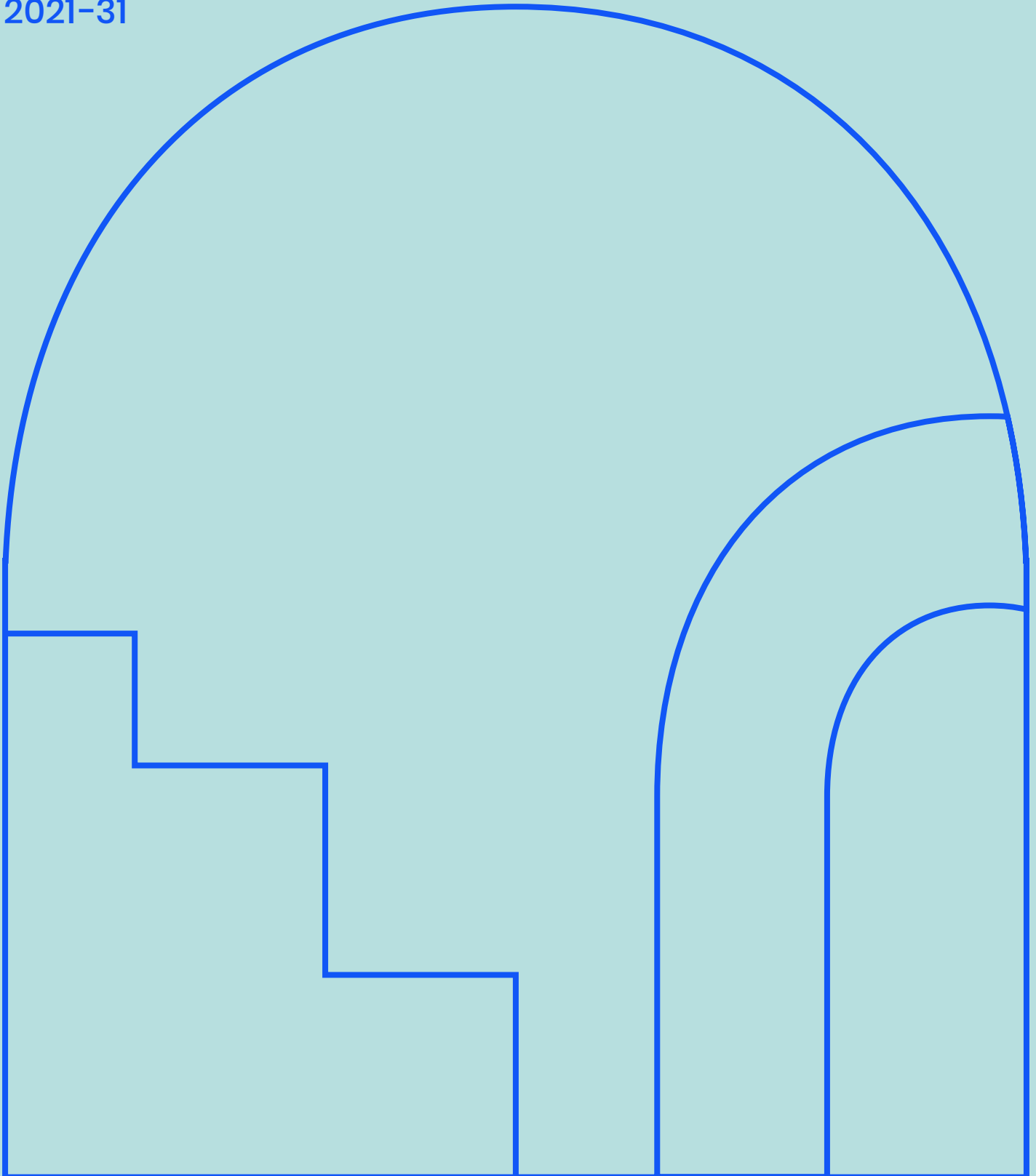




Updated  
Long Term  
Financial Plan  
2021-31



## EXECUTIVE SUMMARY

The Inner West Council was formed by the amalgamation of Ashfield, Leichhardt and Marrickville Councils in May 2016. Council is operating from a position of financial stability and has used the Integrated Planning and Reporting (IPR) Framework to drive the long term financial sustainability and ensure Council is fit for the future as an amalgamated entity. This iteration of the Long Term Financial Plan (LTFP) has incorporated the 'Fit For The Future Financial Key Performance Indicators' (KPI's) along with statutory Annual Reporting KPI's. The overall objective of this LTFP is to ensure that Council is financially sustainable whilst achieving the outcomes of Community Strategic Plan (CSP). The integrated planning approach requires that Council provide an understanding of its longer term financial position to best direct its resources to achieve CSP outcomes.

This LTFP sets out two scenarios that each, at the very least, maintain current service levels and establish a balanced budget. In summary:

**Scenario 1** – Business as Usual, maintain existing service levels.

**Scenario 2** – Addresses the Infrastructure Asset Renewal Backlog.

Council will need to manage its available operational funds over the coming years. Council is continually reviewing its efficiency and reinvesting efficiency gains back into the community. It is acknowledged there are challenges that will need to be monitored, particularly in the area of capital works and asset management, but Council is actively working on meeting those challenges and ensuring that condition levels are improved.

A community led engagement process was undertaken by Council to establish *Our Inner West 2036* the Inner West Council's first Community Strategic Plan (CSP). This LTFP was prepared using these assumptions which are clearly outlined in the review document and align to the outcomes outlined in the CSP. However, as with all things, future unforeseen factors can have an impact affecting Council's financial position. Past assumptions will not always prevail. Long term plans such as this LTFP document are useful tool to assist identify financial issues before they eventuate and enable a strategy or plan to be developed to deal when and if they arise.

## 1.0 Financial Planning Context

### 1.0.1 Working Capital

Working Capital broadly represents monies that Council is required, by law, to hold separately (to Council's general fund) as they can only be spent for specified purposes.

Funds that are legislatively required to be kept separate include:

- Developer Contributions raised under the Environmental Planning and Assessment Act, 1979 which must be spent to fund community infrastructure in accordance with the development contribution plan under which they were collected. Public Domain Contributions which are made by developers are similarly held by Council.
- Domestic Waste Management funds are raised under the Local Government Act 1993 and can only be used to support waste collection, recycling and related activities. These include funds set aside to replace the garbage, recycling or greenwaste bin fleet or truck fleet.
- A Stormwater Management Service Charge is raised annually by Council under the Local Government Act 1993. Funds that are not used in any one year must be held for use on authorised stormwater management and related activities.
- Grant funding provided for a specific purpose by the Commonwealth or State Government must be held by Council for that purpose.
- Special Rates raised by Council under the Local Government Act 1993 are held in restricted working capital until spent for the purpose for which they were raised.

Funds that are set aside for specific purposes by Council include:

- Employee Leave Entitlements: Council sets aside cash to pay out liabilities for accrued employee annual and long service leave. Council's Workforce Management Strategy has identified the need to cash back 100% of total leave liability to mitigate any financial risks surrounding employee leave entitlements.
- Plant, Technology and Vehicle replacement: Council has long term models in place to forecast the timing of heavy plant, motor vehicle and information technology hardware replacement. Funds are allocated to ensure budget is available for replacement.
- Funds held on trust by Council either on behalf of other parties or under a Trust arrangement must be held separately to Council funds and only spent in accordance with the terms of the trust arrangement.
- Loan funds: Council raises loan funds annually to fund its capital program (only if required). Unspent funds are held specifically to ensure those works are completed. Council currently funds these works from unrestricted working capital. See section 1.0.2.

Other unrestricted working capital is held and has been allocated throughout Council's LTFP to fund a number of operational and capital projects.

### 1.0.2 Loan Borrowings

Council borrowed \$40,047,146 to redevelop Ashfield Aquatic Centre. This loan is with NSW Treasury TCorp organisation that provides funding opportunities for local government and other State agencies. These borrowings will be repaid from rate income raised over a 20 year period.

Council has principal outstanding on its loan borrowings of \$44.7 million as at 30 June 2020. Council's Debt Service Cover ratio, which measures the availability of operating cash to service debt including interest and principal repayments, is forecast at 6.87 to 1 at the end of FY2021/22. This is well above the Office of Local Government's benchmark of 2 to 1.

When Council borrows funds, loans have been used to fund major capital projects and are never used to fund operating projects.

## 1.1 Structure

### 1.1.1 Overview of Structure

This LTFP is structured around two financial models or scenarios.

They are -

- Scenario 1 base scenario and captures Council's "Business as Usual" approach.
- Scenario 2 models the Elimination of the Asset Renewal Backlog.

The LTFP details the assumptions used when compiling each scenario, as well as the financial outcomes over a ten year period. It also lists the major opportunities and risks associated with each scenario, to provide an analysis of the sensitivity of the modelling to a variety of changes.

The last section of the document contains some high-level measures by which Council's long term financial performance will be measured.

## 2. GLOBAL VARIABLES AND ASSUMPTIONS

Below is a list of variables and assumptions that are the drivers in predicting Council's revenue and expenditure forecasts over the 10 years for this iteration to the LTFP. These variables apply to each scenario of this LTFP unless explicitly stated in the particular scenario. Any references made to Consumer Price Index (CPI) will have an assumed rate of 0% per annum for expenditure and 2.0% per annum for income, unless stated otherwise.

### 2.1 Operating Revenue Drivers

The following tables summarise the revenue drivers on which the LTFP has been modelled.

Operating Revenue Area	Assumption
General Rates	Based on a rate cap of 2.0% per annum in 2021/22 onwards.
Voluntary Pensioner Rebates	Council offers a voluntary pensioner rebates to eligible aged pensioners.  This rebate covers the domestic waste and stormwater charges for resident owners of ten years or greater. For pensioners who do not meet the above criteria, grandfathering provisions exists for pensioners in the former Ashfield, Leichhardt and Marrickville LGA's.
Pensioner Rate Subsidy	The Pensioner Rate Subsidy is set by the State Government at a maximum of \$250 per property per annum. This is a flat subsidy and does not increase annually.

Operating Revenue Area	Assumption
Domestic Waste Management Charge (DWMC) and related User Charges	The DWMC is modelled over the life of the Plan to cover the cost of the provision of the service. The Local Government Act prohibits councils from either subsidising or receiving a profit from the DWMC. The methodology of applying corporate overheads to the domestic waste services has been reviewed and applied from 2018/19 onwards. The budget has been prepared on the basis of harmonising the Domestic Waste Management Charge over seven years.
Stormwater Management Service Charge	This is a flat charge used to fund stormwater planning and infrastructure. The charge is set by the Local Government Act and associated Regulations as follows: \$25.00 per residential property per annum. \$12.50 per strata unit per annum. \$25.00 per 350m <sup>2</sup> per business property per annum.
Fees	Council generally increases its fees for the services it provides to at least cover general movements in costs each year.  Statutory fees have been increased in accordance with advice given by the relevant statutory body whilst discretionary fees have been increased by CPI.
Interest on Investment	The interest which Council receives on its investments has been modelled and is reviewed annually. The model is linked to the projected level of reserves and forecast interest rates. As cash is expected to diminish over time as Council completes its suite of major projects and pursues its property strategy, a modest and sustainable level of interest income currently supports ongoing operations. It is expected that cash rates will increase to offset increased interest rates.
Interest on Overdue Rates	Council charges interest on overdue rates to the maximum allowed by the Minister for Local Government. The 2021/22 rate has been set at 6.0% per annum.
Other Revenues	This includes ex gratia rates payments, income from street furniture and credit card fees. It is assumed that these revenue sources will not increase and are indexed according to commercial agreements.
Rental/Lease Income	It is assumed that rental/lease income will increase at least by CPI, in line with provisions of current leases.
Fines	The dollar value of individual fines is determined by the State Government. The volume of fines is a product of the level of compliance with relevant laws and the level of enforcement activity. It is assumed that the total income received from fines are flat.

Operating Revenue Area	Assumption
Operating Grants – General	It is assumed that total income from grants will increase by CPI dependant on the particular initiatives provided to Council by the State and Federal Government.
Financial Assistance Grants (FAG)	It is assumed that total income from grants will be flat. The FAG is based on the relative growth of the Inner West's LGA in comparison to the growth of Western Sydney. This projection is in line with the methodology used by the NSW Grants Commission who determine the distribution of the FAG grant every year.
Transport for NSW Block Grant	This is a State Government grant with no increase across the 10 years.
Street Lighting Subsidy	This is a State Government subsidy. It is assumed that this will be flat.
Library Subsidy	This subsidy is provided under the Library Regulation and is administered and set by the State Library of NSW. It is assumed that this will increase by CPI.
Disposal of Property	The Base Scenario assumes that no income from property sales will be received during the 10 years of the LTFP. Proceeds from sales including profits are transferred to Council's unrestricted working capital.
Disposal of Plant	The Base Scenario assumes that plant will be sold at its written down cost during the 10 years of the LTFP. Proceeds from sales including profits are transferred to Council's Plant Replacement restricted working capital.

## 2.2 Operating Revenue Sensitivity Analysis

Operating revenue assumptions will be sensitive to a variety of risks and opportunities, including the following:

- Future rate increases will be based on the Local Government Price Movements agreed to by the Independent Pricing and Regulatory Tribunal (IPART). Historically, rate increases have not kept pace with increasing costs. Recent experience has shown that IPART will not adjust future rates increases where the predicted Local Government Price Movements have proved to be well under actual price movements. If this trend continues, this will cause significant financial difficulties for the Inner West and other councils.
- Rate increases provide only for a continuation of existing service levels. The changing demographics of the Inner West community suggests that there may be demand for new or increased levels of services. These will not be able to be funded by ordinary IPART rate increases which are based on historic movements in costs only.
- The Pensioner Rate Subsidy is set at a maximum of \$250 per property and has not increased since 1993. This creates a greater burden on pensioners.
- The level of individual fines for traffic/parking offences is determined by the State Government.
- The Stormwater Management Charge is fixed and has not risen since its introduction in 2006/07.
- Interest rates have been highly volatile over the past 10 years but have stabilised at record low rates during the past 6 years. It is forecast that interest rates will remain at record lows and increase after 2 years on the basis of a full economic recovery.

- Hoarding fees and other Development Assessment income is dependent on the level of active development within the Inner West LGA. These will continue to grow based on the release of Council's revised LEP that allows greater building density within the LGA area.

### 2.3 Capital Revenue Drivers

The following tables summarise the capital revenue assumptions on which the Base Scenario has been modelled.

Base Scenario Capital Revenue Area	Assumption
Roads to Recovery Grant	This is a Federal Government grant which is used by Council to fund its roads improvement program. It is assumed that this will be flat.
Developer Contributions	The funding which Council receives from developer contributions is reviewed annually. The funding is linked to the projected level of development. All funds are held in a restricted working capital fund for release to finance projects included in Council's plan as a response to increased population growth in the LGA.

### 2.4 Capital Revenue Sensitivity Analysis

Capital revenue assumptions will be sensitive to a variety of risks and opportunities, including the following:

- The Federal budget has a focus on infrastructure renewal initiatives that may impact Council. These initiatives have yet to be legislated and hence have not been incorporated into this iteration of the LTFP.
- The Roads to Recovery grants were introduced relatively recently. The grant has a 4 year life cycle and the Federal Government has announced that it will remain intact and has included it in the 2021/22 budget with no view of reducing the funding pool (nationally) at this point in time. This situation could alter.
- Council does receive capital grants other than for Roads to Recovery. However, these grants are tied to specific projects and are non-recurrent. As the receipt of other capital grants is difficult to predict, they are not included in the model.

### 2.5 Operating Expenditure Drivers

The following table summarises the operating expenditure assumptions on which the Base Scenario has been modelled.

Operational Expenditure Area	Assumptions
Salaries and Wages	The current award was negotiated in 2020 with the following agreed annual increases: 1.5% for 2020/21, 2.0% for 2021/22 and 2.0% for 2022/23 onwards.

Operational Expenditure Area	Assumptions
Superannuation	<p>This LTFP includes the increase of Superannuation to 10% in 2021/22 in line with the Superannuation Guarantee Contributions which will progressively increase to 12.0% in 2025/26.</p> <p>It is assumed that superannuation costs for members of the Defined Benefits Schemes will be paid in accordance with the current advice from the Trustees of the Scheme. Council has developed a model to predict its ongoing contributions toward the Defined Benefits Schemes.</p>
Workers Compensation	Council's Workers Compensation premium has been set at \$2.0 million for 2020/21 and it is assumed that this will increase to \$2.2 million in 2021/22 and then increase annually in accordance with salaries and wages.
Training	It is assumed that expenditure on training will be flat.
Maternity Leave	It is assumed that expenditure on maternity leave will be \$390,000 in 2021/22 and will increase by Award increases.
Long Service Leave	Expenditure on Long Service Leave has been modelled and will increase by Award increases. The model is reviewed annually.
Materials and Contracts	Components of materials and contracts expenditure are reviewed individually. The budget includes cost estimates for the actual expected expenditure.
Disposal Costs	The cost of waste disposal has been modelled and is reviewed annually.
Oil and Fuel	It is assumed that oil and fuel costs will increase by CPI per annum over 10 years.
Street Lighting	It is assumed that street lighting costs will increase by CPI per annum over 10 years.
Electricity	It is assumed that electricity costs will increase by an average 4% per annum over 10 years.
Gas	It is assumed that gas costs will increase by an average 4.0% per annum over 10 years.
Water	It is assumed that water costs will increase by an average 2.5% per annum over 10 years.
Telephone and Mobile Phone	It is assumed that fixed and mobile phone and data costs will increase by CPI per annum over 10 years.
Depreciation	Depreciation has been modelled in accordance with Council's Asset Management Plans – refer page 6 of the Asset Management Policy and Strategy.



Operational Expenditure Area	Assumptions
Other Expenses	This includes Councillor fees, agency expenses, advertising, printing, memberships and donations. It is assumed that these expenses will increase by CPI.
State Government Levies	The State Government charges levies to councils contribute to a range of services. It is assumed that the levies will increase by CPI.
Insurance	It is assumed that insurance costs will increase by CPI over 10 years.

## 2.6 Operating Expenditure Sensitivity Analysis

Operating expenditure assumptions will be sensitive to a variety of risks and opportunities, including the following:

- The current industrial award was negotiated in 2020 with the following agreed annual increases, 1.5% for 2020/21, 2.0% for 2021/22 and 2.0% 2022/23 onwards.
- The Federal government legislated that Superannuation Guarantee Charge (SGC) will rise to 10.0% in 2021/22. The SGC could reach a maximum of 12% in 2025/26.
- Natural disasters and other unforeseeable events may impact to increase insurance premium levels.

## 2.7 Capital Expenditure Drivers

Capital Expenditure Area	Assumptions
Information and Communication Technology - Hardware/Software Program	<p>Council currently leases the majority of its Information Technology Hardware over a 4 year lease term. Software costs associated with hardware upgrades are forecast and included in the relevant year within the Operating Budget.</p> <p>New infrastructure investments are assessed as part of the evaluation process driven by the ICT Steering Committee. The LTFP provides for the full cost of replacement of existing hardware and software. The budget includes the hardware and software replacement program. This program replaces assets at the end of their useful life and also takes into account the consolidation of three existing data centres into one and the consolidation of maintenance agreements and software licences.</p> <p>Maintenance costs are considered as part of the evaluation process and included in the budget where required for both software and hardware.</p> <p>An action plan has been developed and can be found in the ICT Strategy.</p>

Capital Expenditure Area	Assumptions
Local Roads and Lanes Program	Council's investment in its Local Roads network has been set at \$5,575,000 in 2021/22 funded by Financial Assistance Grants, SRV, Roads to Recovery and general funds. Funding levels are kept at levels to ensure Council exceeds its Renewal Ratio every year for its infrastructure portfolio throughout the LTFP.
Regional Roads Program	Council owns the Regional Road network. NSW TfNSW subsidises upkeep through grants. Council matches funding under the Regional Roads program using unrestricted working capital or other available funding sources. A total of \$1,875,000 is anticipated to be spent on Regional Road capital works throughout the 2021/22 financial year. Funding levels are kept at levels to ensure Council exceeds its Renewal Ratio every year for its infrastructure portfolio throughout the LTFP.
Footpath Program	Council's investment in its Footpath Renewal & Upgrade Program has been set at \$3,458,000 in 2021/22 funded by SRV and unrestricted working capital. Funding levels are kept at levels to ensure Council exceeds its Renewal Ratio every year for its infrastructure portfolio throughout the LTFP.
Bike Facilities Program	Unrestricted working capital and developer contributions are allocated to improve bike facilities to match capital grant funding from the NSW or Federal government or to fund direct works.
Traffic Amenities Program	The traffic amenities program is funded from Developer Contributions, SRV, government grant funds or other working capital to improve traffic amenities. The traffic amenities program included in the budget is \$2,188,000. This program may continue to reduce as the developer contributions reduces nexus on traffic amenities from where the majority of these works are funded.
Stormwater upgrade and renewal Program	<p>Council has a program of catchment studies across the various sub-catchments within its boundaries. These are funded from the Stormwater Charge.</p> <p>Drainage capital works are funded from SRV funds and unrestricted working capital. Additional capital works are funded from the Stormwater Charge in accordance with the Stormwater Plan.</p> <p>The total budget is \$3,728,000.</p>
Street Lighting Upgrades	After the corporatisation of the electricity network the LGAs are responsible for the maintenance and the cost of electricity. Inner West Council has included a project converting street lights to LED thereby reducing the cost of maintenance and electricity used.
Parks Improvement Program	Park improvements are primarily funded from Developer Contributions, SRV and Federal or State grants. Council's Parks Improvement Program approximately \$15,556,100 in 2021/22.

The Capital Program also incorporates expenditure on Council's 'Major Projects' as follows:

<b>Project</b>	<b>Funding available in 2021/22</b>
Urban Amenity Improvement Program	\$7.5m
Greenway	\$7.2m

## **2.8 Capital Expenditure Sensitivity Analysis**

Capital expenditure assumptions will be sensitive to a variety of risks and opportunities, including the following:

- Council has prepared Asset Management Plans for each of the four infrastructure asset groups (see accompanying Asset Management Plans). As data is updated on the condition of these assets it is likely that further investment will be required to ensure roads, footpaths, drainage, bike networks, parks facilities, buildings and the like continue to be available for both the current and future generations living in the Inner West. Council is undertaking a condition rating and audit of all its transport assets (roads, footpaths, kerb & gutter) in 2021, which will inform the Asset Management Plans and future capital works programs. Increasing investments to promote accessibility will also be needed as the Inner West population ages. This will be planned to ensure an accessibility continuum between local roads, streetscapes and footpaths and transport infrastructure managed by State Government including trains, buses and light rail.

## **2.9 Non Financial Assumptions**

The Inner West Council's adopted Community Strategic Plan provides an overview of the major issues impacting upon the local community. The data and analysis used to arrive at those issues also inform the preparation of this LTFP.

### **3. SCENARIO 1 – BUSINESS AS USUAL**

#### **3.1 Scenario 1 Overview**

Scenario 1 is predicated on:

- Continuation of existing services at current service levels
- Continuation of existing levels of investment in infrastructure renewal
- Continuation of existing income sources

This scenario also incorporates the following ‘major projects’:

- Urban Amenity Improvement Program.
- Greenway Program.
- Livingstone Rd Bike Route.
- Lilyfield Cycleway.
- Longport Street to Elizabeth Street cycleway.

#### **3.2 Scenario 1 Context**

Council was formed by the amalgamation of Ashfield, Leichhardt and Marrickville Councils in May 2016 and until service reviews are complete, service levels will remain as they were in the constituent Councils. Council is currently operating from a position of financial stability and has used the Integrated Planning and Reporting (IPR) Framework to drive the long term financial sustainability and ensure Council is fit for the future as a stand-alone entity.

It is evident that while Council’s immediate and long term financial position is capable of delivering existing services at their current levels given current costs, an uncertain economic environment and the changing nature of the Inner West community will generate new or expanded needs for services and for associated funding.

Council’s major income source, rates, is capped by the State Government and continues to grow at a slower pace than salaries, State Government levies and other costs. In this environment, ongoing financial sustainability can only be achieved by further cost savings or income generation proposals or by shedding or reducing existing programs. Council has committed to an ongoing budget review process aimed at identifying cost savings or income generation options throughout the life of this LTFFP.

There is limited scope to fund major capital works in such an environment. Scenario 1 outlines the method of delivering business as usual whilst Scenarios 2 outline methods of dealing with the infrastructure renewal backlog. These scenarios are illustrative only. As and when the need develops to fund major infrastructure, provide new or expanded services or invest more in infrastructure maintenance, Council will engage with the Inner West community and develop these options further.

#### **3.3 Scenario 1 Financial Projections**

The following tables outline the financial impact of the Scenario 1 over the next 10 years by External Reporting Category.

**Scenario 1 - Inner West Council - 10 Year Income Statement Projection**

	2020/21 (\$'000)	2021/22 (\$'000)	2022/23 (\$'000)	2023/24 (\$'000)	2024/25 (\$'000)	2025/26 (\$'000)	2026/27 (\$'000)	2027/28 (\$'000)	2028/29 (\$'000)	2029/30 (\$'000)	2030/31 (\$'000)
<b>Income from Continuing Operations</b>											
Rates and Annual Charges	164,103	161,162	164,520	167,985	171,512	175,093	178,739	182,562	186,020	189,526	193,089
User Fees and Charges	40,238	45,071	46,016	46,934	47,870	48,824	49,798	50,791	51,804	52,837	53,891
Interest Income	6,368	4,205	4,242	4,280	4,318	4,357	4,397	4,438	4,480	4,522	4,566
Other Income	15,107	17,557	17,597	17,625	17,653	17,682	17,711	17,741	17,771	17,802	17,834
Rental Income	3,060	4,785	5,157	5,232	4,590	3,937	4,016	4,097	4,178	4,262	4,347
Operating Grants & Contributions	8,283	10,006	9,834	9,922	10,033	10,147	10,265	10,386	10,511	10,640	10,773
Capital Grants & Contributions	25,144	25,054	31,084	20,545	14,401	13,571	13,571	13,571	13,571	13,571	13,571
Net Gain - Disposal of Assets	(190)	(1,606)	(1,739)	(1,417)	(1,201)	(39)	(2,043)	(562)	(1,520)	337	(1,243)
<b>Total Income from Continuing Operations</b>	<b>262,113</b>	<b>266,233</b>	<b>276,712</b>	<b>271,104</b>	<b>269,176</b>	<b>273,574</b>	<b>276,454</b>	<b>283,024</b>	<b>286,815</b>	<b>293,497</b>	<b>296,828</b>
<b>Expenditure from Continuing Operations</b>											
Employee Benefits and Oncosts	127,231	120,930	123,804	127,090	130,992	135,011	139,150	143,414	147,805	152,328	156,987
Interest Expense	1,104	979	872	790	721	676	635	593	550	507	462
Materials and Contracts	53,926	55,699	54,183	52,825	53,040	53,233	53,274	53,549	53,778	53,986	54,024
Depreciation	27,467	31,983	33,125	33,671	34,381	34,956	35,405	36,097	36,726	37,258	36,751
Other Expenses	34,615	35,984	34,168	34,514	35,968	35,066	35,380	35,677	37,206	36,257	36,494
<b>Total Expenses from Continuing Operations</b>	<b>244,343</b>	<b>245,574</b>	<b>246,153</b>	<b>248,891</b>	<b>255,103</b>	<b>258,940</b>	<b>263,844</b>	<b>269,330</b>	<b>276,066</b>	<b>280,335</b>	<b>284,718</b>
<b>Net Operating Result from Continuing Operations</b>	<b>17,770</b>	<b>20,659</b>	<b>30,560</b>	<b>22,213</b>	<b>14,074</b>	<b>14,634</b>	<b>12,611</b>	<b>13,694</b>	<b>10,750</b>	<b>13,162</b>	<b>12,110</b>
<b>Net Operating Result before Capital Items</b>	<b>(7,374)</b>	<b>(4,395)</b>	<b>(525)</b>	<b>1,669</b>	<b>(328)</b>	<b>1,062</b>	<b>(961)</b>	<b>123</b>	<b>(2,822)</b>	<b>(409)</b>	<b>(1,462)</b>

**Scenario 1 - Inner West Council - Statement of Financial Position**

	2020/21 (\$'000)	2021/22 (\$'000)	2022/23 (\$'000)	2023/24 (\$'000)	2024/25 (\$'000)	2025/26 (\$'000)	2026/27 (\$'000)	2027/28 (\$'000)	2028/29 (\$'000)	2029/30 (\$'000)	2030/31 (\$'000)
<b>ASSETS</b>											
<b>Current assets</b>											
Cash and cash equivalents	126,660	111,588	105,834	105,019	103,913	103,113	103,129	102,197	98,323	99,283	101,133
Investments	88,837	64,994	56,945	57,910	58,631	60,400	65,842	73,186	81,142	87,649	94,384
Receivables	23,723	21,864	18,882	16,829	14,385	14,346	12,302	11,738	10,217	10,552	9,308
Inventories	194	195	196	197	198	199	200	201	202	203	204
Other	895	-	-	-	-	-	-	-	-	-	-
Non-current assets classified as 'held for sale'	-	-	-	-	-	-	-	-	-	-	-
<b>Total current assets</b>	<b>240,309</b>	<b>198,641</b>	<b>181,857</b>	<b>179,956</b>	<b>177,128</b>	<b>178,057</b>	<b>181,472</b>	<b>187,322</b>	<b>189,883</b>	<b>197,687</b>	<b>205,029</b>
<b>Non-current assets</b>											
Investments	58,950	58,950	58,950	58,950	58,950	58,950	58,950	58,950	58,950	58,950	58,950
Receivables	-	-	-	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-	-	-	-
Infrastructure, property, plant and equipment	2,282,403	2,340,717	2,385,010	2,407,453	2,422,769	2,437,554	2,445,504	2,453,867	2,461,658	2,468,433	2,472,993
Investments accounted for using the equity method	-	-	-	-	-	-	-	-	-	-	-
Investment property	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	10,785	12,152	12,787	13,127	13,467	13,697	14,207	14,392	14,492	14,592	14,692
Right of use assets	358	361	365	368	372	376	380	383	387	391	395
Non-current assets classified as 'held for sale'	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
<b>Total non-current assets</b>	<b>2,352,495</b>	<b>2,412,180</b>	<b>2,457,112</b>	<b>2,479,898</b>	<b>2,495,558</b>	<b>2,510,577</b>	<b>2,519,040</b>	<b>2,527,592</b>	<b>2,535,488</b>	<b>2,542,366</b>	<b>2,547,030</b>
<b>TOTAL ASSETS</b>	<b>2,592,804</b>	<b>2,610,821</b>	<b>2,638,969</b>	<b>2,659,854</b>	<b>2,672,686</b>	<b>2,688,633</b>	<b>2,700,513</b>	<b>2,714,914</b>	<b>2,725,370</b>	<b>2,740,053</b>	<b>2,752,059</b>
<b>LIABILITIES</b>											
<b>Current liabilities</b>											
Payables	32,487	31,937	30,968	29,975	29,482	29,780	27,839	27,334	25,824	26,126	24,800
Income received in advance	-	-	-	-	-	-	-	-	-	-	-
Contract liabilities	1,243	1,243	1,243	1,243	-	-	-	-	-	-	-
Lease Liabilities	193	195	197	199	201	203	205	207	209	211	213
Borrowings	3,762	3,058	2,600	2,447	1,968	1,817	1,858	1,900	1,943	1,986	2,031
Provisions	32,680	33,497	34,335	35,193	36,073	36,975	37,899	38,846	39,817	40,813	41,833
Liabilities associated with assets classified as 'held for sale'	-	-	-	-	-	-	-	-	-	-	-
<b>Total current liabilities</b>	<b>70,365</b>	<b>69,930</b>	<b>69,342</b>	<b>69,056</b>	<b>67,723</b>	<b>68,775</b>	<b>67,801</b>	<b>68,287</b>	<b>67,793</b>	<b>69,136</b>	<b>68,877</b>
<b>Non-current liabilities</b>											
Payables	-	-	-	-	-	-	-	-	-	-	-
Income received in advance	-	-	-	-	-	-	-	-	-	-	-
Contract liabilities	3,024	1,877	635	-	-	-	-	-	-	-	-
Lease Liabilities	178	180	181	183	185	187	189	191	192	194	196
Borrowings	37,135	34,076	31,476	29,030	27,062	25,245	23,386	21,486	19,544	17,558	15,527
Provisions	1,508	1,523	1,538	1,554	1,569	1,585	1,601	1,617	1,633	1,649	1,666
Investments accounted for using the equity method	-	-	-	-	-	-	-	-	-	-	-
Liabilities associated with assets classified as 'held for sale'	-	-	-	-	-	-	-	-	-	-	-
<b>Total non-current liabilities</b>	<b>41,845</b>	<b>37,656</b>	<b>33,830</b>	<b>30,766</b>	<b>28,816</b>	<b>27,016</b>	<b>25,176</b>	<b>23,294</b>	<b>21,369</b>	<b>19,401</b>	<b>17,389</b>
<b>TOTAL LIABILITIES</b>	<b>112,210</b>	<b>107,586</b>	<b>103,173</b>	<b>99,822</b>	<b>96,539</b>	<b>95,791</b>	<b>92,977</b>	<b>91,580</b>	<b>89,162</b>	<b>88,537</b>	<b>86,266</b>
<b>Net assets</b>	<b>2,480,595</b>	<b>2,503,235</b>	<b>2,535,797</b>	<b>2,560,031</b>	<b>2,576,147</b>	<b>2,592,842</b>	<b>2,607,536</b>	<b>2,623,334</b>	<b>2,636,208</b>	<b>2,651,516</b>	<b>2,665,793</b>
<b>EQUITY</b>											
Retained earnings	2,282,428	2,303,087	2,333,646	2,355,860	2,369,933	2,384,567	2,397,178	2,410,872	2,421,621	2,434,783	2,446,893
Revaluation reserves	198,167	200,149	202,150	204,172	206,213	208,276	210,358	212,462	214,587	216,732	218,900
<b>Council equity interest</b>	<b>2,480,595</b>	<b>2,503,235</b>	<b>2,535,797</b>	<b>2,560,031</b>	<b>2,576,147</b>	<b>2,592,842</b>	<b>2,607,536</b>	<b>2,623,334</b>	<b>2,636,208</b>	<b>2,651,516</b>	<b>2,665,793</b>
<b>Total equity</b>	<b>2,480,595</b>	<b>2,503,235</b>	<b>2,535,797</b>	<b>2,560,031</b>	<b>2,576,147</b>	<b>2,592,842</b>	<b>2,607,536</b>	<b>2,623,334</b>	<b>2,636,208</b>	<b>2,651,516</b>	<b>2,665,793</b>

**Scenario 1 - Inner West Council - Statement of Cashflows**

	2020/21 (\$'000)	2021/22 (\$'000)	2022/23 (\$'000)	2023/24 (\$'000)	2024/25 (\$'000)	2025/26 (\$'000)	2026/27 (\$'000)	2027/28 (\$'000)	2028/29 (\$'000)	2029/30 (\$'000)	2030/31 (\$'000)
<b>Cashflow from Operating Activities</b>											
<b>Receipts</b>											
Rates & Annual Charges	164,103	161,162	164,520	167,985	171,512	175,093	178,739	182,562	186,020	189,526	193,089
User Charges & Fees	40,238	45,071	46,016	46,934	47,870	48,824	49,798	50,791	51,804	52,837	53,891
Investment & Interest Income	6,368	4,205	4,242	4,280	4,318	4,357	4,397	4,438	4,480	4,522	4,566
Rental Income	3,060	4,785	5,157	5,232	4,590	3,937	4,016	4,097	4,178	4,262	4,347
Operating Grants & Contributions	8,283	10,006	9,834	9,922	10,033	10,147	10,265	10,386	10,511	10,640	10,773
Capital Grants & Contributions	25,144	25,054	31,084	20,545	14,401	13,571	13,571	13,571	13,571	13,571	13,571
Other	15,107	17,557	17,597	17,625	17,653	17,682	17,711	17,741	17,771	17,802	17,834
<b>Payments</b>											
Employee Benefits & On-Costs	(127,231)	(120,930)	(123,804)	(127,090)	(130,992)	(135,011)	(139,150)	(143,414)	(147,805)	(152,328)	(156,987)
Materials & Contracts	(53,926)	(55,699)	(54,183)	(52,825)	(53,040)	(53,233)	(53,274)	(53,549)	(53,778)	(53,986)	(54,024)
Borrowing Costs	(1,104)	(979)	(872)	(790)	(721)	(676)	(635)	(593)	(550)	(507)	(462)
Other Expenses	(34,615)	(35,984)	(34,168)	(34,514)	(35,968)	(35,066)	(35,380)	(35,677)	(37,206)	(36,257)	(36,494)
<b>Net Cash provided (or used in) Operating Activities</b>	<b>45,427</b>	<b>54,248</b>	<b>65,423</b>	<b>57,301</b>	<b>49,655</b>	<b>49,628</b>	<b>50,058</b>	<b>50,354</b>	<b>48,997</b>	<b>50,083</b>	<b>50,104</b>
<b>Cashflow from Investing Activities</b>											
<b>Receipts</b>											
Sale of Investment Securities	274,577	277,323	280,096	282,897	285,726	288,583	291,469	294,384	297,328	300,301	303,304
Sale of Real Estate Assets	-	-	-	-	-	-	-	-	-	-	-
Sale of Infrastructure, Property Plant & Equipment	3,310	2,980	2,847	3,169	3,385	4,547	2,543	4,023	3,065	4,923	3,343
<b>Payments</b>											
Purchase of Investment Securities	(203,994)	(254,900)	(273,468)	(285,282)	(287,868)	(291,772)	(298,332)	(303,148)	(306,703)	(308,228)	(311,460)
Purchase of Infrastructure, Property, Plant & Equipment	(95,444)	(91,664)	(78,053)	(56,453)	(50,038)	(49,970)	(43,864)	(44,645)	(44,618)	(44,132)	(41,411)
Contributions paid to Joint Ventures & Associates											
<b>Net cash provided (or used in) Investing Activities</b>	<b>(21,551)</b>	<b>(66,261)</b>	<b>(68,577)</b>	<b>(55,669)</b>	<b>(48,794)</b>	<b>(48,611)</b>	<b>(48,184)</b>	<b>(49,386)</b>	<b>(50,928)</b>	<b>(47,136)</b>	<b>(46,224)</b>
<b>Cashflow from Financing Activities</b>											
<b>Receipts</b>											
Proceeds from Borrowing & Advances	-	-	-	-	-	-	-	-	-	-	-
<b>Payments</b>											
Payments of Borrowing & Advances	(3,762)	(3,058)	(2,600)	(2,447)	(1,968)	(1,817)	(1,858)	(1,900)	(1,943)	(1,986)	(2,031)
<b>Net Cash Flow provided (or used in) Financing Activities</b>	<b>(3,762)</b>	<b>(3,058)</b>	<b>(2,600)</b>	<b>(2,447)</b>	<b>(1,968)</b>	<b>(1,817)</b>	<b>(1,858)</b>	<b>(1,900)</b>	<b>(1,943)</b>	<b>(1,986)</b>	<b>(2,031)</b>
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>	<b>20,114</b>	<b>(15,071)</b>	<b>(5,754)</b>	<b>(815)</b>	<b>(1,106)</b>	<b>(801)</b>	<b>16</b>	<b>(932)</b>	<b>(3,874)</b>	<b>960</b>	<b>1,849</b>
Plus Cash & Cash Equivalents - beginning of year	106,546	126,660	111,588	105,834	105,019	103,913	103,113	103,129	102,197	98,323	99,283
<b>Cash &amp; Cash Equivalents - end of year</b>	<b>126,660</b>	<b>111,588</b>	<b>105,834</b>	<b>105,019</b>	<b>103,913</b>	<b>103,113</b>	<b>103,129</b>	<b>102,197</b>	<b>98,323</b>	<b>99,283</b>	<b>101,133</b>
Plus Investments on hand - end of year	147,787	123,944	115,895	116,860	117,581	119,350	124,792	132,136	140,092	146,599	153,334
<b>Total Cash &amp; Cash Equivalents &amp; Investments</b>	<b>274,447</b>	<b>235,532</b>	<b>221,729</b>	<b>221,879</b>	<b>221,495</b>	<b>222,462</b>	<b>227,921</b>	<b>234,333</b>	<b>238,414</b>	<b>245,882</b>	<b>254,467</b>

## **4. SCENARIO 2: ASSET MANAGEMENT INFRASTRUCTURE RENEWAL BACKLOG**

Scenario 2 is predicated on:

- Continuation of existing services at current service levels.
- An expanded capital renewal program to reduced infrastructure backlog within the time horizon of this LTFP.

Council embarked upon the delivery of a suite of Major Projects, these included

In addition to the continuation of existing revenue sources, Scenario 2 aims to demonstrate the effects of securing additional funding to fund Council's entire infrastructure backlog to meet the needs of the community.

### **4.1 Scenario 2 Assumptions**

The annual budget includes provisions for operations, maintenance, renewal, new and upgrade expenditure on infrastructure. When renewal funding is inadequate, any unfunded renewal demand is deferred, which generates a backlog. Council's Asset Strategy states that the asset renewal funding ratio is to be a minimum of 110% until the renewal backlog has been addressed.

Council identified an infrastructure renewal backlog in its 2019/20 financial reports, estimated to be approximately \$140m across its asset portfolio. In order to address this backlog additional funds are required to be sourced.

The renewal funding planned in Scenario 2 is insufficient to reduce the backlog of deferred renewal demand, therefore a loan of \$64m in 2021/22 and \$64m in 2025/26 is required.

### **4.2 Scenario 2 Sensitivity Analysis**

The assumptions on which Scenario 2 are predicated will be sensitive to a variety of risks and opportunities, including the following:

- Community engagement will provide a critical input to the service levels expected by the community and identify the priorities of the above table.
- The additional renewal works will be based on the condition ratings of the assets.

### **4.3 Scenario 2 Financial Projections**

The following tables outline the financial impact of the Scenario 2 over the next 10 years by External Reporting Category.



**Scenario 2 - Inner West Council - 10 Year Income Statement Projection**

	2020/21 (\$'000)	2021/22 (\$'000)	2022/23 (\$'000)	2023/24 (\$'000)	2024/25 (\$'000)	2025/26 (\$'000)	2026/27 (\$'000)	2027/28 (\$'000)	2028/29 (\$'000)	2029/30 (\$'000)	2030/31 (\$'000)
<b>Income from Continuing Operations</b>											
Rates and Annual Charges	164,103	161,162	164,520	167,985	171,512	175,093	178,739	182,562	186,020	189,526	193,089
User Fees and Charges	40,238	45,615	46,571	47,500	48,447	49,413	50,399	51,404	52,429	53,475	54,541
Interest Income	6,368	4,205	4,242	4,280	4,318	4,357	4,397	4,438	4,480	4,522	4,566
Other Income	15,107	17,557	17,597	17,625	17,653	17,682	17,711	17,741	17,771	17,802	17,834
Rental Income	3,060	4,785	5,157	5,232	4,590	3,937	4,016	4,097	4,178	4,262	4,347
Operating Grants & Contributions	8,283	10,006	9,834	9,922	10,033	10,147	10,265	10,386	10,511	10,640	10,773
Capital Grants & Contributions	25,144	25,054	31,084	20,545	14,401	13,571	13,571	13,571	13,571	13,571	13,571
Net Gain - Disposal of Assets	(190)	(1,606)	(1,739)	(1,417)	(1,201)	(39)	(2,043)	(562)	(1,520)	337	(1,243)
<b>Total Income from Continuing Operations</b>	<b>262,113</b>	<b>266,778</b>	<b>277,267</b>	<b>271,671</b>	<b>269,754</b>	<b>274,163</b>	<b>277,055</b>	<b>283,637</b>	<b>287,441</b>	<b>294,135</b>	<b>297,478</b>
<b>Expenditure from Continuing Operations</b>											
Employee Benefits and Oncosts	127,231	123,930	126,804	130,090	133,992	138,011	142,150	146,414	150,805	155,328	159,987
Interest Expense	1,104	3,411	3,095	2,795	2,499	4,650	4,155	3,642	3,109	2,555	1,981
Materials and Contracts	53,926	55,699	54,183	52,825	53,040	53,233	53,274	53,549	53,778	53,986	54,024
Depreciation	27,467	31,983	33,125	33,671	34,381	34,956	35,405	36,097	36,726	37,258	36,751
Other Expenses	34,615	35,984	34,168	34,514	35,968	35,066	35,380	35,677	37,206	36,257	36,494
<b>Total Expenses from Continuing Operations</b>	<b>244,343</b>	<b>251,006</b>	<b>251,375</b>	<b>253,895</b>	<b>259,881</b>	<b>265,915</b>	<b>270,364</b>	<b>275,378</b>	<b>281,624</b>	<b>285,384</b>	<b>289,237</b>
<b>Net Operating Result from Continuing Operations</b>	<b>17,770</b>	<b>15,772</b>	<b>25,893</b>	<b>17,775</b>	<b>9,873</b>	<b>8,248</b>	<b>6,691</b>	<b>8,258</b>	<b>5,817</b>	<b>8,751</b>	<b>8,241</b>
<b>Net Operating Result before Capital Items</b>	<b>(7,374)</b>	<b>(9,283)</b>	<b>(5,192)</b>	<b>(2,769)</b>	<b>(4,528)</b>	<b>(5,323)</b>	<b>(6,880)</b>	<b>(5,313)</b>	<b>(7,754)</b>	<b>(4,820)</b>	<b>(5,330)</b>

**Scenario 2 - Inner West Council - Statement of Financial Position**

	2020/21 (\$'000)	2021/22 (\$'000)	2022/23 (\$'000)	2023/24 (\$'000)	2024/25 (\$'000)	2025/26 (\$'000)	2026/27 (\$'000)	2027/28 (\$'000)	2028/29 (\$'000)	2029/30 (\$'000)	2030/31 (\$'000)
<b>ASSETS</b>											
<b>Current assets</b>											
Cash and cash equivalents	126,660	101,350	85,368	74,337	63,025	44,248	26,300	7,415	-	-	-
Investments	88,837	115,484	92,625	78,780	64,691	115,650	106,282	98,816	91,962	83,659	75,092
Receivables	23,723	21,864	18,882	16,829	14,385	14,346	12,302	11,738	10,217	10,552	9,308
Inventories	194	195	196	197	198	199	200	201	202	203	204
Other	895	-	-	-	-	-	-	-	-	-	-
Non-current assets classified as 'held for sale'	-	-	-	-	-	-	-	-	-	-	-
<b>Total current assets</b>	<b>240,309</b>	<b>238,892</b>	<b>197,071</b>	<b>170,143</b>	<b>142,300</b>	<b>174,442</b>	<b>145,083</b>	<b>118,170</b>	<b>102,380</b>	<b>94,414</b>	<b>84,604</b>
<b>Non-current assets</b>											
Investments	58,950	58,950	58,950	58,950	58,950	58,950	58,950	58,950	58,950	58,950	58,950
Receivables	-	-	-	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-	-	-	-
Infrastructure, property, plant and equipment	2,282,403	2,354,227	2,413,330	2,450,583	2,480,709	2,510,304	2,533,064	2,556,237	2,578,838	2,600,423	2,620,285
Investments accounted for using the equity method	-	-	-	-	-	-	-	-	-	-	-
Investment property	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	10,785	12,152	12,787	13,127	13,467	13,697	14,207	14,392	14,492	14,592	14,692
Right of use assets	358	361	365	368	372	376	380	383	387	391	395
Non-current assets classified as 'held for sale'	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
<b>Total non-current assets</b>	<b>2,352,495</b>	<b>2,425,690</b>	<b>2,485,432</b>	<b>2,523,028</b>	<b>2,553,498</b>	<b>2,583,327</b>	<b>2,606,600</b>	<b>2,629,962</b>	<b>2,652,668</b>	<b>2,674,356</b>	<b>2,694,322</b>
<b>TOTAL ASSETS</b>	<b>2,592,804</b>	<b>2,664,583</b>	<b>2,682,503</b>	<b>2,693,171</b>	<b>2,695,798</b>	<b>2,757,769</b>	<b>2,751,683</b>	<b>2,748,132</b>	<b>2,755,048</b>	<b>2,768,770</b>	<b>2,778,926</b>
<b>LIABILITIES</b>											
<b>Current liabilities</b>											
Payables	32,487	26,586	25,407	24,197	23,477	18,189	15,794	14,816	27,216	43,975	58,186
Income received in advance	-	-	-	-	-	-	-	-	-	-	-
Contract liabilities	1,243	1,243	1,243	1,243	-	-	-	-	-	-	-
Lease Liabilities	193	195	197	199	201	203	205	207	209	211	213
Borrowings	3,762	8,409	8,161	8,225	7,972	13,409	13,903	14,417	14,950	15,503	16,077
Provisions	32,680	33,497	34,335	35,193	36,073	36,975	37,899	38,846	39,817	40,813	41,833
Liabilities associated with assets classified as 'held for sale'	-	-	-	-	-	-	-	-	-	-	-
<b>Total current liabilities</b>	<b>70,365</b>	<b>69,930</b>	<b>69,342</b>	<b>69,056</b>	<b>67,723</b>	<b>68,775</b>	<b>67,801</b>	<b>68,287</b>	<b>82,193</b>	<b>100,503</b>	<b>116,309</b>
<b>Non-current liabilities</b>											
Payables	-	-	-	-	-	-	-	-	-	-	-
Income received in advance	-	-	-	-	-	-	-	-	-	-	-
Contract liabilities	3,024	1,877	635	-	-	-	-	-	-	-	-
Lease Liabilities	178	180	181	183	185	187	189	191	192	194	196
Borrowings	37,135	92,725	84,565	76,339	68,367	118,958	105,055	90,638	75,688	60,185	44,107
Provisions	1,508	1,523	1,538	1,554	1,569	1,585	1,601	1,617	1,633	1,649	1,666
Investments accounted for using the equity method	-	-	-	-	-	-	-	-	-	-	-
Liabilities associated with assets classified as 'held for sale'	-	-	-	-	-	-	-	-	-	-	-
<b>Total non-current liabilities</b>	<b>41,845</b>	<b>96,305</b>	<b>86,919</b>	<b>78,076</b>	<b>70,121</b>	<b>120,730</b>	<b>106,844</b>	<b>92,445</b>	<b>77,513</b>	<b>62,028</b>	<b>45,969</b>
<b>TOTAL LIABILITIES</b>	<b>112,210</b>	<b>166,235</b>	<b>156,261</b>	<b>147,132</b>	<b>137,844</b>	<b>189,505</b>	<b>174,645</b>	<b>160,732</b>	<b>159,706</b>	<b>162,531</b>	<b>162,279</b>
<b>Net assets</b>	<b>2,480,595</b>	<b>2,498,348</b>	<b>2,526,242</b>	<b>2,546,039</b>	<b>2,557,954</b>	<b>2,568,264</b>	<b>2,577,038</b>	<b>2,587,400</b>	<b>2,595,342</b>	<b>2,606,239</b>	<b>2,616,647</b>
<b>EQUITY</b>											
Retained earnings	2,282,428	2,298,199	2,324,092	2,341,867	2,351,740	2,359,989	2,366,680	2,374,938	2,380,755	2,389,506	2,397,748
Revaluation reserves	198,167	200,149	202,150	204,172	206,213	208,276	210,358	212,462	214,587	216,732	218,900
<b>Council equity interest</b>	<b>2,480,595</b>	<b>2,498,348</b>	<b>2,526,242</b>	<b>2,546,039</b>	<b>2,557,954</b>	<b>2,568,264</b>	<b>2,577,038</b>	<b>2,587,400</b>	<b>2,595,342</b>	<b>2,606,239</b>	<b>2,616,647</b>
<b>Total equity</b>	<b>2,480,595</b>	<b>2,498,348</b>	<b>2,526,242</b>	<b>2,546,039</b>	<b>2,557,954</b>	<b>2,568,264</b>	<b>2,577,038</b>	<b>2,587,400</b>	<b>2,595,342</b>	<b>2,606,239</b>	<b>2,616,647</b>

**Scenario 2 - Inner West Council - Statement of Cashflows**

	2020/21 (\$'000)	2021/22 (\$'000)	2022/23 (\$'000)	2023/24 (\$'000)	2024/25 (\$'000)	2025/26 (\$'000)	2026/27 (\$'000)	2027/28 (\$'000)	2028/29 (\$'000)	2029/30 (\$'000)	2030/31 (\$'000)
<b>Cashflow from Operating Activities</b>											
<b>Receipts</b>											
Rates & Annual Charges	164,103	161,162	164,520	167,985	171,512	175,093	178,739	182,562	186,020	189,526	193,089
User Charges & Fees	40,238	45,615	46,571	47,500	48,447	49,413	50,399	51,404	52,429	53,475	54,541
Investment & Interest Income	6,368	4,205	4,242	4,280	4,318	4,357	4,397	4,438	4,480	4,522	4,566
Rental Income	3,060	4,785	5,157	5,232	4,590	3,937	4,016	4,097	4,178	4,262	4,347
Operating Grants & Contributions	8,283	10,006	9,834	9,922	10,033	10,147	10,265	10,386	10,511	10,640	10,773
Capital Grants & Contributions	25,144	25,054	31,084	20,545	14,401	13,571	13,571	13,571	13,571	13,571	13,571
Other	15,107	17,557	17,597	17,625	17,653	17,682	17,711	17,741	17,771	17,802	17,834
<b>Payments</b>											
Employee Benefits & On-Costs	(127,231)	(123,930)	(126,804)	(130,090)	(133,992)	(138,011)	(142,150)	(146,414)	(150,805)	(155,328)	(159,987)
Materials & Contracts	(53,926)	(55,699)	(54,183)	(52,825)	(53,040)	(53,233)	(53,274)	(53,549)	(53,778)	(53,986)	(54,024)
Borrowing Costs	(1,104)	(3,411)	(3,095)	(2,795)	(2,499)	(4,650)	(4,155)	(3,642)	(3,109)	(2,555)	(1,981)
Other Expenses	(34,615)	(35,984)	(34,168)	(34,514)	(35,968)	(35,066)	(35,380)	(35,677)	(37,206)	(36,257)	(36,494)
<b>Net Cash provided (or used in) Operating Activities</b>	<b>45,427</b>	<b>49,360</b>	<b>60,756</b>	<b>52,863</b>	<b>45,455</b>	<b>43,242</b>	<b>44,139</b>	<b>44,918</b>	<b>44,064</b>	<b>45,672</b>	<b>46,235</b>
<b>Cashflow from Investing Activities</b>											
<b>Receipts</b>											
Sale of Investment Securities	274,577	277,323	280,096	282,897	285,726	288,583	291,469	294,384	297,328	300,301	303,304
Sale of Real Estate Assets	-	-	-	-	-	-	-	-	-	-	-
Sale of Infrastructure, Property Plant & Equipment	3,310	2,980	2,847	3,169	3,385	4,547	2,543	4,023	3,065	4,923	3,343
<b>Payments</b>											
Purchase of Investment Securities	(203,994)	(305,390)	(258,658)	(270,472)	(273,058)	(340,962)	(283,522)	(288,338)	(291,893)	(293,418)	(296,158)
Purchase of Infrastructure, Property, Plant & Equipment	(95,444)	(105,174)	(92,863)	(71,263)	(64,848)	(64,780)	(58,674)	(59,455)	(59,428)	(58,942)	(56,713)
Contributions paid to Joint Ventures & Associates											
<b>Net cash provided (or used in) Investing Activities</b>	<b>(21,551)</b>	<b>(130,261)</b>	<b>(68,577)</b>	<b>(55,669)</b>	<b>(48,794)</b>	<b>(112,611)</b>	<b>(48,184)</b>	<b>(49,386)</b>	<b>(50,928)</b>	<b>(47,136)</b>	<b>(46,224)</b>
<b>Cashflow from Financing Activities</b>											
<b>Receipts</b>											
Proceeds from Borrowing & Advances	-	64,000	-	-	-	64,000	-	-	-	-	-
<b>Payments</b>											
Payments of Borrowing & Advances	(3,762)	(8,409)	(8,161)	(8,225)	(7,972)	(13,409)	(13,903)	(14,417)	(14,950)	(15,503)	(16,077)
<b>Net Cash Flow provided (or used in) Financing Activities</b>	<b>(3,762)</b>	<b>55,591</b>	<b>(8,161)</b>	<b>(8,225)</b>	<b>(7,972)</b>	<b>50,591</b>	<b>(13,903)</b>	<b>(14,417)</b>	<b>(14,950)</b>	<b>(15,503)</b>	<b>(16,077)</b>
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>	<b>20,114</b>	<b>(25,310)</b>	<b>(15,982)</b>	<b>(11,031)</b>	<b>(11,311)</b>	<b>(18,777)</b>	<b>(17,949)</b>	<b>(18,885)</b>	<b>(21,814)</b>	<b>(16,968)</b>	<b>(16,066)</b>
Plus Cash & Cash Equivalents - beginning of year	106,546	126,660	101,350	85,368	74,337	63,025	44,248	26,300	7,415	(14,399)	(31,367)
<b>Cash &amp; Cash Equivalents - end of year</b>	<b>126,660</b>	<b>101,350</b>	<b>85,368</b>	<b>74,337</b>	<b>63,025</b>	<b>44,248</b>	<b>26,300</b>	<b>7,415</b>	<b>(14,399)</b>	<b>(31,367)</b>	<b>(47,433)</b>
Plus Investments on hand - end of year	147,787	174,434	151,575	137,730	123,641	174,600	165,232	157,766	150,912	142,609	134,042
<b>Total Cash &amp; Cash Equivalents &amp; Investments</b>	<b>274,447</b>	<b>275,783</b>	<b>236,943</b>	<b>212,067</b>	<b>186,667</b>	<b>218,848</b>	<b>191,532</b>	<b>165,181</b>	<b>136,512</b>	<b>111,242</b>	<b>86,610</b>

## **5. PERFORMANCE MONITORING**

The Inner West Council will use the following indicators to measure its financial performance. These measures are linked to those used in Council's published financial statements and also to the indicators used by the DLG in its annual publication of comparative information on councils in NSW. This means that the measures, and the Inner West Council's progress against them, are both transparent and comparable. A table of the projected rates is provided at the end of this section.

### **5.1 Operating Performance Ratio**

This ratio measures a Council's achievement of containing operating expenditure within operating revenue. It is important to distinguish that this ratio is focusing on operating performance and hence capital grants and contributions, fair value adjustments and reversal or revaluation decrements are excluded.

### **5.2 Own Source Operating Revenue**

This ratio measures financial flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions. A Council's financial flexibility improves the higher the level of its own sourced revenue.

### **5.3 Unrestricted Current Ratio**

The Unrestricted Current Ratio is specific to local government and is designed to represent a Council's ability to meet short term obligations as they fall due. Restrictions placed on various funding sources (e.g. Developer Contributions, TfNSW contributions) complicate the traditional current ratio used to assess liquidity of businesses as cash allocated to specific projects is restricted and cannot be used to meet a Council's other operating and borrowing costs.

### **5.4 Debt Services Cover Ratio**

This ratio measures the availability of operating cash to service debt including interest, principal and lease payments.

### **5.5 Rates and Annual Charges Outstanding**

This ratio assesses the impact of uncollected rates and annual charges on liquidity and the adequacy of recovery efforts.

### **5.6 Cash Expense Cover Ratio**

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

### **5.7 Building and Infrastructure Ratio**

This ratio is to assess the rate at which these assets are being renewed against the rate at which they are depreciating.

### **5.8 Infrastructure Backlog Ratio**

This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

### **5.9 Asset Maintenance Ratio**

This ratio compares actual maintenance costs versus the required annual asset maintenance. A ratio of above 1.0 indicates that the Council is investing enough funds within the year to stop the Infrastructure Backlog from growing.

### **5.10 Capital Expenditure Ratio**

This indicates the extent to which a Council is forecasting to expand its asset base with capital expenditure spent on both new assets, and also the replacement and renewal of existing assets.

### Inner West Council - Key Performance Indicators

Key Performance Indicators - Scenario 1	Benchmark	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Operating Performance Ratio	>0	(3.11)%	(1.82)%	(0.21)%	0.67%	(0.13)%	0.41%	(0.37)%	0.05%	(1.03)%	(0.15)%	(0.52)%
Own Source Operating Revenue	>60%	87.25%	86.83%	85.21%	88.76%	90.92%	91.33%	91.38%	91.54%	91.60%	91.75%	91.80%
Unrestricted Current Ratio	>1.5x	3.20	2.62	2.40	2.39	2.39	2.37	2.45	2.52	2.58	2.64	2.76
Debt Service Ratio	>2x	4.36	7.08	9.64	11.16	12.93	14.72	14.07	14.77	13.82	14.98	14.34
Rates and Annual Charges Outstanding Ratio	<5%	3.27%	3.24%	3.21%	3.18%	3.15%	3.11%	3.08%	3.05%	3.02%	2.99%	2.96%
Cash Expense Cover Ratio	>3 Months	11.72	9.78	9.06	8.98	8.76	8.69	8.80	8.95	8.93	9.15	9.38
Infrastructure Renewal Ratio	>100%	144%	157%	131%	98%	93%	86%	81%	81%	86%	70%	71%
Infrastructure Backlog Ratio	<2%	8.30%	7.09%	6.40%	6.37%	6.46%	6.68%	7.01%	7.35%	7.61%	8.18%	8.74%
Asset Maintenance Ratio	>1	0.64	0.64	0.64	0.65	0.65	0.67	0.68	0.69	0.70	0.72	0.71

Key Performance Indicators - Scenario 2	Benchmark	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Operating Performance Ratio	>0	(3.11)%	(3.84)%	(2.11)%	(1.10)%	(1.77)%	(2.04)%	(2.61)%	(1.97)%	(2.83)%	(1.72)%	(1.88)%
Own Source Operating Revenue	>60%	87.25%	86.86%	85.24%	88.79%	90.94%	91.35%	91.40%	91.55%	91.62%	91.77%	91.82%
Unrestricted Current Ratio	>1.5x	3.20	3.20	2.62	2.24	1.88	2.32	1.92	1.51	1.06	0.79	0.60
Debt Service Ratio	>2x	4.36	2.21	2.76	3.06	3.09	1.90	1.81	1.91	1.78	1.94	1.85
Rates and Annual Charges Outstanding Ratio	<5%	3.27%	3.24%	3.21%	3.18%	3.15%	3.11%	3.08%	3.05%	3.02%	2.99%	2.96%
Cash Expense Cover Ratio	>3 Months	11.72	11.44	9.43	8.04	6.56	7.85	6.39	5.02	4.25	3.81	3.36
Infrastructure Renewal Ratio	>100%	144%	204%	181%	147%	141%	133%	127%	126%	130%	114%	117%
Infrastructure Backlog Ratio	<2%	8.30%	6.21%	4.62%	3.70%	2.92%	2.28%	1.76%	1.25%	0.68%	0.41%	0.10%
Asset Maintenance Ratio	>1	0.64	0.63	0.63	0.64	0.64	0.65	0.65	0.66	0.67	0.68	0.67

### **5.11 Review of Long Term Financial Plan**

A final, qualitative performance measure will be the regular review of this Long Term Financial Plan. The Inner West Council is taking a continuous improvement approach to the LTFP. It is expected that the document will be progressively refined, as Council's knowledge regarding the various assumptions increases and as Council and the community begin to consider and discuss the various scenarios.

It is anticipated that Council will review the LTFP, including each of the scenarios, at least annually.

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