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# 2022/23-2032/33 LONG TERM FINANCIAL PLAN

INTEGRATED PLANNING AND
REPORTING FRAMEWORK

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# INTEGRATED PLANNING AND REPORTING

The Local Government Integrated Planning and Reporting (IPR) Framework is a legislative requirement for all NSW Council.

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.


## 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 2032/2033 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.

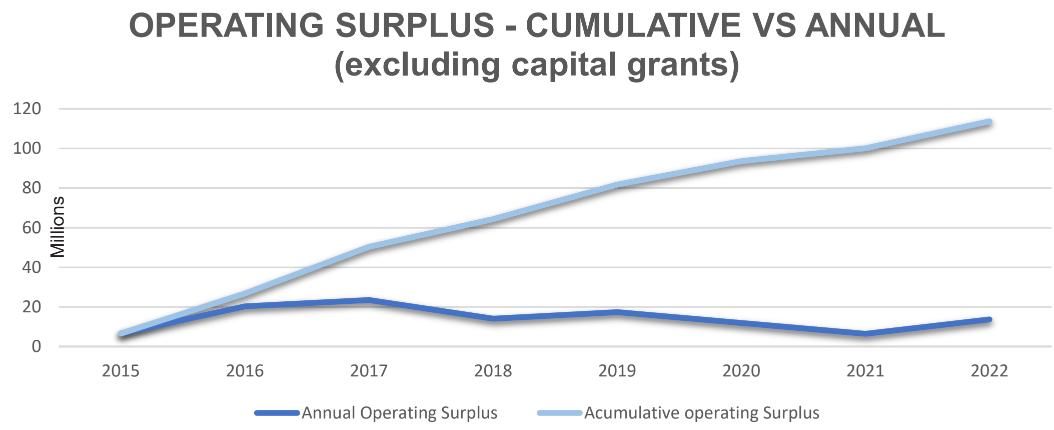
Like every organisation, Council's financial results for the past 3 years have been heavily impacted by a reduction in revenue arising from COVID-19. However, a history of prudent financial management means that Council continues to have the financial resources to invest in community infrastructure and 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 2023-2024 and subsequent financial years because it is anticipating that the negative financial impacts of COVID-19 on Councils results have been largely addressed.

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 'Office Local Government" (OLG) 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 10 year period of the SRV, 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 2023/24 budget. Next, a review of external influences such as population growth, inflation, interest rates, natural disasters, cyber security 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 OLG Benchmarks prescribed by the State Government.

Salaries and wages represent 44% of total costs. It is challenging contain this cost and achieve a balanced budget because 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 that benchmarks will be met 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.

Assumptions have been made about the likely manner that Council will deliver its Domestic Waste Service at the expiry of the current contract based on information available at the time the LTFP was prepared. However, assumptions are likely to be refined as the contract expiry date approaches, and both service delivery requirements and costs are confirmed.

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 reviews, quality management, business improvements and Simultaneous Multi-Attribute Trade Off (SIMALTO).

# Summary of Financial Forecast

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

Table 1 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 break-even net operating result before capital grants. Cash and cash equivalents decline in the 2024/2025 year due to significant capital spend, 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 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 Office Local Government 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 Financial Measures | Financial Year ($’000) | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 2022/23-2025/26 Delivery Program | | | | | | | | | | |
| | | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 | Year 11 |
| | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 | 2030/31 | 2031/32 | 2032/33 |
| Net Operating Results | 33,580 | 15,293 | 59,236 | 16,355 | 17,446 | 18,042 | 18,737 | 19,925 | 20,766 | 21,903 | 23,146 | 24,266 |
| Net Operating Result (Before Capital Grant) | 13,652 | 2,856 | 1,025 | 1,569 | 1,918 | 1,754 | 1,669 | 2,058 | 2,079 | 2,377 | 2,760 | 2,997 |
| Unrestricted Cash | 28,199 | 12,155 | 18,201 | 8,092 | 9,684 | 17,871 | 22,311 | 15,520 | 20,686 | 23,235 | 22,019 | 13,060 |
| Cash, Cash Equivalent, and Investments | 161,102 | 145,391 | 134,738 | 101,387 | 106,491 | 112,643 | 118,355 | 125,870 | 133,851 | 141,210 | 144,925 | 133,622 |
| Net Assets | 2,563,580 | 2,572,862 | 2,635,043 | 2,649,768 | 2,666,735 | 2,684,425 | 2,702,870 | 2,722,553 | 2,744,069 | 2,767,268 | 2,791,131 | 2,816,297 |

***Table 1 : Key Financial Measures across the 10 year.***

# OLG Benchmark Performance Indicator Forecast

The Office of Local Government had introduced financial benchmark performance indicators, which focus on a small set of core, comparable indicators that will help councils drive continuous improvement and assist communities in understanding council's performance. These small set of core indicators monitor budget performance, operational liquidity, liability and debt management and asset management - Infrastructure and service management performance. The main objectives of the LTFP are to maintain Council's financial sustainability and to inform Council's decisions about the services as well as achieving all OLG financial benchmarks. Council has a proud history of prudent financial management and is projected to achieve these financial benchmarks over the next ten financial years, while delivering new initiatives across the City.

| | OLG Benchmark | Forecast 2022/23 | Budget 2023/24 | Year 3 2024/25 | Year 4 2025/26 | Year 5 2026/27 | Year 6 2027/28 | Year 7 2028/29 | Year 8 2029/2030 | Year 9 2030/31 | Year 10 2031/32 | Year 11 2032/33 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Budget Performance** | | | | | | | | | | | | |
| **Operating Performance Ratio** | >0 | 1.27% | 0.30% | 0.55% | 0.69% | 0.73% | 0.63% | 0.70% | 0.69% | 0.79% | 0.91% | 0.98% |
| Measures the extent to which a council has succeeded in containing operating expenditure within operating revenue. | | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ |
| **Own Source Operating Revenue Ratio** | >60% | 83.61% | 69.82% | 83.16% | 83.12% | 83.00% | 82.88% | 82.81% | 82.76% | 82.71% | 82.65% | 82.60% |
| Measure fiscal flexibility. It is the degree of reliance on external funding sources. | | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ |
| **Operational Liquidity** | | | | | | | | | | | | |
| **Unrestricted Current Ratio** | >1.5x | 2.21 | 2.09 | 2.00 | 2.06 | 2.10 | 2.07 | 2.08 | 2.04 | 2.06 | 2.04 | 2.02 |
| Represents a council's ability to meet short-term obligations as they fall due. | | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ |
| **Rates, Annual Charges, Interest and Extra Charges Outstanding Percentage** | <5% | 2.65% | 2.71% | 2.70% | 2.70% | 2.70% | 2.70% | 2.70% | 2.70% | 2.70% | 2.70% | 2.70% |
| Expressed as a percentage of total rates and charges available for collection in financial year. | | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ |
| **Cash Expense Cover Ratio** | >3 months | 6.88 | 5.80 | 3.22 | 3.47 | 3.11 | 3.41 | 3.80 | 4.20 | 4.54 | 4.64 | 3.87 |
| Liquidity ratio indicates the number of months a council can continue paying for its immediate expenses without additional cash flow. | | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ |
| **Liability and Debt Management** | | | | | | | | | | | | |
| **Debt Service Cover Ratio** | >2x | 32.56 | 28.84 | 25.05 | 24.46 | 24.02 | 26.02 | 26.90 | 29.91 | 47.89 | 89.04 | 112.59 |
| Measure the availability of operating cash to service loan repayments | | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ |

| | OLG Benchmark | Forecast 2022/23 | Budget 2023/24 | Year 3 2024/25 | Year 4 2025/26 | Year 5 2026/27 | Year 6 2027/28 | Year 7 2028/29 | Year 8 2029/2030 | Year 9 2030/31 | Year 10 2031/32 | Year 11 2032/33 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Asset Management – Infrastructure and Service Management Performance** | | | | | | | | | | | | |
| **Building and Facilities Renewal Ratios** | >100% | 105.24% | 100.57% | 100.63% | 100.33% | 100.73% | 100.75% | 100.54% | 100.71% | 100.54% | 100.11% | 100.54% |
| Assesses the rate at which these assets are being renewed against the rate at which they are depreciating | | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ |
| **Infrastructure Backlog Ratio** | <2% | 0.02% | 0.02% | 0.02% | 0.02% | 0.02% | 0.02% | 0.02% | 0.02% | 0.02% | 0.02% | 0.02% |
| Ratio shows what proportion the infrastructure backlog is against the total net carry amount of a council's infrastructure. | | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ |
| **Asset Maintenance Ratio** | >100% | 108.20% | 108.20% | 108.23% | 108.26% | 108.29% | 108.31% | 108.33% | 108.34% | 108.35% | 108.36% | 108.37% |
| Ratio compares actual versus required annual asset maintenance. A ratio of above 100% indicates that the council is investing enough funds that year to halt the infrastructure backlog from growing | | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ |

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 these assumptions as has been necessary during COVID. A focus 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 has a proud history of prudent financial management and is forecast to achieve all key OLG financial benchmarks over the next ten 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.**

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 key benchmarks established in 2015 as part of the NSW Governments proposal to reform the local government system.

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, and 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 will remain stable over the next 10 years, and within the OLG Infrastructure Asset Backlog benchmark 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 $42m 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

# DELIVERING FINANCIAL SUSTAINABILITY FOR COUNCIL

### Safeguarding financial legacy

Council continues to safeguard its legacy by making prudent and responsible decisions that consider the financial impact on future generations. To do this Council will:

- Ensure the current generation covers the cost of its services through a fully funded operating budget.
- Aim to achieve equity between generations of ratepayers whereby the mechanisms to fund specific capital expenditure and operations take into account the ratepayers who benefit from expenditure and therefore who should pay.

### Delivering a balanced budget

Council must achieve a fully funded operating position reflecting that Council collects enough revenue to fund operational expenditure, the repayment of debt and renewal of infrastructure assets. To do this we will:

- Have a fully funded capital program, where the source of funding is identified and secured for both capital renewal and new capital works.
- Manage the immediate and ongoing financial impacts of shocks, like the COVID-19 pandemic and weather events, to safeguard long-term financial sustainability.
- Maintain an Unrestricted Current Ratio of greater than 1.5 to ensure the required level of cash is maintained to met operational requirements as well as build cash reserves for contingencies that arise. Strengthening this position over the years of the LTFP is a priority.

### Funding the current Service Levels

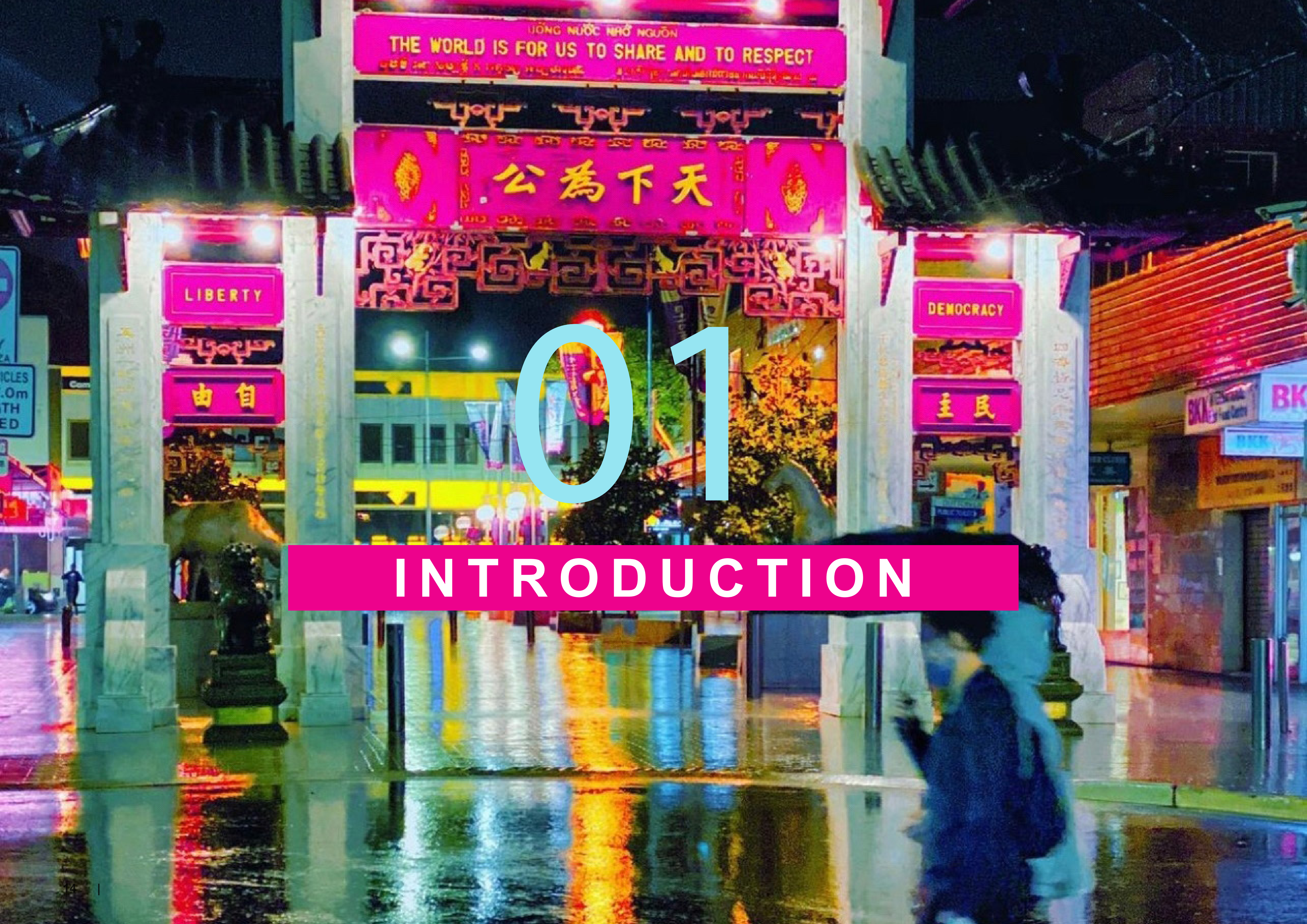
The operating budget is designed to deliver current services and service levels. To do this we will:

- Maintain existing service levels to the community.
- Any changes to future service levels will be determined in consultation with the community or as identified through Simultaneous Multi-Attribute Trade Off (SIMALTO) initiative during the development of the Delivery Program.

## Borrowing Policy

Borrowing, where appropriate and financially responsible, can be an important funding source for income generating projects and the delivery of significant new infrastructure to support intergenerational equity. The following is to be considered prior to entering into a new loan arrangement:

- Borrowing should only be used as the last resort to finance projects of highest priority to Council which are unable to be funded from income.
- The use of loan funds will, in the main, be limited to income producing assets and new infrastructure projects where intergenerational equity considerations justify spreading the cost between generations of ratepayers who benefit from the expenditure.
- Loans are not a funding source for operating expenditure.
- The total amounts of loan borrowings must be sustainable in terms of ability to meet future repayments and budgetary obligations. The funding source to meet repayments must be identified prior to entering into any new loan arrangement.
- The term of any loan is not to exceed the expected economic life of the asset being funded.




# 01

# 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 (IPR) 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 success in 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.

The 10 year LTFP is informed by decision making of the Delivery Program (4 year 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 IPR 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.

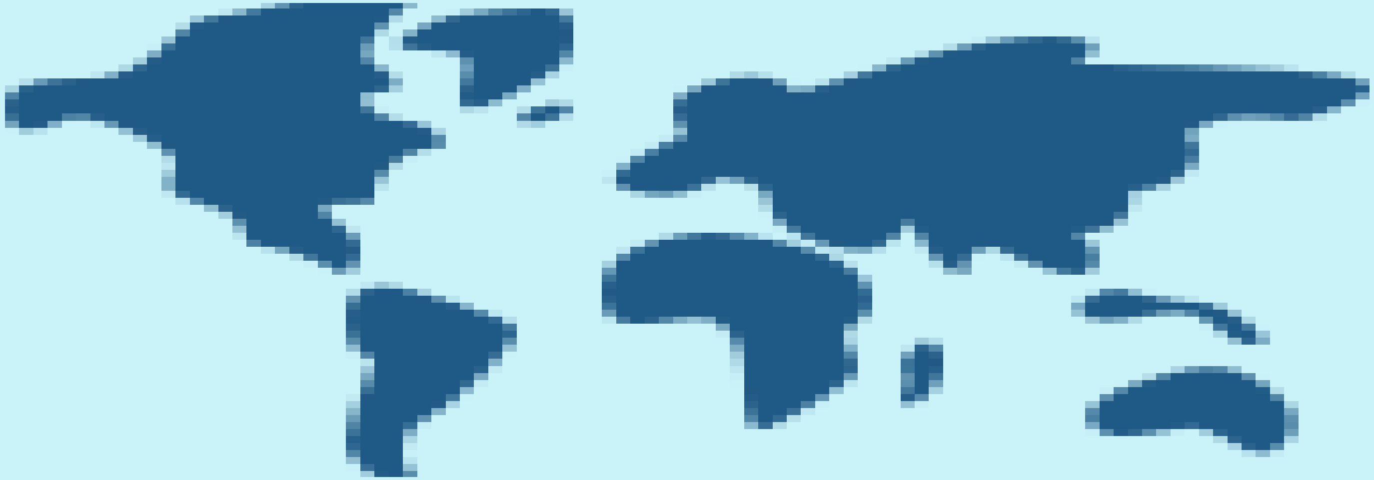
The preparation of the revised LTFP as at 30 June 2023 commenced with a detailed analysis of the 2023/24 budget. An internal analysis was conducted to:

- remove the impacts of income and expenditure items considered unique to the 2023/24 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 in progress;
- 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.

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 ASSUMPTION



## Global Economic Conditions

The main focus around the world continues to be global inflation which remains very high but appears to have peaked in most advanced countries. Goods inflation has slowed in many economies as supply chain and other upstream cost pressures have eased. However, services inflation remains high. Although wages growth in advanced economies remain well above the average of recent years, indications are that it, too, has peaked in some economies.

The International Monetary Fund (IMF) now projects global economic growth to fall from 3.4% in 2022 to 2.9% this year, before rebounding to 3.1% in 2024. The IMF sees far fewer countries facing recession this year and no longer anticipates a global downturn. The IMF predicts global inflation to cool to 6.6% in 2023 and 4.3% in 2024, which is still above pre-pandemic levels of about 3.5%, but significantly lower than the 8.8% observed in 2022.

Overall, 2023 is likely to see easing inflation pressures, central banks moving to get off the brakes and economic growth weakening but proving stronger than feared. This along with improved valuations should make for better returns in 2023. But there are likely to be bumps on the way, particularly regarding interest rates, recession risks and geopolitical risks.

## United State

In the US, following a year of aggressive interest rate hikes by the Federal Reserve, the strength of the U.S. economy has economists and policymakers surprised.

There's little sign the U.S. job market is weakening with the unemployment rate at a 50+ year low of 3.4%. Consumers keep spending and the economy continues to grow and the risks of an imminent downturn diminish.

The problem for the central bank is whether those conditions will allow inflation to slow gradually or whether they will have to push interest rates to a level to curb inflationary pressures that may risk raising unemployment and trigger a recession. Based on recent strong job and retail sales outcomes, the Federal Reserve's GDP tracker is estimating Q1 growth to be 2.5% p.a., well above the economy's potential. Recent data also showed inflation continuing to slow.

For much of the time since the Federal Reserve began raising interest rates last March, markets have expected it to stop or even reverse course because of anticipated economic damage. However, between the GDP momentum and the still-slowing pace of price hikes, financial markets are coming to terms with the central bank's stance that the battle to tame inflation will take time yet may be won without a serious economic downturn.

## Europe

European economic growth in 2022 was more resilient than expected in the face of the large negative terms-of-trade shock from the war in Ukraine. Gas prices have declined by more than expected amid higher non-Russian pipeline and liquefied natural gas flows, compression of demand for gas, and a warmer-than-usual winter.

However, the boost from reopening appears to be fading. High-frequency indicators for the fourth quarter suggest that the manufacturing and services sectors are contracting. Consumer confidence and business sentiment have also worsened.

With inflation at about 10% or above in several euro area countries and the United Kingdom, household budgets remain stretched. The accelerated pace of rate increases by the Bank of England and the European Central Bank is tightening financial conditions and cooling demand in the housing sector and beyond.

Growth in the euro area is projected to bottom out at 0.7% in 2023 before rising to 1.6% in 2024.

# Australian Economic Conditions and Forecasts

## Asia

A significant development for the global growth outlook has been China's reversal of its Covid containment policy in mid-December. The disruptions from the final phase of restrictions in November and the wave of illness in December had led to weak activity there in the December quarter. But early signs are that population mobility and economic activity has recovered quickly in January. The accelerated reopening of the economy has brought forward the expected recovery in consumption and supply capacity in China, removing some of the downside risk to the global outlook.

## Australia

Domestically, inflation was high and broadly based at the end of 2022. Headline inflation reached 7.8% over the year to the December quarter. While global inflationary pressures had started to ease, this has yet to translate here. An easing in inflation is expected over the months ahead although strong domestic demand in some areas continues to push up prices.

Inflation in goods-related sectors remains high especially for clothing and vehicles. Inflation in services has picked up further reflecting both strong demand and rising labour cost pressures. Increases in prices for hospitality and travel-related services have been particularly pronounced.

Looking forward, consumer consumption is expected to slow further in coming quarters, due to both the completion of the post-pandemic recovery and the current pressures on household finances. Recent increases in interest rates and still-high inflation are expected to constrain disposable incomes.

The outlook for business investment is positive, supported by a large pipeline of projects. While shortages of materials and related supply-chain issues have eased, firms are still contending with cost increases and difficulties in securing labour.

The forecast decline in inflation is subject to a number of uncertainties. The fall in global goods inflation has not yet been evident in Australia, although it is expected to occur. It is possible that falls in goods prices could see inflation return to the middle of the target range by mid-2024. However, there are also risks that inflation will continue to rise given its current broad-based nature.

# Fairfield City Profile

When preparing the Long Term Financial Plan, many factors are taken into consideration and a vast array of research and statistics are analysed to forecast the likely revenue that will be available to meet the community's long term objective.

Fairfield City is located in Sydney's south western suburbs, about 32 kilometres from the Sydney GPO and covers 102km2 of predominantly residential with some farmland and industrial. There are six industrial and business lands across the City, which includes large-scale industrial estates at Wetherill Park and Smithfield.

## Community

**39 years**

Medium age

**19%**

The largest group is aged 35 to 49 (parents and home builders) with over 38,000 people and comprising almost 19% of our population

**58%**

Living arrangements include 58% of the population as cou-ples with children, 12% couples, 18% single parents and 5% singles

**5%**

of residents have a disability that needs daily assistance, and 12% provide unpaid assistance to a person with disability, long term illness or elderly

## Economy

**16,592**

Our local economy features over 16,592 local businesses

**47%**

of our working population work full-time, 28% part-time.

**31%**

of working residents work locally

**81,295**

local jobs with 12% in health care and social assistance, 11% man-ufacturing, 11% retail trade, 8% construction, and 8% transport, postal and warehousing

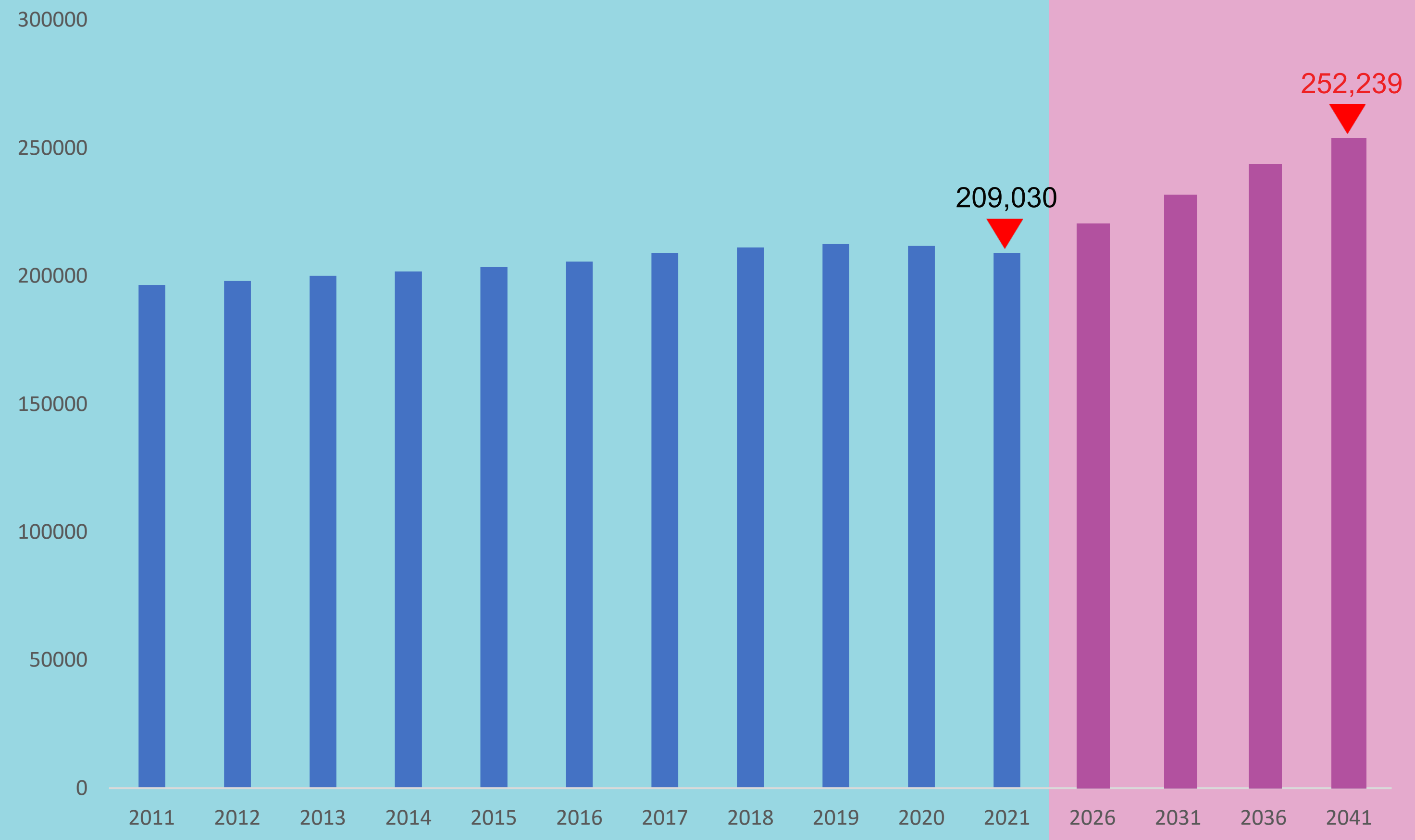
**Health**

and social assistance is our fastest growing industry

**$10 Billion**

Gross Regional Product of over $10 billion a year, at June 2021

# Fairfield City Estimated Population Forecast



# RISK MANAGEMENT

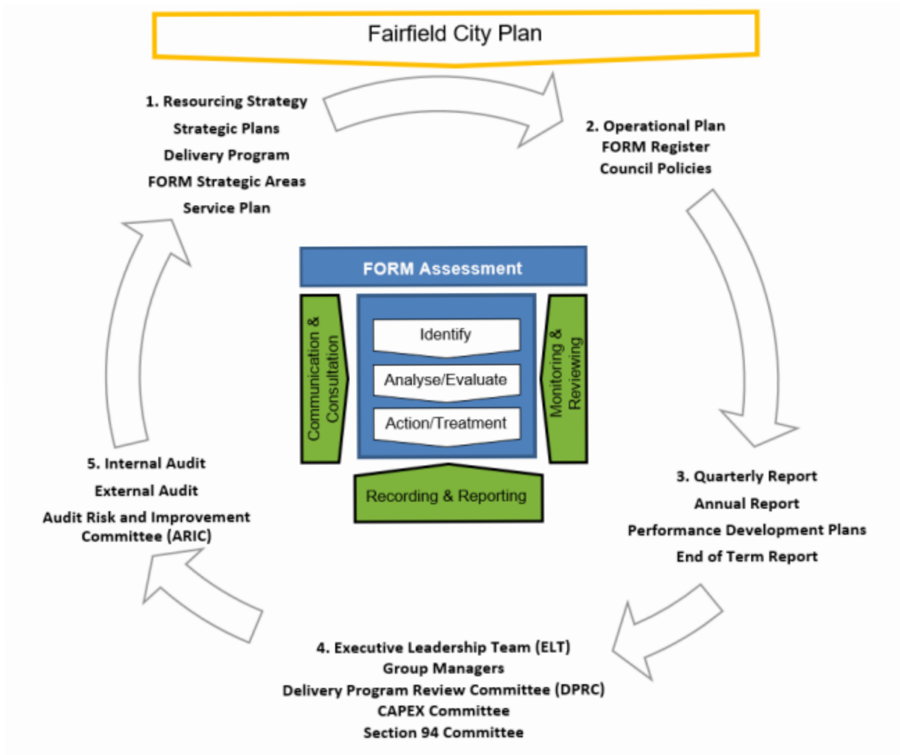
## The Council's activities expose it to a variety of risks, which are considered in preparing the LTFP. Council recognises the importance of a risk framework to strengthen its capacity to effectively identify, understand and capitalize on challenges and pursue opportunities.

Council has developed the Fairfield Opportunity and Risk Management (FORM) Framework. The Framework is a tool that assists how Council manages, plans and implements the services identified in the Integrated Planning and Reporting suite of documents to meet the community's needs and priorities. This approach is to realise opportunities and reduce and manage large unmitigated risks while ensuring Council continues to achieve financial sustainability.

The FORM process has been informed by various standards and regulations and are guided by the principles of the ISO 31000 Risk Management Guidelines. The FORM Framework has been integrated within Council's IPR Framework to ensure that all planning and implementation of Council's services are based on an opportunity and risk management approach with continual communication, review and reporting both internally and externally.

The risk of Council's financial position becoming unsustainable has been identified as a Strategic Risk Area for the organisation. There are a number of likely causes, both external and internal, that could lead to this situation without the presence of risk controls. A number of controls are in place to mitigate this risk including the preparation of this LTFP informed by Council's Asset Management Plan and Delivery Program.

However, long term planning in a dynamic environment has some level of uncertainty. Risks such as changes in legislative requirements and economic risks have been discussed in the previous section. These risks could materially change the outcome and projected results of this plan. The Sensitivity Analysis within this LTFP tests the impact of inherent economic risks.




# 02

# UPDATING THE LTFP

# UPDATING THE LTFP WITH 2022/23-2025/26 DELIVERY PROGRAM

The 2022/23-2025/26 Delivery Program (Delivery Program) is Council's response to the community's vision, priorities and goals as identified in the 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 45 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 (16).

| External Services (Principle Activities) | 2023-2024 Operational Plan | | |
|---|---|---|---|
| | Income | Expenditure | Cost of Service |
| Asset Management – Civil and Built | (3,341,041) | 29,566,061 | 26,225,020 |
| Asset Management – Open Space | (299,725) | 7,378,484 | 7,078,759 |
| Building Control and Compliance | (827,208) | 2,610,255 | 1,738,047 |
| Catchment Planning | (1,550,686) | 1,319,843 | (230,843) |
| Children and Family Services | (15,964,430) | 15,837,605 | (126,825) |
| City Connect Bus | (800) | 137,264 | 136,464 |
| Communications and Marketing | (4,157) | 1,789,246 | 1,785,089 |
| Community Business Hub (Fairfield City HQ) | (212,938) | 603,139 | 390,201 |
| Community Compliance | (6,500,025) | 3,284,837 | (3,215,188) |
| Community Facilities | (1,154,888) | 5,676,569 | 4,521,681 |
| Customer Service Administration Centre | (3,716) | 928,531 | 924,815 |
| Development Planning | (761,571) | 3,314,379 | 2,552,808 |
| Economic Development | - | 332,777 | 332,777 |
| Emergency Management | (78,502) | 2,612,713 | 2,534,211 |
| Environmental and Public Health | (480,495) | 1,293,782 | 813,287 |
| Land Information Services | (1,176) | 315,938 | 314,762 |
| Leisure Centres | (9,772,239) | 17,769,283 | 7,997,044 |
| Library Services | (717,408) | 7,399,044 | 6,681,636 |
| Major Events | (354,125) | 1,031,283 | 677,158 |

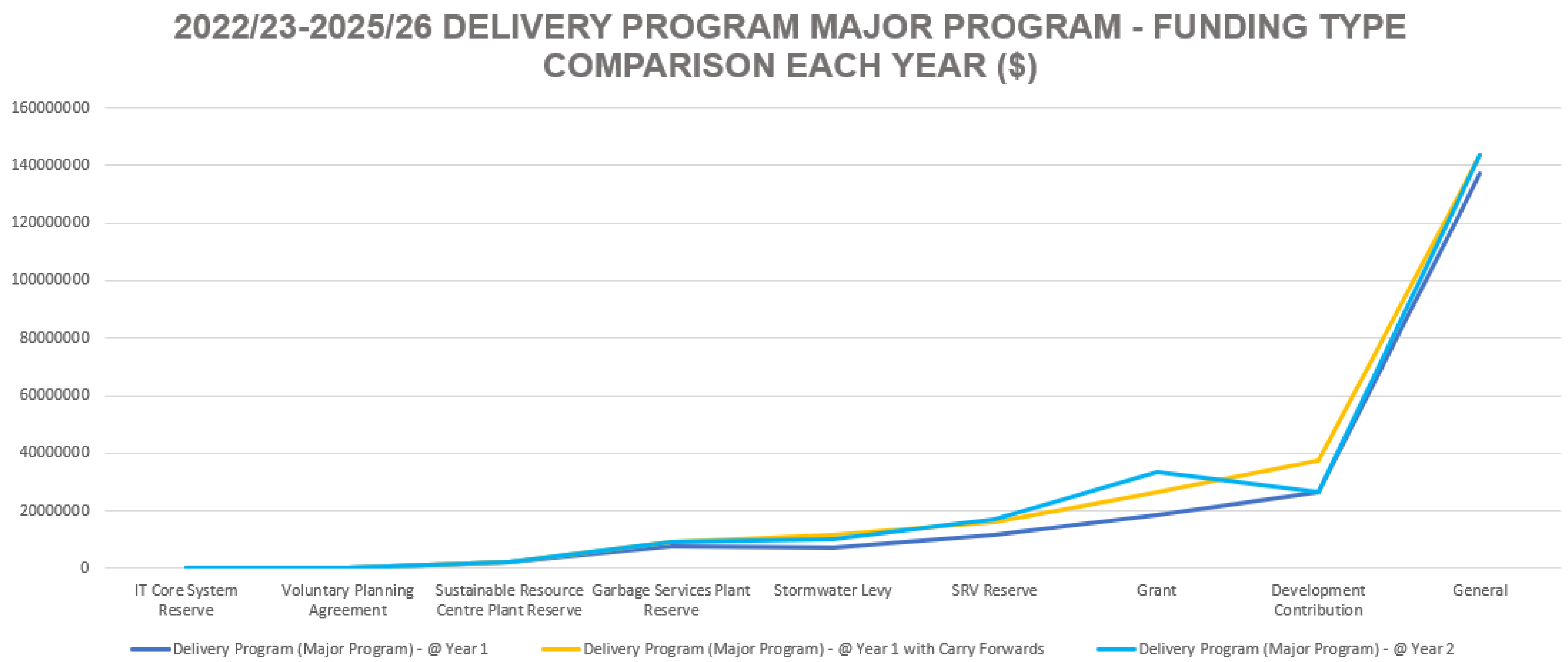
| External Services (Principle Activities) | 2023-2024 Operational Plan | | |
|---|---|---|---|
| | Income | Expenditure | Cost of Service |
| Museum and Gallery | (117,475) | 897,367 | 779,892 |
| Place Management | (39,347) | 2,151,141 | 2,111,794 |
| Property Strategy and Services | (10,331,528) | 5,467,803 | (4,863,725) |
| Showground and Golf Course | (1,576,815) | 2,337,502 | 760,687 |
| Social Planning and Community Development | (452,903) | 2,896,772 | 2,443,869 |
| Strategic Land Use Planning | (408,264) | 2,005,222 | 1,596,958 |
| Street and Public Amenities Cleaning | (673,651) | 5,291,837 | 4,618,186 |
| Sustainable Resource Centre | (4,792,995) | 3,182,587 | (1,610,408) |
| Traffic and Transport | - | 632,016 | 632,016 |
| Natural Resource Management | (5,250) | 1,788,015 | 1,782,765 |
| Waste Management | (34,985,501) | 31,023,746 | (3,961,755) |

| Internal Services (Corporate Services) | 2023-2024 Operational Plan | | |
|---|---|---|---|
| | Income | Expenditure | Cost of Service |
| Business Improvement | - | 279,224 | 279,224 |
| Corporate Planning | - | 394,296 | 394,296 |
| Design Management | - | 2,319,786 | 2,319,786 |
| Business Continuity and Insurance | - | 1,716,962 | 1,716,962 |
| Financial Sustainability | (157,460) | 3,907,646 | 3,750,186 |
| Fleet and Stores Management | - | 372,704 | 372,704 |
| Governance | (2,469) | 1,819,197 | 1,816,728 |
| Human Resources | (31,455) | 3,727,951 | 3,696,496 |
| Quality Management and Assurance | - | 128,457 | 128,457 |
| Information and Communication Technology | - | 8,369,179 | 8,369,179 |
| Infrastructure Construction and Maintenance | (76,218) | 8,546,962 | 8,470,744 |
| Internal Audit | - | 174,148 | 174,148 |
| Major Projects | - | 1,197,191 | 1,197,191 |
| Parks and Gardens Operations | (33,250) | 1,579,757 | 1,546,507 |
| Procurement | - | 798,548 | 798,548 |
| Records and Information Management | (620) | 1,593,784 | 1,593,164 |

**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 OLG Financial Benchmarks.
- Service Actions – Service Actions 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 (2023-2024 Operational Plan), which details 2,520 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 $247 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.



## Asset Management

An asset revaluation required under the Fair Value Accounting Standard every five years was undertaken for infrastructure assets in the 2019/20 year using replacement cost data. Buildings are being revalued in 2022/2023. 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.

Council's assets are considered to be in a comparatively good condition with only 1.6% of all assets falling into the poor (condition 4) and 2.4% in the very poor (condition 5) categories as a percentage of replacement cost (per Special Schedule No. 7 2022 Published Financial Statements). The table below shows the comparative asset conditions for neighbouring and other comparable Councils.

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

| | Fairfield City Council 2022 | Blacktown City Council 2022 | Cumberland Council 2022 | Liverpool City Council 2022 | Parramatta City Council 2022 | Penrith City Council 2022 |
|---|---|---|---|---|---|---|
| 1 (Excellent) | 29.50% | 32.90% | 31.40% | 43.10% | 37.20% | 17.20% |
| 2 (Good) | 43.80% | 23.00% | 43.20% | 29.70% | 38.50% | 43.80% |
| 3 (Average) | 22.70% | 35.90% | 19.10% | 22.90% | 22.80% | 30.60% |
| 4 (Poor) | 1.60% | 6.30% | 4.80% | 2.60% | 1.10% | 6.50% |
| 5 (Very Poor) | 2.40% | 1.90% | 1.60% | 1.70% | 0.30% | 2.00% |
| **Total** | **100.00%** | **100.00%** | **100.00%** | **100.00%** | **100.00%** | **100.00%** |

## Depreciation

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

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 dollar base on which the depreciation expense is calculated is the reason for the expense increase.

| Depreciation Exp. | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Buildings | 6 | 6.1 | 10 | 9.5 | 6.3 | 8.5 | 6.4 | 7.3 | 7.9 | 8.0 | 8.3 |
| Infrastructure | 13.6 | 14.2 | 14.7 | 16.3 | 16.4 | 17.2 | 18.3 | 17.6 | 21.6 | 22.3 | 22.0 |
| Other Assets | 5 | 5.1 | 4.6 | 4.3 | 5.8 | 5 | 4.4 | 4.7 | 5.9 | 5 | 4.8 |
| Total Depreciation | 24.6 | 25.4 | 29.3 | 30.1 | 28.5 | 30.7 | 29.1 | 29.6 | 35.4 | 35.3 | 35.1 |

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

Published Financial Statements 30 June 2022 ($000's)

| Council | Infrastructure excluding Land (Depreciable Fair Value) | Depreciation Expense | % | Average # Years to fully Depreciate assets |
|---|---|---|---|---|
| Blacktown | 3,519,836 | 84,838 | 2.41% | 39.3 |
| Fairfield | 1,504,203 | 35,077 | 2.33% | 40.2 |
| Parramatta | 2,449,502 | 44,654 | 1.82% | 49.8 |
| Cumberland | 1,877,402 | 35,856 | 1.91% | 49.8 |
| Penrith | 1,916,522 | 47,126 | 2.46% | 38.9 |
| Liverpool | 2,544,058 | 45,274 | 1.78% | 54.8 |

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.

## Projects

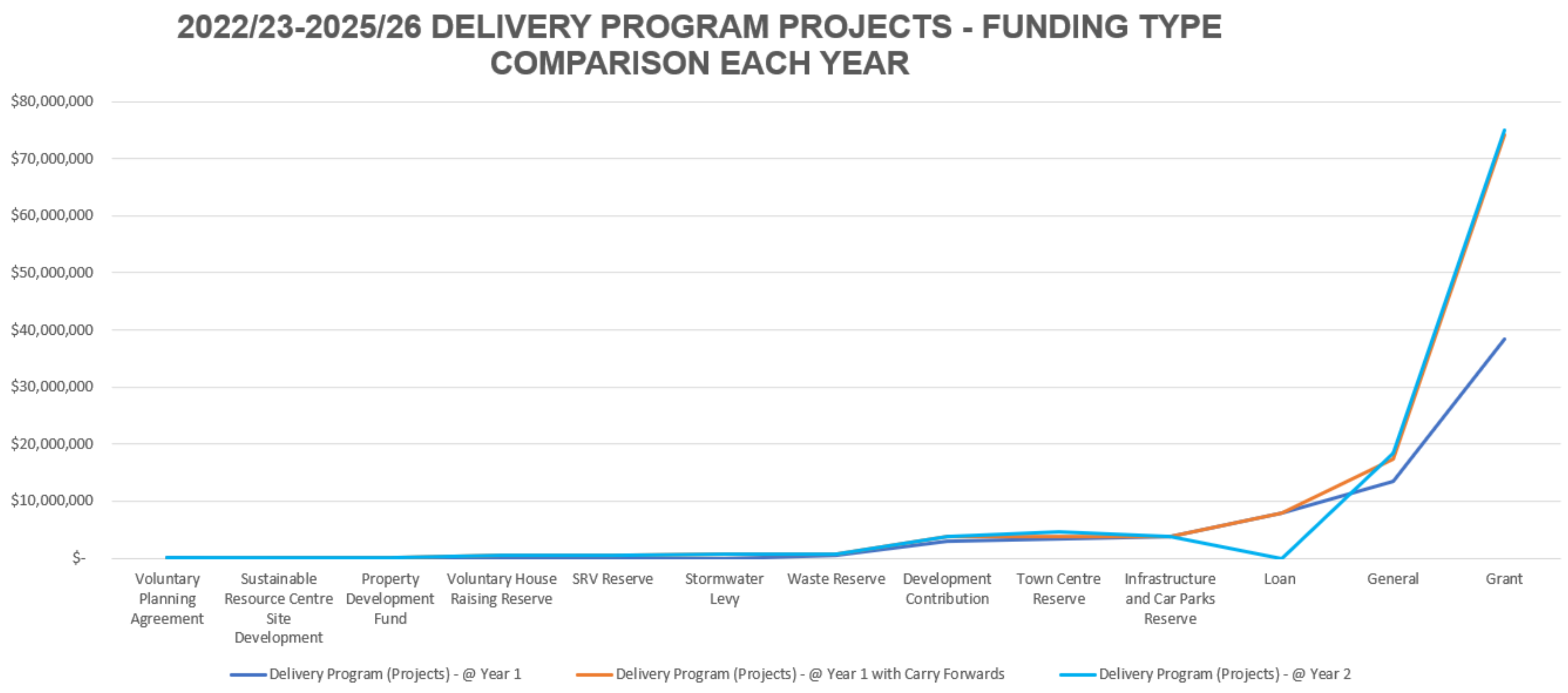
Council currently utilises approximately 96% of its budget in the delivery of its services each year. The remaining 4% is then available to be allocated to new projects, which are 'value adds' to these services.

Through extensive engagement and Councillor Workshops, Council has identified 312 projects in its Delivery Program, which details a total of $118 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.

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 - Construction
- Endeavour Sports Hub Stage 1 and 2 - Construction
- Brenan Park Playspace – Construction
- Cabravale Leisure Centre Health and Wellbeing – Seek Grant Funding
- Avenel Sports / Exercise Playground - Construction

As part of these major new proposals, Council was able to secure a total $54 million worth of WestInvest funding for the Fairfield City community to support the delivery most of these projects. WestInvest Progam is a State Government initiative to support transformational infrastructure projects across 15 local government areas in Western Sydney (including Fairfield City), focusing on imporving liveability and amenities.



## 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
- 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 ($48.1m), and 2031/32 for the Cabravale Leisure Centre Health and Wellbeing ($30m).

The Building and Facilities Renewal 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 forecast to be achieved by Council during the term of the LTFP due to the mix of renewal and new capital activity.


SINGLE TAKE
PHOTO
VIDEO
MORE

# 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 $2.4 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 Draft 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 new 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 re-engineering
- 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. E-commerce 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

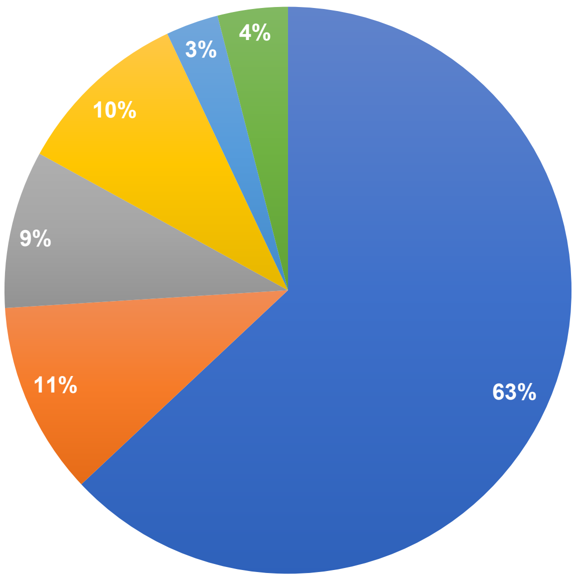
The management of Councils efficiency program is included in the Council's Delivery Program.

# 03

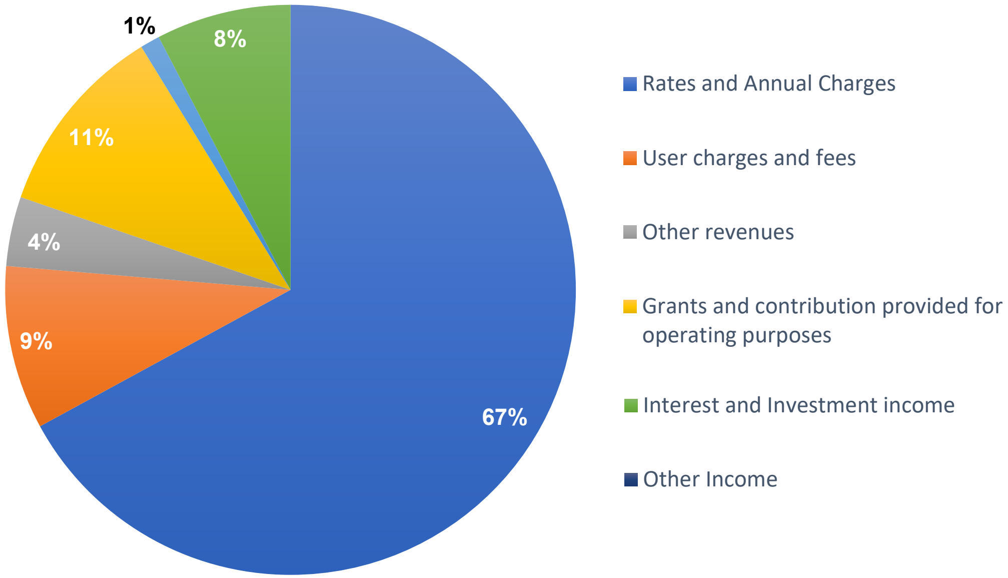
# REVENUE FORECASTS

# 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.




2023-2024 Operational Plan Revenue Forecast




2023 Western Sydney Councils Revenue Average

| MAJOR ITEMS OF OPERATING INCOME | 2023/24 BUDGET | % |
|---|---|---|
| Rates and Annual Charges | 128.3 M | 63% |
| User Charges and Fees | 22.8 M | 11% |
| Grant and Contribution Operational | 5.1 M | 10% |
| Interest and Investment | 8.5 M | 3% |
| Other Revenue | 18.2 M | 9% |
| Other Income | 20.7 M | 4% |

# 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.

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 2023/24 has been handed down and will be 3.70% and this has been incorporated into the LTFP.

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 broadly align to CPI, with annual changes as per the table below.

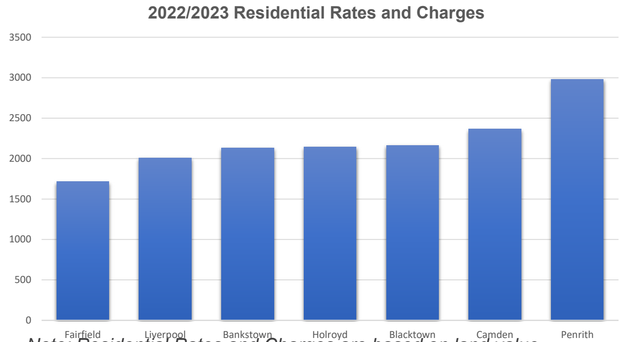
Projected increase in the Rates and Annual Charges during the LTFP are:

| | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 | 2030/31 | 2031/32 | 2032/33 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Rate Peg | 0.70% | 3.70% | 3.50% | 3.00% | 2.80% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% |

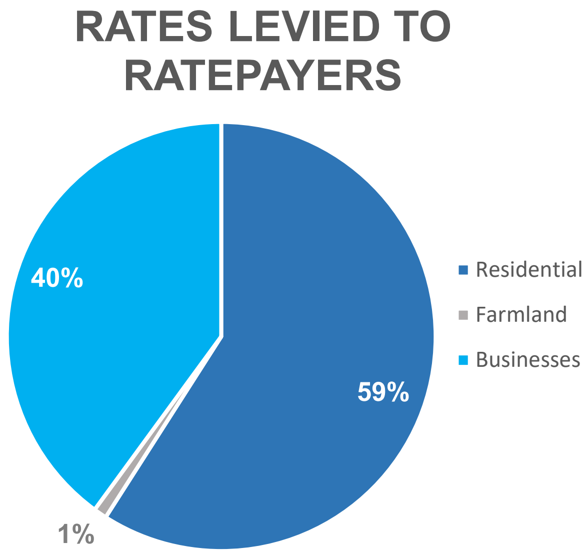
The pensioner rate rebate has been retained throughout the life of the LTFP. The NSW State Government has committed to 50% funding of pensioner rebates on rates for one year, but has not firmly committed beyond this point. The LTFP has assumed continued commitment.

The LTFP does not include any impacts from the NSW Government Fire and Emergency Services Levy (FESL). An announcement was made on 30 May 2017 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 graphs to the right summarise the average residential rates between Fairfield City and neighbouring Councils.




*Note: Residential Rates and Charges are based on land value $700,000*



# Stormwater Levy

Stormwater levies are capped by legislation and expected to remain unchanged from the current levy of $1.6m per year. This has not changed since it was introduced in 2005.

| | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 | 2030/31 | 2031/32 | 2032/33 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Stormwater Levy | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |

# Domestic Waste Management Charge

We calculate the Domestic Waste Management Charges (DWMC) to ensure the income generated can fund the costs associated with providing the service including provisions for the future replacement of bins.

It has been assumed that costs and therefore the DWMC will primarily increase in line with underlying inflation, with adjustments for items such as the new waste contract and services, which is expected to be finalised prior to expiry of the current contract in 2024/25 financial year.

Projected increases in the Domestic Waste Management Charge during the LTFP are:

| | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 | 2030/31 | 2031/32 | 2032/33 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Domestic Waste Management Charge | 6.50% | 2.70% | 1.50% | 1.50% | 2.00% | 2.00% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% |

# User Charges and Fees

Most fees and charges are expected to align with the increase of CPI and staff costs to provide the service, hence the increases are slightly more than the rate peg table shown above.

User Fees and Charges that are controlled by other levels of government under legislation are assumed to increase broadly in line with costs.

Non-Statutory Charges such as Childcare Fees, Venue Hire and Leisure Centres, are determined by applying our Pricing Policy, which incorporates the Local Government Competitive Neutrality Guidelines. Due to the rising inflationary pressures currently experienced by Council a detailed review of the 2023/24 Fees and Charges was undertaken. This identified that Council fees and charges were lower than the surrounding Councils. This required increases to reflect the rising costs of the underlying service.

Projected increases in User Charges and Fees during the LTFP are:

| | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 | 2030/31 | 2031/32 | 2032/33 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Fees and Charges - Statutory | 3.00% | 5.00% | 4.00% | 2.50% | 2.50% | 2.50% | 3.00% | 3.50% | 3.50% | 3.50% | 3.50% |
| Fees and Charges – Non-statutory | 3.00% | 5.00% | 4.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.50% | 3.50% | 3.50% | 3.50% |

# Interest and Investments Revenue

Interest rates were at historical lows during the COVID Pandemic, but have increased since May 2022 following the Reserve Bank of Australia's change in monetary policy and decision to significantly increase cash rates. This has meant that as longer term investments mature, re- investment will be at higher rates. It will take time for Council to realise the full benefit of the rate rises as it still has funds invested in lower yielding investments. However, rates are expected to stabilise by 2024/25 with marginal increases towards the end of the LTFP. This has been reflected in the interest income projections in the LTFP. A review of the Investment Policy to maximise returns on investment within Council's risk profile was undertaken to ensure that the LTFP returns from investments are achievable.

Projected increase in Interest and Investments Revenue during the LTFP are:

| | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 | 2030/31 | 2031/32 | 2032/33 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Interest and Investment Revenues | 1.20% | 3.00% | 4.70% | 4.30% | 4.30% | 4.30% | 4.60% | 4.90% | 4.90% | 4.60% | 4.60% |

# 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 increase in CPI and staff costs to provide the service. 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.

### Others

Remainder comprises of income from fines, sale of recycled materials and licences. CPI has been used to project future income from Other Revenues.

Projected increase in Other Revenues during the LTFP are:

| | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 | 2030/31 | 2031/32 | 2032/33 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Property Rental | 3.00% | 5.00% | 4.00% | 2.50% | 2.50% | 2.50% | 3.00% | 3.50% | 3.50% | 3.50% | 3.50% |
| Fines | 2.00% | 3.00% | 3.00% | 3.00% | 2.80% | 3.00% | 3.50% | 3.50% | 3.50% | 3.50% | 3.50% |
| Other revenues | 2.00% | 3.00% | 3.00% | 3.00% | 2.80% | 3.00% | 3.50% | 3.50% | 3.50% | 3.50% | 3.50% |

# Grants and Contributions - Operating Purposes

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). 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% from 1 July 2023. 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.

| | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 | 2030/31 | 2031/32 | 2032/33 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Grants and Contribution - Operational | 1.00% | 3.00% | 3.00% | 3.00% | 2.80% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% |

# Grants and Contributions - 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.

| | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 | 2030/31 | 2031/32 | 2032/33 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Development Contributions | 2.00% | 3.00% | 3.00% | 3.00% | 2.80% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% |
| Grants and Contribution - Operational | 2.00% | 3.00% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% |

# Net Gain from Disposal 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 Join 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.

Projected increase in Other Income during the LTFP are:

| | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 | 2030/31 | 2031/32 | 2032/33 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Other Income | 3.00% | 3.00% | 3.00% | 3.00% | 2.80% | 3.00% | 3.50% | 3.50% | 3.50% | 3.50% | 3.50% |

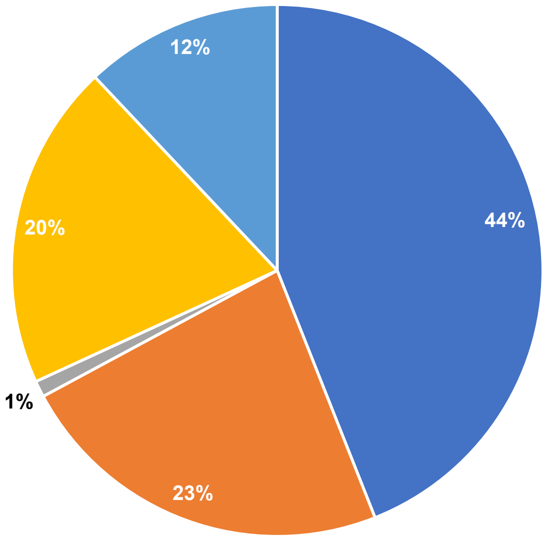

DUTTON PLAZA
GATEWAY TO CABRAMATTA
735
P
ENTRY

# 04

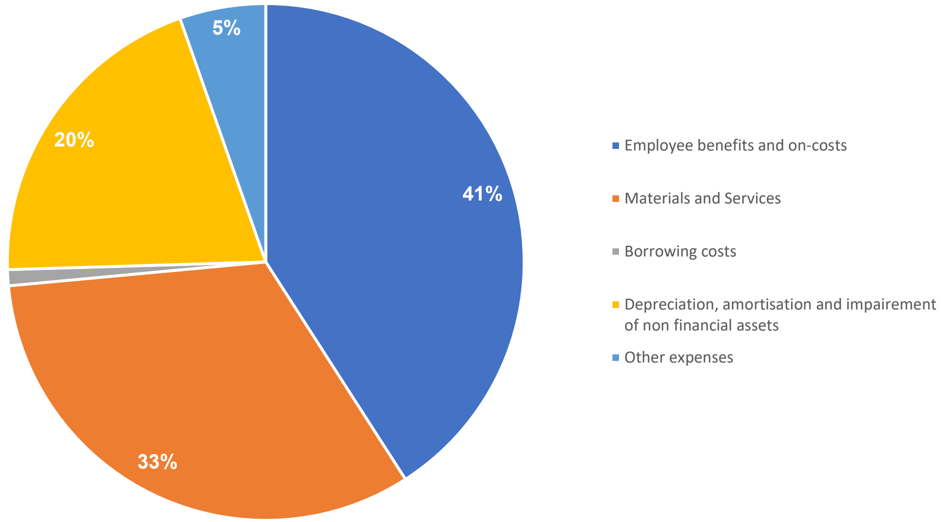
# EXPENDITURE FORECASTS

# 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.




2023-2024 Operational Plan Expenditure Forecast




2023 Western Sydney Councils Expenditure Average

| MAJOR ITEMS OF OPERATING EXPENDITURE | 2023/24 BUDGET | % Operating Expenditure |
|---|---|---|
| Employee Costs | 89.9 M | 44% |
| Materials and Contracts | 47.3 M | 23% |
| Borrowing Costs | 0.2 | 1% |
| Depreciation, Amortisation and Impairment | 40.5 M | 20% |
| Other Expenses | 24.6 M | 12% |

# 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.

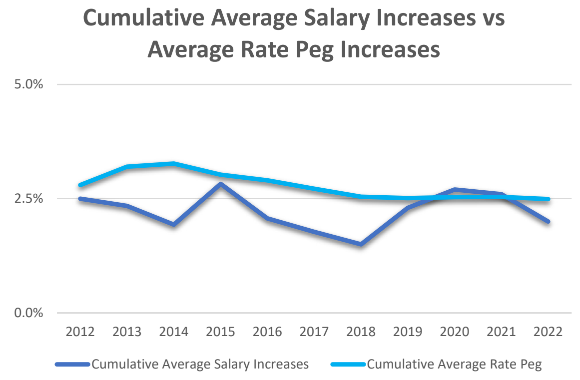
Recent analysis forecasted Council's future salary obligations. It compared the annual salary system increase (the Local Government State Award increase and the annual performance progressions for staff) versus the annual rate peg increase.

The analysis illustrated that for Council to maintain the salary and wages costs to the level of rate peg increases it must intervene.

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 and expiry 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:

Projected increase in Employee Benefits and On-Costs during the LTFP are:

| Employee Benefits / On-Costs | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 | 2030/31 | 2031/32 | 2032/33 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Annual Award Increase | 4.00% | 4.50% | 4.50% | 4.00% | 3.50% | 3.50% | 3.50% | 3.50% | 3.50% | 3.50% | 3.50% |
| Award Step Increase | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% |

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 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 | 2030/31 | 2031/32 | 2032/33 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Super Guarantee Levy | 10.50% | 11.00% | 11.50% | 12.00% | 12.00% | 12.00% | 12.00% | 12.00% | 12.00% | 12.00% | 12.00% |

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 to remain 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 skeleton staff 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
- 49% of staff are currently aged 42 and over as identified in the Workforce Management Plan. 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.
- 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

# Depreciation and Amortisation

Refer to the Asset Management, Capital Expenditure and Depreciation section above. Projected increase in Depreciation and Amortisation during the LTFP are:

| Financial Year | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 | 2030/31 | 2031/32 | 2032/33 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Depreciation and Amortisation | 1.50% | 3.00% | 3.00% | 3.00% | 2.80% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% |

# 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 does not include any new extended loans. The borrowing costs relate to an existing loan used to finance the construction of the Dutton Plaza Car Park extension in Cabramatta.

# 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.

Projected increase in Materials and Contracts during the LTFP are:

| Financial Year | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 | 2030/31 | 2031/32 | 2032/33 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Materials and Contracts | 1.50% | 3.00% | 3.00% | 3.00% | 2.80% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% |

# 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 if alternative costs disposal methods such as waste to energy are developed.

Other factors include the recent 7.65% increase of the Solid Waste Levy (Section 88) announced by the NSW Environment Protection Authority, which is a higher rate compared to the current inflation estimates. This increase will have significant impact to the community as well as an increase to the Residential Domestic Waste Charge into the future.

The waste reserve currently has a balance in excess of $60m, 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.

Projected increase in Other Expenses during the LTFP are:

| Financial Year | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 | 2030/31 | 2031/32 | 2032/33 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Other Expenses | 2.00% | 3.00% | 3.00% | 2.80% | 2.80% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% |

# 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 | **2023/24** | **Total 10 Years** |
| Inflation | 1% | Revenue | $2,618,231 | $25,446,998 |
| | | Expenses | $2,025,869 | $23,048,768 |
| | | Net Result | $592,361 | $2,398,230 |
| Rate Peg (Inflation exceeds rate peg by 1%) | | | -$690,742 | -$11,887,133 |
| Rate Revenue and Annual Charges | 1% | | $1,283,103 | $14,285,363 |
| Fees and Charges and Operating Grants | 1% | | $810,169 | $4,905,312 |
| Employee Costs | 1% | | -$902,358 | -$10,293,459 |
| Materials and Contracts and Other Expenses | 1% | | -$474,005 | -$5,367,032 |
| Interest on Investments | 10% Movement on Balances Invested (Assumes Same Rate) | | $508,482 | $5,718,789 |
| | 1% change to Interest Rate | | $1,228,294 | $10,866,238 |


NEWS

# Income Statement

| | Result 2021/22 | Budgeted Year 1 2022/23 | Budgeted Year 2 2023/24 | Forecast Year 3 2024/25 | Forecast Year 4 2025/26 | Forecast Year 5 2026/27 | Forecast Year 6 2027/28 | Forecast Year 7 2028/29 | Forecast Year 8 2029/30 | Forecast Year 9 2030/31 | Forecast Year 10 2031/32 | Forecast Year 11 2032/33 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Income from Continuing Operations** | | | | | | | | | | | | |
| Rates and Annual Charges | 121,241 | 121,839 | 128,310 | 129,901 | 133,263 | 136,824 | 140,331 | 144,021 | 147,896 | 151,875 | 155,960 | 160,156 |
| User Charges and Fees | 15,521 | 21,668 | 22,806 | 23,752 | 25,010 | 25,764 | 26,546 | 27,368 | 28,351 | 29,369 | 30,425 | 31,520 |
| Other Revenues | 14,502 | 24,475 | 26,312 | 27,465 | 29,289 | 30,092 | 30,662 | 31,725 | 32,825 | 33,963 | 35,140 | 36,358 |
| Grants and Contributions provided for Operating Purposes | 24,723 | 20,884 | 20,674 | 22,929 | 23,616 | 24,266 | 24,873 | 25,494 | 26,132 | 26,785 | 27,455 | 28,141 |
| Grants and Contributions provided for Capital Purposes | 19,928 | 12,437 | 58,211 | 14,786 | 15,528 | 16,289 | 17,068 | 17,868 | 18,687 | 19,526 | 20,387 | 21,269 |
| Interest and Investment Revenue | 1,281 | 1,947 | 5,085 | 5,155 | 5,228 | 5,317 | 5,528 | 5,760 | 6,018 | 6,290 | 6,362 | 6,446 |
| Other Income: | | | | | | | | | | | | |
| Net Gains from the Disposal of Assets | 407 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 |
| Other Income | 6,128 | - | - | - | - | - | - | - | - | - | - | - |
| **Total Income from Continuing Operations** | **203,731** | **203,674** | **261,823** | **224,412** | **232,360** | **238,976** | **245,432** | **252,661** | **260,333** | **268,232** | **276,154** | **284,316** |
| **Expenses from Continuing Operations** | | | | | | | | | | | | |
| Employee Benefits and On-Costs | 76,143 | 82,219 | 90,236 | 92,502 | 95,063 | 98,122 | 101,051 | 104,068 | 107,176 | 110,378 | 113,676 | 117,074 |
| Borrowing Costs | 127 | 277 | 222 | 100 | 86 | 81 | 83 | 87 | 94 | 108 | 109 | 91 |
| Materials and Contracts | 39,041 | 47,000 | 47,400 | 49,637 | 50,501 | 51,769 | 52,902 | 54,139 | 55,485 | 56,864 | 58,278 | 59,727 |
| Depreciation and Amortisation | 35,740 | 39,525 | 40,522 | 41,264 | 42,782 | 43,930 | 45,007 | 46,110 | 47,241 | 48,400 | 49,588 | 50,806 |
| Impairment of receivables | 70 | | | | | | | | | | | |
| Other Expenses | 19,030 | 19,361 | 24,207 | 24,555 | 26,482 | 27,031 | 27,652 | 28,331 | 29,571 | 30,579 | 31,356 | 32,352 |
| **Total Expenses from Continuing Operations** | **170,151** | **188,382** | **202,587** | **208,057** | **214,913** | **220,934** | **226,695** | **232,736** | **239,567** | **246,329** | **253,007** | **260,051** |
| **Net Operating Result - Surplus / (Deficit)** | **33,580** | **15,293** | **59,236** | **16,355** | **17,446** | **18,042** | **18,737** | **19,925** | **20,766** | **21,903** | **23,146** | **24,266** |
| **Net Operating Result before Grants and Contributions provided for Capital Purposes** | **13,652** | **2,856** | **1,025** | **1,569** | **1,918** | **1,754** | **1,669** | **2,058** | **2,079** | **2,377** | **2,760** | **2,997** |

# Balance Sheet

| | Result 2021/22 | Budgeted Year 1 2022/23 | Budgeted Year 2 2023/24 | Forecast Year 3 2024/25 | Forecast Year 4 2025/26 | Forecast Year 5 2026/27 | Forecast Year 6 2027/28 | Forecast Year 7 2028/29 | Forecast Year 8 2029/30 | Forecast Year 9 2030/31 | Forecast Year 10 2031/32 | Forecast Year 11 2032/33 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **ASSETS** | | | | | | | | | | | | |
| **Current Assets** | | | | | | | | | | | | |
| Cash and Cash Equivalents | 74,926 | 59,215 | 48,562 | 15,211 | 20,315 | 26,467 | 32,179 | 39,694 | 47,675 | 55,034 | 58,749 | 47,446 |
| Investments | 50,526 | 68,941 | 68,941 | 68,941 | 68,941 | 68,941 | 68,941 | 68,941 | 68,941 | 68,941 | 68,941 | 68,941 |
| Receivables | 11,438 | 12,307 | 14,140 | 13,383 | 14,071 | 14,461 | 14,786 | 15,258 | 15,754 | 16,264 | 16,779 | 17,266 |
| Inventories | 766 | 685 | 690 | 723 | 736 | 754 | 771 | 789 | 808 | 828 | 849 | 870 |
| Other | 3,213 | 6,026 | 6,503 | 6,737 | 6,991 | 7,156 | 7,315 | 7,489 | 7,724 | 7,941 | 8,140 | 8,362 |
| **Total Current Assets** | **140,869** | **147,174** | **138,836** | **104,995** | **111,054** | **117,778** | **123,991** | **132,170** | **140,903** | **149,008** | **153,458** | **142,884** |
| **Non-Current Assets** | | | | | | | | | | | | |
| Investments | 35,650 | 17,235 | 17,235 | 17,235 | 17,235 | 17,235 | 17,235 | 17,235 | 17,235 | 17,235 | 17,235 | 17,235 |
| Receivables | - | 91 | 96 | 97 | 100 | 103 | 105 | 108 | 111 | 114 | 117 | 120 |
| Infrastructure, Property, Plant and Equipment | 2,366,554 | 2,388,244 | 2,458,709 | 2,506,994 | 2,518,120 | 2,528,804 | 2,540,753 | 2,551,974 | 2,564,474 | 2,579,285 | 2,599,415 | 2,635,871 |
| Investment Property | 18,971 | 18,971 | 18,971 | 18,971 | 18,971 | 18,971 | 18,971 | 18,971 | 18,971 | 18,971 | 18,971 | 18,971 |
| Intangible Assets | 676 | 676 | 676 | 676 | 676 | 676 | 676 | 676 | 676 | 676 | 676 | 676 |
| Right of use assets | 860 | 471 | 519 | 799 | 579 | 859 | 1,139 | 1,419 | 1,699 | 1,979 | 1,259 | 539 |
| **Total Non-Current Assets** | **2,422,711** | **2,425,688** | **2,496,207** | **2,544,773** | **2,555,681** | **2,566,647** | **2,578,879** | **2,590,383** | **2,603,166** | **2,618,260** | **2,637,673** | **2,673,413** |
| **TOTAL ASSETS** | **2,563,580** | **2,572,862** | **2,635,043** | **2,649,768** | **2,666,735** | **2,684,425** | **2,702,870** | **2,722,553** | **2,744,069** | **2,767,268** | **2,791,131** | **2,816,297** |

# Balance Sheet (Continued)

| | Result 2021/22 | Budgeted Year 1 2022/23 | Budgeted Year 2 2023/24 | Forecast Year 3 2024/25 | Forecast Year 4 2025/26 | Forecast Year 5 2026/27 | Forecast Year 6 2027/28 | Forecast Year 7 2028/29 | Forecast Year 8 2029/30 | Forecast Year 9 2030/31 | Forecast Year 10 2031/32 | Forecast Year 11 2032/33 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **LIABILITIES** | | | | | | | | | | | | |
| **Current Liabilities** | | | | | | | | | | | | |
| Payables | 30,930 | 28,675 | 30,621 | 31,491 | 32,507 | 33,237 | 33,928 | 34,667 | 35,615 | 36,502 | 37,328 | 38,236 |
| Contract liabilities | 4,159 | 1,395 | 3,156 | 1,575 | 1,636 | 1,694 | 1,752 | 1,811 | 1,872 | 1,935 | 1,999 | 2,065 |
| Lease liabilities | 377 | 111 | 366 | 648 | 636 | 583 | 615 | 455 | 376 | 475 | 383 | 287 |
| Borrowings | 965 | 976 | 988 | 999 | 1,011 | 1,023 | 1,035 | 1,047 | 528 | | | |
| Employee benefit provisions | 17,626 | 17,281 | 16,972 | 16,659 | 16,341 | 16,016 | 15,685 | 15,346 | 15,621 | 15,905 | 16,197 | 16,497 |
| Other provisions | 1,043 | 3,538 | 3,538 | 3,538 | 3,538 | 3,538 | 3,538 | 3,538 | 3,538 | 3,538 | 3,538 | 3,538 |
| **Total Current Liabilities** | **55,100** | **51,975** | **55,640** | **54,910** | **55,668** | **56,092** | **56,553** | **56,864** | **57,551** | **58,354** | **59,445** | **60,623** |
| **Non-Current Liabilities** | | | | | | | | | | | | |
| Lease liabilities | 428 | 976 | 1,254 | 1,363 | 1,147 | 1,405 | 1,697 | 2,201 | 2,784 | 3,267 | 2,884 | 2,597 |
| Borrowings | 7,609 | 6,632 | 5,644 | 4,645 | 3,634 | 2,611 | 1,576 | 528 | | | | |
| Employee benefit provisions | 506 | 544 | 534 | 524 | 514 | 504 | 494 | 483 | 492 | 501 | 510 | 519 |
| Other provisions | 2,495 | - | - | - | - | - | - | - | - | - | - | - |
| **Total Non-Current Liabilities** | **11,038** | **8,152** | **7,432** | **6,532** | **5,295** | **4,519** | **3,766** | **3,212** | **3,275** | **3,768** | **3,394** | **3,117** |
| **TOTAL LIABILITIES** | **66,138** | **60,127** | **63,072** | **61,442** | **60,963** | **60,611** | **60,319** | **60,077** | **60,826** | **62,123** | **62,839** | **63,739** |
| **Net Assets** | **2,497,442** | **2,512,735** | **2,571,971** | **2,588,326** | **2,605,772** | **2,623,814** | **2,642,551** | **2,662,477** | **2,683,243** | **2,705,145** | **2,728,292** | **2,752,558** |
| **EQUITY** | | | | | | | | | | | | |
| Retained Earnings | 947,529 | 962,822 | 1,022,058 | 1,038,413 | 1,055,859 | 1,073,901 | 1,092,638 | 1,112,564 | 1,133,330 | 1,155,232 | 1,178,379 | 1,202,645 |
| Revaluation Reserves | 1,549,913 | 1,549,913 | 1,549,913 | 1,549,913 | 1,549,913 | 1,549,913 | 1,549,913 | 1,549,913 | 1,549,913 | 1,549,913 | 1,549,913 | 1,549,913 |
| Council Equity Interest | 2,497,442 | 2,512,735 | 2,571,971 | 2,588,326 | 2,605,772 | 2,623,814 | 2,642,551 | 2,662,477 | 2,683,243 | 2,705,145 | 2,728,292 | 2,752,558 |
| **Total Equity** | **2,497,442** | **2,512,735** | **2,571,971** | **2,588,326** | **2,605,772** | **2,623,814** | **2,642,551** | **2,662,477** | **2,683,243** | **2,705,145** | **2,728,292** | **2,752,558** |

# Cash Flow Statement

| | Result 2021/22 | Budgeted Year 1 2022/23 | Budgeted Year 2 2023/24 | Forecast Year 3 2024/25 | Forecast Year 4 2025/26 | Forecast Year 5 2026/27 | Forecast Year 6 2027/26 | Forecast Year 7 2028/29 | Forecast Year 8 2029/30 | Forecast Year 9 2030/31 | Forecast Year 10 2031/32 | Forecast Year 11 2032/33 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Cash Flows from Operating Activities** | | | | | | | | | | | | |
| **Receipts:** | | | | | | | | | | | | |
| Rates and Annual Charges | 120,459 | 124,118 | 128,130 | 129,857 | 133,169 | 136,725 | 140,233 | 143,919 | 147,788 | 151,764 | 155,847 | 160,040 |
| User Charges and Fees | 15,220 | 21,779 | 22,812 | 23,757 | 25,017 | 25,767 | 26,550 | 27,373 | 28,356 | 29,375 | 30,431 | 31,526 |
| Investment and Interest Revenue Received | 1,247 | 1,802 | 5,114 | 5,263 | 5,208 | 5,300 | 5,511 | 5,737 | 5,994 | 6,267 | 6,350 | 6,480 |
| Grants and Contributions | 47,929 | 30,445 | 80,640 | 36,129 | 39,200 | 40,609 | 41,994 | 43,417 | 44,874 | 46,369 | 47,900 | 49,470 |
| Bonds and Deposits Received | - | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 |
| Other | 34,712 | 21,363 | 24,607 | 28,140 | 28,693 | 29,798 | 30,430 | 31,358 | 32,438 | 33,562 | 34,726 | 35,930 |
| **Payments:** | | | | | | | | | | | | |
| Employee Benefits and On-Costs | (76,475) | (82,695) | (90,405) | (92,779) | (95,334) | (98,360) | (101,323) | (104,345) | (106,819) | (110,010) | (113,297) | (116,683) |
| Materials & Contracts | (37,332) | (52,399) | (46,497) | (49,212) | (50,021) | (51,460) | (52,602) | (53,813) | (55,046) | (56,459) | (57,906) | (59,311) |
| Borrowing Costs | (127) | (277) | (222) | (100) | (86) | (81) | (83) | (87) | (94) | (108) | (109) | (91) |
| Bonds & Deposits Refunded | (245) | (400) | (400) | (400) | (400) | (400) | (400) | (400) | (400) | (400) | (400) | (400) |
| Other | (23,159) | (18,863) | (23,879) | (24,504) | (26,351) | (26,971) | (27,590) | (28,264) | (29,471) | (30,491) | (31,280) | (32,263) |
| **Net Cash provided (or used in) Operating Activities** | **82,229** | **45,373** | **100,401** | **56,650** | **59,595** | **61,427** | **63,221** | **65,393** | **68,121** | **70,370** | **72,763** | **75,198** |
| **Cash Flows from Investing Activities** | | | | | | | | | | | | |
| Receipts: | | | | | | | | | | | | |
| Sale of Infrastructure, Property, Plant and Equipment | 675 | 205 | 205 | 205 | 205 | 205 | 205 | 205 | 205 | 205 | 205 | 205 |
| Payments: | | | | | | | | | | | | |
| Purchase of Investment Securities | (4,300) | - | - | - | - | - | - | - | - | - | - | - |
| Purchase of Investment Property | (7) | - | - | - | - | - | - | - | - | - | - | - |
| Purchase of Infrastructure, Property, Plant and Equipment | (57,210) | (60,269) | (110,047) | (88,609) | (52,968) | (53,674) | (56,016) | (56,391) | (58,801) | (62,271) | (68,778) | (86,322) |
| Purchase of Intangible Assets | (685) | - | - | - | - | - | - | - | - | - | - | - |
| **Net Cash provided (or used in) Investing Activities** | **(61,527)** | **(60,064)** | **(109,842)** | **(88,404)** | **(52,763)** | **(53,469)** | **(55,811)** | **(56,186)** | **(58,596)** | **(62,066)** | **(68,573)** | **(86,117)** |

# Cash Flow Statement (Continued)

| | Result 2021/22 | Budgeted Year 1 2022/23 | Budgeted Year 2 2023/24 | Forecast Year 3 2024/25 | Forecast Year 4 2025/26 | Forecast Year 5 2026/27 | Forecast Year 6 2027/26 | Forecast Year 7 2028/29 | Forecast Year 8 2029/30 | Forecast Year 9 2030/31 | Forecast Year 10 2031/32 | Forecast Year 11 2032/33 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Cash Flows from Financing Activities** | | | | | | | | | | | | |
| **Receipts:** | | | | | | | | | | | | |
| Proceeds from Borrowings and Advances | - | - | - | - | - | - | - | - | - | - | - | - |
| **Payments:** | | | | | | | | | | | | |
| Repayment of Borrowings and Advances | (953) | (965) | (976) | (988) | (999) | (1,011) | (1,023) | (1,035) | (1,047) | (528) | - | - |
| Repayment of lease liabilities (principal repayments) | (658) | (54) | (235) | (609) | (728) | (795) | (675) | (656) | (496) | (417) | (475) | (383) |
| **Net Cash Flow provided (used in) Financing Activities** | **(1,611)** | **(1,020)** | **(1,211)** | **(1,597)** | **(1,728)** | **(1,806)** | **(1,698)** | **(1,691)** | **(1,543)** | **(946)** | **(475)** | **(383)** |
| **Net Change increase / (decrease) in cash and cash equivalents** | **19,091** | **(15,711)** | **(10,653)** | **(33,351)** | **5,104** | **6,151** | **5,712** | **7,515** | **7,981** | **7,358** | **3,715** | **(11,303)** |
| **Cash and cash Equivalents at beginning of year** | **55,835** | **74,926** | **59,215** | **48,562** | **15,211** | **20,315** | **26,467** | **32,179** | **39,694** | **47,675** | **55,034** | **58,749** |
| **Cash & Cash Equivalents - end of the year** | **74,926** | **59,215** | **48,562** | **15,211** | **20,315** | **26,467** | **32,179** | **39,694** | **47,675** | **55,034** | **58,749** | **47,446** |
| **Investments - end of the year** | **86,176** | **86,176** | **86,176** | **86,176** | **86,176** | **86,176** | **86,176** | **86,176** | **86,176** | **86,176** | **86,176** | **86,176** |
| **Cash, Cash Equivalents and Investments - end of the year** | **161,102** | **145,391** | **134,738** | **101,387** | **106,491** | **112,643** | **118,355** | **125,870** | **133,851** | **141,210** | **144,925** | **133,622** |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Representing:** | | | | | | | | | | | | |
| - External Restrictions | 110,388 | 108,774 | 91,801 | 83,778 | 81,502 | 79,172 | 80,141 | 81,138 | 78,636 | 83,119 | 87,717 | 85,031 |
| - Internal Restrictions | 22,515 | 24,462 | 24,736 | 9,517 | 15,305 | 15,600 | 15,902 | 29,212 | 34,530 | 34,855 | 35,189 | 35,531 |
| - Unrestricted | 28,199 | 12,155 | 18,201 | 8,092 | 9,684 | 17,871 | 22,311 | 15,520 | 20,686 | 23,235 | 22,019 | 13,060 |

# Capital Budget Statement

| | Budgeted 2022/23 Year 1 $'000 | Budgeted 2023/24 Year 2 $'000 | Forecast 2024/25 Year 3 $'000 | Forecast 2025/26 Year 4 $'000 | Forecast 2026/27 Year 5 $'000 | Forecast 2027/28 Year 6 $'000 | Forecast 2028/29 Year 7 $'000 | Forecast 2029/30 Year 8 $'000 | Forecast 2030/31 Year 9 $'000 | Forecast 2031/32 Year 10 $'000 | Forecast 2032/33 Year 11 $'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **CAPITAL FUNDING** | | | | | | | | | | | |
| **Working Capital** | | | | | | | | | | | |
| General Revenue | 47,833 | 51,836 | 73,823 | 37,440 | 37,385 | 38,948 | 38,524 | 40,115 | 42,745 | 48,391 | 65,054 |
| **Capital Grants and Contributions** | | | | | | | | | | | |
| Grants and contributions | 6,937 | 52,711 | 9,149 | 9,750 | 10,366 | 10,997 | 11,645 | 12,308 | 12,989 | 13,686 | 14,400 |
| **Externally restricted reserve** | | | | | | | | | | | |
| Development Contribution | 5,500 | 5,500 | 5,638 | 5,778 | 5,923 | 6,071 | 6,223 | 6,378 | 6,538 | 6,701 | 6,869 |
| **Total Capital Funding** | **60,269** | **110,047** | **88,609** | **52,968** | **53,674** | **56,016** | **56,391** | **58,801** | **62,271** | **68,778** | **86,322** |
| **CAPITAL EXPENDITURE** | | | | | | | | | | | |
| **Capital Expenses by asset class - All** | | | | | | | | | | | |
| Plant & Equipment | 4,021 | 4,547 | 3,079 | 3,302 | 1,552 | 1,552 | 1,630 | 1,689 | 1,889 | 1,889 | 2,889 |
| Office Equipment | 315 | 790 | 695 | 315 | 326 | 326 | 326 | 326 | 326 | 626 | 626 |
| Buildings | 10,279 | 60,941 | 31,577 | 20,835 | 18,920 | 19,920 | 19,920 | 20,420 | 21,420 | 28,613 | 36,973 |
| Other Structures | 100 | 114 | 145 | 100 | 60 | 62 | 62 | 62 | 62 | 62 | 262 |
| Roads | 18,038 | 17,428 | 20,327 | 15,655 | 12,055 | 12,255 | 12,455 | 13,455 | 13,555 | 13,555 | 15,555 |
| Bridges | 706 | 335 | 592 | 460 | 335 | 335 | 335 | 335 | 335 | 335 | 335 |
| Footpath | 4,910 | 4,286 | 4,683 | 4,316 | 4,117 | 4,317 | 3,861 | 4,061 | 4,261 | 4,261 | 5,261 |
| Stormwater Drainage | 4,538 | 6,083 | 8,617 | 3,720 | 6,251 | 6,451 | 6,551 | 6,551 | 6,851 | 6,164 | 8,164 |
| Other Open Space/Recreational Assets | 14,034 | 4,800 | 7,900 | 1,250 | 7,426 | 7,851 | 7,851 | 8,051 | 9,043 | 9,043 | 9,593 |
| Other Assets | 200 | 8,045 | 8,188 | 1,515 | 454 | 569 | 569 | 619 | 897 | 897 | 1,832 |
| Kerb and Gutter | 3,126 | 2,678 | 2,806 | 1,500 | 2,178 | 2,378 | 2,832 | 3,232 | 3,632 | 3,332 | 4,832 |
| **Total Capital Expenses - All** | **60,269** | **110,047** | **88,609** | **52,968** | **53,674** | **56,016** | **56,391** | **58,801** | **62,271** | **68,778** | **86,322** |

# Special Rate Variation (SRV)

Council generated 49% of its income (excluding capital grants) from land rates for the year ended 30 June 2022, 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 45% of Council's costs.

- Federal Assistance Grants will likely 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% from 1 July 2023. 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 was 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.

- 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 $667.8 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**<br>Deliver the Endeavour Park Sports Hub. Stage 1 includes upgrade of synthetic oval, amenity building and substation. | WestInvest Grant | $5,625,000 | *June 2024* | Manager City Assets | 2023-2024 Financial Year | Yes |
| IN628-2 | 2.b.1 | **Endeavour Sports Hub - Stage 2**<br>Sportsfield lights and amenities improvements.<br>Note: Council will apply for grant funding | Grant and General Funds | $1,500,000 | *June 2024* | Manager City Assets | 2023-2024 Financial Year | Yes |
| SP913 | 2.b.1 | **Regional Indoor Multicultural and Sporting Complex - Construction**<br>Construction of a Regional Indoor Multicultural and Sporting Complex at Fairfield Showground. | WestInvest Grant, Development Contributions, General Funds and borrowing from the Internal Restricted Reserve (a). | $48,153,217 | *July 2025* | Manager Major Projects and Planning | 2021-2022 Financial Year | Yes |
| SP758 | 2.b.1 | **Brenan Park District Playground - Construction**<br>Construction of a new inclusive district playground including Outdoor fitness station, basketball half court, flying fox, swings, water play (Splash Pad), climbing structures, lighting and new car parking. | WestInvest Grant, General Funds | $6,335,549 | *July 2024* | Manager Major Projects and Planning | 2022-2023 Financial Year | Yes |
| SP760 | 2.b.1 | **Avenel Park Playground - Construction**<br>Construction of a sports/exercise playground at Avenel Park, which includes a pump track, ninja obstacle, walking and sprint tracks as well as exercise equipment. | WestInvest Grant | $4,211,417 | *July 2024* | Manager Major Projects and Planning | 2022-2023 Financial Year | Yes |
| IN914 | 2.b.1 | **Cabravale Leisure Centre Health and Wellbeing**<br>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 | 2022-2023 Financial Year | Yes |

Planning approval for the expansion of Cabravale Leisure Centre for the proposed Health and Wellbeing Centre is complete. Current capital works planning assumes that the works will be performed in the 2032/33 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.

*(a) Note: Funding currently includes a $15.5 million loan from internally restricted reserves in accordance with Council's Policy on Internal Borrowing from Reserves. Funding sources for this project will be refined as design works as finalised.*

# 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 | 2032/33 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **IN628-1 and IN628-2** | **Endeavour Sports Hub Stage 1 and 2** (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 | 20,439 |
| **Expenditure** | (181,538) | (188,281) | (281,229) | (284,070) | (293,262) | (297,500) | (303,854) | (311,310) | (318,969) | (322,542) | (326,089) |
| **Net Operating Deficit** | (166,469) | (172,874) | (265,449) | (267,908) | (276,243) | (279,954) | (285,764) | (292,659) | (299,740) | (302,717) | (305,650) |
| **SP913** | **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 | 896,553 |
| **Expenditure** | - | - | - | (1,861,978) | (1,826,023) | (1,815,926) | (1,805,145) | (1,793,648) | (1,781,396) | (1,768,351) | (1,754,474) |
| **Net Operating Deficit** | - | - | - | (1,301,956) | (1,231,951) | (1,179,675) | (1,123,720) | (1,063,842) | (999,774) | (931,234) | (857,921) |
| **SP758** | **Brenan Park District Playground** (Construction of a District Playground at Brenan Park complete July 2024) | | | | | | | | | | |
| **Income** | - | - | - | - | - | - | - | - | - | - | - |
| **Expenditure** | - | - | (200,000) | (200,000) | (200,000) | (200,000) | (200,000) | (200,000) | (200,000) | (200,000) | (200,000) |
| **Net Operating Deficit** | - | - | (200,000) | (200,000) | (200,000) | (200,000) | (200,000) | (200,000) | (200,000) | (200,000) | (200,000) |
| **IN760** | **Avenel Park – Construction** (Construction of a Playground at Avenel Park complete July 2024) | | | | | | | | | | |
| **Income** | - | - | - | - | - | - | - | - | - | - | - |
| **Expenditure** | - | - | (50,000) | (50,000) | (50,000) | (50,000) | (50,000) | (50,000) | (50,000) | (50,000) | (50,000) |
| **Net Operating Deficit** | - | - | (50,000) | (50,000) | (50,000) | (50,000) | (50,000) | (50,000) | (50,000) | (50,000) | (50,000) |

Expenditure for the above-mentioned 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 amenity. Up to $400 million was directly allocated to the 15 LGAs to advance local projects, with each local council eligible for $20 - $35 million, depending on population size. Fairfield City's allocation is $28.011 million and is a part of project IN913 - Regional Indoor Multicultural and Sporting Complex at the Fairfield Showground.

Council applied for a portion of the $1.6 billion allocated through a competitive round of grants open to non-government organisations, which included Fairfield City Council. Council secured a total of $54 million worth of funding for the Fairfield City community, which would deliver a range of projects including IN913 - Regional Indoor Multicultural and Sporting Complex, IN628-1 - Endeavour Sports Hub, IN23845 - Avenel Park - Sports / Exercise Playground, and SP23758 - Brenan Park District Playground.

# 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<br>MPLPER2405 | 1.b.1 | **Fairfield Leisure Centre – Refurbishment and Plant Upgrade**<br>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* | Director City Assets | 2022-2023 Financial Year | Yes |
| MPBAR2230<br>MPVCBU2424 | 1.b.1 | **Fairfield Leisure Centre - 25m Pool Roof, Stage 1**<br>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* | Director City Assets | 2022-2023 Financial Year | Yes |
| MPBAR2526<br>MPBAR2586 | 1.b.1 | **Fairfield Leisure Centre – 25m Pool Roof, Stage 2**<br>Construct new roof over 25m pool, including replace roof sheeting and box gutter over reception area roof. | General | $3,250,000 | *December 2025* | Director City Assets | 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.

## 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.

## What we plan to deliver in 2023-2024

The 2022/23 – 2025/26 Delivery Program is the first of our Delivery Programs to incorporate a Service Review Program as part of its core planning and reporting.

In 2022/23, Council developed a methodology and framework for undertaking service reviews.

The 2023/24 Operational Plan will deliver the following actions as part of this program:

- Contract Management Service Review
- Fairfield Showground Service Review

Council has already engaged with the community and other stakeholders to determine service level expectations and appropriate measures through the Service Levels and Indicator Survey. The Survey findings with Council's individual principle services have been included within each services throughout the 2022/23-2025/26 Delivery Program.

# 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 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|
| Benchmark is > 0. Measure that operating revenue is greater than operating expenditure | 11.96% | 8.27% | 8.98% | 3.31% | 3.30% | 7.26% |

### 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 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|
| Benchmark is > 60%. Measures rates and annual charges plus user fees and charges as a percentage of total revenue. | 77.0% | 82.6% | 80.6% | 77.2% | 80.1% | 78.0% |

## Building and Infrastructure 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 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|
| Benchmark is > 100. Measures rate at which assets being renewed relative to rate at which they are being depreciated. | 170.4 | 121.0 | 147.1 | 119.7 | 130.5 | 77.78 |

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 7 years ago. However, the combined impacts of the COVID-19 lockdown and the large number of days lost to wet weather meant that Council did not achieve the 'Buildings and Infrastructure Asset Renewal Ratio' for the 12 months ended 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 did not achieve the asset renewal target for the year ended 30 June 2022, it has achieved the target on a cumulative basis since the benchmark was introduced. 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.

# 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 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|
| Benchmark is < 2. Measures cost to bring assets to satisfactory condition as percentage total infrastructure assets. | 1.94 | 1.93 | 1.83 | 1.85 | 1.84 | 1.73 |

## 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 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|
| Benchmark is > 100%. Measures actual maintenance spend compared to required per asset management plan. | 100.8% | 122.4% | 120.3% | 109.5% | 103.5% | 79.51% |

The combined impacts of the COVID-19 lockdown, reduced maintenance requirements due to reduced utilisation during lockdown, and the large number of days lost to wet weather meant that Council did not achieve the 'Asset Maintenance Ratio' for the year ended 30 June 2022. However, Council has exceeded the benchmark on a cumulative basis over the 7 years since inception, with the 2022 financial year considered to be an anomaly caused by external factors outside Council's control.

## 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 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|
| Benchmark is > 2. Measures availability of operating cash to service debt including interest, principle and lease payments. | 146.2 | 123.8 | 175.2 | 50.9 | 29.08 | 28.30 |

# 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 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|
| Benchmark is > 1.50. Measures adequacy of working capital. | 3.09 | 2.82 | 2.04 | 1.91 | 1.92 | 2.01 |

## 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 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|
| Benchmark is < 5%. Measures outstanding rates and charges as percentage of total billed. | 3.15% | 3.37% | 3.99% | 3.93% | 3.98% | 4.48% |

# 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 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|
| Benchmark is > 3 months. Measures number months Council can continue paying expenses without additional cashflow. | 4.9 | 3.1 | 2.7* | 5.1 | 4.5 | 6.5 |

** 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 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.

## 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)

## Asset Maintenance 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.

## Capital Expenditure 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.

## Debt Service 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.

## 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.

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

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**Design and Production**
Designed and produced by Integrated Planning and Reporting
(IPR) Unit, Fairfield City Council.