CAMPBELLTOWN CITY COUNCIL

LONG TERM FINANCIAL PLAN 2021-2031

Our plan towards Campbelltown 2027
Delivery Program 2017-2022 and Operational Plan 2021-22

We acknowledge the traditional custodians of the land, the Dharawal people and their unique and spiritual connections to the land.

We also respectfully acknowledge Elders past and present for the role they continue to play in guiding future generations.

Disclaimer

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

Contents

Integrated Planning and Reporting

Council is committed to sustainably planning for the future of Campbelltown and Council does this by working directly with the community to understand the vision for the city and its people.

This vision is delivered through a set of strategic plans including this document. These plans inform and guide the decisions made on behalf of the community as well as setting out the actions and deliverables that will help drive towards this shared vision.

Council ensures its strategic plans are developed in accordance with the statutory requirements of the NSW Integrated Planning and Reporting Framework (IPR) introduced in 2009. The framework recognises that Council and the community do not exist in isolation but are part of a larger framework that is interconnected. Council is required to write and report on these plans in a transparent and consultative manner. Campbelltown is championing IPR as a method to improve its internal planning and external communication and engagement.

The framework is designed to give the Council and the community a clear picture of:

- The long term vision for the City (Community Strategic Plan)
- What Council will deliver to get there (Delivery Program, Operational Plan and Resourcing Strategy)
- How progress towards the vision is measured (Quarterly, Annual and End-of-Term Reporting)

An integral part of this process is incorporating State and Federal planning into Council's processes and ensuring emerging issues and opportunities for the city are considered, mitigated and harnessed. This ensures Council is aware of when to align its planning, advocate for alternatives or take the initiative to shape the change for Campbelltown.

Data is also becoming an increasingly important factor in decision making for organisations and Council is embedding key data sets into its planning and decision making processes. Key demographic, community, environmental and organisational data is being used to inform the way Council delivers its services and makes key decisions.

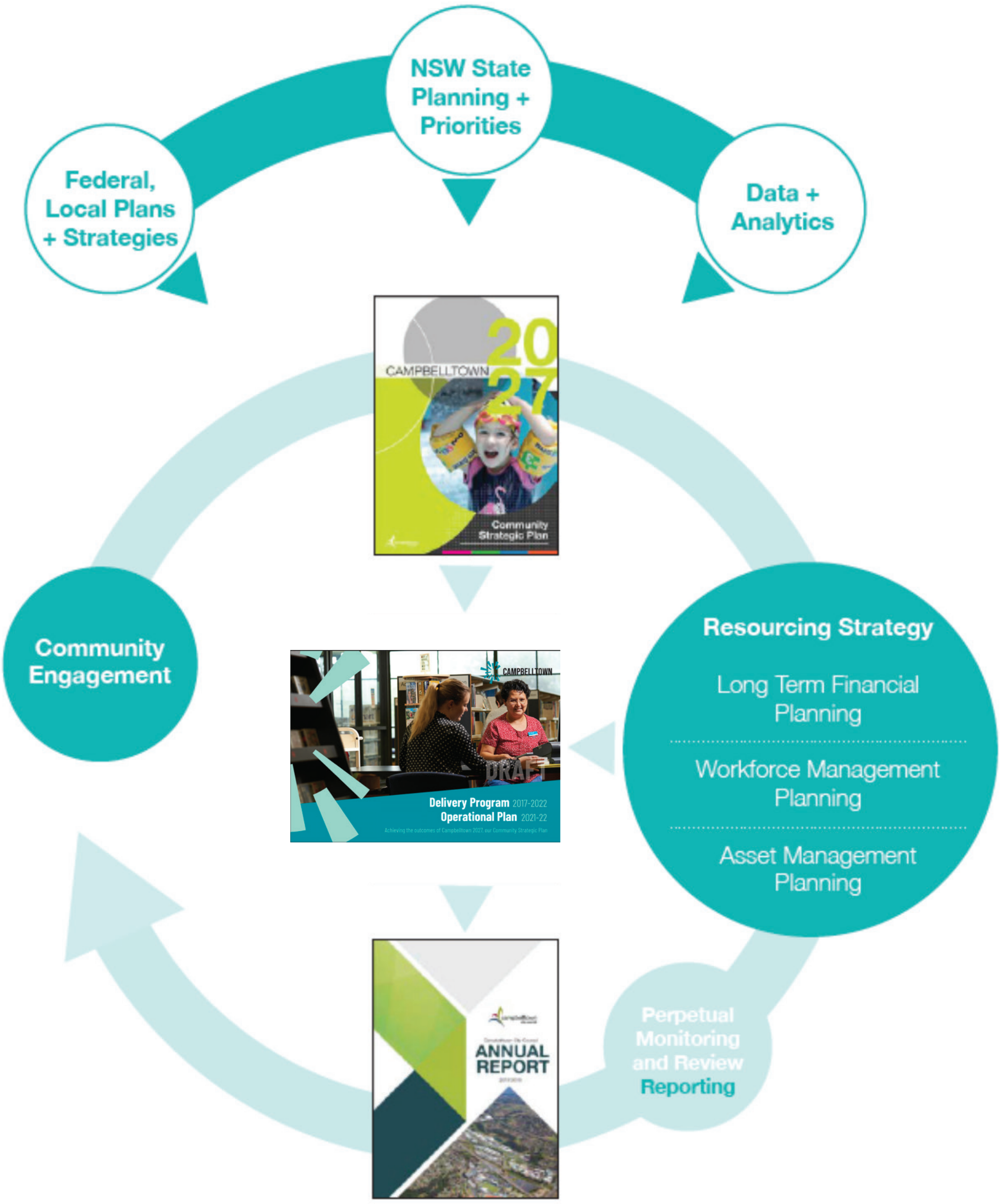
Referred to as Corporate Planning, all of Council's key Integrated Planning & Reporting documents and reports can be found at:

www.campbelltown.nsw.gov.au/CouncilandCouncillors/CorporatePlanningandStrategy

About This Plan

The Long Term Financial Plan forms a key component of Council's Resourcing Strategy. The Community Strategic Plan provides a vehicle for each community to express its long term vision and the Delivery Program and Operational Plan provides the actions and initiatives to deliver on this.

However, these aspirations will not be achieved without sufficient resources – time, money, assets and people – to carry them out. The Resourcing Strategy is a critical link when it comes to translating strategic objectives into actions. The Long Term Financial Plan ensures Council has the funding and investment strategies required to deliver on its projects and objectives.



Integrated Planning & Reporting (Corporate Planning) at Campbelltown

Long Term Financial Plan

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

The plan is a decision making and problem solving tool. The financial objectives, performance measures and strategies that Council has adopted in meeting financial sustainability challenges over the **Error! Reference source not found.** period are presented in this document.

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

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

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

The confirmation by the NSW Government of the Campbelltown/Macarthur CBD as one of Sydney's Strategic Centres is a major economic boost for the City. To ensure Campbelltown maximises the opportunities that the projected growth will deliver in terms of prosperity for the City of Campbelltown, the enhancement of residents' access to new jobs, better facilities and improved services. Council will need to respond and adapt to the challenge of rolling out its own services, and operating its own facilities more cost effectively and with an improved focus on customer service and satisfaction.

Council will be looking towards strengthening its already strong partnerships with State and Federal government agencies to assist with the development of critical infrastructure and ensure that the City's next phase of growth and development will deliver the right outcomes for our City.

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

The **Error! Reference source not found.** adopted budget and **Error! Reference source not found.** Financial Statements form the base years for the Long Term Financial Plan.

This Plan has been prepared in accordance with the requirements as outlined in the Integrated Planning and Reporting Manual for local government in NSW, March 2013 issued by the now Office of Local Government NSW, Department of Planning, Industry and Environment.

COVID-19 Update

The corona virus (COVID-19) pandemic has presented to Council a unique environment in which this LTFP has been prepared in. The unprecedented nature of the current crisis means it is difficult for Council to fully understand the impact COVID-19 will have on Council's long term financial position. Where possible, Council has modelled reasonable assumptions into the forecast and will reassess this modelling in the subsequent LTFP. Council will also report on required amendments to the Operational Plan and Budget quarterly.

Financial Sustainability

For councils to meet the service and infrastructure needs of their communities, they need to be financially sustainable. The NSW Treasury Corporation (TCorp) defined a financially sustainable council as one that, over the long term, is able to generate sufficient funds to provide the level and scope of services and infrastructure, agreed with its community through the Integrated Planning and Reporting process.

What is Financial Sustainability?

In considering the issue of financial sustainability, TCorp and the Office of Local Government (OLG) have established what they consider to be a concise definition, that being:

A local government will be financially sustainable over the long term when it is able to generate sufficient funds to provide the levels of service and infrastructure agreed with its community

Measuring Financial Sustainability

It is important that Council regularly assesses its financial performance and position against the projections contained in the LTFP. As part of this process Council needs to determine what factors it will monitor on a regular basis. It is proposed that these factors include the following:

Sustainability

That Council can generate sufficient funds over the long term to provide the agreed level and scope of services and infrastructure for communities as identified through the Integrated Planning and Reporting process.

Operating Performace Ratio

- Measures Council's achievement in continuing operating expenditure within operating revenue
- Benchmark: > or equal to break-even (0%)

Own Source Operating Revenue Ratio

- Measures fiscal flexibility and the degree of reliance on external funding sources such as grants and contributions
- Benchmark: >60%

Building and Infrastructure Asset Renewal Ratio

- Assess the rate at which these assets are being renewed against the rate at which they are depreciating
- Benchmark: >100%

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

It should be noted this ratio uses depreciation as the denominator and ignores the calculated renewal funding requirement under lifecycle costing of an asset as modelled in Council's Asset Management Plans. However, this ratio is used by the Local Government Code of Accounting Practice and is also a Fit for the Future measure, hence why it has been published as part of this plan

Effective Infrastructure and Service Management

That Council can maximise the return on resources and minimise unnecessary burden on the community and business, while working strategically to leverage economies of scale and meet the needs of communities as identified in the Integrated Planning and Reporting process.

Infrastructure Backlog Ratio

- Indicates the proportion of backlog against the total value of Council's infrastructure assets
- Benchmark: <2%

Asset Maintenance Ratio

- Reflects the actual asset maintenance expenditure relative to the required asset maintenance
- Benchmark: 100%

Debt Service Ratio

- Assesses the impact of loan principal and interest repayments on discretionary revenue
- Benchmark: Between 0% and 10%

Liquidity

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

Unrestricted Current Ratio

- Reflects Council's ability to meet debt payments as they fall due
- Benchmark: >1.5%

Cash and Expense Coverage Ratio

- Indicates the number of months Council can continue paying for its immediate expenses without additional cash inflow
- Benchmark: ≥ 3 months

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

The cash and expense coverage ratio tests the unlikely situation where Council will no longer receive any additional cash inflow and how many months it will be able to continue to meet its immediate expenses.

Key Assumptions Used to Develop the Plan

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

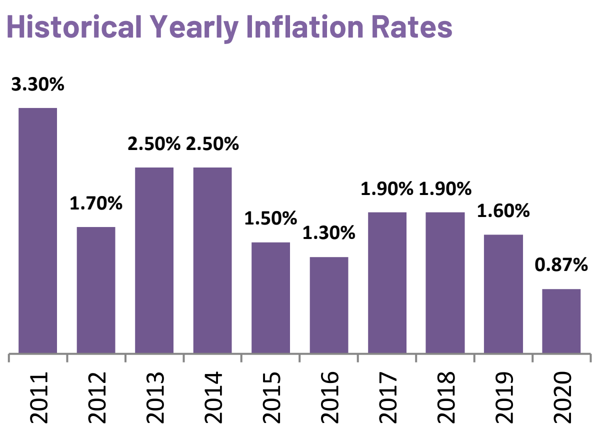
- Future determinations of the rate peg are forecast to be up to **Error! Reference source not found.**, however, this may vary depending on the recommendation of the Independent Pricing and Regulatory Tribunal (IPART) from year to year
- Service levels are largely maintained throughout the plan
- Population growth is estimated to continue to increase at **Error! Reference source not found.** per annum
- The Consumer Price Index (CPI) is estimated at a flat rate of **Error! Reference source not found.** per annum
- In general, future expenses and revenues have been calculated to reflect forecasts for the CPI
- Increases in revenue from user charges have been maintained using a combination of the CPI and the IPART Local Government Cost Index with utilisation rates remaining steady
- Salary and wage increases are estimated to be on average up to 2.2 percent per annum including turnover
- New borrowings are restricted to ensure the Debt Service Ratio remains less than 10 percent.

Strategic capital expenditure will be considered suitable for funding from internal or external loans in line with intergenerational equity considerations.

Inflation

CPI is a measure of the change in price of a 'basket' of goods and services. The Reserve Bank has a policy to maintain an inflation rate between its annual target of 2 – 3 percent. Therefore where appropriate, this plan uses a mid-range forecast of a **Error! Reference source not found.** annual inflation rate.

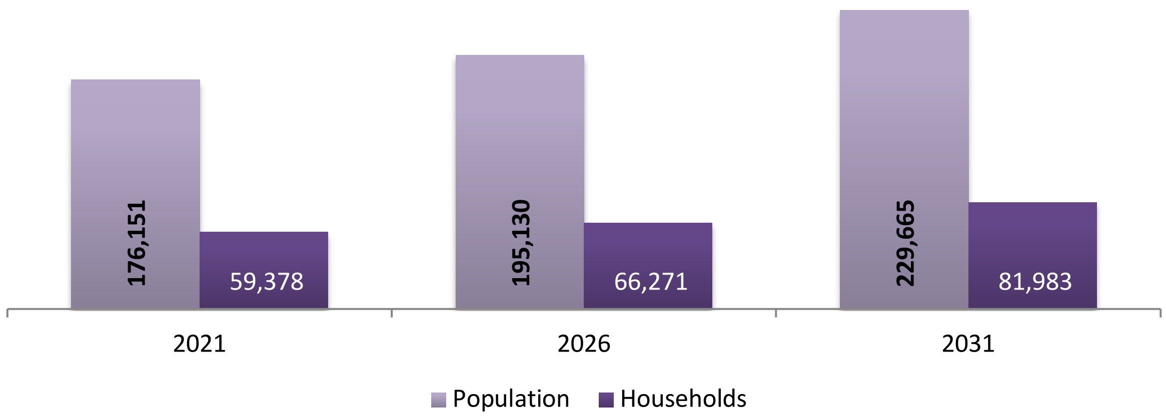
In preparation of the LTFP however, careful consideration was given to yearly movements in actual costs witnessed over the previous seven year period. From this data, both the historical average annual growth rate and the seven year compounded growth were calculated. These values were contrasted against the forecast inflation rate and where there was a material difference, preference was given towards the historical growth rates.



Population

A key driver in the level of services Council is required to deliver over the next 10 years is the size of the resident population and number of households within the Local Government Authority (LGA). In the 2016 Census, there were 161,998 people in the Campbelltown LGA. However the Census count is not considered the official population of an area due to limitations in the data collected. It is an official count of all people and dwellings in Australia on Census night, and collects details of age, sex, religion, education and other characteristics of the population. The next Census will be conducted on 10 August 2021.

To provide a more relevant population figure the Australian Bureau of Statistics also produces "Estimated Resident Population" (ERP) numbers for each area. It is updated between Censuses - quarterly for state and national figures, and annually for local government areas. The ERP is based on the usual residence population and includes adjustments for Census undercount, Australian residents who were temporarily overseas on Census night, and backdates the population to 30 June. Each year's updates take into account births, deaths and both internal and overseas migration. The LTFP is modelled on the ERP figures however also references Planning NSW data projections and known development activity as detailed in the new dwelling forecasts



30.4%

Total percentage change in population between 2021 and 2031

3.0%

Average annual percentage change in population between 2021 and 2031

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

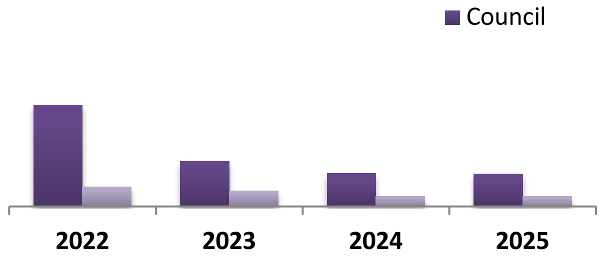
Expenditure Assumptions

Major Planned Expenditure

Over the next 10 years, Council will invest and foster approximately $591m on a range of capital projects and assets across the City. This includes the substantial renewal of Campbelltown's existing assets, as well as the development of new services, facilities and infrastructure networks. Major projects that will be considered over the next few years are listed below:

- **Badgally Road:** Upgrade Badgally Road to four lanes from Eagle Vale Drive to North Steyne Road including installation of traffic signals at two intersections and a two lane circulating roundabout
- **Campbelltown Billabong Parklands**: Commence design and construction of the Billabong project including recreational water play facilities over a four hectare site in the city centre on the corner of Oxley Street and The Parkway, Bradbury
- **Community Recycling Centre (CRC)**: The CRC will provide residents with a dedicated drop-off facility for household problem wastes such as paints and oils, gas bottles, e-waste, batteries and the like. It is due for completion by mid 2021
- **Centre of Excellence**: Initiate the construction phase for the Campbelltown Sport and Health Centre of Excellence
- **Bunnings**: Finalise construction of Bunnings development on Council land (Farrow Road)

4 Year Capital Expenditure Program $M



As well as these major projects, investigations/works are underway for the following potential projects:

- Investigate site options for a new Civic Library in Campbelltown CBD
- Progress plans for the Health and Education Precinct
- Investigate Campbelltown and Ingleburn CBD Stormwater upgrade options
- Arts Centre expansion
- South West Sydney Community and Justice Precinct
- Investigate feasibility to expand Campbelltown Stadium.

Employee Costs

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

The employee costs for **Error! Reference source not found.** and forward budgets have been adjusted to take into account anticipated Local Government Award wage movements and salary system skills progression.

The plan reflects annualised gross wage increases up to 2.0 percent over the life of the plan. Any plans for changes to employee numbers or reclassifications will be required to be part of the Workforce Management Plan with supported funding.

The **Error! Reference source not found.** Operational Plan will support the existing organisational structure that will meet a new set of priorities in strengthening our organisation to deal with future challenges and the growth of our city.

In 2009-2010, the Local Government Superannuation Defined Benefits Scheme doubled the normal contribution rate required to be paid by Council in order to sustain the viability of the fund due to the Global Financial Crisis (GFC). The increased payments will continue for several years and have added approximately $485,000 per year to operational costs.

Materials and Contracts

Materials expenses have been adjusted in line with an inflation factor of up to **Error! Reference source not found.**. Contracts expenses have been adjusted with a growth factor of up to 3 percent to match historical trends.

Depreciation

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

Borrowing Costs

Borrowing costs represents the interest paid on borrowings. There are no future external borrowings factored into this Plan, rather an internal borrowing strategy for $2.75m in the first two years of the plan and $1m in the third year to fund recurrent capital expenditure. This will reduce the external borrowing costs paid per annum from **Error! Reference source not found.** by a reducing amount of around $120k. This strategy will increase Council's capacity to borrow externally through the State Borrowing Facility for major stand-alone capital projects and support intergenerational equity principals.

Other Expenses

Other expenses incorporate items such as insurance, telecommunication and utility charges. The plan includes a default CPI increase of up to **Error! Reference source not found.** for the majority of items however this rate is adjusted where an analysis of historical growth rates materially differs.

Revenue Assumptions

Rates

For the **Error! Reference source not found.** budget, Council has applied the rate peg limit as set by IPART of 2 percent. The LTFP has maintained a conservative approach for all subsequent years and has applied a general rates increase of **Error! Reference source not found.** to be in line with the Local Government Cost Index developed by IPART. Invariably, rate pegging increases have been less than the actual increases in costs faced by Council. Despite these constraints, and with the cost of materials and provision of services increasing above the Consumer Price Index (CPI), Council maintains a sound financial position through continuous efficiency gains and productivity improvements. The Special Rate Variation received in the 2014-2015 financial year has strengthened Council's long term financial position and provides a means to renew and revitalise the city's assets and ultimately address Council's asset maintenance and renewal backlog.

Domestic waste management

The Domestic Waste Management Charge will increase by 9.6 percent from the current charge of $357.52 per annum to $391.95 in **Error! Reference source not found.**. Projected increases for future years have been based on up to 5 percent per annum, however, will reflect the costs of providing the service on a yearly basis. This charge is calculated using cost recovery methodology.

Operating grants

The Australian Accounting Standards require councils to recognise grant income when receipted. This accounting treatment is required for any other grants that councils receive in advance, irrespective of annual expenditure of those grants, which may be in future years. This has an effect of distorting the income statement between years. However, the net budget impact is zero between various financial years. In broad terms, all other recurrent operating grants in future years are generally projected to increase less than CPI at around 1 percent.

Operating contributions

There are only relatively minor allocations budgeted to be received from community groups and sporting clubs as their contribution towards projects in future years. Subsidies received from Local Infrastructure Renewal Scheme borrowings are also allocated to this category.

Interest

Interest on investments is assessed on a conservative basis. Interest income only makes up around 2 percent of total revenue so changes in this area will only marginally affect Council's LTFP. The net positive yields on cash investments along with a reduction in portfolio balance due to the funding of major capital works are factored into income with a return that is less than 1 percent per annum.

User charges

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

Statutory fees

While Council has discretion over the level of fees and charges in general, there are a variety of fees that are prescribed by the State Government. These statutory fees typically increase on a periodic basis rather than annually. The trend over the future years is therefore flatter than user charges income however as many of these fees arise through development functions there is fluctuations experienced that reflect housing market activity. The majority of statutory fees have been modelled to increase by up to 2.5 percent over the next 10 years.

COVID 19 Implications

At the time of writing the LTFP, the full impact of COVID-19 on Council's long term financial position requires ongoing modelling. As such, estimated impacts from COVID-19 have been modelled in the Pessimistic scenario in this instance. Council will reassess the modelling in the subsequent LTFP whilst also report on required amendments to the Operational Plan and Budget quarterly.

Scenarios

This LTFP presents long term projections based on various assumptions. As it is difficult to accurately predict all future trends, alternative scenarios have been modelled to help provide an indication of Council's future financial position under a variety of circumstances. The statements of all scenarios are presented in this plan however only the ratios for the base scenario have been presented.

Base Scenario

The base scenario forms the basis of Council's LFTP. It is based on a range of assumptions which are considered most likely to occur over the next 10 years based on an assessment of current economic conditions and historical trends. Whilst this scenario does not represent a pessimistic view of future trends, it does encompass a degree of conservatism in modelled growth rates in expenditure and revenue.

The following two scenarios are based on outcomes that whilst are not considered unrealistic to occur, are considered to be less likely to occur. The forecast financial statements for all scenarios are presented in this plan. However performance measures only for the base are presented.

Risks and Sensitivity Analysis

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

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

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

Category	Assumption	Risk	Level of risk	Reason for level of risk, and impact on Long Term Financial Plan
Population	Planning for activities, and thus the likely cost of providing those activities, considers that the population of Campbelltown will increase at the rate forecast by Council's growth model. That model predicts the population of Campbelltown to reach 229,665 by 2031	That population growth is higher than projected, and Council will need to provide additional unplanned services and infrastructure though will yield additional rates	Low	Population projections are based on a standard set of demographic assumptions inclusive of additional growth. Population projections are not expected to rapidly change, therefore the level of risk is low and little financial impact is expected
		That population growth is lower than projected, and Council will be required to support excess levels of infrastructure and service delivery based on growth happening outside of the LGA which provides no rates yield	Low	
Growth	Council levies rates on property owners to fund community services and the costs of infrastructure in the city. The total projected revenue from rates is dependent on the forecast growth in the number of residential, business, farmland and mining properties. This forecast is	Should growth in the number of properties vary considerably from forecasts, there is a possibility that revenue collected from rates will be too much or too little to fund Council's services and capital program	Moderate	Growth projections are based on a standard set of demographic assumptions inclusive of additional growth. Growth projections are not expected to change quickly, however the timing of that growth and its impact on Council's revenue will affect the funds available

Category	Assumption	Risk	Level of risk	Reason for level of risk, and impact on Long Term Financial Plan
	based on Council's growth model, modified for short to medium term economic conditions and depends on the demands of the market	If the timing of growth differs significantly from forecast, this will impact on Council's cash flows and may necessitate changes to planned borrowings for capital purposes	Moderate	for service provision in this Long Term Financial Plan
Economic environment	Council has prepared this Long Term Financial Plan on the basis that current predictions on the rate of growth in world market conditions will remain low over the medium to short term.	The current market conditions significantly decline impacting on cost of borrowing, returns on investments and cost of foreign currency transactions.	Low	Projections built into this this Long Term Financial Plan factor in Council paying all external borrowings by 2025. Council manages the risk in the interim by borrowing long term and fixing the interest rate. The income derived from investments comprises around 2% of total revenue so changes in this amount is not likely to materially impact on Council's financial viability. It should also be noted that Council does not engage in transactions expressed in foreign currencies and is therefore not directly subject to foreign currency risk.

Category	Assumption	Risk	Level of risk	Reason for level of risk, and impact on Long Term Financial Plan
Environmental change	This Long Term Financial Plan is prepared on the assumption that environmental change (i.e. climate change) will not have a direct significant impact on the environment of Campbelltown within the 10 year Long Term Financial Plan	Environmental change accelerates	Low	Should environmental impacts significantly change such that the environment and economy of Campbelltown is greatly affected in the next 10 years, the activities and services outlined in the Long Term Financial Plan will fundamentally change. These changes would be reflected in an amended Long Term Financial Plan
Legislative change	Council will continue to operate within the same general legislative environment and with the same authority as it does at the time this Long Term Financial Plan is published.	Should the Local Government legislative environment change, the services and functions Council plans to provide over the 10 year period could change	Moderate	At the time of adopting this Long Term Financial Plan, Council is unable to determine how potential significant legislative change might impact its operations or quantify the potential financial impact.
Statutory fees	Based on historical trends, statutory fees are assumed to increase by an average of 2.75% per year	That statutory fees increase by less than the assumed rate	Low	Statutory fees make up slightly less than 3% of Council's revenue base and as such identified a low level of financial impact
Service levels	Service levels largely remain the same throughout the Long Term Financial Plan	Requirement of service levels to increase	Moderate	The provision of current service levels requires 100% of current income streams. Any increase in service levels requires sourcing of new/increased income streams or the reduction of another service level to offset. The Billabong Parklands forecast operational costs have been factored into this model from FY23 onwards.

Category	Assumption	Risk	Level of risk	Reason for level of risk, and impact on Long Term Financial Plan
Rating base	The projected percentage increase in rates is in accordance with the estimated annual determination by the Independent Pricing and Regulatory Tribunal under delegation by the Minster for Local Government. The rate peg determination for 2021-2022 is 2%. The increases in rates for years from 1 July 2022 include the assumption that the annual determination will be 2%. This will generate additional income of approximately $1.9m each year	The Ministerial rate determination is less than 2%	High	Variances between the forecast and the actual rate peg by every 0.5% would result in an average shortfall of $500k per annum
	Redevelopment of Housing NSW estates i.e. Claymore and Macquarie Fields will occur outside predicted timeframes	The redevelopment occurs at an increased pace than anticipated	Moderate	Any redevelopment of an estate with Housing NSW properties will impact the plan during the demolition and rebuilding phase due to vacant land being exempt from rates. Once rebuilt, the properties will be rateable again. Market forces will determine the speed at which the development occurs and as such, it is anticipated to extend beyond the 10 year period reflected in this Long Term Financial Plan
	Development of the plan assumes that the current level of rate exemptions remain constant	The scope for increased entitlement to exemptions	High	Community Housing Providers that meet the Public Benevolent Institution criteria may be exempt from paying land rates to local councils. The impact on Council's revenue could potentially be up to $5m dependent upon applicants meeting appropriate criteria

Category	Assumption	Risk	Level of risk	Reason for level of risk, and impact on Long Term Financial Plan
Domestic waste management	The plan assumes the Domestic Waste Charge will increase on average by 5% per year due to possible significant increases to the Domestic Waste Disposal contract	On renewal of the disposal or collection contracts, contractor prices increase greater than 5%	Low	The Domestic Waste Charge is calculated based on pure cost recovery of service provision. Therefore an increase in the contractors cost will be directly offset by an increase in the annual charge. The impact on residents of a 5% increase is approximately $20 per year per assessment
Council policy	There will be no significant changes to Council policy as summarised in this Long Term Financial Plan	New legislation is enacted that requires a significant policy response from Council	Low	Dealing with changes in legislation is part of normal Council operations, however impact on resources will be assessed and will increase the exposure to further resource requirements
		Election of a new Council with different objectives from current Council	Moderate	Any proposed significant change to Council policy would be assessed in terms of impact on Council's financial position
Financial assistance grants	The Long Term Financial Plan assumes Council's financial assistance grant will experience no growth.	Changes to amount of grant or variation to assessment criteria equating to a reduction in Council's allocation	Moderate	Every 1% the Financial Assistance Grant movement is below target equates to around $100k. Council is not informed of their Financial Assistance Grant allocation until approximately August of the same financial year. Council is not informed of allocations beyond the one year period however have been advised metro Councils may see decreases in coming years due to a redistribution review to Regional and Rural Councils.

Category	Assumption	Risk	Level of risk	Reason for level of risk, and impact on Long Term Financial Plan
Inflation	The price level changes projected will occur. In developing this Long Term Financial Plan, Council has based inflation projections at an average 2.5% per annum	Inflation is higher or lower than anticipated	Low	Inflation is affected by external economic factors
		Inflation on costs will not be offset by inflation on revenues	Moderate	Any inflationary increase in Council's costs that is not offset by efficiency gains or revenue increases is likely to impact service levels and works programmed
Borrowing costs	Interest on debt is known and calculated according to the fixed rate contract. Council assumes no further Local Infrastructure Renewal Scheme rounds to be available. Council has proposed to borrow internally from reserves and meet repayments incorporating an interest rate subject to market lending conditions and Council's financial position.	Interest rates will vary from those projected	Low	Relates to projected new external debt at anticipated new interest rates. Existing borrowings are fixed term interest rates and as such, interest expense and repayments are known. If the actual interest rates are higher than the assumed rate, it should be noted it will be hedged by increased interest on investments and property rental revenue. As Council proposes to borrow internally for recurrent capital works without new external borrowings forecast interest rate fluctuations will not impact this Plan.
Return on investments	Interest on investments is calculated at around 1% for year 1 and held constant for all future years	Interest rates will vary from those projected	Moderate	Rates used are based on detailed analysis. If actual interest rates are lower than the assumed rate, expenditure priorities would be re-evaluated or alternative funding mechanisms utilised. It should be noted that any increases in revenue due to increased interest rates may be partially offset by increased interest borrowing costs on any new loan borrowings or offset by larger funds on investment

Category	Assumption	Risk	Level of risk	Reason for level of risk, and impact on Long Term Financial Plan
Asset revaluations	The impact of asset revaluations on carrying values and depreciation will occur as projected	Revaluations will materially differ from those projected, thereby changing projected carrying values of the assets and depreciation expense	Moderate	Variation in values is expected to be low unless valuation methodology changes or there is an unexpected movement in market values
Asset life	Useful life of assets is as recorded in the asset management plans or based on professional advice. The useful life of assets grouped by asset class	Assets wear out earlier than estimated or asset lives are changed due to revisions of the asset management plans or new advice	Moderate	Capital renewal could be brought forward in the event of early expiration of assets, but depreciation expense and financing costs would increase
Depreciation and amortisation	Assumes maintenance of existing arrangements for the purchase and sale of assets. Directly impacted by Council's Asset Management Strategy and the impact of any revaluation in asset classes. This Plan forecasts depreciation based on a straight line methodology for long and medium life infrastructure assets.	Methodology does not realise the anticipated result	Moderate	Council does not fund depreciation and amortisation of assets. As such, the changes in depreciation will not impact Council's budget, however, will be reflected on Council's income statement and will also impact the Operating Performance Ratio, Building and Infrastructure Asset Renewal Ratio and Real Operating Expenditure per capita result.
Contract rates	Re-tendering of major contracts will not result in significant cost increases other than those that are comparable with the rate of inflation	There is a significant variation in price from re-tendering contracts	Moderate	Council would review the scope of work planned to meet the budget restrictions

Category	Assumption	Risk	Level of risk	Reason for level of risk, and impact on Long Term Financial Plan
	The plan has factored in a 5% increase in disposal charges for Domestic Waste collected	There is a significant variation to the current contract or a new contract is negotiated	Moderate	The Domestic Waste Charge is calculated based on pure cost recovery of service provision. Therefore an increase in the contractors cost will be directly offset by an increase in the annual charge. The impact on residents of a 1% increase is approximately $4 per year per assessment
Capital works	Actual costs will vary from estimates, due to higher input prices or delivery delays, resulting in budget shortfalls	Asset renewal and replacement budgets have been prepared on the basis that future the rate peg of 2% is determined by the Minister and all current sources of funding remain available	Moderate	Council is confident in the planning work undertaken on capital projects, but recognises external economic factors may impact on the costs and delivery timeframes for capital works
Superannuation	In 2013 the Federal Government announced changes that will gradually increase the Superannuation Guarantee Levy from 9% to 12%. This increase has been frozen at 9.5% and this is basis that the LTFP has been prepared.	That employee costs increase more than projected	Moderate	As Council is a service provider, employee costs are a large portion of operating expenses. A 2.5% increase in employee costs is estimated to increase superannuation costs by $150k
Energy-utilities	The plan assumes an energy increase of 4% per year. This accounts for price and usage based increases offset by sustainability projects savings and is in line with the seven year historical growth rate.	That utility costs increase more than projected	Moderate	An increase of 1% above forecasts would increase utility costs by less than $30k

Category	Assumption	Risk	Level of risk	Reason for level of risk, and impact on Long Term Financial Plan
Cost shifting	The issue of cost shifting has, in recent years, been of significant concern to councils in NSW and all over Australia. In the most recent published report by Local Government NSW Council estimates the total cost shifting for Council to be $8.1m.	That new or increased services and functions are transferred to Local Government responsibility	Moderate	Should State and Federal Governments continue to transfer responsibilities and the associated costs for the provision of services to Local Government, this will have negative implications for Campbelltown's long term financial outlook. Cost shifting absorbs around 5% of Council's operational income.
Employee costs	The staffing and organisation structure remains constant	Changes to levels of service	Moderate	As Council is a service provider, employee costs are a large portion of operating expenses. Forecasting assumptions used are based on expected Local Government Award variations and performance based increases. An increase of 1% above forecasts would increase **Error! Reference source not found.** employee costs by $768k (equivalent to less than 1% of rates)

Key Financial Indicators

Sustainability

Indicator #1 - Operating performance measure

Indicator Title: **Operating Performance Ratio**

Indicator Definition: Net continuing operating result (excluding capital grants and contributions) / Total continuing operating revenue (excluding capital grants and contributions)

Benchmark:

≥ 0%

0% - (3%)

< (3%)

Year ended									
June 2022	June 2023	June 2024	June 2025	June 2026	June 2027	June 2028	June 2029	June 2030	June 2031
(1.11%)	1.15%	2.02%	2.48%	2.25%	2.89%	3.14%	3.41%	3.34%	4.10%

Operating Performance Measure Explained

Measures a Council's ability to contain operating expenditure within operating revenue.

A ratio of less than negative 3% is undesirable between 0% and negative 3% is fair greater than or equal to 0% (break even) is good

Commentary

It is important to note that this indicator is heavily impacted by depreciation and the split of capital works v operational expense that is dispersed during any one year. Depreciation is an accounting measure of the estimated reduction in asset value over time. Rather than the basic calculation of depreciation, Council funds the total asset renewal and maintenance required according to detailed lifecycle modelling of each individual asset and in alignment with Council's Asset Management Plans. Council's short term sustainability is better reflected by reference to the Unrestricted Current Ratio and Own Source Revenue Ratio. Council's longer term sustainability can also be supported by the improved infrastructure backlog ratio.

Indicator #2 - Own Source Revenue

Indicator Title: **Own Source Revenue Ratio**

Indicator Definition: Total continuing operating revenue (excluding all grants and contributions) / Total continuing operating revenue

Benchmark:

> 60%
50 - 60%
< 50%

Year ended

June 2022	**June 2023**	**June 2024**	**June 2025**	**June 2026**	**June 2027**	**June 2028**	**June 2029**	**June 2030**	**June 2031**
62.84%	71.70%	76.01%	76.47%	76.92%	78.08%	78.50%	78.92%	85.15%	86.18%

Own Source Revenue Measure Explained
This ratio measures fiscal flexibility and robustness. 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 source revenue. It also gives Council a greater ability to manage external challenges that arise.

Commentary
Council forecasts to exceed the benchmark for Own Source Revenue in the long term. This displays Council's ability to control operating performance and support financial sustainability. Council's performance in this ratio is heavily impacted by developer contributions that are excluded as own source revenue and are significant in value.

Indicator #3 - Cash Liquidity Position after accounting for external reserves

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

Year ended

June 2022	June 2023	June 2024	June 2025	June 2026	June 2027	June 2028	June 2029	June 2030	June 2031
2.94	3.20	3.57	4.04	4.38	4.73	5.08	5.42	5.73	6.06

Cash Liquidity Position Measure Explained
Shows Council's ability to meet debt payments as they fall due.

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

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

Indicator #4 - Borrowing and Debt Servicing

Indicator Title:	**Debt Service Ratio**
Indicator Definition	Cost of debt service (interest expense and principal repayments) / Total continuing operating revenue (excluding capital grants and contributions)
Benchmark:	> 0% - 10% 10% - 20% > 20%

Year ended June 2022	Year ended June 2023	Year ended June 2024	Year ended June 2025	Year ended June 2026	Year ended June 2027	Year ended June 2028	Year ended June 2029	Year ended June 2030	Year ended June 2031
1.54%	1.40%	0.74%	0.55%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Debt Service Ratio Measure Explained

This measure reflects the percentage of annual revenue required to meet annual loan repayments. Prudent debt usage can also assist in smoothing funding costs and promoting intergenerational equity.

A ratio of greater than 20% is undesirable Between 10% and 20% is fair and less than 10% is good

Commentary

Council's ability to service its debt is excellent.

Indicator #5 - Cash Expense Coverage

Indicator Title:	**Cash Expense Cover Ratio**
Indicator Definition:	(Current year's cash and cash equivalents + term deposits / Payments from cash flow of operating and financing activities)*12
Benchmark:	≥ 3 Months (green) < 3 months (red)

Year ended

June 2022	June 2023	June 2024	June 2025	June 2026	June 2027	June 2028	June 2029	June 2030	June 2031
13.6	14.4	15.6	16.8	17.8	18.9	19.8	20.7	21.4	22.4

Building and Asset Renewal Expenditure Measure Explained
This ratio compares the proportion spent on infrastructure asset renewals and the asset's deterioration in terms of depreciation.

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

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

Indicator #6 - Building and Asset Renewal

Indicator Title:	**Building and Asset Renewal Ratio**
Indicator Definition:	Asset renewals (building and infrastructure) / Depreciation, amortisation and impairment (building and infrastructure)
Benchmark:	≥100%
	Less than 100%

Year ended

June 2022	June 2023	June 2024	June 2025	June 2026	June 2027	June 2028	June 2029	June 2030	June 2031
74.35%	70.40%	71.89%	71.23%	75.83%	76.97%	78.31%	79.79%	81.65%	83.65%

Building and Asset Renewal Expenditure Measure Explained
This ratio compares the proportion spent on infrastructure asset renewals and the asset's deterioration in terms of depreciation.

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

Commentary
This ratio also uses the accounting measure of depreciation as the required spend on renewing Council's assets per annum. Depreciation is an accounting measure and does not reflect any condition ratings and at best only reflects a residual value. Council undertakes much more complex modelling using current condition assessments of assets to determine actual funding required over the life of each individual asset. Council is currently funding 100% of renewal requirements in strict accordance with the Asset Management Plans. This will result in complete elimination of the infrastructure renewal backlog within a 10 year period. It is also important to note Campbelltown City Council received a 'Strong' Infrastructure Management Assessment rating by the Office of Local Government in the 'Local Government Infrastructure Audit' June 2013.

Indicator #7 - Infrastructure Backlog

Indicator Title:	**Infrastructure Backlog Ratio**
Indicator Definition	Estimated cost to bring assets to a satisfactory condition / Total (WDV) of infrastructure, buildings, other structures, depreciable land, and improvement assets
Benchmark:	< 2%
	2% - 3%
	> 3%

Year ended June 2022	Year ended June 2023	Year ended June 2024	Year ended June 2025	Year ended June 2026	Year ended June 2027	Year ended June 2028	Year ended June 2029	Year ended June 2030	Year ended June 2031
0.55%	0.35%	0.15%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Infrastructure Backlog Measure Explained

The infrastructure backlog ratio indicates the proportion of backlog against the total value of Council's infrastructure assets. It is a measure of the extent to which asset renewal is required to maintain or improve service delivery in a sustainable way. This measures how Council is managing infrastructure which is so critical to effective community sustainability.

A ratio of greater than 3% is undesirable   Between 2% and 3% is fair   and less than 2% is good

Commentary

In 2014-2015 Council implemented a long term asset renewal strategy funded by a special rate variation and loan borrowings. The success of this funding strategy is reflected within this ratio that directly addresses Council's infrastructure backlog and provides adequate funding on a annual basis to support the required asset maintenance and renewals. As a result, Council's Infrastructure backlog is projected to be eliminated within the 10 year period.

Indicator #8 - Asset Maintenance

Indicator Title:	**Asset Maintenance Ratio**
Indicator Definition	Actual asset maintenance / Required asset maintenance
Benchmark:	> 100%
	80%-100%
	< 80%

Year ended June 2022	Year ended June 2023	Year ended June 2024	Year ended June 2025	Year ended June 2026	Year ended June 2027	Year ended June 2028	Year ended June 2029	Year ended June 2030	Year ended June 2031
100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Asset Maintenance Measure Explained

The asset maintenance ratio reflects the actual asset maintenance expenditure relative to the required asset maintenance. The ratio provides a measure of the rate of asset degradation (or renewal) and therefore has a role in informing asset renewal and capital works planning.

A ratio of less than 80% is undesirable Between 80% and 100% is fair and greater than 100% is good

Commentary

In 2014-2015 Council implemented a long term asset renewal strategy funded by a special rate variation and loan borrowings. This success of this funding strategy is reflected within this ratio that directly addresses Council's annual required maintenance and provides adequate funding to ensure appropriate condition of assets is maintained.

Projected Financial Statements

Income Statement – Base Model $('000)

Year Ended	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Income from continuing operations										
Rates and annual charges	123,876	127,085	130,686	134,294	138,870	143,611	148,524	153,615	158,890	164,358
User charges and Fees	14,446	15,038	15,439	15,759	16,186	16,629	17,087	17,563	18,055	18,563
Grants and contributions for operating purposes	22,890	22,532	22,535	22,446	22,710	23,001	23,311	23,628	23,952	24,282
Capital grants, subsidies & contributions	68,309	40,621	29,448	29,528	29,612	27,551	27,636	27,722	10,677	8,632
Interest and investment revenue	2,281	2,317	2,342	2,397	2,205	2,033	1,879	1,741	1,619	1,510
Rental income	7,370	9,296	9,951	10,133	10,639	11,171	11,730	12,316	12,932	13,579
Net gain from disposal of assets	0	0	0	0	0	0	0	0	0	0
Other revenues	6,265	6,240	6,270	6,342	6,493	6,648	6,807	6,969	7,135	7,305
Total income from continuing operations	245,436	223,128	216,670	220,899	226,715	230,644	236,974	243,554	233,259	238,228
Expenses from continuing operations										
Employee costs	77,707	79,635	80,655	81,687	83,738	85,841	87,996	90,206	92,471	94,793
Materials and contracts	35,617	36,451	37,035	37,623	38,530	39,459	40,411	41,387	42,387	43,411
Borrowing costs	303	182	75	23	0	0	0	0	0	0
Depreciation	28,589	29,341	30,021	30,708	31,640	32,581	33,546	34,534	35,452	36,384
Other expenses	36,883	34,798	35,650	36,583	38,755	39,342	40,809	42,337	44,832	45,590
Total operating expenses	179,099	180,407	183,435	186,624	192,662	197,223	202,762	208,464	215,142	220,178
Operating result from continuing operations	66,337	42,721	33,235	34,275	34,053	33,421	34,212	35,090	18,117	18,051
Net operating result for the year before grants and contributions provided for capital purposes	(1,972)	2,100	3,787	4,746	4,441	5,870	6,576	7,368	7,440	9,419

Balance Sheet – Base Model $('000)

Year Ended	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Current Assets										
Cash and investments	172,822	183,725	200,958	219,923	238,637	258,683	279,261	300,390	321,188	343,482
Receivables	8,805	9,030	9,272	9,518	9,804	10,100	10,406	10,721	11,046	11,382
Inventories	434	444	456	467	479	491	503	515	528	541
Other	87	89	92	94	96	99	101	104	106	109
Total current assets	**182,148**	**193,288**	**210,777**	**230,002**	**249,016**	**269,373**	**290,271**	**311,730**	**332,869**	**355,515**
Non-current assets										
Receivables	-	-	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-	-	-
Infrastructure, property, plant and equipment	2,550,728	2,582,250	2,599,047	2,615,352	2,632,827	2,648,381	2,664,241	2,680,474	2,680,114	2,678,239
Investments	-	-	-	-	-	-	-	-	-	-
Total non-current assets	**2,550,728**	**2,582,250**	**2,599,047**	**2,615,352**	**2,632,827**	**2,648,381**	**2,664,241**	**2,680,474**	**2,680,114**	**2,678,239**
Total assets	2,732,875	2,775,538	2,809,824	2,845,354	2,881,843	2,917,754	2,954,512	2,992,205	3,012,983	3,033,754
Current liabilities										
Payables	15,452	15,818	16,099	16,383	16,781	17,189	17,607	18,035	18,473	18,923
Provisions	21,102	21,629	22,170	22,724	23,292	23,875	24,471	25,083	25,710	26,353
Borrowings	2,371	1,303	1,023	-	-	-	-	-	-	-
Contract Liabilities	7,132	7,310	7,493	7,680	7,872	8,069	8,271	8,478	8,690	8,907
Total current liabilities	46,056	46,061	46,785	46,788	47,946	49,133	50,349	51,596	52,873	54,183
Non-current liabilities										
Creditors	-	-	-	-	-	-	-	-	-	-
Provisions	7,819	7,819	7,819	7,819	7,819	7,819	7,819	7,819	7,819	7,819
Borrowings	2,326	1,023	-	-	-	-	-	-	-	-
Total non-current liabilities	10,145	8,842	7,819	7,819	7,819	7,819	7,819	7,819	7,819	7,819
Total liabilities	56,201	54,903	54,604	54,607	55,765	56,952	58,168	59,415	60,692	62,002
Net assets	2,676,674	2,720,635	2,755,220	2,790,747	2,826,078	2,860,802	2,896,344	2,932,790	2,952,291	2,971,752
Equity										
Accumulated surplus	1,243,121	1,287,082	1,321,667	1,357,194	1,392,525	1,427,249	1,462,791	1,499,237	1,518,738	1,538,199
Asset revaluation reserve	1,433,553	1,433,553	1,433,553	1,433,553	1,433,553	1,433,553	1,433,553	1,433,553	1,433,553	1,433,553
Total equity	2,676,674	2,720,635	2,755,220	2,790,747	2,826,078	2,860,802	2,896,344	2,932,790	2,952,291	2,971,752

Statement of Cash Flows - Base Model $('000)

Year Ended	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Cash Flows from Operating Activities										
- Receipts	177,128	182,507	187,222	191,370	197,103	203,093	209,338	215,832	222,582	229,597
- Adjustments - receivables	(545)	(238)	(256)	(259)	(301)	(310)	(320)	(330)	(341)	(352)
- Payments	(150,510)	(151,066)	(153,414)	(155,916)	(161,023)	(164,642)	(169,216)	(173,930)	(179,690)	(183,794)
- Adjustments - payables	4,331	1,073	1,004	1,026	1,158	1,187	1,216	1,247	1,278	1,309
Net cash provided by/(used in) operating activities	30,404	32,276	34,556	36,221	36,938	39,328	41,018	42,818	43,829	46,761
Cash Flows from Investing Activities										
Receipts - capital grants/subsidies/contributions	29,544	9,198	9,388	9,371	9,480	9,590	9,701	9,813	9,927	10,043
Receipts - proceeds from sale of assets	0	0	0	0	0	0	0	0	0	0
Receipts - sale of investments	0	0	0	0	0	0	0	0	0	0
Payments - purchase of investments	0	0	0	0	0	0	0	0	0	0
Payments - capex on renewal/replacement of assets	(128,285)	(28,201)	(25,408)	(25,604)	(27,704)	(28,871)	(30,141)	(31,503)	(32,959)	(34,510)
Net Cash Used in Investing Activities	(98,741)	(19,003)	(16,020)	(16,233)	(18,225)	(19,281)	(20,440)	(21,689)	(23,031)	(24,467)
Cash Flows from Financing Activities										
Receipts - borrowings	0	0	0	0	0	0	0	0	0	0
Payments - principal repayments	(2,430)	(2,371)	(1,303)	(1,023)	0	0	0	0	0	0
Net cash used in financing activities	(2,430)	(2,371)	(1,303)	(1,023)	0	0	0	0	0	0
Net increase/(decrease) in cash assets held	(70,767)	10,902	17,233	18,966	18,713	20,047	20,578	21,129	20,798	22,294
Cash and cash equivalents at beginning of reporting period	243,589	172,822	183,725	200,958	219,923	238,637	258,683	279,261	300,390	321,188
Cash, cash equivalents and investments at end of reporting period	172,822	183,725	200,958	219,923	238,637	258,683	279,261	300,390	321,188	343,482

CAMPBELLTOWN
CITY COUNCIL