

8.4. Amended Long Term Financial Plan

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ATTACHMENTS: Resourcing Strategy - LTFP Update
Resourcing Strategy - LTFP Update Appendices

PURPOSE:

The purpose of this report is to seek Council endorsement to place the amended Long Term Financial Plan (a component of Council's Resourcing Strategy) on public exhibition for a minimum of 28 days, concurrent with the *Draft 2021/22 Operational Plan & Budget*.

EXECUTIVE SUMMARY:

In accordance with statutory requirements, in preparing next year's *Operational Plan & Budget*, the Long Term Financial Plan (LTFP) component of Council's *Resourcing Strategy 2018-2028* has been updated.

In June 2018 Council resolved to operate under Scenario 3 of the LTFP, therefore only the adopted 'preferred scenario' (i.e. Scenario 3) has been updated inclusive of the following key amendments:

- increased revenue from the Domestic Waste Management Charge (DWMC) to partially offset forecast increases in the cost of providing the service;
- the forecast ongoing impact of the COVID-19 pandemic on some revenue streams (e.g. parking meter fees and property rental);
- forecast increased revenue from advertising on Council infrastructure;
- forecast increased fair value increments in investment properties;
- an \$11.8 million developer contribution from the Crows Nest over-station development;
- the increased cost of the North Sydney Olympic Pool (NSOP) redevelopment and the resultant increased borrowing costs to fund the project;
- increased waste management costs (partially offset by an increase in the DWMC); and
- the delay in the conversion of street lighting to LED.

The two additional scenarios (referred to as 3B and 3C) included in the previous version of the plan, modelled to ascertain the financial impact of the COVID-19 pandemic lasting for a shorter or longer period in 2020/21 than that assumed under Scenario 3, have been discontinued.

The purpose of the public exhibition is to inform the community of the updated LTFP modelling and invite submissions. It is not to seek community feedback on the financial scenarios, as Council is operating under Scenario 3A as previously resolved and within the SRV approval from IPART.

FINANCIAL IMPLICATIONS:

The LTFP has been prepared in accordance with the *OLG Integrated Planning and Reporting Guidelines*. The LTFP has been reviewed, taking into account known changes to the previously implemented assumptions.

RECOMMENDATION:

1. THAT Council endorse the amended Long Term Financial Plan, to be placed on public exhibition for 28 days, concurrent with the Draft 2021/22 Operational Plan & Budget.

LINK TO COMMUNITY STRATEGIC PLAN

The relationship with the Community Strategic Plan is as follows:

5. Our Civic Leadership

5.1 Council leads the strategic direction of North Sydney

5.4 Council's service delivery is well supported

BACKGROUND

Council is required to update the Long Term Financial Plan (LTFP) component of its *Resourcing Strategy* annually, as part of the development of the annual Operational Plan; and it must be reviewed in detail as part of the periodic review of the Community Strategic Plan, with the latter to commence in September 2021 after the next Local Government Elections.

Section 403 of the *Local Government Act 1993* requires NSW councils to have a long-term Resourcing Strategy (minimum of 10 years) to achieve the objectives established by the Community Strategic Plan. As its name suggests, each of the elements of Council's Resourcing Strategy plays a role in resourcing the *Delivery Program* (and annual *Operational Plan*), as well as Council's other strategic plans developed to support the achievement of the *North Sydney Community Strategic Plan 2018-2028*.

The LTFP must include the following statutory requirements:

- projected income statement, balance sheet, cash flow statement and equity statement;
- planning assumptions used to develop the plan;
- sensitivity analysis - highlights factors/assumptions most likely to affect the plan;
- financial modelling for different scenarios; and
- methods of monitoring financial performance.

The following summary details the Council resolutions concerning the Resourcing Strategy:

Council at its meeting of 7 May 2018 (Min. No. 134) resolved to place the *Draft Resourcing Strategy* on public exhibition for 28 days, and that a further report be prepared at the end of the closing period for submissions.

Following public exhibition from 10 May to 7 June 2018, on 25 June 2018 the Council resolved (Min. No. 182) to adopt the *Resourcing Strategy 2018/19-2027/28*, inclusive of Scenario 3, as the preferred Financial Scenario.

On 29 October 2018, Council resolved (Min. No. 366) that the *Amended Resourcing Strategy* inclusive of reduced Special Rate Variation (SRV) duration under Scenarios 2 and 3, from 7 to 5 years, the *Amended Delivery Program and the Draft Revenue Policy 2019/20* be endorsed for public exhibition from 1 November 2018 to 16 January 2019; and that the engagement outcomes be reported to the first Council meeting of 2019 for Council to determine whether to proceed with submitting an application to IPART for a SRV and minimum rate increase effective from 2019/20.

On 29 January 2019, Council resolved (Min. No. 10) that Council proceed with submitting a combined application for an SRV and minimum rate increase to IPART, in accordance with preferred Scenario 3, for an SRV and minimum rate increase of 7% per annum for five years effective from the commencement of the 2019/20 financial year; and that the Resourcing Strategy, exhibited from 1 November 2018 to 16 January 2019 be adopted, inclusive of the final amendments detailed in this report and preferred Scenario 3.

On 13 May 2019, IPART announced partial approval of Council's 2019/20 SRV application, granting three years duration instead of the requested five years, effective from 1 July 2019.

On 26 August 2019, Council resolved that the LTFP be amended and reported back to Council incorporating a (then) total budget of \$57.9 million for the redevelopment of the NSOP in line with the proposed breakdown of funding sources.

The progress update reported in February 2020 advised of key amendments relating to the impact of IPART's partial SRV approval under Scenario 3 and the NSOP redevelopment costs.

On 27 July 2020, following exhibition, Council adopted the final amended Resourcing Strategy, thus superseding all previous versions.

The July 2020 LTFP was adopted at the commencement of the COVID-19 pandemic and associated economic impacts in an environment of uncertainty. The revised LTFP (Attachment 1) has been updated to include the subsequent experienced outcomes and revised forecasts.

CONSULTATION REQUIREMENTS

Community engagement will be undertaken in accordance with Council's Community Engagement Protocol.

DETAIL

Amendments to the LTFP

In conjunction with the preparation of the 2021/22 budget, it has been necessary to make a number of amendments to the forward estimates over the remaining life of the LTFP. Those that have the most significant impact on the Resourcing Strategy are:

- a \$400,000 increase in revenue from the DWMC in 2021/22 arising from a \$16 annual increase in the levy to partially offset forecast increases in the cost of providing the service;
- a \$2.4 million reduction in revenue from parking meter fees in 2021/22 due the ongoing impact of the pandemic;
- a \$1.6 million reduction in revenue from property rental in 2021/22 due to the ongoing impact of the pandemic;

- a \$1.8 million increase in forecast revenue from advertising on Council infrastructure;
- a \$4.4 million increase in revenue from a forecast increase in the fair value of investment properties;
- an \$11.8 million developer contribution from the Crows Nest over-station development due to be received in 2021/22;
- an additional \$3 million allocation from the Open Space and Recreation Reserve and an additional \$3 million in loan borrowings for the NSOP redevelopment (\$6 million in total);
- a \$1.2 million increase in waste management costs in 2021/22 (partially offset by the aforementioned increase in revenue from the DWMC); and
- a movement of \$687,000 from 2020/21 to 2021/22 to fund the completion of the conversion of street lighting to LED.

The NSW local government industry financial indicators disclosed in the Resourcing Strategy have been updated to reflect 2019/20 actual results and amended projections for the remaining life of the LTFP. The Capital Expenditure Ratio has been removed from the plan as it is no longer included in the financial indicators disclosed in the annual Financial Statements.

The revised LTFP reflects the realised impact of COVID-19 resulting in actual and forecast deficits in 2019/20 and 2020/21 respectively. Excluding capital grants and contributions and forecast fair value adjustments to the investment property portfolio, modest surpluses are forecast from 2021/22 for the remaining life of the plan.

There is a degree of uncertainty surrounding future legislative changes to rating and infrastructure contributions. The impact of these changes has not been factored in to the LTFP as details are not available and recent political announcements are still to be modelled.

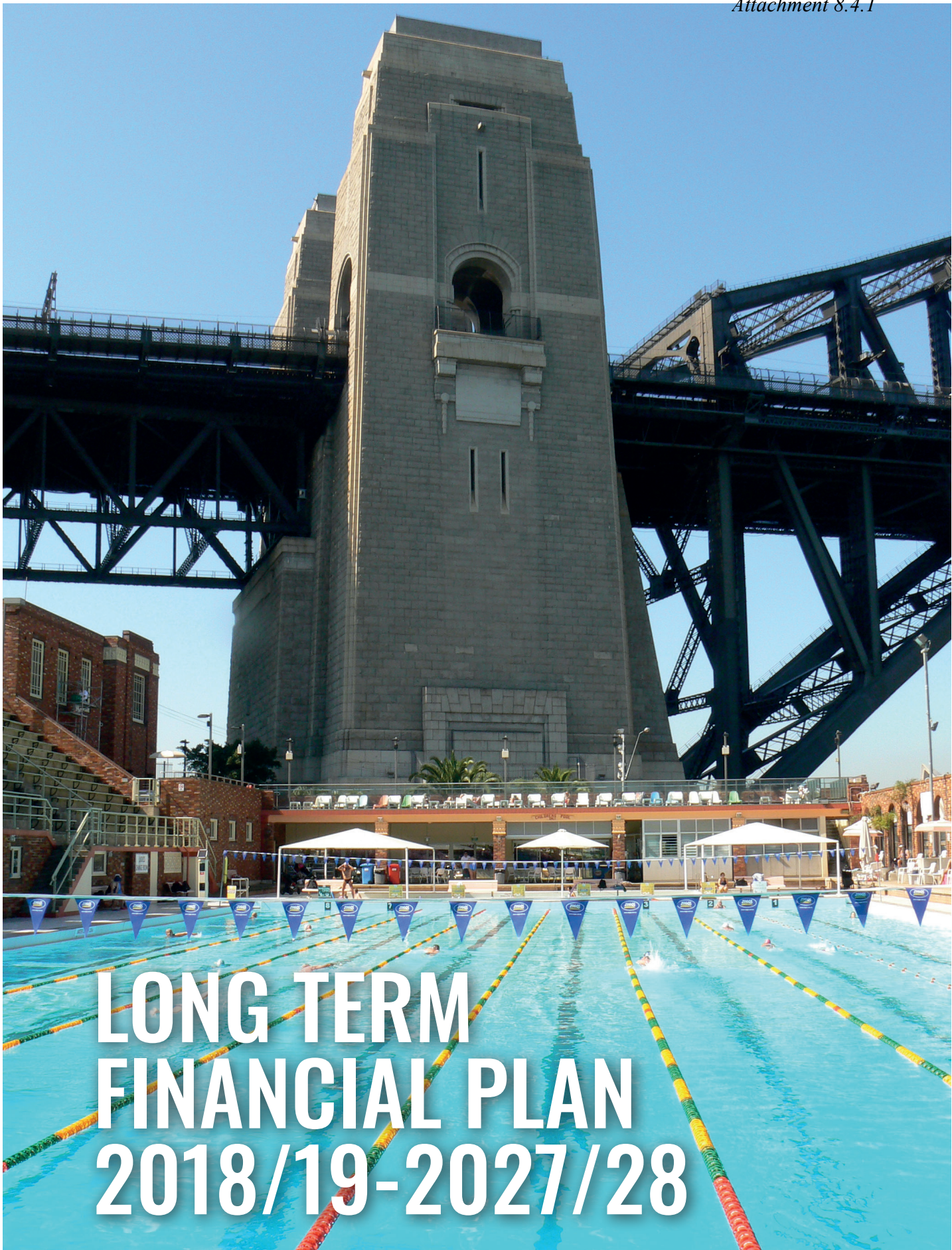
It is noted that a comprehensive review of the entire Resourcing Strategy (all components including the LTFP) will occur in conjunction with the review of the Community Strategic Plan and the preparation of the next Delivery Program, following the commencement of the next term of Council.

Proposed Public Exhibition

In accordance with past practice, where substantive amendments to the Resourcing Strategy are required, the amended plan will be exhibited for a minimum 28 days. The purpose of the public exhibition is to inform the community of the impact of the updated LTFP modelling and invite submissions. It is not to seek community feedback on the financial scenarios, as Council is operating under Scenario 3A as previously resolved and within the SRV approval from IPART.

It is proposed that public exhibition of the amended Resourcing Strategy be undertaken concurrently with the Draft 2021/22 Operational Plan & Budget, as per past years. Submissions are invited during the public exhibition period.

Following the close of the exhibition period a further report will be presented to Council detailing any recommended amendments to the final plan, based on submissions received.



LONG TERM FINANCIAL PLAN 2018/19-2027/28

OVERVIEW

Council's *Long Term Financial Plan 2018/19-2027/28* is a decision making tool. It is governed by a series of financial strategies and accompanying performance indicators that Council considers and adopts. It is not intended to be a document that specifically indicates what services/projects should receive funding; rather it addresses the impact of the Council's ability to fund its services and capital works, whilst living within its means i.e. ensuring financial sustainability. It establishes the financial framework upon which sound financial decisions are made.

Council's *Long Term Financial Plan* is underpinned by its *Financial Management Policy* and *Asset Management Policy*. The policy outlines Council's guiding principles when preparing the plan and its ongoing financial sustainability. In order to live sustainably, the Council has to look into the future and provide future generations with a sustainable infrastructure and environment without the burden of excessive debt.

The plan seeks to answer four key questions:

- can we survive the pressures of the future?
- what are the opportunities for future income and economic growth?
- can we afford what the community wants?
- how can we go about achieving these outcomes?

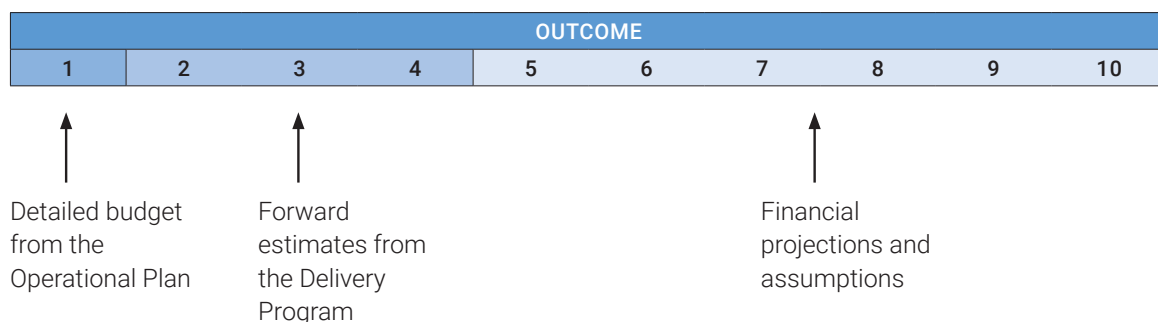
The plan includes:

- planning assumptions used to develop the plan;
- projected income statement, balance sheet, equity statement and cash flow statement;
- sensitivity analysis (factors/assumptions most likely to affect the plan);
- modelling for different scenarios (planned/optimistic/conservative); and
- methods of monitoring financial performance.

The plan intends to achieve the following objectives of the 10-year time frame:

- maintain existing service levels;
- maintain a strong cash position;
- maintain a balanced budget position after allowing for transfers to/from reserves;
- maintain a sufficient employee leave entitlement cash reserve based on the age and entitlements of all employees, in accordance with Council's *Workforce Management Strategy*; and
- maintain a capital expenditure program which facilitates the renewal of assets at similar rates to which they are depreciating.

The longer the planning horizon, the more general the plan will be in the later years, i.e. it is not expected that the tenth year of the plan will include specific detail. As decisions are made more detail can be added to the plan. The following diagram illustrates the relationships and integration within the Framework:



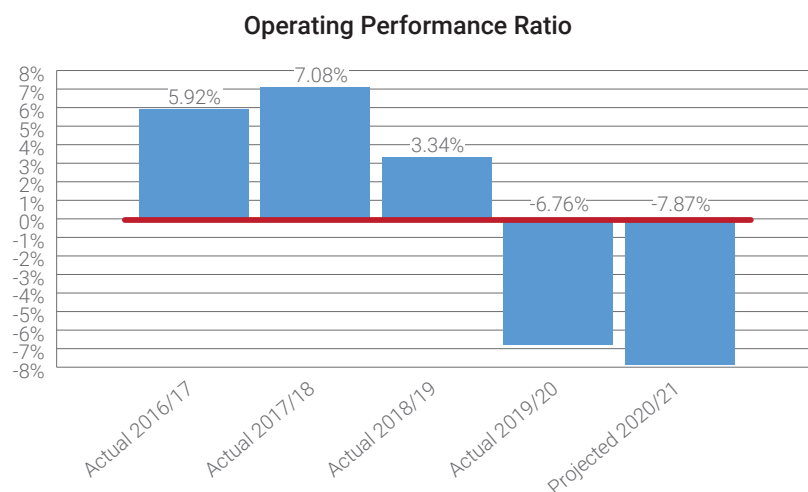
CURRENT FINANCIAL POSITION

As at 30 June 2020, Council's financial position was sound, with total net assets of \$1.23 billion, including cash and investments of \$91.2 million, of which \$34.9 million was externally restricted and \$48.9 million was internally restricted. The remaining \$8 million was unrestricted.

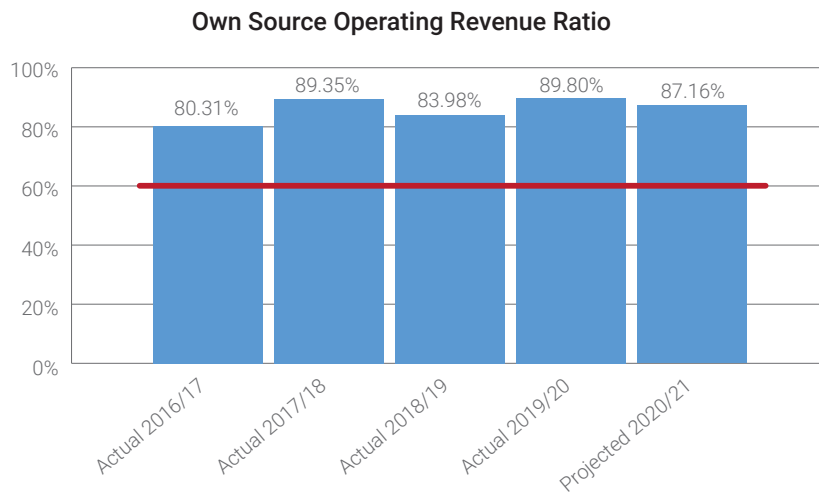
Available working capital was \$2.4 million (\$2.6 million at 30 June 2019 and \$2.8 million as at 30 June 2018), a level sufficient to comfortably manage Council's day to day operations and provide a 'buffer' against unforeseen and unbudgeted expenditures after taking into consideration the nature and level of internally restricted reserves.

In terms of the key performance measures, performance has been better than the industry benchmark, however, the long term forecast suggests a deterioration which supports the introduction of the Special Rate Variation (SRV) approved by IPART from 1 July 2019.

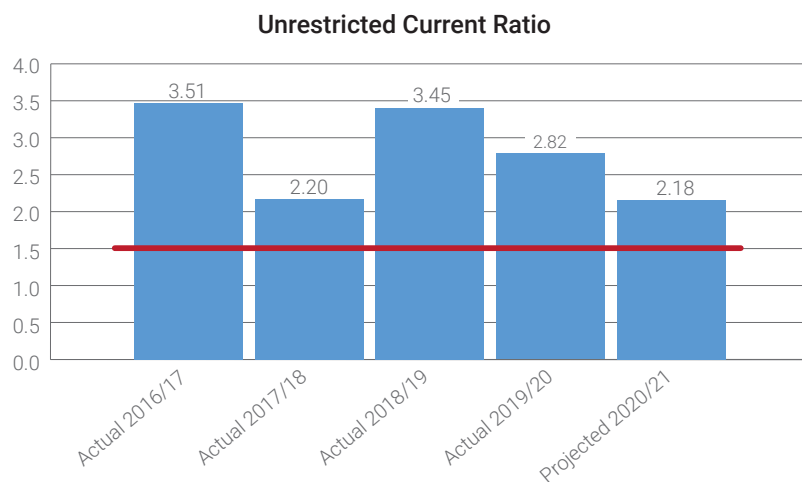
The following graphs provides NSW local government industry indicators for the last four years and projected performance to the year ended 30 June 2020:



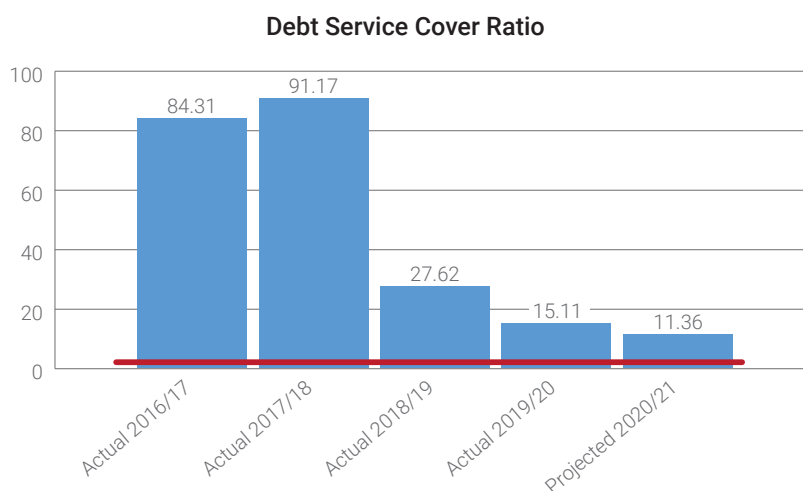
Council's **OPERATING PERFORMANCE RATIO** was better than the benchmark of 0% from 2016/17 to 2018/19 but fell below the benchmark in 2019/20 due to the impact of the COVID-19 pandemic on Council's revenue. With the ongoing impact of the pandemic the operating result before Capital Grants and Contributions is again forecast to be a deficit in 2020/21 before returning to a surplus for the duration of this plan.



Council's **OWN SOURCE OPERATING REVENUE RATIO** provides a measure of the degree of reliance on external funding sources such as operating grants and contributions. It should be greater than the benchmark of 60% and has been for the last four years and is forecast to be again in 2020/21. This is an indication that Council does not rely heavily on external funding sources.

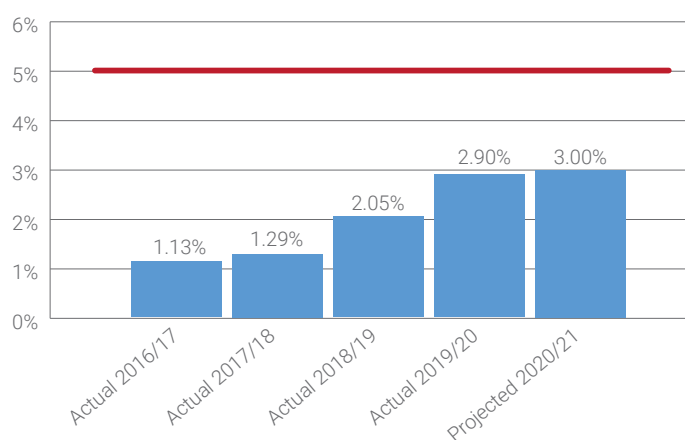


Council's **UNRESTRICTED CURRENT RATIO** should be greater than 1.5x, the benchmark considered satisfactory by the industry. Council's ratio has been above the benchmark for a number of years and is forecast to remain at this level in the short to medium term. This indicates that Council has more than adequate capacity to meet its obligations in the short term for its unrestricted activities.

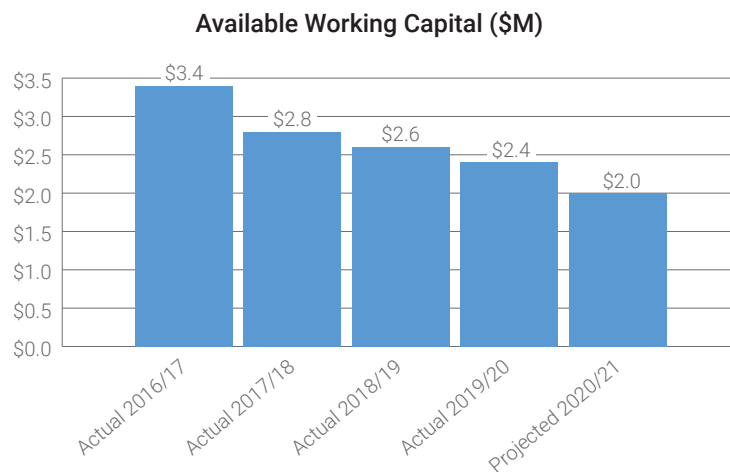


The purpose of the **DEBT SERVICE COVER RATIO** is to assess the impact of loan principle and interest repayments on the organisation's discretionary revenue. Prudent financial management dictates that an organisation should not over commit itself to debts that it cannot service. For a developed council, such as North Sydney, ideally this ratio should be greater than 2.00x. After being debt-free for many years, Council has embarked on a controlled borrowing program to address the need for the renewal or upgrade of some existing infrastructure assets. As a result, this ratio has been above the benchmark since 2015/16 and is forecast to remain so over the next 10 years.

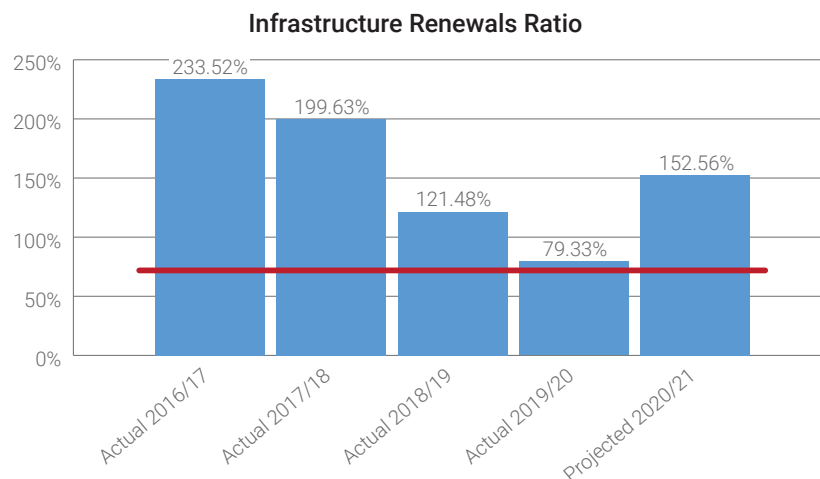
Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage



The purpose of the **RATES, ANNUAL CHARGES, INTEREST & EXTRA CHARGES OUTSTANDING PERCENTAGE** is to measure the effectiveness of recovering rates and annual charges owed to Council. After being around 1% for many years it has increased slightly over the last two years. Nevertheless, it remains well below the industry benchmark of 5%, and is forecast to remain at about this level over the next 10 years.



The purpose of the **AVAILABLE WORKING CAPITAL** indicator is to assess the organisation's ability to manage its day to day operations and to provide a buffer against unforeseen and unbudgeted expenditures. Taking into consideration the nature and forecast level of internally restricted reserves set aside to fund future works, services and liabilities, Council's available working capital is forecast to be approximately 5% of rates revenue, a level deemed to be adequate.



The purpose of the **INFRASTRUCTURE RENEWAL RATIO** indicator is to measure the extent to which Council is maintaining the condition of its infrastructure assets, either through repairs and maintenance, or the adequacy of its provision to replace those assets as they reach the end of their useful lives. This ratio should be at least 100% and this is the benchmark documented in Council's *Financial Management Policy*.

After being well below this benchmark for a number of years, significant increases in funding for infrastructure renewal during the previous *Delivery Program* saw it improve to be above the benchmark from 2013/14 to 2018/19. It fell below the benchmark in 2019/20 but is forecast to exceed the benchmark again in 2020/21. This is a reflection of Council's increased commitment to ensuring that sufficient funds are allocated to the replacement of its ageing infrastructure assets to offset the rate at which they are depreciating.



PLANNING ASSUMPTIONS

GENERAL ASSUMPTIONS

POPULATION

The official estimated resident population (ERP) of North Sydney Council area as of 30 June 2016, was 72,037 and it is forecasted to increase at an average rate of 0.80% per annum over the life of this plan. North Sydney's population growth is moderate and the cost of Council's services is not particularly sensitive to population growth of this magnitude. Therefore, it has been assumed that increases in North Sydney's population will not have a material impact on the income and expenditure projections in the plan.

GROWTH CAPACITY

North Sydney has the highest residential density in the Sydney metropolitan area after City of Sydney and Waverley Councils.

The results of steady growth have been captured within the long term financial model, but there are two key financial outcomes from investigating some of the historical data. Firstly, growth in rates revenue is negligible; and secondly, developer contributions, resulting from increased construction activity, increases the community's expectation for accelerated capital spending.

INFLATION

Changes in inflation will impact both revenue and expenditure assumptions within the plan, consequently, any rate change will not materially alter the net operating result. For scenario planning it has been assumed that the following Consumer Price Index (CPI) percentages will apply.

	2018/19	2019/20	2020/21 - 2027/28
CPI	2.2%	2.5%	2%

SUSTAINABILITY

In considering the issue of financial sustainability, the NSW Treasury Corporation (TCorp) and the Office of Local Government (OLG) have established what they consider to be a concise definition, that being:

A local government will be financially sustainable over the long term when it is able to generate sufficient funds to provide the levels of service and infrastructure agreed with its community.²

The following key issues need to be considered when developing the *Long Term Financial Plan*:

- at least breakeven operating positions are essential
- pricing paths are needed for the medium term
- rate increases must meet underlying costs
- asset management planning must be prioritised
- councillor and management capacity must be developed
- improved use of restricted funds
- increased use of debt

² Financial Sustainability of the New South Wales Local Government Sector TCorp, April 2013

INCOME ASSUMPTIONS

RATES AND ANNUAL CHARGES

As per the comparative information available from OLG, in 2016/17, the average residential rates in the North Sydney LGA were \$751.17 per assessment, while the Group 3 average was \$993.74³⁸⁴. Whilst the average business rates in the North Sydney LGA were \$3,695.64 per assessment, while the Group 3 average was \$6,351.18.

In summary, North Sydney:

- has the lowest average residential rates amongst Group 3 councils;
- has a high proportion of ratepayers on the minimum rate, as many residents live in high density dwellings;
- has comparatively low business rates;
- has 42% of households earning an income of \$2,500 or greater per week compared to 28.3% for greater Sydney; and
- has less than 1.3% of rates outstanding.

The previous IPART approved SRV, which commenced on 1 July 2012, expired 30 June 2018. This approval was for an annual rate quantum increase of 5.5% cumulative (inclusive of the annual rate peg) and will be part of Council's rating base going forward. Note: the previous SRV did not apply to properties on the minimum rate.

Rates revenue in 2018/19 increased by 2.76%, inclusive of the 2.3% rate peg and unused permissible income catch-up.

In May 2019, IPART granted Council a rate increase of 7% for 3 years, effective from 1 July 2019. A rate peg of 2% has been assumed from 2022/23 for the remaining life of the plan.

An increase of 4% was allocated in 2018/19 for the Domestic Waste Management Charge (DWMC), and whilst it is assumed that there will be modest increases to the DWMC from 2019/20, this will be reviewed annually as this charge is based on cost recovery.

Thereafter, for the remaining life of the plan, the following assumptions apply⁵:

SCENARIO		2018/19	2019/20 2020/21	2021/22	2022/23 2027/28
Scenario 3A	Ordinary Rates	2.76%	7%*	7%*	2%
	Special Rates	2.76%	7%*	7%*	2%
	Annual Charges:				
	DWMC	4%	2%	4%	2%
	SWMC	0%	0%	0%	0%
	S611	2%	2%	2%	2%

* The percentage increase in 2019/20 to 2023/24 in Scenarios 2 and 3 is inclusive of the rate peg

USER FEES AND CHARGES

Revenue raised from Council's fees and charges for the provision of services and the use of facilities can be divided into two categories:

- Statutory and Regulatory Fees and Charges - which are set by regulation or another authority (e.g. Development Application fees) and which Council has no discretion to increase; and
- Other Fees and Charges - which are set by Council and which Council has the discretion to increase.

³⁸⁴ In 2015/16, the average residential rates in the North Sydney LGA were \$724.28 per assessment, while the Group 3 average was \$984.35. Average business rates in the North Sydney LGA were \$3,502.07 per assessment, while the Group 3 average is \$5,768.33.

⁵ Refer to Office of Local Government Circular No. 17-35

The factors that determine Council's pricing principles are:

- cost recovery, including indirect costs recovery (full or partial);
- market pricing competitiveness (pricing of similar service providers);
- legislative constraints (non-discretionary fees); and
- subsidies (capacity to pay).

The annual review of Council's fees and charges incorporate matters such as the ability to pay, full or partial cost recovery, subsidy levels and market comparisons. Also, consideration is given to those members of the community, who because of their special circumstances may not be able to access the service. These considerations are also reviewed annually and are detailed in a separate report to Council on community grants and subsidies.

The fees and charges that Council has the discretion to change are assessed individually. It has been assumed that revenue from both categories of user charges and fees will increase by the CPI for the remaining life of this plan, as shown in the following table.

	2018/19	2019/20	2020/21 - 2027/28
Statutory and Regulatory Fees	2.2%	2.5%	2%
Other (Discretionary) Fees	2.2%	2.5%	2%

INTEREST AND INVESTMENT REVENUE

Council has a large investment portfolio that is subject to movements in interest rates. Investments are placed and managed in accordance with Council's adopted *Financial Investment Policy* in compliance with the *Local Government Act 1993*. As a custodian of the community's funds, Council ensures that funds are invested with the appropriate care and due diligence. Council's guiding investment principles are:

- applicable risks;
- any constraints and other prudential requirements having regard to applicable legislation and regulations;
- compliance monitoring and reporting;
- expected level of future returns; and
- appropriate benchmarks for each category of investments.

Council's investment portfolio consists of Term Deposits, Floating Rate Notes (FRNs) and fixed interest deposits. The performance benchmark for all of these investment categories is the 90-day Bank Bill Swap Rate (BBSW). It is Council's expectation that the performance of each investment will be greater than or equal to this benchmark, taking into account its risks, liquidity and other benefits of the investment. The interest rate on investments for the life of this plan is as indicated in the following table:

	2018/19	2019/20	2020/21	2021/22 - 2027/28
Interest on Investments	2.8%	2.25%	2%	1.8%
Interest on Overdue Rates and Annual Charges	7.5%	7.5%	7%	6%

The funds available in Council's portfolio will also have a bearing on the amount of revenue generated from this income stream in any given year. It is not likely that Council can continue to rely on additional investment income over the life of the plan given the current balance of the portfolio, and the reserves that are identified to be expended.

Funds invested in recent years have been reduced as a result of accelerated capital works program. The reduction in investment income places further funding pressures on Council, which will impact on future annual returns.

Council's policy regarding the interest rate on outstanding rates is to charge the maximum allowable by the OLG. It has been assumed that this will be 6% per annum for the remaining life of this plan.

OTHER REVENUE

It has been assumed that revenue in this category will increase by the CPI for the life of this plan, as shown in the following table.

	2018/19	2019/20	2021/22 - 2027/28
Parking Meter Fees	2.2%	2.5%	2%
Property Rental	2.2%	2.5%	2%
Off-Street Car Park Fees	2.2%	2.5%	2%
Outdoor Dining Rental	2.2%	2.5%	2%
Other Revenues	2.2%	2.5%	2%

PARKING METER FEES

Council has been using paid parking to manage and control the demand and utilisation of on-street parking since the mid-1980s. The resulting revenue stream is a significant component of Council's total income. Currently, there are 460 multi-bay parking meters servicing 2,600 paid parking spaces and further expansion is planned over the life of this plan.

Council has upgraded all parking meters to be PCI (credit card) compliant and to improve the overall reliability and serviceability of the meters. This has ensured that compliance rates have improved and that revenue, in particular from the use of credit cards with 'tap and go' capabilities has improved.

PROPERTY RENTAL

Council manages a property portfolio covering commercial, investment, residential and community facilities. The management of the portfolio is outsourced to professional property managers on a long term contract. The property portfolio revenue has been relatively stable and it is anticipated that income growth over the life of the plan will be in line with CPI.

OFF-STREET CAR PARK FEES

Council operates six commercial off-street car parks with a combined capacity of 1,750 spaces. The number of spaces Council allows for permanent lease is up to 514. Of these, generally between 70% and 75% are currently leased. Car park revenue has been increasing on average 2% per annum and this rate is to apply over the life of the plan.

OUTDOOR DINING RENTAL

Outdoor dining was first introduced to the LGA in the mid-1990s. As Council redeveloped its retail shopping villages, the popularity and demand for space grew quite rapidly. There are a total of 171 outdoor dining licences (permits), as at April 2021.

Outdoor licence fees and charges are broken up into high, medium and low rates based on location. Currently high areas include Crows Nest, Kirribilli, North Sydney CBD and Blues Point Road; medium areas include Crows Nest Outdoor Seating, Cremorne, Cammeray, Kirribilli, Neutral Bay and St Leonards; and low areas include all other areas within the LGA. It is expected that licence fees will rise in line with inflation at about 2% per year, and remain in keeping with rates of the adjoining councils.

GRANTS - OPERATING AND CAPITAL

Council's *Financial Management Policy* recognises the importance of actively pursuing and maintaining grant funding. Generally, any matching funds required from Council for non-recurrent grants are sourced from the existing level of internally restricted assets (i.e. internal reserves). Future matching of funds is uncertain as the level of reserves are reduced.

The Financial Assistance Grant (FAG) is a general purpose grant. The grant is untied, thus the Council is able to spend the grant according to community priorities. All councils are entitled to a minimum per capita grant, North Sydney Council is one of 19 metropolitan councils that receives the minimum entitlement. The NSW Government policy is to allocate grants, as far as possible, to the councils with the greatest relative needs. North Sydney Council will continue to receive the minimum grant.

For the life of this plan, it has been assumed that recurrent grant funding will increase by the CPI, as shown in the following table.

	2018/19	2019/20	2020/21 - 2027/28
Financial Assistance Grant	2.2%	2.5%	2%
Specific Purpose Grants	2.2%	2.5%	2%

NET GAIN FROM DISPOSAL OF ASSETS

All funds generated from the sale of assets will be directed to assets that offer improved community benefits or are income-producing. Revenue from asset sales will not be directly used to offset recurrent operating expenditure. In effect, gains from asset sales are not available for the continued provision of existing services. It has been assumed that revenue derived from the net gain on disposal of assets, will remain at the current level for the life of this plan.

EXPENDITURE ASSUMPTIONS

EMPLOYEE COSTS

One of the largest expenditure assumptions is employee costs. However, changes in employee costs impact both on income and expenditure. Total employee costs are a combination of direct wages and salaries plus overheads that include workers compensation, superannuation, training and advertising. Terminations will impact on the employee entitlements reserve, employee entitlements liability as well as recruitment and training costs.

Whilst maintaining the current staffing levels and any new positions identified through the *Delivery Program*, total employment costs have been forecasted to increase by approximately 4.1% per annum (taking into account such factors as Award increases, salary step increases as a result of performance appraisals and employer superannuation liabilities).

From 1 July 2014, the Superannuation Guarantee charge increased to 9.5% and will remain at this rate until 30 June 2021. From 1 July 2021, it will increase by 0.5% each year until it reaches 12% in 2025/26.

The following analysis details what drives Council's employee costs:

- a) Employee Entitlements - as at 30 June 2020, 50% of Council's leave entitlements were funded within the Employee Leave Entitlements Reserve and it has been assumed that this level of funding is more than adequate to cover projected total employee leave liabilities and will not require abnormal cash injections in the short to medium term.
- b) Award Increases - an increase of 2.5% is effective from 1 July 2018 in accordance with *Local Government (State) Award 2017*. Award increases were 2.5% in 2019/20 and 1.5% in 2020/21, will be 2% in 2021/22 and 2.5% in 2022/21 and are forecast to be 2% per annum thereafter for the remaining life of the plan.
- c) Salary System - the Award requires that each council establishes a salary system and provides for a system of progression through a salary range. Councils may also make available access to bonus payments or other opportunities for additional reward for those employees who have progressed through the salary system to the maximum point/step for their position. It should be noted that skills and performance progression increases are paid on top of Award increases. Council's salary system has established a series of grades for each position, based on a job evaluation system and market comparisons. Employees are able to progress through their salary grade range in accordance with Award requirements.
- d) Market Competitiveness - Council aims to provide a fair reward system for employees which allows for internal equity and external competitiveness. Council aims to position itself at the 75th percentile of salaries at comparable councils. Council participates in an annual salary survey as detailed in the *Workforce Management Strategy*.
- e) Transport Allowance - In order to attract and retain employees and to encourage use of public transport, Council provides a transport allowance for all employees, from \$1,000.00 to \$2,000.00 per annum.
- f) Workers Compensation Premiums - Council continues to managing its workers compensation and work health and safety expenditure closely. Council has been managing its costs within the low range of 2.5% of wages and salaries.

BORROWING COSTS

Debt will only be approved where there is an agreed economic, social, or environmental benefit from a project and other sources of funding are not available. As required, borrowing will be undertaken in accordance with Council's *Financial Management Policy*, in that:

- capital cost of infrastructure will be recognised over the period during which the benefits will be enjoyed;
- funds are a resource to fund the replacement and upgrading of existing infrastructure and fund the creation of new infrastructure;
- loan funds will be limited to:
 - the acquisition or enhancement of income producing assets;
 - the construction and/or upgrading of buildings;
 - infrastructure assets that have a life expectancy of greater than 10 years

Council had been debt free for many years until 2015/16 when Council commenced a borrowing program to fund the replacement of parking meters and the redevelopment of the Alexander Street Car Park, Crows Nest. The debt servicing of these loans is sourced from the users of these services.

This plan allows for the additional borrowings of \$31 million to assist in the funding of the redevelopment of North Sydney Olympic Pool complex at Milsons Point.

MATERIALS AND CONTRACTS

It has been assumed that the costs of materials and contractors will increase by the CPI for the life of the plan, as shown in the following table.

	2018/19	2019/20	2020/21 - 2027/28
Other Materials and Contractors	2.2%	2.5%	2%

Waste and recycling charges increases into the future are uncertain and will be annually adjusted in line with any significant increase.

DEPRECIATION

It is reasonable to assume that the current replacement costs of Council's assets will continue to increase over time but that their useful lives will remain static. Therefore, as assets are periodically revalued to comply with adopted accounting standards, Council's depreciation expense will increase.

Revaluations reflect replacement costs and asset utilisation. Depreciation must not be understated as this is represented in Council's operating result. A review of the useful lives of Infrastructure assets was conducted during 2017/18 and this resulted in an increase in the depreciations rates to be applied for Year 1 (2018/19).

Depreciation of Council's infrastructure assets is determined from information contained within the *Asset Management Plans* and this is reflected in the three scenarios as well as the *Asset Management Strategy*.

OTHER EXPENSES

With the exception of insurance premiums, it has been assumed that “other” expenses will increase in line with inflation for the life of the plan, as shown in the following table.

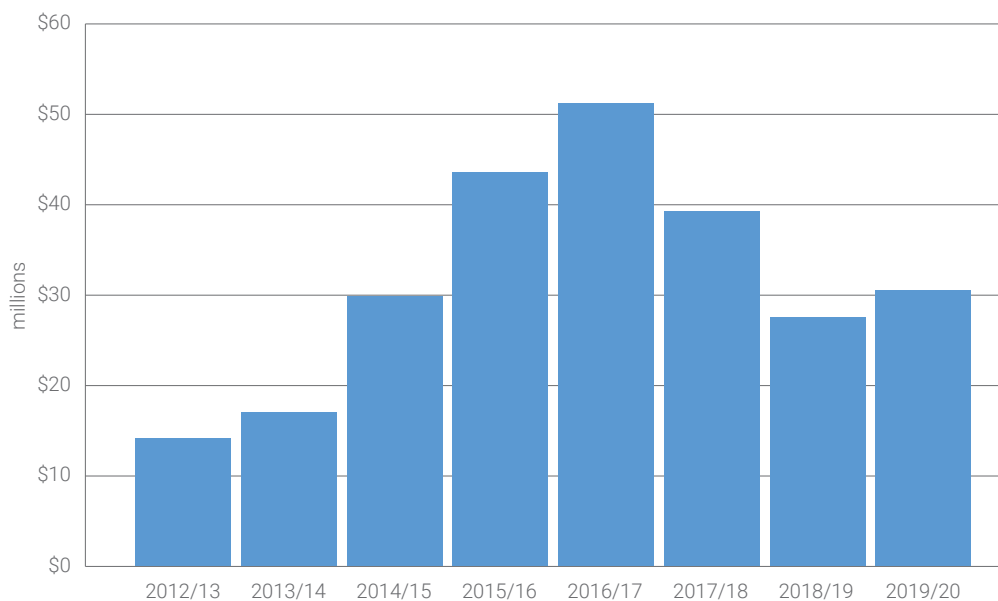
	2018/19	2019/20	2020/21 - 2027/28
Electricity	3%	3.5%	2%
Street Lighting	3%	2.5%	2%
Insurance	3%	3%	5%
Other Expenses	2.2%	2.5%	2%

CAPITAL EXPENDITURE

Capital expenditure to be outlaid for the renewal of existing infrastructure assets and the acquisition of new infrastructure assets is linked to the amounts required in Council’s *Asset Management Strategy*. As these values are recorded in today’s dollars in the *Asset Management Strategy*, have been escalated by the forecast increase in the CPI over the life of the plan.

Council has in recent years increased the Capital Works Program as indicated in the following chart. Future programs will be in line with asset consumption rates associated with the depreciation levels.

**Capital Expenditure 2012/13 to 2019/20
(excluding property & plant purchases)**



SENSITIVITY ANALYSIS

The *Long Term Financial Plan* has been developed, based on a suite of assumptions informed by independent data. Uncertainty and variations to these assumptions, including interest rate forecasts and inflation fluctuations need to be considered as their impact on the modelling could be significant over the life of the plan. A conservative approach ensures the assumptions provide the least exposure of risk and reduce pressure on achieving attainable operating results, with any surpluses being allocated towards capital projects.

CONSUMER PRICE INDEX (CPI)

The CPI assumptions are integral to the reliability and integrity of the plan. It is an assumption used on both expenditure and revenue, any significant change will impact operating results.

RATES AND ANNUAL CHARGES

Rates and annual charges normally comprise approximately 45% of Council's total revenue and thus any variation to the assumptions will have an effect on the ability to adequately fund the delivery of services and projects. Potential future legislative changes to rating, should they eventuate, could also have a significant impact on the amount of revenue derived from this income category.

EMPLOYEE COSTS

Employee costs account for approximately 37% of Council's total expenditure. The uncertainty of future wage claims and increasing employee leave entitlements has an impact on the plan.

COVID-19 PANDEMIC

The COVID-19 pandemic had a significant impact on Council's revenue over the final four months of 2019/20 and throughout 2020/21. While the effect has not been as severe as originally forecast, some revenue streams (e.g. parking meter fees) have not returned to levels attained prior to the onset of the pandemic. Assumptions applied to both revenue and expenditure are sensitive to the high level of uncertainty surrounding the future ongoing impact of the pandemic.

FINANCIAL SCENARIOS (MODELLING)

This plan expresses in financial terms the activities that Council proposes to undertake over the short, medium and long term and guides the future strategies and actions of Council to ensure that it continues to operate in a sustainable manner.

Financial strategies or scenarios provide direction and guidance. Including scenarios will assist Council in developing the best plan for Council to meet community expectations.

Council resolved to operate under its 'preferred' scenario (referred to as Scenario 3) on 25 June 2018. Between November 2018 and January 2019, Council conducted extensive community consultation regarding the proposed special rate variation (SRV) required under this scenario. In January 2019, following consideration of the consultation outcomes, Council resolved to apply for the SRV. On 13 May 2019, Council's application was partially approved by IPART, granting a three year increase effective from 1 July 2019 (Year 2 of this plan), inclusive of a minimum rate increase.

This scenario has been updated inclusive of the following key amendments:

- the partial SRV approval - which required a change in modelling (reduction from five to three-years);
- additional funding required for the NSOP complex redevelopment; and
- the projected financial impacts from the COVID-19 pandemic resulting in reduced income.

Scenario 3 models the impact on Council's financial position assuming that:

- Existing services are maintained at current levels;
- Operational efficiencies are identified and implemented;
- Infrastructure renewals and other capital expenditure remains at current levels that achieve the Infrastructure Renewals Ratio target of 100%;
- Revenue from rates continues to increase by the annual rate peg (IPART determination) for 2018/19 (Year 1) and the introduction of a 7% SRV inclusive of the rate peg, for three years commencing in 2019/20 (Year 2) until 2021/22 making available \$14.3 million to address infrastructure assets in very poor condition i.e. condition 5 and \$12.8 million to upgrade community facilities.
- Revenue streams are reviewed and additional sources introduced; and
- Proposed borrowings in 2021/22 (Year 4) are adopted to provide funds for the redevelopment of the NSOP complex. The original plan included \$20.5 million borrowings and due to the revised scope of the project (including the need to reconstruct the grandstand) the total proposed loan borrowings is now \$31 million.

Key assumptions are as follows:

REVENUES

- The rate peg increase is 2.3% for 2018/19 (Year 1) and a 7% SRV for three years commencing in 2019/20 (Year 2). For the last six years of the plan, the assumed rate peg increase of 2% increase applies.
- Annual charges, in particular the Domestic Waste Management Charge (DWMC), reflect reasonable cost recovery of providing the service.
- User Fees and Charges, Other Revenues and Grants and Contributions provided for Operating Purposes generally are forecast to increase annually by the projected increase in the CPI over the life of the plan.
- Investment returns are forecast to provide returns in the order of 1.8% to 2% over the life of the plan, with additional growth from improving reserve balances.

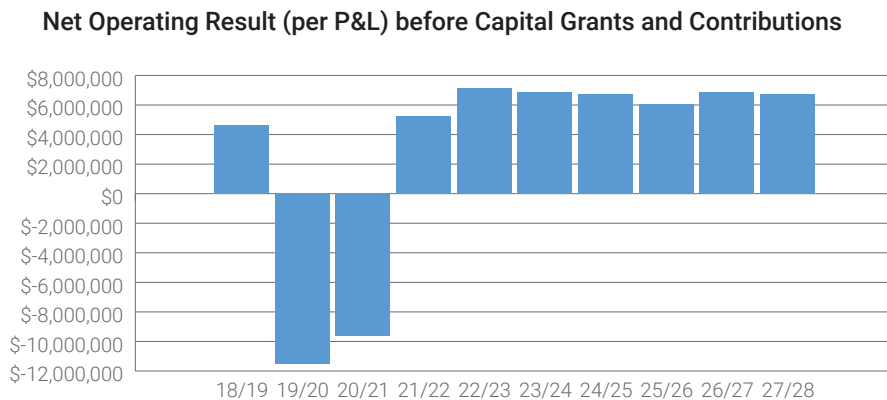
EXPENSES

- Employee Benefits and On-Costs are forecast to increase by 2% over the life of the plan.
- Materials and Contracts are forecast to increase annually by the projected increase in the CPI over the life of the plan.
- Service delivery improvements implemented.

OPERATING POSITION

A sustainable operating position should preferably reflect a surplus position. This scenario indicates an improving surplus position.

The following chart provides a summary of the Net Operating Result under Scenario 3:



Scenario 3		Actual	Actual	Projected							
		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Operating Performance Ratio Benchmark >0%	Snapshot	●	●	●	●	●	●	●	●	●	●
	Actual Ratio	3.34%	-6.76%	-7.87%	-0.14%	1.27%	0.92%	0.73%	0.12%	0.61%	0.45%
Own Source Operating Revenue Ratio Benchmark >60%	Snapshot	●	●	●	●	●	●	●	●	●	●
	Actual Ratio	83.98%	89.80%	87.16%	80.13%	95.73%	95.03%	87.53%	93.89%	93.94%	93.99%
Unrestricted Current Ratio Benchmark >1.5X	Snapshot	●	●	●	●	●	●	●	●	●	●
	Actual Ratio	3.45 x	2.82 x	2.18 x	1.73 x	1.99 x	2.11 x	1.98 x	1.89 x	1.83 x	1.87 x
Debt Service Cover Ratio Benchmark >2X	Snapshot	●	●	●	●	●	●	●	●	●	●
	Actual Ratio	27.62 x	15.11 x	11.36 x	9.55 x	8.26 x	8.26 x	8.31 x	8.19 x	8.53 x	8.60 x
Building & Infrastructure Renewal Ratio Benchmark >100%	Snapshot	●	●	●	●	●	●	●	●	●	●
	Actual Ratio	121.48%	79.33%	152.56%	301.35%	109.68%	108.53%	119.99%	117.78%	115.62%	113.51%
		●	Within benchmark								
		●	Not within benchmark								

An Infrastructure Renewal Ratio target of 100% over the life of the plan will ensure sufficient commitment to infrastructure renewal.

Refer to *Appendix 2* for the projected financial performance including the Income Statement, Balance Sheet, Equity Statement and Cash Flow Statement for Scenario 3.

CONCLUSION

Scenario 3 provides the best option available to Council in achieving the desired operating surplus, whilst meeting the community expectations of improvements in community facilities and essential infrastructure. The additional revenue required to ensure a projected long term improvement in the operating result is expected to be generated via rates revenue, in particular, the implementation of a SRV in 2019/20 (Year 2) of the LTFP.

The LTFP modelling not only relies on additional rates revenue but also requires loan borrowings and service delivery savings, the combination of all three elements are necessary for this scenario to be successful.



MONITORING AND EVALUATION

Council will review the *Long Term Financial Plan* each year as part of the development of the annual *Operational Plan*. The review will include an assessment of the previous year's performance in terms of the accuracy of the projections made in the plan compared to the actual results. Evaluation will include reviewing and amending estimates and scenarios to improve the accuracy of the plan over the longer term.

In addition to monitoring its performance against the plan and the annual budget, Council utilises forecasts of the following key performance indicators to assess its long term financial sustainability:

- Operating Performance Ratio
- Own Source Operating Revenue Ratio
- Unrestricted Current Ratio
- Debt Service Cover Ratio
- Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage
- Available Working Capital
- Infrastructure Renewals Ratio

During the year, via the Quarterly Budget Review Statement, year-to-date actual performance will be assessed against the budget and forecasts for the year revised accordingly.

Council will thoroughly evaluate the plan in line with the periodic review of the *Community Strategic Plan* as per the requirements of the Integrated Planning and Reporting process. This will occur three to nine months after each local government election. The *Resourcing Strategy* in its entirety will be reviewed and updated and a draft *Community Strategic Plan* and resourcing options concurrently presented to the community.

APPENDIX 2: 10 YEAR FINANCIAL MODEL - SCENARIO 3

North Sydney Council – 10 Year Financial Plan for the Years ending 30 June 2028										
INCOME STATEMENT	Actuals	Actuals	Current Year	Projected Years						
Scenario:3 - Increase in existing capacity / services	2018/19 \$'000	2019/20 \$'000	2020/21 \$'000	2021/22 \$'000	2022/23 \$'000	2023/24 \$'000	2024/25 \$'000	2025/26 \$'000	2026/27 \$'000	2027/28 \$'000
Income from Continuing Operations										
Revenue:										
Rates & Annual Charges	58,831	62,883	66,007	70,659	72,561	73,994	75,456	76,946	78,467	80,018
User Charges & Fees	33,691	28,255	29,564	27,968	30,091	31,188	31,812	32,448	33,097	33,759
Interest & Investment Revenue	16,907	8,821	7,481	10,728	10,906	11,162	11,346	11,613	11,804	12,082
Other Revenues	5,550	5,999	3,959	4,871	5,097	5,178	4,955	5,039	5,124	5,212
Grants & Contributions provided for Operating Purposes	15,773	6,378	12,308	23,606	57	1,058	12,659	3,060	3,061	3,063
Grants & Contributions provided for Capital Purposes	2,407	1,970	1,412	1,183	1,083	983	883	783	683	583
Other Income:										
Fair Value Increment on Investment Properties	2,205	-	-	5,473	5,582	5,694	5,808	5,924	6,043	6,163
Rental Income		7,011	5,945	5,257	5,447	5,583	5,695	5,808	5,925	6,043
Joint Ventures & Associated Entities - Gain	-	10	-	-	-	-	-	-	-	-
Total Income from Continuing Operations	135,364	121,327	126,676	149,743	130,823	134,839	148,613	141,622	144,204	146,922
Expenses from Continuing Operations										
Employee Benefits & On-Costs	44,992	46,194	45,641	46,621	49,151	50,575	51,588	52,621	53,675	54,750
Borrowing Costs	367	416	671	1,059	1,081	1,010	935	859	780	698
Materials & Contracts	36,799	37,342	38,471	39,276	39,002	40,124	40,740	41,750	42,367	43,385
Depreciation & Amortisation	22,111	29,351	25,557	23,199	23,653	24,121	24,598	25,084	25,581	26,087
Other Expenses	9,103	9,408	13,024	10,677	10,704	11,080	11,333	12,159	11,869	12,154
Net Losses from the Disposal of Assets	1,481	922	994	34	34	34	34	34	34	34
Fair value decrement on investment properties	-	2,827	-	-	-	-	-	-	-	-
Joint Ventures & Associated Entities - Loss	3	-	-	-	-	-	-	-	-	-
Total Expenses from Continuing Operations	114,856	126,460	124,358	120,866	123,624	126,944	129,227	132,508	134,306	137,108
Net Operating Result for the Year	20,508	(5,133)	2,318	28,878	7,199	7,895	19,386	9,114	9,898	9,814
Net Operating Result before Grants and Contributions provided for Capital Purposes	4,735	(11,511)	(9,990)	5,272	7,142	6,838	6,727	6,054	6,837	6,751

APPENDIX 2: 10 YEAR FINANCIAL MODEL - SCENARIO 3

North Sydney Council – 10 Year Financial Plan for the Years ending 30 June 2028										
BALANCE SHEET	Actuals	Actuals	Current Year	Projected Years						
Scenario:3 - Increase in existing capacity / services	2018/19 \$'000	2019/20 \$'000	2020/21 \$'000	2021/22 \$'000	2022/23 \$'000	2023/24 \$'000	2024/25 \$'000	2025/26 \$'000	2026/27 \$'000	2027/28 \$'000
ASSETS										
Current Assets										
Cash & Cash Equivalents	14,083	9,235	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Investments	73,145	81,961	70,647	77,237	50,388	48,359	63,906	57,561	57,545	57,805
Receivables	5,967	6,393	6,689	8,318	5,995	6,263	7,637	6,751	6,878	7,012
Inventories	57	33	52	53	52	54	55	56	57	58
Other	244	378	334	324	323	332	338	350	352	360
Current assets classified as "held for sale"	4,500		-							
Total Current Assets	97,996	98,000	79,721	87,931	58,759	57,009	73,935	66,717	66,832	67,235
Non-Current Assets										
Receivables	450	335	312	346	363	378	393	408	424	441
Infrastructure, Property, Plant & Equipment	1,019,274	1,099,318	1,124,866	1,181,175	1,190,478	1,193,457	1,196,573	1,199,263	1,201,549	1,203,393
Investment Property	95,512	92,758	92,758	98,231	103,813	109,508	115,316	121,240	127,282	133,446
Right of use assets	-	2,365	2,365	2,100	1,840	1,580	1,320	1,060	800	540
Investments Accounted for using the equity method	10	20	20	20	20	20	20	20	20	20
Total Non-Current Assets	1,115,246	1,194,796	1,220,321	1,281,872	1,296,515	1,304,942	1,313,621	1,321,991	1,330,076	1,337,840
TOTAL ASSETS	1,213,242	1,292,796	1,300,042	1,369,803	1,355,273	1,361,951	1,387,557	1,388,708	1,396,908	1,405,075
LIABILITIES										
Current Liabilities										
Payables	20,767	22,015	25,107	27,743	23,407	23,104	23,326	23,619	23,724	23,950
Income received in advance	2,613	-	-	-	-	-	-	-	-	-
Contract liabilities	-	9,287	11,970	20,210	4,440	5,209	12,954	6,513	6,592	6,673
Lease liabilities	-	303	-	-	-	-	-	-	-	-
Borrowings	811	846	881	2,108	2,177	2,252	2,328	2,407	2,488	1,694
Provisions	16,021	15,963	16,667	17,126	17,596	18,076	18,566	19,065	19,575	20,095
Total Current Liabilities	40,212	48,414	54,624	67,187	47,620	48,641	57,174	51,604	52,379	52,413

North Sydney Council – 10 Year Financial Plan for the Years ending 30 June 2028										
BALANCE SHEET	Actuals	Actuals	Current Year	Projected Years						
Scenario:3 - Increase in existing capacity / services	2018/19 \$'000	2019/20 \$'000	2020/21 \$'000	2021/22 \$'000	2022/23 \$'000	2023/24 \$'000	2024/25 \$'000	2025/26 \$'000	2026/27 \$'000	2027/28 \$'000
Non-Current Liabilities										
Lease liabilities	-	2,096	2,399	2,399	2,399	2,399	2,399	2,399	2,399	2,399
Borrowings	8,100	7,254	6,373	34,682	32,505	30,253	27,926	25,519	23,031	21,337
Provisions	278	1,174	470	483	496	510	524	538	552	567
Total Non-Current Liabilities	8,378	10,524	9,242	37,564	35,401	33,162	30,848	28,456	25,982	24,303
TOTAL LIABILITIES	48,590	58,938	63,867	104,750	83,021	81,803	88,022	80,060	78,361	76,715
Net Assets	1,164,652	1,233,858	1,236,176	1,265,054	1,272,252	1,280,148	1,299,534	1,308,648	1,318,546	1,328,360
EQUITY										
Retained Earnings	813,480	804,113	806,431	835,309	842,507	850,403	869,789	878,903	888,801	898,615
Revaluation Reserves	351,172	429,745	429,745	429,745	429,745	429,745	429,745	429,745	429,745	429,745
Revaluation Reserves	1,164,652	1,233,858	1,236,176	1,265,054	1,272,252	1,280,148	1,299,534	1,308,648	1,318,546	1,328,360
Total Equity	1,164,652	1,233,858	1,236,176	1,265,054	1,272,252	1,280,148	1,299,534	1,308,648	1,318,546	1,328,360

APPENDIX 2: 10 YEAR FINANCIAL MODEL - SCENARIO 3

North Sydney Council – 10 Year Financial Plan for the Years ending 30 June 2028										
CASH FLOW STATEMENT	Actuals	Actuals	Current Year	Projected Years						
Scenario:3 - Increase in existing capacity / services	2018/19 \$'000	2019/20 \$'000	2020/21 \$'000	2021/22 \$'000	2022/23 \$'000	2023/24 \$'000	2024/25 \$'000	2025/26 \$'000	2026/27 \$'000	2027/28 \$'000
Cash Flows from Operating Activities										
Receipts:										
Rates & Annual Charges	58,153	63,118	68,378	70,738	72,589	74,013	75,475	76,966	78,487	80,038
User Charges & Fees	34,598	28,459	29,337	27,980	30,075	31,180	31,807	32,444	33,092	33,754
Interest & Investment Revenue Received	2,909	1,766	1,243	1,078	1,405	965	690	864	660	567
Grants & Contributions	19,194	15,940	18,016	35,787	(8,811)	6,883	24,428	2,401	8,238	8,327
Bonds & Deposits Received	3,546	2,874	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600
Other	26,751	22,209	13,361	15,394	16,572	16,629	16,802	17,494	17,664	18,046
Payments:										
Employee Benefits & On-Costs	(42,880)	(45,673)	(45,861)	(46,143)	(48,619)	(50,055)	(51,067)	(52,089)	(53,133)	(54,196)
Materials & Contracts	(41,441)	(40,412)	(38,419)	(39,440)	(39,027)	(39,968)	(40,649)	(41,557)	(42,334)	(43,249)
Borrowing Costs	(321)	(422)	(696)	(940)	(1,089)	(1,018)	(944)	(868)	(789)	(708)
Bonds & Deposits Refunded	(4,118)	(2,048)	(3,600)	(3,600)	(3,600)	(3,600)	(3,600)	(3,600)	(3,600)	(3,600)
Other	(9,669)	(13,053)	(12,886)	(10,704)	(10,686)	(11,053)	(11,315)	(12,129)	(11,861)	(12,132)
Net Cash provided (or used in) Operating Activities	46,722	32,758	32,473	53,751	12,408	27,577	45,227	23,526	30,023	30,447
Cash Flows from Investing Activities										
Receipts:										
Sale of Investment Securities	69,062	53,540	11,318	-	26,848	2,029	-	6,345	16	-
Sale of Real Estate Assets		4,500	-	-	-	-	-	-	-	-
Sale of Infrastructure, Property, Plant & Equipment	690	773	-	-	-	-	-	-	-	-
Payments:										
Purchase of Investment Securities	(79,126)	(62,361)	-	(6,590)	-	-	(15,546)	-	-	(260)
Purchase of Investment Property	(66)	(73)	-	-	-	-	-	-	-	-
Purchase of Infrastructure, Property, Plant & Equipment	(28,518)	(32,945)	(50,180)	(76,697)	(37,148)	(27,429)	(27,429)	(27,542)	(27,633)	(27,699)
Net Cash provided (or used in) Investing Activities	(37,958)	(36,566)	(38,862)	(83,287)	(10,300)	(25,400)	(42,976)	(21,198)	(27,617)	(27,959)

North Sydney Council – 10 Year Financial Plan for the Years ending 30 June 2028										
CASH FLOW STATEMENT	Actuals	Actuals	Current Year	Projected Years						
Scenario:3 - Increase in existing capacity / services	2018/19 \$'000	2019/20 \$'000	2020/21 \$'000	2021/22 \$'000	2022/23 \$'000	2023/24 \$'000	2024/25 \$'000	2025/26 \$'000	2026/27 \$'000	2027/28 \$'000
Cash Flows from Financing Activities										
Receipts:										
Proceeds from Borrowings & Advances	-	-	-	31,000-	-	-	-	-	-	-
Payments:										
Repayment of Borrowings & Advances	(589)	(811)	(846)	(1,464)	(2,108)	(2,177)	(2,252)	(2,328)	(2,407)	(2,488)
Repayment of lease liabilities (principal repayments)	-	(229)	-	-	-	-	-	-	-	-
Net Cash Flow provided (used in) Financing Activities	(589)	(1,040)	(846)	29,536	(2,108)	(2,177)	(2,252)	(2,328)	(2,407)	(2,488)
Net Increase/(Decrease) in Cash & Cash Equivalents	8,175	(4,848)	(7,235)	-	-	-	-	-	-	-
plus: Cash, Cash Equivalents & Investments - beginning of year	5,908	14,083	9,235	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Cash & Cash Equivalents - end of the year	14,083	9,235	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Cash & Cash Equivalents - end of the year	14,083	9,235	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Investments - end of the year	73,145	81,961	70,647	77,237	50,388	48,359	63,906	57,561	57,545	57,805
Cash, Cash Equivalents & Investments - end of the year	87,228	91,196	72,647	79,237	52,388	50,359	65,906	59,561	59,545	59,805

APPENDIX 2: 10 YEAR FINANCIAL MODEL - SCENARIO 3

North Sydney Council – 10 Year Financial Plan for the Years ending 30 June 2028										
EQUITY STATEMENT - GENERAL FUND	Actuals	Actuals	Current Year	Projected Years						
	2018/19 \$'000	2019/20 \$'000	2020/21 \$'000	2021/22 \$'000	2022/23 \$'000	2023/24 \$'000	2024/25 \$'000	2025/26 \$'000	2026/27 \$'000	2027/28 \$'000
Scenario:3 - Increase in existing capacity / services										
Opening Balance (as at 1/7)	1,147,644	1,164,652	1,233,858	1,236,176	1,265,054	1,272,252	1,280,148	1,299,534	1,308,648	1,318,546
Adjustments to opening balance	(4,556)	(4,234)	-	-	-	-	-	-	-	-
Restated Opening Balance (as at 1/7)	1,143,088	1,160,418	1,233,858	1,236,176	1,265,054	1,272,252	1,280,148	1,299,534	1,308,648	1,318,546
Net Operating Result for the Year	20,508	(5,133)	2,318	28,878	7,199	7,895	19,386	9,114	9,898	9,814
Restated Net Operating Result for the Year	20,508	(5,133)	2,318	28,878	7,199	7,895	19,386	9,114	9,898	9,814
Other Comprehensive Income										
Gain (loss) on revaluation of IPP&E	1,056	78,573	-	-	-	-	-	-	-	-
Other Comprehensive Income	1,056	78,573								
Total Comprehensive Income	21,564	73,440	2,318	28,878	7,199	7,895	19,386	9,114	9,898	9,814
Equity - Balance at end of the reporting period	1,164,652	1,233,858	1,236,176	1,265,054	1,272,252	1,280,148	1,299,534	1,308,648	1,318,546	1,328,360