



# Long Term Financial Plan 2019-2029

Draft April 2019

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## Executive Summary

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

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

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

**Scenario 2** – Addresses the infrastructure asset renewal backlog.

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

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



# 1. Financial Planning Context

## 1.0.1 Working Capital

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

Funds that are legislatively required to be kept separate include:

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

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

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

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

## 1.0.2 Loan Borrowings

Council will borrow \$40,047,146 to redevelop Ashfield Aquatic Centre. Council has applied for a loan via NSW Treasury TCorp organisation that provides funding opportunities for local government and other State agencies. These borrowings will be repaid from rate income raised via the Ashfield Special Rate Variation to Council's rate income over a 20 year period during which the loans will be repaid.

Council has principal outstanding on its loan borrowings of \$13.3 million as at 30 June 2018. Council's Debt Service Cover ratio, which measures the availability of operating cash to service debt including

interest and principal repayments, is forecast at 2.32 to 1 at the end of 2019/20. This is well above the Office of Local Government's benchmark of 2 to 1.

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

## 1.1 Structure

### 1.1.1 Overview of Structure

This LTFP is structured around two financial models or 'scenarios'. The first, known as Scenario 1, is a base scenario and captures Council's "Business as Usual" approach. Scenario 2 provides an overview of existing funding gaps around asset management renewal backlog works.

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

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

## 2. Global Variables and Assumptions

Below is a list of variables and assumptions that are the drivers in predicting Council's revenue and expenditure forecasts over the 10 years for this iteration to the LTFP. These variables apply to each scenario of this LTFP unless explicitly stated in the particular scenario. Any references made to Consumer Price Index (CPI) will have an assumed rate of 2.0% per annum for expenditure and 3.0% per annum for income, unless stated otherwise.

### 2.1 Operating Revenue Drivers

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

Operating Revenue Area	Assumption
General Rates	Based on a rate cap of 2.7% per annum in 2019/20 onwards.

Operating Revenue Area	Assumption
Special Variations to the General Rate	<p>The former Marrickville Local Government Area (LGA) adopted a variation to its General Rate for aquatic facilities that commenced in 2005/06. The variation is limited to 15 years and expires at the end of the 2019/20 financial year. Funds are used to repay a loan which expires at the end of 2019/20.</p> <p>In addition to this, the former Ashfield LGA is subject to an 8.9% rates increase (including the rate peg). This Special variation is in the last year (commenced in 2015/16) and will apply into perpetuity. The funds will be allocated to infrastructure renewals and to fund the repayments of a loan relating to the upgrade of the Ashfield Aquatics Centre.</p>
Voluntary Pensioner Rebates	<p>Council offers a voluntary pensioner rebates to eligible aged pensioners.</p> <p>This rebate covers the domestic waste and stormwater charges for resident owners of ten years or greater. For pensioners who do not meet the above criteria, grandfathering provisions exists for pensioners in the former Ashfield, Leichhardt and Marrickville LGA's.</p>
Pensioner Rate Subsidy	<p>The Pensioner Rate Subsidy is set by the State Government at a maximum of \$250 per property per annum. This is a flat subsidy and does not increase annually.</p>
Domestic Waste Management Charge (DWMC) and related User Charges	<p>The DWMC is modelled over the life of the Plan to cover the cost of the provision of the service. The Local Government Act prohibits councils from either subsidising or receiving a profit from the DWMC. The methodology of applying corporate overheads to the domestic waste services has been reviewed and applied from 2018/19 onwards. The increase to the DWMC for 2019/20 is a weighted average of 3.6% across IWC. Ashfield has increased by 9.3% to \$423. Leichhardt has increased by 3.4% to \$544. Marrickville has remained flat at \$578. The DWMC has been increased by CPI from 2020/21.</p>
Stormwater Management Service Charge	<p>This is a flat charge used to fund stormwater planning and infrastructure. The charge is set by the Local Government Act and associated Regulations as follows:</p> <p>\$25.00 per residential property per annum.</p> <p>\$12.50 per strata unit per annum.</p> <p>\$25.00 per 350m<sup>2</sup> per business property per annum.</p>
Fees	<p>Council generally increases its fees for the services it provides to at least cover general movements in costs each year.</p> <p>Statutory fees have been increased in accordance with advice given by the relevant statutory body whilst discretionary fees have been increased by CPI.</p>

Operating Revenue Area	Assumption
Interest on Investment	The interest which Council receives on its investments has been modelled and is reviewed annually. The model is linked to the projected level of reserves and forecast interest rates. As cash is expected to diminish over time as Council completes its suite of major projects and pursues its property strategy, a modest and sustainable level of interest income currently supports ongoing operations. It is expected that cash rates will increase to offset increased interest rates.
Interest on Overdue Rates	Council charges interest on overdue rates to the maximum allowed by the Minister for Local Government. The 2019/20 rate has been set at 7.5% per annum and is used in the LTFP.
Other Revenues	This includes ex gratia rates payments, income from street furniture and credit card fees. It is assumed that these revenue sources will not increase and are indexed according to commercial agreements.
Rental/Lease Income	It is assumed that rental/lease income will increase at least by CPI, in line with provisions of current leases.
Fines	The dollar value of individual fines is determined by the State Government. The volume of fines is a product of the level of compliance with relevant laws and the level of enforcement activity. It is assumed that the total income received from fines will increase by CPI.
Operating Grants – General	It is assumed that total income from grants will increase by CPI dependant on the particular initiatives provided to Council by the State and Federal Government.
Financial Assistance Grants (FAG)	It is assumed that total income from grants will increase. The FAG is based on the relative growth of the Inner West's LGA in comparison to the growth of Western Sydney. This projection is in line with the methodology used by the NSW Grants Commission who determine the distribution of the FAG grant every year.
Roads and Maritime Services Block Grant	This is a State Government grant with an increase across the 10 years.
Street Lighting Subsidy	This is a State Government subsidy. It is assumed that this will increase by CPI.
Library Subsidy	This subsidy is provided under the Library Regulation and is administered and set by the State Library of NSW. It is assumed that this will increase by CPI.
Disposal of Property	The Base Scenario assumes that no income from property sales will be received during the 10 years of the LTFP. Proceeds from sales including profits are transferred to Council's unrestricted working capital.

Operating Revenue Area	Assumption
Disposal of Plant	<p>The Base Scenario assumes that plant will be sold at its written down cost during the 10 years of the LTFP.</p> <p>Proceeds from sales including profits are transferred to Council's Plant Replacement restricted working capital.</p>



## 2.2 Operating Revenue Sensitivity Analysis

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

- Future rate increases will be based on the Local Government Price Movements agreed to by the Independent Pricing and Regulatory Tribunal (IPART). Historically, rate increases have not kept pace with increasing costs. Recent experience has shown that IPART will not adjust future rates increases where the predicted Local Government Price Movements have proved to be well under actual price movements. If this trend continues, this will cause significant financial difficulties for the Inner West and other councils.
- Rate increases provide only for a continuation of existing service levels. The changing demographics of the Inner West community suggests that there may be demand for new or increased levels of services. These will not be able to be funded by ordinary IPART rate increases which are based on historic movements in costs only.
- The Pensioner Rate Subsidy is set at a maximum of \$250 per property and has not increased since 1993. This creates a greater burden on pensioners.
- The level of individual fines for traffic/parking offences is determined by the State Government.
- The Stormwater Management Charge is fixed and has not risen since its introduction in 2006/07.
- Interest rates have been highly volatile over the past 10 years but have stabilised at record low rates during the past 5 years. It is forecast that interest rates will remain at record lows and increase after 2 years on the basis of a full economic recovery.
- Council's rental income relating particularly to land in Tempe which is situated in a current Road Reserve. There is a risk that this site may eventually be acquired by the State Government for the WestConnex and M6 motorway, currently the reservation remains in place.
- Hoarding fees and other Development Assessment income is dependent on the level of active development within the Inner West LGA. These will continue to grow based on the release of Council's revised LEP that allows greater building density within the LGA area.
- Ashfield Aquatic Centre redevelopment has been incorporated into this budget and the LTFP. It is forecast to re-open in late 2020.

## 2.3 Capital Revenue Drivers

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

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

## 2.4 Capital Revenue Sensitivity Analysis

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

- The Federal budget has a focus on infrastructure renewal initiatives that may impact Council. These initiatives have yet to be legislated and hence have not been incorporated into this iteration of the LTFP.
- The Roads to Recovery grants were introduced relatively recently. The grant has a 4 year life cycle and the Federal Government has announced that it will remain intact and has included it in the 2019/20 budget with no view of reducing the funding pool (nationally) at this point in time. This situation could alter.
- Council does receive capital grants other than for Roads to Recovery. However, these grants are tied to specific projects and are non-recurrent. As the receipt of other capital grants is difficult to predict, they are not included in the model.

## 2.5 Operating Expenditure Drivers

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

Operational Expenditure Area	Assumptions
Salaries and Wages	The current award was negotiated in 2017 with the following agreed annual increases: 2.8% for 2016/17, 2.35% for 2017/18 and 2.5% for 2018/19 onwards.
Superannuation	<p>It is assumed that superannuation costs will remain at 9.5% of salaries for staff entitled to Superannuation Guarantee Contributions. The proposed increase to 10% scheduled in 2020/21 and increasing progressively to 12.0% in 2025/26 has again been deferred by the federal government. As this deferral continues, increased costs have not been factored into this iteration of the LTFP.</p> <p>It is assumed that superannuation costs for members of the Defined Benefits Schemes will be paid in accordance with the current advice from the Trustees of the Scheme. Council has developed a model to predict its ongoing contributions toward the Defined Benefits Schemes.</p>
Workers Compensation	Council's Workers Compensation premium has been set at \$2.0 million for 2018/19 and it is assumed that this will increase to \$2.03 million in 2019/20 and then increase annually in accordance with salaries and wages.
Training	It is assumed that expenditure on training will increase by CPI.
Maternity Leave	It is assumed that expenditure on maternity leave will be \$318,272 in 2019/20 and will increase by Award increases.
Long Service Leave	Expenditure on Long Service Leave has been modelled and will increase by Award increases. The model is reviewed annually.
Materials and Contracts	Components of materials and contracts expenditure are reviewed individually and are generally increased by CPI.

Operational Expenditure Area	Assumptions
Disposal Costs	The cost of waste disposal has been modelled and is reviewed annually.
Oil and Fuel	It is assumed that oil and fuel costs will increase by CPI per annum over 10 years.
Street Lighting	It is assumed that street lighting costs will increase by CPI. The project to change-over to LED lights has been included in the 2019/20 budget to reduce the cost of street lighting from 2020/21 onwards.
Electricity	It is assumed that electricity costs will increase by an average 4.0% per annum over 10 years.
Gas	It is assumed that gas costs will increase by an average 4.0% per annum over 10 years.
Water	It is assumed that water costs will increase by an average 4.0% per annum over 10 years.
Telephone and Mobile Phone	Due to an increased reliance on mobile technology it is assumed that fixed and mobile phone and data costs will increase by 4.0% per annum over 10 years.
Depreciation	Depreciation has been modelled in accordance with Council's Asset Management Plans – refer page 6 of the Asset Management Policy and Strategy.
Other Expenses	This includes Councillor fees, agency expenses, advertising, printing, memberships and donations. It is assumed that these expenses will increase by CPI.
State Government Levies	The State Government charges levies to councils contribute to a range of services. It is assumed that the levies will increase by CPI.
Insurance	It is assumed that insurance costs will increase by CPI over 10 years.

## 2.6 Operating Expenditure Sensitivity Analysis

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

- The current industrial award was negotiated in 2017 with the following agreed annual increases, 2.8% for 2016/17, 2.35% for 2017/18 and 2.5% 2018/19 onwards.
- The Federal government proposed that Superannuation Guarantee Charge (SGC) will rise to 9.5% and indexation frozen until 2022/23 with the next increase proposed to increase to 10%. The SGC could reach a maximum of 12% in 2025/26. This proposal has not been legislated and not factored into this iteration of Council's LTFP.
- Workers Compensation claims continues to decline. There is the risk that if claims are not managed prudently, that the premium may increase again over above the premium calculation of total salaries and wages.

- Landfill disposal charges and other levies charged by the State Government on the disposal of waste continue to increase by the CPI.
- There is a possibility the cost of street lighting may be reduced in the future through the prudent investment in new technology. A project to replace the current street lighting to LED street lighting has been included in the 2019/20 budget to mitigate the risk that street lighting costs continue to escalate, as they have in recent years. Council has little control over these costs.
- Natural disasters and other unforeseeable events may impact to increase insurance premium levels.
- Ashfield Aquatic Centre redevelopment has been incorporated in this budget and the LTFP. It is forecast to re-open in late 2020. Staff (excluding casuals) have been maintained in the budget. These staff have been reassigned to one of the other aquatic centres within the Inner West Council while the redevelopment takes place.

## 2.7 Capital Expenditure Drivers

Capital Expenditure Area	Assumptions
Information and Communication Technology - Hardware/Software Program	<p>Council currently leases the majority of its Information Technology Hardware over a 3 year lease term. Software costs associated with hardware upgrades are forecast and included in the relevant year within the Operating Budget.</p> <p>New infrastructure investments are assessed as part of the evaluation process driven by the ICT Steering Committee. The LTFP provides for the full cost of replacement of existing hardware and software. The budget includes the hardware and software replacement program. This program replaces assets at the end of their useful life and also takes into account the consolidation of three existing data centres into one and the consolidation of maintenance agreements and software licences.</p> <p>Maintenance costs are considered as part of the evaluation process and included in the budget where required for both software and hardware.</p> <p>An action plan has been developed and can be found in the ICT Strategy.</p>
Local Roads and Lanes Program	<p>Council's investment in its Local Roads network has been set at \$5,418,000 in 2019/20 funded by Financial Assistance Grants, SRV, Roads to Recovery and general funds. Funding levels are kept at levels to ensure Council exceeds its Renewal Ratio every year for its infrastructure portfolio throughout the LTFP.</p>
Regional Roads Program	<p>Council owns the Regional Road network. NSW RMS subsidises upkeep through grants. Council matches funding under the Regional Roads program using unrestricted working capital or other available funding sources. A total of \$400,000 is anticipated to be spent on Regional Road capital works throughout the 2019/20 financial year. Funding levels are kept at levels to ensure Council exceeds its Renewal Ratio every year for its infrastructure portfolio throughout the LTFP.</p>
Footpath Program	<p>Council's investment in its Footpath Renewal &amp; Upgrade Program has been set at \$2,746,000 in 2019/20 funded by SRV and unrestricted working capital. Funding levels are kept at levels to ensure Council exceeds its Renewal Ratio every year for its infrastructure portfolio throughout the LTFP.</p>

Capital Expenditure Area	Assumptions
Bike Facilities Program	Unrestricted working capital and developer contributions are allocated to improve bike facilities to match capital grant funding from the NSW or Federal government or to fund direct works.
Traffic Amenities Program	The traffic amenities program is funded from Developer Contributions, SRV, government grant funds or other working capital to improve traffic amenities. The traffic amenities program included in the budget is \$2,030,000. This program may continue to reduce as the developer contributions reduces nexus on traffic amenities from where the majority of these works are funded.
Drainage Program	Council has a program of catchment studies across the various sub-catchments within its boundaries. These are funded from the Stormwater Charge.  Drainage capital works are funded from SRV funds and unrestricted working capital. Additional capital works are funded from the Stormwater Charge in accordance with the Stormwater Plan.
Street Lighting Upgrades	After the corporatisation of the electricity network the LGAs are responsible for the maintenance and the cost of electricity. Inner West Council has included a project converting street lights to LED thereby reducing the cost of maintenance and electricity used.
Street Litter Bins Replacement Program	\$50,000 is allocated per annum from working capital to replace street litter bins. Bin maintenance and waste removal is funded within the Operating Budget.
Parks Improvement Program	Park improvements are primarily funded from Developer Contributions, SRV and Federal or State grants. Council's Parks Improvement Program from \$18,791,993 in 2018/19 to approximately \$20,416,015 in 2019/20.

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

Project	Funding available in 2019/20
Ashfield Aquatic Centre Redevelopment	\$32.8m
Urban Amenity Improvement Program	\$6.7m
Dawn Fraser Pool Upgrade	\$3.2m
Haberfield Library Upgrade	\$2.4m
Marrickville Town Hall Upgrade	\$2.3m
Ashfield Town Centre Upgrade	\$1.0m



Alex Trevillion Plaza	\$0.8m
Mervyn Fletcher Community Centre Renewal	\$0.6m

## 2.8 Capital Expenditure Sensitivity Analysis

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

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

## 2.9 Non Financial Assumptions

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

### **3. Scenario 1: Business as usual**

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

Scenario 1 is predicated on:

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

This scenario also incorporates the following 'major projects':

- Redevelopment of Ashfield Aquatic Centre.
- Urban Amenity Improvement Program.
- Upgrade work at the Dawn Fraser Pool.
- Refurbishment of the Haberfield Library.
- Refurbishment of the Marrickville Town Hall.
- Refurbishment of the Ashfield Town Centre.
- Refurbishment of Alex Trevillion Plaza.
- Refurbishment of Mervyn Fletcher Community Centre.

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

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

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

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

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

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

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

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

	2018/19 (\$'000)	2019/20 (\$'000)	2020/21 (\$'000)	2021/22 (\$'000)	2022/23 (\$'000)	2023/24 (\$'000)	2024/25 (\$'000)	2025/26 (\$'000)	2026/27 (\$'000)	2027/28 (\$'000)	2028/29 (\$'000)
<b>Income from Continuing Operations</b>											
Rates and Annual Charges	158,319	162,638	164,875	169,292	173,619	178,067	182,631	187,317	192,120	197,513	202,124
User Fees and Charges	42,962	44,648	49,351	51,996	54,056	55,510	57,007	58,548	60,134	61,766	63,446
Interest Income	5,167	5,277	5,389	5,503	5,620	5,739	5,861	5,986	6,113	6,243	6,376
Other Income	25,730	26,291	25,859	26,204	26,807	27,425	28,057	28,705	29,368	30,048	30,744
Operating Grants	8,891	10,620	10,568	10,719	10,875	11,034	11,198	11,366	11,539	11,716	11,898
Capital Grants and Contributions	18,830	36,819	38,131	19,177	14,741	15,255	14,714	13,539	13,740	13,945	14,154
Net Gain/(Loss) - Disposal of Assets	182	(70)	(425)	(78)	(451)	(190)	43	833	(520)	438	(876)
<b>Total Income from Continuing Operations</b>	<b>260,081</b>	<b>286,223</b>	<b>293,748</b>	<b>282,814</b>	<b>285,267</b>	<b>292,840</b>	<b>299,511</b>	<b>306,294</b>	<b>312,494</b>	<b>321,669</b>	<b>327,865</b>
<b>Expenditure from Continuing Operations</b>											
Employee Benefits and Oncosts	124,376	134,750	140,857	144,663	146,409	150,098	154,511	159,057	163,738	168,558	173,523
Interest Expense	1,443	1,969	1,737	1,582	1,456	1,353	1,261	1,190	1,122	1,051	978
Materials and Contracts	61,575	64,173	64,787	64,618	69,084	71,419	69,660	70,843	71,486	72,754	75,493
Depreciation	31,647	33,080	34,378	35,116	35,707	36,356	37,011	37,657	38,276	38,931	39,452
Other Expenses	34,983	34,200	35,468	35,701	36,652	37,467	38,388	39,285	40,275	41,163	41,838
<b>Total Expenses from Continuing Operations</b>	<b>254,024</b>	<b>268,172</b>	<b>277,227</b>	<b>281,681</b>	<b>289,308</b>	<b>296,692</b>	<b>300,831</b>	<b>308,032</b>	<b>314,897</b>	<b>322,458</b>	<b>331,283</b>
<b>Net Operating Result from Continuing Operations</b>	<b>6,057</b>	<b>18,052</b>	<b>16,521</b>	<b>1,133</b>	<b>(4,041)</b>	<b>(3,852)</b>	<b>(1,321)</b>	<b>(1,738)</b>	<b>(2,403)</b>	<b>(789)</b>	<b>(3,417)</b>
<b>Net Operating Result before Capital Items</b>	<b>(12,954)</b>	<b>(18,697)</b>	<b>(21,185)</b>	<b>(17,966)</b>	<b>(18,332)</b>	<b>(18,916)</b>	<b>(16,077)</b>	<b>(16,110)</b>	<b>(15,623)</b>	<b>(15,173)</b>	<b>(16,696)</b>

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

	2019/20 (\$'000)	2020/21 (\$'000)	2021/22 (\$'000)	2022/23 (\$'000)	2023/24 (\$'000)	2024/25 (\$'000)	2025/26 (\$'000)	2026/27 (\$'000)	2027/28 (\$'000)	2028/29 (\$'000)
<b>ASSETS</b>										
<b>Current assets</b>										
Cash and cash equivalents	24,580	2,650	2,563	3,300	2,950	2,375	2,750	2,500	2,500	2,500
Investments	133,913	121,381	101,041	84,017	66,319	50,883	34,096	23,579	10,337	5,182
Receivables	16,799	16,967	17,137	17,308	17,481	17,656	17,832	18,011	18,191	18,373
Inventories	180	181	182	182	183	184	185	186	187	188
Other	-	-	-	-	-	-	-	-	-	-
Non-current assets classified as 'held for sale'	-	-	-	-	-	-	-	-	-	-
<b>Total current assets</b>	<b>175,471</b>	<b>141,179</b>	<b>120,921</b>	<b>104,808</b>	<b>86,933</b>	<b>71,098</b>	<b>54,864</b>	<b>44,276</b>	<b>31,215</b>	<b>26,243</b>
<b>Non-current assets</b>										
Investments	31,790	31,790	31,790	31,790	31,790	31,790	31,790	31,790	31,790	31,790
Receivables	19,092	17,692	21,629	20,126	19,276	17,818	17,064	16,736	16,458	21,228
Inventories	-	-	-	-	-	-	-	-	-	-
Infrastructure, property, plant and equipment	2,277,016	2,330,433	2,352,606	2,365,900	2,381,276	2,397,601	2,414,034	2,424,088	2,438,161	2,441,444
Investments accounted for using the equity method	-	-	-	-	-	-	-	-	-	-
Investment property	10,785	5,991	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-
Non-current assets classified as 'held for sale'	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
<b>Total non-current assets</b>	<b>2,338,682</b>	<b>2,385,907</b>	<b>2,406,025</b>	<b>2,417,816</b>	<b>2,432,342</b>	<b>2,447,210</b>	<b>2,462,887</b>	<b>2,472,615</b>	<b>2,486,409</b>	<b>2,494,463</b>
<b>TOTAL ASSETS</b>	<b>2,514,154</b>	<b>2,527,086</b>	<b>2,526,947</b>	<b>2,522,624</b>	<b>2,519,275</b>	<b>2,518,307</b>	<b>2,517,751</b>	<b>2,516,891</b>	<b>2,517,624</b>	<b>2,520,706</b>
<b>LIABILITIES</b>										
<b>Current liabilities</b>										
Payables	30,814	31,122	31,434	31,748	32,065	32,386	32,710	33,037	33,367	38,701
Income received in advance	-	-	-	-	-	-	-	-	-	-
Borrowings	5,066	3,581	2,888	2,451	2,320	1,866	1,741	1,809	1,880	1,954
Provisions	29,310	30,043	30,794	31,564	32,353	33,162	33,991	34,841	35,712	36,605
Liabilities associated with assets classified as 'held for sale'	-	-	-	-	-	-	-	-	-	-
<b>Total current liabilities</b>	<b>65,190</b>	<b>64,747</b>	<b>65,116</b>	<b>65,763</b>	<b>66,739</b>	<b>67,413</b>	<b>68,442</b>	<b>69,687</b>	<b>70,959</b>	<b>77,260</b>
<b>Non-current liabilities</b>										
Payables	-	-	-	-	-	-	-	-	-	-
Income received in advance	-	-	-	-	-	-	-	-	-	-
Borrowings	39,485	34,419	30,838	27,949	25,498	23,178	21,312	19,571	17,761	15,881
Provisions	2,184	2,206	2,228	2,250	2,273	2,295	2,318	2,342	2,365	2,389
Investments accounted for using the equity method	-	-	-	-	-	-	-	-	-	-
Liabilities associated with assets classified as 'held for sale'	-	-	-	-	-	-	-	-	-	-
<b>Total non-current liabilities</b>	<b>41,669</b>	<b>36,625</b>	<b>33,066</b>	<b>30,200</b>	<b>27,771</b>	<b>25,473</b>	<b>23,631</b>	<b>21,912</b>	<b>20,126</b>	<b>18,270</b>
<b>TOTAL LIABILITIES</b>	<b>106,859</b>	<b>101,372</b>	<b>98,181</b>	<b>95,963</b>	<b>94,510</b>	<b>92,887</b>	<b>92,073</b>	<b>91,600</b>	<b>91,086</b>	<b>95,529</b>
<b>Net Assets</b>	<b>2,407,295</b>	<b>2,425,714</b>	<b>2,428,766</b>	<b>2,426,661</b>	<b>2,424,766</b>	<b>2,425,421</b>	<b>2,425,679</b>	<b>2,425,291</b>	<b>2,426,538</b>	<b>2,425,176</b>
<b>EQUITY</b>										
Retained earnings	2,217,420	2,233,941	2,235,075	2,231,033	2,227,182	2,225,861	2,224,123	2,221,720	2,220,931	2,217,514
Revaluation reserves	189,874	191,773	193,691	195,628	197,584	199,560	201,555	203,571	205,607	207,663
<b>Council equity interest</b>	<b>2,407,295</b>	<b>2,425,714</b>	<b>2,428,766</b>	<b>2,426,661</b>	<b>2,424,766</b>	<b>2,425,421</b>	<b>2,425,679</b>	<b>2,425,291</b>	<b>2,426,538</b>	<b>2,425,176</b>
<b>Total Equity</b>	<b>2,407,295</b>	<b>2,425,714</b>	<b>2,428,766</b>	<b>2,426,661</b>	<b>2,424,766</b>	<b>2,425,421</b>	<b>2,425,679</b>	<b>2,425,291</b>	<b>2,426,538</b>	<b>2,425,176</b>

**Scenario 1 - Inner West Council - Statement of Cash Flows**

<b>Forecast Statement of Cash Flow</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>
	<b>(\$'000)</b>	<b>(\$'000)</b>	<b>(\$'000)</b>	<b>(\$'000)</b>	<b>(\$'000)</b>	<b>(\$'000)</b>	<b>(\$'000)</b>	<b>(\$'000)</b>	<b>(\$'000)</b>	<b>(\$'000)</b>
<b>Cash flow from Operating Activities</b>										
<b>Receipts</b>										
Rates & Annual Charges	162,638	164,875	169,292	173,619	178,067	182,631	187,317	192,120	197,513	202,124
User Charges & Fees	44,648	49,351	51,996	54,056	55,510	57,007	58,548	60,134	61,766	63,446
Investment & Interest Income	5,277	5,389	5,503	5,620	5,739	5,861	5,986	6,113	6,243	6,376
Operating Grants	10,620	10,568	10,719	10,875	11,034	11,198	11,366	11,539	11,716	11,898
Capital Grants and Contributions	36,819	38,131	19,177	14,741	15,255	14,714	13,539	13,740	13,945	14,154
Other	26,291	25,859	26,204	26,807	27,425	28,057	28,705	29,368	30,048	30,744
<b>Payments</b>										
Employee Benefits & On-Costs	(134,750)	(140,857)	(144,663)	(146,409)	(150,098)	(154,511)	(159,057)	(163,738)	(168,558)	(173,523)
Materials & Contracts	(64,173)	(64,787)	(64,618)	(69,084)	(71,419)	(69,660)	(70,843)	(71,486)	(72,754)	(75,493)
Borrowing Costs	(1,969)	(1,737)	(1,582)	(1,456)	(1,353)	(1,261)	(1,190)	(1,122)	(1,051)	(978)
Other Expenses	(34,200)	(35,468)	(35,701)	(36,652)	(37,467)	(38,388)	(39,285)	(40,275)	(41,163)	(41,838)
<b>Net Cash provided (or used in) Operating Activities</b>	<b>51,201</b>	<b>51,324</b>	<b>36,327</b>	<b>32,117</b>	<b>32,694</b>	<b>35,647</b>	<b>35,086</b>	<b>36,393</b>	<b>37,704</b>	<b>36,910</b>
<b>Cash flow from Investing Activities</b>										
<b>Receipts</b>										
Sale of Investment Securities	271,859	274,577	277,323	280,096	282,897	285,726	288,583	291,469	294,384	297,328
Sale of Infrastructure, Property Plant & Equipment	(70)	(425)	(78)	(451)	(190)	43	833	(520)	438	(876)
<b>Payments</b>										
Purchase of Investment Securities	(223,320)	(260,590)	(277,568)	(277,845)	(277,896)	(282,256)	(284,692)	(293,447)	(297,125)	(303,508)
Purchase of Infrastructure, Property, Plant & Equipment	(111,049)	(87,795)	(57,290)	(49,001)	(51,732)	(53,336)	(54,089)	(48,331)	(53,004)	(42,735)
<b>Net Cash provided (or used in) Investing Activities</b>	<b>(62,579)</b>	<b>(74,233)</b>	<b>(57,612)</b>	<b>(47,201)</b>	<b>(46,921)</b>	<b>(49,823)</b>	<b>(49,365)</b>	<b>(50,829)</b>	<b>(55,306)</b>	<b>(49,791)</b>
<b>Cash flow from Financing Activities</b>										
<b>Receipts</b>										
Proceeds from Borrowing & Advances										
<b>Payments</b>										
Payments of Borrowing & Advances	(5,066)	(3,581)	(2,888)	(2,451)	(2,320)	(1,866)	(1,741)	(1,809)	(1,880)	(1,954)
<b>Net Cash Flow provided (or used in) Financing Activities</b>	<b>(5,066)</b>	<b>(3,581)</b>	<b>(2,888)</b>	<b>(2,451)</b>	<b>(2,320)</b>	<b>(1,866)</b>	<b>(1,741)</b>	<b>(1,809)</b>	<b>(1,880)</b>	<b>(1,954)</b>
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>	<b>(16,444)</b>	<b>(26,490)</b>	<b>(24,173)</b>	<b>(17,535)</b>	<b>(16,547)</b>	<b>(16,041)</b>	<b>(16,020)</b>	<b>(16,245)</b>	<b>(19,483)</b>	<b>(14,835)</b>
Plus Cash & Cash Equivalents - beginning of year	41,023	24,580	(1,911)	(26,084)	(43,619)	(60,166)	(76,207)	(92,227)	(108,472)	(127,955)
<b>Cash &amp; Cash Equivalents - end of year</b>	<b>24,580</b>	<b>(1,911)</b>	<b>(26,084)</b>	<b>(43,619)</b>	<b>(60,166)</b>	<b>(76,207)</b>	<b>(92,227)</b>	<b>(108,472)</b>	<b>(127,955)</b>	<b>(142,790)</b>
Plus Investments on hand - end of year	165,703	153,172	132,831	115,807	98,109	82,673	65,886	55,369	42,127	36,972
<b>Total Cash &amp; Cash Equivalents &amp; Investments</b>	<b>190,283</b>	<b>151,261</b>	<b>106,747</b>	<b>72,188</b>	<b>37,943</b>	<b>6,466</b>	<b>(26,340)</b>	<b>(53,103)</b>	<b>(85,828)</b>	<b>(105,818)</b>



## 4. Scenario 2: Asset Management - Infrastructure renewal backlog

Scenario 2 is predicated on:

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

Council recognised the need to plan strategically and involve its community in the process of determining service levels and an appetite to fund proposed service levels. Council has been on the front foot in involving its community in developing a Strategic Plan for the Inner West LGA. As part of that process, Council acknowledged the need to plan and prioritise major property projects to ensure the right projects were completed at the right times, that decisions taken today had proper regard for Council's future ability to deliver other projects and to ensure Council could afford to undertake the projects.

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

### Projects Completed

- Leichhardt Town Hall.
- Leichhardt Park Children's Day Care Centre.
- Steel Park Children's Day Care Centre.
- Annette Kellerman Aquatic Centre upgrade.

### Projects in the Pipeline

- Redevelopment of Ashfield Aquatic Centre.
- Urban Amenity Improvement Program.
- Upgrade work at the Dawn Fraser Pool.
- Refurbishment of the Haberfield Library.
- Refurbishment of the Marrickville Town Hall.
- Refurbishment of the Ashfield Town Centre.
- Refurbishment of Alex Trevillion Plaza.
- Refurbishment of Mervyn Fletcher Community Centre.

In addition to the continuation of existing revenue sources, Scenario 2 aims to demonstrate the effects of securing additional funding to fund Council's entire infrastructure backlog to meet the needs of the community. It aims to be illustrative only, an option Council could pursue with the support of the Inner West LGA (Community). When specific plans are in place for the re-development of any of Council's current properties, Council will engage with the community to better understand the level of community support for this type of funding option if it were to be pursued.

### 4.1 Scenario 2 Assumptions

The annual budget includes provisions for operations, maintenance, renewal, new and upgrade expenditure on infrastructure. When renewal funding is inadequate, any unfunded renewal demand is deferred, which generates a backlog. The existing backlog is reduced by increasing renewal expenditure.

Council identified an infrastructure renewal backlog in its 2017/18 financial reports, estimated to be approximately \$146m across its asset portfolio. In order to address this backlog additional funds are required to be sourced.

The renewal funding planned in Scenario 2 is sufficient to reduce the backlog of deferred renewal demand and also funds the emergent renewal demand over the coming decade.

## **4.2 Scenario 2 Sensitivity Analysis**

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

- Community engagement will provide a critical input to the service levels expected by the community and identify the priorities of the above table.
- It assumes all capital renewal works will be funded directly from any additional funding with no requirements to borrow from a financial institution. If a large enough new capital project is identified as urgent, loan funds may be sourced and the additional funds utilised to service that loan.

## **4.3 Scenario 2 Financial Projections**

The following illustrates the impact on Council's rate revenue for the additional funding in 2019/20. Rate income will increase above the expected IPART rate increase commencing in 2019/20 and will remain into perpetuity.

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

	2018/19 (\$'000)	2019/20 (\$'000)	2020/21 (\$'000)	2021/22 (\$'000)	2022/23 (\$'000)	2023/24 (\$'000)	2024/25 (\$'000)	2025/26 (\$'000)	2026/27 (\$'000)	2027/28 (\$'000)	2028/29 (\$'000)
<b>Income from Continuing Operations</b>											
Rates and Annual Charges	158,319	169,561	172,022	176,308	180,707	185,223	189,860	194,620	199,507	204,525	209,670
User Fees and Charges	43,080	47,972	50,297	52,178	53,483	54,820	56,191	57,595	59,035	60,511	62,024
Interest Income	5,167	5,295	5,427	5,561	5,700	5,841	5,986	6,135	6,287	6,443	6,603
Other Income	24,611	25,222	26,092	26,492	27,150	27,825	28,517	29,226	29,953	30,698	31,462
Operating Grants	10,904	11,527	11,622	11,889	12,162	12,443	12,739	12,600	12,753	13,072	13,134
Capital Grants and Contributions	25,907	29,270	33,559	15,418	20,371	21,026	21,778	24,727	26,136	22,394	18,658
Net Gain - Disposal of Assets	182	199	200	200	200	200	200	200	200	200	200
<b>Total Income from Continuing Operations</b>	<b>268,169</b>	<b>289,047</b>	<b>299,219</b>	<b>288,046</b>	<b>299,773</b>	<b>307,378</b>	<b>315,270</b>	<b>325,103</b>	<b>333,872</b>	<b>337,844</b>	<b>341,751</b>
<b>Expenditure from Continuing Operations</b>											
Employee Benefits and Oncosts	123,934	128,193	131,951	133,822	137,748	141,793	145,959	150,250	154,669	159,221	163,910
Interest Expense	1,207	1,468	1,197	1,001	833	685	548	431	414	192	34
Materials and Contracts	61,559	63,021	63,543	63,722	64,222	65,900	68,757	69,099	70,899	72,599	74,369
Depreciation	26,129	26,391	26,655	26,921	27,190	27,462	27,737	28,014	28,294	28,577	28,863
Other Expenses	32,304	33,227	33,665	34,534	35,407	36,303	37,220	38,161	39,126	40,114	41,127
<b>Total Expenses from Continuing Operations</b>	<b>245,134</b>	<b>252,300</b>	<b>257,011</b>	<b>260,000</b>	<b>265,400</b>	<b>272,143</b>	<b>280,221</b>	<b>285,955</b>	<b>293,402</b>	<b>300,704</b>	<b>308,304</b>
<b>Net Operating Result from Continuing Operations</b>	<b>23,035</b>	<b>36,747</b>	<b>42,208</b>	<b>28,047</b>	<b>34,373</b>	<b>35,235</b>	<b>35,049</b>	<b>39,148</b>	<b>40,470</b>	<b>37,140</b>	<b>33,447</b>
<b>Net Operating Result before Capital Items</b>	<b>(3,053)</b>	<b>7,278</b>	<b>8,449</b>	<b>12,429</b>	<b>13,802</b>	<b>14,009</b>	<b>13,071</b>	<b>14,221</b>	<b>14,134</b>	<b>14,545</b>	<b>14,588</b>

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

	2018/19 (\$'000)	2019/20 (\$'000)	2020/21 (\$'000)	2021/22 (\$'000)	2022/23 (\$'000)	2023/24 (\$'000)	2024/25 (\$'000)	2025/26 (\$'000)	2026/27 (\$'000)	2027/28 (\$'000)	2028/29 (\$'000)
<b>ASSETS</b>											
<b>Current assets</b>											
Cash and cash equivalents	35,887	28,519	19,192	13,320	9,643	8,213	7,680	7,918	6,429	5,971	8,058
Investments	131,171	111,392	90,985	93,475	95,109	95,721	95,647	99,826	100,632	70,060	70,761
Receivables	17,369	17,543	17,718	17,896	18,075	18,255	18,438	18,622	18,808	18,996	19,186
Inventories	209	210	211	212	213	214	215	217	218	219	220
Other	530	-	-	-	-	-	-	-	-	-	-
<b>Total current assets</b>	<b>185,167</b>	<b>157,664</b>	<b>128,107</b>	<b>124,903</b>	<b>123,039</b>	<b>122,404</b>	<b>121,980</b>	<b>126,583</b>	<b>126,087</b>	<b>95,246</b>	<b>98,225</b>
<b>Non-current assets</b>											
Investments	-	-	-	-	-	-	-	-	-	-	-
Infrastructure, property, plant and equipment	2,262,867	2,327,939	2,381,727	2,416,168	2,450,555	2,483,643	2,521,059	2,554,879	2,593,132	2,622,403	2,621,214
<b>Total non-current assets</b>	<b>2,262,867</b>	<b>2,327,939</b>	<b>2,381,727</b>	<b>2,416,168</b>	<b>2,450,555</b>	<b>2,483,643</b>	<b>2,521,059</b>	<b>2,554,879</b>	<b>2,593,132</b>	<b>2,622,403</b>	<b>2,621,214</b>
<b>TOTAL ASSETS</b>	<b>2,448,034</b>	<b>2,485,604</b>	<b>2,509,834</b>	<b>2,541,071</b>	<b>2,573,594</b>	<b>2,606,047</b>	<b>2,643,039</b>	<b>2,681,462</b>	<b>2,719,219</b>	<b>2,717,649</b>	<b>2,719,439</b>
<b>LIABILITIES</b>											
<b>Current liabilities</b>											
Payables	8,160	8,241	8,324	8,407	8,491	8,576	8,662	8,748	8,836	8,924	9,013
Borrowings	6,155	4,710	4,058	3,663	3,576	3,167	3,089	3,206	3,328	-	-
Provisions	33,863	34,709	35,577	36,467	37,378	38,313	39,270	40,252	41,259	42,290	43,347
<b>Total current liabilities</b>	<b>48,178</b>	<b>47,661</b>	<b>47,959</b>	<b>48,537</b>	<b>49,445</b>	<b>50,055</b>	<b>51,022</b>	<b>52,207</b>	<b>53,422</b>	<b>51,214</b>	<b>52,361</b>
<b>Non-current liabilities</b>											
Borrowings	30,611	25,901	21,191	16,876	12,648	8,830	5,088	1,230	-	-	-
Provisions	1,881	1,900	1,919	1,938	1,957	1,977	1,997	2,017	2,037	2,057	2,078
<b>Total non-current liabilities</b>	<b>32,492</b>	<b>27,801</b>	<b>23,110</b>	<b>18,814</b>	<b>14,605</b>	<b>10,807</b>	<b>7,085</b>	<b>3,247</b>	<b>2,037</b>	<b>2,057</b>	<b>2,078</b>
<b>TOTAL LIABILITIES</b>	<b>80,670</b>	<b>75,462</b>	<b>71,068</b>	<b>67,351</b>	<b>64,051</b>	<b>60,862</b>	<b>58,107</b>	<b>55,453</b>	<b>55,459</b>	<b>53,272</b>	<b>54,439</b>
<b>Net assets</b>	<b>2,367,364</b>	<b>2,410,142</b>	<b>2,438,765</b>	<b>2,473,720</b>	<b>2,509,543</b>	<b>2,545,185</b>	<b>2,584,933</b>	<b>2,626,008</b>	<b>2,663,760</b>	<b>2,664,377</b>	<b>2,665,000</b>
<b>EQUITY</b>											
Retained earnings	2,310,322	2,352,530	2,380,576	2,414,950	2,450,185	2,485,234	2,524,382	2,564,851	2,601,991	2,601,991	2,601,991
Revaluation reserves	57,042	57,612	58,188	58,770	59,358	59,952	60,551	61,157	61,768	62,386	63,010
<b>Council equity interest</b>	<b>2,367,364</b>	<b>2,410,142</b>	<b>2,438,765</b>	<b>2,473,720</b>	<b>2,509,543</b>	<b>2,545,185</b>	<b>2,584,933</b>	<b>2,626,008</b>	<b>2,663,760</b>	<b>2,664,377</b>	<b>2,665,001</b>
<b>Total equity</b>	<b>2,367,364</b>	<b>2,410,142</b>	<b>2,438,765</b>	<b>2,473,720</b>	<b>2,509,543</b>	<b>2,545,185</b>	<b>2,584,933</b>	<b>2,626,008</b>	<b>2,663,760</b>	<b>2,664,377</b>	<b>2,665,001</b>

**Scenario 2 - Inner West Council - Statement of Cash Flows**

	2018/19 (\$'000)	2019/20 (\$'000)	2020/21 (\$'000)	2021/22 (\$'000)	2022/23 (\$'000)	2023/24 (\$'000)	2024/25 (\$'000)	2025/26 (\$'000)	2026/27 (\$'000)	2027/28 (\$'000)	2028/29 (\$'000)
<b>Cashflow from Operating Activities</b>											
<b>Receipts</b>											
Rates & Annual Charges	158,319	169,561	172,022	176,308	180,707	185,223	189,860	194,620	199,507	204,525	209,670
User Charges & Fees	43,080	47,972	50,297	52,178	53,483	54,820	56,191	57,595	59,035	60,511	62,024
Investment & Interest Income	5,167	5,295	5,427	5,561	5,700	5,841	5,986	6,135	6,287	6,443	6,603
Grants & Contributions	25,907	29,270	33,559	15,418	20,371	21,026	21,778	24,727	26,136	22,394	18,658
Other	24,611	25,222	26,092	26,492	27,150	27,825	28,517	29,226	29,953	30,698	31,462
<b>Payments</b>											
Employee Benefits & On-Costs	(123,934)	(128,193)	(131,951)	(133,822)	(137,748)	(141,793)	(145,959)	(150,250)	(154,669)	(159,221)	(163,910)
Materials & Contracts	(61,559)	(63,021)	(63,543)	(63,722)	(64,222)	(65,900)	(68,757)	(69,099)	(70,899)	(72,599)	(74,369)
Borrowing Costs	(1,207)	(1,468)	(1,197)	(1,001)	(833)	(685)	(548)	(431)	(414)	(192)	(34)
Other Expenses	(32,304)	(33,227)	(33,665)	(34,534)	(35,407)	(36,303)	(37,220)	(38,161)	(39,126)	(40,114)	(41,127)
<b>Net Cash provided (or used in) Operating Activities</b>	<b>48,983</b>	<b>62,939</b>	<b>68,662</b>	<b>54,768</b>	<b>61,363</b>	<b>62,498</b>	<b>62,586</b>	<b>66,962</b>	<b>68,565</b>	<b>65,517</b>	<b>62,110</b>
<b>Cashflow from Investing Activities</b>											
<b>Receipts</b>											
Sale of Investment Securities	315,120	318,271	321,454	324,668	327,915	331,194	334,506	337,851	341,230	344,642	348,089
Sale of Real Estate Assets	-	-	-	-	-	-	-	-	-	-	-
Sale of Infrastructure, Property Plant & Equipment	182	199	200	200	200	200	200	200	200	200	200
<b>Payments</b>											
Purchase of Investment Securities	(282,154)	(291,660)	(314,491)	(320,088)	(327,915)	(331,194)	(324,506)	(334,851)	(336,760)	(344,642)	(344,642)
Purchase of Infrastructure, Property, Plant & Equipment	(83,761)	(90,962)	(80,442)	(61,363)	(61,578)	(60,551)	(70,153)	(66,834)	(71,518)	(62,848)	(63,670)
<b>Net cash provided (or used in) Investing Activities</b>	<b>(50,614)</b>	<b>(64,152)</b>	<b>(73,279)</b>	<b>(56,583)</b>	<b>(61,377)</b>	<b>(60,351)</b>	<b>(59,953)</b>	<b>(63,634)</b>	<b>(66,848)</b>	<b>(62,648)</b>	<b>(60,023)</b>
<b>Cashflow from Financing Activities</b>											
<b>Receipts</b>											
Proceeds from Borrowing & Advances	28,845	-	-	-	-	-	-	-	-	-	-
<b>Payments</b>											
Payments of Borrowing & Advances	(5,434)	(6,155)	(4,710)	(4,058)	(3,663)	(3,576)	(3,167)	(3,089)	(3,206)	(3,328)	-
<b>Net Cash Flow provided (or used in) Financing Activities</b>	<b>23,411</b>	<b>(6,155)</b>	<b>(4,710)</b>	<b>(4,058)</b>	<b>(3,663)</b>	<b>(3,576)</b>	<b>(3,167)</b>	<b>(3,089)</b>	<b>(3,206)</b>	<b>(3,328)</b>	<b>-</b>
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>	<b>21,780</b>	<b>(7,368)</b>	<b>(9,327)</b>	<b>(5,873)</b>	<b>(3,677)</b>	<b>(1,429)</b>	<b>(534)</b>	<b>239</b>	<b>(1,490)</b>	<b>(458)</b>	<b>2,087</b>
Plus Cash & Cash Equivalents - beginning of year	14,108	35,887	28,519	19,192	13,320	9,643	8,213	7,680	7,918	6,429	5,971
<b>Cash &amp; Cash Equivalents - end of year</b>	<b>35,887</b>	<b>28,519</b>	<b>19,192</b>	<b>13,320</b>	<b>9,643</b>	<b>8,213</b>	<b>7,680</b>	<b>7,918</b>	<b>6,429</b>	<b>5,971</b>	<b>8,058</b>
Plus Investments on hand - end of year	131,171	111,392	90,985	93,475	95,109	95,721	95,647	99,826	100,632	70,060	70,761
<b>Total Cash &amp; Cash Equivalents &amp; Investments</b>	<b>167,058</b>	<b>139,911</b>	<b>110,178</b>	<b>106,795</b>	<b>104,752</b>	<b>103,934</b>	<b>103,327</b>	<b>107,744</b>	<b>107,061</b>	<b>76,031</b>	<b>78,819</b>



## **5. Performance Monitoring**

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

### **5.1 Operating Performance Ratio**

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

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

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

### **5.3 Unrestricted Current Ratio**

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

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

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

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

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

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

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

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

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

## **5.8 Infrastructure Backlog Ratio**

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

## **5.9 Asset Maintenance Ratio**

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

## **5.10 Capital Expenditure Ratio**

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

**Inner West Council - Key Performance Indicators**

Key Performance Indicators - Scenarion 1	Benchmark	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Operating Performance Ratio	>0	(5.37)%	(7.49)%	(8.27)%	(6.81)%	(6.77)%	(6.81)%	(5.65)%	(5.52)%	(5.22)%	(4.94)%	(5.31)%
Own Source Operating Revenue	>60%	89.34%	83.43%	83.42%	89.43%	91.02%	91.02%	91.35%	91.87%	91.91%	92.02%	92.05%
Unrestricted Current Ratio	>1.5x	2.71	2.22	1.70	1.37	1.11	0.82	0.57	0.31	0.15	(0.05)	(0.11)
Debt Service Ratio	>2x	2.93	2.32	2.81	4.19	4.82	5.12	7.10	7.76	8.11	8.46	8.10
Rates and Annual Charges Outstanding Ratio	<5%	3.39%	3.36%	3.33%	3.29%	3.26%	3.23%	3.20%	3.16%	3.13%	3.10%	3.07%
Cash Expense Cover Ratio	>3 Months	9.86	7.92	6.04	4.98	4.09	3.16	2.41	1.62	1.12	0.54	0.31
Infrastructure Renewal Ratio	>100%	61.69%	182.39%	116.64%	99.41%	90.68%	84.12%	78.18%	76.08%	71.61%	73.02%	65.29%
Infrastructure Backlog Ratio	<2%	4.73%	3.78%	3.53%	3.51%	3.58%	3.71%	3.91%	4.13%	4.41%	4.66%	5.03%
Asset Maintenance Ratio	>1	1.70	1.62	1.63	1.65	1.68	1.71	1.73	1.76	1.79	1.82	1.85

Key Performance Indicators - Scenarion 2	Benchmark	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Operating Performance Ratio	>0	(1.26)%	2.80%	3.18%	4.56%	4.94%	4.90%	4.46%	4.74%	4.60%	4.61%	4.52%
Own Source Operating Revenue	>60%	86.27%	85.89%	84.90%	90.52%	89.15%	89.11%	89.05%	88.52%	88.35%	89.50%	90.70%
Unrestricted Current Ratio	>1.5x	2.95	2.20	1.71	1.65	1.32	1.19	1.12	1.00	1.64	0.16	0.11
Debt Service Ratio	>2x	3.66	4.61	6.15	7.98	9.30	9.89	11.13	12.12	11.83	12.30	1,262.59
Rates and Annual Charges Outstanding Ratio	<5%	3.10%	3.01%	2.92%	2.83%	2.75%	2.67%	2.59%	2.51%	2.43%	2.36%	2.29%
Cash Expense Cover Ratio	>3 Months	8.93	7.23	5.62	5.40	5.20	5.02	4.85	4.95	4.79	3.31	3.38
Infrastructure Renewal Ratio	>100%	114.87%	132.59%	150.94%	117.71%	111.76%	118.81%	114.60%	112.62%	113.73%	112.13%	102.47%
Infrastructure Backlog Ratio	<2%	9.13%	7.05%	5.99%	4.98%	3.98%	2.96%	1.94%	0.92%	1.00%	0.00%	0.00%
Asset Maintenance Ratio	>1	0.81	0.81	0.80	0.80	0.80	0.79	0.79	0.78	0.78	0.78	0.77

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

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

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

### Translation Service

If you have questions on this document and need an interpreter, please call TIS National on 131 450 and ask them to call Inner West Council on 9392 5000

### Υπηρεσία Διερμηνείας

Εάν έχετε ερωτήσεις αναφορικά με το παρόν έγγραφο και χρειάζεστε διερμηνέα, παρακαλούμε καλέστε την TIS National στο 131 450 και ζητήστε τους να καλέσουν το Inner West Council στο 9392 5000

### Servizio traduzioni

Se avete domande su questo documento e necessitate di un interprete chiamate TIS National al numero 131 450 e chiedetegli di chiamarvi Inner West Council al numero 9392 5000

### 翻译服务

如果您对本文件有任何疑问，需要传译员帮助，请拨打TIS National的电话131 450，然后要求接通Inner West Council的电话9392 5000

### Dịch vụ Thông Phiên dịch

Nếu quý vị có thắc mắc gì về tài liệu này và cần có thông dịch viên xin gọi cho TIS National qua số 131 450 và nhờ họ gọi cho Inner West Council qua số 9392 5000

### خدمة الترجمة

إذا كانت لديك أسئلة حول هذا المستند وتحتاج إلى مترجم فوري، فاتصل بخدمة TIS National على الهاتف رقم 131 450 واطلب منهم الاتصال بـ Inner West Council على الرقم 9392 5000

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