



# Resourcing Strategy Long Term Financial Plan 2023-2033

Draft for public exhibition - April 2023



## 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.**

- Council continues to operate at the existing service levels to the community and maintaining the capital works program to ensure infrastructure is renewed or upgraded over the 10 years. This scenario also ensures that Council is financial sustainable by ensuring there is funds available to deliver infrastructure and services to the community.

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

- Council continues to provide its services to community as per scenario 1 with the inclusion of a process to reduce the infrastructure backlog of \$20.7m from the 2021/22 financial statements over the course of the LTFP. Majority of the planned infrastructure spend is spread over the 10 year LTFP resulting in Council being in a general funds deficit by 2026/27 financial year.

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

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

## **1.0 Financial Planning Context**

### **1.0.1 Working Capital**

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

Funds that are legislatively required to be kept separate include:

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

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 49% of total leave liability to mitigate any financial risks surrounding employee leave entitlements.
- Plant, Technology and Vehicle replacement: Council has long term models in place to forecast the timing of heavy plant, motor vehicle and information technology hardware replacement. Funds are allocated to ensure budget is available for replacement.
- Funds held on trust by Council either on behalf of other parties or under a Trust arrangement must be held separately to Council funds and only spent in accordance with the terms of the trust arrangement.
- Loan funds: Council raises loan funds annually to fund its capital program (only if required). Unspent funds are held specifically to ensure those works are completed. Council currently funds these works from unrestricted working capital. See section 1.0.2.

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

### **1.0.2 Loan Borrowings**

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

Council has principal outstanding on its loan borrowings of \$37.8 million as at 30 June 2022. Council's Debt Service Cover ratio, which measures the availability of operating cash to service debt including interest and principal repayments, is forecast at 14.22 to 1 at the end of FY2023/24. This is well above the Office of Local Government's benchmark of 2 to 1.

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

## 1.1 Structure

### 1.1.1 Overview of Structure

This LTFP is structured around two financial models or scenarios.

They are -

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

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

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

## 2. GLOBAL VARIABLES AND ASSUMPTIONS

Below is a list of variables and assumptions that are the drivers in predicting Council's revenue and expenditure forecasts over the 10 years for this iteration to the LTFP. These variables apply to each scenario of this LTFP unless explicitly stated in the particular scenario. Any references made to Consumer Price Index (CPI) will have an assumed rate of 0% per annum for expenditure and 7.0% 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 the following rate cap in future years: <ul style="list-style-type: none"><li>• 3.7% 2023/24</li><li>• 3.1% 2024/25</li><li>• 2.5% 2025/26</li><li>• 2.5% 2026/27</li><li>• 2.5% 2027/28</li><li>• 2.0% 2028/29 and onwards</li></ul>
Voluntary Pensioner Rebates	Council offers a voluntary pensioner rebates to eligible aged pensioners.  This rebate covers the domestic waste and stormwater charges for resident owners of ten years or greater. For pensioners who do not meet the above criteria, grandfathering provisions exists for pensioners in the former Ashfield, Leichhardt and Marrickville LGA's.



Operating Revenue Area	Assumption
Pensioner Rate Subsidy	The Pensioner Rate Subsidy is set by the State Government at a maximum of \$250 per property per annum. This is a flat subsidy and does not increase annually.
Domestic Waste Management Charge (DWMC) and related User Charges	The DWMC is modelled over the life of the Plan to cover the cost of the provision of the service. The Local Government Act prohibits councils from either subsidising or receiving a profit from the DWMC. The methodology of applying corporate overheads to the domestic waste services has been reviewed and applied from 2018/19 onwards. The budget has been prepared on the basis to drawdown from the Domestic Waste Management Reserve over several years and transition to a full cost recovery charge.
Stormwater Management Service Charge	This is a flat charge used to fund stormwater planning and infrastructure. The charge is set by the Local Government Act and associated Regulations as follows: \$25.00 per residential property per annum. \$12.50 per strata unit per annum. \$25.00 per 350m <sup>2</sup> per business property per annum.
Fees	Council generally increases its fees for the services it provides to at least cover general movements in costs each year. Statutory fees have been increased in accordance with advice given by the relevant statutory body whilst discretionary fees have been increased by CPI. The CPI in the for future years is: <ul style="list-style-type: none"> <li>• 7.0% 2023/24</li> <li>• 4.2% 2024/25</li> <li>• 4.2% 2025/26</li> <li>• 3.0% 2026/27</li> <li>• 2.5% 2027/28 and onwards</li> </ul>
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.
Interest on Overdue Rates	Council charges interest on overdue rates to the maximum allowed by the Minister for Local Government. The 2022/23 rate has been set at 6.0% per annum. Council is waiting on the Minister of Local Government to provide the 2023/24 rate.

Operating Revenue Area	Assumption
Other Revenues	This includes ex gratia rates payments, income from street furniture and credit card fees. It is assumed that these revenue sources will not increase and are indexed according to commercial agreements.
Rental/Lease Income	It is assumed that rental/lease income will increase at least by CPI, in line with provisions of current leases.
Fines	The dollar value of individual fines is determined by the State Government. The volume of fines is a product of the level of compliance with relevant laws and the level of enforcement activity. It is assumed that the total income received from fines are flat.
Operating Grants – General	It is assumed that total income from grants will be flat over the 10 year program and dependant on the initiatives provided by State and Federal Government.
Financial Assistance Grants (FAG)	It is assumed that total income from grants will be flat. The FAG is based on the relative growth of the Inner West's LGA in comparison to the growth of Western Sydney. This projection is in line with the methodology used by the NSW Grants Commission who determine the distribution of the FAG grant every year.
Transport for NSW Block Grant	This is a State Government grant with no increase across the 10 years.
Street Lighting Subsidy	This is a State Government subsidy. It is assumed that this will be flat.
Library Subsidy	This subsidy is provided under the Library Regulation and is administered and set by the State Library of NSW. It is assumed that this will be flat.
Disposal of Property	The Base Scenario assumes that no income from property sales will be received during the 10 years of the LTFP. Proceeds from sales including profits are transferred to Council's unrestricted working capital.
Disposal of Plant	The Base Scenario assumes that plant will be sold at its written down cost during the 10 years of the LTFP. Proceeds from sales including profits are transferred to Council's Plant Replacement restricted working capital.

## 2.2 Operating Revenue Sensitivity Analysis

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

- Future rate increases will be based on the Local Government Price Movements agreed to by the Independent Pricing and Regulatory Tribunal (IPART). Historically, rate increases have not kept pace with increasing costs. Recent experience has shown that IPART will not adjust future rates increases where the predicted Local Government Price Movements have proved to be well under actual price movements. If this trend continues, this will cause significant financial difficulties for the Inner West and other councils.

- Rate increases provide only for a continuation of existing service levels. The changing demographics of the Inner West community suggests that there may be demand for new or increased levels of services. These will not be able to be funded by ordinary IPART rate increases which are based on historic movements in costs only.
- The Pensioner Rate Subsidy is set at a maximum of \$250 per property and has not increased since 1993. This creates a greater burden on pensioners.
- The level of individual fines for traffic/parking offences is determined by the State Government.
- The Stormwater Management Charge is fixed and has not risen since its introduction in 2006/07.
- Interest rates have been highly volatile over the past 12 months and have increased rapidly. It is forecast that interest rates will increase slightly for the remaining 2022/23 financial year and then remain the same for a period of time until inflation reduces.
- Hoarding fees and other Development Assessment income is dependent on the level of development activity in the Inner West LGA. Although stabilised in the past 12 months, expectation is this will grow once Council releases its revised LEP that allows greater building density in the LGA.

## 2.3 Capital Revenue Drivers

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

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

## 2.4 Capital Revenue Sensitivity Analysis

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

- The Roads to Recovery grants was introduced from 2013/14 and in 2019/20 it was announced that the program will be extended for Councils to 2025/26. The assumption is that the grant will continue throughout the 10 years of this LTFP.
- 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	<p>Increase of salaries and wages by 4.0% in anticipation of the new award commencing 1 July 2023. The future years salary and wages increase is as follows:</p> <ul style="list-style-type: none"> <li>• 4.0% 2024/25</li> <li>• 3.5% 2025/26</li> <li>• 3.0% 2026/27</li> <li>• 3.0% 2027/28</li> <li>• 2.5% 2028/29 and onwards</li> </ul>
Superannuation	<p>This LTFP includes the increase of Superannuation to 11.0% in 2023/24 in line with the Superannuation Guarantee Contributions which will progressively increase to 12.0% in 2025/26.</p> <p>It is assumed that superannuation costs for members of the Defined Benefits Schemes will be paid in accordance with the current advice from the Trustees of the Scheme. Council has developed a model to predict its ongoing contributions toward the Defined Benefits Schemes.</p>
Workers Compensation	<p>Council's Workers Compensation premium has been set at \$2.8 million for 2022/23 and it is assumed it will remain at \$2.8 million in 2023/24 and then increase annually in accordance with salaries and wages.</p>
Training	<p>It is assumed that expenditure on training will be flat.</p>
Maternity Leave	<p>It is assumed that expenditure on maternity leave will be \$400,000 in 2023/24 and will increase by Award increases.</p>
Long Service Leave	<p>Expenditure on Long Service Leave has been modelled and will increase by Award increases. The model is reviewed annually.</p>
Materials and Services	<p>Components of materials and contracts expenditure are reviewed individually. The budget includes cost estimates for the actual expected expenditure.</p>
Disposal Costs	<p>The cost of waste disposal has been modelled and is reviewed annually.</p>
Oil and Fuel	<p>It is assumed that oil and fuel costs will increase by CPI per annum over 10 years.</p>
Street Lighting	<p>It is assumed that electricity costs will increase by an average 7.0% in 2023/24 and 4.0% per annum for future years.</p>



Operational Expenditure Area	Assumptions
Electricity	It is assumed that electricity costs will increase by an average 7.0% in 2023/24 and 4.0% per annum for future years.
Gas	It is assumed that gas costs will increase by an average 7.0% in 2023/24 and 4.0% per annum for future years.
Water	It is assumed that water costs will increase by an average 7.0% in 2023/24 and 4.0% per annum for future years.
Telephone and Mobile Phone	It is assumed that fixed and mobile phone and data costs will increase by CPI per annum over 10 years.
Depreciation	Depreciation has been modelled in accordance with Council's Asset Management Plans – refer page 6 of the Asset Management Policy and Strategy.
Other Expenses	This includes contributions to organisations and doubtful debts. 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 as follows: <ul style="list-style-type: none"> <li>• 7.0% 2023/24</li> <li>• 3.5% 2024/25</li> <li>• 3.0% 2025/26</li> <li>• 2.75% 2026/27</li> <li>• 2.5% 2027/28 and onwards</li> </ul>

## 2.6 Operating Expenditure Sensitivity Analysis

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

- The current industrial award was negotiated in 2020. The new award is currently being negotiated. It is anticipated that the award will increase from 2% in 2022/23 to 4% in 2023/24.
- The Federal government legislated that Superannuation Guarantee Charge (SGC) will rise to 11.0% in 2023/24. The SGC could reach a maximum of 12.0% in 2025/26.
- Natural disasters and other unforeseeable events may impact to increase insurance premium levels.

## 2.7 Capital Expenditure Drivers

Capital Expenditure Area	Assumptions
Information and Communication Technology - Hardware/Software Program	<p>Council currently leases the majority of its Information Technology Hardware over a 4 year lease term. Software costs associated with hardware upgrades are forecast and included in the relevant year within the Operating Budget.</p> <p>New infrastructure investments are assessed as part of the evaluation process driven by the ICT Steering Committee. The LTFP provides for the full cost of replacement of existing hardware and software. The budget includes the hardware and software replacement program. This program replaces assets at the end of their useful life and also takes into account the consolidation of three existing data centres into one and the consolidation of maintenance agreements and software licences.</p> <p>Maintenance costs are considered as part of the evaluation process and included in the operational 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 \$8.3 million in 2023/24 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 TfNSW subsidises upkeep through grants. Council matches funding under the Regional Roads program using unrestricted working capital or other available funding sources. A total of \$1.1 million is anticipated to be spent on Regional Road capital works throughout the 2023/24 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 \$3.9m in 2023/24 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>
Bike Facilities Program	<p>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.</p>
Traffic Amenities Program	<p>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 \$3.6 million (this includes \$2 million of PAMP). This program may continue to reduce as the developer contributions reduces nexus on traffic amenities from where the majority of these works are funded.</p>

Capital Expenditure Area	Assumptions
Stormwater upgrade and renewal Program	<p>Council has a program of catchment studies across the various sub-catchments within its boundaries. These are funded from the Stormwater Charge.</p> <p>Drainage capital works are funded from SRV funds and unrestricted working capital. Additional capital works are funded from the Stormwater Charge in accordance with the Stormwater Plan.</p> <p>The total budget is \$2.6 million.</p>
Parks Improvement Program	<p>Park improvements are primarily funded from Developer Contributions, SRV and Federal or State grants. Council's Parks Improvement Program approximately \$11.8 million in 2023/24.</p>

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

Project	Funding available in 2023/24
Greenway	\$27.7 million
Leichhardt Park Aquatic Centre Major Project	\$3.2 million
Main Street Revitalisation	\$3.0 million
Inclusive Playgrounds	\$2.0 million

## 2.8 Capital Expenditure Sensitivity Analysis

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

- Council has prepared Asset Management Plans for each of the four infrastructure asset groups (see accompanying Asset Management Plans). As data is updated on the condition of these assets it is likely that further investment will be required to ensure roads, footpaths, drainage, bike networks, parks facilities, buildings and the like continue to be available for both the current and future generations living in the Inner West. Council completed a condition rating and audit of all its transport assets (roads, footpaths, kerb & gutter) in 2022, and has informed the Asset Management Plans and future capital works programs. In 2023 a condition rating of Council Buildings will be completed and will inform the Asset Management Plans for future capital works programs. Increasing investments to promote accessibility will also be required 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’:

- Greenway Program
- Leichhardt Park Aquatic Centre Major Project
- Main Street Revitalisation
- Inclusive Playgrounds
- Camdenville Park Remediation and Staged Upgrade
- Tempe Reserve Amenities Building
- HJ Mahoney Reserve Sporting Ground Upgrade

#### **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. As a result, Council has reviewed its expenditure and income generated and prioritised programs to ensure a high level of service is provided to the community while remaining financial responsible. Council has committed to a continuous improvement program throughout the life of this LTFP.

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

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

The following tables outline the financial impact of Scenario 1 – Business As Usual over the next 10 years by external reporting category.



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

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>Income from Continuing Operations</b>											
Rates and Annual Charges	165,444	172,988	178,988	184,223	189,394	194,268	198,567	202,934	207,429	211,997	216,696
User Fees and Charges	52,007	55,344	57,547	59,982	61,676	63,260	64,743	66,404	67,965	69,706	71,350
Interest Income	3,450	4,800	4,871	4,943	4,748	4,297	4,333	4,120	4,158	3,696	3,730
Other Income	18,330	18,339	18,400	18,463	18,510	18,550	18,592	18,634	18,677	18,722	18,768
Rental Income	5,809	8,977	8,888	8,501	8,756	8,975	9,199	9,429	9,665	9,907	10,154
Operating Grants & Contributions	9,310	9,844	9,902	9,362	9,362	9,262	9,262	9,262	9,262	9,262	9,262
Capital Grants & Contributions	27,872	38,322	26,631	14,788	13,143	13,143	13,036	13,143	13,143	13,143	13,143
Gain/Loss on Disposal of Assets	(1,582)	(920)	(920)	(920)	(920)	(920)	(920)	(920)	(920)	(920)	(920)
<b>Total Income from Continuing Operations</b>	<b>280,640</b>	<b>307,694</b>	<b>304,308</b>	<b>299,343</b>	<b>304,670</b>	<b>310,836</b>	<b>316,813</b>	<b>323,006</b>	<b>329,381</b>	<b>335,514</b>	<b>342,183</b>
<b>Expenditure from Continuing Operations</b>											
Employee Benefits and Oncosts	127,200	136,384	141,703	146,561	150,948	155,472	159,456	163,548	167,751	172,069	176,504
Borrowing Costs	860	792	724	680	639	597	555	511	466	421	374
Materials and Services	79,360	84,927	86,711	86,279	87,444	87,904	89,988	89,433	91,354	92,669	95,546
Depreciation	33,104	33,839	34,360	35,021	35,487	36,180	36,809	37,340	37,751	38,029	38,309
Other Expenses	12,988	13,260	13,462	13,654	13,852	14,029	14,210	14,397	14,590	14,788	14,991
Net losses from the disposal of assets											
<b>Total Expenses from Continuing Operations</b>	<b>253,513</b>	<b>269,202</b>	<b>276,961</b>	<b>282,194</b>	<b>288,370</b>	<b>294,182</b>	<b>301,017</b>	<b>305,229</b>	<b>311,913</b>	<b>317,976</b>	<b>325,724</b>
<b>Net Operating Result from Continuing Operations</b>	<b>27,127</b>	<b>38,492</b>	<b>27,347</b>	<b>17,149</b>	<b>16,300</b>	<b>16,654</b>	<b>15,796</b>	<b>17,777</b>	<b>17,468</b>	<b>17,538</b>	<b>16,460</b>
<b>Net Operating Result before Capital Items</b>	<b>(744)</b>	<b>170</b>	<b>716</b>	<b>2,361</b>	<b>3,157</b>	<b>3,511</b>	<b>2,760</b>	<b>4,634</b>	<b>4,325</b>	<b>4,395</b>	<b>3,316</b>

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

	2022/23 (\$'000)	2023/24 (\$'000)	2024/25 (\$'000)	2025/26 (\$'000)	2026/27 (\$'000)	2027/28 (\$'000)	2028/29 (\$'000)	2029/30 (\$'000)	2030/31 (\$'000)	2031/32 (\$'000)	2032/33 (\$'000)
<b>ASSETS</b>											
<b>Current assets</b>											
Cash and cash equivalents	118,683	101,085	74,783	62,204	52,056	55,391	53,866	55,988	58,340	60,083	61,809
Investments	80,148	65,138	53,485	41,686	33,060	33,544	29,353	34,297	37,492	41,159	40,708
Receivables	39,361	37,196	35,150	33,217	31,390	29,664	28,032	26,490	25,033	23,657	22,356
Inventories	199	200	201	202	203	204	205	206	207	208	209
Other	-	-	-	-	-	-	-	-	-	-	-
Non-current assets classified as 'held for sale'	-	-	-	-	-	-	-	-	-	-	-
<b>Total current assets</b>	<b>238,391</b>	<b>203,620</b>	<b>163,620</b>	<b>137,309</b>	<b>116,710</b>	<b>118,803</b>	<b>111,456</b>	<b>116,981</b>	<b>121,072</b>	<b>125,107</b>	<b>125,082</b>
<b>Non-current assets</b>											
Investments	58,950	58,950	58,950	58,950	58,950	58,950	58,950	58,950	58,950	58,950	58,950
Receivables	-	-	-	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-	-	-	-
Infrastructure, property, plant and equipment	2,492,381	2,563,145	2,629,031	2,671,095	2,708,670	2,723,103	2,749,313	2,761,213	2,774,717	2,788,008	2,807,437
Investments accounted for using the equity method	-	-	-	-	-	-	-	-	-	-	-
Investment property	80,907	80,907	80,907	80,907	80,907	80,907	80,907	80,907	80,907	80,907	80,907
Intangible assets	8,098	8,727	9,102	9,647	10,152	10,427	10,677	11,012	11,292	11,542	11,747
Right of use assets	901	964	1,005	1,047	1,078	1,105	1,133	1,161	1,190	1,220	1,251
Non-current assets classified as 'held for sale'	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
<b>Total non-current assets</b>	<b>2,641,238</b>	<b>2,712,694</b>	<b>2,778,995</b>	<b>2,821,646</b>	<b>2,859,757</b>	<b>2,874,493</b>	<b>2,900,980</b>	<b>2,913,244</b>	<b>2,927,057</b>	<b>2,940,627</b>	<b>2,960,292</b>
<b>TOTAL ASSETS</b>	<b>2,879,629</b>	<b>2,916,314</b>	<b>2,942,615</b>	<b>2,958,956</b>	<b>2,976,467</b>	<b>2,993,296</b>	<b>3,012,436</b>	<b>3,030,225</b>	<b>3,048,129</b>	<b>3,065,734</b>	<b>3,085,373</b>
<b>LIABILITIES</b>											
<b>Current liabilities</b>											
Payables	66,044	59,440	56,468	42,351	29,646	31,128	29,571	25,136	30,163	31,068	29,514
Income received in advance	-	-	-	-	-	-	-	-	-	-	-
Contract liabilities	1,243	1,243	1,243	-	-	-	-	-	-	-	-
Lease Liabilities	202	216	225	234	241	247	253	260	266	273	280
Borrowings	2,600	2,447	2,047	1,817	1,858	1,900	1,943	1,986	2,031	2,076	2,123
Provisions	30,149	30,450	30,754	31,062	31,373	31,686	32,003	32,323	32,647	32,973	33,303
Liabilities associated with assets classified as 'held for sale'	-	-	-	-	-	-	-	-	-	-	-
<b>Total current liabilities</b>	<b>100,237</b>	<b>93,795</b>	<b>90,737</b>	<b>75,464</b>	<b>63,118</b>	<b>64,961</b>	<b>63,771</b>	<b>59,705</b>	<b>65,106</b>	<b>66,390</b>	<b>65,219</b>
<b>Non-current liabilities</b>											
Payables	-	-	-	-	-	-	-	-	-	-	-
Income received in advance	-	-	-	-	-	-	-	-	-	-	-
Contract liabilities	1,877	635	-	-	-	-	-	-	-	-	-
Lease Liabilities	713	762	794	828	853	874	896	918	941	965	989
Borrowings	32,634	30,187	28,140	26,323	24,464	22,564	20,622	18,636	16,605	14,529	12,406
Provisions	2,316	2,339	2,362	2,386	2,410	2,434	2,458	2,483	2,508	2,533	2,558
Investments accounted for using the equity method	-	-	-	-	-	-	-	-	-	-	-
Liabilities associated with assets classified as 'held for sale'	-	-	-	-	-	-	-	-	-	-	-
<b>Total non-current liabilities</b>	<b>37,540</b>	<b>33,923</b>	<b>31,297</b>	<b>29,536</b>	<b>27,727</b>	<b>25,872</b>	<b>23,976</b>	<b>22,037</b>	<b>20,054</b>	<b>18,027</b>	<b>15,953</b>
<b>TOTAL LIABILITIES</b>	<b>137,777</b>	<b>127,718</b>	<b>122,034</b>	<b>105,001</b>	<b>90,845</b>	<b>90,834</b>	<b>87,747</b>	<b>81,742</b>	<b>85,160</b>	<b>84,416</b>	<b>81,173</b>
<b>Net assets</b>	<b>2,741,852</b>	<b>2,788,596</b>	<b>2,820,581</b>	<b>2,853,955</b>	<b>2,885,623</b>	<b>2,902,462</b>	<b>2,924,690</b>	<b>2,948,483</b>	<b>2,962,969</b>	<b>2,981,317</b>	<b>3,004,201</b>
<b>EQUITY</b>											
Retained earnings	2,409,741	2,448,234	2,475,581	2,492,730	2,509,030	2,525,685	2,541,481	2,559,257	2,576,726	2,594,263	2,610,724
Revaluation reserves	332,111	340,362	345,000	361,225	376,593	376,777	383,209	389,226	386,243	387,054	393,477
<b>Council equity interest</b>	<b>2,741,852</b>	<b>2,788,596</b>	<b>2,820,581</b>	<b>2,853,955</b>	<b>2,885,623</b>	<b>2,902,462</b>	<b>2,924,690</b>	<b>2,948,483</b>	<b>2,962,969</b>	<b>2,981,317</b>	<b>3,004,201</b>
<b>Total equity</b>	<b>2,741,852</b>	<b>2,788,596</b>	<b>2,820,581</b>	<b>2,853,955</b>	<b>2,885,623</b>	<b>2,902,462</b>	<b>2,924,690</b>	<b>2,948,483</b>	<b>2,962,969</b>	<b>2,981,317</b>	<b>3,004,201</b>

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

	2022/23 (\$'000)	2023/24 (\$'000)	2024/25 (\$'000)	2025/26 (\$'000)	2026/27 (\$'000)	2027/28 (\$'000)	2028/29 (\$'000)	2029/30 (\$'000)	2030/31 (\$'000)	2031/32 (\$'000)	2032/33 (\$'000)
<b>Cashflow from Operating Activities</b>											
<b>Receipts</b>											
Rates & Annual Charges	165,444	172,988	178,988	184,223	189,394	194,268	198,567	202,934	207,429	211,997	216,696
User Charges & Fees	52,007	55,344	57,547	59,982	61,676	63,260	64,743	66,404	67,965	69,706	71,350
Investment & Interest Income	3,450	4,800	4,871	4,943	4,748	4,297	4,333	4,120	4,158	3,696	3,730
Rental Income	5,809	8,977	8,888	8,501	8,756	8,975	9,199	9,429	9,665	9,907	10,154
Operating Grants & Contributions	9,310	9,844	9,902	9,362	9,362	9,262	9,262	9,262	9,262	9,262	9,262
Capital Grants & Contributions	27,872	38,322	26,631	14,788	13,143	13,143	13,036	13,143	13,143	13,143	13,143
Other	18,330	18,339	18,400	18,463	18,510	18,550	18,592	18,634	18,677	18,722	18,768
<b>Payments</b>											
Employee Benefits & On-Costs	(127,200)	(136,384)	(141,703)	(146,561)	(150,948)	(155,472)	(159,456)	(163,548)	(167,751)	(172,069)	(176,504)
Materials & Contracts	(79,360)	(84,927)	(86,711)	(86,279)	(87,444)	(87,904)	(89,988)	(89,433)	(91,354)	(92,669)	(95,546)
Borrowing Costs	(860)	(792)	(724)	(680)	(639)	(597)	(555)	(511)	(466)	(421)	(374)
Other Expenses	(12,988)	(13,260)	(13,462)	(13,654)	(13,852)	(14,029)	(14,210)	(14,397)	(14,590)	(14,788)	(14,991)
<b>Net Cash provided (or used in) Operating Activities</b>	<b>61,813</b>	<b>73,251</b>	<b>62,627</b>	<b>53,090</b>	<b>52,708</b>	<b>53,754</b>	<b>53,525</b>	<b>56,038</b>	<b>56,139</b>	<b>56,487</b>	<b>55,689</b>
<b>Cashflow from Investing Activities</b>											
<b>Receipts</b>											
Sale of Investment Securities	256,003	258,563	261,149	263,760	266,398	269,062	271,753	274,470	277,215	279,987	282,787
Sale of Real Estate Assets											
Sale of Infrastructure, Property Plant & Equipment	2,763	1,645	2,086	1,979	2,979	1,801	3,587	2,072	2,973	2,569	3,045
<b>Payments</b>											
Purchase of Investment Securities	(33,195)	(243,378)	(249,496)	(251,961)	(256,808)	(268,494)	(265,179)	(278,896)	(280,409)	(283,654)	(279,729)
Purchase of Infrastructure, Property, Plant & Equipment-	(95,425)	(105,232)	(100,621)	(77,630)	(73,567)	(50,888)	(63,269)	(49,576)	(51,535)	(51,569)	(57,943)
Purchase of Investment Property	(80,907)										
Contributions paid to Joint Ventures & Associates											
<b>Net cash provided (or used in) Investing Activities</b>	<b>49,239</b>	<b>(88,402)</b>	<b>(86,882)</b>	<b>(63,852)</b>	<b>(60,998)</b>	<b>(48,519)</b>	<b>(53,108)</b>	<b>(51,930)</b>	<b>(51,757)</b>	<b>(52,667)</b>	<b>(51,840)</b>
<b>Cashflow from Financing Activities</b>											
<b>Receipts</b>											
Proceeds from Borrowing & Advances											
<b>Payments</b>											
Payments of Borrowing & Advances	(2,600)	(2,447)	(2,047)	(1,817)	(1,858)	(1,900)	(1,943)	(1,986)	(2,031)	(2,076)	(2,123)
Lease Liabilities											
<b>Net Cash Flow provided (or used in) Financing Activities</b>	<b>(2,600)</b>	<b>(2,447)</b>	<b>(2,047)</b>	<b>(1,817)</b>	<b>(1,858)</b>	<b>(1,900)</b>	<b>(1,943)</b>	<b>(1,986)</b>	<b>(2,031)</b>	<b>(2,076)</b>	<b>(2,123)</b>
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>	<b>108,452</b>	<b>(17,597)</b>	<b>(26,302)</b>	<b>(12,579)</b>	<b>(10,148)</b>	<b>3,335</b>	<b>(1,525)</b>	<b>2,122</b>	<b>2,352</b>	<b>1,743</b>	<b>1,726</b>
Plus Cash & Cash Equivalents - beginning of year	10,231	118,683	101,085	74,783	62,204	52,056	55,391	53,866	55,988	58,340	60,083
<b>Cash &amp; Cash Equivalents - end of year</b>	<b>118,683</b>	<b>101,085</b>	<b>74,783</b>	<b>62,204</b>	<b>52,056</b>	<b>55,391</b>	<b>53,866</b>	<b>55,988</b>	<b>58,340</b>	<b>60,083</b>	<b>61,809</b>
Plus Investments on hand - end of year	139,098	124,088	112,435	100,636	92,010	92,494	88,303	93,247	96,442	100,109	99,658
<b>Total Cash &amp; Cash Equivalents &amp; Investments</b>	<b>257,781</b>	<b>225,174</b>	<b>187,218</b>	<b>162,840</b>	<b>144,067</b>	<b>147,885</b>	<b>142,169</b>	<b>149,235</b>	<b>154,782</b>	<b>160,192</b>	<b>161,467</b>

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

Scenario 2 is predicated on:

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

Scenario 2 aims to demonstrate the effects of funding the infrastructure backlog to meet the needs of the community.

### **4.1 Scenario 2 Assumptions**

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

Council identified an infrastructure renewal backlog in its 2021/22 financial reports, estimated to be approximately \$20.7m across its asset portfolio. In order to address this backlog, additional funds are required. The renewal funding planned in scenario 2 is insufficient to reduce the backlog of deferred renewal demand, therefore a loan of \$10.8m would be required in 2026/27.

### **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.
- The additional renewal works will be based on the condition ratings of the assets.

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

The following tables outline the financial impact of the Scenario 2 – Reduce The Infrastructure Backlog over the next 10 years by external reporting category.

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

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>Income from Continuing Operations</b>											
Rates and Annual Charges	165,444	172,988	178,988	184,223	189,394	194,268	198,567	202,934	207,429	211,997	216,696
User Fees and Charges	52,007	55,344	57,547	59,982	61,676	63,260	64,743	66,404	67,965	69,706	71,350
Interest Income	3,450	4,800	4,871	4,943	4,748	4,297	4,333	4,120	4,158	3,696	3,730
Other Income	18,330	18,339	18,400	18,463	18,510	18,550	18,592	18,634	18,677	18,722	18,768
Rental Income	5,809	8,977	8,888	8,501	8,756	8,975	9,199	9,429	9,665	9,907	10,154
Operating Grants & Contributions	9,310	9,844	9,902	9,362	9,362	9,262	9,262	9,262	9,262	9,262	9,262
Capital Grants & Contributions	27,872	38,322	26,631	14,788	13,143	13,143	13,036	13,143	13,143	13,143	13,143
Gain/Loss on Disposal of Assets	(1,582)	(920)	(920)	(920)	(920)	(920)	(920)	(920)	(920)	(920)	(920)
<b>Total Income from Continuing Operations</b>	<b>280,640</b>	<b>307,694</b>	<b>304,308</b>	<b>299,343</b>	<b>304,670</b>	<b>310,836</b>	<b>316,813</b>	<b>323,006</b>	<b>329,381</b>	<b>335,514</b>	<b>342,183</b>
<b>Expenditure from Continuing Operations</b>											
Employee Benefits and Oncosts	127,200	136,384	141,703	146,561	150,948	155,472	159,456	163,548	167,751	172,069	176,504
Borrowing Costs	860	792	724	680	639	597	555	511	466	421	374
Materials and Services	79,360	84,927	86,711	86,279	87,444	87,904	89,988	89,433	91,354	92,669	95,546
Depreciation	33,104	33,839	34,360	35,021	35,487	36,180	36,809	37,340	37,751	38,029	38,309
Other Expenses	12,988	13,260	13,462	13,654	13,852	14,029	14,210	14,397	14,590	14,788	14,991
Net losses from the disposal of assets											
<b>Total Expenses from Continuing Operations</b>	<b>253,513</b>	<b>269,202</b>	<b>276,961</b>	<b>282,194</b>	<b>288,370</b>	<b>294,182</b>	<b>301,017</b>	<b>305,229</b>	<b>311,913</b>	<b>317,976</b>	<b>325,724</b>
<b>Net Operating Result from Continuing Operations</b>	<b>27,127</b>	<b>38,492</b>	<b>27,347</b>	<b>17,149</b>	<b>16,300</b>	<b>16,654</b>	<b>15,796</b>	<b>17,777</b>	<b>17,468</b>	<b>17,538</b>	<b>16,460</b>
<b>Net Operating Result before Capital Items</b>	<b>(744)</b>	<b>170</b>	<b>716</b>	<b>2,361</b>	<b>3,157</b>	<b>3,511</b>	<b>2,760</b>	<b>4,634</b>	<b>4,325</b>	<b>4,395</b>	<b>3,316</b>



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

	2022/23 (\$'000)	2023/24 (\$'000)	2024/25 (\$'000)	2025/26 (\$'000)	2026/27 (\$'000)	2027/28 (\$'000)	2028/29 (\$'000)	2029/30 (\$'000)	2030/31 (\$'000)	2031/32 (\$'000)	2032/33 (\$'000)
<b>ASSETS</b>											
<b>Current assets</b>											
Cash and cash equivalents	118,683	99,565	70,863	56,934	44,186	46,421	42,746	43,768	43,770	44,413	45,039
Investments	80,148	65,138	53,485	41,686	33,060	33,544	29,353	34,297	37,492	41,159	40,708
Receivables	39,361	37,196	35,150	33,217	31,390	29,664	28,032	26,490	25,033	23,657	22,356
Inventories	199	200	201	202	203	204	205	206	207	208	209
Other	-	-	-	-	-	-	-	-	-	-	-
Non-current assets classified as 'held for sale'	-	-	-	-	-	-	-	-	-	-	-
<b>Total current assets</b>	<b>238,391</b>	<b>202,100</b>	<b>159,700</b>	<b>132,039</b>	<b>108,840</b>	<b>109,833</b>	<b>100,336</b>	<b>104,761</b>	<b>106,502</b>	<b>109,437</b>	<b>108,312</b>
<b>Non-current assets</b>											
Investments	58,950	58,950	58,950	58,950	58,950	58,950	58,950	58,950	58,950	58,950	58,950
Receivables	-	-	-	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-	-	-	-
Infrastructure, property, plant and equipment	2,492,381	2,564,665	2,632,951	2,676,365	2,716,540	2,732,073	2,760,433	2,773,433	2,789,287	2,803,678	2,824,207
Investments accounted for using the equity method	-	-	-	-	-	-	-	-	-	-	-
Investment property	80,907	80,907	80,907	80,907	80,907	80,907	80,907	80,907	80,907	80,907	80,907
Intangible assets	8,098	8,727	9,102	9,647	10,152	10,427	10,677	11,012	11,292	11,542	11,747
Right of use assets	901	964	1,005	1,047	1,078	1,105	1,133	1,161	1,190	1,220	1,251
Non-current assets classified as 'held for sale'	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
<b>Total non-current assets</b>	<b>2,641,238</b>	<b>2,714,214</b>	<b>2,782,915</b>	<b>2,826,916</b>	<b>2,867,627</b>	<b>2,883,463</b>	<b>2,912,100</b>	<b>2,925,464</b>	<b>2,941,627</b>	<b>2,956,297</b>	<b>2,977,062</b>
<b>TOTAL ASSETS</b>	<b>2,879,629</b>	<b>2,916,314</b>	<b>2,942,615</b>	<b>2,958,956</b>	<b>2,976,467</b>	<b>2,993,296</b>	<b>3,012,436</b>	<b>3,030,225</b>	<b>3,048,129</b>	<b>3,065,734</b>	<b>3,085,373</b>
<b>LIABILITIES</b>											
<b>Current liabilities</b>											
Payables	66,044	59,440	56,468	42,351	29,646	31,128	29,571	25,136	30,163	31,068	29,514
Income received in advance	-	-	-	-	-	-	-	-	-	-	-
Contract liabilities	1,243	1,243	1,243	-	-	-	-	-	-	-	-
Lease Liabilities	202	216	225	234	241	247	253	260	266	273	280
Borrowings	2,600	2,447	2,047	1,817	1,858	1,900	1,943	1,986	2,031	2,076	2,123
Provisions	30,149	30,450	30,754	31,062	31,373	31,686	32,003	32,323	32,647	32,973	33,303
Liabilities associated with assets classified as 'held for sale'	-	-	-	-	-	-	-	-	-	-	-
<b>Total current liabilities</b>	<b>100,237</b>	<b>93,795</b>	<b>90,737</b>	<b>75,464</b>	<b>63,118</b>	<b>64,961</b>	<b>63,771</b>	<b>59,705</b>	<b>65,106</b>	<b>66,390</b>	<b>65,219</b>
<b>Non-current liabilities</b>											
Payables	-	-	-	-	-	-	-	-	-	-	-
Income received in advance	-	-	-	-	-	-	-	-	-	-	-
Contract liabilities	1,877	635	-	-	-	-	-	-	-	-	-
Lease Liabilities	713	762	794	828	853	874	896	918	941	965	989
Borrowings	32,634	30,187	28,140	26,323	24,464	22,564	20,622	18,636	16,605	14,529	12,406
Provisions	2,316	2,339	2,362	2,386	2,410	2,434	2,458	2,483	2,508	2,533	2,558
Investments accounted for using the equity method	-	-	-	-	-	-	-	-	-	-	-
Liabilities associated with assets classified as 'held for sale'	-	-	-	-	-	-	-	-	-	-	-
<b>Total non-current liabilities</b>	<b>37,540</b>	<b>33,923</b>	<b>31,297</b>	<b>29,536</b>	<b>27,727</b>	<b>25,872</b>	<b>23,976</b>	<b>22,037</b>	<b>20,054</b>	<b>18,027</b>	<b>15,953</b>
<b>TOTAL LIABILITIES</b>	<b>137,777</b>	<b>127,718</b>	<b>122,034</b>	<b>105,001</b>	<b>90,845</b>	<b>90,834</b>	<b>87,747</b>	<b>81,742</b>	<b>85,160</b>	<b>84,416</b>	<b>81,173</b>
<b>Net assets</b>	<b>2,741,852</b>	<b>2,788,596</b>	<b>2,820,581</b>	<b>2,853,955</b>	<b>2,885,623</b>	<b>2,902,462</b>	<b>2,924,690</b>	<b>2,948,483</b>	<b>2,962,969</b>	<b>2,981,317</b>	<b>3,004,201</b>
<b>EQUITY</b>											
Retained earnings	2,409,741	2,448,234	2,475,581	2,492,730	2,509,030	2,525,685	2,541,481	2,559,257	2,576,726	2,594,263	2,610,724
Revaluation reserves	332,111	340,362	345,000	361,225	376,593	376,777	383,209	389,226	386,243	387,054	393,477
<b>Council equity interest</b>	<b>2,741,852</b>	<b>2,788,596</b>	<b>2,820,581</b>	<b>2,853,955</b>	<b>2,885,623</b>	<b>2,902,462</b>	<b>2,924,690</b>	<b>2,948,483</b>	<b>2,962,969</b>	<b>2,981,317</b>	<b>3,004,201</b>
<b>Total equity</b>	<b>2,741,852</b>	<b>2,788,596</b>	<b>2,820,581</b>	<b>2,853,955</b>	<b>2,885,623</b>	<b>2,902,462</b>	<b>2,924,690</b>	<b>2,948,483</b>	<b>2,962,969</b>	<b>2,981,317</b>	<b>3,004,201</b>

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

	2022/23 (\$'000)	2023/24 (\$'000)	2024/25 (\$'000)	2025/26 (\$'000)	2026/27 (\$'000)	2027/28 (\$'000)	2028/29 (\$'000)	2029/30 (\$'000)	2030/31 (\$'000)	2031/32 (\$'000)	2032/33 (\$'000)
<b>Cashflow from Operating Activities</b>											
<b>Receipts</b>											
Rates & Annual Charges	165,444	172,988	178,988	184,223	189,394	194,268	198,567	202,934	207,429	211,997	216,696
User Charges & Fees	52,007	55,344	57,547	59,982	61,676	63,260	64,743	66,404	67,965	69,706	71,350
Investment & Interest Income	3,450	4,800	4,871	4,943	4,748	4,297	4,333	4,120	4,158	3,696	3,730
Rental Income	5,809	8,977	8,888	8,501	8,756	8,975	9,199	9,429	9,665	9,907	10,154
Operating Grants & Contributions	9,310	9,844	9,902	9,362	9,362	9,262	9,262	9,262	9,262	9,262	9,262
Capital Grants & Contributions	27,872	38,322	26,631	14,788	13,143	13,143	13,036	13,143	13,143	13,143	13,143
Other	18,330	18,339	18,400	18,463	18,510	18,550	18,592	18,634	18,677	18,722	18,768
<b>Payments</b>											
Employee Benefits & On-Costs	(127,200)	(136,384)	(141,703)	(146,561)	(150,948)	(155,472)	(159,456)	(163,548)	(167,751)	(172,069)	(176,504)
Materials & Contracts	(79,360)	(84,927)	(86,711)	(86,279)	(87,444)	(87,904)	(89,988)	(89,433)	(91,354)	(92,669)	(95,546)
Borrowing Costs	(860)	(792)	(724)	(680)	(639)	(597)	(555)	(511)	(466)	(421)	(374)
Other Expenses	(12,988)	(13,260)	(13,462)	(13,654)	(13,852)	(14,029)	(14,210)	(14,397)	(14,590)	(14,788)	(14,991)
<b>Net Cash provided (or used in) Operating Activities</b>	<b>61,813</b>	<b>73,251</b>	<b>62,627</b>	<b>53,090</b>	<b>52,708</b>	<b>53,754</b>	<b>53,525</b>	<b>56,038</b>	<b>56,139</b>	<b>56,487</b>	<b>55,689</b>
<b>Cashflow from Investing Activities</b>											
<b>Receipts</b>											
Sale of Investment Securities	256,003	258,563	261,149	263,760	266,398	269,062	271,753	274,470	277,215	279,987	282,787
Sale of Real Estate Assets											
Sale of Infrastructure, Property Plant & Equipment	2,763	1,645	2,086	1,979	2,979	1,801	3,587	2,072	2,973	2,569	3,045
<b>Payments</b>											
Purchase of Investment Securities	(33,195)	(243,378)	(249,496)	(251,961)	(256,808)	(268,494)	(265,179)	(278,896)	(280,409)	(283,654)	(279,729)
Purchase of Infrastructure, Property, Plant & Equipment-	(95,425)	(106,752)	(103,021)	(78,980)	(76,167)	(51,988)	(65,419)	(50,676)	(53,885)	(52,669)	(59,043)
Purchase of Investment Property	(80,907)										
Contributions paid to Joint Ventures & Associates											
<b>Net cash provided (or used in) Investing Activities</b>	<b>49,239</b>	<b>(89,922)</b>	<b>(89,282)</b>	<b>(65,202)</b>	<b>(63,598)</b>	<b>(49,619)</b>	<b>(55,258)</b>	<b>(53,030)</b>	<b>(54,107)</b>	<b>(53,767)</b>	<b>(52,940)</b>
<b>Cashflow from Financing Activities</b>											
<b>Receipts</b>											
Proceeds from Borrowing & Advances											
<b>Payments</b>											
Payments of Borrowing & Advances	(2,600)	(2,447)	(2,047)	(1,817)	(1,858)	(1,900)	(1,943)	(1,986)	(2,031)	(2,076)	(2,123)
Lease Liabilities											
<b>Net Cash Flow provided (or used in) Financing Activities</b>	<b>(2,600)</b>	<b>(2,447)</b>	<b>(2,047)</b>	<b>(1,817)</b>	<b>(1,858)</b>	<b>(1,900)</b>	<b>(1,943)</b>	<b>(1,986)</b>	<b>(2,031)</b>	<b>(2,076)</b>	<b>(2,123)</b>
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>	<b>108,452</b>	<b>(19,117)</b>	<b>(28,702)</b>	<b>(13,929)</b>	<b>(12,748)</b>	<b>2,235</b>	<b>(3,675)</b>	<b>1,022</b>	<b>2</b>	<b>643</b>	<b>626</b>
Plus Cash & Cash Equivalents - beginning of year	10,231	118,683	99,565	70,863	56,934	44,186	46,421	42,746	43,768	43,770	44,413
<b>Cash &amp; Cash Equivalents - end of year</b>	<b>118,683</b>	<b>99,565</b>	<b>70,863</b>	<b>56,934</b>	<b>44,186</b>	<b>46,421</b>	<b>42,746</b>	<b>43,768</b>	<b>43,770</b>	<b>44,413</b>	<b>45,039</b>
Plus Investments on hand - end of year	139,098	124,088	112,435	100,636	92,010	92,494	88,303	93,247	96,442	100,109	99,658
<b>Total Cash &amp; Cash Equivalents &amp; Investments</b>	<b>257,781</b>	<b>223,654</b>	<b>183,298</b>	<b>157,570</b>	<b>136,197</b>	<b>138,915</b>	<b>131,049</b>	<b>137,015</b>	<b>140,212</b>	<b>144,522</b>	<b>144,697</b>

## **5. PERFORMANCE MONITORING**

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

### **5.1 Operating Performance Ratio**

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

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

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

### **5.3 Unrestricted Current Ratio**

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

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

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

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

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

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

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

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

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

### **5.8 Infrastructure Backlog Ratio**

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

### **5.9 Asset Maintenance Ratio**

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

### **5.10 Capital Expenditure Ratio**

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

### Inner West Council - Key Performance Indicators

Key Performance Indicators - Scenario 1	Benchmark	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
Operating Performance Ratio	>0	(0.29)%	0.06%	0.26%	0.83%	1.08%	1.18%	0.91%	1.50%	1.37%	1.36%	1.01%
Own Source Operating Revenue	>60%	86.75%	84.35%	87.99%	91.93%	92.61%	92.79%	92.96%	93.06%	93.20%	93.32%	93.45%
Unrestricted Current Ratio	>1.5x	2.22	2.00	1.63	1.61	1.60	1.59	1.50	1.69	1.62	1.65	1.68
Debt Service Ratio	>2x	12.78	14.22	17.49	20.94	21.14	21.21	20.66	21.39	20.95	20.64	19.79
Rates and Annual Charges Outstanding Ratio	<5%	6.37%	4.57%	4.52%	4.48%	4.43%	4.39%	4.34%	4.30%	4.26%	4.21%	4.17%
Cash Expense Cover Ratio	>3 Months	10.70	8.39	6.29	5.01	4.01	4.11	3.75	4.01	4.16	4.31	4.25
Infrastructure Renewal Ratio	>100%	120%	164%	183%	160%	140%	103%	119%	99%	103%	101%	102%
Infrastructure Backlog Ratio	<2%	0.36%	0.36%	0.39%	0.46%	0.53%	0.60%	0.66%	0.72%	0.80%	0.88%	0.96%
Asset Maintenance Ratio	>1	0.62	0.64	0.63	0.64	0.64	0.66	0.65	0.66	0.67	0.68	0.69

Key Performance Indicators - Scenario 2	Benchmark	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
Operating Performance Ratio	>0	(0.29)%	0.06%	0.26%	0.83%	1.08%	1.18%	0.91%	1.50%	1.37%	1.36%	1.01%
Own Source Operating Revenue	>60%	86.75%	84.35%	87.99%	91.93%	92.61%	92.79%	92.96%	93.06%	93.20%	93.32%	93.45%
Unrestricted Current Ratio	>1.5x	2.22	1.99	1.59	1.54	1.47	1.45	1.33	1.49	1.39	1.41	1.42
Debt Service Ratio	>2x	12.78	14.22	17.49	20.94	21.14	21.21	20.66	21.39	20.95	20.64	19.79
Rates and Annual Charges Outstanding Ratio	<5%	6.37%	4.57%	4.52%	4.48%	4.43%	4.39%	4.34%	4.30%	4.26%	4.21%	4.17%
Cash Expense Cover Ratio	>3 Months	10.70	8.31	6.10	4.75	3.64	3.69	3.25	3.47	3.53	3.64	3.55
Infrastructure Renewal Ratio	>100%	120%	169%	191%	165%	148%	106%	126%	102%	110%	104%	105%
Infrastructure Backlog Ratio	<2%	0.36%	0.26%	0.15%	0.14%	0.05%	0.06%	0.00%	0.00%	0.00%	0.00%	0.00%
Asset Maintenance Ratio	>1	0.62	0.64	0.63	0.64	0.64	0.65	0.65	0.66	0.67	0.67	0.69



### **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.