

Bayside 2034



2025-2034 Long Term Financial Plan (LTFP)



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Τηλεφωνικές Υπηρεσίες Διερμηνέων

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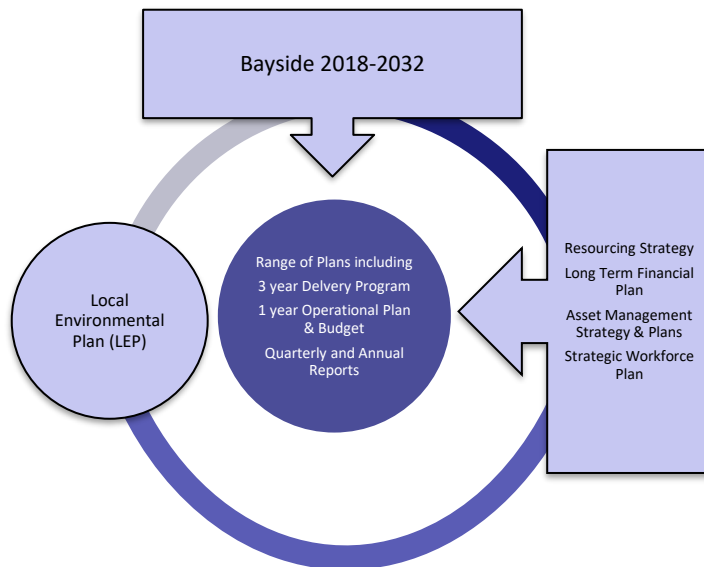
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Executive Summary

In planning for our City’s future and the Council’s contribution to the outcomes in the Community Strategic Plan, Council considers resourcing capability and future resourcing needs. Council has developed an overarching Resourcing Strategy which demonstrates how Council will be resourced. The Resourcing Strategy supports the integration between our finance, workforce, assets and technology.

Key components of Council’s resourcing capability are its assets, its financial position and outlook, existing and potential technologies and human resourcing. While we have separately documented how each of the key resourcing components will contribute to our resourcing, Council considers each component simultaneously in its overarching Resourcing Strategy as part of our long-term planning.

The Integrated Planning and Reporting (IP&R) framework encourages and supports the review of each of Council’s resourcing strategies aligned with the review of the Community Strategic Plan and at other times as required.



The Long-Term Financial Plan can be read in conjunction with Council’s suite of resourcing strategies. This suite includes:

- ▶ [The Long-Term Financial Plan](#)
- ▶ [The Strategic Workforce Plan](#)
- ▶ [The Asset Management Strategy](#)

The Long-Term Financial Plan is a decision-making and problem-solving tool. It is intended as a guide for future action. The Long-Term Financial Plan is an important part of Council’s strategic planning process. This is the point where long-term community aspirations and goals are tested against financial realities.

The strategies from the Long-Term Financial Plan will guide the delivery of actions by Council to achieve the following outcomes of the Council Plan.

- ▶ Council needs to resolve the ‘Income Gap’ that is reflected in its LTFP. This issue is not unique to Bayside Council and is the result of the continuous impact of the Rate Peg regime in NSW since 1977.
- ▶ While Council has been investing significantly in new assets since being formed in September 2016, these have mainly been funded by external sources, including developer contributions and grants and there is no funding source to provide for the increased maintenance, operating and future renewal of these assets.
- ▶ Bayside Council is forecasted to continue to have a high level of high-density residential housing development over the LTFP period and this will increase pressure to upgrade and expand the existing asset base to provide services to its community.
- ▶ The former Rockdale City Council had existing Infrastructure Levies that provide a funding source for renewal of infrastructure assets, but these funds can only be expended in specific areas where levied.
- ▶ The former City of Botany Bay Council did not have the equivalent funding source that could be used to fund the required asset maintenance and future renewal.

Long Term Financial Sustainability

How do we define Long Term Financial Sustainability?

A financially sustainable Council is one that has the ability to fund ongoing service delivery, and the renewal and replacement of assets without imposing excessive debt or rate increases on future generations. This definition has been translated into five key financial sustainability principles:

- ▶ Council must achieve a **fully funded operating position** reflecting that Council collects enough revenue to fund operational expenditure, repayment of debt and depreciation,
- ▶ Council must **maintain sufficient cash reserves** to ensure that it can meet its short term working capital requirements,
- ▶ Council must have a **fully funded capital program**, where the source of funding is identified and secured for both capital renewal and new capital works,
- ▶ Council must **maintain its asset base**, by renewing ageing infrastructure which is identified, and by ensuring cash reserves are set aside for those works which are yet to be identified.
- ▶ Council must endeavour to ensure that **intergenerational equity** principles are maintained in its decision making.

It is important to note that while these principles represent financial sustainability, in the current environment, most Council's will find it difficult to obtain this level of sustainability as the major ongoing challenge for all NSW councils is the need to provide adequate levels for the maintenance and renewal of existing ageing infrastructure.

This has been previously highlighted in several previous studies such as the 2006 Local Government and Shires Association's Independent Inquiry into the Financial Sustainability of NSW Local Government and more recently the 2013 report released by NSW Treasury Corporation (TCorp) in regard to financial sustainability of all NSW councils.

The Office of Local Government stated that Council's reported an infrastructure backlog of \$5.6 billion in 2021/22. It clearly indicates the need for NSW councils to significantly increase funding for the renewal of existing infrastructure. A TCorp review further identified that if funding is not increased in the immediate term, then

the infrastructure renewal backlog will continue to increase at a level which may become too great to address without serious ramifications on service delivery.

The backlog in asset renewal is a direct result of councils in NSW not being able to cash fund depreciation. Depreciation represents the average loss of service potential for the asset over its economic life. Current asset renewal funding is based on the actual renewals program and this is often modified to fit within budgetary restraints. This means that as assets are consumed, adequate funds are not available to be put aside to replace the asset at the end of its useful life. This is not a result of poor management; councils simply cannot afford to fund depreciation without compromising existing levels of service. As previous rates are pegged to a basket of CPI indexes by IPART many councils struggle to keep up with their asset renewal requirements and other cost increases progressively erode the funding base. Whilst IPART has changed its rate pegging methodology for the 2024/25 year, it still does not take away the fact that the level of rates revenue has consistently fallen relative to costs since the introduction of the rate pegging methodology some 40 years ago. Hence, a correction is still required to re-base the years of deficient pegged increases which have, over time contributed to Council's current financial situation.

Deferring asset renewals compounds the asset renewal problem, as the older assets get, the more they cost a council to maintain. This in part is being addressed through the implementation of Integrated Planning and Reporting, moving a council's focus away from simply maintaining assets to managing an assets life cycle. This framework allows councils to clearly demonstrate to the community the long-term financial ramifications of not renewing assets.

How is Long Term Financial Sustainability Measured?

A recent review undertaken by the Independent Pricing and Regulatory Tribunal (IPART) into the Revenue Framework for Local Government identified a number of key performance indicators which measure the financial performance and position of NSW councils. The indicators measure both recurrent operations and capital sustainability.

Council will review its Long-Term Financial Plan against these indicators as part of assessing the long term financial health of the organisation and its capacity to fund the proposed Delivery Program.

Achieving long term financial sustainability

One of the biggest challenges facing Council is beginning to address Council's long term financial sustainability, specifically addressing future deficit operating results excluding capital and reserve movements, as well as a forecasted asset expenditure funding shortfall of more than \$76 million over the next 10 years.

This term of Council has already begun to implement some actions to address this shortfall. However, it does not resolve the funding shortfall caused by historically low rate-pegs that has over the years resulted in a cumulative low rate base.

Whilst Council continues to address this issue going forward, it is unlikely that the overall long term funding shortfall will be addressed in its entirety without Council contemplating some form of increase in rates revenue as an alternative to significantly decreasing much needed services provided to the community. This could come in the form of a one-off rate increase beyond the recommended rate peg to allow for the rate-base to be readjusted.

One of the main factors contributing to this issue is that Council's depreciation expense has continued to increase faster over the past few years. This is partly because Council has been delivering new assets, which are more functional, environmentally friendly, and aesthetically pleasing. This however comes at a higher cost to operate and results in higher maintenance and depreciation costs. The importance of analysing the depreciation expense is that it identifies the value of the funding shortfall for the investment Council is required to make to renew its infrastructure assets, which is some \$59 million over the 10-year Long Term Financial Plan (LTFP).

In addition to the asset renewal funding shortfall, there is also a funding gap of around \$17 million for the maintenance of Infrastructure Assets throughout the Bayside Local Government Area (LGA).

Combined, this is a total funding shortfall of more than \$76 million over the next 10 years. This funding shortfall remains significant and a serious challenge for Council to address to ensure ongoing long term financial sustainability is achieved and for Council to continue to provide valued services required by the community (at an appropriate level); and achieve Council's asset maintenance and renewal financial requirements.

The funding deficit has notably reduced compared to previous projections, attributed to external funding received through grants. These grants, totalling over \$21 million, have fuelled substantial renewals across the LGA in the past two years. Furthermore, the revised Capital Works Program now encompasses significant projects not previously accounted for, including the Boulevard Carpark, Mascot Oval, and updated costs for the Botany Aquatic Centres. Each of these projects involves some element of asset renewal, with identified funding sources, therefore, substantially reducing the gap in funding observed in previous LTFPs.

The options available for Council to address this financial challenge include:

- ▶ Increasing revenue
- ▶ Reducing expenditure
- ▶ Reviewing current asset holdings.

Council must continue with its improvement plan, which has already begun to tackle some of the funding gaps outlined in the plan. Over the past three years, there has been a noticeable improvement in closing the infrastructure gap. To sustain this progress, Council must effectively balance its expenditure with its income level. This includes ongoing identification of efficiencies during the operational plan development, prudent management of available grants, and prudent allocation of funds toward new assets, with a primary focus on maintaining and renewing the existing asset portfolio. Additionally, it's crucial for Council to effectively manage community expectations regarding service levels, all of these efforts will contribute to addressing the financial sustainability challenges it faces.

Bayside (NSW)

Bayside Council is in Sydney's southern and south-eastern suburbs - between 7 and 12 kilometres south of the Sydney CBD. The local government area is highly urbanised and predominantly residential with sizeable industrial areas, parkland/reserves and small suburban commercial areas. Housing density is high to low.

Bayside includes the suburbs of Arncliffe, Banksia, Banksmeadow, Bardwell Park, Bardwell Valley, Bexley, Bexley North, Botany, Brighton Le Sands, Carlton (part), Daceyville, Dolls Point, Eastgardens, Eastlakes, Hillsdale, Kingsgrove (part), Kogarah

(part), Kyeemagh, Mascot, Monterey, Pagewood, Ramsgate (part), Ramsgate Beach, Rockdale, Rosebery (part), Sandringham, Sans Souci (part), Turrella and Wolli Creek. The Bayside Council population forecast for 2024 is 191,385, and this is forecast to grow to 209,896 by 2036.

Bayside council is expecting that significant population growth due to the urban renewal being experienced in parts of Bayside will continue over the course of the long-term financial plan period, with forecast population to be 209,896 (9.7% increase) by 2036 (Source: Forecast ID - Population Forecast)

Regulatory Environment

In September 2016, the Local Government Amendment (Governance and Planning) Act 2016 commenced, which legislated the approach that councils should now adopt in relation to their financial management.

Legislated principles of sound financial management

Section 8B of the Local Government Act 1993 states that the following principles of sound financial management apply to councils;

- (a) Council spending should be responsible and sustainable, aligning general revenue and expenses.
- (b) Councils should invest in responsible and sustainable infrastructure for the benefit of the local community.
- (c) Councils should have effective financial and asset management, including sound policies and processes for the following:
 - (i) performance management and reporting,
 - (ii) asset maintenance and enhancement,
 - (iii) funding decisions,
 - (iv) risk management practices.
- (d) Councils should have regard to achieving intergenerational equity, including ensuring the following:
 - (i) policy decisions are made after considering their financial effects on future generations,
 - (ii) the current generation funds the cost of its services.

Socio-economics

When preparing the plan, many factors are taken into consideration noting that rates, annual charges and user fees and charges make up a significant portion of Council's total revenue so capacity to pay is one of those important factors.

Residential Properties

In the 2024-25 financial year there are 68,043 properties across Bayside rated as 'Residential'. These properties include single dwellings, social housing, and multi-unit dwellings.

Housing Tenure

In Bayside, 52% of households were purchasing or fully owned their home, 36.9% renting privately, and 3.3% in social housing in 2021.

Analysis of the monthly housing loan repayments of households in Bayside Council area compared to Greater Sydney shows that there was a similar proportion of households paying high mortgage repayments (\$2,600 per month or more), as well as a similar proportion of households with low mortgage repayments (less than \$1,200 per month).

Household Incomes

Analysis of household income levels in Bayside Council area in 2021 compared to Greater Sydney shows that there was a smaller proportion of high income households (those earning \$3,000 per week or more) and a higher proportion of low income households (those earning less than \$800 per week).

Overall, 26.1% of the households earned a high income and 19.2% were low income households, compared with 30.1% and 17.9% respectively for Greater Sydney.

Indexes

The Bayside Council Socio-Economic Indexes for Areas (SEIFA) measure the relative level of socio-economic disadvantage and/or advantage based on a range of Census characteristics.

SEIFA indexes are a good place to start to get a general view of the relative level of disadvantage in one area compared to others, but it is important to also look at these underlying characteristics as they can differ markedly between areas with similar SEIFA scores and shed light on the type of disadvantage being experienced.

In 2021, Bayside Council had a SEIFA index score of 1,004 which is slightly higher than the NSW average of 1,000.

Concessions

There are concessions available for rates and annual charges for eligible ratepayers who receive an aged or disability support pension under the provisions of the Local Government Act 1993.

Council recognises that from time to time certain ratepayers may have difficulty in paying their Council rates and charges. The Local Government Act allows Council to provide a range of assistance to these ratepayers in circumstances detailed in our Hardship Policy.

Economic Environment

The Bayside Council economy is part of a complex and diverse network of activities.

Key Statistics

GRP

\$13.61 billion

NIEIR 2022

Population

182,987

ABS ERP 2023

Local jobs

83,763

NIEIR 2022

Largest industry (by employment)

**Transport, Postal and
Warehousing**

NIEIR 2022

Local businesses

18,843

ABS 2023

Employed Residents

94,979

NIEIR 2022

Business Properties and Industry

There are 4,905 properties across Bayside which are rated as 'Business' and account for around 7 per cent of the Council's total rateable properties. The construction industry had the largest number of total registered businesses in the Bayside Council area, comprising 18.4 % of all total registered businesses, compared to 17.2% in New South Wales (ABS).

Gross Regional Product

Bayside Council's Gross Regional Product (GRP) was \$13.61 billion in the 2021-22 financial year. This represents 2.06 per cent of the GRP of the state of NSW.

Workers

In the Bayside Council area, Transport, Postal and Warehousing is the largest employer, generating 17,158 Full Time Equivalents (FTE's) in 2021-22.

Financial Objectives

In addition to the legislated principles of sound financial management, Bayside Council has five financial objectives that it applies to its financial planning, control and management.

Deliver operating surpluses

Ensure that each financial year the budget has a healthy before capital revenue operating surplus, combined with strong budget management and control, to help deliver an operating surplus for Council.

Fund existing service levels

Ensure existing service levels that Council currently provide continue to be fully funded when preparing budgets and making financial decisions.

Fund infrastructure renewals

The funding allocated to annual capital works programs is as per the Asset Management Program. This will ensure that Council meets the infrastructure renewals ratio benchmark each year.

Ensure financial stability

Council can guarantee its financial stability by maintaining a strong cash position, ensuring its ability to generate its own operating revenue and having sufficient assets to cover its liabilities.

Financial legacy

Ensure that every financial decision that is made, by both the Council and Council management, creates and safeguards the financial legacy of Bayside Council - a legacy of being prudent and responsible.

This is reflected in Council's commitment to maintain a conservative risk/return portfolio.

Future Revenue Assumptions

The base year figures that have been used for operating revenue are those contained within the 2024/25 budget. In preparing the 2025-2034 Long Term Financial Plan, the following underpinning principles have been used:

- ▶ Budgets will aim to maintain assets to at least the same condition as they were at the start of each financial year,
- ▶ Management will continually look for ways to structurally realign resources and/or increase income opportunities without changes to service standards,
- ▶ Services and Infrastructure in any new areas will be provided when they are needed,
- ▶ Council will continue to improve its capacity to fund its recurrent operations and renew critical infrastructure through sustainable financial decision making.

Rates

Council has an IPART approved minimum rate harmonisation path in place for a period of four years commencing 2021/22 and ending in 2024/25. The harmonisation of rates does not result in an increase in permissible rate revenue.

Council's ability to align rating revenues with the increased cost of providing local government services has been restrained by rate pegging (since 1977), a legislative instrument whereby the maximum increase in rating revenues is currently set by IPART.

For the rating year commencing 1 July 2024, IPART had determined that the rate peg limit will be 4.8%, including a population factor of 0%.

The number of properties subject to rating in 2024/25 is as follows:

Category	Number of Properties	Average Rate p.a. excluding Special Rate Variations
Residential - minimum	44,576	\$873
Residential - ad valorem	23,590	\$1,246
Business - minimum	2,221	\$873
Business - ad valorem	2,468	\$9,006
Farmland - ad valorem	5	\$1,517
Total	72,855	

Special Rates

Special Rates include Special Local Area Rates, Community Safety Levies, Community Building Levies and Infrastructure Levies.

Special rates are levied on identified residential and business properties to cover the cost of any works, services, facilities or activities carried out and for the benefit of specific local areas.

User fees and charges

Based on the 2022/23 audited financial statements, Council receives 5.6% of its annual operating revenue through user fees and charges, set under S610D of the Local Government Act 1993.

This revenue is received through fees and charges applied by Council for services such as the aquatic centres, the various childcare centres, commercial trade waste and the hire of community facilities such as Council's sports fields and community halls. Some of these are set by statutory regulations and future increases are difficult to predict but have been assumed at the CPI index.

Annual Charges

Section 496 of the Act requires Council to levy a domestic waste management service charge on each residential parcel of land for which the service is available, regardless of whether or not the garbage and recycling collection service is used. This charge will be recovered via the domestic waste admin fee. Almost a quarter of Council's revenue is received through the levying of annual charges.

Section 502 of the Act then allows Council to levy users of the service an annual waste charge dependent upon the number of waste bins being utilised. As required under s504 of the Local Government Act 1993 the domestic waste management charges are calculated so not to exceed the reasonable cost to the council of providing those services. Therefore, the increases in these charges included in the plan are consistent with the increases applied to the operating expenditure incurred by the service. It is important to note that until such time as the services provided to residents of the new Council are harmonised, the waste fees applicable to each residential parcel of land will vary.

There has been no increase assumed for the stormwater management annual charge. This charge is determined under clause 125AA of the Local Government (General) Regulation 2021 and has remained at the same level since its inception. Overall increases have been set at the CPI factor.

Operating grants and contributions

Bayside Council has demonstrated a moderate degree of reliance on external funding sources such as grants and contributions. There has been no inclusion of any additional grants or contributions in the plan with only those non-speculative, existing, and recurring grants and contributions being included with a very modest increase assumed across the period of the plan.

Capital grants and contributions

Council receives development contributions from property developers which are used to fund community facilities and infrastructure.

The contribution a developer pays for a major new development is capped by NSW legislation. The section 7.11 (formerly S94) contributions received, and the infrastructure to be funded that are contained within this plan, are consistent with Council's Section 7.11 Development Contributions Plan (2019).

Various grants are received by Council throughout financial years for capital projects. These grants are predominately for road construction and the number and value are determined by State or Federal Government programs. Due to the nature of their unpredictability, capital grants contained in the plan are minimal.

Gains from disposals of assets

Gains from the sale of Council's plant and fleet assets are included in the plan. These disposals are in accordance with Council's Plant Replacement Strategy.

Future Expenditure Assumptions

The base year figures that have been used for operating expenditure in this plan are those contained within the forecasted 2024/25 budget.

Employee costs

Expenditure relating to the Council workforce accounts for over 38 per cent of total operating expenditure and is therefore one of the largest investments that Council makes on an annual basis.

The forecasted wage percentage increase is based on the new Local Government Award 2023 and has been forecasted using historical averages. Council's superannuation expense is aligned to the payments required under the Superannuation Guarantee (Administration) Act 1992. The Act sees the percentage rate grow from 10% in 2021-22 to 12% in 2025-26. This increase has been incorporated into the plan.

Materials and contracts

The Reserve Bank of Australia (RBA) has an inflation target between 2 and 3 per cent. On average the RBA has been achieving this over the last ten years however the most recent headline CPI rate as at the end of the December 2023 quarter was 4.1% down from 5.4% in the September 2023 quarter.

Depreciation

Depreciation for Council's assets is a non-cash expense that reflects the utilisation of Council's assets and the degradation of their capacity to provide functionality over time.

Depreciation expense is an indicator used by the Office of Local Government to determine the level of asset renewals that Councils should be undertaking.

Bayside Council uses a straight-line method of depreciation which is very commonly applied to local government infrastructure.

Other expenses

Increases in the range of levies imposed by the State Government are hard to predict. Levies such as the State Emergency Services Levy, Fire Brigade Levy and Sydney Regional Development Fund contribution have grown significantly of the past and have been forecast to continue. Continuing efforts from the Sustaining Our City Program in the area of water and energy conservation are having a positive impact on the consumption rates. However, the price per unit continues to rise and is proving reasonably unpredictable.

New and discontinued operations

There are no discontinued operations at this time.

Balance Sheet Projections

The base year figures that have been used for all balance sheet items including cash and investments are those included in the audited financial reports for the 2022/23 year.

Cash and investments

Council has a number of cash reserves both externally and internally restricted. The forecasted balances of cash and investments have been taken into account the planned transaction of various reserves such as plant replacement, domestic waste reserve, employee leave entitlements, ICT reserve, stormwater management, section 7.11 contributions reserve and others. Cash levels have been forecasted to ensure that adequate operational liquidity is maintained.

The balance of cash reserves which are considered funding sources in the budgeting process are based on the forecasted balances as at 30 June 2024 which amounts to \$487m.

Inventories and other assets

The inventory that Council holds at its Works Depot, Aquatic Centre, and Community Nursery have remained stable over the past ten years. These levels have been forecasted to continue over the life of the plan.

Infrastructure, property, plant and equipment

Bayside Council has approximately \$1.8 billion worth of infrastructure, property plant and equipment. The financial management of these assets are guided by the 2022

revised Asset Management Plans and the asset renewals and upgrades that have been identified in these plans remain unfunded in this plan. The asset base maintained by council has been subject to a program of revaluation cycles since the Council was proclaimed in September 2016 and improved asset data information will be used to inform future updates to Council's long term financial plan and strategic asset management.

Provisions

Council has made provisions for payment of employee leave entitlements which predominately consist of annual leave and long service leave. The balance of these provisions is governed by the Leave Policy and have been forecasted in line with its objectives. When determining the value of the provisions, factors such as wage and salary increases, cash rate forecasts, and factors affecting discounting rates have been taken into consideration.

Borrowings

Bayside Council currently has very low levels of external borrowing. During 2022/23 council took a loan from Treasury NSW for the park upgrade project scheduled to be completed by 30 June 2024. These borrowings are included in all scenarios. Council reviews its debt service ratio annually to ensure the level of debt is kept within the recommended levels for NSW Councils.

Sensitivity Analysis

Variations to assumptions applied in this plan may occur during the life of the plan and these variations could have a major or significant impact on the results of the financial modelling.

The plan contains a range of assumptions which are obtained from a various number of sources. Council has ensured that these sources are reputable and are the best-known available source for that data.

A conservative approach has been taken in the development of the plan, to ensure that the chosen option is more likely to succeed and exposes Council to the least amount of risk. Conservative financial planning is used as a tool to keep pressure on operating budgets, with any surpluses that eventuate being allocated towards infrastructure asset maintenance or capital expenditure.

Cash rates

The cash rate has rapidly transitioned from their historically low levels to record highs as the RBA attempts to bring inflation under control. The returns on investments in the model are conservative but reflect rates increasing over the early years of the plan and then reducing and returning to normal levels towards the end of the plan.

The increase in the cash rates has had a positive impact on Council's investment portfolio, as investment returns are driven higher. It should be noted that the majority of the council's investments, specifically 80%, are made up of externally restricted developer contributions. Therefore, any earnings derived from investing these funds must adhere to the same restrictions as developer contributions and cannot be utilised for general operations.

A higher cash rate also has a positive impact on Treasury Bond Yields. These yields are used for discounting Council's employee leave provisions, therefore increasing yields result in lower discounting rates and leave provisions.

Higher cash rates do result in higher borrowing costs for both owner occupiers and investors which could create a flow on effect in terms of development activity across the City.

Consumer price index

Consumer Price Index (CPI) assumptions are heavily used throughout the plan and is an assumption used on both expenditure and revenue which mitigates substantial impact on the results of the financial modelling should there be any significant variance.

The Australian Bureau of Statistics (ABS), in their media release on 31 January 2024 indicated that the inflation rate for the December 2023 quarter rose 0.4% compared to the September 2023 quarter to 4.1% driven by housing, alcohol and tobacco, insurance and financial services. However, this was still a decrease to the annual CPI inflation from 7.8% in December 2022.

Employee Costs

Council has modelled employee costs using the recent Local Government (NSW) Award and gradually decreases the percentage to align with the anticipated reduction in the forecasted overall economic environment. Sensitivity has been completed to hold the percentage increases at 3% over the next four years and reduces to 2.5% from 2028/29 in line with the recommended long-term average of the LTFP. Employee costs are a major element of the IPART Local Government Cost calculation, and any increase should be offset by an increase in the approved Rate Peg in future years.

Monitoring Financial Performance

The Primary Model adopted in this plan has been developed to ensure that it meets Council's five financial objectives, and the benchmarks and/or targets for an array of financial indicators which have either been internally or externally prescribed. There are a number of factors which affect the value and size of certain revenue, operating expenditure, and/or capital expenditure each financial year. However, the impact these variations have on the financial indicators are what should be measured.

Financial indicators

The Primary Model has been developed so that its implementation will meet a set of financial indicators:

- ▶ Balanced Budget
- ▶ Operating Performance Ratio
- ▶ Own Source Operating Revenue Ratio
- ▶ Unrestricted Current Ratio
- ▶ Debt Service Ratio
- ▶ Asset Maintenance Ratio
- ▶ Asset Renewal Ratio

Budget control

While annual budgets aim to meet the financial indicator benchmarks, this is not always achievable as decisions on the resolution of the Income Gap have not yet been determined. Consequently, budget control and monitoring are paramount for Council achieving the outcomes of this plan. Budgets are monitored internally on an ongoing basis using Council's financial information systems. Monthly Financial Reports and Quarterly Budget Reviews are reported to Council and illustrate the progress against its adopted budgets.

Financial Assessment

Council's budget has faced significant pressures including:

- ▶ An increasing burden as a result of cost shifting from other levels of government,
- ▶ Increases in the cost of procuring goods and services have been consistently higher than rate pegging increases as determined by IPART; and
- ▶ Greater competition between councils in the allocation of external funding such as Financial Assistance Grants.

The biggest single financial issue facing Council is the need to maintain and replace ageing assets, while providing new assets to meet the needs and expectations of the community. Council has invested significantly in new and upgraded assets, funded by developer contributions and grants since its formation in September 2016, however these are not able to be used to fully fund maintenance, operation costs or the renewal to these assets.

All the current scenarios reflect Council's significant long term financial sustainability challenges as follows:

- ▶ **Operating results** before capital revenue in all modelled scenarios is positive, however, these results are based on the statutory financial performance of Council. The results are quite different once you remove all restricted income in determining Council's true operating result, which is a structural budget challenge that faces Council.
- ▶ **Cash** remains relatively strong; cash balances are utilised to service capital requirements.
- ▶ Council has a longstanding commitment to adopting balanced budgets. To achieve this budget outcome decisions are made around the level of asset maintenance and deferral of renewal to ensure that Council is able to fund the proposed budget. A **balanced budget** is reflected in the all scenarios.
- ▶ Council only meets its asset renewal and asset maintenance ratios in two of the years of the plan and does not meet these requirements in other years in all scenarios of the plan.
- ▶ The **debt service ratio** represents the percentage of Council's total operating revenue that is attributable to net debt servicing costs. The debt service ratio results remain strong. The plan indicates the full repayment of existing loans with no intentions of future borrowings currently modelled into any of the scenarios.

Financial Projection Scenarios

Council's LTFP contains long term projections based on specific assumptions. As it is difficult to accurately predict all future trends, alternative scenarios have been modelled to help provide an indication of Council's future financial position under a variety of circumstances. These alternative scenarios are summarised below:

All scenarios use the 2024-25 draft budget as the base and the same forecasted capital works program. They also all factor in an annual improvement plan that factors in transfers to the Infrastructure Maintenance Reserve with the intention to reduce the funding gap over the life of the plan.

Scenario One - Base Case

This is the business-as-usual scenario and includes the rate peg of 5.0% with a population growth of 0.5% and the continuation of an annual improvement program of approximately an average of \$3.0m per year over the life of the plan.

Scenario Two – Best Case (Optimistic)

The second scenario uses the same rate peg assumptions of the base case, however, with a 1% growth rate in population over the life of the plan. It also factors in a lower percentage increase to employee cost from 2028/29 onwards compared to the base case. As employee costs make up approximately 38% of Council's total expenditure, a reduction of in 1% of the year on year increase makes a huge impact to the bottom line.

Scenario Three – Worst Case (Pessimistic)

In this scenario a lower rate peg is used across the model as well as reduced increase to the employee cost estimate compared to both models above. It also assumes a

lower population growth of 0.2% compared to the other two scenarios. It also factors in a lower assumption for fees and charges compared to the other two scenarios.

For Council to achieve financial sustainability, all four financial sustainable principles must be met.

- ▶ Council must achieve a **fully funded operating position** reflecting that Council collects enough revenue to fund operational expenditure, repayment of debt and depreciation,
- ▶ Council must **maintain sufficient cash reserves** to ensure that it can meet its short-term working capital requirements,
- ▶ Council must have a **fully funded capital program**, where the source of funding is identified and secured for both capital renewal and new capital works,
- ▶ Council must **maintain its asset base**, by renewing ageing infrastructure, which is identified, and by ensuring cash reserves are set asides for those works which are yet to be identified.

Scenario 1 - Base Case

Assumptions Item	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
Ordinary & Special rates	5.0%	4.5%	3.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Annual Charges	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Fees and Charges (Statutory)	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Fees and Charges (Other)	5.0%	4.5%	3.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Other Revenue	5.0%	4.5%	3.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Grants	3.7%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Capital Income	5.0%	4.5%	3.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Interest Income on Investment	3.5%	3.0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Employee Costs	3.0%	3.0%	3.0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Materials and Contracts	5.0%	4.5%	3.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Other Expenses	5.0%	4.5%	3.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Population Growth	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%

NB: FY2024-25 is as included in the draft budget contained in the Delivery Program & Operational Plan

Scenario 2 – Optimistic Case

Assumptions Item	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
Ordinary & Special rates	5.0%	4.5%	3.5%	3.0%	2.5%	2.5%	2.5%	2.5%	2.5%
Annual Charges	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Fees and Charges (Statutory)	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Fees and Charges (Other)	5.0%	4.5%	3.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Other Revenue	6.0%	5.5%	4.0%	3.5%	3.5%	3.5%	3.5%	3.5%	2.5%
Grants	3.7%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Capital Income	4.5%	4.0%	3.0%	3.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Interest Income on Investment	3.5%	3.0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Employee Costs	3.0%	3.0%	3.0%	3.0%	1.5%	1.5%	1.5%	1.5%	1.5%
Materials and Contracts	4.5%	4.0%	3.5%	3.0%	1.5%	1.5%	1.5%	1.5%	1.5%
Other Expenses	4.5%	4.0%	3.0%	3.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Population Growth	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%

Scenario 3 – Pessimistic Case

Assumptions Item	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
<i>Ordinary & Special rates</i>	3.0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
<i>Annual Charges</i>	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
<i>Fees and Charges (Statutory)</i>	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
<i>Fees and Charges (Other)</i>	3.0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
<i>Other Revenue</i>	5.0%	4.5%	3.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
<i>Grants</i>	2.7%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
<i>Capital Income</i>	5.0%	4.5%	3.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
<i>Interest Income on Investment</i>	3.5%	3.0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
<i>Employee Costs</i>	3.0%	3.0%	3.0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
<i>Materials and Contracts</i>	5.0%	4.5%	3.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
<i>Other Expenses</i>	3.0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
<i>Population Growth</i>	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%

Capital Works Program

It is assumed that the capital works program is the same for all scenarios.

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Renewal of Assets										
Asset Planning and Systems	392	-	2,500	-	290	300	180	240	240	240
Beaches and Waterways	100	500	750	1,000	5,250	600	-	-	-	-
Buildings and Property	8,015	6,860	18,620	11,500	3,000	3,000	3,000	3,250	3,250	3,250
Roads and Transport	8,790	8,142	5,900	6,385	8,335	8,650	8,480	9,310	9,310	9,310
Open Spaces	4,138	5,620	6,762	5,780	3,605	3,695	3,795	4,475	4,575	4,575
Plant, Fleet and Equipment	8,507	6,300	5,400	5,200	7,000	8,800	6,500	8,800	5,500	7,900
Pools & Aquatic Centres	558	2,250	150	7,206	190	150	350	350	350	350
Stormwater Drainage	1,250	450	600	600	2,650	2,789	2,850	3,200	3,200	3,200
Town Centres	170	-	-	-	-	-	-	-	-	-
Total Renewal of Assets	31,920	30,122	40,682	37,671	30,320	27,984	25,155	29,625	26,425	28,825
New Assets										
Asset Planning and Systems	138	1,930	1,900	-	-	-	-	-	-	-
Buildings and Property	2,635	5,890	28,200	20,660	15,909	11,941	7,046	7,264	4,049	4,049
Roads and Transport	3,947	5,095	3,450	3,000	965	1,093	1,021	1,052	1,084	1,084
Library Resources	530	550	550	550	550	550	550	550	550	550
Open Spaces	1,730	2,895	3,100	2,500	3,600	1,857	576	469	484	484
Plant, Fleet and Equipment	20	-	-	-	-	-	-	-	-	-
Pools & Aquatic Centres	1,032	3,000	25,000	23,044	60	-	150	-	-	-
Stormwater Drainage	-	-	-	-	14,523	7,699	-	-	-	-
Town Centres	130	1,150	1,500	-	-	-	-	-	-	-
Total New Assets	10,161	20,510	63,700	49,754	35,608	23,139	9,344	9,335	6,167	6,167
Total Capital Works Program	42,082	50,632	104,382	87,425	65,928	51,123	34,499	38,960	32,592	34,992

Scenario 1 - Base Case
Base Case Income Statement

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue										
<i>Rates and annual charges</i>	149,011	159,713	166,717	172,535	177,228	181,932	186,752	191,646	196,649	201,775
<i>User fees & charges</i>	16,791	17,211	17,642	18,083	18,535	18,998	19,473	19,960	20,459	20,970
<i>Other revenues</i>	20,486	21,740	22,718	23,514	24,101	24,704	25,322	25,955	26,603	27,269
<i>Grants & contributions– operating purposes</i>	11,002	11,409	11,694	11,986	12,286	12,593	12,908	13,230	13,561	13,900
<i>Grants & contributions – capital purposes</i>	11,638	17,721	19,515	17,415	23,136	19,033	19,545	20,336	21,107	21,912
<i>Interest & investment income</i>	21,234	20,379	17,644	15,193	14,646	13,923	13,707	13,892	13,953	14,110
Total income from continuing operations	230,162	248,173	255,930	258,726	269,932	271,183	277,707	285,018	292,333	299,937
Expenses										
<i>Employee benefits & on-costs</i>	92,259	95,027	97,877	100,814	103,334	105,917	108,565	111,279	114,061	116,913
<i>Borrowing costs</i>	76	3	-	-	-	-	-	-	-	-
<i>Materials & services</i>	56,964	57,092	59,661	61,749	64,293	64,875	66,497	68,159	70,863	71,610
<i>Depreciation & amortisation</i>	32,710	33,528	34,366	35,225	36,106	37,009	37,934	38,882	39,854	40,851
<i>Other expenses</i>	28,430	29,852	31,195	32,287	33,094	33,921	34,769	35,639	36,529	37,443
Total expenses from continuing operations	210,438	215,501	223,099	230,075	236,827	241,722	247,765	253,959	261,308	266,816
Net operating result from continuing operations	19,723	32,672	32,830	28,651	33,105	29,461	29,941	31,059	31,024	33,121
Net operating result before capital grants and contributions	8,085	14,952	13,315	11,236	9,970	10,427	10,397	10,723	9,917	11,209

Base Cash Flow Statement

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Receipts										
Rates and annual charges	148,499	159,021	166,263	172,158	176,924	181,627	186,440	191,329	196,326	201,444
User fees & charges	16,682	17,126	17,554	17,993	18,443	18,904	19,377	19,861	20,358	20,867
Interest & investment income	21,140	20,269	17,761	15,249	14,599	13,832	13,544	13,738	13,770	13,924
Grants & contributions	22,611	29,163	31,220	29,392	35,453	31,607	32,457	33,572	34,674	35,818
Other	20,541	21,625	22,669	23,522	24,002	24,742	25,295	25,923	26,572	27,236
Payments										
Employee benefits & on-costs	(92,185)	(94,976)	(97,826)	(100,761)	(103,288)	(105,871)	(108,517)	(111,230)	(114,011)	(116,861)
Materials & services	(56,760)	(57,033)	(59,522)	(61,636)	(64,175)	(64,824)	(66,409)	(68,070)	(70,737)	(71,550)
Borrowing costs	(76)	(3)	-	-	-	-	-	-	-	-
Other	(27,759)	(29,508)	(30,777)	(31,926)	(32,780)	(33,670)	(34,476)	(35,338)	(36,187)	(37,162)
Net cash provided (or used in) operating activities	52,693	65,682	67,343	63,992	69,176	66,348	67,709	69,785	70,763	73,715
Cash flows from investing activities										
Receipts										
Sale of investment securities	-	-	40,566	23,848	-	-	-	-	-	-
Payments										
Purchase of investment securities	(6,557)	(7,722)	-	-	(3,086)	(14,464)	(31,550)	(29,283)	(36,263)	(36,788)
Purchase of infrastructure, property, plant & equipment	(42,082)	(57,365)	(110,043)	(89,095)	(65,928)	(51,123)	(34,499)	(38,960)	(32,592)	(34,992)
Net cash provided (or used in) investing activities	(48,638)	(65,087)	(69,478)	(65,247)	(69,014)	(65,587)	(66,048)	(68,244)	(68,855)	(71,779)
Cash flows from financing activities										
Payments										
Repayments of borrowings	(3,710)	(188)	-	-	-	-	-	-	-	-
Net cash flow provided (used in) Financing Activities	(3,710)	(188)	-	-	-	-	-	-	-	-
Net increase/(decrease) in cash & cash equivalents	345	406	(2,135)	(1,255)	162	761	1,661	1,541	1,909	1,936
Balance at the beginning of the year	25,053	25,398	25,805	23,670	22,414	22,577	23,338	24,999	26,540	28,448
Balance at the end of the year	25,398	25,805	23,670	22,414	22,577	23,338	24,999	26,540	28,448	30,385

Base Case Balance Sheet

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current Assets										
<i>Cash and cash equivalents</i>	25,398	25,805	23,670	22,414	22,577	23,338	24,999	26,540	28,448	30,385
<i>Investments</i>	475,244	482,849	442,899	419,412	422,452	436,696	467,767	496,606	532,319	568,548
<i>Receivables</i>	19,091	20,436	21,049	21,433	22,246	22,593	23,266	23,953	24,678	25,421
<i>Inventories</i>	227	227	237	246	256	258	265	271	282	285
<i>Other</i>	1,257	1,280	1,338	1,385	1,434	1,455	1,491	1,528	1,581	1,606
Total current assets	521,217	530,597	489,192	464,890	468,965	484,341	517,788	548,898	587,309	626,245
Non-Current Assets										
<i>Investments</i>	7,323	7,440	6,825	6,463	6,509	6,729	7,208	7,652	8,202	8,761
<i>Infrastructure, property, plant & equipment</i>	1,800,436	1,824,274	1,899,951	1,953,821	1,983,642	1,997,757	1,994,322	1,994,400	1,987,137	1,981,279
<i>Intangible assets</i>	951	951	951	951	951	951	951	951	951	951
<i>Right of use assets</i>	133	133	133	133	133	133	133	133	133	133
<i>Investments accounted for using the equity method</i>	338	338	338	338	338	338	338	338	338	338
Total non-current assets	1,809,181	1,833,136	1,908,197	1,961,705	1,991,574	2,005,908	2,002,951	2,003,474	1,996,762	1,991,461
Total Assets	2,330,398	2,367,732	2,397,390	2,426,595	2,460,538	2,490,248	2,520,739	2,552,372	2,584,071	2,617,706
Current Liabilities										
<i>Payables</i>	32,385	32,954	33,691	34,324	34,901	35,315	35,829	36,355	36,981	37,446
<i>Contract liabilities</i>	980	1,260	1,350	1,272	1,533	1,368	1,404	1,452	1,500	1,549
<i>Borrowings</i>	188	-	-	-	-	-	-	-	-	-
<i>Employee benefit provisions</i>	18,438	18,438	18,438	18,438	18,438	18,438	18,438	18,438	18,438	18,438
<i>Other provisions</i>	3,144	3,144	3,144	3,144	3,144	3,144	3,144	3,144	3,144	3,144
Total current liabilities	55,135	55,797	56,624	57,178	58,016	58,266	58,815	59,389	60,064	60,578
Non-Current Liabilities										
<i>Lease liabilities</i>	133	133	133	133	133	133	133	133	133	133
<i>Employee benefit provisions</i>	1,739	1,739	1,739	1,739	1,739	1,739	1,739	1,739	1,739	1,739
<i>Other provisions</i>	2,598	2,598	2,598	2,598	2,598	2,598	2,598	2,598	2,598	2,598
Total non-current liabilities	4,470	4,470	4,470	4,470	4,470	4,470	4,470	4,470	4,470	4,470
Total Liabilities	59,604	60,266	61,093	61,648	62,486	62,735	63,285	63,859	64,533	65,048
Net Assets	2,270,794	2,303,466	2,336,296	2,364,947	2,398,053	2,427,513	2,457,455	2,488,513	2,519,538	2,552,658
Equity										
<i>Retained earnings</i>	1,991,756	2,024,428	2,057,258	2,085,909	2,119,015	2,148,475	2,178,417	2,209,475	2,240,500	2,237,620
<i>Revaluation reserves</i>	279,038	279,038	279,038	279,038	279,038	279,038	279,038	279,038	279,038	279,038
Total Equity	2,270,794	2,303,466	2,336,296	2,364,947	2,398,053	2,427,513	2,457,455	2,488,513	2,519,538	2,552,658

Base Case Key Performance Indicators

	2045/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
<i>Operating Performance Ratio (Benchmark > 0%)</i>	3.70%	6.49%	5.63%	4.66%	4.04%	4.14%	4.03%	4.05%	3.66%	4.03%
<i>Own Source Operating Ratio (Benchmark > 60%)</i>	90.16%	88.26%	87.81%	88.64%	86.88%	88.34%	88.31%	88.22%	88.14%	88.06%
<i>Unrestricted Current Ratio (Benchmark > 1.5x)</i>	4.46x	3.92x	3.41x	3.42x	3.52x	3.73x	3.92x	4.09x	4.24x	4.21x
<i>Debt Service Cover Ratio (Benchmark > 2x)</i>	10.80x	253.84x	-	-	-	-	-	-	-	-
Asset Sustainability Ratios										
<i>Asset Renewal Ratio (Benchmark > 100%)</i>	84%	89%	127%	114%	80%	64%	61%	66%	65%	63%
<i>Asset Maintenance Ratio (Benchmark > 100%)</i>	102%	100%	98%	96%	94%	94%	93%	93%	93%	93%

Scenario 2 – Optimistic
Optimistic Income Statement

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue										
<i>Rates and annual charges</i>	149,011	160,688	168,690	175,532	181,900	187,695	193,634	199,674	205,853	212,184
<i>User fees & charges</i>	16,791	17,211	17,642	18,083	18,535	18,998	19,473	19,960	20,459	20,971
<i>Other revenues</i>	20,486	21,740	22,718	23,514	24,219	24,824	25,445	26,081	26,733	27,402
<i>Grants & contributions– operating purposes</i>	11,002	11,409	11,694	11,986	12,286	12,593	12,908	13,230	13,561	13,900
<i>Grants & contributions – capital purposes</i>	11,638	17,721	19,515	17,415	23,136	19,033	19,545	20,336	21,107	21,912
<i>Interest & investment income</i>	21,234	20,379	17,644	15,193	14,646	13,923	13,707	13,892	13,953	14,110
Total income from continuing operations	230,162	249,148	257,903	261,723	274,721	277,067	284,712	293,173	301,666	310,478
Expenses										
<i>Employee benefits & on-costs</i>	92,259	95,027	97,877	100,814	103,838	105,396	106,977	108,581	110,210	111,863
<i>Borrowing costs</i>	76	3	-	-	-	-	-	-	-	-
<i>Materials & services</i>	56,964	56,825	59,084	61,152	64,002	63,916	64,842	65,782	67,735	67,701
<i>Depreciation & amortisation</i>	32,710	33,364	34,032	34,712	35,407	36,115	36,837	37,574	38,325	39,092
<i>Other expenses</i>	28,430	29,709	30,898	31,825	32,780	33,435	34,104	34,786	35,482	36,191
Total expenses from continuing operations	210,438	214,929	221,891	228,503	236,026	238,861	242,760	246,723	251,752	254,847
Net operating result from continuing operations	19,723	34,219	36,012	33,220	38,695	38,205	41,953	46,451	49,915	55,631
Net operating result before capital grants and contributions	8,085	16,498	16,497	15,805	15,559	19,172	22,408	26,115	28,808	33,719

Optimistic Cash Flow Statement

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Receipts										
Rates and annual charges	148,499	159,932	168,172	175,090	181,488	187,320	193,250	199,284	205,453	211,774
User fees & charges	16,682	17,126	17,554	17,993	18,443	18,904	19,377	19,861	20,358	20,867
Interest & investment income	21,140	20,256	17,744	15,227	14,568	13,795	13,495	13,677	13,696	13,837
Grants & contributions	22,611	29,163	31,220	29,392	35,453	31,607	32,457	33,572	34,674	35,818
Other	20,541	21,625	22,669	23,522	24,118	24,863	25,418	26,050	26,701	27,369
Payments										
Employee benefits & on-costs	(92,185)	(94,976)	(97,826)	(100,761)	(103,783)	(105,367)	(106,948)	(108,552)	(110,181)	(111,833)
Materials & services	(56,760)	(56,781)	(58,962)	(61,047)	(63,869)	(63,894)	(64,785)	(65,724)	(67,642)	(67,675)
Borrowing costs	(76)	(3)	-	-	-	-	-	-	-	-
Other	(27,759)	(29,400)	(30,517)	(31,493)	(32,412)	(33,272)	(33,903)	(34,581)	(35,238)	(36,014)
Net cash provided (or used in) operating activities	52,693	66,941	70,054	67,923	74,004	73,956	78,360	83,586	87,821	94,142
Cash flows from investing activities										
Receipts										
Sale of investment securities	-	-	37,990	20,113	-	-	-	-	-	-
Payments										
Purchase of investment securities	(6,557)	(8,919)	-	-	(7,673)	(21,691)	(41,668)	(42,394)	(52,468)	(56,193)
Purchase of infrastructure, property, plant & equipment	(42,082)	(57,365)	(110,043)	(89,095)	(65,928)	(51,123)	(34,499)	(38,960)	(32,592)	(34,992)
Net cash provided (or used in) investing activities	(48,638)	(66,284)	(72,053)	(68,982)	(73,601)	(72,814)	(76,167)	(81,354)	(85,060)	(91,185)
Cash flows from financing activities										
Payments										
Repayments of borrowings	(3,710)	(188)	-	-	-	-	-	-	-	-
Net cash flow provided (used in) Financing Activities	(3,710)	(188)	-	-	-	-	-	-	-	-
Net increase/ (decrease) in cash & cash equivalents	345	469	(1,999)	(1,059)	404	1,142	2,193	2,231	2,761	2,958
Balance at the beginning of the year	25,053	25,398	25,868	23,868	22,810	23,213	24,355	26,548	28,779	31,541
Balance at the end of the year	25,398	25,868	23,868	22,810	23,213	24,355	26,548	28,779	31,541	34,498

Optimistic Balance Sheet

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current Assets										
<i>Cash and cash equivalents</i>	25,398	25,868	23,868	22,810	23,213	24,355	26,548	28,779	31,541	34,498
<i>Investments</i>	475,244	484,027	446,614	426,806	434,363	455,724	496,760	538,511	590,183	645,523
<i>Receivables</i>	19,091	20,519	21,224	21,706	22,674	23,139	23,943	24,775	25,661	26,580
<i>Inventories</i>	227	226	235	243	255	254	258	262	269	269
<i>Other</i>	1,257	1,274	1,325	1,369	1,425	1,434	1,457	1,481	1,520	1,530
Total current assets	521,217	531,915	493,266	472,934	481,930	504,906	548,966	593,808	649,174	708,401
Non-Current Assets										
<i>Investments</i>	7,323	7,458	6,882	6,577	6,693	7,022	7,654	8,298	9,094	9,947
<i>Infrastructure, property, plant & equipment</i>	1,800,436	1,824,437	1,900,449	1,954,832	1,985,353	2,000,361	1,998,023	1,999,409	1,993,676	1,989,576
<i>Intangible assets</i>	951	951	951	951	951	951	951	951	951	951
<i>Right of use assets</i>	133	133	133	133	133	133	133	133	133	133
<i>Investments accounted for using the equity method</i>	338	338	338	338	338	338	338	338	338	338
Total non-current assets	1,809,181	1,833,318	1,908,753	1,962,830	1,993,468	2,008,805	2,007,099	2,009,129	2,004,192	2,000,945
Total Assets	2,330,398	2,365,232	2,402,019	2,435,764	2,475,398	2,513,711	2,556,066	2,602,937	2,653,366	2,709,345
Current Liabilities										
<i>Payables</i>	32,385	32,907	33,591	34,195	34,873	35,145	35,511	35,884	36,351	36,649
<i>Contract liabilities</i>	980	1,260	1,350	1,272	1,533	1,368	1,404	1,452	1,500	1,549
<i>Borrowings</i>	188	-	-	-	-	-	-	-	-	-
<i>Employee benefit provisions</i>	18,438	18,438	18,438	18,438	18,438	18,438	18,438	18,438	18,438	18,438
<i>Other provisions</i>	3,144	3,144	3,144	3,144	3,144	3,144	3,144	3,144	3,144	3,144
Total current liabilities	55,135	55,750	56,524	57,049	57,988	58,096	58,498	58,919	59,433	59,781
Non-Current Liabilities										
<i>Lease liabilities</i>	133	133	133	133	133	133	133	133	133	133
<i>Employee benefit provisions</i>	1,739	1,739	1,739	1,739	1,739	1,739	1,739	1,739	1,739	1,739
<i>Other provisions</i>	2,598	2,598	2,598	2,598	2,598	2,598	2,598	2,598	2,598	2,598
Total non-current liabilities	4,470	4,470	4,470	4,470	4,470	4,470	4,470	4,470	4,470	4,470
Total Liabilities	59,604	60,220	60,994	61,519	62,458	62,566	62,968	63,388	63,902	64,250
Net Assets	2,270,794	2,305,013	2,341,025	2,374,245	2,412,940	2,451,146	2,493,098	2,539,549	2,589,464	2,645,095
Equity										
<i>Retained earnings</i>	1,991,756	2,025,975	2,061,987	2,095,207	2,133,902	2,172,108	2,214,060	2,260,511	2,310,426	2,366,057
<i>Revaluation reserves</i>	279,038	279,038	279,038	279,038	279,038	279,038	279,038	279,038	279,038	279,038
Total Equity	2,270,794	2,305,013	2,341,025	2,374,245	2,412,940	2,451,146	2,493,098	2,539,549	2,589,464	2,645,095

Optimistic Key Performance Indicators

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
<i>Operating Performance Ratio (Benchmark > 0%)</i>	3.70%	7.13%	6.92%	6.47%	6.18%	7.43%	8.45%	9.57%	10.27%	11.69%
<i>Own Source Operating Ratio (Benchmark > 60%)</i>	90.16%	88.31%	87.09%	88.77%	87.11%	88.59%	88.60%	88.55%	88.51%	88.47%
<i>Unrestricted Current Ratio (Benchmark > 1.5x)</i>	4.46x	3.97x	3.55x	3.69x	3.91x	4.37x	4.89x	5.47x	6.12x	6.66x
<i>Debt Service Cover Ratio (Benchmark > 2x)</i>	10.80x	261.08x	-	-	-	-	-	-	-	-
Asset Sustainability Ratios										
<i>Asset Renewal Ratio (Benchmark > 100%)</i>	84%	89%	127%	114%	80%	64%	61%	66%	65%	63%
<i>Asset Maintenance Ratio (Benchmark > 100%)</i>	102%	100%	98%	96%	94%	94%	93%	93%	93%	93%

Scenario 3 - Pessimistic
Pessimistic Income Statement

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue										
<i>Rates and annual charges</i>	149,011	158,488	164,124	169,645	175,240	180,869	186,638	192,503	198,502	204,649
<i>User fees & charges</i>	16,791	17,211	17,641	18,082	18,534	18,997	19,472	19,959	20,458	20,969
<i>Other revenues</i>	20,486	21,330	21,864	22,410	22,971	23,545	24,133	24,737	25,355	25,989
<i>Grants & contributions– operating purposes</i>	11,002	11,299	11,468	11,640	11,815	11,992	12,172	12,354	12,540	12,853
<i>Grants & contributions – capital purposes</i>	11,638	17,721	19,515	17,415	23,136	19,033	19,545	20,336	21,107	21,912
<i>Interest & investment income</i>	21,234	20,379	17,644	15,193	14,646	13,923	13,707	13,892	13,953	14,110
Total income from continuing operations	230,162	246,427	252,256	254,385	266,341	268,359	275,667	283,780	291,915	300,483
Expenses										
<i>Employee benefits & on-costs</i>	92,259	95,027	97,877	100,814	103,334	105,917	108,565	111,279	114,061	116,913
<i>Borrowing costs</i>	76	3	-	-	-	-	-	-	-	-
<i>Materials & services</i>	56,964	57,092	59,661	61,749	64,293	64,875	66,497	68,159	70,863	71,610
<i>Depreciation & amortisation</i>	32,710	33,692	34,702	35,743	36,637	37,553	38,492	39,454	40,440	41,451
<i>Other expenses</i>	28,430	29,283	30,015	30,765	31,535	32,323	33,131	33,959	34,808	35,678
Total expenses from continuing operations	210,438	215,096	222,256	229,071	235,798	240,668	246,685	252,852	260,173	265,653
Net operating result from continuing operations	19,723	31,331	30,000	25,314	30,543	27,691	28,982	30,928	31,741	34,830
Net operating result before capital grants and contributions	8,085	13,611	10,485	7,899	7,407	8,657	9,437	10,593	10,634	12,918

Pessimistic Cash Flow

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Receipts										
Rates and annual charges	148,499	157,874	163,759	169,288	174,878	180,505	186,264	192,123	198,114	204,251
User fees & charges	16,682	17,125	17,553	17,992	18,442	18,903	19,376	19,860	20,357	20,866
Interest & investment income	21,140	20,282	17,781	15,262	14,600	13,830	13,539	13,730	13,758	13,908
Grants & contributions	22,611	29,052	30,993	29,045	34,981	31,005	31,720	32,695	33,652	34,771
Other	20,541	21,223	21,822	22,424	22,873	23,585	24,109	24,708	25,326	25,957
Payments										
Employee benefits & on-costs	(92,185)	(94,976)	(97,826)	(100,761)	(103,288)	(105,871)	(108,517)	(111,230)	(114,011)	(116,861)
Materials & services	(56,760)	(57,055)	(59,546)	(61,649)	(64,177)	(64,825)	(66,411)	(68,071)	(70,739)	(71,551)
Borrowing costs	(76)	(3)	-	-	-	-	-	-	-	-
Other	(27,759)	(29,037)	(29,702)	(30,463)	(31,227)	(32,078)	(32,845)	(33,666)	(34,473)	(35,405)
Net cash provided (or used in) operating activities	52,693	64,486	64,836	61,138	67,081	65,055	67,234	70,184	71,983	75,936
Cash flows from investing activities										
Receipts										
Sale of investment securities	-	-	42,947	26,559	-	-	-	-	-	-
Payments										
Purchase of investment securities	(6,557)	(6,586)	-	-	(1,096)	(13,235)	(31,099)	(29,628)	(37,422)	(38,897)
Purchase of infrastructure, property, plant & equipment	(42,082)	(57,365)	(110,043)	(89,095)	(65,928)	(51,123)	(34,499)	(38,960)	(32,592)	(34,992)
Net cash provided (or used in) investing activities	(48,638)	(63,951)	(67,097)	(62,536)	(67,024)	(64,358)	(65,597)	(68,589)	(70,014)	(73,888)
Cash flows from financing activities										
Payments										
Repayments of borrowings	(3,710)	(188)	-	-	-	-	-	-	-	-
Net cash flow provided (used in) Financing Activities	(3,710)	(188)	-	-	-	-	-	-	-	-
Net increase/(decrease) in cash & cash equivalents	345	347	(2,260)	(1,398)	58	697	1,637	1,559	1,970	2,047
Balance at the beginning of the year	25,053	25,398	25,745	23,485	22,087	22,144	22,841	24,478	26,037	28,007
Balance at the end of the year	25,398	25,745	23,485	22,087	22,144	22,841	24,478	26,037	28,007	30,054

Pessimistic Balance Sheet

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current Assets										
<i>Cash and cash equivalents</i>	25,398	25,745	23,485	22,087	22,144	22,841	24,478	26,037	28,007	30,054
<i>Investments</i>	475,244	481,730	439,435	413,279	414,358	427,392	458,019	487,198	524,052	562,359
<i>Receivables</i>	19,091	20,320	20,801	21,141	22,012	22,422	23,162	23,920	24,723	25,555
<i>Inventories</i>	227	227	237	246	256	258	265	271	282	285
<i>Other</i>	1,257	1,272	1,321	1,362	1,411	1,431	1,467	1,504	1,556	1,580
Total current assets	521,217	529,294	485,278	458,114	460,182	474,344	507,390	538,930	578,619	619,832
Non-Current Assets										
<i>Investments</i>	7,323	7,423	6,771	6,368	6,385	6,586	7,057	7,507	8,075	8,665
<i>Infrastructure, property, plant & equipment</i>	1,800,436	1,824,110	1,899,451	1,952,803	1,982,094	1,995,664	1,991,671	1,991,178	1,983,329	1,976,869
<i>Intangible assets</i>	951	951	951	951	951	951	951	951	951	951
<i>Right of use assets</i>	133	133	133	133	133	133	133	133	133	133
<i>Investments accounted for using the equity method</i>	338	338	338	338	338	338	338	338	338	338
Total non-current assets	1,809,181	1,832,955	1,907,644	1,960,593	1,989,900	2,003,672	2,000,151	2,000,107	1,992,826	1,986,956
Total Assets	2,330,398	2,362,249	2,392,923	2,418,707	2,450,082	2,478,016	2,507,541	2,539,036	2,571,445	2,606,788
Current Liabilities										
<i>Payables</i>	32,385	32,816	33,405	33,959	34,536	34,949	35,462	35,987	36,613	37,078
<i>Contract liabilities</i>	980	1,256	1,340	1,257	1,512	1,342	1,372	1,414	1,456	1,504
<i>Borrowings</i>	188	-	-	-	-	-	-	-	-	-
<i>Employee benefit provisions</i>	18,438	18,438	18,438	18,438	18,438	18,438	18,438	18,438	18,438	18,438
<i>Other provisions</i>	3,144	3,144	3,144	3,144	3,144	3,144	3,144	3,144	3,144	3,144
Total current liabilities	55,135	55,654	56,328	56,798	57,630	57,873	58,416	58,984	59,651	60,164
Non-Current Liabilities										
<i>Lease liabilities</i>	133	133	133	133	133	133	133	133	133	133
<i>Employee benefit provisions</i>	1,739	1,739	1,739	1,739	1,739	1,739	1,739	1,739	1,739	1,739
<i>Other provisions</i>	2,598	2,598	2,598	2,598	2,598	2,598	2,598	2,598	2,598	2,598
Total non-current liabilities	4,470	4,470	4,470	4,470	4,470	4,470	4,470	4,470	4,470	4,470
Total Liabilities	59,604	60,124	60,797	61,268	62,100	62,343	62,886	63,453	64,121	64,634
Net Assets	2,270,794	2,302,125	2,332,125	2,357,439	2,387,982	2,415,673	2,444,655	2,475,583	2,507,324	2,542,155
Equity										
<i>Retained earnings</i>	1,991,756	2,023,087	2,053,087	2,078,401	2,108,944	2,136,635	2,165,617	2,196,545	2,228,286	2,263,117
<i>Revaluation reserves</i>	279,038	279,038	279,038	279,038	279,038	279,038	279,038	279,038	279,038	279,038
Total Equity	2,270,794	2,302,125	2,332,125	2,357,439	2,387,982	2,415,673	2,444,655	2,475,583	2,507,324	2,542,155

Pessimistic Key Performance Indicators

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
<i>Operating Performance Ratio (Benchmark > 0%)</i>	3.70%	5.95%	4.51%	3.33%	3.05%	3.47%	3.68%	4.02%	3.93%	4.64%
<i>Own Source Operating Ratio (Benchmark > 60%)</i>	90.16%	88.22%	87.72%	88.58%	86.88%	88.44%	88.49%	88.48%	88.47%	88.43%
<i>Unrestricted Current Ratio (Benchmark > 1.5x)</i>	4.46x	3.90x	3.32x	3.25x	3.29x	3.47x	3.65x	3.84x	4.04x	4.07x
<i>Debt Service Cover Ratio (Benchmark > 2x)</i>	10.80x	247.67x	-	-	-	-	-	-	-	-
Asset Sustainability Ratios										
<i>Asset Renewal Ratio (Benchmark > 100%)</i>	84%	89%	127%	114%	80%	64%	61%	66%	65%	63%
<i>Asset Maintenance Ratio (Benchmark > 100%)</i>	102%	100%	98%	96%	94%	94%	93%	93%	93%	93%