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Fairfield City
Celebrating diversity

2022/23-2031/32

LONG TERM FINANCIAL PLAN

INTEGRATED **PLANNING** AND
REPORTING FRAMEWORK

Contents

INTEGRATED PLANNING AND REPORTING

The Local Government Integrated Planning and Reporting (IPR) Framework is a legislative requirement for all NSW councils. Councils are required to develop a series of long, medium and short term plans to ensure councils are more community focused, responsive and sustainable in the long term.

*The red box above identifies the document you are reading and where it sits in the Framework.

What are the Plans in the Framework?

Fairfield City Council's IPR Framework is made up of a number of plans including:

- Fairfield City Plan (10 years)
- Delivery Program (4 years)
- Operational Plan (1 year)

These plans are informed by a Resourcing Strategy (10 years) that is made up of:

- Long Term Financial Plan (money)
- Asset Management Policy, Strategy and Plans (assets)
- Workforce Management Plan (people)

About the Resourcing Strategy

The resourcing strategy is the point at which Council reviews what money (Long Term Financial Plan), assets (Asset Management Strategy) and people (Workforce Management Plan) are available to deliver the services, major programs and projects to the community. The resourcing strategy determines what Council as a stakeholder is able to deliver of the community's vision, priorities and needs as set out in the 2022-2032 Fairfield City Plan (City Plan).

The City Plan and Resourcing Strategy recognises that the City does not act alone and that partners including state and federal agencies, non-government organisations, community groups and individuals have a role to play to achieve the community vision, priorities and goals.

About the Long Term Financial Plan

Council's 2022/23 to 2031/2032 Long Term Financial Plan (LTFP) provides a forecast of Council's financial position for the next 10 years. The LTFP examines different options to improve Council's financial position while continuing to work towards the vision, priorities and needs identified by the Community in the Fairfield City Plan. The LTFP is also a way for Council to identify financial issues at an earlier stage and the impact of these over the longer term.

Details of the LTFP forms the basis for each Delivery Program and links to the Asset Management Strategy and Workforce Management Plan through its funding allocated to all asset and staffing requirements which are listed in the service budgets, included at a high level in the Delivery Program and in detail in the Operational Plan.

The LTFP is updated each year in the development of the Operational Plan to review assumptions and any changes in forecasted expenditure. Service budgets are then reviewed by Council and updated into the Operational Plan.

What is the Purpose of this Plan?

The Long Term Financial Plan (LTFP) models the financial implications for a term of 10 years and consolidates Council's current and future financial obligations from its many plans, particularly the Delivery, Asset Management and Workforce Management Plans. The LTFP also:

- Establishes transparency and accountability of Council to the community
- Provides an opportunity for early detection of financial issues and any likely impacts in the longer term
- Provides a mechanism to solve financial problems as a whole, consider how various plans fit together and understand the impacts
- Provides a means of measuring Council's success in implementing strategies and plans
- Confirms that Council can remain sustainable in the longer term

Principles of Sound Financial Management

The Governing Body of a Council has the following responsibilities in relation to the financial management of the council:

- To ensure as far as possible the financial sustainability of the council
- To determine and adopt a rating and revenue policy and operational plan that support the optimal allocation of the council's resources to implement the strategic plans (including the Community Strategic Plan) and for the benefit of the local area
- To keep under review the performance of the council, including service delivery.

The Local Government Act 1993 prescribes principles of sound financial management. These are intended to guide councils in the exercise of these and other functions in a way that facilitates local communities that are strong, healthy and prosperous. The following principles of sound financial management apply to councils:

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

EXECUTIVE SUMMARY

Council has developed this Long Term Financial Plan (LTFP) to outline the steps it will take to address the major financial challenges and opportunities which will impact on the way it does business over the next 10 years. The main objectives of the LTFP are to achieve Council's financial sustainability and to inform Council's decisions about the services and new initiatives it will deliver. The LTFP is updated each year to provide a rolling 10 year outlook.

Like every organisation, Council's financial results for the past 2 years have been heavily impacted by a reduction in revenue arising from COVID-19. However, a history of prudent financial management means that Council continues to have the financial resources to invest in community infrastructure and deliver a large pipeline of capital works, which creates jobs, opportunities and services for the community.

Whilst there will no doubt be some residual financial impacts of COVID-19 on future financial years, Council has budgeted for an operating surplus for 2022-2023 and subsequent financial years because it is anticipating that the negative financial impacts of COVID-19 on Councils results will reduce significantly during the 2022-2023 financial year.

In summary, this LTFP demonstrates that Fairfield City Council is in a stable financial position over the next 10 years and is projected to:

- deliver operating surpluses each year,
- meet all 'Fit for the Future' benchmarks as set by the State Government, and
- achieve its own financial sustainability benchmarks.

This puts Council in a very good position to continue to deliver services that are important for its community and to introduce new initiatives that are identified as priorities in the Fairfield City Plan.

Since 2009-10 Council has implemented an ongoing program of productivity improvements, cost containments and revenue opportunities. The savings that have been achieved combined with a special rate variation (SRV) in 2014-15 have significantly improved Council's financial sustainability as well as its ability to deliver priority services and initiatives for the community. The purpose of the SRV was to achieve two outcomes

- to enable Council to address its asset backlog thus ensuring the condition of its assets remain stable over the next 10 years, and
- to support a number of new capital initiatives which are delivering new and improved facilities to the community.

The preparation of the LTFP commenced with a detailed (internal) analysis of the 2022/23 budget. Next, a review of external influences such as population growth, inflation, interest rates and economic growth were considered when assessing the future years.

The outcomes from the internal analysis and review of external influences have been combined to forecast the future.

The key objectives when developing this LTFP are:

- Balanced Budgets / Operational Surpluses
- Continuous Financial Improvement
- Achievement of Financial Sustainability Benchmarks
- Achievement of Fit For The Future (FFTF) Benchmarks prescribed by the State Government.

Salaries and wages represent 44% of total costs. The industry award claim continues to match or exceed the Independent Pricing and Regulatory Tribunal (IPART) rates cap for Council's each year. Council will need a range of strategies to manage this gap without adversely impacting service levels or financial sustainability. It is noted that the LTFP projections indicate continued achievement of all of the aforementioned benchmarks despite this gap.

Council's largest contract is a long standing one for waste disposal negotiated on favourable terms. This contract expires during the 2024/25 financial year, therefore, it has been anticipated that there will be a significant increase in Other Expenses for the last 8 years of the LTFP.

Significant initiatives taken by Council to reduce its reliance on rates and remain financially sustainable while delivering priority services to the community include:

- The Sustainable Resource Centre commercial operations,
- Property Development Fund (PDF), Councils commercial property business and
- Council's efficiency program including service level reviews

Summary of Financial Forecasts

Presented below are extracts from the 10 year LTFP projections and the expected performance against various benchmarks across the 10 year horizon.

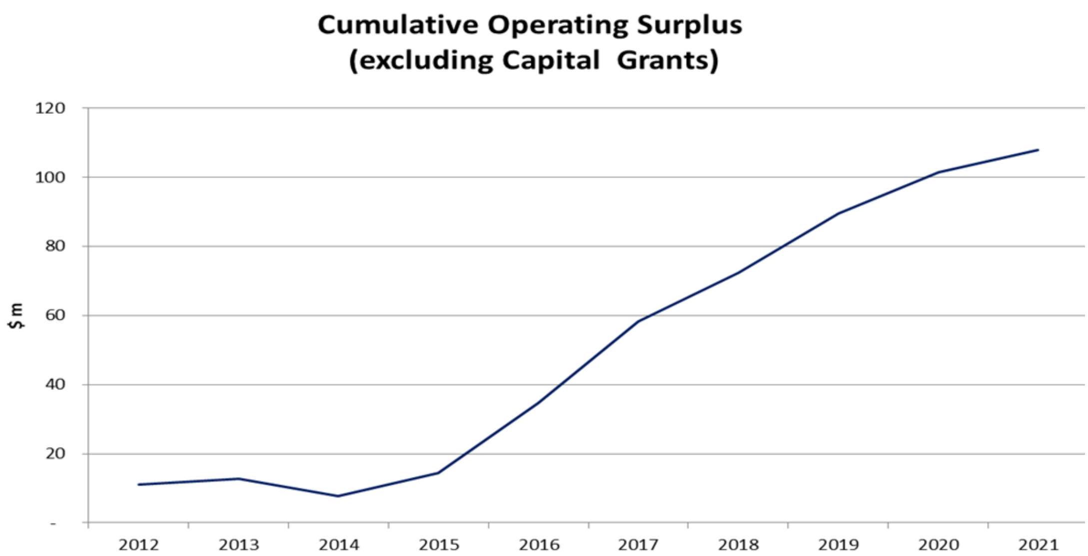
Key Financial Measures	Financial Year ($'000)										
		2022/23-2025/26 Delivery Program									
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Net Operating Results	12,935	14,996	38,680	32,374	22,402	20,868	23,575	23,016	24,073	24,529	25,901
Net Operating Result (Before Capital Grant)	4	2,859	1,717	172	133	1,051	1,501	501	1,108	1,104	2,008
Unrestricted Cash	38,667	37,579	29,345	16,144	12,305	15,618	27,974	31,792	31,032	40,538	27,250
Cash, Cash Equivalent and Investments	132,543	121,526	128,203	117,842	130,434	135,919	145,187	154,761	164,757	172,448	166,076
Net Assets	2,319,018	2,334,013	2,372,693	2,405,067	2,427,469	2,448,337	2,471,911	2,494,927	2,519,000	2,543,529	2,569,430

The table above shows that Council is forecast to achieve stated goals. A positive net operating result is expected in each year of the LTFP as well as a better than breakeven net operating result before capital grants. Cash and cash equivalents are relatively constant during the 4 year period of the next delivery program due to the level of capital expenditure, but will then increase to sufficient levels. Council's net asset base also continues to grow across the LTFP period.

The State Government released financial benchmarks as part of its 'Fit for the Future' package for all NSW Councils. These benchmarks are incorporated into this document and into Council's ongoing monitoring of its financial performance and outlook.

The Key Financial Indicators are displayed in the tables below. They confirm that the key objectives of balanced budgets/operational surpluses, continuous financial improvement, achievement of financial sustainability benchmarks and achievement of Fit For The Future (FFTF) benchmarks will be achieved.

This 10 year forecast builds on the strength of Council's performance over the last 10 years that has delivered consistent operating surpluses (refer graph below).



Key Performance Indicators

(See Appendix for an explanation of the Indicators)

- Within benchmark
- Not w ithin benchmark

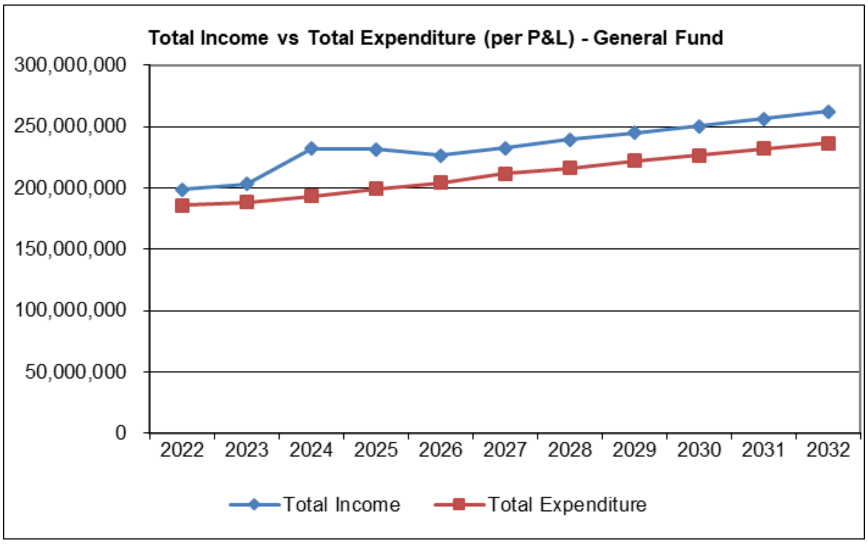
Council's Key Performance Indicators	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Operating Performance Ratio	0.03%	1.28%	0.66%	0.11%	0.09%	0.28%	0.47%	0.01%	0.27%	0.26%	0.63%
Own Source Operating Revenue Ratio	83.29%	83.73%	74.90%	77.44%	81.25%	82.07%	81.57%	81.71%	81.86%	82.00%	82.14%
Unrestricted Current Ratio	2.21	2.49	2.08	2.63	2.65	2.34	2.81	2.78	2.52	2.97	2.04
Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage	2.65%	2.66%	2.67%	2.67%	2.67%	2.68%	2.68%	2.68%	2.68%	2.68%	2.68%
Building & Infrastructure Asset Renewal Ratio	77.50%	100.79%	102.71%	100.94%	102.95%	105.01%	107.11%	109.26%	111.44%	113.67%	115.94%
Infrastructure Backlog Ratio	1.71%	1.83%	1.78%	1.68%	1.67%	1.66%	1.65%	1.64%	1.62%	1.61%	1.58%
Asset Maintenance Ratio	108.73%	108.20%	110.32%	109.24%	109.24%	104.95%	107.42%	109.00%	105.80%	103.72%	105.04%
Debt Service Ratio	21.46	22.34	21.18	17.04	16.25	18.75	18.30	17.94	18.99	25.58	39.73
Real Operating Expenditure per Capita Ratio	680.80	690.87	703.71	722.53	734.14	757.67	772.11	791.82	801.71	815.22	830.45

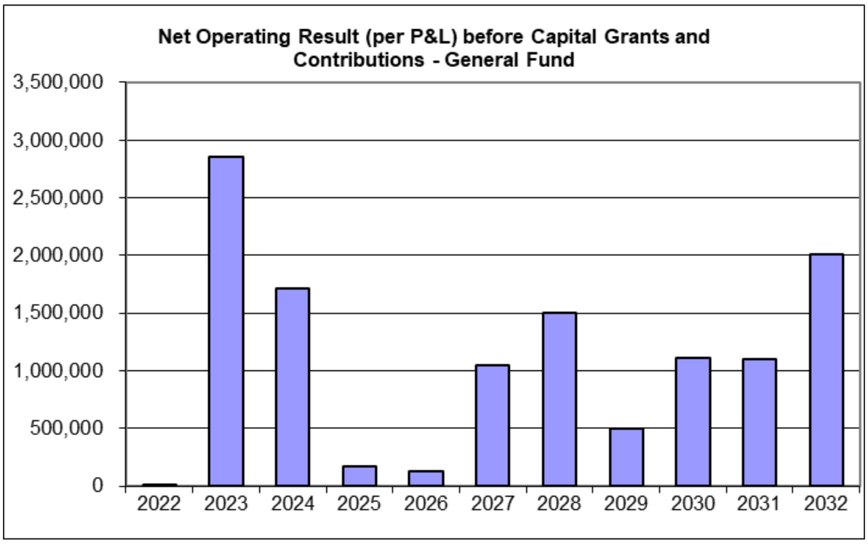
Building & Infrastructure Asset Renewal Ratio

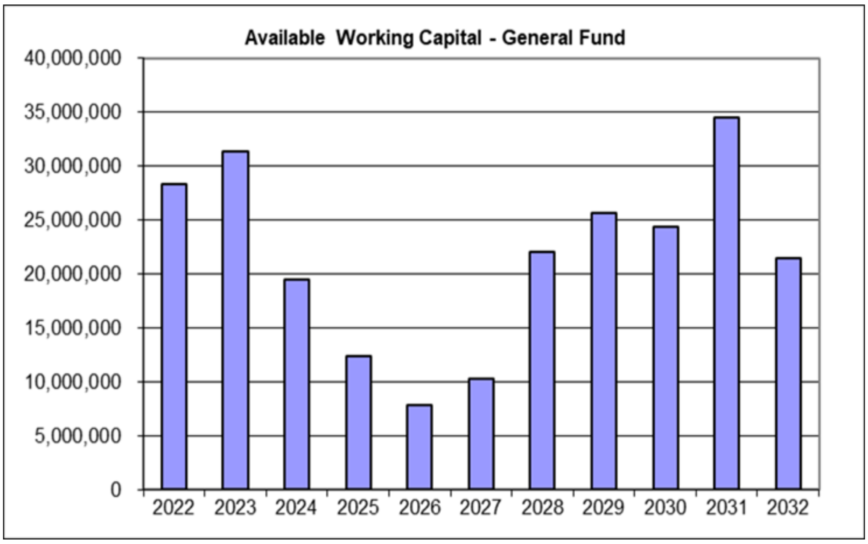
Council has a proud history of achieving all the NSW State Governments Fit for The Future ratios and financial sustainability targets since they were introduced 6 years ago. However, the combined impacts of the COVID-19 lockdown and the large number of days lost to wet weather means that Council is unlikely to achieve the ‘Buildings and Infrastructure Asset Renewal Ratio’ for the 12 months ending 30 June 2022.

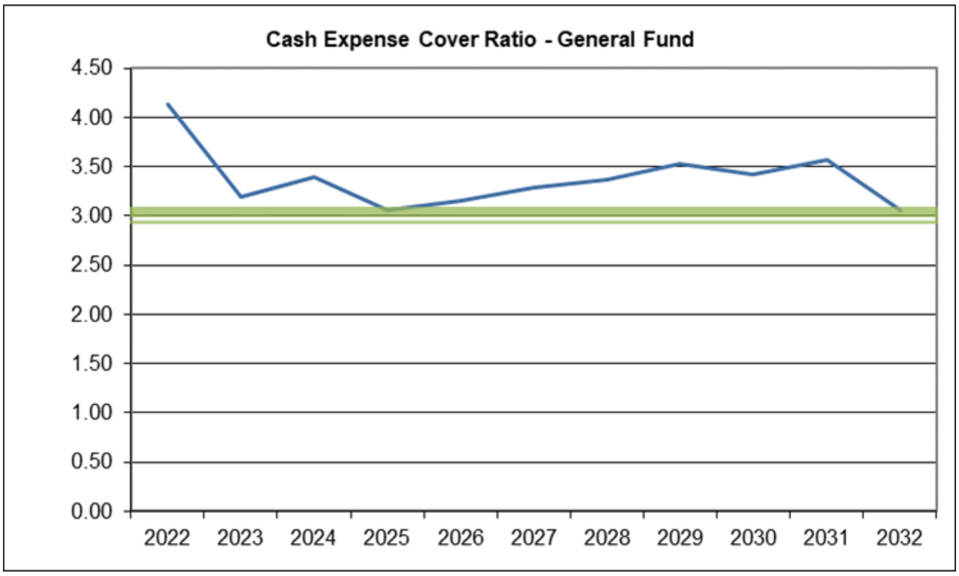
Council’s capital works program was initially delayed due to the COVID-19 lockdown (26 June 2021 to 11 October 2021) and Fairfield being designated an area of concern under the Public Health Orders. As Council emerged from the lockdown it was anticipated that the delays in the works program could be caught up over the remainder of the year, but sustained periods of wet weather made this unachievable. Whilst Council will not achieve the asset renewal target for the year ending 30 June 2022, it has on a cumulative basis since the benchmark was introduced. The inception to date capital renewal spend for the 6 years ended 30 June 2021 has exceeded the minimum Fit For the Future Financial benchmark expenditure required by $63.58 million. Therefore, Council has demonstrated that it is investing in the renewal of its infrastructure assets for a sustained period of time in order to preserve intergenerational equity.

The financial trends over the 10 years of the LTFP are represented in the Graphs below and further indicate achievement of the stated objectives









Council's future position has been forecast on the basis of a continuance of "normal operations" as amended for SRV initiatives and underpinned by conservative assumptions and initiatives / efficiencies underway or achievable. This demonstrates a sound financial foundation and a readiness for future challenges. Hence Council could be expected to withstand adverse impacts or shocks outside of theseassumptions as has been necessary during COVID. Afocus on continuous improvement has the potential to deliver an upside to these projections. These initiatives are detailed in the Productivity Improvement, Revenue Opportunities, and Cost Containment Strategies section of this document.

DELIVERING FINANCIAL SUSTAINABILITY FOR COUNCIL

Council is focused on long-term financial sustainability and uses the Office of Local Government (OLG) financial benchmarks to help measure its achievement of this objective. The OLG financial benchmarks are included in Council's audited financial statements and incorporate the seven 'Fit for the Future' benchmarks established in 2015 as part of the NSW Governments proposal to reform the local government system.

Council has a proud history of prudent financial management and has achieved all seven 'Fit for the Future' financial benchmarks for the past 6 financial years. The indicators are measured and reported to Council quarterly in conjunction with the Quarterly Budget Review Statement. The objective for Council is to ensure that the targets set are achieved to enable Council to continue to be financially sustainable into the future.

The Key Performance Indicators table above identifies that all financial benchmarks are projected to be achieved for the next 10 years based on the assumptions used in the LTFP.

Council identified in previous LTFP's a series of interventions and cost containment actions that are continuing to deliver efficiencies. However, the ongoing financial benefits of these initiatives has been offset by the negative financial impacts of COVID on Council's revenue during the financial years ended 30 June 2020, 2021 and 2022 due to the closure of facilities as a result of Public Health Orders restrictions, and rental concessions provided to tenants of Council's properties. Therefore, continuous improvement in financial results remains a goal for Council and future initiatives are detailed in the Productivity Improvement, Revenue Opportunities, and Cost Containment Strategies section of this document.

Previous financial results and projections had been adversely affected by the introduction of new accounting standards regarding asset revaluations, the related impacts on depreciation expense and application of the depreciation methodology. As a result, there has been an ongoing review of depreciation in line with the improvement in asset management plans over several years, culminating in a change of policy from 2015/16. The application of this policy improves projected financial outcomes.

Special Schedule 7 is a reporting requirement that has limitations caused by a lack of consistency of data across Councils or appropriate consistent auditing standards. This view is supported and recognized in the guidance provided in the description of the ratios where it was noted "*It is acknowledged, that the reliability of infrastructure data within NSW local government is mixed. However, as asset management practices within councils improve, it is anticipated that infrastructure reporting data reliability and quality will increase*". Fairfield Council as part of its Integrated Planning and Reporting improvements has a rigorous approach to asset management and uses these principles to model the optimum expenditure to enable Council to address its asset backlog and ensure the condition of its assets remain stable over the next 10 years compared to the benchmark requirement of less than 2%. This approach addresses any asset backlog percentage by:

- Measuring the cost to bring the asset to a satisfactory condition as prescribed by the Office of Local Government as condition 3.
- Recommending to consult with the community to determine the asset condition that is considered acceptable to deliver the required level of service. This may mean, for example, that an asset in condition 4 (poor) may still deliver the required level of service and thus not form part of the asset backlog. This consultation is anticipated to deliver a significant reduction in the asset backlog.
- The Special Rate Variation (SRV) granted by IPART for Council commencing July 2014 included a recognition that Asset Management Plans addressing asset backlog was a priority for Fairfield Council and this results in an additional $40m over 10 years to be spent on asset renewal.

Other initiatives have been pursued to further improve Council's long term financial position.

The Property Development Fund (PDF) provides opportunity to extract value from Council's commercial assets. Examples of the value of PDF include:

- $14m net return from a 41 lot sub-division at Diamond Crescent in 2015/16
- the development of a commercial retail Centre at Dutton Plaza in Cabramatta in 2016/17 with projected gross retail incomes of $3m
- $5m in proceeds from a 9 lot sub-division in Smithfield completed in 2019/20
- Investigating opportunities for commercial Council land holdings throughout the LGA including Prairiewood and Fairfield CBD

INTRODUCTION

The increasing demands for services, growth in the cost of labour and materials, combined with a legislated cap in revenue generated from rates, has created a challenging financial environment for all councils including Fairfield City Council.

At the centre of Council's future financial sustainability will be the ability to adapt and respond to the challenges faced in delivering services more efficiently, reducing expenditure, and delivering opportunities to generate additional revenue sources.

Council's LTFP is a requirement under the Integrated Planning and Reporting (IP&R) Framework for NSW Local Government and forms part of the Resourcing Strategy, along with the Strategic Asset Management Plan and the Workforce Plan.

The LTFP provides a framework by which Council can assess its revenue building capacity to meet the activities and level of services outlined in the Delivery Program and ultimately achieving the community vision. It also:

- Establishes transparency and accountability of Council to the community;
- Provides an opportunity for early identification of financial issues and any likely impacts in the longer term;
- Provides a mechanism to solve financial problems as a whole, see how various plans fit together, and understand the impact of certain decisions on other plans or strategies;
- Provides a means of measuring Council's successin implementing strategies; and
- Confirms that Council can remain sustainable in the longer term.

The LTFP is a decision making and problem solving tool. It is not intended that the LTFP is set in concrete – it is a guide for future action. Financial planning over a ten year horizon is difficult and obviously relies on a variety of assumptions that may be subject to change during this period. Changes in these assumptions, external influences on operations such as economic impacts and decisions made by Council across the last 12 months are all reasons why revised projections for future years may differ from previous projections. To assist in understanding the influences affecting those previous projections, this document includes a comparison of the 2022/23 income statement from last year's LTFP and the 2022/23 income statement in this LTFP projection.

The 10 year LTFP is informed by decision making during the finalisation of the Delivery Program (4year horizon). It is updated annually as part of the development of the Operational Plan (one year budget). It is also reassessed in detail as part of the four-yearly review of the suite of IP&R documents.

The first year of each LTFP mirrors the annual budget for that current year and this flow on effect streamlines the annual budget process.

The preparation of the LTFP commenced with a detailed analysis of the 2022/23 budget. An internal analysis was conducted to:

- remove the impacts of income and expenditure items considered unique to the 2022/23 year and not of a recurring nature;
- consider efficiencies already achieved or beginning to be achieved from structural reviews and projects recently undertaken by Council or inprogress;
- review items outlined in the SRV application to ensure all had been incorporated into both the budget and the subsequent years of the LTFP; and
- ensure actions and plans contained in other Council internal and published documents – such as Asset Management Plans, Workforce Management Plan, Service Statements, Operational Plan, Community Strategic Plan and Delivery Program – had been appropriately included in future projections.

Next, a review of external influences such as population growth, inflation, interest rates and economic growth were considered when assessing the future years of the LTFP. COVID poses a significant disrupter to the LTFP as the depth and length of the economic impacts and recovery are still unknown and likely to evolve over time.

The outcomes from the internal analysis and review of external influences have then been combined to project the future. Council's future position has then been forecast on the basis of a continuance of "normal operations" as amended for SRV initiatives and as affected by the external influences. Council's "Normal operations" are documented in the annual Operational Plans. Levels of service however may not remain the same given changes in community expectations in future years of the Plan.

PLANNING ASSUMPTIONS

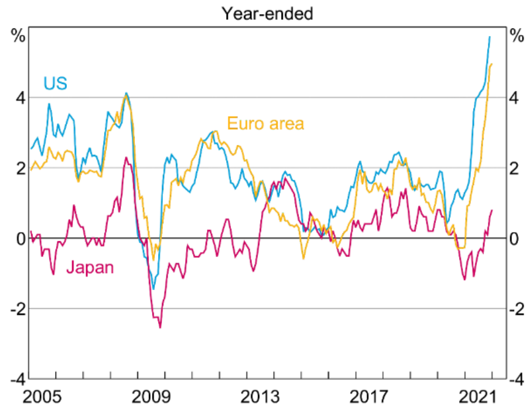
Global Economic Conditions

The global economy continues to recover supported by expansionary monetary and fiscal policy settings and increased vaccination coverage. However, capacity constraints in global goods markets have been more persistent than initially envisaged and bottlenecks are holding back sales of many goods. Alongside increases in energy prices, these capacity constraints have contributed to the upswing in inflation in major advanced economies over recent months.

Core inflation has increased to its fastest pace in many years in North America, the euro area and the UK. Together with a sharp increase in goods and energy price inflation, services price inflation has increased to above pre-pandemic rates in major advanced economies. Meanwhile, labour market conditions in advanced economies continue to improve. Employment growth remains strong and unemployment rates have continued to decline.

Inflation – Advanced Economies*

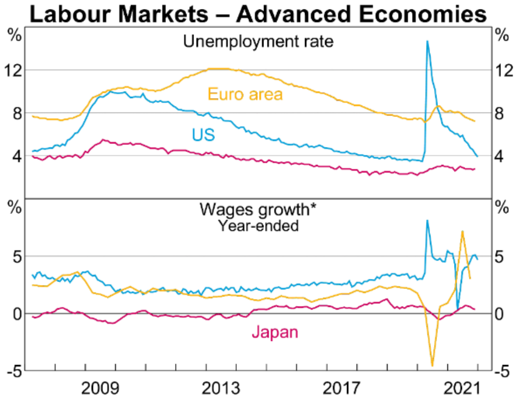
Year-ended



* Personal consumption expenditure (PCE) inflation for the US; Japan data excludes the effects of the consumption tax increase in April 2014.

Sources: RBA; Refinitiv

Labour Markets – Advanced Economies



* Average hourly earnings for the US; compensation per employee for the euro area; smoothed full-time base wages for Japan.

Sources: CEIC Data; RBA; Refinitiv

The International Monetary Fund (IMF) is now projecting global economic growth to moderate from 5.9% in 2021 to 4.4% in 2022, largely reflecting forecast markdowns in the world's two largest economies, US and China.

Latest World Economic Outlook Growth Projections

(real GDP, annual percent change)	ESTIMATE 2021	PROJECTIONS 2022	PROJECTIONS 2023
World Output	5.9	4.4	3.8
Advanced Economies	5.0	3.9	2.6
United States	5.6	4.0	2.6
Euro Area	5.2	3.9	2.5
Germany	2.7	3.8	2.5
France	6.7	3.5	1.8
Italy	6.2	3.8	2.2
Spain	4.9	5.8	3.8
Japan	1.6	3.3	1.8
United Kingdom	7.2	4.7	2.3
Canada	4.7	4.1	2.8
Other Advanced Economies	4.7	3.6	2.9
Emerging Market and Developing Economies	6.5	4.8	4.7
Emerging and Developing Asia	7.2	5.9	5.8
China	8.1	4.8	5.2

Asia

After posting a strong recovery in 2021, the Asia-Pacific region is set for more modest economic expansion in 2022. This will principally reflect weaker growth in China, where the IMF forecasts expansion to slow to 5.8% in 2022, from an estimated 8.1% last year. This will be offset to some extent by accelerating growth in Indonesia and Japan, where recoveries in 2021 were disrupted by Covid-19 outbreaks.

In China, rising shipment costs and shortages have resulted in growing stockpiles of unsold products in warehouses. As global demand moderates this year, producers will look to destock and shore up their bottom lines, which will encourage them to refrain from price increases that may threaten their international market share. This could provide welcome respite for global consumers of products spanning electronic machinery, computers and consumer electronics, rubber and plastics, and furniture.

Given weaker inflation and mixed progress in terms of economic recovery, many of Asia's central banks will likely be reluctant raise official interest rates. Some economists are even expecting China's central bank to lower interest rates this year.

United States

In the US, unexpectedly strong employment growth over the past several months has surprised economists and points to underlying strength that may sustain the economic expansion as the Federal Reserve starts to raise interest rates.

Strong employment gains, accompanied by the biggest annual increase in wages since May 2020, pave the way for the U.S. central bank to raise interest rates in March by at least 25 basis points to cool off high inflation. Some economists expect as many as seven rate interest rate hikes of 0.25%pa each this year.

Higher wages, government stimulus payments and reduced consumer spending during the pandemic helped US households accumulate $2.5 trillion in savings, or 15% of the current annual consumption rate. Home and equity values have also risen, increasing household wealth. Economists believe these factors will translate to relatively strong consumer spending going forward.

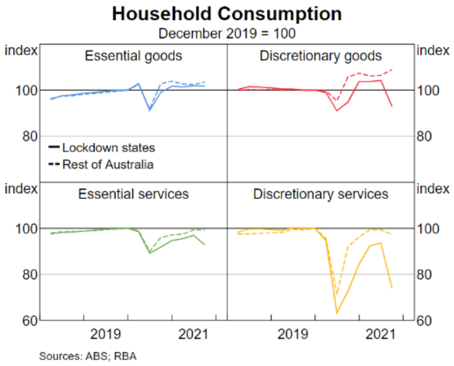
Europe

The euro area economy is continuing to recover, and the labour market is improving further, helped by ample policy support from governments. But growth is likely to remain subdued in the first quarter of 2022, as the current pandemic wave is still weighing on economic activity. Shortages of materials, equipment and labour continue to hold back output in some industries. Persistently high energy costs are also expected to exert a strong drag on consumption and investment.

Growing tensions between Russia and Ukraine have cast a shadow over energy markets, and the uncertainty could mean a prolonged period of high gas prices for Europe. Economists expect that if sanctions are placed on Russia's energy exports or if Russia uses gas exports as a tool for leverage, European natural gas prices would soar even higher, thus driving up inflation pressures overall.

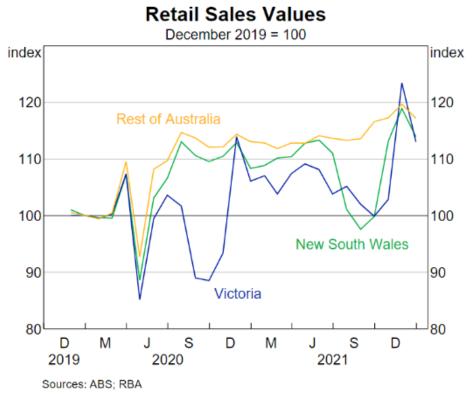
Australian Economic Conditions and Forecasts

Domestically, indicators suggest that economic activity, particularly household consumption, is recovering strongly in parts of the country where restrictions have been eased recently. In states that avoided extended lockdowns, activity has continued to expand at a solid pace.



Leading indicators of labour demand point to a strong recovery in labour market conditions in coming months, with job advertisements rising to a historically high level. Several industries are reporting difficulties finding workers, including in the construction, professional services, agricultural and hospitality sectors. The unemployment rate, currently at 4.2%, is expected to trend lower to 4% by June 2022 and to the 3.75% area by the end of 2023.

Private sector wages growth has increased recently to around its pre-pandemic level.



Looking forward, firms are generally expecting wage increases over the coming year of around 2.5%. Meanwhile, public sector wages growth remains subdued.

Underlying inflation has picked up to a little above 2% for the first time in six years. Inflation pressures in Australia are lower than in many other countries, owing to a range of factors, including differences in energy markets and modest wages growth in Australia. Headline inflation, currently at 3.50% is expected to increase to the 3.75% area before gradually moving back to the RBA's 2-3% target range.

Long Term Forecasts February 2022	**1 2022/23 Forecast**	**2 2023/24 Forecast**	**3 2024/25 Forecast**	**4 2025/26 Forecast**	**5 2026/27 Forecast**	**6 2027/28 Forecast**	**7 2028/29 Forecast**	**8 2029/30 Forecast**	**9 2030/31 Forecast**	**10 2031/32 Forecast**
ECONOMIC FORECASTS										
World GDP	5.10%	4.40%	3.80%	3.80%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Australian GDP	5.00%	2.50%	2.00%	2.25%	2.50%	2.75%	2.75%	2.75%	2.75%	2.75%
Australian CPI	3.75%	2.75%	2.75%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Australian Unemployment Rate	4.00%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%
Australian Wage Growth	2.50%	3.00%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.50%	3.50%
AUSTRALIAN INTEREST RATES										
RBA Cash Rate	0.25%	1.25%	1.50%	1.50%	1.50%	2.00%	2.00%	2.00%	2.25%	2.25%
90 Day Bank Bill	0.35%	1.60%	2.00%	2.15%	2.25%	2.30%	2.40%	2.40%	2.50%	2.50%
Approx performance over 90day Bank Bill	0.64%	0.43%	0.41%	0.38%	0.36%	0.44%	0.42%	0.42%	0.45%	0.45%
Forecast Investment Returns (yield)	0.99%	2.03%	2.41%	2.53%	2.61%	2.74%	2.82%	2.82%	2.95%	2.95%

Sources: International Monetary Fund; Reuters; Reserve Bank of Australia; Commonwealth Budget forecasts

The above planning assumptions were developed in February 2022 at the commencement of the LTFP preparation process. Assumptions are subject to change and difficult to accurately predict in the current dynamic economic environment. However, this is a 10 year LFTP that is updated annually as part of the development of the Operational Plan, and the present volatility is expected to normalise in the long term.

UPDATING THE LTFP WITH THE DRAFT 2022/23 – 2025/26 DELIVERY PROGRAM

The Draft 2022/23-2025/26 Delivery Program (Delivery Program) is Council's response to the community's vision, priorities and goals as identified in the Draft 2022- 2032 Fairfield City Plan (City Plan). The Delivery Program outlines what Council has committed to deliver during its term of office over the next four years. The Delivery Program deliverables are structured into two main categories; services (including major programs) and projects that work towards achieving the community's vision, priorities and goals as identified in the City Plan. In developing the Long-Term Financial Plan and Delivery Program, due regard has been given to promoting the financial sustainability of the council through the establishment of a clear revenue path for all rates linked to specific expenditure proposals and services.

Services and Major Programs

Council currently spends 96% of its budget on the services it delivers each year. The Delivery Program identifies 44 services, which Council currently delivers for the community. Council's has identified its principle activities through its external services (30) and corporate activities through its internal service statements (14).

Listed below is Council's External and Internal Services:

External Services (Principle Activities)	
Asset Management – Civil and Built	Land Information Services
Asset Management – Open Space	Leisure Centres
Building Control and Compliance	Library Services
Catchment Planning	Major Events
Children and Family Services	Museum and Gallery
City Connect Bus	Place Management
Communications and Marketing	Property Strategy and Services
Community Business Hub (Fairfield City HQ)	Showground and Golf Course
Community Compliance	Social Planning and Community Development
Community Facilities	Strategic Land Use Planning
Customer Service Administration Centre	Street and Public Amenities Cleaning
Development Planning	Sustainable Resource Centre
Economic Development	Traffic and Transport
Emergency Management	Natural Resource Management
Environmental and Public Health	Waste Management

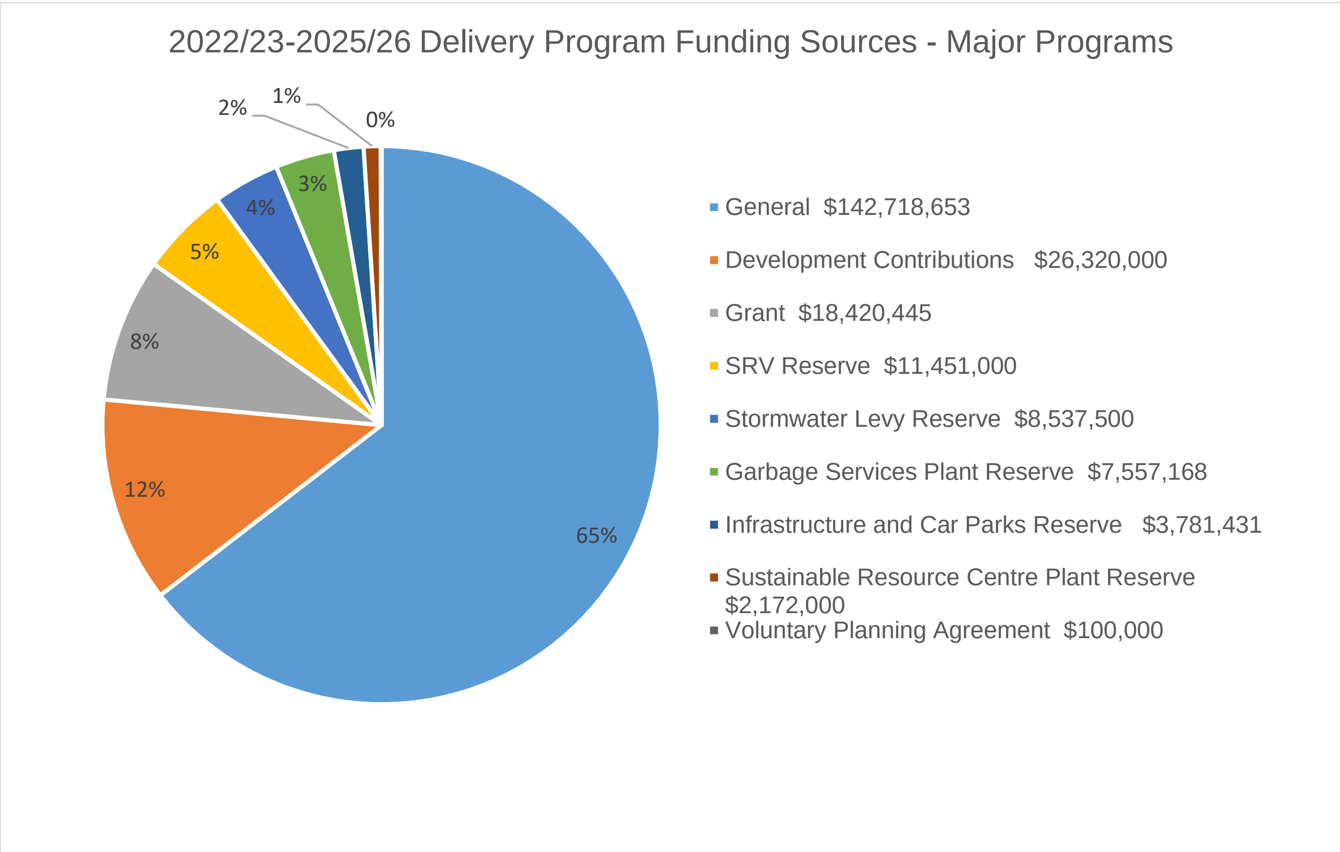
Internal Services (Corporate Services)	
Corporate Planning and Improvements	Information and Communication Technology
Design Management	Infrastructure Construction and Maintenance
Fairfield Opportunity and Risk Management	Internal Audit
Financial Sustainability	Major Projects
Fleet and Stores Management	Parks and Gardens Operations
Governance	Procurement
Human Resources	Records and Information Management

Major Programs are part of Council's service delivery. Major Programs identify an activity that is undertaken each year, but the location or details of the activity change annually with those details included in the Operational Plan e.g. footpath renewal is undertaken every year (and is a Major Program) with the specific streets where the work will happen in the coming year listed in the Operational Plan. The Major Programs are listed within 'Service Outputs' to clearly identify their cost and ensure that resourcing requirements are considered in the development of the Delivery Program and Operational Plans. Major programs can be categorised into two areas:

- **Asset Renewal** – Asset Renewal Major Programs are programs required for all Council's asset classes to maintain these assets at the condition as identified in Council's Asset Management Strategy and Plans. The expenditure identified in each of these is set at the level required to achieve the Fit for the Future Benchmarks.

- **Service Details** – Service Details Major Programs are programs of works for services that have a number of high-level deliverables such as strategic plans, reviews, action plans, etc. The service details major programs expenditure is included in the associated service statement and the major program provides the detail of things such as locations, programs, projects, actions and/or events that are to be undertaken during each Operational Plan. For example, the Strategic Land Use Planning service statement identifies that it reviews Development Control Plans throughout the City; the major program for this service identifies which Development Control Plan it will be reviewing during the Operational Plan year.

Council has identified 43 major programs in its Delivery Program, which details 2,951 activities to be delivered over the next four years. Council has also established a revenue path for all rates, which are linked to specific major program expenditure. As a total, it is estimated that Council will expend over $211 million over the next four years against a number of funding sources and reserves. These allocations have been identified below and further covered within the Long-Term Financial Plan under Capital Expenditure.

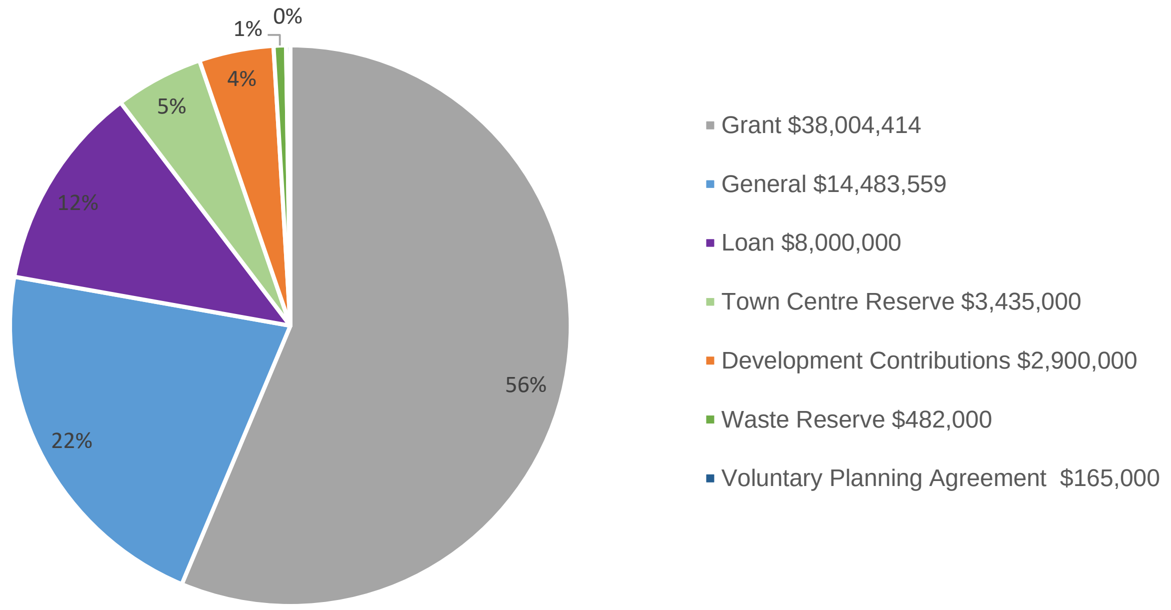


Projects

Council currently utilises approximately 96% of its budget in the delivery of its services each year. The remaining 4% is then available to be allocated to new projects, which are 'value adds' to these services.

Through extensive engagement and Councillor Workshops, Council has identified 827 projects in its Delivery Program, which details a total of $70 million to be delivered over the next four years against a number of funding sources and reserves. Council has also established a revenue path for all rates, which are linked to specific expenditure proposals. These allocations have been identified in the graph below.

2022/23-2025/26 Delivery Program Funding Sources - Projects



Some major new proposals, which will result in new infrastructure and activities for the community over the next 4 years include:

- Regional Indoor Multicultural and Sporting Complex – Fairfield Showground
- Endeavour Sports Hub Stage 1 and 2
- Brenan Park Playspace – Design and Concept
- Cabravale Leisure Centre Health and Wellbeing – Design and Concept
- Expansion of Aquatopia at Prairiewood Leisure Centre – Dry Recreation Facility

ASSET MANAGEMENT, CAPITAL EXPENDITURE AND DEPRECIATION

An asset revaluation required under the Fair Value Accounting Standard every five years was undertakenin the 2019/20 year using replacement cost data. Compounded CPI has been assumed in the 2024/25 and 2029/30 years to derive the revaluation required in those years. The depreciation impact follows in the year after revaluation.

Asset Management

Council's assets are considered to be in a comparatively good condition with only 1.8% of all assets falling into the poor (condition 4) and 2.3% in the very poor (condition 5) categories as a percentage of replacement cost (per Special Schedule No. 7 2021 Published Financial Statements). The table below shows the comparative asset conditions for neighbouring and other comparable Councils.

	Fairfield City Council 2021	Blacktown City Council 2021	Cumberland Council 2021	Liverpool City Council 2021	Parramatta Council 2021	Penrith City Council 2021
1 (Excellent)	27.10%	35.30%	31.10%	41.90%	32.70%	18.50%
2 (Good)	44.30%	22.50%	39.90%	30.50%	44.70%	42.40%
3 (Average)	24.50%	36.90%	22.90%	22.90%	20.80%	30.30%
4 (Poor)	1.80%	4.60%	4.80%	2.70%	1.20%	6.70%
5 (Very Poor)	2.30%	0.70%	1.30%	2.00%	0.60%	2.10%
Total	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00**

The Special Rate Variation (SRV) included recognition that Asset Management Plans addressing Asset backlogwas a priority for Council. This will result in an additional $42m over 10 years being spent on asset upgrades.

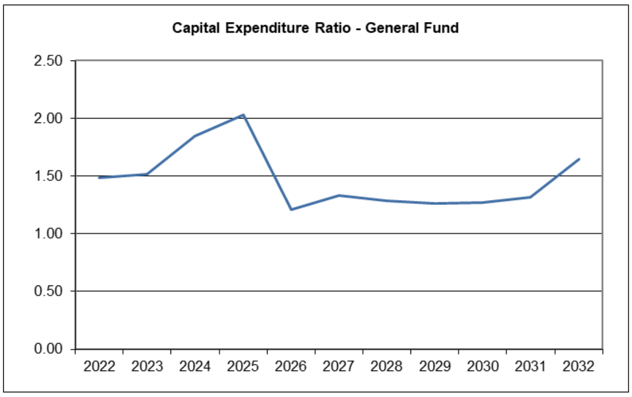
Capital Expenditure

Council undertakes a number of major works programs each year with the specific locations or tasks listed in the annual Operational Plan. The Major Programs are:

- Disability Upgrades – Access Improvement Program
- CCTV Camera renewal
  - Road Renewal / Upgrade
  - Road Rehabilitation
  - Roads to Recovery
  - Roads and Maritime Services Repair
  - Road & Maritime Services 3*3 Grant
- Building Assets Renewal / Upgrade
- Footpath Renewal / Upgrade / New
- Emergency Asset Failure
- Open Space Land Acquisition & Embellishment
- Open Space Asset Renewal / Upgrade
- Traffic Management Renewal / Upgrade / New
  - Local Area and Traffic Management
  - Pedestrian Access and Mobility Plan
  - Blackspot
- Plant and Equipment Replacement
  - Construction
  - Sustainable Resource Centre
  - Waste Services
- Existing Stormwater Management
- Information and Communication Technology
- Flood Mitigation
- Stormwater Levy
- Better Waste and recycling fund - Part
- Place Management and Economic Development - Part
- Fleet Renewal Program
- Upgrade of pools plant and equipment
- Special Rate Variation (SRV) initiatives
  - Drainage Upgrade
  - Kerbs and Gutters
  - Community Building Upgrades
  - Footpath Connections
  - Sports Ground Renovation and Upgrade

The capital expenditure programme over the life of the LTFP is consistent with the exception of increases in 2023/24 and 2024/25 for the Regional Multicultural and Sporting Complex at Fairfield Showground ($41.14m), and 2031/32 for the Cabravale Leisure Centre Health and Wellbeing ($30m).

The capital expenditure ratio represents the capital spend in relation to depreciation expense. A ratio of 1.00 means that capital expenditure equals depreciation, indicating that the asset base is being maintained. A ratio above 1.00 is targeted due to the mix of renewal and new capital activity.



The total (new and renewal) capital expenditure by asset class planned over the life of the LTFP is outlined in the table below. The graphs that follow show different dissections of this expenditure.

	2022/23-2025/26 Delivery Program									
Asset Category	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Buildings	13,161,050	28,021,881	33,045,833	7,689,167	15,622,781	20,450,799	18,253,763	14,769,683	18,557,791	36,253,648
Roads	18,540,816	19,273,541	20,577,725	19,640,000	18,366,243	15,524,669	16,629,814	19,414,012	19,456,297	18,751,917
Footpaths	4,896,004	4,311,151	4,286,400	4,316,000	4,322,902	3,445,454	3,594,276	4,346,856	4,422,052	4,164,448
Bridges	400,000	345,000	632,000	460,000	385,198	363,253	434,150	454,595	439,112	449,267
Stormw ater Drainage	2,903,000	6,468,000	8,616,500	5,720,000	4,824,090	5,308,957	5,860,895	5,829,238	5,826,234	6,175,245
Open Space	6,700,000	4,800,000	7,900,000	8,500,000	6,393,333	5,091,556	6,411,647	7,570,370	6,955,169	6,706,542
Plant and Equipment	7,262,873	6,631,692	5,257,592	5,037,510	6,051,953	4,784,330	4,498,697	5,538,993	5,976,976	5,544,468
Other Assets	6,405,647	6,184,263	5,180,250	1,605,000	4,495,473	4,088,857	3,272,707	3,234,299	4,222,031	4,208,706
Total	**60,269,390**	**76,035,528**	**85,496,300**	**52,967,677**	**60,461,972**	**59,057,875**	**58,955,950**	**61,158,046**	**65,855,662**	**82,254,241**

Note: Numbers in above table are expressed in whole dollars.

Depreciation

Council's financial results have contained a significant increase in depreciation expense as illustrated below.

Depreciation Exp.	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Buildings	6	6.1	10	9.5	6.3	8.5	6.4	7.3	7.9	8.0
Infrastructure	13.6	14.2	14.7	16.3	16.4	17.2	18.3	17.6	21.6	22.3
Other Assets	5	5.1	4.6	4.3	5.8	5	4.4	4.7	5.9	5
Total Depreciation	24.6	25.4	29.3	30.1	28.5	30.7	29.1	29.6	35.4	35.3

Note: Depreciation expense history, expressed in $ (millions)

This has been caused by:

- introduction of new accounting standards regarding asset revaluations
- the related impacts on depreciation expense
- application of revised depreciation methodology since 2016 to establish useful lives for components of assets
- depreciation expense benefit from re-assessing useful lives of assets since 2021 to take into account current condition, and recognising the benefit of a proactive maintenance program.

The Infrastructure asset category is the most significant contributor to the increase in the expense over the 2012 to 2021 period.

Over this 10 year period building additions of $64M have occurred, whilst net revaluations of $102.6M occurred in the 2 valuation years of 2008 and 2013. These significant increases in the $ base on which the depreciation expense is calculated is the reason for the expense increase.

The current depreciation calculation for annual depreciation charges is affected by the assessment of 'useful life' and 'asset condition'.

- Roads, bridges and footpath revaluations were performed by Council in consultation with an independent expert based on an assessment of asset conditions and application of estimated useful lives to the components therein.
- Buildings revaluations were informed by an independent expert who applied useful lives in accordance with their knowledge for the components involved.

Comparison of Council's financial statements to other councils in the Sydney metropolitan area indicated significant differences in useful life estimations. Differences in all aspects impacting on depreciation were noted – level of componentisation, useful lives and asset conditions. As shown in the table below, Fairfield Council currently ranks favourably in terms of depreciation and average asset life which is conservative. The current depreciation policy introduced in 2015/16 is used as the basis for the LTFP.

Published Financial Statements 30 June 2021

Council	$000's Infrastructure excluding Land (Depreciable Fair Value)	Depreciation Expense	%	Average # Years to fully Depreciate assets
Blacktown	3,096,111	78,773	2.54%	39.3
Fairfield	1,375,104	34,224	2.49%	40.2
Parramatta	2,146,725	43,072	2.01%	49.8
Cumberland	1,677,811	33,673	2.01%	49.8
Penrith	1,718,195	44,148	2.57%	38.9
Liverpool	2,232,255	40,709	1.82%	54.8

PRODUCTIVITY IMPROVEMENTS, REVENUE OPPORTUNITIES, COST CONTAINMENT STRATEGIES

Council's on-going service delivery, which includes Major Programs, makes up 96% of its annual budget. This is supplemented with specific projects undertaken each year.

Council operates a number of service oriented businesses. One of the demands for these services is staffing to meet regulatory or service standards. This creates ongoing pressures for Council's budget in terms of cost containment of employment expenses.

A number of factors have influenced Council in recent years to ensure a consistent and effective program is in place to achieve efficiencies in our service delivery. Some of these relate to unexpected increases in building material and contractor costs due to supply chain and workforce management issues arising from COVID-19 combined with the large number of infrastructure projects across the state, a significant and ongoing reduction ($2m) in the Federal Assistance Grants (FAG's), growth in electricity charges, increases in domestic waste disposal costs due to local and international regulatory changes, and increasing employee costs.There is also growing pressure on Council's depreciation charges resulting from restating Councils substantial infrastructure, property, plant and equipment (currently $2.2 billion) in terms of estimated fair values.

Identification and implementation of efficiency measures assist in maintaining levels of service across the organisation. Deeper savings potentially arise from changes to services and their level of service.

Services and Service Levels Review

Part of Council's approach to financial sustainability is to understand the value of Council's services and the levels at which they are provided. The Integrated Planning and Reporting Framework requires Council to identify and commit to the services it will deliver during its term of office.

As part of the process of developing the Delivery Program, Council reviewed its external services to ensure they continue to meet the priorities of the community identified in the Fairfield City Plan.

To assist in the service review Council prepared a table using a modelling technique known as Simultaneous Multi-Attribute Trade Off (SIMALTO) grid. The SIMALTO grid helped to identify and compare any changes to services (increases and decreases) and the resulting budget impact. The SIMALTO grid is just one tool that helped Council review its services. The technique assisted in identifying the mix of services and service levels.

Service level reviews address changes in scope and level of service. Efficiencies identify the other improvements in operations which reduce costs, improve productivity and allow more to be done with existing resources.

Council is committed to holding fees and charges to an affordable level and providing services and facilities because of the nature and needs of our community. This includes rates being maintained at an affordable level, discounted accommodation for a range of Non-Government Organisations (NGO's) to serve the community and provision of facilities for youth including a water park, Adventure Park and study spaces in libraries. Council also has a commitment to commercial revenue opportunities to reduce reliance on rates. This includes the Sustainable Resource Centre (SRC), Dutton Lane commercial development as well as new proposed property development projects.

Council has a proud record of delivering productivity improvements, cost containment and improved revenue opportunities. A number of achievements in recent years continue to deliver benefits. These have been measured and monitored since 2008 and have resulted in approximately $5.7M per annum in improvements to the operating result. Such initiatives include:

- Withdrawal of management of the Fairfield City Farm (2009)
- Structural change for salaries and wages (2010 - current) – 4.5% or $3.3m p.a.
- Christmas closure of non-essential services (2010-ongoing)
- Sustainable Resource Centre commercial operations uplift in profits and reduced landfill costs for Council operations
- Energy and waste minimisation programme (2010-2013)
- Revised operational arrangements for Council's multi-storey car parks using self-management and efficiencies (2012) - $1m p.a.
- Diamond Crescent 41 lot subdivision (2015/16) - $7.3m

- Dutton Plaza Retail development (2016/17) -$1.8m net p.a.
- Revaluation and depreciation of Council infrastructure assets, accounting treatment reviewed and useful lives established for asset components, resulted in less expense (2016) - $3.6m p.a.
- Council insurances tender 2019/20 - $0.5m p.a.
- Council's investment policy revision 2018/19 - $0.4m p.a.

Fairfield City Council remains committed to an ongoing program of initiatives to achieve further financial benefits for our community. These productivity improvements and cost containments enable Council to maximise the services it can deliver and the value for each rate dollar for ratepayers.

Council's Integrated Planning and Reporting (IP&R) documents identify many of the initiatives that will be undertaken in coming years to achieve further savings and efficiencies. In addition, there are a number of actions in various strategies, service plans and individual work plans that will also contribute. Council needs to work on a range of efficiencies to manage expenses responsibly moving forward and to look for sustainable revenue sources.

Efficiencies identify the other improvements in operations which reduce costs, improve productivity and allow more to be done with existing resources. The organisation has been working on efficiencies for a number of years. This has generated savings and productivity improvements. As part of this process, the following priority areas for the organisation have emerged:

- Process improvement and reengineering
- People development and service alignment including multi-skilling
- New and improved systems
- Continued procurement reviews
- Continuous improvement in asset management practices
- Identifying new sustainable revenue sources

Council's Long Term Financial Plan has identified a trend of expenses increasing at a faster rate than revenue. Without intervention, this would have resulted in forecasting deficits unless the rate of increase was matched or revenues increase faster than expenses. In order to address this issue, Council continues to work on a range of efficiencies to manage expenses responsibly moving forward and to look for sustainable revenue sources.

The identified issue is a two sided equation – productivity and cost containment – and efficiencies also need to examine revenue options. Some examples of programs relating to improved revenue streams (ongoing and one off returns) are:

- Property Development Fund – rationalisation and disposal of surplus underutilised assets – one off capital return on investment through land sales
- Strategic Portfolio Area – Commercial Opportunities – coordinated approach to identifying, assessing and implementing proposals with appropriate return on investment and risk profiles.
- Sustainable Resource Centre – commercial operation to recycle road materials. Generates profits and reduces landfill costs for Council operations.
- Dutton Plaza – commercial operation to provide retail shopping facilities. Generates profits and accommodates demand for retail space in Cabramatta.
- Review Council's investment policy and strategy to improve returns – maintain strong cash flow management
- Staff leave management including Christmas shutdowns and productivity improvements from structural alignments and technology
- Continued focus on Asset Management to contain depreciation expenses
- Procurement efficiencies
- Review appropriateness of user fees and charges
- Information technology Initiatives to make Council services and facilities more accessible to residents. Ecommerce system developments are enabling the community to book a number of in demand services and facilities 24/7 in a cost effective manner.

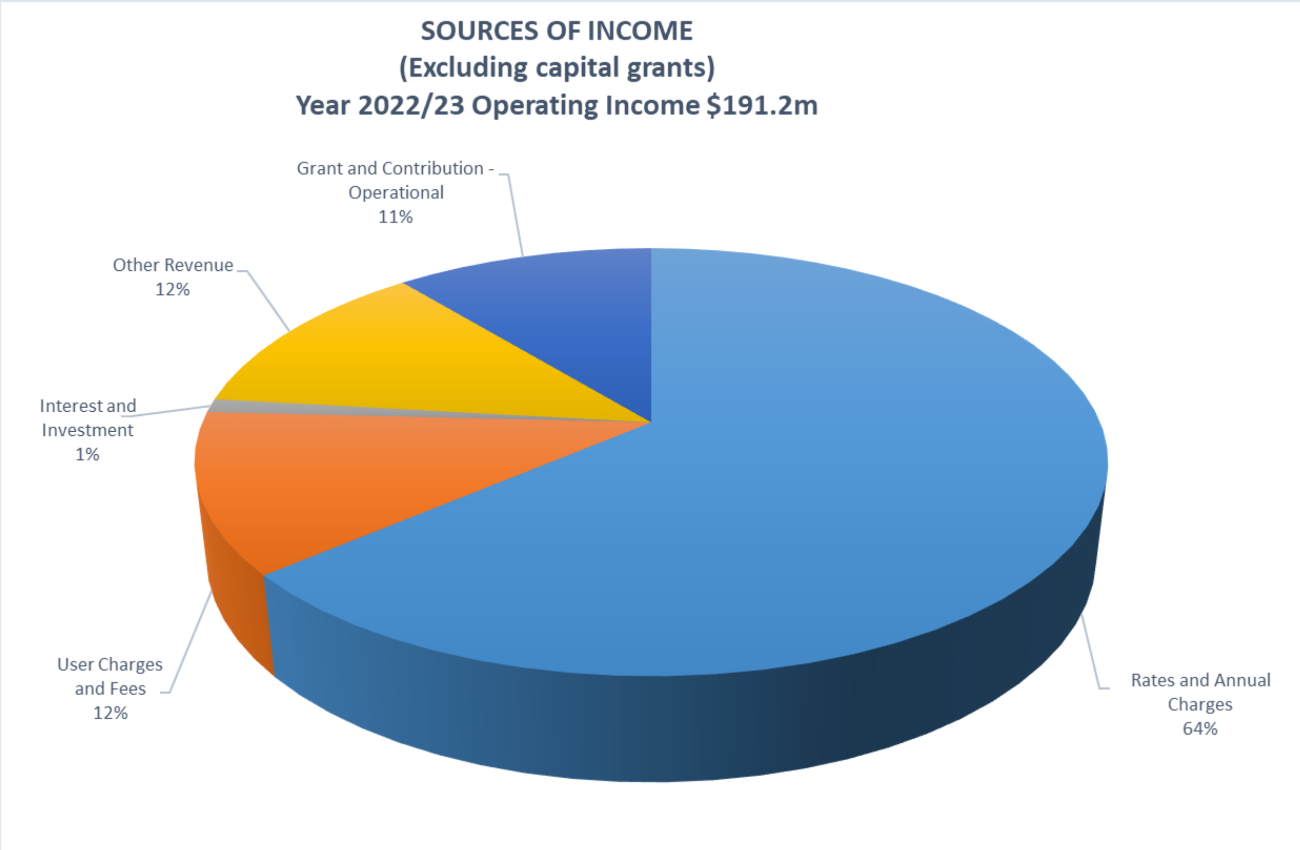
Initiatives under consideration:

- Opportunities for shared services or resource sharing
- Review service levels and core versus optional services
- Fully cost subsidies for Council's services so that future decisions can be made concerning the level of subsidy
- Review resourcing models including use of contract services
- Business case assessment of the subsidy level, utilisation and alternate delivery models for community services

The management of Councils efficiency program is included in the Council's Delivery Program.

REVENUE FORECASTS

The Revenue Forecast section looks at the major sources of income received, including explanatory information along with a discussion of the risks and assumptions. The graph and table below illustrates the major distribution of the operating income sources, based upon the 2022/23 budget.



Major Items of Operating Income	2022/23 Budget	% Operating Income
Rates and Annual Charges	121.9 M	64%
User Charges and Fees	23.1 M	12%
Grant and Contribution Operational	20.9 M	11%
Interest and Investment	1.9 M	1%
Other Revenue	23.4 M	12%

Rates and Annual Charges

Land Rates are Council's primary source of annual income, contributing half of total operating income, a proportion which has remained relatively constant.

The following rating categories are maintained by Council:

- Residential
- Farmland
- Business

Rates are set in accordance with NSW legislative requirements, and in order to calculate them in a fair and equitable way Council use a combination of a Base Amount and a Land Value multiplied by an Ad Valorem (cents in the dollar) for Residential and Farmland properties, and a Land value multiplied by an Ad Valorem (cents in the dollar) for Business Rates. The use of the Base Amount for Residential and Farmland properties brings the higher and lower value properties closer together and effectively spreads the rate burden more evenly across land owners.

Council's annual land rates income represents 49% of Income from Continuing Operations (excluding Capital Grants), with Residential and Farmland Rates contributing approximately 60% of the total Rates, and Business Rates Contributing approximately 40% of the total Rates.

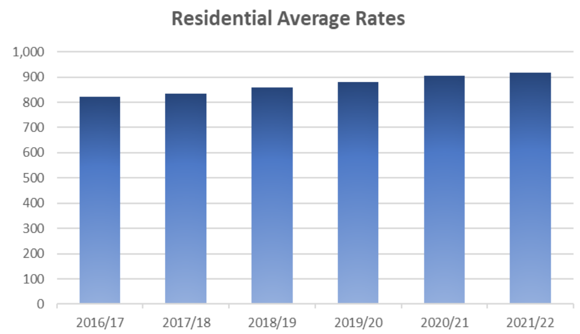
The rate peg for 2022/23 has been handed down and will be 0.7% and this has been incorporated into Year 1.

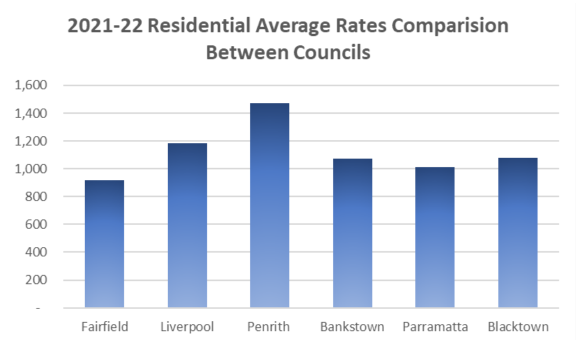
Given population growth in the Fairfield Local Government Area is not forecast to be significant, no changes to rates and annual charges have been included for population increase. Future years' rate peg is expected to closely approximate CPI, with annual changes as per the table below.

	2022/23	2023/24	2024/25	2025/26	There After
Rate Peg	0.70%	2.00%	2.00%	2.00%	2.00%

Stormwater levies are capped and expected to remain unchanged from the current levy of $1.6m per year.

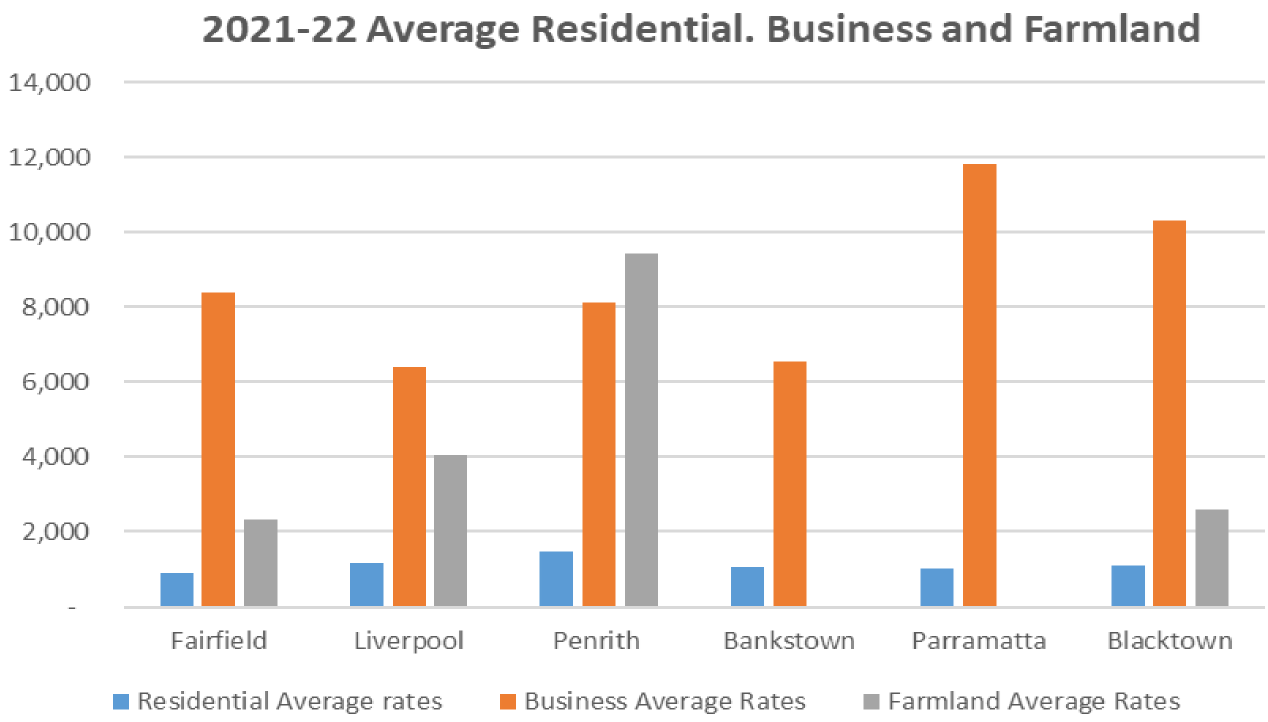
The pensioner rate rebate has been retained throughout the life of the LTFP. The NSW State Government has committed to 50% funding of pensioner rebates on rates for one year, but has not firmly committed beyond this point. The LTFP has assumed continued commitment.





The LTFP does not include any impacts from the NSW Government Fire and Emergency Services Levy (FESL). An announcement was made on 30 May2017 declaring the indefinite deferral of the Fire and Emergency Services Levy's introduction. The future administration of the FESL is yet to be finalised by the NSW State Government.

The below graphs summarise the average residential, business and farmland rates between Fairfield and neighbouring Councils.



User Charges and Fees

Most fees and charges are expected to align with CPI and hence increases are consistent with the rate peg table shown above.

Interest and Investment Revenue

Interest rates have been at historical lows. This has meant that as longer term investments matured, re-investment has been at lower than the historical rates. Interest rates are projected to increase progressively during the LTFP. A review of the Investment Policy to maximise returns on investmentwithin Council's risk profile was undertaken in 2018/19to ensure that the LTFP returns from investments areachievable.

Other Revenues

PROPERTY RENTAL

Property rental is expected to stabilize due to the operation of Dutton Plaza in Cabramatta. This development will generate a long term net income stream of $1.8m p.a. rental income, with a CPI increase in each subsequent year.

Potential additional Property Development Fund investments are expected to be commenced within the LTFP subject to a positive return on investment. This will be financed through new borrowings or proceeds from the PDF, with projected returns of approximately 7% p.a. as the hurdle rate. A conservative approach to the LTFP has been taken where the income from sales or operation as determined by Council for the project has been simply assumed to offset the financing cost. There is potential improvement to the LTFP for a successful project to deliver returns in excess of the financing cost.

Projects in the Property Development Fund (PDF) assume the profit on sale of assets to be discounted for the purposes of the LTFP.

COMMERCIAL ACTIVITIES

Fees for the commercial waste service, childcare centres, leisure centres and showground are expected to increase in line with CPI. Ability to increase fees for these activities, beyond the CPI, is limited due to the price sensitive nature of customers and the necessity for Council to provide market competitive prices.

Grants and Contributions Provided for Operating Purposes

GRANTS AND SUBSIDIES

Most grants and subsidies have been assumed to increase in line with CPI.

Indexation for the Federal Assistance Grants (FAG's) has been restored following the three year CPI freeze (2014/15, 2015/16 and 2016/17). CPI increases have been assumed for the remainder of the LTFP period. However, the NSW State Government distribution of the Federal Assistance Grants has seen Council experience several years of a 5% reduction ($2m reduction over 4 years since 2014/15). The FAG reductions ceased when the Local Government Grants Commission modified the funding allocation model in 2018/19, but it's likely that reductions will resume during the LTFP because the Grants Commission has recently announced that they are looking to restore a lower limit FAG reduction of 4%. The justification is that this will enable more funds to be reallocated from metropolitan to regional councils with low population density and large regional road networks.

It has been assumed that other operational grants relating to Child Care will continue unchanged, and hence increased by CPI throughout the LTFP. Similarly, other grant funded programmes have been assumed to continue with no changes.

Grants and Contributions Provided for Capital Purposes

Significant known successful grants such as the WestInvest Program have been incorporated as "one-offs" in the LTFP. Future years assume continuation of capital grants at the current modest levels and hence CPI increases have been applied throughout the Plan.

The WestInvest Program is a $5 billion infrastructure program to fund and deliver transformational projects in 15 Local Government Areas (LGA's) in Western Sydney, which includes Fairfield. The LTFP includes grant funding from this program that is to be directly allocated to the 15 LGA's, but Council will make further applications for competitive grants that will be open to councils and non-government organisations during the LTFP.

External restrictions are maintained over the life of the LTFP because of the collection of some capital grants which currently do not have a forecasted project to apply such funds. Section 7.11 and Section 7.12 contributions are examples.

Section 7.12 collection is quite consistent, apart from the odd major development which would provide a one off large lump sum payment into the account. However, in recent times Section 7.12 expenditure has been cyclical. Funds are collected and once there are significant funds available, those funds are allocated to major projects. Once those funds are spent, the account is generally allowed to build up to a point where another significant project can be funded through Section 7.12. Additionally, the Plan does not contain a list of projects for funds to be allocated, just a list of community infrastructure categories for which funds can be spent. As a result, Section 7.12 expenditure can be opportunistic.

Section 7.11 collection is linked to a number of factors such as the residential approvals and as a result the collection of Section 7.11 funds is generally harder to anticipate. Expenditure of Section 7.11 is just as difficult to anticipate on a yearly basis. Projects identified in the Section 7.11 Plan are generally only funded once the total amount required is collected. This can take a number of years, particularly in the case of land acquisition for open space where the cost is high. Additionally, for acquisition of open space, there are many other factors that impact on the timing of expenditure of funds, such as identification of appropriate sites for open space, whether the existing owner is willing to sell, etc. Expenditure for open space acquisition is sometimes opportunistic.

It should be noted that the NSW Government are currently proposing to make significant development contributions reforms, which if implemented, will affect the level of contributions received by councils, and how they are collected. This could have a major impact on the level of Development Contributions available to fund community infrastructure in the future.

Net Gain from Disposal of Assets

No large sales of assets are anticipated. It has been assumed that proceeds from disposal from any assets will equate to or marginally exceed written down values, and hence a small profit on disposal has been included. These are typically related to plant replacement major programmes.

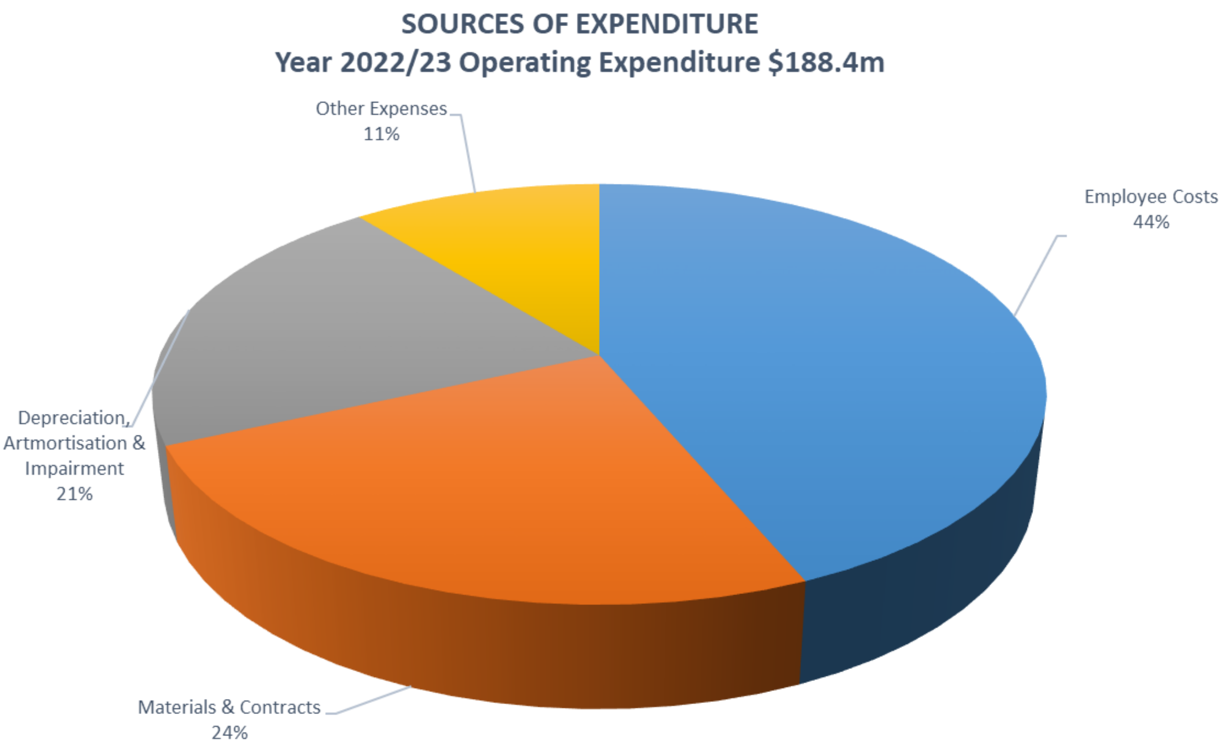
Income from Joint Ventures and Associated Entities

Council previously held an interest in the Civic Risk Mutual (formerly Westpool) self-insurance consortium (joint venture). Council changed insurance mutuals on 1 July 2020 following an open market tender for its insurance and risk management services that resulted in JLT being awarded the contract. Council received payment for its equity share in its former insurance mutual in January 2022. Accordingly, no income or loss from this joint venture has been included in the LTFP.

EXPENDITURE FORECASTS

This section includes a review of the major expenditure commitments over the next ten years, together with background information and a discussion of any key risks and assumptions. The distribution of the major sources of operating expenditure is shown below in the graph and table, which is based on the 2022/23 budget.

Operating expenditure is expected to increase in general terms over the next ten years and an average increase for annual CPI growth has been applied to all costs, unless specifically modified on the basis of other data or assumptions.



Major Items of Operating Expenditure	2022/23 Budget	% Operating Expenditure
Employee Costs	82.3 M	44%
Materials and Contracts	46.3M	24%
Depreciation, Amortisation and Impairment	39.5 M	21%
Other Expenses	20.3 M	11%

Employee Benefits and On-Costs

Increases in employee costs consist of three components:

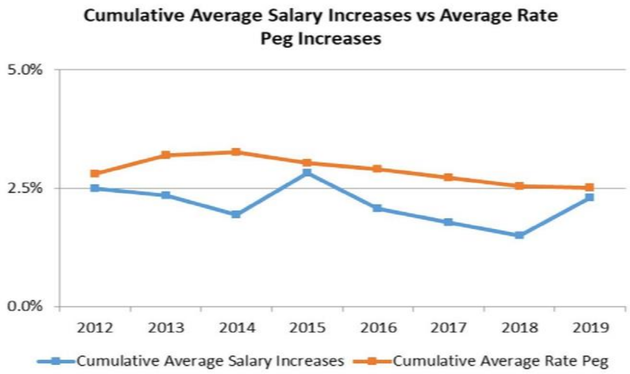
- award increases
- movements within the salary system as part of the annual performance review process
- Federal Government Superannuation Guarantee Charge (SGC) increases
- increases in liabilities for untaken long service and annual leave.

Recent analysis forecasted Council's future salary obligations. It compared the annual salary system increase (the Local Government State Award increaseand the annual performance progressions for staff) versus the annual rate peg increase. The analysis illustrated that for Council to maintain the salary and wages costs to the level of rate peg increases it mustintervene.

As a result of previously implemented structural changes, there has been a 4.5% improvement in wages in the base year of the LTFP. These initiatives included:

- Structural savings - major organisational and group restructures including review of vacant positions and 'churn' generated savings.
- Enterprise Agreement 2000 negotiation
- Paid out sick leave agreement negotiation
- Concessional leave negotiation
- Time in lieu changes - no longer 'cashed out', monitoring, preservation, maximum accruals andexpiry limits
- Leave management - Annual leave under 8 weeks and LSL as per Award leads to savings from salary creep
- Forced Christmas closures and skeleton staff periods
- Changed staffing models - Children Services (trainees and mobilisation of workforce), seasonal contractor and agencies where appropriate
- Library, Leisure Centres staffing rosters and overtime savings.
- In-sourced Car Park management with Council staff and rosters

The success of these interventions has delivered cumulative average wages growth below the cumulative average rate peg as seen in the graph below.



Wages have been estimated to increase by award and an allowance for performance:

Employee Benefits / On-Costs	2022/23	2023/24	2024/25	2025/26	There After
Annual Increase	3.00%	3.00%	3.00%	3.00%	3.00%

Cost savings from "employee churn" have been included in forecasts. Assuming a 5% staff turnover, $2.6m savings are expected to be achieved in 2022/23 from the time period between an employee leaving and the position being filled.

Minimal growth in employee entitlements have been projected over the life of the LTFP as an outcome of the directive that Managers must manage their staff leave balances so that leave is (at least) being taken over the year at the same rate it is accrued.

One significant change to employee benefits arising from government policy changes relates to the Superannuation Guarantee Charge (SGC). The LTFP has included the proposed increase by 0.5% each year from 2022/23 to 2025/26 which will increase the SGC from 10.5% to 12% (refer table below).

Financial Year	Guarantee Charges (SGC) Rate (%)
2022/23	10.5%
2023/24	11.0%
2024/25	11.5%
2025/26	12.0%
2026/27	12.0%
2027/28	12.0%
2028/29	12.0%
2029/30	12.0%
2030/31	12.0%
2031/32	12.0%

Penalty rates, workers compensation and other on-costs are also projected to remain consistent across the LTFP. Further, staff training is expected to continue at similar levels to those currently experienced.

The employee cost forecasts build in current Enterprise Agreement conditions, however it is noted that these are currently the subject of an industrial negotiation. Casuals, agency staff and overtime are expected toremain at current levels. No one-off redundancies and related ongoing cost savings have been built into projections as there are no structural changes currently resolved.

A programme of initiatives were identified to explore from the Workforce Management Plan for salary and wages savings and productivity improvements. As part of this process, the following priority areas for the organisation have emerged:

- Reduction of overtime. Consideration of flexible rosters to maximise coverage where needed
- Critical overview of Performance Review System
- Improved time recording to ensure that all leave taken is captured accurately
- Continued targeting of annual leave and Long Service Leave (LSL) to reduce that liability including forced Christmas closures and skeletonstaff periods
- Review use of casuals to cover leave
- Focus on mobility – move staff around the organisation and increase cross-training and multi-skilling for seasonal opportunities to match workloads and staff
- 42% of staff are currently aged 46 and over and 16% are 56 and over. This presents a risk as a large portion of the workforce may potentially be retiring around similar times. This may result in a loss of knowledge and experience. There is an opportunity to offer opportunities for flexibility for employees. This includes transitioning to casual basis and reduced hours as a move towards partial retirement (without total loss of income) and replace those "lost" hours with younger people which may suit this generation to gain experience.
- Whilst a turnover rate reduction from 11.4% to 7.6% is a positive due to reduced costs of hiring and training new people there is a potential negative. New people can help improve processes by challenging current practices
- Service reviews to include staffing levels to match customer needs and seasonal workloads
- Focusing on streamlining processes, using technology, automating where possible
- Opportunities for shared services or resource sharing
- Review service levels and core versus optional services

Borrowing Costs

Councillors have indicated that debt can be used where commercial opportunities are available to deliver an acceptable rate of return including funding costs, or where it will accelerate the delivery of important community facilities that are required to service the needs of the residents.

The LTFP includes a loan of $8m to partially fund the construction of a $41.1m Regional Indoor Multicultural Sporting Complex at Fairfield Showground.

Materials and Contracts

Expenditure on materials, contracts and other operating costs has been generally based on CPI increases. A continued focus on the efficiencies programme and new procurement efficiencies have been forecast to deliver benefits of a magnitude sufficient to restrict expenditure increases to CPI only. It is noted that there have recently been significant increases in crude oil prices due to the Ukraine conflict. This potentially affects asphalt costs under the roads programme, but it is anticipated that competitive tendering under Council's vendor panels will mitigate the impact of rising fuel prices.

With respect to the Sustainable Resource Centre, it is noted that there is significant competition in the market and Council has constraints that commercial operators do not. There is a risk that feed stock, crushing contracts, sales and hence the return on investment to Council may reduce with competition. However, at this stage no significant change to the financial outcomes for the Centre has been projected.

As it is not possible to predict natural disasters or other localised events, no uninsured losses have been budgeted, nor have any increased Emergency response components. An announcement was made on 30 May 2017 regarding the NSW Government Fire and Emergency Services Levy (FESL). The NSW Government has announced the indefinite deferral of the Fire and Emergency Services Levy's introduction – FESL will now not proceed.

Depreciation and Amortisation

Refer to the Asset Management, Capital Expenditure and Depreciation section above.

Other Expenses

Consistent with other expenditure lines, most items have been projected to increase by CPI only.

Council was a foundation partner to a waste disposal contract which initially increased waste disposal costs but with the foresight that considerable cost savings would be achieved in the longer term, and these are now being achieved. This contract was initially with State Government but has since been transferred to the private sector.

The LTFP has incorporated a significant increase in Other Expenses when the current waste contract expires during the 2024/25 financial year. Forecast costs are based on Council's knowledge of current market rates for a 3 bin service.

There are significant price pressures on disposal costs for household and recyclable waste due to limited landfill sites, no viable alternatives to landfill at present, China Sword and the COAG Export Ban. Therefore, actual costs could vary significantly to estimates used in the LTFP if current capacity issues continue, legislative changes increase waste collection and disposal costs, or conversely cost increases could be mitigated if alternative disposal methods such as waste to energy are developed.

The waste reserve currently has a balance in excess of $50m, this allows Council to partially cushion the impact of the market increases in waste disposal costs on ratepayers as it transitions to a new contract. Councils Waste Strategy will address this challenge.

It has been assumed that there will be no significant changes to utility costs such as network, telephone, water and gas during the term of the LTFP.

Pooling resources and buying power under State contracts deliver cost saving benefits to Council. It should be noted that Council resolved during 2019/20 to leave WSROC (Western Sydney Regional Organisation of Councils) and Civic Risk Mutual (self-insurance) consortiums.

Council elections have been assumed to continue every 4 years, at a current cost of approximately $1.2m per election. The exception is the next election in the 2024/25 year. Due to COVID the previous election was postponed for 15 months from September 2020 to December 2021. Therefore, the next election will be held in September 2024, and as a result the current council term will be for 2 years and 9 months.

2022/23 PROJECTION – CHANGES FROM PREVIOUS LTFP

	Previous LTFP 2022/23 $	Current LTFP 2022/23 $	Variance 2022/23 $	Key Factors influencing revised 2022/23 projection vs previous LTFP
Income from Continuing Operations				
Revenue:				
Rates & Annual Charges	121,636	121,839	203	Rate PEG advised by IPART was 0.7% compared to previous LTFP rate of 2%. However, impact was mitigated by Waste levy increase of 6.5%.
User Charges & Fees	19,406	23,148	3,741	latest LTFP assumes return to "normal" for all services. Includes revenue for new Wave Pool and extra event income from expansion of showground facilities.
Interest & Investment Revenue	2,347	1,947	(401)	Assumes only partial recovery of the investment market compared to previous LTFP.
Other Revenues	24,979	22,995	(1,983)	Assumes reduced income in parking enforcement and SRC. Partly ofset by increased revenue from commercial properties.
Grants & Contributions provided for Operating Purposes	19,669	20,884	1,216	
Grants & Contributions provided for Capital Purposes	24,158	12,137	(12,021)	Assumes reduction in capital grants
Other Income:	-	-	-	
Net gains from the disposal of assets	450	425	(25)	
Joint Ventures & Associated Entities	-	-	-	
Total Income from Continuing Operations	**212,644**	**203,375**	**(9,270)**	
Expenses from Continuing Operations				
Employee Benefits & On-Costs	82,067	82,219	152	
Borrowing Costs	532	250	(282)	
Materials & Contracts	30,907	46,326	15,419	Accounts re-mapping issue (see Other Expenes) to align with OLG change in disclosurerequirement for yearend Financial reporting in 2021.
Depreciation & Amortisation	35,886	39,525	3,639	Impact of infrastructure revaluation in 2020 and change to accounting standard AASB16
Impairment	-	-	-	
Other Expenses	36,339	20,058	(16,281)	Accounts re-mapping issue (see Materials & Contracts)
Interest & Investment Losses	-	-	-	
Net Losses from the Disposal of Assets	-	-	-	
Joint Ventures & Associated Entities	-	-	-	
Total Expenses from Continuing Operations	**185,731**	**188,379**	**2,648**	
Operating Result from Continuing Operations	**26,913**	**14,996**	**(11,918)**	
Discontinued Operations - Profit/(Loss)	-	-	-	
Net Profit/(Loss) from Discontinued Operations	**-**	**-**	-	
Net Operating Result for the Year	**26,913**	**14,996**	**(11,918)**	
Net Operating Result before Grants and Contributions provided for Capital Purposes	**2,756**	**2,859**	103	

SENSITIVITY ANALYSIS

The LTFP contains a number of assumptions based on various sources. Accordingly variations in these assumptions during the life of the plan may have a significant impact on the Council's future financial plans.

The LTFP is therefore updated annually in conjunction with the preparation of the Operational Plan.

Key drivers in the estimates provided in the LTFP and the impact of a 1% plus or minus movement are provided below.

Effect of 1% variance in key assumptions on the LTFP				
			Impact	
Drivers	Assumption	Impact	2022/23	Total 10 Years
Inflation	1%	Revenue	$2,033,745	$23,795,989
		Expenses	$1,883,786	$21,291,865
		Net Result	$28,589	$2,567,463
Rate Peg (Inflation exceeds rate peg by 1%)			-$1,025,276	-$16,344,016
Rate Revenue and Annual Charges	1%		$1,063,389	$14,203,271
Fees and Charges and Operating Grants	1%		$28,589	$121,553
Employee Costs	1%		-$822,192	-$9,040,285
Materials and Contracts and Other Expenses	1%		-$663,846	-$7,741,820
Interest on Investments	10% Movement on Balances Invested (Assumes Same Rate)		$190,984	$2,683,876
	1% change to Interest Rate		$1,106,877	$14,215,412

Risk Assessment

Council's risk management strategy comprises the annual update of the LTFP. This is done in conjunction with the preparation of the Operational Plan where key assumptions and forecasts are reviewed and adjusted where necessary. The revised LTFP is also submitted to Council for adoption with the new Operational Plan and Delivery Program. The impact of significant variances or changes to the LTFP is identified with proposals for any necessary mitigating corrective action.

In addition, to determine whether there may be any emerging trends that may impact on the LTFP, Quarterly Budget Review Statements are submitted to Council. Monitoring and reporting against Council's Financial Sustainability Indicators forms part of the quarterly review.

Income Statement

10 Year Financial Plan for the Years ending 30 June 2032			2022/23-2025/26 Delivery Program									
INCOME STATEMENT	Actuals	Current Year	Projected Years									
Scenario: Rollover from V12 (20/21 as base year) with new 21/22 original budget	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
		$	$	$	$	$	$	$	$	$	$	$
Income from Continuing Operations												
Revenue:												
Rates & Annual Charges	117,998,000	118,191,398	121,838,923	124,315,881	126,948,441	129,669,427	132,323,687	135,274,361	138,293,440	141,382,556	144,543,376	147,777,609
User Charges & Fees	19,513,000	22,756,825	23,147,596	23,626,784	24,656,239	25,202,515	26,529,930	27,342,106	28,180,215	29,045,161	29,937,868	30,859,309
Other Revenues	13,872,000	22,468,328	22,995,085	23,505,616	24,669,808	26,107,611	28,454,627	29,308,269	30,187,517	31,093,143	32,025,937	32,986,717
Grants & Contributions provided for Operating Purposes	18,285,000	20,197,870	20,884,301	21,149,380	19,907,856	20,120,419	21,778,168	21,990,454	22,204,856	22,421,403	22,640,118	22,861,017
Grants & Contributions provided for Capital Purposes	21,045,000	12,930,611	12,137,000	36,963,000	32,201,300	22,268,467	19,816,960	22,073,299	22,514,765	22,965,060	23,424,362	23,892,849
Interest & Investment Revenue	1,361,000	1,669,485	1,946,621	1,988,344	2,634,321	2,682,146	3,033,618	3,094,539	3,159,502	3,228,706	3,306,655	3,386,494
Other Income:												
Net gains from the disposal of assets	627,000	450,000	425,000	434,520	445,035	455,805	464,921	474,220	483,704	493,378	503,246	513,310
Fair value increment on investment properties	-	-	-	-	-	-	-	-	-	-	-	-
Reversal of revaluation decrements on IPPE previously expensed	-	-	-	-	-	-	-	-	-	-	-	-
Reversal of impairment losses on receivables	-	-	-	-	-	-	-	-	-	-	-	-
Other Income	6,270,000	-	-	-	-	-	-	-	-	-	-	-
Joint Ventures & Associated Entities - Gain	-	-	-	-	-	-	-	-	-	-	-	-
Total Income from Continuing Operations	**198,971,000**	**198,664,517**	**203,374,526**	**231,983,525**	**231,463,000**	**226,506,390**	**232,401,910**	**239,557,248**	**245,023,999**	**250,629,408**	**256,381,562**	**262,277,305**
Expenses from Continuing Operations												
Employee Benefits & On-Costs	74,548,000	82,015,862	82,219,244	84,237,415	85,451,595	86,077,876	88,304,595	90,579,647	93,057,745	95,511,410	97,953,181	100,635,822
Borrowing Costs	112,000	250,000	250,000	250,240	351,361	448,780	274,534	250,512	216,319	186,696	150,982	137,812
Materials & Contracts	42,578,000	45,808,372	46,326,217	48,582,231	48,381,075	49,376,972	50,619,175	51,720,093	52,672,864	53,467,481	54,929,192	55,976,275
Depreciation & Amortisation	35,343,000	39,774,245	39,524,815	40,925,177	41,852,814	43,541,924	44,998,120	45,422,620	46,220,350	47,684,264	49,055,794	49,232,841
Impairment of investments	-	-	-	-	-	-	-	-	-	-	-	-
Impairment of receivables	53,000	-	-	-	-	-	-	-	-	-	-	-
Other Expenses	18,873,000	17,881,473	20,058,350	19,308,769	23,052,510	24,659,057	27,337,544	28,009,694	29,840,820	29,706,724	29,763,592	30,393,387
Interest & Investment Losses	-	-	-	-	-	-	-	-	-	-	-	-
Net Losses from the Disposal of Assets	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation decrement/impairment of IPPE	-	-	-	-	-	-	-	-	-	-	-	-
Fair value decrement on investment properties	-	-	-	-	-	-	-	-	-	-	-	-
Joint Ventures & Associated Entities	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses from Continuing Operations	**171,507,000**	**185,729,952**	**188,378,625**	**193,303,832**	**199,089,355**	**204,104,609**	**211,533,968**	**215,982,566**	**222,008,099**	**226,556,576**	**231,852,741**	**236,376,137**
Operating Result from Continuing Operations	**27,464,000**	**12,934,565**	**14,995,901**	**38,679,693**	**32,373,645**	**22,401,781**	**20,867,942**	**23,574,682**	**23,015,900**	**24,072,832**	**24,528,821**	**25,901,168**
Discontinued Operations - Profit/(Loss)	-	-	-	-	-	-	-	-	-	-	-	-
Net Profit/(Loss) from Discontinued Operations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net Operating Result for the Year	**27,464,000**	**12,934,565**	**14,995,901**	**38,679,693**	**32,373,645**	**22,401,781**	**20,867,942**	**23,574,682**	**23,015,900**	**24,072,832**	**24,528,821**	**25,901,168**
Net Operating Result before Grants and Contributions provided for Capital Purposes	**6,419,000**	**3,954**	**2,858,901**	**1,716,693**	**172,345**	**133,314**	**1,050,982**	**1,501,383**	**501,135**	**1,107,771**	**1,104,459**	**2,008,319**

10 Year Financial Plan for the Years ending 30 June 2032			2022/23-2025/26 Delivery Program									
BALANCE SHEET	Actuals	Current Year	Projected Years									
Scenario: Rollover from V12 (20/21 as base year) with new 21/22 original budget	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
	$	$	$	$	$	$	$	$	$	$	$	$
ASSETS												
Current Assets												
Cash & Cash Equivalents	55,835,000	50,447,110	38,169,130	42,421,480	31,040,690	42,513,021	45,777,754	48,325,203	52,179,877	51,455,897	54,646,894	47,774,390
Investments	42,826,000	65,500,800	65,900,800	66,860,800	67,500,800	67,820,800	69,020,800	73,820,800	77,820,800	85,820,800	89,020,800	89,020,800
Receivables	13,498,000	11,771,018	12,279,628	12,601,483	12,869,302	13,235,013	13,581,330	13,952,078	14,333,546	14,726,432	15,121,071	15,470,453
Inventories	534,000	587,864	593,743	606,628	620,799	633,175	649,385	663,524	679,045	696,014	715,143	735,393
Other	9,589,000	5,222,317	5,267,496	5,364,207	5,476,730	5,562,210	6,510,001	6,653,573	6,808,308	7,020,251	7,155,938	7,345,863
Non-current assets classified as "held for sale"	-	-	-	-	-	-	-	-	-	-	-	-
Total Current Assets	122,282,000	133,529,109	122,210,797	127,854,598	117,508,322	129,764,219	135,539,270	143,415,178	151,821,577	159,719,395	166,659,847	160,346,899
Non-Current Assets												
Investments	39,050,000	16,375,200	16,475,200	16,715,200	16,875,200	16,955,200	17,255,200	18,455,200	19,455,200	21,455,200	22,255,200	22,255,200
Receivables	-	88,995	90,880	92,900	94,966	97,080	99,243	101,456	103,720	106,037	108,408	110,833
Inventories	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure, Property, Plant & Equipment	2,186,910,000	2,206,870,105	2,227,789,416	2,263,089,872	2,306,929,696	2,316,557,419	2,332,229,020	2,346,058,988	2,358,976,690	2,372,600,394	2,388,850,282	2,421,312,976
Investments Accounted for using the equity method	18,964,000	18,964,000	18,964,000	18,964,000	18,964,000	18,964,000	18,964,000	18,964,000	18,964,000	18,964,000	18,964,000	18,964,000
Investment Property	-	-	-	-	-	-	-	-	-	-	-	-
Intangible Assets	-	-	-	-	-	-	-	-	-	-	-	-
Right of use assets	1,454,000	848,351	1,569,552	1,551,235	905,377	1,243,372	564,818	1,069,300	356,393	875,665	124,841	552,742
Non-current assets classified as "held for sale"	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-Current Assets	2,246,378,000	2,243,146,651	2,264,889,048	2,300,413,207	2,343,769,239	2,353,817,071	2,369,112,281	2,384,648,944	2,397,856,003	2,414,001,296	2,430,302,730	2,463,195,751
TOTAL ASSETS	**2,368,660,000**	**2,376,675,760**	**2,387,099,845**	**2,428,267,805**	**2,461,277,561**	**2,483,581,290**	**2,504,651,550**	**2,528,064,122**	**2,549,677,580**	**2,573,720,691**	**2,596,962,577**	**2,623,542,651**
LIABILITIES												
Current Liabilities												
Bank Overdraft	-	-	-	-	-	-	-	-	-	-	-	-
Payables	28,629,000	25,309,295	20,394,622	23,837,161	17,378,642	17,806,120	19,453,445	19,654,145	19,794,617	20,194,015	19,747,392	19,510,177
Income received in advance	-	-	-	-	-	-	-	-	-	-	-	-
Contract liabilities	1,182,000	538,784	548,969	559,386	570,039	580,936	592,083	603,485	615,149	627,083	639,293	651,786
Lease liabilities	53,000	376,557	679,531	776,916	374,863	433,407	338,251	565,887	406,866	445,792	245,384	355,758
Borrowings	900,000	965,312	976,404	987,861	1,703,738	1,737,571	1,771,990	1,807,824	1,844,145	1,350,093	847,628	874,212
Provisions	18,554,000	21,779,036	22,391,625	22,545,913	23,713,974	24,396,959	25,100,441	25,825,029	26,571,354	27,340,071	28,131,846	28,947,380
Liabilities associated with assets classified as "held for sale"	-	-	-	-	-	-	-	-	-	-	-	-
Total Current Liabilities	49,318,000	48,968,983	44,991,152	48,707,236	43,741,257	44,954,993	47,256,211	48,456,371	49,232,132	49,957,054	49,611,543	50,339,313
Non-Current Liabilities												
Payables	-	-	-	-	-	-	-	-	-	-	-	-
Income received in advance	-	-	-	-	-	-	-	-	-	-	-	-
Contract liabilities												
Lease liabilities	1,350,000	384,998	743,971	479,979	105,116	505,401	152,228	570,733	208,812	775,564	652,208	1,447,110
Borrowings	8,627,000	7,608,520	6,632,116	5,644,256	11,596,456	9,858,885	8,086,895	6,279,070	4,434,925	3,084,833	2,237,205	1,362,993
Provisions	3,282,000	695,693	719,140	743,174	767,929	793,426	819,689	846,740	874,602	903,300	932,859	963,305
Investments Accounted for using the equity method	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities associated with assets classified as "held for sale"	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-Current Liabilities	13,259,000	8,689,211	8,095,227	6,867,409	12,469,501	11,157,712	9,058,812	7,696,543	5,518,339	4,763,697	3,822,272	3,773,408
TOTAL LIABILITIES	**62,577,000**	**57,658,194**	**53,086,379**	**55,574,645**	**56,210,758**	**56,112,705**	**56,315,023**	**56,152,913**	**54,750,471**	**54,720,751**	**53,433,815**	**54,112,721**
Net Assets	**2,306,083,000**	**2,319,017,566**	**2,334,013,466**	**2,372,693,159**	**2,405,066,803**	**2,427,468,585**	**2,448,336,528**	**2,471,911,209**	**2,494,927,109**	**2,518,999,941**	**2,543,528,762**	**2,569,429,929**
EQUITY												
Retained Earnings	913,949,000	926,883,566	941,879,466	980,559,159	1,012,932,803	1,035,334,585	1,056,202,528	1,079,777,209	1,102,793,109	1,126,865,941	1,151,394,762	1,177,295,929
Revaluation Reserves	1,392,134,000	1,392,134,000	1,392,134,000	1,392,134,000	1,392,134,000	1,392,134,000	1,392,134,000	1,392,134,000	1,392,134,000	1,392,134,000	1,392,134,000	1,392,134,000
Other Reserves	-	-	-	-	-	-	-	-	-	-	-	-
Council Equity Interest	2,306,083,000	2,319,017,566	2,334,013,466	2,372,693,159	2,405,066,803	2,427,468,585	2,448,336,528	2,471,911,209	2,494,927,109	2,518,999,941	2,543,528,762	2,569,429,929
Minority Equity Interest	-	-	-	-	-	-	-	-	-	-	-	-
Total Equity	**2,306,083,000**	**2,319,017,566**	**2,334,013,466**	**2,372,693,159**	**2,405,066,803**	**2,427,468,585**	**2,448,336,528**	**2,471,911,209**	**2,494,927,109**	**2,518,999,941**	**2,543,528,762**	**2,569,429,929**

Cash Flow Statement

10 Year Financial Plan for the Years ending 30 June 2032			2022/23-2025/26 Delivery Program									
CASH FLOW	Actuals	Current Year					Projected Years					
Scenario: Rollover from V12 (20/21 as base year) with new 21/22 original budget	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
	$	$	$	$	$	$	$	$	$	$	$	$
Cash Flows from Operating Activities												
Receipts:												
Rates & Annual Charges	117,920,000	119,809,052	121,769,709	124,241,762	126,872,608	129,591,839	132,244,303	135,193,138	138,210,334	141,297,522	144,456,368	147,688,580
User Charges & Fees	19,814,000	22,623,006	23,152,611	23,631,950	24,661,560	25,207,996	26,535,575	27,347,921	28,186,203	29,051,329	29,944,222	30,865,853
Interest & Investment Revenue Received	1,416,000	1,418,186	1,984,512	1,967,623	2,676,166	2,635,044	3,014,943	3,060,808	3,124,616	3,192,159	3,278,350	3,413,713
Grants & Contributions	40,211,000	32,619,083	33,026,471	58,117,631	52,114,489	42,394,302	41,600,629	44,069,341	44,725,297	45,392,229	46,070,336	46,759,815
Bonds & Deposits Received	-	500,000	-	-	-	-	-	-	-	-	-	-
Other	30,075,000	22,723,209	22,499,160	23,259,580	24,416,568	25,846,970	28,186,349	29,032,136	29,903,290	30,800,571	31,724,770	32,676,697
Payments:												
Employee Benefits & On-Costs	(74,318,000)	(81,645,235)	(81,534,931)	(83,527,788)	(84,712,310)	(84,975,203)	(87,510,045)	(89,761,260)	(92,214,808)	(94,643,182)	(97,058,910)	(99,714,715)
Materials & Contracts	(36,927,000)	(45,265,752)	(50,926,632)	(45,203,699)	(54,938,309)	(49,352,371)	(50,401,645)	(51,683,405)	(52,634,652)	(53,417,225)	(54,897,944)	(55,933,242)
Borrowing Costs	(112,000)	(250,000)	(250,000)	(250,240)	(351,361)	(448,780)	(274,534)	(250,512)	(216,319)	(186,696)	(150,982)	(137,812)
Bonds & Deposits Refunded	(233,000)	(400,000)	(400,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)
Other	(35,921,000)	(17,246,128)	(20,039,711)	(19,279,174)	(23,014,583)	(24,630,721)	(26,818,697)	(27,952,016)	(29,780,430)	(29,617,007)	(29,724,471)	(30,325,605)
	-	-	-	-	-	-	-	-	-	-	-	-
Net Cash provided (or used in) Operating Activities	61,925,000	54,885,424	49,281,190	82,857,644	67,624,829	66,169,076	66,476,878	68,956,150	69,203,531	71,769,700	73,541,739	75,193,282
Cash Flows from Investing Activities												
Receipts:												
Sale of Investment Securities	-	-	-	-	-	-	-	-	-	-	-	-
Sale of Investment Property	-	-	-	-	-	-	-	-	-	-	-	-
Sale of Real Estate Assets	-	-	-	-	-	-	-	-	-	-	-	-
Sale of Infrastructure, Property, Plant & Equipment	2,370,000	1,110,000	1,610,000	1,610,000	1,619,520	1,630,035	1,640,805	1,670,805	1,700,805	1,750,805	1,800,805	1,830,805
Sale of non-current assets classified as "held for sale"	-	-	-	-	-	-	-	-	-	-	-	-
Sale of Interests in Joint Ventures & Associates	-	-	-	-	-	-	-	-	-	-	-	-
Sale of Intangible Assets	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Debtors Receipts	-	-	-	-	-	-	-	-	-	-	-	-
Sale of Disposal Groups	-	-	-	-	-	-	-	-	-	-	-	-
Distributions Received from Joint Ventures & Associates	-	-	-	-	-	-	-	-	-	-	-	-
Other Investing Activity Receipts	-	-	-	-	-	-	-	-	-	-	-	-
Payments:												
Purchase of Investment Securities	(4,300,000)	-	(500,000)	(1,200,000)	(800,000)	(400,000)	(1,500,000)	(6,000,000)	(5,000,000)	(10,000,000)	(4,000,000)	-
Purchase of Investment Property	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of Infrastructure, Property, Plant & Equipment	(76,048,000)	(59,568,701)	(60,269,390)	(76,035,528)	(85,496,300)	(52,967,677)	(60,461,972)	(59,057,875)	(58,955,950)	(61,158,046)	(65,855,662)	(82,254,241)
Purchase of Real Estate Assets	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of Intangible Assets	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Debtors & Advances Made	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of Interests in Joint Ventures & Associates	-	-	-	-	-	-	-	-	-	-	-	-
Contributions Paid to Joint Ventures & Associates	-	-	-	-	-	-	-	-	-	-	-	-
Other Investing Activity Payments	-	-	-	-	-	-	-	-	-	-	-	-
Net Cash provided (or used in) Investing Activities	(77,978,000)	(58,458,701)	(59,159,390)	(75,625,528)	(84,676,780)	(51,737,642)	(60,321,167)	(63,387,070)	(62,255,145)	(69,407,241)	(68,054,857)	(80,423,436)
Cash Flows from Financing Activities												
Receipts:												
Proceeds from Borrowings & Advances	10,000,000	-	-	-	8,000,000	-	-	-	-	-	-	-
Proceeds from Finance Leases	-	-	-	-	-	-	-	-	-	-	-	-
Other Financing Activity Receipts	-	-	-	-	-	-	-	-	-	-	-	-
Payments:												
Repayment of Borrowings & Advances	(532,000)	(953,168)	(965,312)	(976,404)	(1,331,923)	(1,703,738)	(1,737,571)	(1,771,990)	(1,807,824)	(1,844,145)	(1,350,093)	(847,628)
Repayment of Finance Lease Liabilities	(776,000)	(641,445)	(673,989)	(778,396)	(776,916)	(535,366)	(433,407)	(529,642)	(565,887)	(522,295)	(445,792)	(294,723)
Distributions to Minority Interests	-	-	-	-	-	-	-	-	-	-	-	-
Other Financing Activity Payments	-	-	-	-	-	-	-	-	-	-	-	-
Net Cash Flow provided (used in) Financing Activities	8,692,000	(1,594,613)	(1,639,301)	(1,754,800)	5,891,161	(2,239,103)	(2,170,978)	(2,301,632)	(2,373,711)	(2,366,440)	(1,795,884)	(1,142,351)
Net Increase/(Decrease) in Cash & Cash Equivalents	(7,361,000)	(5,167,890)	(11,517,501)	5,477,316	(11,160,790)	12,192,331	3,984,734	3,267,448	4,574,675	(3,980)	3,690,997	(6,372,504)
plus: Cash, Cash Equivalents & Investments - beginning of year	63,196,000	55,835,000	50,667,110	39,149,609	44,626,925	33,466,135	45,658,466	49,643,199	52,910,648	57,485,322	57,481,342	61,172,339
Cash & Cash Equivalents - end of the year	**55,835,000**	**50,667,110**	**39,149,609**	**44,626,925**	**33,466,135**	**45,658,466**	**49,643,199**	**52,910,648**	**57,485,322**	**57,481,342**	**61,172,339**	**54,799,835**
Cash & Cash Equivalents - end of the year	55,835,000	50,667,110	39,149,609	44,626,925	33,466,135	45,658,466	49,643,199	52,910,648	57,485,322	57,481,342	61,172,339	54,799,835
Investments - end of the year	81,876,000	81,876,000	82,376,000	83,576,000	84,376,000	84,776,000	86,276,000	92,276,000	97,276,000	107,276,000	111,276,000	111,276,000
Cash, Cash Equivalents & Investments - end of the year	**137,711,000**	**132,543,110**	**121,525,609**	**128,202,925**	**117,842,135**	**130,434,466**	**135,919,199**	**145,186,648**	**154,761,322**	**164,757,342**	**172,448,339**	**166,075,835**
Representing:												
- External Restrictions	105,037,000	85,921,540	75,680,734	85,460,734	83,422,734	92,985,734	98,331,928	92,678,122	102,024,316	118,370,510	115,716,704	125,862,898
- Internal Restricitons	5,158,000	7,954,958	8,265,542	13,397,542	18,275,542	25,143,542	21,969,577	24,534,869	20,944,642	15,354,415	16,193,555	12,962,668
- Unrestricted	27,516,000	38,666,612	37,579,333	29,344,649	16,143,859	12,305,190	15,617,694	27,973,657	31,792,364	31,032,417	40,538,080	27,250,269
	137,711,000	**132,543,110**	**121,525,609**	**128,202,925**	**117,842,135**	**130,434,466**	**135,919,199**	**145,186,648**	**154,761,322**	**164,757,342**	**172,448,339**	**166,075,835**

Special Rate Variation (SRV)

Council generated 49% of its income (excluding capital grants) from land rates for the year ended 30 June 2021, which means this is the primary source of its funding. However, Council cannot increase land rates by more than Rate Peg each year, which is a rate set annually by the Independent Pricing and Regulatory Tribunal (IPART).

Rate Peg has not been increasing at the same rate as operating costs in recent years therefore Council will need to consider applying for a Special Rate Variation (SRV) during the next Delivery Program and review the level of services delivered to the community in order to remain financially sustainable, and to effectively maintain and develop the infrastructure required to support the growing needs of the community.

Council has implemented structural savings in order to contain cumulative average wages growth below the cumulative average rate peg for the past 10 years, despite award wages growth exceeding rate peg increases during this period. However, this is not sustainable in the longer-term because employee cost efficiencies will be harder to achieve as many opportunities have already been delivered. Likewise the procurement strategies to contain costs will be challenged by the current supply chain and workforce management issues the construction industry is facing as a result of COVID-19, combined with the large level of demand from infrastructure projects across the state. Rising fuel prices placing even greater pressure on Council's finances.

The disparity between the constraints on Council's revenue and external cost pressures are demonstrated as follows:

- The gap between the Rate Peg handed down by IPART for 2022/23 (0.7% increase) and the combined impact of award wage increases and Superannuation Guarantee Charge increases (2.5%) for the same period cannot be addressed with further efficiency changes. The Rate Peg increase will be applied to 49% of Council's income whilst the Award wage and SGC increases will affect 44% of Council's costs.
- Federal Assistance Grants will potentially reduce by 4% p.a. during the term of the LTFP because the Local Government Grants Commission has recently announced that they are looking to restore a lower limit FAG reduction of 4%. The lower limit floor was amended to 0% in 2018/19 when the Local Government Grants Commission modified the funding allocation model. The lower limit has historically applied to Council, with reductions of 5% p.a. applied when this was previously the lower limit from 2014/15 to 2017/18 ($2m reduction over 4 years).
- Council's revenue from commercial operations has been severely impacted by COVID. It is these alternative sources of income that have allowed Council to provide the lowest residential land rates in western Sydney. However, it is yet to be determined how long it will take these operations to return to pre-COVID income levels.
- Rising cost pressures to maintain and renew infrastructure to meet the needs of the community due to the combined impacts of rising construction costs and fuel prices. These costs account for a significant amount of expenditure by Council each year, and it is possible that cost growth in these categories will exceed Rate Peg increases during the term of the LTFP.
- An increase in cost shifting to local government and a reduction in funding. Cost shifting has recently included large increases in the Emergency Services Levy, being forced to account for Rural Fire Services assets, and being responsible for the maintenance of line marking on roads and street signs.

It is not feasible for Council to continue to manage costs growing at a faster rate than revenue whilst maintaining existing community infrastructure and services. Therefore, Council will need to consider applying for an SRV at the beginning of the next Delivery Program in 3 years' time in order to obtain additional rate income above the annual percentage rate (Rate Peg) set by the Independent Pricing and Regulatory Tribunal (IPART). Council has effectively managed its finances in order to deliver residents low residential land rates for a number of years, but without a new SRV at the beginning of the next Delivery Program will find it difficult to maintain and develop the infrastructure required to support the growing needs of the community and to continue to deliver essential community services that benefit the local residents.

Capital Works Projects and Programs

Capital projects vary in scale, with large cost projects a long term investment which build on, add to, or improve Council's assets. Consultation is undertaken in line with Council's 2020 Community Engagement Strategy, with all outcomes presented to Council for consideration.

Capital projects include asset replacement, upgrade or new construction. These projects can be for buildings, roads, bridges, structures or mechanical installations (such as heating, ventilation and cooling systems).

For the LTFP, a total of $662.5 million worth of capital projects are proposed to be delivered across Fairfield City.

The following is a detailed list of capital works projects with an expected project expenditure exceeding $5 million that Council expects to commit funding to during the LTFP. These projects are a significant commitment and are managed accordingly. The Office of Local Government's Capital Expenditure Guidelines provide the minimum standards expected to be met in the delivery of major capital projects, particularly for those exceeding $10 million in cost.

These projects have been included in the Long Term Financial Plan, forecasting their expected capital costs and operating arrangements for the projects (revenue and expenditure).

Major Capital Projects over $5 Million

ID No.	Link to City Plan Goals and Outcomes	Project Name and Description	Funding Type	Total Project Budget	Expected Completion	Responsible Officer	Consultation Period and Method	Considered in the LTFP and AMS*
Theme Two								
IN628-1	2.b.1	**Endeavour Sports Hub** Deliver the Endeavour Park Sports Hub. Stage 1 includes upgrade of synthetic oval, amenity building and substation.	Grant	$5,625,000	*June 2024*	Manager City Assets	*2022-2023 Financial Year*	Yes
IN628-2	2.b.1	**Endeavour Sports Hub - Stage 2** Sportsfield lights and amenities improvements. *Note: Council will apply for grant funding*	Grant	TBA	*June 2024*	Manager City Assets	*2022-2023 Financial Year*	Yes
IN913	2.b.1	**Regional Indoor Multicultural and Sporting Complex** Seek grant funding for construction of a Regional Indoor Multicultural and Sporting Complex at Fairfield Showground. *Note: Council will apply for grant funding*	Grant, Development Contributions, General Funds, and Loan	$41,140,431	*July 2025*	Group Manager – City Projects	*2021-2022 Financial Year*	Yes
IN914	2.b.1	**Cabravale Leisure Centre Health and Wellbeing** Seek grant funding for the construction of the Cabravale Leisure Centre Health and Wellbeing Centre to provide accessible high quality services and facilities for the community. *Note: Council will seek grant funding.*	Grant	$30,000,000	*June 2032*	Manager – Major Projects and Planning	*2021-2022 Financial Year*	Yes

Planning approval for the expansion of Cabravale Leisure Centre for the proposed Health and Wellbeing Centre is expected to be completed in the 2021-2022 Financial Year. Current capital works planning assumes that the works will be performed in the 2031/32 financial year. Where grant funding becomes available allowing the first stage of the expansion to proceed, then the expansion timing will be reviewed at that time.

Council undertakes the initial planning (to concept/ detailed design / development approval stage) for these significant projects, but relies on grant funding for the full construction phases. Therefore the timing of these projects is reliant on State and Federal grant programs.

Financial Forecast for Major Capital Projects over $5 Million

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Endeavour Sports Hub (major upgrade completed June 2024)										
Income	15,069	15,407	15,780	16,162	17,019	17,546	18,090	18,651	19,229	19,825
Expenditure	(181,538)	(188,281)	(281,229)	(284,070)	(293,262)	(297,500)	(303,854)	(311,310)	(318,969)	(322,542)
Net Operating Deficit	(166,469)	(172,874)	(265,449)	(267,908)	(276,243)	(279,954)	(285,764)	(292,659)	(299,740)	(302,717)
Regional Indoor Multicultural and Sporting Complex (construction complete and budgeted to commence operations 1 July 2025)										
Income	-	-	-	560,022	594,072	636,251	681,425	729,806	781,622	837,117
Expenditure	-	-	-	(1,047,032)	(1,034,977)	(1,022,430)	(1,009,375)	(995,789)	(981,658)	(966,959)
Net Operating Deficit	-	-	-	(487,010)	(440,905)	(386,179)	(327,950)	(265,983)	(200,036)	(129,842)
Cabravale Leisure Centre Health and Wellbeing (construction complete and budgeted to commence operations 1 July 2032)										
Income	-	-	-	-	-	-	-	-	-	-
Expenditure	-	-	-	-	-	-	-	-	-	-
Net Operating Deficit	-	-	-	-	-	-	-	-	-	-

Note: Numbers in above table are expressed in whole dollars.

Expenditure for the abovementioned projects includes, but is not limited to, maintenance and other ongoing operational costs, depreciation, employee costs, utility costs, and project financing costs.

WestInvest Program

The new $5 billion WestInvest program will fund transformational infrastructure projects across 15 Local Government Areas in Western Sydney including Fairfield City, focusing on improving liveability and amenities. Up to $400 million will be directly allocated to the 15 LGAs to advance local projects, with each local council eligible for $20 - $35 million, depending on population size. The Fairfield allocation is expected to be $28 million.

Council will also be applying for a portion of the $1.6 billion allocated through a competitive round of grants open to non-government organisations, which includes Fairfield City Council. Progress on these grant applications will be presented to Council at a future Council meeting.

Significant Renewal Projects

Fairfield Leisure Centre have two significant renewal projects scheduled. The replacement of the roof and its structure; and the renewal / upgrade of the gym, outdoor pool and filtration system. These projects are timed to reduce the impact on operations with the 50m pool completed first.

ID No.	Link to City Plan Goals and Outcomes	Project Name and Description	Funding Type	Total Project Budget	Expected Completion	Responsible Officer	Consultation Period and Method	Considered in the LTFP and AMS*
Theme Two								
MPLPER2305 MPLPER2405	1.b.1	**Fairfield Leisure Centre – Refurbishment and Plant Upgrade** Works for the 50m pool to include demolition, replacement of concourse, gutter upgrade to wet deck, pool inlet and return pipe replacement, pool tiling, levelling of raised ends, general pool fittings, connection of waste water to sewer, and replacement of filtration system.	General	$3,795,000	*June 2024*	Group Manager – City Assets and Operations	*2022-2023 Financial Year*	Yes
MPBAR2230 MPVCBU2424	1.b.1	**Fairfield Leisure Centre - 25m Pool Roof, Stage 1** Design new roof over 25m pool, including replace roof sheeting and box gutter over reception area roof.	General and SRV Reserve	$470,000	*June 2024*	Group Manager – City Assets and Operations	*2022-2023 Financial Year*	Yes
MPBAR2526 MPBAR2586	1.b.1	**Fairfield Leisure Centre – 25m Pool Roof, Stage 2** Construct new roof over 25m pool, including replace roof sheeting and box gutter over reception area roof.	General	$3,250,000	*December 2025*	Group Manager – City Assets and Operations	*2022-2023 Financial Year*	Yes

Service Reviews

What are Service Reviews?

The Integrated Planning and Reporting Guidelines were updated in September 2021 and introduced a new requirement to conduct reviews of Council's services. A service review is a formal process that considers the cost, quality and efficiency of a council service, and assesses whether the current mode of delivery is appropriate.

Why Have Service Reviews Been Introduced?

The primary objective of service reviews is to ensure councils secure their long-term financial sustainability through efficient and cost effective delivery of services and that they respond to changing community priorities and needs. Historically, some councils have faced the prospect of unmanageable operating deficits that needed to be addressed. This has been an evolving issue for NSW councils because 'rate pegging' has constrained revenue growth and not enabled it to keep pace with increases in operating costs.

It is important to note that service reviews will not focus entirely upon improving the financial position of council, but will also place a strong emphasis upon improving the quality of services while remaining financial sustainable.

Why Should We Undertake Service Reviews?

The service review process is a useful vehicle for developing an organisational culture that supports innovation and continuous improvement. A number of reasons why service reviews are required include the need to:

- Respond to changing customer priorities and needs
- Determine the right mix of services
- Review and optimise service levels
- Build staff capacity and skills
- Help determine the role of local government and what is its core business
- Define statutory and non-statutory services, and to assess the need for the non-statutory services
- Consider alternative service delivery mechanisms
- Consider the potential for divestment of services
- Identify new business opportunities
- Share the provision of services with other organisations

What are the Benefits of Service Reviews?

The benefits and opportunities of service reviews are:

- Service and activity improvements
- Cost savings
- Service level adjustments
- Alternative modes of service delivery
- Improved resource usage

Service reviews are one element of Council's program to identify and implement efficiency measures across the organisation and ensure Council operates the most efficient cost structure possible for the delivery of its services.

FINANCIAL PERFORMANCE MEASURES

Council has a positive record in financial planning, monitoring and reporting. Due to this rigorous process, it has allowed council to have open and transparent discussions to ensure Council continues to remain financially sustainable into the future.

This diligence has continued through the Integrated Planning and Reporting Framework by incorporating relevant input from the other key resourcing strategies such as the workforce management plan, asset management and Delivery Program, as well as a longer-term forecast perspective.

Financial performance measures are reported annually as part of the City's annual financial statements. The City targets above benchmark performance where possible, and the following results are prepared in accordance with Office of Local Government required methodologies.

SUSTAINABILITY MEASURES

Operating Performance Ratio

The 'operating performance ratio' measures how well the council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by OLG is greater than zero percent.

Benchmark	2016	2017	2018	2019	2020	2021
Benchmark is > 0. Measure that operating revenue is greater than operating expenditure	7.96%	11.37%	8.27%	8.98%	3.31%	3.30%

Own Source Operating Revenue Ratio

The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.

Benchmark	2016	2017	2018	2019	2020	2021
Benchmark is > 60%. Measures rates and annual charges plus user fees and charges as a percentage of total revenue.	76.1%	77.0%	82.6%	80.6%	77.2%	80.1%

Building and Infrastructure Asset Renewal Ratio

This measure is intended to indicate the extent to which a Council is replenishing the deterioration of its building and infrastructure assets (i.e. renewal expenditure as a proportion of annual depreciation expense). The implication of the benchmark is that a Council's annual depreciation expense is the indicative level of required annual renewal of its assets.

Benchmark	2016	2017	2018	2019	2020	2021
Benchmark is > 100. Measures rate at which assets being renewed relative to rate at which they are being depreciated.	188.1	170.4	121.0	147.1	119.7	130.5

INFRASTRUCTURE AND SERVICE MANAGEMENT MEASURES

Infrastructure Backlog Ratio

Infrastructure Backlog, in the context of this ratio, refers to an estimated cost to restore the City's assets to a "satisfactory standard", typically through renewal works. With renewal cycles that typically take place over the longer term, it is not unusual that some backlog will occur. Maintaining this ratio at lower levels over the long term will indicate that the service capacity of assets is being effectively maintained.

Benchmark	2016	2017	2018	2019	2020	2021
Benchmark is < 2. Measures cost to bring assets to satisfactory condition as percentage total infrastructure assets.	1.88	1.94	1.93	1.83	1.85	1.84

Asset Maintenance Ratio

The extent to which a Council is adequately maintaining its building and infrastructure asset base is measured by expressing actual (planned) maintenance as a proportion of the "required" maintenance expenditure. A ratio result of greater than 100% will indicate the Council is exceeding its identified requirements in terms of maintenance, which in turn should impact positively upon infrastructure backlog and required renewal levels.

Benchmark	2016	2017	2018	2019	2020	2021
Benchmark is > 100%. Measures actual maintenance spend compared to required per asset management plan.	108.2%	100.8%	122.4%	120.3%	109.5%	103.5%

Debt Service Ratio

The effective use of debt may assist in the management of “intergenerational equity” and help to ensure that excessive burden is not placed on a single generation of a Council’s ratepayers to fund the delivery of long term infrastructure and assets. Other strategies, not reflected in this performance measure, may also achieve an equivalent outcome, and a consistent program of capital delivery will also alleviate the need to excessively burden a particular set of ratepayers.

Benchmark	2016	2017	2018	2019	2020	2021
Benchmark is > 2. Measures availability of operating cash to service debt including interest, principle and lease payments.	115.0	146.2	123.8	175.2	50.9	29.08

SUPPLEMENTARY PERFORMANCE MEASURES

The Local Government Code of Accounting Practice and Financial Reporting sets a series of performance indicators to be compulsorily reported. Council uses these indicators (and respective benchmarks) as key parameters in the financial planning process.

Unrestricted Current Ratio

The Unrestricted Current Ratio is specific to local government, measuring the adequacy of the City’s liquid working capital and its ability to satisfy its financial obligations as they fall due in the short term. Restrictions placed on various funding sources (e.g. development contributions) complicate the traditional current ratio used to assess liquidity of businesses as cash allocated to specific projects is restricted and cannot be used to meet a Council’s other operating and borrowing costs.

Benchmark	2016	2017	2018	2019	2020	2021
Benchmark is > 1.50. Measures adequacy of working capital.	2.62	3.09	2.82	2.04	1.91	1.92

Rates and Annual Charges Outstanding Percentage

This measure indicates a Council’s success at recovering its annual rates and charges, with higher percentages of outstanding debts indicating a potential threat to Council’s working capital and liquidity. Whilst this ratio is not a mandatory financial performance measure, the Office of Local Government has previously advised a benchmark of a maximum 5% for metropolitan councils (8% for rural councils).

Benchmark	2016	2017	2018	2019	2020	2021
Benchmark is < 5%. Measures outstanding rates and charges as percentage of total billed.	3.07%	3.15%	3.37%	3.99%	3.93%	3.98%

Cash Expense Cover Ratio

This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow. The benchmark is greater than 3 months. City staff actively monitor cash flow requirements and manage the maturity profile of investments to meet liquidity requirements. During the period of uncertainty associated with Covid-19, additional priority has been given to ensuring high liquidity levels are maintained within the investment portfolio.

Benchmark	2016	2017	2018	2019	2020	2021
Benchmark is > 3 months. Measures number months Council can continue paying expenses without additional cashflow.	3.2	4.9	3.1	2.7*	5.1	4.5

** Whilst below the OLG Benchmark, this was not an issue for Council because it held $52 million in FRN’s that could be converted to cash at short notice.*

Appendix

Operating Performance Ratio – The operating performance ratio measures council's achievement of containing operating expenditure within operating revenue. Total continuing operating revenue (excl. Capital Grants & Contributions) - Operating Expenses / Total continuing operating revenue (excl. Capital Grants & Contributions)

Own Source Operating Revenue Ratio – The own source revenue ratio measures fiscal flexibility as it indicates the extent of external funding sources such as operating and capital grants and contributions received by councils. Total continuing operating revenue (less ALL Grants & Contributions) / Total continuing operating revenue.

Unrestricted Current Ratio – The unrestricted current ratio measures the adequacy of working capital and the ability of a council to satisfy its obligations in the short term. Current Assets less all External Restrictions / Current Liabilities less Specific Purpose Liabilities.

Building and Infrastructure Renewals Ratio – The building and infrastructure asset renewal ratio assesses the rate at which assets are being renewed against the rate at which they are depreciating. Renewal is defined as the replacement of existing assets to equivalent capacity or performance capability, as opposed to the acquisition of new assets. Asset renewals (building and infrastructure) / Depreciation, amortisation and impairment (building and infrastructure).

Infrastructure Backlog Ratio – The infrastructure backlog ratio shows the infrastructure backlog as a total value of a council's infrastructure. Estimated cost to bring assets to a satisfactory condition / Total (WDV) of infrastructure, buildings, other structures and depreciable land improvement assets.

Asset Maintenance Ratio – The asset maintenance ratio compares councils' actual asset maintenance against the estimated required annual asset maintenance. It indicates if a council is investing enough funds within the year to stop the infrastructure backlog from growing. Actual Asset Maintenance / Required Asset Maintenance.

Capital Expenditure Ratio - This ratio shows whether a Council earns more from its' main activities or spends more to maintain or expand these activities. Annual Capital Expenditure / Annual Depreciation

Debt Service Ratio – The debt service ratio indicates the proportion of revenue from ordinary activities utilised for debt repayment. It is generally higher for councils which have acquired funding for infrastructure development. Cost of debt service (interest expense & principal repayments) / Total continuing operating revenue (exc. capital grants and contributions).

Rates and Annual Charges Coverage Ratio – The purpose of the Rates & Annual Charges Coverage Ratio is to assess the degree of Council's dependence upon revenue from rates and annual charges and to assess the security of Council's income.

Fairfield City Council's Draft 2022/23 - 2031/32 Long Term Financial Plan is available for viewing at Council's website:
www.fairfieldcity.nsw.gov.au/ipr

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