campbelltown city council

Appendix 2

Long Term Financial Plan

Campbelltown City Council
Long Term Financial Plan 2013 - 2023






Disclaimer

This document was first published on 1 July 2012. The information contained in this document is to be considered general in nature and Council reserves the right to make changes accordingly. Any document that contains financial information is to be considered an estimate based upon information available at the time of publication. Council takes no responsibility for actions taken by third parties based on information contained in this document.

This document was adopted by Council at an Extraordinary Meeting held on 11 June 2013. This document has been revised to include funding available through the Local Infrastructure Renewal Scheme.

Version 2

Contents

Introduction

The Integrated Planning and Reporting (IPR) Framework has been developed as part of the NSW Local Government Reform Program to support a strong and sustainable Local Government system. The structure requires at least a 10 year strategic business planning framework relative to the Local Government Area and the activities of the Council.

The Long Term Financial Plan (the plan) forms part of Campbelltown City Council's Resourcing Strategy. The Resourcing Strategy underpins Council's Community Strategic Plan and consists of three components: The Workforce Management Plan, Asset Management Policy, Strategy and Plan and Long Term Financial Plan. These interrelated documents focus in detail on how Council will utilise its resources to deliver on objectives and strategies in the Campbelltown Community Strategic Plan. The documents both inform and are informed by the four year Delivery Program which has been created to outline the activities and programs to deliver on the Community Strategic Plan. Each of these individual documents should be viewed as integral elements of an overall strategy and will be under continuous review and adjustment as annual budgets and operational plans are developed.

This plan focuses on Council's long-term goal of financial sustainability and delivering quality services and outcomes for the community. The new planning and reporting framework encourages councils and their communities to work together to deliver services, preserve local identity and to plan in partnership for a more sustainable future.

The Long Term Financial Plan is a decision making tool and addresses areas that impact on Council's ability to fund services and capital works, while living within its means and ensuring financial sustainability. The plan will be dynamic in nature and subject to continual review to ensure changing community expectations are considered.

About Campbelltown City Council's planning framework

Campbelltown's Community Strategic Plan is built around five objectives supported by 15 strategies. The planning process will ensure that Council's programs and resources are directed to achieving these objectives, and assist in identifying long term priorities and actions for Campbelltown City.

The four year Delivery Program sets out programs of works for Council and is an important part of the process. The Delivery Program will be reviewed annually when preparing the Operational Plan and annual budgets. The Operational Plan focuses on the activities that will implement the four year programs of works set out in the Delivery Program. The Operational Plan cascades down into divisional, sectional and individual staff work plans.

This process ensures a high level of accountability at each level of the planning framework, and that activities are carried out and remain consistent with Council's strategic direction.

This community strategic planning process provides Council with valuable information about the future. The Council and the community have a better understanding of:

- anticipated pressures that will affect the community socially, environmentally and economically, as well as other drivers behind this change
- predicted economic growth rates
- the community's aspirations and priorities for improving its economic, environmental and social outcomes
- the community's priorities in terms of expected levels of service and projects that the community wants delivered.

The aim of the Long Term Financial Plan is to put into place a framework for financial decision making at a very high level by providing guiding principles for the short, medium and long term. The process is built on five key foundations:

- planning assumptions
- revenue and expenditure forecasts
- sensitivity analysis
- financial modelling for different scenarios
- monitoring financial performance.

The Long Term Financial Plan is a framework to assist to determine how best to achieve the community's expectations, while addressing long term financial challenges Council faces.

Financial sustainability

a. What is financial sustainability?

Financial sustainability is an organisation having sufficient funds to meet all of the resource and financing obligations in the short and long term. To do this, Council is required to develop a balanced approach through a range of funding options to provide future generations with sustainable infrastructure and environment. A long term financial plan helps Council to achieve this sustainability.

b. Key Performance Indicators (including targets)

Liquidity and unrestricted cash

Target – unrestricted current ratio > 1:1.5

Liquidity is a key factor in the viability of any organisation, regardless of whether it is in the commercial or government sectors. The ability to meet short term funding requirements is equally relevant to a Council as it is to any business.

Council monitors the short term funding requirements daily and produces cash flow estimates on both a short term and long term basis. This monitoring and forecasting informs Council's investment strategies and decisions to ensure that adequate liquidity is maintained. Council will also, as part of the reserves strategy, continue to provide for adequate levels of reserves to fund less predictable outlays, such as major employee leave entitlement payments.

Borrowing and debt servicing

Target – debt service ratio < 8%

Council's strategy is to maintain a yearly borrowing program to support Council's capital program, while containing the annual debt servicing to less than 8% of annual revenue from continuing operations.

This strategy will enable Council to continue to stabilise debt levels within manageable limits, while still recognising that borrowing prudently is a valid funding source for long term capital purposes and provides for intergenerational equity.

Rates coverage

Target – rates coverage ratio < 60%

This ratio measures the proportion of untied income provided by rates. Council's strategy is to investigate options to further diversify the income base without increasing Councils level of risk.

Rates and annual charges outstanding

Target – rates and annual charges outstanding ratio < 5%

This ratio measures uncollected rates and annual charges as a proportion of total rates and charges levied. This debtor management ratio is a measure of the effectiveness of recovery efforts, however, is impacted by Council policies as well as economic and social conditions.

Asset renewal

Target – asset renewal ratio ≥ 100%

This ratio measures Council's expenditure on the renewal of fixed assets as a proportion of depreciation. The future sustainable management of Campbelltown's infrastructure assets is critical for the development and overall wellbeing of the community.

It should be noted this ratio uses depreciation as the denominator and ignores the calculated renewal funding requirement under lifecycle costing of an asset which would be a more appropriate measure. However, this ratio is used by the Local Government Code of Accounting Practice hence why it has been published as part of this plan.

c. Strategies

In any long term financial plan, the key questions will always include:

- what is happening to the levels of service the community receives?
- are there any changes to any major policies?
- what major projects will be constructed around the City?

The primary objective of Council's financial planning is to enable the delivery of the community's vision as set out in the Community Strategic Plan, while ensuring Council's continued financial sustainability. An analysis of Council's current financial position and longer term financial forecasts has identified a gap between operating revenue and expenditure that must be addressed. Not addressing this operational deficit would ultimately jeopardise the adequate funding of asset management, including capital expenditure, identified in Council's Asset Management Plan.

In addition to the annual operating result, Council is focussing on a number of other key financial parameters. These include the prudent build up and use of internally and externally restricted reserve funds, liquidity and unrestricted cash ratios, borrowings and debt servicing, asset renewal and maintenance and new capital projects.

By focussing on each of these key areas and setting improvement targets for each of them over the period of the Delivery Program, Council aims to improve the financial health of the organisation to an appropriate level that can be sustained in the long term.

Balanced budget

As Council is a not for profit organisation, a balanced budget is presented each year. This means the revenue Council receives each year matches Council's expenditure. This objective is proving to be challenging to achieve, due to minimal increases in revenue and larger increases in expenditure to deliver the same service levels. To address this challenge, Council will focus on the following areas to generate additional revenues and to deliver services in a more cost effective manner:

- a comprehensive review of services that are provided by the organisation, both internal and external
- property strategy to optimise returns on Council's portfolio
- rating strategies.

Operational result

Council aims to have a positive operational result, to generate sufficient recurrent revenue to maintain existing services and to fund maintenance costs of assets. This will require a combination of expenditure and revenue initiatives to address predicted deficits over a number of years.

Service review

One of the major elements of Council's long term financial strategy is to review all of its services and identify opportunities to improve productivity, reduce costs or increase revenue. Each of the reviews will involve:

- defining customers and services
- determining utilisation measures for services
- determining how customers measure the value of these services and establishing key performance indicators
- documenting the processes by which services are delivered
- measuring and benchmarking current performance
- recommending any changes to the service delivery model that can improve the service delivered to the community, productivity and quality, reduce costs or provide additional revenue opportunities.

Property strategy

Council owns a number of revenue generating properties within the Local Government Area. The most significant of these are ground leases in Macquarie Fields (five properties) and the Dumaresq Street cinema complex in Campbelltown. Council continues to evaluate the use of all sites to ensure that they are optimally meeting Council's strategic objectives for growth and development, traffic and transport infrastructure and financial sustainability.

Council also owns a number of general purpose properties within the Local Government Area that are surplus to current needs. The development of Council's Property Strategy will include reviewing a range of options for the property portfolio including reinvestment, redevelopment and disposal.

The Property Strategy will deliver value in terms of one or more of the following objectives:

1. strategic Council and city infrastructure
2. income producing property investments
3. proceeds from the sale of surplus properties
4. reinvestment in infrastructure
5. diversification of income.

The timeframes to deliver parts of this strategy will vary depending on the characteristics of the property, and any associated facilities that will be relocated or redeveloped.

Council is currently reviewing the property portfolio in developing the Property Strategy and it will include the identification of strategic sites, evaluation of development opportunities and an increased contribution towards Council's long term financial sustainability.

The potential disposal of surplus properties will provide funding to increase the quality and services by reinvesting in that same class of asset. A number of key projects are already underway including:

1. Community School Agreement review
2. Open Space and Facilities review
3. Community Service Delivery Model review.

The following property development opportunity sites have already been identified as priorities for the preparation of action plans:

1. Menangle Park – certain lands in Council ownership
2. Farrow Road/Blaxland Road - Council owned vacant land
3. Hollylea Road, Leumeah industrial estate – vacant Council owned land.

Council is currently redeveloping the Minto public housing estate in partnership with Housing NSW. Landcom is providing services in developing the estate and a Development Management Agreement has been agreed to by all parties. Council has an agreed percentage of income from sales associated with the redevelopment. These funds will be allocated to Council's Asset Replacement Reserve to fund infrastructure renewal requirements.

Other strategies

A number of other strategies have been identified and are being further developed that will contribute to the progressive improvement in Council's financial position. At present, the potential savings through expense reduction, productivity improvements or revenue generation have not been quantified and are therefore not yet factored into the forward financial estimates. These include:

- implementation of Council's Asset Management Strategy to improve asset management, leading to a reduction in the maintenance and renewal costs of buildings and an increase in the useful lives of assets. This will include ensuring all new assets undertake lifecycle assessments and the ongoing implementation of programmed maintenance cycles for existing assets, regular review and clarity around investment return on plant and equipment, as well as investigating how Council can deliver services in new and innovative ways to ensure that the community receives the services that it requires.

- maximise grant revenue to undertake work that is of priority to all levels of government, while remaining aware of potential grants that create financial pressure on Council and/or direct effort away from strategic priorities, particularly where matching funds are required.

- e-Business – Council is currently developing opportunities to enhance conducting business over the internet. This strategy is currently underway and includes new initiatives such as e-Planning and e-Certificates.

- sustainability initiatives – Council continues to implement a number of sustainability initiatives that are informed primarily by Council's Energy Management Plan and are funded through the savings generated. These initiatives should assist in the reduction in energy usage and therefore a reduction in operational costs.

Levels of service

Council has previously undertaken a process of engagement with the relevant stakeholders to inform the Community Strategic Plan and the Delivery Program. This in turn has driven the direction that has been taken in the Asset Management Policy, Strategy and Plan.

It is important to note that the community engagement conducted, confirmed that Council currently provides the services and functions that the community wants.

The plan assumes the levels of service and operations remain stable or in some cases slightly increased over those in the 2013-2014 budget. Council will maintain, subject to available funding, its operational and capital high priority programs, as well as basic service provision, while seeking efficiency improvements in-line with appropriate benchmarks. Non high priority programs should be considered in terms of:

- can Council afford to maintain the program in the long term?
- should Council be involved and to what extent?
- is it a statutory obligation?
- is it required as part of an adopted strategy, policy or plan?
- is the program supported by the Community Strategic Plan?
- what is the cost and benefit given the level of priority?

The Delivery Program provides a comprehensive overview of Council's services, functions, programs and activities.

Policies

In developing the Long Term Financial Plan, key Council plans and policies have been considered to ensure that any strategies developed are within existing policy guidelines. Refer to page 36 of this document for a summary of significant financial policies.

Council has developed an Asset Management Policy. The policy statement reads:

> "The management of Council's assets is a key function of Council. The provision of assets maintained to meet community needs and expectations is fundamental to Council's overall service delivery.
>
> This policy demonstrates Council's commitment to the responsible management of Council's assets. This policy addresses relevant legislative requirements and will be revised in accordance with any future changes."

This policy sets the broad framework for undertaking asset management in a structured and coordinated way. Asset management improvements directly relate to accountability, risk management and service efficiency.

Major projects

Over the next 10 years under Scenario 2, Council will spend approximately $177m on a range of projects across the City. This includes the substantial renewal of Campbelltown's existing assets, as well as the development of new services, facilities and infrastructure networks. Major projects that will be considered over the next decade are listed below:

- business centres revitalisation – the revitalisation of the Campbelltown, Ingleburn and Glenfield CBDs, is a key goal for Council, encouraging more people to access the services available through improved amenity and encouraging new investment in the business centres. These works would include the renovation of public areas, a refurbishment of the paving, and promoting business investment. It is anticipated this project will require significant funding which has not been provided to date
- provision of increased parking to support the CBDs of Park Central, Campbelltown, Ingleburn and Glenfield
- City footpath and cycleway links
- upgrade of services/assets (eg centralised parks vs small pocket parks)
- development of regional parks including the provision of major play equipment within district parks and walking trails
- City wide traffic study and associated works

There will be a number of significant projects anticipated over the next 10 years that will be delivered by other Government agencies, however Council will be required to provide associated works including connecting roads and intersection upgrades. These projects are forecast to include:

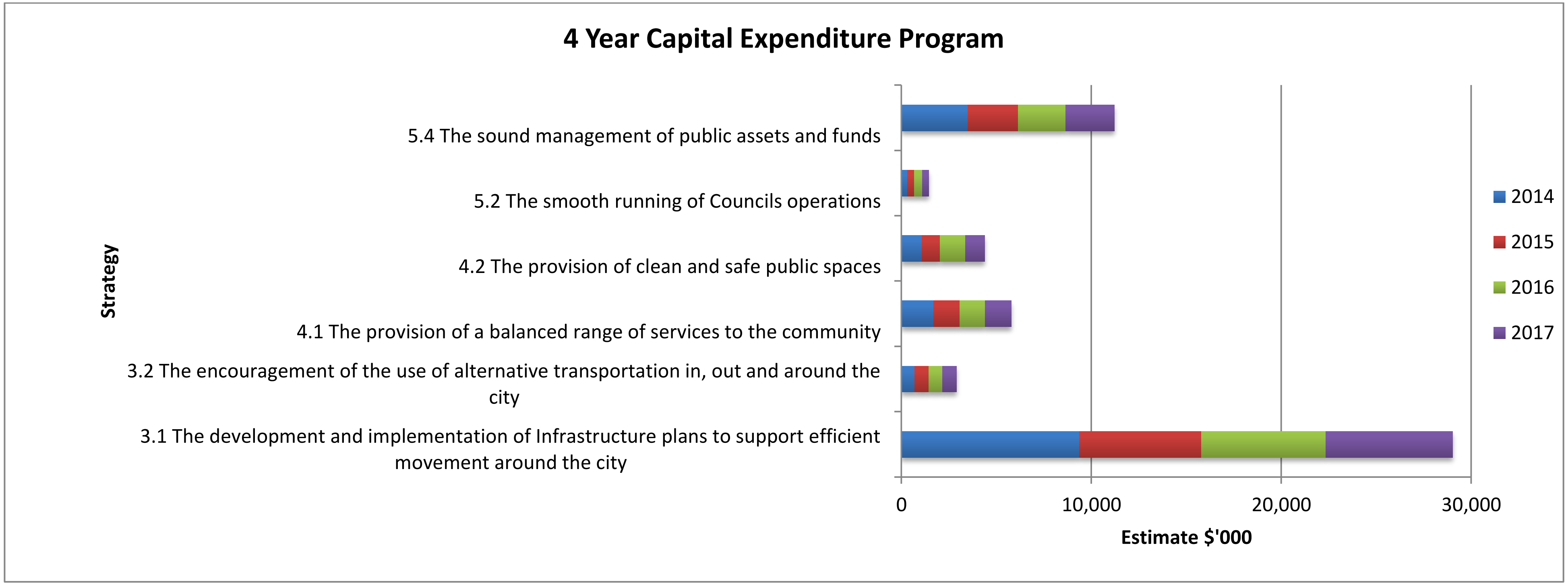
- Campbelltown Hospital extensions
- Badgally Road link to Campbelltown CBD and Railway
- Eagle Vale Drive upgrade
- Narellan/Kellicar Road upgrade
- Narellan Road upgrade
- Spring Farm Parkway
- development of a support road and traffic management network for the Campbelltown CBD
- F5 (now M31) capacity and future ramps at Menangle Park and Badgally Road, Campbelltown
- alternative/upgrades to University of Western Sydney access
- redevelopment of housing estates – community and recreation facilities
- Upgrade to Ingleburn Station bus/rail interchange
- future commuter parking provision at Campbelltown, Leumeah, Minto, Ingleburn, Macarthur Rail Stations.

Investigations are underway for the following projects:

- Moore Oxley Bypass/Queen Street intersection improvement - dual right turn lane into Queen Street
- UWS intersection improvements
- Minto to Ingleburn Industrial link road
- Cambridge Avenue high level bridge
- Sport and Recreation projects
- St Helens Park skate facility
- Broughton Street rail overbridge
- Extension of Beverley Road
- Flood mitigation works throughout City
- Upgrade to sections of Appin Road
- Upgrade of Denham Court Road and Campbelltown Road.

Major projects

Additional capital expenditure will be required to meet the infrastructure needs as a consequence to anticipated growth in resident and business populations, and positioning Campbelltown as a regional city. Funding for these projects will be sourced primarily from development contributions, planning agreements, capital grants and the allocation of supplementary rates income.



The Long Term Financial Plan (the plan) is an integral part of Council's strategic planning cycle. This enables long term community aspirations and goals to be tested against financial realities.

The plan is a decision making and problem solving tool. The financial objectives, performance targets and strategies that Council has adopted in meeting financial sustainability challenges over the 2013-2023 period are presented in this document.

It is not intended that the plan be inflexible - it is a reasonable guide for future action based on current information. The modelling that occurs as part of the plan will provide an opportunity for Council to identify financial issues at an earlier stage, and gauge the effects of these issues in the short to long term.

The plan does not indicate what services or projects should be allocated funds; rather, it addresses areas that impact on Council's ability to fund services and capital programs.

As with most NSW councils, Campbelltown faces a challenge in funding ongoing operations and adequately maintaining its community assets. The growth in the cost of labour and materials, increasing demand for affordable services and cost shifting from other levels of government, combined with a legislated cap in revenue generated from rates and developer contributions, have created a difficult financial environment.

Central to the future financial sustainability of Campbelltown City will be the ability to adapt and respond to the challenges of delivering services more efficiently, reducing expenditure, investigating opportunities to generate alternate sources of revenue and ensuring projects and initiatives are delivered to strengthen Campbelltown City as a regional City centre. A challenge will be to ensure a strong partnership with State and Federal government agencies is optimised to deliver the aspirations of the City.

Due to the length of the planning horizon, the plan becomes more general in future years. For example, the 10th year of a 10 year plan does not include specific detail, however, does show likely trends based on accepted assumptions.

The financial modelling and scenarios used in 2013 have shown that given the financial and asset management challenges currently facing Council, there is a need to revisit and reconsider these assumptions over 2013-2016 in line with the term of the newly elected Council.

What are the key assumptions that underpin the Long Term Financial Plan?

There are a number of assumptions that are used in order to project the long term financial results. These assumptions are outlined in detail from page 24 of this document, however, the key assumptions are outlined below:

- future determinations of the rate peg are forecast to be 3%, however, this may vary depending on the recommendation of the Independent Pricing and Regulatory Tribunal (IPART)
- increase in 2013-2014 to the pensioner rebate subsidy on rate accounts by $50 to $300.
- service levels are largely maintained throughout the plan
- the Consumer Price Index (CPI) is estimated at a flat rate of 2.5% per annum
- in general, future expenses and revenues have been calculated to reflect forecasts for the CPI
- increases in revenue from user charges have been maintained using a combination of the CPI and the IPART Local Government Cost Index with utilisation rates remaining steady
- salary and wage increases are estimated to be on average 4% per annum
- new borrowings are restricted to ensure the Debt Service Ratio remains less than 8%. Strategic capital expenditure will be considered suitable for funding from loans in line with intergenerational equity considerations.

It is estimated that the population will continue to grow from the reported 155,000 in 2011, with forecasts for 2021 reaching 185,000.

The above population figures are form the NSW Statistical Local Area Population Projection, 2006-2036, NSW Department of Planning.

What are the key assumptions that underpin the Long Term Financial Plan?

This forecast growth will be reflected in the number of new dwellings, which are predicted to be:

Typology	Net Dwelling Increase												
	Historical		Forecast										
	Past 6-10 years	Past 5 years	12/13	13/14	14/15	15/16	16/17	Short Term (next 5 yrs)	17/18	18/19	19/20	20/21	22/23	Medium Term (years 6-10)
Transit Nodes	418	649	172	100	135	106	137	650	137	137	137	137	137	685
Infill	876	615	278	425	465	379	203	1,750	203	203	203	203	203	1,015
Rural	19	17	0	50	100	100	100	350	100	100	100	100	100	500
Greenfield Release Areas	891	383	188	176	293	243	200	1,100	200	200	200	200	200	1,000
Growth Centres	0	19	139	0	40	50	166	395	166	166	166	166	166	830
Total LGA	**2,204**	**1,683**	**777**	**751**	**1,033**	**878**	**806**	**4,245**	**806**	**806**	**806**	**806**	**806**	**4,030**

These growth projections are estimates and are affected by changes in market conditions. The increase in development does provide an additional income stream, however in most cases, this is absorbed by additional maintenance requirements that are created by the provision of additional infrastructure (especially open space).

What are the key assumptions that underpin the Long Term Financial Plan?

a. Strategic aims/objectives

- provide a transparent account of Council's financial position to the community
- model the cumulative financial effects of Council's high level plans and policies
- identify the financial opportunities and challenges confronting Council
- identify the financial capacity for the delivery of key initiatives arising out of the Community Strategic Plan, Delivery Program and the Operational Plan
- identify adequate levels of funding to ensure provision of required services at the appropriate service level
- identify the financial capacity to support the recommendations arising out of the Asset Management Plans
- identify appropriate levels of debt and ensure intergenerational equity
- provide a basis for sound and strategic decision making
- allow scenario testing of different policies and service levels
- achieve a balanced budget over the long term
- meet the requirements of the Division of Local Government's Integrated Planning and Reporting framework
- achieve a situation of financial health for Council that is sustainable in the long term.

b. Scope/structure

In determining Council's long term financial sustainability, the following scope has been defined:

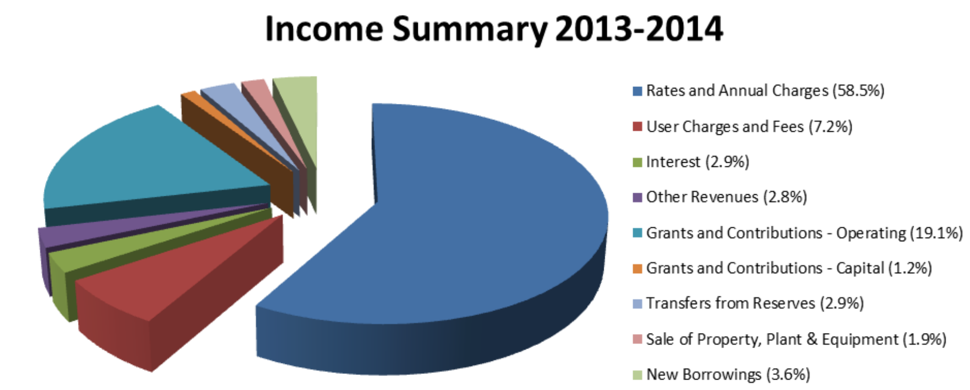
- current service delivery methods will largely continue
- the Council will continue to be responsible for providing the current range of functions and services
- the Workforce Management Plan will inform the future labour resourcing required for the organisation
- the quantity of assets (roads, buildings, land etc) is forecast to grow by around 2.5% per year. As new release areas progress, a number of new community facilities and infrastructure assets will be identified in accordance with Developer Contribution Plans and Planning Agreements
- the current philosophy and practices of condition based maintenance will largely continue.

The key policy implication of these assumptions is that the community are satisfied with the level of service they are currently receiving from Council. However, there may be a need for an increase in Council owned/built assets over the next 10 years in new release areas in and around the Local Government Area. The expenditure impact of servicing the growing population will need to be built into future Long Term Financial Plan models, when service levels and expectations of the growing population are more clearly defined.

c. Current financial position

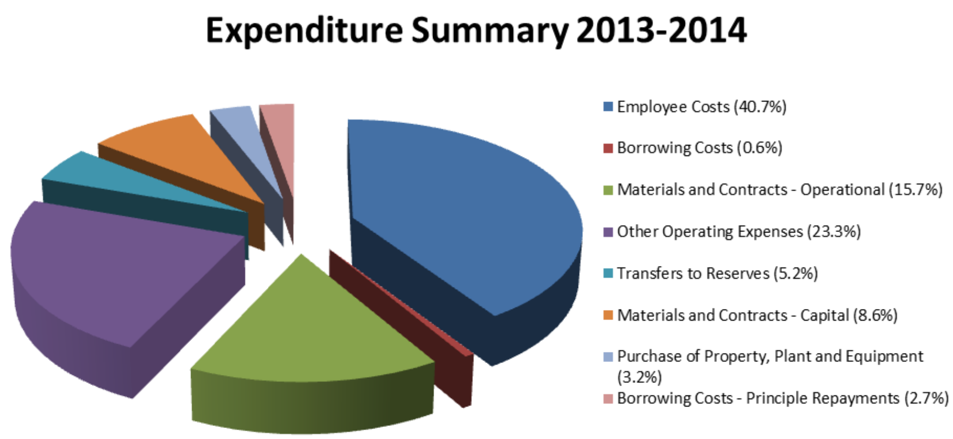
Council operates at present from a sound financial position, albeit with significant challenges each year in addressing an infrastructure maintenance and renewal shortfall.

The 2013-2017 Operational Plan estimates that Council's total revenue for 2013-2014 will be $131m and capital revenue will be $9.4m. The below graph indicates Council's sources of revenue:



Total Income $140.4m

The 2013-2017 Operational Plan estimates Council's 2013-2014 operating expenditure at $123.8m and capital expenditure of $16.6m. The below graph indicates Council's sources of expenditure:



Total Expenditure $140.4m

SUMMARY OF FINANCIAL STATEMENTS 2012 AND 2013	2012/13 $,000	2011/12 $,000
INCOME STATEMENT		
Total income from continuing operations	131,364	128,577
Total expenses from continuing operations	133,029	130,671
Operating result from continuing operations	**(1,665)**	**(2,094)**
Net operating result for the year before grants and contributions provided for capital purposes	**(6,709)**	**(3,842)**
STATEMENT OF FINANCIAL POSITION		
Total current assets	96,583	99,841
Total current liabilities	31,885	36,739
Total non current assets	1,784,290	1,772,007
Total non current liabilities	19,944	19,863
Total equity	**1,829,044**	**1,815,246**
OTHER FINANCIAL INFORMATION		
Restricted cash, cash equivalents and investments		
External restrictions	25,861	27,019
Internal restrictions	52,046	48,546
Unrestricted	9,731	16,047
Total	**87,638**	**91,612**
Ratios		
Unrestricted current ratio	3.17:1	2.66:1
Debt service ratio	4.30%	4.38%
Rate coverage ratio	59.86%	57.72%
Rates and annual charges outstanding percentage	4.82%	5.36%
Building and infrastructure renewals ratio	48.38%	35.75%

What are the key assumptions that underpin the Long Term Financial Plan?

The audited Financial Statements as at 30 June 2013 outlines the value of Council's restricted reserve funds held for specific future purposes:

Financial year ended	2013 $'000
External restrictions	
Self insurance claims	3,340
Developer contributions - S94	5,786
Developer contributions - other	613
Specific purpose unexpended grants	6,900
Domestic waste management	2,881
General contributions	6,099
Stormwater management levy	242
Total external restrictions	25,861

Financial year ended	2013 $'000
Internal restrictions	
Employee leave entitlements	10,577
Committed works funded by loans	2,568
Property development	12,373
Replacement of plant and vehicles	2,271
Asset replacement	15,387
Self insurance	2,495
Committed works	1,856
Local Government elections	39
Heritage funds	45
Community bus	77
Olympic ambassador	90
Motor vehicle insurance excess	856
Public liability claims	2,154
Industrial special risk insurance	775
Environment planning	78
Environmental sustainability	405
Total internal restrictions	52,046
TOTAL RESTRICTIONS	**77,907**

d. Scenarios

A number of scenarios have been modelled for the purposes of the Long Term Financial Plan. These scenarios include:

Scenario 1 – Base model - impact on service levels

This scenario assumes current funding levels and subsequent reduction in service levels to maintain a balanced budget. This is the financial forecast based on the proposed 2013-2014 budgeted expenditure and revenue, indexed for projected relative movements in the major areas of cost impacts for every year through to 2022-2023. The key assumptions and results are:

Activity	% change
Budget result	Balanced budget 2013-2023
Rates	2013-2014 rate peg 3.4%, future rate peg estimated at 3% per year
Fees and charges	Inflation increases of at least 2.5%
Investment return	5.5% average increase
Loan borrowings per year	$2.5m
Employee costs	4.25% average increase
Materials and contracts	Inflation increase of at least 2.5%
Depreciation	2013-2014 $26.3m, 2022-2023 $30.1m
Capital expenditure	2013-2014 $16.6m, $12.5m each year thereafter
Asset renewal and maintenance annual funding gap	$2.6m in 2013-2014, $5.2m in 2014-2015, increasing each year
Asset renewal and maintenance backlog	2013-2014 $32.2m, 2022-2023 $88m
Percentage of assets in poor condition	2013-2014 3.97%, 2022-2023 16%

Scenario 1 maintains a balanced budget through to 2022-2023. The impact of this strategy will be a reduction in service levels and programs that will increase over the short to long term. It should be noted the escalation in the asset renewal and maintenance backlog is significant and is not addressed under this scenario.

Scenario 2 - asset renewal and maintenance strategy

This financial forecast is Scenario 1 described above, plus additional expenditure on the renewal and maintenance of assets mainly funded by rate increases, loan funding and outcomes of service delivery reviews.

This scenario relies on an increase in rating revenue beyond the limits set by IPART and is estimated at an additional 11% in 2014-2015. It is important to note that the scenario assumes an IPART increase of 3% in all future years beyond 2014-2015. This scenario includes $10m of borrowings in 2014-2015 with additional borrowings of $2.5m per year thereafter. It is anticipated that the subsidised interest rate under the LIRS funding agreement will remain available for this additional $10m of borrowings in 2014-2015. There will also be an additional redirection of reserve funds towards asset maintenance and renewal. The key assumptions and results are:

Activity	% change
Budget result	2013-2014 to 2022-2023 balanced
Rates	2013-2014 rate peg 3.4%, 2014-2015 permanent rate increase 11%
Fees and charges	Inflation increases of 2.5%
Investment return	5.5% average increase
Loan borrowings per year	$5m for 2013-2014, $10m for 2014-2015, then $2.5m thereafter
Employee costs	4.25% average increase
Materials and contracts	Inflation increase of 2.5%
Depreciation	2013-2014 $26.3m, 2022-2023 $31.1m
Capital expenditure	2013-2014 $16.6m, 2014-2015 $24.6m, $17m each year after plus inflation
Asset renewal and maintenance annual funding gap	$2.6m in 2013-2014, $0 in future years
Asset renewal and maintenance backlog	2013-2014 $32.2m, 2022-2023 $0m
Percentage of assets in poor condition	2013-2014 3.97%, 2022-2023 0%

This scenario reduces the asset maintenance and renewal backlog over the next 10 years with a projection of $0 backlog in 10 years time.

Scenario summary:
In summary, Scenario 1 maintains a balanced budget over the next 10 years. This scenario will result in reductions in service levels and an escalation of the asset renewal and maintenance backlog.

Scenario 2 - begins to address the asset maintenance and renewal backlog, allows time to review all community services and facilities and monitor the rate of growth in a number of areas of the City. This scenario would reduce the asset maintenance and renewal backlog over the next 10 years to $0.

e. Asset Management Plan

The Asset Management Plan provides a strategy for the management of Council's $1.8b asset portfolio (this includes all asset types). Of these assets, $785m are depreciating infrastructure and building assets that need to be maintained, renewed and eventually replaced.

The financial impact on Council's budget from assets is substantial and increasing, as new assets are created and existing assets age. Council aims to maintain its infrastructure and assets to a standard acceptable to the community, to ensure continued delivery of services to agreed standards. This involves developing and integrating the Asset Management Strategy and Plan with the Long Term Financial Plan to provide for continued and appropriate investment in maintenance, renewal and replacement of assets. An emphasis is placed on allocating additional funds to maintain and enhance the existing asset base, so current service levels are not compromised.

The Asset Management Strategy and Plan assists Council to make informed decisions on the most cost effective use of its assets over the longer term and to achieve the objectives of the Community Strategic Plan, support service delivery within available resources and maintain a prudent risk profile.

Objectives of strategic asset planning:

- to establish and routinely update an Asset Management Strategy (minimum 10 year period) as the primary framework to provide and maintain asset services to current and future generations
- to manage assets through the development of Asset Management Plans in accordance with relevant legislation and best practice for each asset class
- to ensure future funding needs are identified, affordable, agreed on and then funds allocated, so that assets can meet their defined levels of service in consultation with stakeholders, including our community
- to ensure that assets are recorded in accordance with the requirements of the appropriate asset accounting standards and financial reporting requirements. This includes development of an asset management information system with comprehensive knowledge of all physical assets
- to promote asset management awareness among staff incorporating the asset management strategy, asset management objectives, targets, plans, and funding requirements.

What are the key assumptions that underpin the Long Term Financial Plan?

A key element of this financial strategy is to maintain or improve infrastructure assets in an appropriate condition through a combination of:

- additional loan funding of $2.5m for the renewal of existing assets in 2013-2014 under the Local Infrastructure Renewal Scheme
- additional $1m per year from 2013-2014 onwards for maintenance of existing assets
- Asset Management Plan initiatives:
    - target service delivery review
    - cyclic and preventative maintenance plans
    - maintain the current asset network size
    - asset amalgamation/rationalisation
    - ownership options
    - investigate alternate funding sources
    - timely service level agreement with asset service providers
    - develop business case framework dealing with creating new assets.

The plan currently aims to maintain assets in a condition that is appropriate for that category of asset.

f. Restricted assets/reserves

Overall, Council's internally restricted and externally restricted reserves are expected to remain constant over the period of the Delivery Program.

g. Annual review

Each year, the plan will be updated with actual financial data along with the review of planning and financial assumptions for continued accuracy. Changes to the plan will be driven by changes in strategic direction as and when required by the Community Strategic Plan, Delivery Program and the Operational Plan.

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What are the key assumptions that underpin the Long Term Financial Plan?

Planning assumptions

In preparing this Long Term Financial Plan, it was necessary for Council to make a number of assumptions about the future. Under the Division of Local Government's Planning and Reporting Guidelines for Local Government in NSW, Council is required to identify the planning assumptions and the risks of those assumptions (sensitivity analysis) to financial estimates in the Long Term Financial Plan.

The following tables identify significant forecasting assumptions, describe the risk in making such an assumption, rate the level of risk, give reason for the risk rating and explain how that level of risk may affect financial estimates in the plan.

Many of the planning assumptions will come from the Community Strategic Planning process, others will be derived from general financial planning practices.

Category	Assumption	Risk	Level of risk	Reason for level of risk, and impact on Long Term Financial Plan
Population	Planning for activities, and thus the likely cost of providing those activities, considers that the population of Campbelltown will increase at the rate forecast by Council's growth model. That model predicts the population of Campbelltown to reach 185,000 by 2021	That population growth is higher than projected, and Council will need to provide additional unplanned services and infrastructure	Low	Population projections are based on a standard set of demographic assumptions inclusive of additional growth. Population projections are not expected to rapidly change, therefore the level of risk is low and little financial impact is expected
		That population growth is lower than projected, and Council will be required to support excess levels of infrastructure and service delivery	Low	
Growth	Council levies rates on property owners to fund community services and the costs of infrastructure in the city. The total projected revenue from rates is dependent on the forecast growth in the number of residential, business, farmland and mining properties. This forecast is based on Council's growth model, modified for short to medium term economic conditions and depends on the demands of the market	Should growth in the number of properties vary considerably from forecasts, there is a possibility that revenue collected from rates will be too much or too little to fund Council's services and capital program	Moderate	Growth projections are based on a standard set of demographic assumptions inclusive of additional growth. Growth projections are not expected to change quickly, however the timing of that growth and its impact on Council's revenue will affect the funds available for service provision in this Long Term Financial Plan
		If the timing of growth differs significantly from forecast, this will impact on Council's cash flows and may necessitate changes to planned borrowings for capital purposes		

What are the key assumptions that underpin the Long Term Financial Plan?

Category	Assumption	Risk	Level of risk	Reason for level of risk, and impact on Long Term Financial Plan
Economic environment	Council has prepared this Long Term Financial Plan on the basis that current predictions on the depth and duration of the decline in world market conditions will remain slow over the medium to short term	The current market conditions significantly decline	Moderate	This Long Term Financial Plan has been prepared based on data available at the time of writing. It reflects the current uncertainty in the global economy through assumptions around inflation, borrowing costs and return on investments
Environmental change	This Long Term Financial Plan is prepared on the assumption that environmental change (ie climate change) will not have a direct significant impact on the environment of Campbelltown within the 10 year Long Term Financial Plan. The plan does however allow for the implementation of carbon tax and its estimated indirect effect on Council	Environmental change accelerates	Low	Should environmental impacts significantly change such that the environment and economy of Campbelltown is greatly affected in the next 10 years, the activities and services outlined in the Long Term Financial Plan will fundamentally change. These changes would be reflected in an amended Long Term Financial Plan
Legislative change	Council will continue to operate within the same general legislative environment and with the same authority as it does at the time this Long Term Financial Plan is published	Should the Local Government legislative environment change, the services and functions Council plans to provide over the 10 year period could change	Moderate	At the time of adopting this Long Term Financial Plan, Council is unable to determine how potential legislative change might impact its operations or quantify the potential financial impact
Statutory fees	Based on historical trends, statutory fees are assumed to increase by 2% per year	That statutory fees increase by less than the assumed rate	Low	Statutory fees make up 2% of Council's revenue base and as such identified a low level of financial impact
Service levels	Service levels largely remain the same throughout the Long Term Financial Plan	Requirement of service levels to increase	Moderate	The provision of current service levels requires 100% of current income streams. Any increase in service levels requires sourcing of new/increased income streams or the reduction of another service level to offset

What are the key assumptions that underpin the Long Term Financial Plan?

Category	Assumption	Risk	Level of risk	Reason for level of risk, and impact on Long Term Financial Plan
Rating base	The projected percentage increase in rates is in accordance with the estimated annual determination by the Independent Pricing and Regulatory Tribunal under delegation by the Minster for Local Government. The rate peg determination for 2013-2014 is 3.4%. The increases in rates for years from 1 July 2014 include the assumption that the annual determination will be 3%. This will generate additional income of approximately $2m each year	The Ministerial rate determination is less than 3%	High	Variances between the forecast and the actual rate peg by every 0.5% would result in a shortfall of $340k
	Redevelopment of Housing NSW estates ie Airds, Claymore, Rosemeadow and Macquarie Fields will occur outside predicted timeframes	The redevelopment occurs at an increased pace than anticipated	Moderate	Any redevelopment of an estate with Housing NSW properties will impact the plan during the demolition and rebuilding phase due to vacant land being exempt from rates. Once rebuilt, the properties will be rateable again. Market forces will determine the speed at which the development occurs and as such, it is anticipated to extend beyond the 10 year period reflected in this Long Term Financial Plan
	Development of the plan assumes that the current level of rate exemptions remain constant	The scope for increased entitlement to exemptions	Low	Should legislation permit exemptions to community housing providers or other large community based groups, Council's rates revenue would be impacted by up to 10%. This scenario is seen to be unlikely and as such has been allocated a low risk rating
Domestic waste management	The plan assumes the Domestic Waste Charge will increase in line with the Consumer Price Index (CPI)	On renewal of the disposal or collection contracts, contractor prices increase greater than that of CPI	Low	The Domestic Waste Charge is calculated based on pure cost recovery of service provision. Therefore an increase in the contractors cost will be directly offset by an increase in the annual charge. The impact on residents of a 1% increase is under $3 per year per assessment
Council policy	There will be no significant changes to Council policy as summarised in this Long Term Financial Plan	New legislation is enacted that requires a significant policy response from Council	Low	Dealing with changes in legislation is part of normal Council operations
		Election of a new Council with different objectives from current Council	Moderate	Any significant change to Council policy would be assessed in terms of impact on Council's financial position

What are the key assumptions that underpin the Long Term Financial Plan?

Category	Assumption	Risk	Level of risk	Reason for level of risk, and impact on Long Term Financial Plan
Financial assistance grants	The Long Term Financial Plan assumes Council's financial assistance grant will increase in line with the Consumer Price Index (CPI)	Changes to amount of grant or variation to assessment criteria equating to less than increases in CPI	Moderate	Every 1% the Financial Assistance Grant movement is below Consumer Price Index equates to around $90k. The Financial Assistance Grant fluctuates from year to year however on average reaches a 3% increase. Council is not informed of their Financial Assistance Grant allocation until approximately August of the same financial year. Council is not informed of allocations beyond the one year period
Inflation	The price level changes projected will occur. In developing this Long Term Financial Plan, Council has based inflation projections on information provided by the Australian Bureau of Statistics	Inflation is higher or lower than anticipated	Low	Inflation is affected by external economic factors
		Inflation on costs will not be offset by inflation on revenues	Moderate	Any inflationary increase in Council's costs that is not offset by efficiency gains or revenue increases is likely to impact on rates or service levels
Borrowing costs	Interest on debt is calculated at 4% for 2013-2014 based on an estimate of a 7% borrowing rate less a 3% interest rate subsidy Council has received under the Local Infrastructure Renewal Scheme. Interest is assumed to be 7% per annum from 2014-2015 onwards as this reflects an average trend over a 10 year period.	Interest rates will vary from those projected	Low	Relates to projected new debt at anticipated new interest rates. Existing borrowings are fixed term interest rates and as such, interest expense and repayments are known. If the actual interest rates are higher than the assumed rate, it should be noted it will be hedged by increased interest on investments revenue. An increase of 1% above forecast borrowing interest rates would increase 2013-2014 borrowing costs by $30k and would escalate each year by around $20k with new borrowings
Return on investments	Interest on investments is calculated at 5% for year 1 and an estimated 25 basis point increase per year for future years	Interest rates will vary from those projected	Moderate	Rates used are based on detailed analysis. If actual interest rates are lower than the assumed rate, expenditure priorities would be re-evaluated or alternative funding mechanisms utilised. It should be noted that any increases in revenue due to increased interest rates will be partially offset by increased interest borrowing costs
Asset revaluations	The impact of asset revaluations on carrying values and depreciation will occur as projected	Revaluations will materially differ from those projected, thereby changing projected carrying values of the assets and depreciation expense	Moderate	Variation in values is expected to be low unless valuation methodology changes or there is an unexpected movement in market values

What are the key assumptions that underpin the Long Term Financial Plan?

Category	Assumption	Risk	Level of risk	Reason for level of risk, and impact on Long Term Financial Plan
Asset life	Useful life of assets is as recorded in the asset management plans or based on professional advice. The useful life of assets grouped by asset class	Assets wear out earlier than estimated or asset lives are changed due to revisions of the asset management plans or new advice	Moderate	Capital could be brought forward in the event of early expiration of assets, but depreciation expense and financing costs would increase
Depreciation and amortisation	Assumes maintenance of existing arrangements for the purchase and sale of assets. Directly impacted by Council's Asset Management Strategy and the impact of any revaluation in asset classes	Asset revaluations significantly alter carrying values	Low	Council does not fund depreciation and amortisation of assets. As such, the changes in depreciation will not impact Council's budget, however, will be reflected on Council's income statement
Carbon tax legislation	This Long Term Financial Plan includes the projected impact of the implementation of a carbon tax set at $23 per tonne effective from 1 July 2012. The impact on Local Government will be both direct, through electricity charges, fuel costs, landfill sites and indirect through suppliers passing on their additional costs. The impact is estimated to include a 10% increase in electricity prices ($450k in 2012-2013) and reduce the Fuel Tax Credits Scheme Rebate by 6 cents per litre ($1,800 for 2012-2013). The impact of waste management and associated waste charges is unknown as credits or exemptions may be applicable to the whole or part of the sites using advanced treatment methodology for domestic waste	The indirect impact may be more than anticipated	Moderate	There will be pressure on the budget through the initial implementation years due to the general impact of a carbon tax on materials, contracts and utilities. A 5% increase on materials and contracts would equate to around $1.5m or 2% of rates income
Contract rates	Re-tendering of major contracts will not result in significant cost increases other than those that are comparable with the rate of inflation	There is a significant variation in price from re-tendering contracts	Moderate	Council would review the scope of work planned to meet the budget restrictions

What are the key assumptions that underpin the Long Term Financial Plan?

Category	Assumption	Risk	Level of risk	Reason for level of risk, and impact on Long Term Financial Plan
	That the re-tendering of Council's Domestic Waste Collection contract will result in similar contractor costs	There is a significant variation in price from re-tendering contracts	Moderate	The Domestic Waste Charge is calculated based on pure cost recovery of service provision. Therefore an increase in the contractors cost will be directly offset by an increase in the annual charge. The impact on residents of a 1% increase is under $3 per year per assessment
	The plan has factored in a 5% increase in disposal charges for Domestic Waste collected	There is a significant variation to the current contract or a new contract is negotiated	Moderate	The Domestic Waste Charge is calculated based on pure cost recovery of service provision. Therefore an increase in the contractors cost will be directly offset by an increase in the annual charge. The impact on residents of a 1% increase is under $3 per year per assessment
Capital works	Actual costs will vary from estimates, due to higher input prices or delivery delays, resulting in budget shortfalls	Asset renewal and replacement budgets have been prepared on the basis that the rate peg of 3% is determined by the Minister and all current sources of funding remain available	Moderate	Council is confident in the planning work undertaken on capital projects, but recognises external economic factors may impact on the costs and delivery timeframes for capital works
Employee costs	The staffing and organisation structure remains constant	Changes to levels of service	Moderate	As Council is a service provider, employee costs are a large portion of operating expenses. Forecasting assumptions used are based on expected Local Government Award variations and performance based increases. An increase of 1% above forecasts would increase 2013-2014 employee costs by $570k (equivalent to less than 1% of rates)
Superannuation	The Federal Government announced changes that will gradually increase the Superannuation Guarantee Levy from 9% to 12% beginning 2013-2014 to 2019-2020. This increase equates to $1.5m per year once levy reaches 12% in today's dollars	That employee costs increase more than projected	Moderate	As Council is a service provider, employee costs are a large portion of operating expenses. A 4% increase in employee costs is estimated to increase superannuation costs by $195k
Energy-utilities	The plan assumes an energy increase of 8% per year. This accounts for price and usage based increases offset by sustainability projects savings	That utility costs increase more than projected	Moderate	An increase of 1% above forecasts would increase 2013-2014 utility costs by over $130k (equivalent to 0.2% of rates)

What are the key assumptions that underpin the Long Term Financial Plan?

Category	Assumption	Risk	Level of risk	Reason for level of risk, and impact on Long Term Financial Plan
Cost shifting	The issue of cost shifting has, in recent years, been of significant concern to councils in NSW and all over Australia. In the recently published report from the Local Government and Shires Association of NSW (LGSA), based on the 2011-2012 financial year, Council estimates the total cost shifting for Council to be $5.7m.	That new or increased services and functions are transferred to Local Government responsibility	Moderate	Should State and Federal Governments continue to transfer responsibilities and the associated costs for the provision of services to Local Government, this will have negative implications for Campbelltown's long term financial outlook. Cost shifting absorbs 4.6% of Council's operational income. An increase of 5% in costs shifted to Council would absorb $285k

Significant forecasting assumptions

The following are the general assumptions that have been applied under Scenario 1. Where specific information is known about revenue and expenditure trends, this has been factored into forecasts. Scenario 2 assumptions are identical apart from borrowing costs estimated for 2014-2015 to be 3% allowing for a successful Local Infrastructure Renewal Scheme application for $10m of subsidised borrowings.

Operating expenditure	Source	2013 - 2014	2014 - 2015	2015 - 2016	2016 - 2017	2017 - 2018	2018 - 2019	2019 - 2020	2020 - 2021	2021 - 2022	2022 - 2023
Employee costs	Employee costs	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%
Borrowing costs	Borrowing costs	4%	7%	7%	7%	7%	7%	7%	7%	7%	7%
Utilities	Energy	8%	6%	5%	5%	5%	5%	5%	5%	5%	5%
Materials and contracts	Inflation	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Depreciation and amortisation	Council's fixed asset register	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Other expenses		2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%

What are the key assumptions that underpin the Long Term Financial Plan?

Operating revenue	Source	2013 - 2014	2014 - 2015	2015 - 2016	2016 - 2017	2017 - 2018	2018 - 2019	2019 - 2020	2020 - 2021	2021 - 2022	2022 - 2023
Rates	3% rate peg, 0.7% growth	4.1%	3.7%	4.0%	4.1%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%
	Scenario 2	4.1%	11%	4.0%	4.1%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%
Annual charges	Cost recovery	4.2%	4.7%	5.1%	5%	5%	5%	5%	5%	5%	5%
User charges	Inflation	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Fees	Statutory fees	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Interest revenue	Return on investments	5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
Grants and contributions – Operating	Inflation	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Grants and contributions – Capital	Inflation	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Other revenue	Inflation	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%

a. Methodology

The model has been prepared at the lowest accounting level within Council's general ledger system. At this level, certain accounts were coded for manual adjustment rather than broad percentage increases, to remove or allow for one-off budget allocations relating to circumstances that are not ongoing to future years.

Infrastructure management
Renewal and replacement capital expenditure will be based on long term asset management plans which consider the optimal timeframe for asset replacement based on whole of life costing. Total capital expenditure will be managed in a way which avoids disruptive adjustments to current activities and programs.

Funding opportunities through Federal and State Government grant allocations will be sought where possible. Local Government NSW continues to lobby the other levels of government to seek substantial increases to existing grant allocations to help meet Council's infrastructure renewal requirements.

b. Modelling assumptions

The following are the general assumptions that have been applied:

Operating revenue

Rates

Rate rises above CPI are required to produce viable operating results, which in turn generate funds for asset management, namely asset maintenance and capital renewal works, as well as long term borrowing management.

In Scenario 1 rate increases are projected to be in line with rate pegging which has been estimated at 3% per annum from 2014-2015. In Scenario 2 a special rate variation of 11% is assumed for 2014-2015. Of this 11%, 8% is to be directly applied to asset renewal and maintenance to address the infrastructure backlog with the remaining 3% required for operational purposes. There is a direct correlation between strengthening financial position and increasing annual rates.

Natural rates growth from supplementary levies is estimated at around $500k per annum. Growth resulting from new release areas has been projected in line with page 15 of this document.

The following table provides a greater break down of the Rates & Annual Charges in the Income Statement:

Scenario 1:

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Rates	65,224,200	67,206,900	69,890,200	72,724,800	75,415,600	78,206,000	81,099,600	84,100,300	87,212,000	90,438,800
Annual Charges	16,819,600	17,817,600	18,958,100	20,068,700	21,317,900	22,648,100	24,064,500	25,572,900	27,179,100	28,889,400

Scenario 2:

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Rates	65,224,200	72,421,500	75,297,700	78,332,400	81,230,700	84,236,300	87,353,000	90,585,100	93,936,700	97,412,300
Annual Charges	16,819,600	17,817,600	18,958,100	20,068,700	21,317,900	22,648,100	24,064,500	25,572,900	27,179,100	28,889,400

Domestic waste management
The Domestic Waste Management Charge will increase by 4.2% from the current charge of $280.20 per annum to $292.10. Projected increases for future years have been based on 5% per annum, however, will reflect the costs of providing the service on a yearly basis. This charge is calculated using cost recovery methodology.

Operating grants
The Australian Accounting Standards require councils to recognise grant income when receipted. This accounting treatment is required for any other grants that councils receive in advance, irrespective of annual expenditure of those grants, which may be in future years. This has an effect of distorting the income statement between years. However, the net budget impact is zero between various financial years. In broad terms, all other recurrent operating grants in future years are generally projected to increase in line with CPI.

Operating contributions
There are only relatively minor allocations budgeted to be received from community groups and sporting clubs as their contribution towards projects in future years. Subsidies received from Local Infrastructure Renewal Scheme borrowings are also allocated to this category. This subsidy is estimated to be on average $370k per year in Scenario 2.

Interest
Interest on investments is assessed on a conservative basis. Interest income only makes up around 3% of total revenue so changes in this area will only marginally affect Council's Long Term Financial Plan. The net positive yields on cash investments are factored into income with a return that equals an estimated 5.5% - 6% per annum.

User charges
In accordance with Council's Revenue Policy, wherever it is reasonably possible to do so, a 'user pays' approach to reviewing fees and charges will be applied. The approach is to ensure that applicable fees and charges are reviewed beyond just CPI movements and are in line with the cost of providing that service.

Statutory fees
While Council has discretion over the level of fees and charges in general, there are a variety of fees that are prescribed by the State Government. These statutory fees typically increase on a periodic basis rather than annually. The trend over the future years is therefore flatter than user charges income. The majority of statutory fees have been modelled to increase by around 2% over the next 10 years.

Other revenue
This predominantly includes property rental income and is expected to increase by CPI of 2.5% per annum over future years.

Operating expenditure

Local Government cost index
The Local Government Cost Index Report for 2011-2012 has estimated the Index to move by an average of 3.7%, noting the previous year index was 3.4%. IPART assessed the Local Government Cost Index for the year ended September 2013 as 2.8%.

Employee costs

This includes wages and salaries and other associated employee costs such as superannuation and workers compensation. Increases in labour and on-costs are composed of several elements. These include changes to employee numbers, salary system increments, Local Government Award increments and additional costs associated with position reclassifications.

The employee costs for 2013-2014 and forward budgets have been adjusted to take into account anticipated Local Government Award wage movements and salary system skills progression. The plan reflects annualised wage increases of 4.25% over the life of the plan with no net increase in staff numbers. As at 30 June 2013, the number of full time equivalent staff was 623. Any plans for changes to employee numbers or reclassifications will be required to be part of the Workforce Management Plan with supported funding.

The legislated changes to the Superannuation Guarantee Levy progressively increases from the current rate of 9% to 12% by 2019-2020 starting with a 0.25% increase in 2013-2014, has been factored into the estimates.

Materials and contracts

Material and contract expenses have been adjusted in line with an inflation factor of 2.5%. Actual cost increases may in fact be greater than the inflation index. Payments to contractors have been adjusted in accordance with projected CPI movements.

Depreciation

Depreciation estimates have been based on the projected capital expenditure program contained within the plan. The forward budget also takes into account the estimates of periodic revaluations of infrastructure assets and is directly impacted by the Asset Management Plan. This brings to account the impact of rising replacement costs of assets. The recognition of such assets and any capital expenditure on new assets will increase the depreciation costs. This will further impact on Council's operating results, however, will not affect the annual budget considerations as depreciation is a non-cash item.

Borrowing costs

This represents the interest paid on borrowings. It should be noted that although the interest cost reduces each year in the plan, this typically is offset by a corresponding increase in principal repayments (which is costed against liabilities in the Statement of Financial Position). Generally speaking, the total cash outlay remains the same; the only change that occurs is to the mix of what is paid as interest and principal. Projected new borrowings for each year and outstanding debt levels at the end of each financial year are shown in the table below:

Scenario 1

	30/06/2014	30/06/2015	30/06/2016	30/06/2017	30/06/2018	30/06/2019	30/06/2020	30/06/2021	30/06/2022	30/06/2023
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Principal Bal B/Fwd	17,432	18,656	17,616	16,546	15,304	14,134	13,085	12,014	11,516	11,024
Add New	-	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
Add New LIRS	5,000	-	-	-	-	-	-	-	-	-
Less Principal	3,776	3,540	3,570	3,742	3,670	3,550	3,571	2,998	2,992	3,058
Principal Liability Balance EOY	18,656	17,616	16,546	15,304	14,134	13,085	12,014	11,516	11,024	10,466
Interest Expense	899	923	1,124	1,309	1,168	1,182	1,197	1,217	1,239	1,261
Total Debt Redemption	4,675	4,463	4,694	5,051	4,837	4,732	4,768	4,214	4,231	4,319

Scenario 2

	30/06/2014	30/06/2015	30/06/2016	30/06/2017	30/06/2018	30/06/2019	30/06/2020	30/06/2021	30/06/2022	30/06/2023
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Principal Bal B/Fwd	17,432	18,708	24,718	22,980	21,190	19,356	18,002	16,619	15,809	15,024
Add New	-	-	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
Add New LIRS	5,000	10,000	-	-	-	-	-	-	-	-
Less Principal	3,724	3,990	4,239	4,289	4,334	3,854	3,883	3,310	3,285	3,317
Principal Liability Balance EOY	18,708	24,718	22,980	21,190	19,356	18,002	16,619	15,809	15,024	14,208
Interest Expense	1,025	1,414	1,503	1,459	1,411	1,063	1,057	1,064	1,083	1,116
Total Debt Redemption	4,749	5,404	5,742	5,749	5,746	4,917	4,941	4,374	4,368	4,432

Other expenses
Other expenses incorporate such items of expenditure as insurance, telecommunication and utility charges. The plan includes a CPI increase of 2.5% for the majority of items apart from:

- electricity charges 8% reducing to 5%
- insurance 10% per year
- valuation charges 10% per year.

Surplus/deficit for the year
'Profits' or surplus operating results are important because it generates funds for servicing long term debt and much needed capital works. Council's operating results before capital grants and contributions for the last two years were a deficit of $3.8m in 2011-2012 and a deficit of $6.7m in 2012-2013. This trend reflects Council's inability, within current operating income levels, to fund asset depreciation.

Capital income

Loans
Council will continue to borrow an annual $2.5m per annum to support the annual capital expenditure program. Traditionally, loans are for a period of 10 years with a fixed interest rate which Council will go through a tender process to ensure the most competitive interest rate. Council proposes to borrow $5m of interest subsidised loans under the Local Infrastructure Renewal Scheme in the 2013-2014 financial year. Under Scenario 2 borrowings $10 under the Local Infrastructure renewal Scheme in 2014-2015 has been projected to address infrastructure renewal requirements.

Plant and equipment
Plant and equipment will be disposed of as per the Plant Replacement Program.

Property sales
Surplus property assets be sold as identified.

Capital expenditure

Loans
The repayment of existing loans will continue based on the existing loan repayment schedules.

Capital works
Capital works will be undertaken as per the Delivery Program and Asset Management Plan. The focus on discretionary funding is the renewal of existing assets. From 2013 to 2015, Scenario 2 provides for an additional $2.5m in subsidised loan funds (LIRS) and from 2014-2015 onwards an additional $5.2m for asset renewal and maintenance from increases in rate revenue and a one off loan borrowing of $10m.

Plant and equipment purchases
Plant and equipment will be acquired as per the Plant Replacement Program.

Property purchases
The plan has not modelled any significant property purchases. Council will continue to investigate strategic opportunities to purchase property to take advantage of income generation and diversification.

What are the key assumptions that underpin the Long Term Financial Plan?

Relevant policies

a. Borrowing strategy

This provides Council with loan borrowing decisions, with a strategy emphasising the need for maintaining Council's financial viability in terms of debt servicing and overall debt level. Borrowings will be used to promote intergenerational equity within Council's prudential limits and capacity to repay. Net financial liabilities and associated net interest costs will be maintained within target. Council currently has a loan liability related to previously constructed/purchased assets. By 2022-2023, Council will have repaid these loans. An increase of debt will allow Council to spread the burden of future capital costs more equitably across future generations, and reduce the growth in renewal costs that arise from the delay in investment in assets.

Council will maintain a consistent borrowing level to support the annual capital asset renewal requirements at a level of $2.5m of new borrowings per year, with each loan to be repaid over (at most) a 10 year period. Council may also consider additional loans under any available interest subsidy programs.

Benchmark - Debt Service Ratio to be maintained at less than 8% of operating revenue.

b. Investment policy

This policy establishes the framework within which investment principles are to apply to the investment of Council funds. The general objective of the policy is to maximise investment income, while maintaining security and a satisfactory relationship with Council's creditors and financial institutions. Any Council money that is not required for cash flow purposes in the short term is invested. Sufficient money is retained in the transactional account to meet ongoing commitments. The *Local Government Act 1993* prescribes how and in what instruments Council may invest.

Benchmark - Investment returns are 100 basis points above the UBS 90 day bank bill index.

c. Pricing policy

The *Local Government Act 1993* requires Council to include in its Operational Plan, a Statement of the Council's Pricing Policy with respect to the goods and services provided by Council. The purpose of the Pricing Policy is to explain the rationale behind each fee and charge set out in Council's annual Schedule of Fees and Charges.

Council's Pricing Policy is made up of a Pricing Base and a number of Pricing Principles which Council considers when setting the level of its fees and charges. Some fees are statutory and are set by State Government legislation and Council cannot exceed the limits on these fees.

Fees and Charges outlined under the Pricing Policy are reviewed annually as part of the Operational Plan process.

d. Purchase and disposal of property strategy

The objective of the strategy is to assist Council with the acquisition and/or disposal of land and/or buildings. These are conducted to fulfil the following requirements:

- to ensure Council's and the public's interests are protected in all commercial transactions
- to assure probity in all Council dealings
- to ensure all transactions are carried out in accordance with legislative and community requirements
- to ensure all transactions are conducted as transparently as possible
- to assist Council in making decisions relating to its property portfolio
- to assist Council to optimise commercial returns and satisfy Council's strategic objectives.

e. Financial Hardship policy

The objective of this policy is to provide financial relief to customers of Council experiencing difficulties in meeting their commitments in rates, debtors and other fees and charges. Successful applications for hardship will be entitled to write off of interest accrued over a period of twelve months from the date of the debt subject to the debt being paid in the agreed period. This policy will be available to all ratepayers and organisations within the Campbelltown Local Government Area.

Scenario 1

Income Statement

Long Term Financial Plan 10 Year Model - Scenario 1

Year Ended	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
	$('000)	$('000)	$('000)	$('000)	$('000)	$('000)	$('000)	$('000)	$('000)	$('000)
Income from continuing operations										
Rates and Annual Charges	82,043	85,025	88,848	92,794	96,733	100,854	105,164	109,674	114,391	119,328
User Charges and Fees	12,525	12,895	13,322	13,785	14,200	14,629	15,073	15,533	16,008	16,500
Grants and contributions for operation purposes	24,346	23,945	24,637	25,184	25,869	26,574	27,298	28,044	28,810	29,598
Capital Grants, Subsidies & Contributions	1,700	1,138	1,164	1,179	1,179	1,179	1,179	1,179	1,179	1,179
Interest and Investment Revenue	4,119	4,641	4,755	4,868	4,905	4,943	4,981	5,020	5,060	5,100
Other Revenues	3,991	4,366	4,672	3,507	3,654	3,807	3,967	4,134	4,309	4,492
Total Income from continuing operations	128,724	132,010	137,397	141,316	146,541	151,985	157,662	163,584	169,757	176,197
Expenses from continuing operations										
Employee Costs	57,156	59,492	61,921	64,460	67,200	70,056	73,033	76,137	79,373	82,746
Materials and Contracts	21,969	22,688	23,302	24,031	24,689	25,317	25,882	26,674	27,298	27,921
Borrowing Costs	899	923	1,124	1,309	1,168	1,182	1,197	1,217	1,239	1,261
Depreciation	26,297	26,690	27,089	27,494	27,907	28,325	28,750	29,182	29,619	30,063
Other Expenses	32,686	34,015	35,545	37,638	38,847	40,775	42,832	45,678	47,371	49,875
Total Operating Expenses	139,007	143,807	148,981	154,932	159,811	165,655	171,694	178,889	184,901	191,866
Operating result from continuing operations	(10,283)	(11,797)	(11,584)	(13,616)	(13,270)	(13,670)	(14,031)	(15,305)	(15,144)	(15,669)
Net operating result for the year before grants and contributions provided for capital purposes	(11,983)	(12,935)	(12,748)	(14,795)	(14,449)	(14,849)	(15,210)	(16,484)	(16,323)	(16,848)

Balance Sheet

Long Term Financial Plan 10 Year Model - Scenario 1

Year Ended	2014 $('000)	2015 $('000)	2016 $('000)	2017 $('000)	2018 $('000)	2019 $('000)	2020 $('000)	2021 $('000)	2022 $('000)	2023 $('000)
Current Assets										
Cash and Investments	87,638	92,264	95,959	98,075	100,847	103,682	106,572	108,969	112,039	115,192
Receivables	8,445	8,505	8,639	8,781	8,916	9,055	9,200	9,350	9,506	9,667
Inventories	361	361	361	361	361	361	361	361	361	361
Other	139	139	139	139	139	139	139	139	139	139
Total Current Assets	96,583	101,269	105,099	107,356	110,263	113,238	116,272	118,819	122,045	125,359
Non-Current Assets										
Receivables	-	-	-	-	-	-	-	-	-	-
Inventories	11,360	11,360	11,360	11,360	11,360	11,360	11,360	11,360	11,360	11,360
Infrastructure, Property, Plant and Equipment	1,752,584	1,736,463	1,720,195	1,703,335	1,686,218	1,668,743	1,650,804	1,632,731	1,614,088	1,594,765
Investments	8,070	8,070	8,070	8,070	8,070	8,070	8,070	8,070	8,070	8,070
Total Non-Current Assets	1,772,014	1,755,893	1,739,625	1,722,765	1,705,648	1,688,173	1,670,234	1,652,161	1,633,518	1,614,195
Total Assets	1,868,597	1,857,162	1,844,724	1,830,121	1,815,911	1,801,411	1,786,506	1,770,980	1,755,563	1,739,554
Current Liabilities										
Payables	6,538	7,941	8,156	8,411	8,641	8,861	9,059	9,336	9,554	9,772
Provisions	21,623	21,623	21,623	21,623	21,623	21,623	21,623	21,623	21,623	21,623
Borrowings	3,540	3,570	3,742	3,670	3,550	3,571	2,998	2,992	3,058	3,058
Total Current Liabilities	31,701	33,134	33,521	33,704	33,814	34,055	33,680	33,951	34,235	34,453
Non-Current Liabilities										
Provisions	1,934	1,934	1,934	1,934	1,934	1,934	1,934	1,934	1,934	1,934
Borrowings	19,470	18,400	17,158	15,988	14,938	13,867	13,369	12,877	12,319	11,761
Total Non-Current Liabilities	21,404	20,334	19,092	17,922	16,872	15,801	15,303	14,811	14,253	13,695
Total Liabilities	53,105	53,468	52,613	51,626	50,686	49,856	48,983	48,762	48,488	48,148
Net Assets	1,815,492	1,803,695	1,792,111	1,778,495	1,765,225	1,751,554	1,737,523	1,722,218	1,707,075	1,691,406
Equity										
Accumulated Surplus	593,936	578,855	563,655	548,038	532,143	515,823	499,116	481,758	463,883	445,452
Asset Revaluation Reserve	1,221,556	1,224,840	1,228,456	1,230,457	1,233,082	1,235,731	1,238,407	1,240,460	1,243,192	1,245,954
Total Equity	1,815,492	1,803,695	1,792,111	1,778,495	1,765,225	1,751,554	1,737,523	1,722,218	1,707,075	1,691,406

Statement of Cash Flows

Long Term Financial Plan 10 Year Model - Scenario 1

Year Ended	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
	$('000)	$('000)	$('000)	$('000)	$('000)	$('000)	$('000)	$('000)	$('000)	$('000)
Cash Flows from Operating Activities										
- Receipts	127,025	130,872	136,233	140,137	145,362	150,806	156,483	162,405	168,578	175,018
- Adjustments - Receivables	-60	-60	-134	-142	-135	-140	-145	-150	-156	-161
- Payments	-112,709	-117,117	-121,892	-127,438	-131,904	-137,330	-142,944	-149,707	-155,282	-161,803
- Adjustments - Payables	-4,442	1,403	215	255	230	220	198	277	218	218
Net Cash provided by/(used in) Operating Activities	9,813	15,097	14,422	12,812	13,553	13,556	13,593	12,826	13,359	13,272
Cash Flows from Investing Activities										
Receipts - Capital Grants/Subsidies/Contributions	1,700	1,138	1,164	1,179	1,179	1,179	1,179	1,179	1,179	1,179
Receipts - Proceeds from Sale of Assets	2,620	1,967	2,041	2,088	2,140	2,193	2,248	2,304	2,362	2,421
Receipts - Sale of Investments	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Payments - Purchase of Investments	-50,000	-50,000	-50,000	-50,000	-50,000	-50,000	-50,000	-50,000	-50,000	-50,000
Payments - CapEx on Renewal/Replacement of Assets	-16,640	-12,536	-12,862	-12,722	-12,930	-13,043	-13,059	-13,413	-13,338	-13,161
Net Cash Used in Investing Activities	-12,320	-9,431	-9,657	-9,455	-9,611	-9,671	-9,632	-9,930	-9,797	-9,561
Cash Flows from Financing Activities										
Receipts - Borrowings	5,000	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
Payments - Principal Repayments	-3,776	-3,540	-3,570	-3,742	-3,670	-3,550	-3,571	-2,998	-2,992	-3,058
Net Cash Used in Financing Activities	1,224	-1,040	-1,070	-1,242	-1,170	-1,050	-1,071	-498	-492	-558
Net Increase/(Decrease) in cash assets held	-1,283	4,626	3,695	2,115	2,772	2,835	2,890	2,398	3,070	3,153
Cash and cash equivalents at beginning of reporting period	88,921	87,638	92,264	95,959	98,075	100,847	103,682	106,572	108,970	112,040
Cash and cash equivalents at end of reporting period	87,638	92,264	95,959	98,075	100,847	103,682	106,572	108,970	112,040	115,193

Scenario 1 - Key Performance Indicators

Cash / Liquidity Position

Indicator #1 - Cash Liquidity Position after accounting for external reserves

Indicator Title: **Unrestricted Current Ratio**

Indicator Definition: Current Assets less Externally Restricted Current Assets / Current Liabilities less Specific Purpose Current Liabilities

Benchmark:
- Greater than 2:1
- Between 1:1 and 2:1
- Less than 1:1

Year ended June 2014	Year ended June 2015	Year ended June 2016	Year ended June 2017	Year ended June 2018	Year ended June 2019	Year ended June 2020	Year ended June 2021	Year ended June 2022	Year ended June 2023
3.10	3.07	3.13	3.15	3.21	3.24	3.36	3.37	3.40	3.42

Cash Liquidity Position Measure Explained
Shows our ability to pay debts in the short term as they fall due.

A ratio of less than one is undesirable between one and two is fair and greater than two is good

We are forecasting cash liquidity will remain above two over the next ten years. This is mainly due to Council's strong internal reserves.

Commentary
Council's liquidity is more than satisfactory. Council can easily pay its debts as they fall due.

Debt Service Ratio

Indicator # 2 - Borrowing and Debt Servicing

Indicator Title: **Debt Service Ratio**

Indicator Definition: Debt Service Cost / Total Revenue from Ordinary Activities

Indicator / Local Government Benchmark:
- < 8%
- 8% - 10%
- >10%

Year ended June 2014	Year ended June 2015	Year ended June 2016	Year ended June 2017	Year ended June 2018	Year ended June 2019	Year ended June 2020	Year ended June 2021	Year ended June 2022	Year ended June 2023
4.14%	4.04%	4.19%	4.17%	3.80%	3.68%	3.12%	3.01%	2.96%	2.85%

Debt Service Ratio Measure Explained
Shows the percentage of annual revenue required to meet annual loan repayments. A ratio of less than 8% is desirable

A ratio of greater than 10% is undesirable Between 8% and 10% is fair and less than 8% is good

Commentary
Council's ability to service its debt is excellent. In 2015 this ratio will reduce significantly due to a one off loan of $3.5m expiring borrowed in 2005. Also in 2020 another decrease in debt servicing cost results from the finalisation of a interest free loan that funded the Farrow Road link to Campbelltown Railway Station.

Scenario 1 - Key Performance Indicators

Rates Coverage

Indicator #3 - Rates Coverage Ratio

Indicator Title:	**Rates Coverage Ratio**
Indicator Definition:	To assess the degree of dependence upon revenues from rates and annual charges as well as the security of Council's income
Three successive surplus	< 50%
	50 - 60%
	> 60%

Year ended June 2014	Year ended June 2015	Year ended June 2016	Year ended June 2017	Year ended June 2018	Year ended June 2019	Year ended June 2020	Year ended June 2021	Year ended June 2022	Year ended June 2023
64.59%	64.97%	65.22%	66.22%	66.55%	66.88%	67.20%	67.53%	67.86%	68.18%

Rates Coverage Measure Explained
This ratio measures the proportion of untied income provided by rates. Council's strategy is to investigate options to further diversify the income base without increasing Councils level of risk

Commentary
Council continues to generate sufficient revenue to cover its operating expenditure, however still relies on rates as the major source of income.

Rates and Annual Charges Outstanding

Indicator #4 - Rates and Annual Charges Outstanding

Indicator Title:	**Rates and Annual Charges Outstanding**
Indicator Definition:	To assess the impact of uncollected rates and annual charges on liquidity and the adequacy of recovery efforts
Three successive surplus	< 5%
	5 - 7%
	> 7%

Year ended June 2014	Year ended June 2015	Year ended June 2016	Year ended June 2017	Year ended June 2018	Year ended June 2019	Year ended June 2020	Year ended June 2021	Year ended June 2022	Year ended June 2023
5.03%	5.00%	4.93%	4.86%	4.80%	4.74%	4.68%	4.63%	4.57%	4.38%

Rates Coverage Measure Explained
This ratio measures the impact of uncollected rates and annual charges on liquidity and the adequacy of recovery processes and policies. This ratio can also be impacted by economic conditions.

Commentary
Due to a challenging economic climate over the past few years Council has seen a small increase in this ratio. It is anticipated to reduce back inline with desirable targets within the next few years.

Scenario 1 - Key Performance Indicators

Asset Renewal

Indicator # 5 - Asset Renewal Expenditure

Indicator Title: **Asset Renewal Ratio**

Indicator Definition: To assess the rate at which assets are being renewed against the rate at which they are depreciating

Indicator / Local Government Benchmark:
≥100%
Less than 100%

Year ended June 2014	Year ended June 2015	Year ended June 2016	Year ended June 2017	Year ended June 2018	Year ended June 2019	Year ended June 2020	Year ended June 2021	Year ended June 2022	Year ended June 2023
48.61%	39.66%	39.92%	40.17%	40.48%	40.79%	41.10%	41.42%	41.75%	42.08%

Asset Renewal Expenditure Measure Explained
This is a long term measure of the condition and cost to maintain public infrastructure assets.

A ratio of less than 100% is undesirable while a ratio of 100% or greater is desirable

Commentary
This table demonstrates that under this scenario Council is not making adequate provision towards renewing the existing stocks of assets and as a result, poor conditioned assets will continue to increase.

Scenario 2

Income Statement

Long Term Financial Plan 10 Year Model - Scenario 2

Year Ended	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
	$('000)	$('000)	$('000)	$('000)	$('000)	$('000)	$('000)	$('000)	$('000)	$('000)
Income from continuing operations										
Rates and Annual Charges	82,043	90,240	94,256	98,401	102,549	106,883	111,418	116,158	121,116	126,301
User Charges and Fees	12,525	12,895	13,322	13,785	14,200	14,629	15,073	15,533	16,008	16,500
Grants and contributions for operation purposes	24,346	24,266	25,225	25,719	26,347	26,993	27,654	28,333	29,029	29,742
Capital Grants, Subsidies and Contributions	1,700	1,138	1,164	1,179	1,179	1,179	1,179	1,179	1,179	1,179
Interest and Investment Revenue	4,119	4,641	4,755	4,868	4,905	4,943	4,981	5,020	5,060	5,100
Other Revenues	3,991	4,366	4,672	3,507	3,654	3,807	3,967	4,134	4,309	4,492
Total Income from continuing operations	128,724	137,546	143,393	147,458	152,834	158,434	164,272	170,358	176,702	183,314
Expenses from continuing operations										
Employee Costs	57,156	59,492	61,921	64,460	67,200	70,056	73,033	76,137	79,373	82,746
Materials and Contracts	21,969	23,679	25,064	26,092	26,560	27,983	28,715	29,469	30,252	31,058
Borrowing Costs	899	1,414	1,503	1,459	1,411	1,063	1,057	1,064	1,083	1,116
Depreciation	26,297	26,932	27,415	27,908	28,412	28,927	29,452	29,989	30,536	31,096
Other Expenses	32,686	34,015	35,545	37,638	38,847	40,775	42,832	45,678	47,371	49,875
Total Operating Expenses	139,007	145,531	151,447	157,557	162,430	168,804	175,089	182,338	188,616	195,891
Operating result from continuing operations	(10,283)	(7,985)	(8,054)	(10,099)	(9,596)	(10,370)	(10,817)	(11,980)	(11,914)	(12,577)
Net operationg result for the year before grants and contributions provided for capital purposes	(11,983)	(9,123)	(9,218)	(11,278)	(10,775)	(11,549)	(11,996)	(13,159)	(13,093)	(13,756)

Balance Sheet

Long Term Financial Plan 10 Year Model - Scenario 2

Year Ended	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
	$('000)	$('000)	$('000)	$('000)	$('000)	$('000)	$('000)	$('000)	$('000)	$('000)
Current Assets										
Cash and Investments	87,638	91,351	94,309	95,518	97,215	99,318	101,258	102,630	104,744	106,948
Receivables	8,445	8,766	8,910	9,062	9,207	9,357	9,513	9,674	9,842	10,016
Inventories	361	361	361	361	361	361	361	361	361	361
Other	139	139	139	139	139	139	139	139	139	139
Total Current Assets	96,583	100,617	103,718	105,080	106,922	109,175	111,270	112,804	115,086	117,464
Non-Current Assets										
Receivables	-	-	-	-	-	-	-	-	-	-
Inventories	11,360	11,360	11,360	11,360	11,360	11,360	11,360	11,360	11,360	11,360
Infrastructure, Property, Plant and Equipment	1,752,584	1,748,324	1,735,914	1,723,025	1,709,916	1,696,437	1,682,398	1,668,338	1,653,631	1,638,141
Investments	8,070	8,070	8,070	8,070	8,070	8,070	8,070	8,070	8,070	8,070
Total Non-Current Assets	1,772,014	1,767,754	1,755,344	1,742,455	1,729,346	1,715,867	1,701,828	1,687,768	1,673,061	1,657,571
Total Assets	1,868,597	1,868,371	1,859,062	1,847,535	1,836,268	1,825,042	1,813,098	1,800,572	1,788,147	1,775,035
Current Liabilities										
Payables	6,538	8,287	8,772	9,132	9,296	9,794	10,050	10,314	10,588	10,870
Provisions	21,623	21,623	21,623	21,623	21,623	21,623	21,623	21,623	21,623	21,623
Borrowings	3,990	4,239	4,289	4,334	3,854	3,883	3,310	3,285	3,317	2,969
Total Current Liabilities	32,151	34,149	34,684	35,089	34,773	35,300	34,983	35,222	35,528	35,462
Non-Current Liabilities										
Provisions	1,934	1,934	1,934	1,934	1,934	1,934	1,934	1,934	1,934	1,934
Loans	19,020	24,781	22,992	21,158	19,804	18,421	17,611	16,826	16,009	15,540
Total Non-Current Liabilities	20,954	26,715	24,926	23,092	21,738	20,355	19,545	18,760	17,943	17,474
Total Liabilities	53,105	60,864	59,610	58,181	56,511	55,655	54,528	53,982	53,471	52,936
Net Assets	1,815,492	1,807,507	1,799,452	1,789,353	1,779,757	1,769,387	1,758,570	1,746,590	1,734,676	1,722,099
Equity										
Accumulated Surplus	593,936	583,667	572,996	561,896	550,676	538,657	526,165	513,132	499,487	485,148
Asset Revaluation Reserve	1,221,556	1,223,840	1,226,456	1,227,457	1,229,081	1,230,730	1,232,405	1,233,458	1,235,189	1,236,951
Total Equity	1,815,492	1,807,507	1,799,452	1,789,353	1,779,757	1,769,387	1,758,570	1,746,590	1,734,676	1,722,099

Statement of Cash Flows

Long Term Financial Plan 10 Year Model - Scenario 2

Year Ended	2014 $('000)	2015 $('000)	2016 $('000)	2017 $('000)	2018 $('000)	2019 $('000)	2020 $('000)	2021 $('000)	2022 $('000)	2023 $('000)
Cash Flows from Operating Activities										
- Receipts	127,025	136,408	142,229	146,279	151,655	157,255	163,093	169,179	175,523	182,135
- Adjustments - Receivables	-60	-321	-144	-152	-145	-150	-156	-162	-168	-174
- Payments	-112,709	-118,599	-124,032	-129,649	-134,018	-139,877	-145,637	-152,349	-158,080	-164,795
- Adjustments - Payables	-4,442	1,749	485	360	164	498	256	264	274	282
Net Cash provided by/(used in) Operating Activities	9,813	19,237	18,538	16,838	17,656	17,726	17,557	16,932	17,550	17,448
Cash Flows from Investing Activities										
Receipts - Capital Grants/Subsidies/Contributions	1,700	1,138	1,164	1,179	1,179	1,179	1,179	1,179	1,179	1,179
Receipts - Proceeds from Sale of Assets	2,620	1,967	2,041	2,088	2,140	2,193	2,248	2,304	2,362	2,421
Receipts - Sale of Investments	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Payments - Purchase of Investments	-50,000	-50,000	-50,000	-50,000	-50,000	-50,000	-50,000	-50,000	-50,000	-50,000
Payments - CapEx on Renewal/Replacement of Assets	-16,640	-24,639	-17,046	-17,107	-17,443	-17,641	-17,661	-18,233	-18,191	-18,027
Net Cash Used in Investing Activities	-12,320	-21,534	-13,841	-13,840	-14,124	-14,269	-14,234	-14,750	-14,650	-14,427
Cash Flows from Financing Activities										
Receipts - Borrowings	5,000	10,000	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
Payments - Principal Repayments	-3,776	-3,990	-4,239	-4,289	-4,334	-3,854	-3,883	-3,310	-3,285	-3,317
Net Cash Used in Financing Activities	1,224	6,010	-1,739	-1,789	-1,834	-1,354	-1,383	-810	-785	-817
Net Increase/(Decrease) in cash assets held	-1,283	3,713	2,958	1,209	1,698	2,103	1,940	1,372	2,115	2,204
Cash and cash equivalents at beginning of reporting period	88,921	87,638	91,351	94,309	95,518	97,216	99,318	101,258	102,630	104,745
Cash and cash equivalents at end of reporting period	87,638	91,351	94,309	95,518	97,216	99,318	101,258	102,630	104,745	106,949

Scenario 2 - Key Performance Indicators

Cash / Liquidity Position

Indicator #1 - Cash Liquidity Position after accounting for external reserves

Indicator Title:	**Unrestricted Current Ratio**
Indicator Definition:	Current Assets less Externally Restricted Current Assets / Current Liabilities less Specific Purpose Current Liabilities
Benchmark:	Greater than 2:1 Between 1:1 and 2:1 Less than 1:1

Year ended June 2014	Year ended June 2015	Year ended June 2016	Year ended June 2017	Year ended June 2018	Year ended June 2019	Year ended June 2020	Year ended June 2021	Year ended June 2022	Year ended June 2023
3.04	2.92	2.93	2.89	2.95	2.92	2.99	2.96	2.95	2.97

Cash Liquidity Position Measure Explained
Shows our ability to pay debts in the short term as they fall due.

A ratio of less than one is undesirable   between one and two is fair   and greater than two is good

We are forecasting cash liquidity will remain above two over the next ten years. This is mainly due to Council's strong internal reserves. This scenario includes an additional $1m to be used per year from internal asset replacement reserve.

Commentary
Council's liquidity is more than satisfactory. Council can easily pay its debts as they fall due.

Debt Service Ratio

Indicator # 2 - Borrowing and Debt Servicing

Indicator Title:	**Debt Service Ratio**
Indicator Definition	Debt Service Cost / Total Revenue from Ordinary Activities
Indicator / Local Government Benchmark:	< 8% 8% - 10% >10%

Year ended June 2014	Year ended June 2015	Year ended June 2016	Year ended June 2017	Year ended June 2018	Year ended June 2019	Year ended June 2020	Year ended June 2021	Year ended June 2022	Year ended June 2023
4.56%	4.84%	4.75%	4.61%	4.04%	3.65%	3.10%	2.97%	2.89%	2.57%

Debt Service Ratio Measure Explained
Shows the percentage of annual revenue required to meet annual loan repayments. A ratio of less than 8% is desirable

A ratio of greater than 10% is undesirable   Between 8% and 10% is fair   and less than 8% is good

Commentary
Council's ability to service its debt is excellent. In 2015 this ratio will reduce significantly due to a one off loan of $3.5m expiring borrowed in 2005. Also in 2020 another decrease in debt servicing cost results from the finalisation of a interest free loan that funded the Farrow Road link to Campbelltown Railway Station.

Scenario 2 - Key Performance Indicators

Rates Coverage

Indicator #3 - Rates Coverage Ratio

Indicator Title:	**Rates Coverage Ratio**
Indicator Definition:	To assess the degree of dependence upon revenues from rates and annual charges as well as the security of Council's income
Three successive surplus	< 50% (green) 50 - 60% (orange) > 60% (red)

Year ended June 2014	Year ended June 2015	Year ended June 2016	Year ended June 2017	Year ended June 2018	Year ended June 2019	Year ended June 2020	Year ended June 2021	Year ended June 2022	Year ended June 2023
64.59%	66.15%	66.27%	67.27%	67.62%	67.97%	68.32%	68.66%	69.00%	69.34%

Rates Coverage Measure Explained
This ratio measures the proportion of untied income provided by rates. Council’s strategy is to investigate options to further diversify the income base without increasing Councils level of risk

Commentary
Council continues to generate sufficient revenue to cover its operating expenditure, however still relies on rates as the major source of income.

Rates and Annual Charges Outstanding

Indicator #4 - Rates and Annual Charges Outstanding

Indicator Title:	**Rates and Annual Charges Outstanding**
Indicator Definition:	To assess the impact of uncollected rates and annual charges on liquidity and the adequacy of recovery efforts
Three successive surplus	< 5% (green) 5 - 7% (orange) > 7% (red)

Year ended June 2014	Year ended June 2015	Year ended June 2016	Year ended June 2017	Year ended June 2018	Year ended June 2019	Year ended June 2020	Year ended June 2021	Year ended June 2022	Year ended June 2023
5.03%	4.71%	4.64%	4.58%	4.53%	4.48%	4.42%	4.37%	4.32%	4.14%

Rates Coverage Measure Explained
This ratio measures the impact of uncollected rates and annual charges on liquidity and the adequacy of recovery processes and policies. This ratio can also be impacted by economic conditions.

Commentary
Due to a challenging economic climate over the past few years Council has seen a small increase in this ratio. It is anticipated to reduce back inline with desirable targets by next year.

Scenario 2 - Key Performance Indicators

Asset Renewal

Indicator # 5 - Asset Renewal Expenditure

Indicator Title: **Asset Renewal Ratio**

Indicator Definition: To assess the rate at which assets are being renewed against the rate at which they are depreciating

Indicator / Local Government Benchmark: ≥100% / Less than 100%

Year ended June 2014	Year ended June 2015	Year ended June 2016	Year ended June 2017	Year ended June 2018	Year ended June 2019	Year ended June 2020	Year ended June 2021	Year ended June 2022	Year ended June 2023
48.61%	87.95%	58.35%	58.87%	59.44%	60.02%	60.60%	61.19%	61.78%	62.39%

Asset Renewal Expenditure Measure Explained
This is a long term measure of the condition and cost to maintain public infrastructure assets.

A ratio of less than 100% is undesirable while a ratio of 100% or greater is desirable

Commentary
This table implies that under this scenario Council is not making adequate provision towards renewing the existing stocks of assets. However, it is important to note this ratio uses depreciation as the denominator and ignores the calculated renewal funding requirement under lifecycle costing of an asset. Should the ratio use the actual renewal funding required and not depreciation as the measure this table would be green every year from 2015.

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