult to define but can be regarded as the provision of services to stakeholders at levels of service that they have come to expect on a regular basis which in this Plan has been determined through a range of community consultation. It is noted that levels of service may not remain the same given changes in community expectations in future years of the Plan. In this regard it is noted that 'normal operations' has been forecast as a minimum level over the life of the Plan as the community has indicated.

Accordingly, forecast income and expenditure to fund the normal continuance of services has been included in the LTFP.

The Asset Management Planning section of this report (page 33) includes further information with regards to the communities desired level of service for Council assets that were identified through recently completed asset management workshops. This is also another key component considered to be part of the normal continuance of services and has been included in the LTFP.

Image: Community drop-in session

EXPENDITURE ASSUMPTIONS

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

- Employee Benefits and On-costs
- Borrowing Costs
- Materials and Services
- Depreciation & Amortisation
- 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. Further Local Government Award increases are not yet known 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.

Year	Salary Movement
2025	3.5%
2026	3.0%
2027	3.4%
2028	3.4%
2029	3.2%
2030	3.2%
2031	3.2%
2032	3.2%
2033	3.2%
2034	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 is expected in existing staff numbers and employee working hours noting that Council's previous three Long Term Financial Plans have included a recommendation for a freeze on FTE headcount as a method of cost containment.
- Workers' compensation expense is 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 60.

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 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. Whilst Council's forecast budget is balanced over the next ten years there is insufficient financial capacity available to commit Council to interest and principal repayments that would require recurrent funding. In this regard it is also noted that Council's current annual capital works program is significant in size, most of which is funded from external sources such as grants and development contributions therefore the more prominent challenge for Council as identified in previous versions of this Plan is the need to allocate recurrent funds to operate and maintain projects once construction has been completed, rather than a need to identify further funds to construct new capital works. Council's staff resources are also considered to be fully utilised for the delivery of this ambitious program of capital works, and increasing the size of the program by borrowing externally would likely require additional headcount and associated recurrent employee costs. Therefore, this is not recommended.

EXPENDITURE ASSUMPTIONS

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 includes 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 2026) and from BIS Oxford Economics from 2027 until the end of the Plan using the compound annual growth rate estimated for this timeframe.

Year	CPI
2025	3.1%
2026	2.6%
2027	2.8%
2028	2.8%
2029	2.5%
2030	2.5%
2031	2.5%
2032	2.5%
2033	2.5%
2034	2.5%

Additional material and contract related assumptions include:

- Maintain cost increases to modest levels regarding non-labour related expenses.
- 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 lands planning studies and preparing a reconciliation action plan from funds previously set aside for these purposes.
- Providing a budget for the Councillor election in line with the 4 year election cycle.

Depreciation

Depreciation is an allowance or provision made in the financial records for "wear and tear" and "technical obsolescence" of plant and equipment. The idea of depreciation is to spread the cost of a capital asset over the period of its "useful life to the entity" that currently owns it. Council's existing depreciation schedule has been used as the basis for determining the depreciation expense.

Depreciation forecasts relate to existing assets and to Council's extensive 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 5.6% per year between 2018 and 2023 because of new depreciation associated with Council's large capital works program and because of increases in replacement costs during the high inflationary environment that were brought to account during the asset revaluation process. 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. However, BIS Oxford Economics have forecast ten-year projections for a 'Buildings & Structures' index that is similar in nature. Therefore, this index has been used for the purpose of forecasting depreciation in future years:

Year	Buildings & Structures Index
2025	3.6%
2026	3.6%
2027	3.6%
2028	3.6%
2029	3.2%
2030	3.2%
2031	3.2%
2032	3.2%
2033	3.2%
2034	2.1%

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 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 2026) and from BIS Oxford Economics from 2027 until the end of the Plan using the compound annual growth rate estimated for this timeframe.

EXPENDITURE ASSUMPTIONS

Year	CPI
2025	3.1%
2026	2.6%
2027	2.8%
2028	2.8%
2029	2.5%
2030	2.5%
2031	2.5%
2032	2.5%
2033	2.5%
2034	2.5%

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.


Image: Hornsby Park

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 & Other Income
- Grants and Contributions provided for Operating Purposes
- Grants and Contributions provided for Capital Purposes

Rates and Annual Charges

Rates and Charges are a major source of Council's revenue, 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 recent application to IPART for a 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 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 also not published. In some years IPART may also apply a productivity factor to the rate peg, which reduces 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, if not limited guidance to estimate income in future years.

Over time the rate peg should trend in line CPI. However, historically the methodology used by IPART to set the rate peg has faced criticism for impacting Council's by not keeping track with actual costs incurred each year (refer to the Risks section for further information on page 55) 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. Therefore, a comparison of forecast CPI to IPART's suggested rate peg of 2.5% has been undertaken:

Year	Forecast CPI	Rate peg suggested by IPART	Difference
2025 - 2027	N/A – SRV Increases	N/A – SRV Increases	N/A – SRV Increases
2028	2.8%	2.5%	0.3%
2029	2.5%	2.5%	0.0%
2030	2.5%	2.5%	0.0%
2031	2.5%	2.5%	0.0%
2032	2.5%	2.5%	0.0%
2033	2.5%	2.5%	0.0%
2034	2.5%	2.5%	0.0%
Average	2.54%	2.5%	0.4%

The analysis shows that there is minimal difference between the future years rate peg of 2.5% suggested by IPART and forecast CPI based on projections at the time of preparing this Plan, therefore 2.5% has been used for forecasting purposes from 2028 onwards. The close alignment between the forecast rate peg and CPI is considered appropriate as this ensures a linear relationship between forecast 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

Year	SRV/Rate Peg
2025	7.5%
2026	6.5%
2027	5.5%
2028	2.8%
2029	2.5%
2030	2.5%
2031	2.5%
2032	2.5%
2033	2.5%
2034	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 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 2026) and from BIS Oxford Economics from 2027 until the end of the Plan using the compound annual growth rate estimated for this timeframe.

EXPENDITURE ASSUMPTIONS

Year	CPI
2025	3.1%
2026	2.6%
2027	2.8%
2028	2.8%
2029	2.5%
2030	2.5%
2031	2.5%
2032	2.5%
2033	2.5%
2034	2.5%

Additionally, previously approved increases for User Charges and Fees have been compared to actual CPI inflation as per the RBA at 30 June in prior years. This analysis has been undertaken as the high inflationary environment over recent years proved challenging for economists to predict, both in terms of the size of 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 over the past three financial years:

Year	Council Increase	Actual CPI (RBA)	Difference
2022	1.40	6.10	4.70
2023	2.10	6.00	3.90
2024	3.50	3.60	0.10
Total	7.00	15.70	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 in future years to catch up on this missed cost growth. In this regard it is noted that Fees and Charges for 2024/25 have recently been placed on public exhibition based on forecast CPI, therefore the first year that Council could consider applying an increase above forecast CPI is 2025/26. It is therefore recommended that the next term of Council consider this matter for 2025/26 and beyond.

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 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 LTFP in line with expected decreases to the base rate from the predicted end of the current high inflationary environment. It is noted that there is significant uncertainty with regards to this assumption, noting challenges over recent years in accurately predicting when increases and decreases to the base rate will occur (including challenges in forecasting encountered by the RBA itself).

The total average expected investment income return ranges from 4% in 2025 to 3.35% in 2034.

Forecast investment returns have increased compared to the previous version of the plan and a sensitivity analysis has been undertaken (refer page 63) to demonstrate Council's reliance on this additional forecast investment income over the planning period.

Other Revenues & 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 with CPI adjustments as reported above.

Grants and Contributions

Council receives a number of operational and capital grants from various Federal and State Government agencies. Capital contributions 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 current levels as the 2022/23 and 2023/24 Annual Budgets included significant income from one-off grants for specific projects that will not reoccur in future years. A number of these grants were provided by government agencies to provide economic stimulus during recovery from the COVID-19 pandemic. In previous years large grants were also provided as a form of compensation for the 2016 boundary adjustment and to assist Council with rectifying damaged assets from three declared natural disasters in the Hornsby Local Government Area. Comparatively the 2024/25 Annual Budget that has recently been placed on public exhibition at the April 2024 General Meeting includes a much lower amount of income from capital and operating grants, reflecting a significant reduction in the number of grant funding opportunities currently available to Council. This level of grant income has been used to forecast future years as grant income above this level is not guaranteed unless agreements are in place. Council will continue to pursue any opportunities to obtain external grants that arise and future versions of this Plan can be updated if additional funding is made available.

REVENUE ASSUMPTIONS

Capital Expenditure

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

Council's average capital works program in the base LTFP is forecast at $50.8 million each year and is largely funded by external grants and restricted asset funding, as well as from general funds. The most significant capital cash flows are for major projects such as Hornsby Park and Westleigh Park that are funded from external grants and restricted assets. Recurrent capital budgets such as 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 2024/25 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. Forward forecasts received from Project Managers for major projects such as Hornsby Park and Westleigh Park have been added to the base amount as the cash outflows for these projects vary the most over future years based on panned work schedules. Capital Works budgets in 2024/25 and 2025/26 are the largest of all years in the Plan ($67.3 million and $77.0 million, respectively) as significant works at Hornsby Park and Westleigh Park are currently forecast to be undertaken in these years.

This Plan has forecast capital expenditure at the following levels, which also includes capital funding for strategic initiatives from the SRV (refer to page 38):

Year	Capital Expenditure
2025	$67,328,856
2026	$76,967,337
2027	$45,236,784
2028	$46,100,689
2029	$43,805,800
2030	$44,048,683
2031	$44,792,779
2032	$45,861,537
2033	$46,678,421
2034	$47,411,766

It is noted that capital expenditure has increased above historic annual levels of approximately $25 to $30 million due to several one-off infrastructure projects as listed below:

- Hornsby Park Revitalisation and Westleigh Sportsground allocated at the amount received through the NSW Government's Stronger Community Funding and available S7.11 development contribution funds.
- Public Domain improvements for Asquith to Mt Colah and Galston with other sites to progress as part of investigations into public domain.
- Increase in new footpath construction.
- Improvements to Wallarobba Arts and Cultural Centre.
- Projects funded by development contributions in accordance with the timings identified in Council's 2020 – 2030 Development Contributions Plan.
- Increased asset renewal expenditure to fund the requirements identified in Council's recently revised asset management plans, as noted within the Asset Management Planning section of this report (page 33).
- Strategic Initiatives funded from the SRV (page 38).

Council's Best Estimate from Applying Financial Assumptions

The key financial information that follows in the form of financial statements and indicators are results based on a range of forecast financial assumptions. 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 and compared to the actual results on an annual basis. This will be achieved via reporting in Council's Annual Report, by comparing the actual results on key financial statements and indicators to the forecasted figures for that year. Any issues identified through this process will be considered in the updating of the LTFP for the following year when assumptions are reviewed and re-established as a matter of course.

SPECIAL RATE VARIATION (SRV)

Previous version of the 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. 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, therefore was the only revenue stream with the capacity to be increased to provide the level of funding required.

To ascertain the extent of the special rate variation required 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 (refer to page 9 for details).

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 spanned many months and 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.

A number of internal governance and reporting processes have been created to ensure that Council adheres to the conditions of the SRV, which are explained further in each of the sections of this Report referred to above. Council is also required to report expenditure incurred compared to the original application and the Instrument of Approval each year in the Annual Report until the end of 2032/33.

Image: Shared pathway, Galston Road

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. Accordingly, a significant project to undertake 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 cover 95% of Council's depreciable asset base. The expenditure requirements that were identified were included in the LTFP and Council's application for the SRV. The success of the application means that adequate funding is available over the next ten years to maintain and renew the following asset classes to the level of service required:

- Roads, bridges, footpaths, kerb and guttering
- Stormwater drainage
- Specialised and non-specialised buildings including aquatic centres
- Open spaces (largely related to Park assets such as playing surfaces and equipment, and park furniture).

The process undertaken by Council Officers to prepare asset management plans centred around producing detailed data based ten-year forecasts for maintenance, renewal and operational expenditure from 'the bottom up' by calculating the individual forecast requirements for each of Council's assets at a granular level (for example at the level of road section, park bench, kitchen, bathroom, pipe length etc). The following methodology was used:

- Review of existing granular data with the aim of ensuring data exists for each individual asset within each class.
- Identification of data omissions.
- The collection of new data where omissions are present including the engagement of consultants and contractors to survey assets at a detailed level (based on the condition assessment of each component of each asset).
- Independent physical asset inspections for each asset class by qualified experts to test asset data including an independent review of condition compared to Council's recorded condition levels.
- Community satisfaction survey to assess current service levels compared to desired levels of service which is covered in more detail in Council's Asset Management Strategy.
- The creation of ten-year expenditure forecasts for each class compared to available budgets which is covered in more detail in Council's Asset Management Strategy.

Results from Council's Community Satisfaction survey (Asset Management Community Insights Report – November 2020) were used to inform the basis of forecasted maintenance and renewal requirements for each of Council's assets where a rating was provided to 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.


Image: Pothole repair

ASSET MANAGEMENT PLANNING

As detailed in Council's Asset Management Strategy, additional funding was sought through the SRV to cover an average funding gap of $4.1 million per year over ten years. The success of the SRV means that this additional funding is now available and has been factored into each year of this Plan. Council is governed by the terms of the Instrument of Approval for the SRV from IPART meaning that this additional funding must be used for asset management purposes. Council is also required to report each year in the Annual Report to demonstrate that funding has been allocated and expended in line with Council's original application for the SRV and the Instrument of Approval:

Year	Buildings	Roads/Road Infrastructure	Stormwater Drainage	Open Space	Shortfall
2024	$538,000	$104,000	$1,087,000	$621,000	$2,350,000
2025	$128,000	$96,000	$1,118,000	$724,000	$2,066,000
2026	$252,000	$580,000	$1,314,000	$1,412,000	$3,558,000
2027	$931,000	$594,000	$1,357,000	$942,000	$3,824,000
2028	$2,388,000	$597,000	$1,401,000	$3,306,000	$7,692,000
2029	$2,292,000	$623,000	$1,434,000	$1,023,000	$5,372,000
2030	$602,000	$638,000	$1,481,000	$927,000	$3,648,000
2031	$542,000	$641,000	$1,516,000	$1,109,000	$3,808,000
2032	$442,000	$670,000	$1,567,000	$1,491,000	$4,170,000
2033	$337,000	$686,000	$1,606,000	$1,684,000	$4,313,000

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 (refer to page 38).
- Allocations for the renewal and maintenance of Hornsby Park, noting that separate SRV funding has been secured for this purpose as explained below.

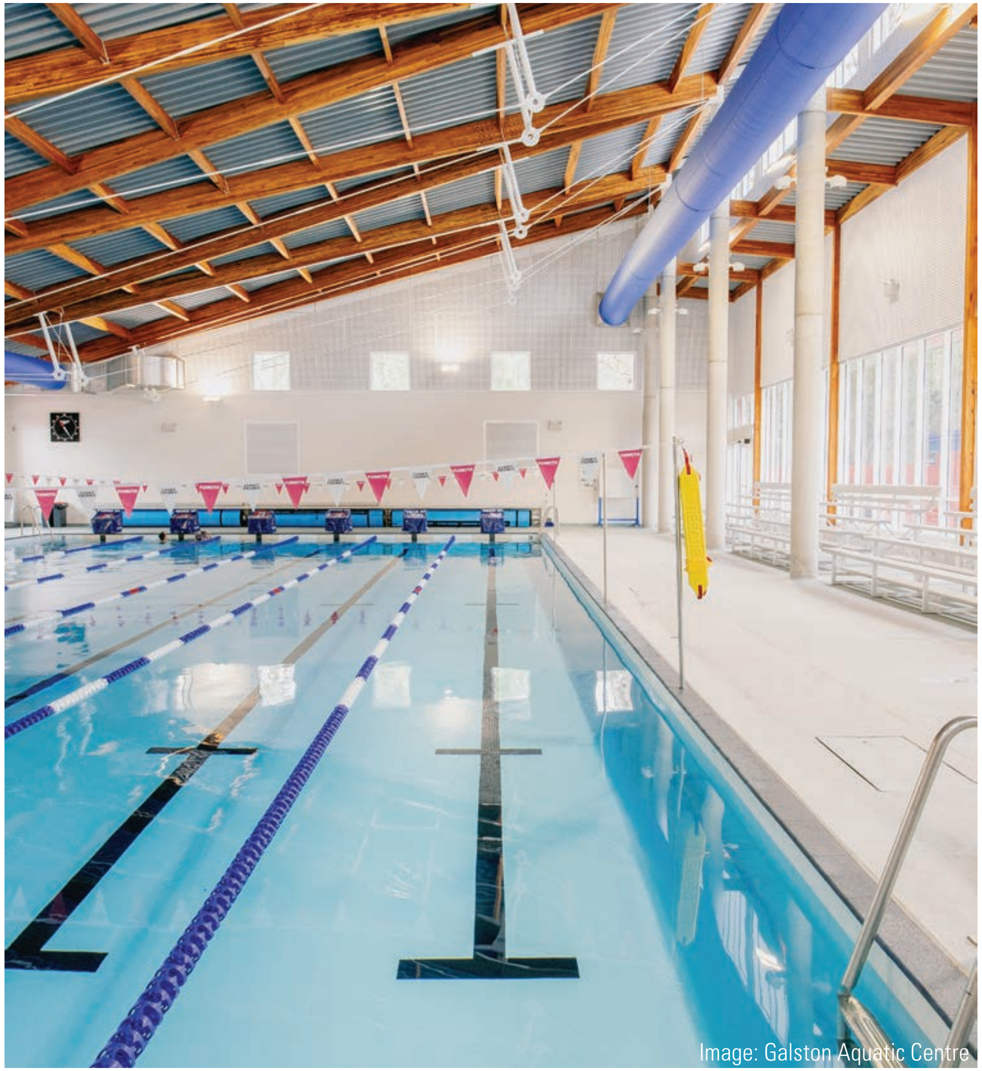

Image: Galston Aquatic Centre

ASSET MANAGEMENT PLANNING

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 capital 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 costs calculated by Capital Insight. These allocations are also subject to the same governance and reporting conditions noted previously meaning the funding can only be expended in accordance with Council's original application:

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

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. With this achieved the next version of the Asset Management Plans and Asset Management Strategy within the Integrated Planning and Reporting Cycle from 2025/26 will focus on continuous improvement.

The Asset Management Strategy endorsed by Council that supported the Special Rate Variation and the underlying Asset Management Plans included 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.

Key recommendations regarding the remaining 5% of the asset base as well as recommendations to improve practices in some areas are as follows:

- Implement a CCTV condition assessment process for Stormwater Drainage in place of manual inspections with a recurrent budget of $50K per anum provided for this purpose.
- Develop a program for the ongoing condition assessment of footpaths and car parks within parks, with condition data uploaded to Council's Strategic Asset system to forecast ongoing renewal and maintenance requirements.
- Review all aspects of Council's strategic asset system for Roads to increase the reliability of forecast work schedules and reduce time spent manually corroborating maintenance and renewal requirements.
- Council's asset custodians to update the technical asset register for Foreshore assets to inform an Asset Management Plan for this asset class. The total value of Council's foreshore assets is less than 5% of Council's depreciable asset base and is one of the last remaining asset classes not yet covered by an Asset Management Plan.
- Condition data to be collected for the remaining 5% of Council's Open Space assets to support detailed renewal and maintenance forecasts into the future, noting that the current Open Space AMP includes provisional estimates for the maintenance and renewal of these assets.
- Progress a number of other recommendations identified in the AMP's, largely around the improvement of data, systems and processes.

Following the success of the SRV an internal Asset Management Governance Committee has been established. The Committee meets quarterly to monitor expenditure funded from the SRV and progress the improvement points identified. Completing each of the recommendations will provide further assurance of Council's ability to maintain it's 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 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 provides 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
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 playspaces	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

STRATEGIC INITIATIVES

Accordingly, each of these allocations have been included in the applicable years of this Plan. Council Officers have developed an internal governance process to ensure that SRV funds can only be allocated in accordance with this program of works and to ensure that the detailed program of works included in the budget commences with the highest priority projects out of all available options for each strategic initiative. Council's Executive Leadership Team (ELT) are responsible for the endorsement of projects and SRV funds are only released after this endorsement has been received. SRV expenditure is reported to Council's ELT quarterly including a review of expenditure incurred to ensure it complies with the purpose for which it was intended. The Annual Report will also disclose the progress of expenditure for each of the Strategic Initiatives listed above.


Image: Ruddock Park, Westleigh

RESULTS

This version of the LTFP forecasts income and expenditure levels from the normal continuance of services. Income and expenditure allocations in accordance with Council's approved Special Rate Variation are also included, as discussed in the previous sections of this report.

Income Statement (Non-Cash Result)

Hornsby Shire Council	Actuals	Current Year	Projected Years									
10 Year LTFP ending 30 June 2034	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30**	**2030/31**	**2031/32**	**2032/33**	**2033/34**
INCOME STATEMENT - GENERAL FUND	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Income from Continuing Operations												
Rates & Annual Charges	110,058,000	115,895,861	125,128,955	131,825,557	138,055,407	141,623,363	145,163,947	148,793,045	152,512,871	156,325,693	160,233,835	164,239,681
User Charges & Fees	15,521,000	15,060,066	14,959,800	15,348,753	15,778,512	16,220,303	16,625,811	17,041,456	17,467,493	17,904,180	18,351,785	18,807,965
Other Revenues	4,409,000	3,962,866	3,962,866	4,065,901	4,179,746	4,296,779	4,404,198	4,514,303	4,627,161	4,742,840	4,861,411	4,982,946
Grants & Contributions - Operating Purposes	20,765,000	4,455,956	9,462,233	10,488,252	10,760,083	11,039,525	11,296,013	11,558,913	11,828,386	12,104,596	12,387,711	12,677,904
Grants & Contributions - Capital Purposes	27,107,000	22,286,998	6,650,000	4,974,900	5,011,157	5,048,430	5,082,640	5,117,706	5,153,649	5,190,490	5,228,252	5,266,959
Interest & Investment Revenue	10,541,000	10,049,786	10,271,333	7,717,704	5,796,294	5,426,598	5,404,863	5,383,333	5,357,271	5,336,231	5,311,855	5,286,663
Fair value increment on investment properties	257,000	-	200,000	205,200	210,946	216,852	222,273	227,830	233,526	239,364	245,348	251,482
Other Income	3,284,000	2,901,534	2,854,734	2,928,957	3,010,967	3,095,275	3,172,656	3,251,973	3,333,272	3,416,604	3,502,019	3,589,570
Total Income from Continuing Operations	**191,942,000**	**174,613,066**	**173,489,921**	**177,555,223**	**182,803,111**	**186,967,124**	**191,372,402**	**195,888,560**	**200,513,630**	**205,259,998**	**210,122,216**	**215,103,170**
Expenses from Continuing Operations												
Employee Benefits & On-Costs	50,157,000	56,252,617	58,497,463	59,448,476	60,820,445	62,497,758	64,472,406	66,510,243	68,613,291	70,783,636	73,023,433	75,334,902
Borrowing Costs	28,000	5,734	9,736	7,341	4,866	2,326	6,594	11,196	8,442	5,596	2,675	7,583
Materials & Services	67,292,000	81,198,128	71,376,134	74,903,855	77,905,390	81,304,475	84,702,072	84,019,109	85,889,836	87,953,537	91,170,532	92,228,152
Depreciation & Amortisation	23,416,000	22,131,300	25,461,122	26,377,722	27,327,320	28,311,104	29,217,059	30,152,005	31,116,869	32,112,609	33,140,213	33,836,157
Other Expenses	4,148,000	4,716,218	5,076,223	5,208,205	5,354,034	5,503,947	5,641,546	5,782,585	5,927,149	6,075,328	6,227,211	6,382,892
Net Losses from the Disposal of Assets	2,152,000	-	-	-	-	-	-	-	-	-	-	-
Fair value decrement on investment properties	-	290,000	-	-	-	-	-	-	-	-	-	-
Total Expenses from Continuing Operations	**147,193,000**	**164,593,997**	**160,420,678**	**165,945,599**	**171,412,056**	**177,619,610**	**184,039,678**	**186,475,138**	**191,555,588**	**196,930,707**	**203,564,063**	**207,789,686**
Operating Result (Continuing Operations)	**44,749,000**	**10,019,069**	**13,069,243**	**11,609,624**	**11,391,055**	**9,347,514**	**7,332,724**	**9,413,422**	**8,958,042**	**8,329,291**	**6,558,153**	**7,313,484**
Net Operating Result for the Year	**44,749,000**	**10,019,069**	**13,069,243**	**11,609,624**	**11,391,055**	**9,347,514**	**7,332,724**	**9,413,422**	**8,958,042**	**8,329,291**	**6,558,153**	**7,313,484**
Net Operating Result before Grants and Contributions for Capital Purposes	**17,642,000**	**(12,267,929)**	**6,419,243**	**6,634,724**	**6,379,898**	**4,299,085**	**2,250,084**	**4,295,715**	**3,804,393**	**3,138,801**	**1,329,901**	**2,046,525**

Average Net Result (2024/25 to 2033/34) **4,059,837**

RESULTS

Commentary on Results – Income Statement

Income Statement results forecast over the period of this Plan have reduced compared to the SRV scenario in the previous version of the Plan that was adopted by Council in November 2022 due to a number of unexpected cost increases that were incurred after the Plan had been prepared, with most of these increases attributable to a continuation of the high inflationary environment for longer than economists at the time predicted including contractual increases for grass cutting, workers compensation and general insurances, an increase in the Emergency Services Levy in 2023/24 and salary and wage increases prescribed by the Local Government Award that are greater than the level forecast.

Whilst additional forecast expenditure has increased because of these cost increases, forecast investment income returns have also increased, which has offset a portion of the total cost increase incurred. Council is holding larger cash reserves than previously forecast due to a slower delivery rate than originally forecast for the construction of capital works (noting ongoing supply side challenges in this area) and the base rate set by the Reserve Bank of Australia is now forecast to remain higher than previously predicted, particularly in the earlier years of the Plan.

Year	Current Forecast	Previous LTFP
2025	$6,419,243	$6,779,063
2026	$6,634,724	$7,256,728
2027	$6,379,898	$8,958,413
2028	$4,299,085	$7,401,622
2029	$2,250,084	$5,979,495
2030	$4,295,715	$7,345,522
2031	$3,804,393	$6,670,614
2032	$3,138,801	$5,757,850
2033	$1,329,901	$6,779,063
2034	$2,046,525	NA

Despite these reduced results forecast financial capacity on average over the life of the Plan is slightly above acceptable levels with an average Income Statement surplus of $4.059 million per year and a corresponding average Operating Performance Ratio of 2.11%, which is above the target level of 2% required to respond to budget shocks that occur from year to year. However, forecast surpluses in the last four years of the Plan are expected to continue to diminish and the Operating Performance Ratio in each of these years is below the 2% target. This Plan therefore includes recommendations (refer page 66) to increase financial capacity from a range of measures that include cost containment recommendations and income enhancement opportunities from income streams such as User Charges and Fees and Other Revenue. Whilst prudent ongoing financial management is required over the next ten years the increase in financial capacity recommended is minor compared to the deficits forecast in the base case of the previous Plan that led to the Special Rate Variation. It is therefore appropriate to seek incremental financial capacity in the later years from a range of measures across multiple parts of the budget, rather than rates.

It should be noted that a deficit of $12.27 million is estimated at 30 June 2024 because of two one off items. An operating provision for future remediation works at Foxglove Oval of $12.1 million has been estimated, which must be recognised in the current year in accordance with Australian Accounting Standards (note the total provision including a capital works component is $23.4 million). This expense represents a non-cash accounting adjustment for a provision that will be drawn down over future years as expenditure at Foxglove Oval is incurred, which explains why a break-even position $12 million higher than this Income Statement Result is forecast in the Budget (cash liquidity result) in the same year of the Plan. An early payment of the 2023/24 Financial Assistance Grant of $5.5 million in the 2022/23 financial year also added to a surplus of $17.76 million achieved in the 2022/23 prior year, but has contributed to the diminished result that is expected at 30 June 2024. If the Income Statement (non-cash) deficit of $12.2 million forecast in 2023/24 is adjusted for each of these items ($12.2 million non-cash provision and $5.5 million 2023/24 Financial Assistance Grant recognised a year early) the forecast surplus at 30 June 2024 would be in line with a $5 million surplus for this year that was forecast in the SRV scenario of the previous version of the Plan.

A commentary on variances within the Income Statement forecast is also provided:

- Revenue from rates is forecast to increase by the three remaining SRV increases of 7.5% in 2024/25, 6.5% in 2025/26 and 5.5% in 2026/27. Modest increases in line with CPI have been forecast for Domestic Waste Annual Charges, which offset forecast Domestic Waste Expenditure over the term of the Plan. Whilst the risks section of this report (page 55) identifies the likelihood of Domestic Waste annual Charges increasing greater than CPI, these increases will be offset by matching domestic waste expenditure in the Income Statement and therefore will not affect forecast surplus levels over the term of the Plan.
- Grants and Contributions for operating purposes decreases from $20.76 million in 2022/23 to $4.46 million in 2023/24 due to an early payment of the 2023/24 Financial Assistance Grant of $5.5 million resulting in this income being recognised in 2022/23 rather than 2023/24. A number of one-off operating grants were also received in 2022/23 including $6.5 million to repair damaged roads following three declared natural disasters in the Hornsby Local Government Area and $2 million for storm response and preparedness initiatives. Further income from these grants has not been forecast over the term of the Plan due to the uncertainty of timing, which is attributable to severe weather patterns. Income from the Financial Assistance Grant is also forecast to be recognised in the year to which it relates from 2024/25 onwards, noting that Council has no control over when the Office for Local Government issues payment and the distortion in results that this can cause from year to year. Further early payments in future years would affect Income Statement results in any given year, but will not alter the average surplus of $4.1 million forecast over the ten year term of the Plan.

RESULTS

- Grants and Contributions for capital purposes decreases from $27.11 million in 2022/23 and $22.29 million in 2023/24 to an average of $5.27 million over the ten-year forecast period with this decrease broadly attributable to the expected end of a number of grant programs provided as a form of economic stimulus from other levels of government during recovery from the COVID-19 pandemic. Examples of one-off grants that have increased capital income in recent years are $5.1 million for the cycle way from Epping to Pennant hills, $3.8 million for shared paths in Brooklyn, four phases of the Local Roads and Community Infrastructure grant program of $871K, $4.58 million, $1.74 million and $1.37 million, $1.4 million for public space projects and $5 million for Brooklyn Boardwalk.
- Employee benefits and oncosts is estimated to increase from $50.16 million at 30 June 2023 to $56.25 million at 30 June 2024 because of provisions in the Local Government Award exceeding previous estimates including a $1,000 cost of living relief payment for permanent staff and a contractual salary increase of 4.5% (greater than 3.8% that was forecast in the previous Plan). Statutory superannuation has also increased from 10.5% in 2022/23 to 11% in 2023/24. Additionally, $1 million of Council's employee cost budget for 2022/23 remained unspent at the end of that year due to a number of vacancies across several sections of Council at the time.
- Materials and Services expenditure of $81.2 million is estimated for the current year ending 30 June 2024 because of the $12.1 million non cash impact of the operating cost component of the provision for Foxglove Oval, as noted above.
- Forecast Income Statement surpluses fluctuate in size from year to year in line with expenditure requirements. The largest contributors to this are asset maintenance requirements forecast within Council's Asset Management Plans (page 33) which fluctuate from year to year in line with work schedule requirements across Council's extensive asset base, and the cyclical cost of the Council election in excess of $1 million per year every 4 years from 2024/25. Investment Income returns also reduce over the term of the Plan in line with a forecast decline in the base rate set by the Reserve Bank of Australia and the planned use of restricted funds that are currently held for specific capital works projects such as Hornsby Park and Westleigh Park that are expected to be spent in earlier years.


Image: Greenway Park

RESULTS

Budget (Cash Liquidity Result)

Hornsby Shire Council 10 Year LTFP ending 30 June 2034 BUDGET SUMMARY - GENERAL FUND	Dec 23 Budget 2023/24 $	Projected Years 2024/25 $	2025/26 $	2026/27 $	2027/28 $	2028/29 $	2029/30 $	2030/31 $	2031/32 $	2032/33 $	2033/34 $
Income from Continuing Operations											
Rates & Annual Charges	115,895,861	125,128,955	131,825,557	138,055,407	141,623,363	145,163,947	148,793,045	152,512,871	156,325,693	160,233,835	164,239,681
User Charges & Fees	15,058,024	14,957,707	15,346,608	15,776,313	16,218,049	16,623,501	17,039,088	17,465,065	17,901,692	18,349,234	18,807,965
Other Revenues	3,962,866	3,962,866	4,065,901	4,179,746	4,296,779	4,404,198	4,514,303	4,627,161	4,742,840	4,861,411	4,982,946
Grants & Contributions provided for Operating Purposes	4,455,956	9,462,233	10,488,252	10,760,083	11,039,525	11,296,013	11,558,913	11,828,386	12,104,596	12,387,711	12,677,904
Grants & Contributions provided for Capital Purposes	22,286,998	6,650,000	4,974,900	5,011,157	5,048,430	5,082,640	5,117,706	5,153,649	5,190,490	5,228,252	5,266,959
Interest & Investment Revenue	10,049,786	10,271,333	7,717,704	5,796,294	5,426,598	5,404,863	5,383,333	5,357,271	5,336,231	5,311,855	5,286,663
Other Income	2,901,534	2,854,734	2,928,957	3,010,967	3,095,275	3,172,656	3,251,973	3,333,272	3,416,604	3,502,019	3,589,570
Total Income from Continuing Operations	**174,321,024**	**173,487,828**	**177,553,078**	**182,800,912**	**186,964,870**	**191,370,092**	**195,886,192**	**200,511,202**	**205,257,510**	**210,119,666**	**215,103,170**
Expenses from Continuing Operations											
Employee Benefits & On-Costs	56,252,617	58,497,463	59,448,476	60,820,445	62,497,758	64,472,406	66,510,243	68,613,291	70,783,636	73,023,433	75,334,902
Borrowing Costs	16,194	9,736	9,989	10,269	10,556	10,820	11,091	11,368	11,652	11,944	12,242
Materials & Services	81,198,128	71,376,134	74,903,855	77,905,390	81,304,475	84,702,072	84,019,109	85,889,836	87,953,537	91,170,532	92,228,152
Depreciation & Amortisation	22,131,300	25,461,122	26,377,722	27,327,320	28,311,104	29,217,059	30,152,005	31,116,869	32,112,609	33,140,213	33,836,157
Total Expenses from Continuing Operations	**164,314,457**	**160,420,678**	**165,948,247**	**171,417,459**	**177,627,840**	**184,043,904**	**186,475,033**	**191,558,514**	**196,936,763**	**203,573,332**	**207,794,345**
Net Operating Profit /(Loss) for the Year	**10,006,567**	**13,067,149**	**11,604,830**	**11,383,454**	**9,337,030**	**7,326,187**	**9,411,159**	**8,952,689**	**8,320,747**	**6,546,335**	**7,308,825**
Capital (Balance Sheet) and Reserve Movements											
Capital Expenditure	(91,864,440)	(67,328,856)	(76,967,337)	(45,236,784)	(46,100,689)	(43,805,800)	(44,048,683)	(44,792,779)	(45,861,537)	(46,678,421)	(47,411,766)
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)
Proceeds from Sale of intangible & tangible Assets	1,000,000	1,000,000	1,026,000	1,054,728	1,084,260	1,111,367	1,139,151	1,167,630	1,196,821	1,226,741	1,257,410
Non-cash Expense Contra Income	22,131,300	25,461,122	26,377,722	27,327,320	28,311,104	29,217,059	30,152,005	31,116,869	32,112,609	33,140,213	33,836,157
Net Transfers (to)/from Reserves	47,642,961	30,739,475	41,282,052	10,709,767	7,459,392	7,653,406	7,855,683	8,066,941	8,277,732	8,496,527	8,720,920
Total Capital (Balance Sheet) and Reserve Movements	**(22,046,248)**	**(11,084,328)**	**(9,237,632)**	**(7,101,038)**	**(10,202,002)**	**(6,780,036)**	**(5,857,913)**	**(5,397,408)**	**(5,230,444)**	**(4,771,009)**	**(4,553,348)**
Net Result (including Depreciation & non-cash items)	**(12,039,681)**	**1,982,822**	**2,367,199**	**4,282,416**	**(864,972)**	**546,151**	**3,553,247**	**3,555,281**	**3,090,303**	**1,775,325**	**2,755,477**
Add back Depreciation Expense (non-cash)	22,131,300	25,461,122	26,377,722	27,327,320	28,311,104	29,217,059	30,152,005	31,116,869	32,112,609	33,140,213	33,836,157
Less Other Income (non-cash)	(22,131,300)	(25,461,122)	(26,377,722)	(27,327,320)	(28,311,104)	(29,217,059)	(30,152,005)	(31,116,869)	(32,112,609)	(33,140,213)	(33,836,157)
Cash Budget Surplus/(Deficit)	**38,776**	**1,982,822**	**2,367,198**	**4,282,416**	**(864,972)**	**546,151**	**3,553,247**	**3,555,281**	**3,090,303**	**1,775,325**	**2,755,477**

Average Cash Surplus (2024/25 to 2033/34) **2,304,325**

RESULTS

Commentary on Results – Budget (Cash Liquidity Result)

The average forecast budget cash surplus over the ten year term of the Plan has decreased from $2.9 million in the SRV scenario of the previous LTFP to $2.3 million due to additional costs incurred from the prolonged high inflationary environment as noted within the Income Statement section of this Report (page 42). Incremental improvement of the forecast Budget (cash) result is required to bring Council's financial capacity back to the level forecast in the SRV scenario of the previous Plan. A number of recommendations have therefore been made to address this (page 66).

A cash deficit of $865K is forecast in 2027/28 due to the timing of funding for significant items as this year includes $7.7 million of additional funding for Asset Management in accordance with the work schedules included within Council's Asset Management Plans (page 33), which is $3.6 million greater than average additional asset management funding of $4.1 million per year. As a larger surplus is forecast in 2026/27 it would be financially prudent to set $2 million aside from the 2026/27 Annual Budget to rebalance the budget in 2027/28 caused by this timing issue.

Image: Coronation StrEAT Opening

RESULTS

Balance Sheet

Hornsby Shire Council	Actuals	Current Year					Projected Years					
10 Year LTFP ending 30 June 2034	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
BALANCE SHEET - GENERAL FUND	$	$	$	$	$	$	$	$	$	$	$	$
ASSETS												
Current Assets												
Cash & Cash Equivalents	40,083,000	6,318,466	5,501,820	4,074,382	3,865,252	3,706,920	3,624,367	3,554,107	3,320,739	3,097,191	2,992,128	3,129,505
Investments	185,965,000	113,249,682	98,612,435	76,297,476	71,614,856	67,842,742	65,241,993	63,707,073	62,322,355	60,651,188	58,300,953	56,091,998
Receivables	12,542,000	8,483,453	8,013,984	8,032,141	8,246,460	8,416,815	8,585,978	8,768,681	8,956,840	9,147,706	9,338,627	9,536,903
Inventories	181,000	195,353	201,773	211,713	220,179	229,763	239,339	237,463	242,756	248,591	257,664	260,677
Contract assets and contract cost assets	-	2,042	4,135	6,280	8,479	10,733	13,044	15,412	17,839	20,327	22,877	22,877
Other	940,000	497,938	515,675	540,287	561,476	585,358	609,140	605,606	619,209	634,131	656,808	665,045
Total Current Assets	239,711,000	128,746,934	112,849,822	89,162,280	84,516,702	80,792,332	78,313,861	76,888,343	75,479,738	73,799,133	71,569,057	69,707,006
Non-Current Assets												
Investments	75,524,000	129,190,374	112,492,831	87,036,885	81,695,152	77,392,087	74,425,265	72,674,294	71,094,667	69,188,271	66,507,224	63,987,343
Receivables	1,149,000	1,559,652	1,588,026	1,639,896	1,693,615	1,740,122	1,783,625	1,828,215	1,873,921	1,920,769	1,968,788	2,018,008
Infrastructure, Property, Plant & Equipment	2,081,579,000	2,229,943,926	2,339,561,157	2,456,983,519	2,545,478,722	2,636,371,264	2,718,215,156	2,801,473,048	2,886,658,290	2,974,109,720	3,063,588,803	3,135,140,151
Investment Property	31,660,000	31,370,000	31,570,000	31,775,200	31,986,146	32,202,998	32,425,271	32,653,101	32,886,627	33,125,991	33,371,340	33,622,822
Intangible Assets	1,013,000	887,996	752,046	726,202	698,507	668,870	637,433	604,119	568,845	531,526	492,073	452,342
Right of use assets	357,000	337,991	262,991	185,291	104,794	21,399	346,910	258,891	168,055	74,333	19,612	394,157
Total Non-Current Assets	2,191,282,000	2,393,289,939	2,486,227,052	2,578,346,993	2,661,656,936	2,748,396,739	2,827,833,660	2,909,491,668	2,993,250,404	3,078,950,609	3,165,947,839	3,235,614,823
TOTAL ASSETS	**2,430,993,000**	**2,522,036,873**	**2,599,076,874**	**2,667,509,273**	**2,746,173,638**	**2,829,189,071**	**2,906,147,521**	**2,986,380,011**	**3,068,730,142**	**3,152,749,743**	**3,237,516,897**	**3,305,321,829**
LIABILITIES												
Current Liabilities												
Payables	18,212,000	14,374,473	14,908,044	15,493,153	16,031,050	16,631,855	17,243,126	17,301,985	17,713,804	18,156,661	18,761,712	19,077,171
Contract liabilities	2,429,000	2,107,045	1,790,008	1,805,589	1,852,525	1,900,776	1,945,063	1,990,457	2,036,986	2,084,679	2,133,564	2,183,671
Lease liabilities	360,000	71,962	74,357	76,832	79,372	20,253	82,756	85,511	88,357	-	23,291	90,873
Employee benefit provisions	14,421,000	13,796,377	14,033,632	14,303,337	14,606,498	14,944,152	15,317,368	15,729,615	16,182,180	16,676,393	17,213,629	17,795,308
Other provisions	5,678,000	4,975,060	11,785,000	5,135,000	1,385,000	80,000	74,658	69,449	64,374	59,432	54,624	49,950
Total Current Liabilities	41,100,000	35,324,916	42,591,041	36,813,911	33,954,445	33,577,035	34,662,972	35,177,016	36,085,701	36,977,166	38,186,820	39,196,973
Non-Current Liabilities												
Contract liabilities	164,000	372,991	355,481	363,189	373,179	383,448	392,874	402,536	412,439	422,589	432,994	443,658
Lease liabilities	-	250,814	176,457	99,625	20,253	-	288,436	203,725	116,192	117,063	45,393	382,296
Employee benefit provisions	1,630,000	2,497,658	2,540,610	2,589,437	2,644,320	2,705,448	2,773,014	2,847,646	2,929,577	3,019,048	3,116,308	3,221,614
Other provisions	1,082,000	19,503,000	7,718,000	2,583,000	1,198,000	1,118,000	1,043,342	970,551	899,626	830,568	763,376	698,050
Total Non-Current Liabilities	2,876,000	22,624,463	10,790,549	5,635,251	4,235,752	4,206,896	4,497,666	4,424,458	4,357,834	4,389,268	4,358,071	4,745,618
TOTAL LIABILITIES	**43,976,000**	**57,949,379**	**53,381,590**	**42,449,162**	**38,190,197**	**37,783,932**	**39,160,638**	**39,601,474**	**40,443,535**	**41,366,434**	**42,544,891**	**43,942,591**
Net Assets	**2,387,017,000**	**2,464,087,494**	**2,545,695,284**	**2,625,060,111**	**2,707,983,441**	**2,791,405,140**	**2,866,986,883**	**2,946,778,537**	**3,028,286,608**	**3,111,383,309**	**3,194,972,006**	**3,261,379,238**
EQUITY												
Retained Earnings	1,352,495,000	1,362,363,069	1,375,402,312	1,386,933,936	1,398,281,991	1,407,629,505	1,414,962,229	1,424,375,651	1,433,333,693	1,441,662,984	1,448,221,137	1,455,534,621
Revaluation Reserves	1,034,824,000	1,101,875,425	1,170,413,973	1,238,169,175	1,309,701,450	1,383,775,635	1,452,024,654	1,522,402,886	1,594,952,915	1,669,720,325	1,746,750,868	1,805,844,617
Other Reserves	(302,000)	(151,000)	(121,000)	(43,000)	-	-	-	-	-	-	-	-
Total Equity	**2,387,017,000**	**2,464,087,494**	**2,545,695,284**	**2,625,060,111**	**2,707,983,441**	**2,791,405,140**	**2,866,986,883**	**2,946,778,537**	**3,028,286,608**	**3,111,383,309**	**3,194,972,006**	**3,261,379,238**

RESULTS

Cash Flow Statement

Hornsby Shire Council	Actuals	Current Year	Projected Years									
10 Year LTFP ending 30 June 2034	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30**	**2030/31**	**2031/32**	**2032/33**	**2033/34**
CASH FLOW STATEMENT - GENERAL FUND	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Cash Flows from Operating Activities												
Receipts:												
Rates & Annual Charges	109,544,000	116,127,974	124,979,110	131,716,877	137,954,302	141,565,458	145,106,486	148,734,148	152,452,502	156,263,814	160,170,410	164,174,670
User Charges & Fees	15,004,000	15,101,377	14,947,665	15,385,538	15,819,327	16,262,269	16,664,088	17,080,690	17,507,707	17,945,400	18,394,035	18,853,886
Investment & Interest Revenue Received	8,584,000	10,564,309	10,364,472	7,890,337	5,823,113	5,451,585	5,419,919	5,389,453	5,362,657	5,343,748	5,324,276	5,296,813
Grants & Contributions	42,668,000	26,321,085	16,013,598	15,457,129	15,774,098	16,090,893	16,381,351	16,679,384	16,984,869	17,297,991	17,618,940	17,947,914
Bonds & Deposits Received	-	-	-	-	-	-	-	-	-	-	-	-
Other	18,947,000	19,340,771	7,139,121	6,887,224	7,041,474	7,238,635	7,436,039	7,621,940	7,812,488	8,007,801	8,207,996	8,413,196
Payments:												
Employee Benefits & On-Costs	(50,542,000)	(56,239,318)	(58,150,293)	(59,104,946)	(60,422,757)	(62,044,449)	(63,971,619)	(65,961,538)	(68,014,991)	(70,134,108)	(72,320,987)	(74,577,795)
Materials & Contracts	(76,153,000)	(82,694,183)	(71,103,986)	(74,527,257)	(77,581,083)	(80,938,976)	(84,338,152)	(84,072,730)	(85,681,494)	(87,725,013)	(90,823,455)	(92,101,804)
Borrowing Costs	(33,000)	(5,734)	(9,736)	(7,341)	(4,866)	(2,326)	(6,594)	(11,196)	(8,442)	(5,596)	(2,675)	(7,583)
Bonds & Deposits Refunded	(34,000)	-	-	-	-	-	-	-	-	-	-	-
Other	(3,970,000)	(10,070,203)	(9,930,569)	(16,880,210)	(10,378,204)	(6,760,797)	(5,586,574)	(5,824,014)	(5,902,349)	(6,042,075)	(6,161,927)	(6,366,668)
Net Cash provided (or used in) Operating Activities	64,015,000	38,446,077	34,249,382	26,817,351	34,025,405	36,862,291	37,104,943	39,636,137	40,512,946	40,951,962	40,406,613	41,632,628
Cash Flows from Investing Activities												
Receipts:												
Sale of Investment Securities	-	19,048,944	31,334,790	47,770,905	10,024,352	8,075,179	5,567,572	3,285,891	2,964,345	3,577,563	5,031,281	4,728,836
Sale of Infrastructure, Property, Plant & Equipment	944,000	1,000,000	1,000,000	1,026,000	1,054,728	1,084,260	1,111,367	1,139,151	1,167,630	1,196,821	1,226,741	1,257,410
Payments:												
Purchase of Investment Securities	(4,690,000)	-	-	-	-	-	-	-	-	-	-	-
Purchase of Investment Property	(2,207,000)	-	-	-	-	-	-	-	-	-	-	-
Purchase of Infrastructure, Property, Plant & Equipment	(64,971,000)	(91,864,440)	(67,328,856)	(76,852,337)	(45,118,564)	(45,979,159)	(43,681,231)	(43,921,001)	(44,661,904)	(45,727,390)	(46,540,921)	(47,270,828)
Purchase of Intangible Assets	(58,000)	-	-	(115,000)	(118,220)	(121,530)	(124,568)	(127,683)	(130,875)	(134,147)	(137,500)	(140,938)
Net Cash provided (or used in) Investing Activities	(70,982,000)	(71,815,495)	(34,994,066)	(28,170,432)	(34,157,704)	(36,941,250)	(37,126,861)	(39,623,641)	(40,660,804)	(41,087,154)	(40,420,399)	(41,425,520)
Cash Flows from Financing Activities												
Repayment of Borrowings & Advances	(257,000)	-	-	-	-	-	-	-	-	-	-	-
Repayment of lease liabilities (principal repayments)	(456,000)	(395,115)	(71,962)	(74,357)	(76,832)	(79,372)	(60,635)	(82,756)	(85,511)	(88,357)	(91,278)	(69,731)
Net Cash Flow provided (used in) Financing Activities	(713,000)	(395,115)	(71,962)	(74,357)	(76,832)	(79,372)	(60,635)	(82,756)	(85,511)	(88,357)	(91,278)	(69,731)
Net Increase/(Decrease) in Cash & Cash Equivalents	(7,680,000)	(33,764,534)	(816,646)	(1,427,438)	(209,130)	(158,331)	(82,553)	(70,260)	(233,368)	(223,548)	(105,063)	137,377
plus: Cash & Cash Equivalents - beginning of year	47,763,000	40,083,000	6,318,466	5,501,820	4,074,382	3,865,252	3,706,920	3,624,367	3,554,107	3,320,739	3,097,191	2,992,128
Cash & Cash Equivalents - end of the year	**40,083,000**	**6,318,466**	**5,501,820**	**4,074,382**	**3,865,252**	**3,706,920**	**3,624,367**	**3,554,107**	**3,320,739**	**3,097,191**	**2,992,128**	**3,129,505**
Cash & Cash Equivalents - end of the year	40,083,000	6,318,466	5,501,820	4,074,382	3,865,252	3,706,920	3,624,367	3,554,107	3,320,739	3,097,191	2,992,128	3,129,505
Investments - end of the year	261,489,000	242,440,056	211,105,266	163,334,361	153,310,008	145,234,830	139,667,258	136,381,367	133,417,022	129,839,459	124,808,177	120,079,342
Cash, Cash Equivalents & Investments - end of the year	**301,572,000**	**248,758,522**	**216,607,086**	**167,408,743**	**157,175,260**	**148,941,750**	**143,291,625**	**139,935,474**	**136,737,761**	**132,936,650**	**127,800,305**	**123,208,846**
Representing:												
- External Restrictions	191,544,000	151,037,691	120,277,617	77,873,047	63,321,196	51,892,950	40,262,979	28,422,765	16,363,062	19,084,063	21,952,482	24,971,803
- Internal Restricitons	83,870,000	76,733,348	76,753,947	77,876,465	81,718,549	85,687,403	89,663,967	93,648,498	97,641,260	86,642,527	75,277,582	63,537,341
- Unrestricted	26,158,000	20,987,483	19,575,522	11,659,231	12,135,515	11,361,397	13,364,679	17,864,211	22,733,438	27,210,059	30,570,242	34,699,703
	301,572,000	**248,758,522**	**216,607,086**	**167,408,743**	**157,175,260**	**148,941,750**	**143,291,625**	**139,935,474**	**136,737,761**	**132,936,650**	**127,800,305**	**123,208,846**

RESULTS

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 $2.08 billion at 30 June 2023 to $3.14 billion at 30 June 2034 and a decline in investments comprising externally restricted assets over the life of the Plan. The increase in assets and reduction in cash and investments forecast is reflective of Council's current ambitious program of capital works, which is largely funded by external grants and restricted assets for major projects such as Hornsby Park and Westleigh Park. This increased program of capital works results in long term growth of Council's asset base and a utilisation of externally restricted assets, noting a significant number of reserves currently on hand that are restricted specifically for projects included within the capital works program.

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.

Indicator	Operating Performance Ratio	Own Source Operating Revenue	Unrestricted Current Ratio	Debt Service Cover Ratio	Asset Maintenance Ratio	Asset Renewals Ratio	Infrastructure Backlog Ratio
Benchmark	>2% (>0% OLG)	>60%	>1.5	>2	>100%	>100%	<2%
2025	3.73%	90.70%	4.84	387.89	0.97	115.58%	1%
2026	3.73%	91.28%	4.25	401.66	0.97	110.03%	1%
2027	3.47%	91.36%	3.96	410.06	0.97	106.81%	1%
2028	2.25%	91.39%	3.69	396.53	0.98	104.98%	1%
2029	1.09%	91.43%	3.45	464.85	0.98	102.08%	1%
2030	2.13%	91.48%	3.36	364.34	0.97	99.53%	1%
2031	1.83%	91.52%	3.22	369.29	0.97	97.40%	1%
2032	1.45%	91.56%	3.08	372.72	0.97	95.35%	1%
2033	0.53%	91.61%	2.89	364.31	0.97	93.38%	1%
2034	0.86%	91.65%	2.75	460.96	0.97	90.64%	1%
Average	2.11%	91.40%	3.55	399.26	0.97	101.58%	1%

RESULTS

Commentary on Results - Local Government Performance Indicators

All forecast 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

The plan forecasts an average ratio of 2.11% over the term of the Plan, which is above the benchmark set by Council of 2% that represents the level of surplus required at the start of any given year to achieve an end of year result greater than 0% that meets the benchmark set by the Office for Local Government.

In 2029/29 a ratio of 1.09% is forecast, which is below the benchmark set by Council and is due to the cost of a Council election and increased forecast asset management expenditure requirements (refer to page 33) in this year. This is considered acceptable in isolation as it is related to the timing of expenditure between years only. However, from 2030/31 the forecast ratio falls below 2% in all years, reflecting declining Income Statement (non-cash) surplus results in the later years of the Plan. The recommendations made in this Plan (refer page 66) seek to resolve this issue through the suggestion to continue cost containment measures whilst aiming to enhance income levels to increase financial capacity.

Own Source Operating Revenue

The ratio is well above the benchmark of 60% all years with an average ratio of 91.4% 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 3.55. However, the ratio reduces from 4.84 in the first year of the Plan to 2.75 in 2034. The decline follows the same trajectory as cash and investment balances over the ten-year period of the Plan, which are forecast to decrease as restricted reserves for specific capital projects are expended as Council's ambitious program of capital works progresses. Whilst the ratio reduces Council is forecast to have an acceptable level of unrestricted cash over the term of the Plan, demonstrating that the reduction in the ratio is attributable to the forecast expenditure of internal restricted assets rather than the use of unrestricted cash. Whilst this is acceptable the forecast reduction in reserves and interest income generated from the investment of these reserves is contributing to reduced Income Statement results in the later years of the Plan.

As noted within the Risks section of this Plan (page 55), $23.38 million has been set aside from Council's Capital Projects and Restricted Working Funds internally restricted asset account to fund an internal loan to Domestic Waste for works required at Foxglove Oval, 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 has reduced Council's liquidity position, noting that the retention of Council's cash reserves is regarded as critical for Council's financial sustainability over the very long term (page 13).

Debt Service Cover Ratio

The ratio is significantly above the benchmark of 2 set by the OLG with an average forecast ratio of 399.26 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 66). Therefore, the only debt and interest repayments forecast in the plan represent non-cash accounting adjustments to estimate notional amounts in respect of lease agreements for IT equipment, as required by Australian Accounting Standards.

Asset Maintenance Ratio

The ratio averages 97% over the life of the Plan as the Plan includes the funding requirements to meet the desired level of service set by the community for 95% of Council's depreciable asset base as identified in revised Asset Management Plans for Roads, Stormwater Drainage, Buildings and Open Space assets (refer page 33). The ratio is slightly below the benchmark as revised Asset Management Plans for the remaining 5% of Council's depreciable asset base comprising Foreshores and some Other Structures are still to be prepared. In this regard it is noted that an Operating Performance Ratio/budget surplus of at least 2% per year would allow the requirements of these Plans to be fully funded once available. Furthermore, this Plan includes a recommendation for areas for improvement identified in each of Councils Asset Management Plans to be addressed (page 66). Progression of these recommendations will result in updated expenditure forecasts that cover remaining assets not yet covered by an Asset Management Plan, which will further improve the ratio.

Asset Renewals Ratio

The ratio averages 101.58% over the life of the Plan, which appears acceptable. However, this is due to forecast ratios of over 100% in the first 5 years of the Plan, averaged with ratios of less than 100% in the last five years. This is attributable to two factors; expenditure on grants and internal restricted assets to renew assets in the first half of the Plan form part of Council's accelerated capital works program, which brings forward some asset renewals ahead of schedule compared to the requirements identified within Asset Management Plans. Once this funding is utilsied expenditure reduces to more normalised levels experienced historically. The ratio drops below 100% in these later years as Asset Management Plans still need to be prepared for around 5% of Council's asset base to quantify the level of renewal funding required each year. Progressing the preparation of these Asset Management Plans is therefore recommended (refer to page 66).

RESULTS

Infrastructure Backlog Ratio

The ratio averages 1% over the life of the Plan and is better than 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.

Image: Hornsby Library

FINANCIAL RISKS

There are several significant challenges that may place pressure on Council's Annual Budget over the period of the Plan.

Major Projects

Council's ambitious capital works program is as high as $77 million per year. 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. Recent examples of capital cost escalations include sizeable additional allocations provided to the Wisemans Ferry Boat Ramp project and Galston Aquatic Centre Remediation projects. In this regard it is noted that ongoing challenges in the construction industry continue to place pressure on Council's capital works budgets.

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, such as if and when the current high inflationary environment ends and if a new economic cycle were to commence that could bring renewed opportunities to apply for external grant funding. Whilst large capital grants provide an opportunity for Council to increase service provision through new assets, ongoing operating, maintenance and renewal costs are significant. The previous two versions of this Plan noted that the recurrent costs required to maintain and operate Hornsby and Westleigh Parks over the next ten years contributed to the deficits forecast that led to the Special Rate Variation. Accordingly, the now approved SRV includes a recurrent funding allocation of $3.1 million per year or Hornsby Park and $1.4 million per year for Westleigh Park ($4.5 million in total).

With an average forecast cash surplus of $2.3 million per year (page 46) Council has insufficient financial capacity to delivery 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 identification of a funding source for recurrent costs before they can be accepted. Additionally, it is recommended that Council decline future major capital grants for new 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 not maintained at this level less investment income will be generated than forecast which will reduce the Income Statement result. Conversely, should the base rate increase at a greater 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 (refer to page 63).

Natural Disasters

The Hornsby Shire Local Government Area has been impacted by multiple severe weather events that were declared Natural Disasters by the NSW Government between 2018 and 2022. Each of these events typically costs Council several hundred thousand dollars in clean-up costs that are not always 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 are also estimated at $2.5 million.

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 progression of the Hornsby Town Centre Masterplan is ongoing with the NSW State Government recently taking a role in the progression of the masterplan as part of their plan to increase new dwelling construction in the State. The Masterplan includes provision for 4,900 new homes in the Town Centre and identifies the infrastructure improvements required to cater for this increase in population. Whilst the Masterplan is well progressed it is likely that construction of the first new dwellings will 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 to allocate to additional initiatives there is no funding included within this Plan for an increase in operating costs that could be incurred to progress the Masterplan and associated development. Furthermore, 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 all costs, noting this is often the case for new

FINANCIAL RISKS

infrastructure that is not wholly attributable to new development. As there is limited financial capacity over the next ten years to fund the construction of new infrastructure it is recommended that Council's S7.11 Development Contributions Plan includes only projects that can be wholly attributed to new development and fully funded from development contributions.

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 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 incurred to deliver a normal continuance of services over successive years 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 from this point unless future rate peg increases set by IPART appropriately fund the actual cost increases incurred by Council. Whilst IPART have recently revised the methodology used to set the rate peg to achieve a better alignment to Local Government Costs an allowance for future productivity factors remains, despite lobbying for the removal of this item from the methodology by the Sector. The productivity factor provides IPART with the opportunity to apply a haircut to the rate peg in any given year.

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 have 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.

Following the preparation of this cost estimate funding has been set aside to cover future costs. Accordingly, $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 has weakened Council's liquidity position until the internal loan can be repaid. In this regard it is noted that the repayment of these funds to replenish Council's reserves to their previous level is regarded as critical for Council's long term financial sustainability (refer page 58 for more information) and there is a risk that Council's liquidity position could be further reduced should additional work at Foxglove Oval or other locations be required.

Westleigh Park Grant Funding

During the development of this Plan, Council received notification from the Office of Local Government that remaining grant funding in the order of $36 million (less interest earned to date) would be required to be returned. The matter is currently ongoing with Council launching an 'SOS' (Save Our Sport) campaign in response that calls on the community to campaign to seek a reversal of the decision and retain the funds.

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.


Image: Wisemans Ferry Boat Ramp

OPPORTUNITIES

User Charges and Fees

Page 25 of the Plan (User Charges and Fees) notes that previously approved increases for User Charges and Fees over the last three years are 8.7% less than CPI incurred on a cumulative basis over this period due to CPI increases exceeding earlier forecasts in these years due to the unpredictable nature of the high inflationary environment. This Plan therefore includes a recommendation (page 66) for the next term of Council to consider increasing Fees and Charges from 2025/26 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 a recommendation for advertising space to be retendered.

Paid Parking

Council's adopted Car Parking Management Study recommends that paid parking be implemented across a number of locations. As noted previously (page 13) it is regarded as crucial that Council retains existing levels of cash reserves to ensure that Council is best place 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 of paid parking 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 should be tested first, with the implementation of paid parking at other locations potentially following if the assumptions that underpin the study are proven to be sound and at a time when there is certainty that funding invested in equipment and technology will be repaid. If successful, the implementation of paid parking has the potential to increase Council's financial capacity over future years.


Image: Hornsby Train Station

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 each of Council's approved positions for a full year.

The starting point for this Plan is Council's adopted 2024/25 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 funding (page 38) and $67.26 million for strategic initiatives (page 33) funded from the SRV. The delivery of each of these initiatives will require additional operating capacity and it is expected that a move towards full headcount will occur that could cause the forecasted budget for employee costs to be insufficient. To estimate the impact on Council's financial capacity from a 0% vacancy rate a sensitivity analysis has been undertaken based on providing salary and wage budgets for a 52-week year. This analysis can also be used to show Council's sensitivity to Local Government Award Increases, should these be greater than the forecast Wages Price Index that has been used to estimate Employee Costs in future years of the Plan.

Additional Expenditure – 52 Week Year

Year	Additional expenditure
2025	$2,127,994
2026	$2,191,834
2027	$2,257,589
2028	$2,325,316
2029	$2,399,726
2030	$2,476,518
2031	$2,555,766
2032	$2,637,551
2033	$2,721,952
2034	$2,809,055

On average, additional annual expenditure of $2,450,330 is required inclusive of forecasted increases to the wage price index (refer page 19) over the life of the Plan.

Results

Net Operating Surplus before Capital Items & Asset Sales

Year	Base LTFP	Sensitivity Analysis
2025	$6,419,243	$4,291,249
2026	$6,634,724	$4,442,890
2027	$6,379,898	$4,122,310
2028	$4,299,085	$1,973,768
2029	$2,250,084	$(149,643)
2030	$4,295,715	$1,819,198
2031	$3,804,393	$1,248,627
2032	$3,138,801	$501,250
2033	$1,329,901	$(1,392,052)
2034	$2,046,525	$(762,530)

Operating Performance Ratio

Year	Base LTFP	Sensitivity Analysis
2025	3.73%	2.46%
2026	3.73%	2.46%
2027	3.47%	2.20%
2028	2.25%	0.97%
2029	1.09%	-0.20%
2030	2.13%	0.84%
2031	1.83%	0.52%
2032	1.45%	0.13%
2033	0.53%	-0.80%
2034	0.86%	-0.48%

SENSITIVITY ANALYSIS – EMPLOYEE COSTS

Budget (Cash Liquidity Result)

Year	Base LTFP	Sensitivity Analysis
2025	$1,982,821	$(145,173)
2026	$2,367,199	$175,365
2027	$4,282,416	$2,024,827
2028	$(864,972)	$(3,190,288)
2029	$546,152	$(1,853,575)
2030	$3,553,247	$1,076,729
2031	$3,555,281	$999,515
2032	$3,090,303	$452,752
2033	$1,775,326	$(946,627)
2034	$2,755,477	$(53,578)

In this scenario the average Income Statement surplus would reduce from $4.1 million to $1.6 million with a corresponding decrease in the Operating Performance Ratio from an average of 2.11% to 0.81%, which is below the acceptable minimum level of 2%. In this regard it is noted that 7 out of 10 years forecast indicate an Operating Performance Ratio of below 2%. Furthermore, the budget (cash liquidity) result averages a deficit of ($146K) over the ten year period after allowing for additional employee costs and budget deficits are forecast in 5 out of 10 years. This indicates that Council would have insufficient financial capacity to be financially sustainable over the next ten years should employee costs increase as a result of additional positions or salaries and wages above the forecast wages price increase included in the Plan. A recommendation is therefore made (refer page 66) for no new 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.

Image: Hornsbny Library 50th Anniversary

SENSITIVITY ANALYSIS – INVESTMENT INCOME

As noted (page 3) additional investment income forecast in this revised version of the Plan has partially offset recurrent ongoing costs that have been incurred since the previous version of the Plan were prepared with this additional forecast investment income helping to ensure that Council remains in a financially sustainable position over the 10 year term of this Plan.

However, forecasting investment income is notoriously challenging, with significant decreases and increases to the base rate set by the Reserve Bank of Australia during the COVID-19 pandemic and during the high inflationary environment that followed. Ongoing uncertainty in this area is a risk for Council given the reliance on this income each year to achieve a balanced budget and end of year financial statement result that meets the benchmarks set by the Office of Local Government.

A sensitivity analysis has therefore been performed to calculate the change in Council's forecast operating 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 & Asset Sales

Year	Base LTFP	Sensitivity Analysis
2025	$6,419,243	$6,062,654
2026	$6,634,724	$4,687,343
2027	$6,379,898	$4,768,268
2028	$4,299,085	$2,710,355
2029	$2,250,084	$652,126
2030	$4,295,715	$2,688,249
2031	$3,804,393	$2,188,549
2032	$3,138,801	$1,512,864
2033	$1,329,901	$(305,356)
2034	$2,046,525	$401,974

Operating Performance Ratio

Year	Base LTFP	Sensitivity Analysis
2025	3.73%	3.53%
2026	3.73%	2.63%
2027	3.47%	2.59%
2028	2.25%	1.38%
2029	1.09%	0.23%
2030	2.13%	1.30%
2031	1.83%	1.01%
2032	1.45%	0.64%
2033	0.53%	-0.27%
2034	0.86%	0.07%

Budget (Cash Liquidity Result)

Year	Base LTFP	Sensitivity Analysis
2025	$1,982,821	$1,990,043
2026	$2,367,199	$1,490,160
2027	$4,282,416	$3,407,130
2028	$(864,972)	$(1,739,382)
2029	$546,152	$(328,259)
2030	$3,553,247	$2,678,837
2031	$3,555,281	$2,680,871
2032	$3,090,303	$2,215,893
2033	$1,775,326	$900,915
2034	$2,755,477	$1,881,067

The first year of the forecast (2024/25) is affected less than future years as a large portion of Council's current investment portfolio is held in fixed term deposits entered during the high interest rate environment to maximise returns. Most of these term deposits mature after 30 June 2025, therefore income forecast from the second year of the Plan have a greater degree of uncertainty. The sensitivity of Council to a reduction in the base rate compared to forecast after this point is demonstrated by the results as the average Income Statement surplus in this scenario reduces from $4.1 million to $2.57 million with a corresponding reduction in the average Operating Performance Ratio from 2.11% to 1.31%, which is below the benchmark set by Council. Council's forecast budget (cash) result also reduces from an average of $2.3 million to $1.52 million.

This sensitivity therefore demonstrates the need to retain flexibility each year through the retention of a forecast OPR in the 2% - 4% range (refer page 9) each time the LTFP is prepared. Whilst Council cannot control the base rate, planning for each future year to achieve a surplus within this range is the best way to mitigate against the risk of a reduction in the base rate and corresponding investment returns without affecting the normal continuance of service provision.

SENSITIVITY ANALYSIS – INVESTMENT INCOME

Results – Investment Returns 1% Greater

Net Operating Surplus before Capital Items & Asset Sales

Year	Base LTFP	Sensitivity Analysis
2025	$6,419,243	$6,771,498
2026	$6,634,724	$8,581,689
2027	$6,379,898	$8,018,718
2028	$4,299,085	$5,927,672
2029	$2,250,084	$3,902,814
2030	$4,295,715	$5,973,706
2031	$3,804,393	$5,507,378
2032	$3,138,801	$4,869,414
2033	$1,329,901	$3,088,312
2034	$2,046,525	$3,833,698

Operating Performance Ratio

Year	Base LTFP	Sensitivity Analysis
2025	3.73%	3.94%
2026	3.73%	4.81%
2027	3.47%	4.36%
2028	2.25%	3.12%
2029	1.09%	1.96%
2030	2.13%	2.99%
2031	1.83%	2.68%
2032	1.45%	2.30%
2033	0.53%	1.38%
2034	0.86%	1.69%

Budget (Cash Liquidity Result)

Year	Base LTFP	Sensitivity Analysis
2025	$1,982,821	$2,148,573
2026	$2,367,199	$3,242,485
2027	$4,282,416	$5,159,454
2028	$(864,972)	$12,942
2029	$546,152	$1,424,066
2030	$3,553,247	$4,431,161
2031	$3,555,281	$4,433,196
2032	$3,090,303	$3,968,218
2033	$1,775,326	$2,653,240
2034	$2,755,477	$3,633,392

In this scenario Council's average Income Statement surplus increases from $4.1 million to $5.65 million with a corresponding increase in the average Operating Performance Ratio from 2.11% to 2.92%, which is above the benchmark set by Council. Council's forecast budget (cash) result also increases from an average of $2.3 million to $3.1 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 or the potential to increase budget allocations. The latter should be approached with caution with any increase in budget allocations assessed only on commencement of the preparation of the Annual Budget in any given year to avoid committing income that may not be available should a cut to the base rate be administered by the RBA. Additionally, increased budget allocations in this favourable scenario should be prioritised towards asset renewal of existing infrastructure in the first instance as increasing operating budget allocations would reduce the Income Statement result.

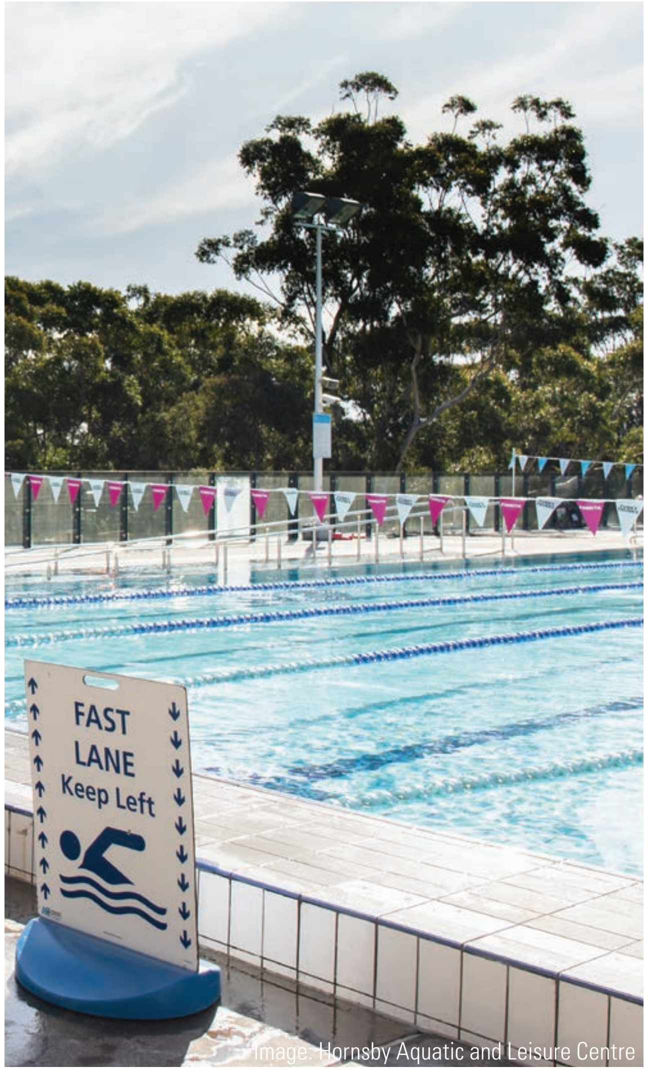

Image: Hornsby Aquatic and Leisure Centre

RECOMMENDATIONS

As noted throughout this Plan, there is a need to increase operating capacity in years 8, 9 and 10 of the Plan to ensure Council commences each year with a forecast operating performance ration of between 2% and 4% each year. Furthermore, increasing average financial capacity back to the level forecast in the SRV scenario of the previous LTFP is also advised to ensure Council remains financially sustainable long term.

Recommendations to improve future direction are therefore focussed on the need to incrementally increase financial capacity through income enhancement opportunities and cost containment to ensure Council delivers a balanced budget at 30 June each year for the life of the Plan:

- Maintain cost increases to modest levels in regard to non-labour related expenses each year excluding the additional allowances that have been made in this Plan including annual allocations for asset management and strategic initiatives.
- 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.
- Council to consider increasing User Charges and Fees from 2025/26 to catch up on missed cost growth of 8.7% due to CPI price increases applied to Council's fees between 2022 and 2024 being less than actual CPI inflation in each of these years.
- Council's advertising space at bus stops and bus shelters to be retendered with the aim of increasing the level of income received compared to current levels.
- Cash reserves to be maintained at existing levels with any funding 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.
- Council's S7.11 Development Contributions Plan to include only projects that can be wholly attributed to new development and fully funded from development contributions.
- No new loan borrowing to be undertaken.
- No new 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.
- Continuance of financial improvement initiatives (the development of business improvement plans) ensuring that any such plans are based on a principle of increasing financial capacity, having caution to potential cost increases that can arise from improvements generated from 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.
- 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 infrastructure projects unless additional funding to cover ongoing maintenance and renewal costs is identified, noting the current forecast Budget (cash) surplus of $2.3 million per year 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's forecast financial capacity should increase. Increasing financial capacity back to the level that was forecast in the SRV scenario of the previous Plan will ensure that Council remains financially sustainable over the long term.

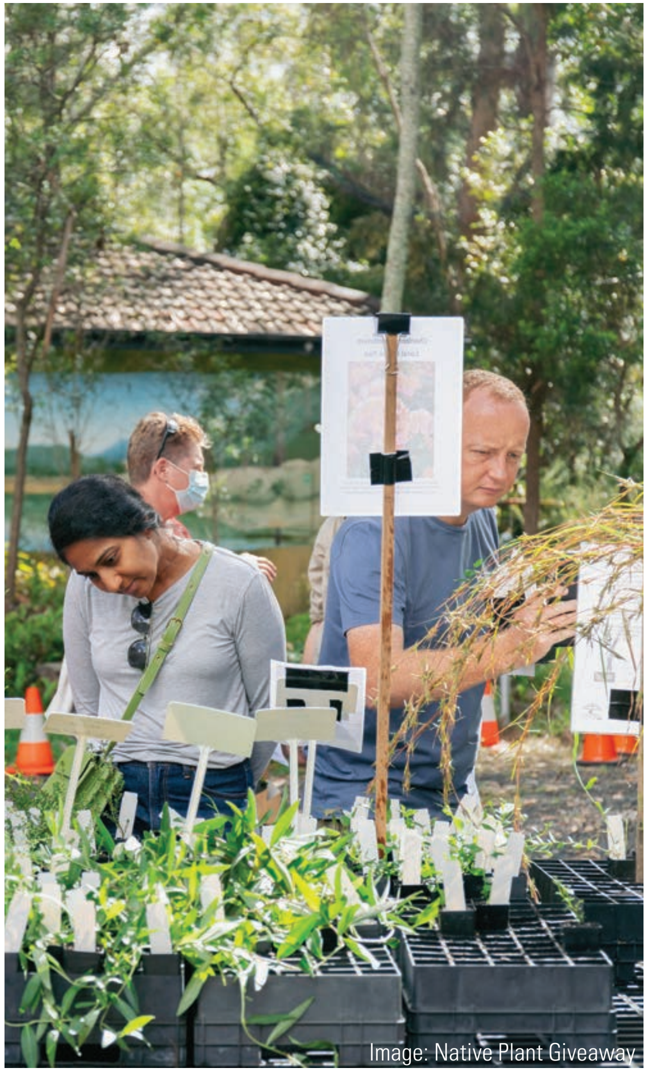
Image: Native Plant Giveaway

Image: Friday at the Fountain

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Office hours

Please check the website for the latest opening hours for the Customer Service Centre and Duty Officer.