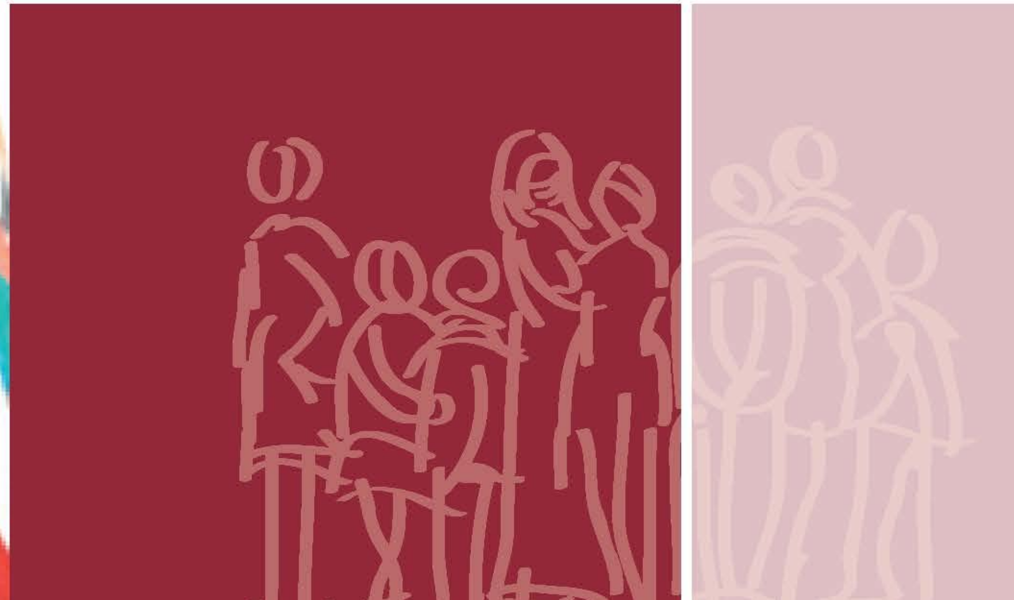
Campbelltown City Council
Long Term Financial Plan 2015 - 2025





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This document was adopted by Council at an Extraordinary Meeting held on 23 June 2015.

Version 1

Contents

RENEW • CONNECT • REVITALISE

Campbelltown City Council

Introduction

The Integrated Planning and Reporting (IPR) Framework has been developed as part of the NSW Local Government Reform Program to support a strong and sustainable Local Government system. The structure requires at least a 10 year strategic business planning framework relative to the Local Government Area and the activities of the Council.

The Long Term Financial Plan (the plan) forms part of Campbelltown City Council's Resourcing Strategy. The Resourcing Strategy underpins Council's Community Strategic Plan and consists of three components: The Workforce Management Plan, Asset Management Policy, Strategy and Plan and Long Term Financial Plan. These interrelated documents focus in detail on how Council will utilise its resources to deliver on objectives and strategies in the Campbelltown Community Strategic Plan. The documents both inform and are informed by the four year Delivery Program which has been created to outline the activities and programs to deliver on the Community Strategic Plan. Each of these individual documents should be viewed as integral elements of an overall strategy and will be under continuous review and adjustment as annual budgets and operational plans are developed.

The Long Term Financial Plan is a decision making tool and addresses areas that impact on Council's ability to fund services and capital works, while living within its means and ensuring financial sustainability. This plan focuses on Council's long-term goal of financial sustainability and delivering quality services, infrastructure and outcomes for the community. The plan will be dynamic in nature and subject to continual review to ensure changing community expectations are met and Campbelltown City Council is supported as a Regional City.

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.

In 2013, as part of TCorp's work for the Independent Review Panel chaired by Professor Graham Sansom, TCorp undertook an assessment of the financial capacity and sustainability of all 152 Councils in New South Wales. As part of this review TCorp provided a Financial Sustainability Rating (FSR) and Outlook assessment for each Council. Campbelltown City Council was assessed as having a 'moderate' FSR and a 'negative' outlook. This determination was based on TCorp's review and consideration of historical results and forecast financial results and that Council had not spent sufficiently on asset renewal, maintenance or upgrades.

Following this finding and in adopting the 2014-2015 Operational Plan, Delivery Program and associated Resourcing Strategy Council made a decision that secured Council's long term financial sustainability over the forthcoming 10 year period. The decision increased the level of annual infrastructure maintenance and renewal funding as well as addresses the infrastructure renewal backlog through various sources of income available to Council.

Introduction

The 2014-2015 Operational Plan incorporated a permanent increase to rate income via a Special Rate Variation of 11%, an application for a $10m subsidised loan under the State Government's Local Infrastructure Renewal Scheme (LIRS) as well as Council contributing $1m annually from efficiencies.

This Long Term Financial Plan models this financial strategy now implemented and highlights Council's improved sustainability through the financial indicators.

Furthermore, Council's independent auditor 'Intentus Charted Accountants' stated the following from the 2013-2014 Financial Statements Audit Report:

> "Council continues to be in a strong financial position to fulfil the objectives attached to its internally restricted funds as part of its long term development plans and at the same time has an unrestricted cash position which is appropriate for its day to day operational requirements."

Fit for Future

The NSW Government's Fit for the Future reforms aim to improve the strength and effectiveness of local government in providing services and infrastructure that communities need. The reform process is expected to benefit ratepayers by leading to councils that will be financially sustainable into the future, and more capable of being strategic partners with other levels of government.

The Independent Local Government Review Panel (ILGRP) formulated the options for a revitalised system of local government that will remain sustainable and fit-for-purpose well into the middle of the 21st Century. The ILGRP did not take a 'one size fits all' approach in its findings and as such made an individual recommendation for each Council eg:

- Amalgamate or merge
- No change

Campbelltown City Council was listed as '**no change**'.

In response to the ILGRP recommendations, the Government developed a Fit for the Future framework which requires all NSW Councils to assess their own current position and submit a Fit for the Future proposal by 30 June 2015.

The Government has established four criteria it considers are necessary for a council to be considered 'Fit for the Future':

- Scale and capacity to engage effectively across community, industry and government
- Sustainability
- Effectively managing infrastructure and delivering services for communities, and
- Efficiency.

The criteria definitions are reflected by way of financial measures and benchmarks and are detailed at the end of this Long Term Financial Plan.

Introduction

Council welcomes the recent confirmation by the NSW Government of the Campbelltown/Macarthur CBD as one of Sydney's three Regional City Centres. This is a major economic boost for our City as the CBD grows and bolsters its capacity to be the economic hub of the Macarthur Region, which across the Campbelltown, Camden and Wollondilly local government areas, will experience extraordinary urban growth in the years ahead.

To make sure that our City maximises the opportunities that this growth will deliver in terms of prosperity for the City of Campbelltown, the enhancement of our 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.

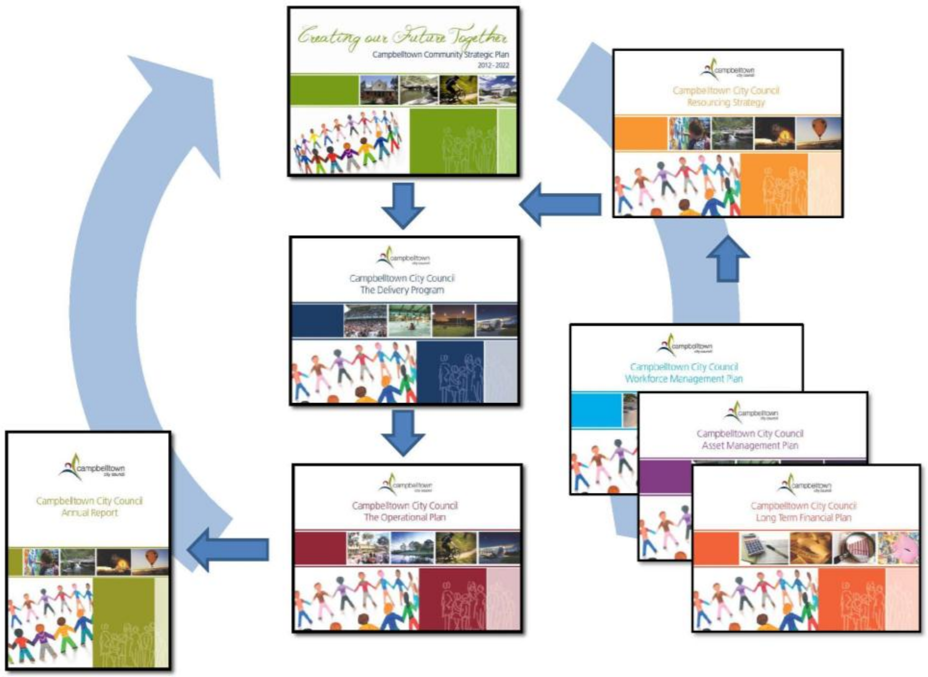
Council will be looking towards strengthening its already strong partnerships with State and Federal government agencies to assist with the development of critical infrastructure and ensure that the City's next phase of growth and development will deliver the right outcomes for our City.

For further information regarding the Long Term Financial Plan please contact Council's Financial Services Section on 4645 4507 or council@campbelltown.nsw.gov.au

About Campbelltown City Council's planning framework

Campbelltown's Community Strategic Plan is built around five objectives supported by 15 strategies. The planning process will ensure that Council's programs and resources are directed to achieving these objectives, and assist in identifying long term priorities and actions for Campbelltown City.

The four year Delivery Program sets out programs of works for Council and is an important part of the process. The Delivery Program will be reviewed annually when preparing the Operational Plan and annual budgets. The Operational Plan focuses on the activities that will implement the four year programs of works set out in the Delivery Program. The Operational Plan cascades down into divisional, sectional and individual staff work plans.



This process ensures a high level of accountability at each level of the planning framework, and that activities are carried out and remain consistent with Council's strategic direction.
This community strategic planning process provides Council with valuable information about the future. The Council and the community have a better understanding of:

- anticipated pressures that will affect the community socially, environmentally and economically, as well as other drivers behind this change
- predicted economic growth rates
- the community's aspirations and priorities for improving its economic, environmental and social outcomes
- the community's priorities in terms of expected levels of service and projects that the community wants delivered.

The aim of the Long Term Financial Plan is to put into place a framework for financial decision making at a very high level by providing guiding principles for the short, medium and long term. The process is built on five key foundations:

- planning assumptions
- income and expenditure, balance sheet and cash flow forecasts
- sensitivity analysis
- financial modelling for different scenarios
- monitoring financial performance.

The Long Term Financial Plan is a framework to assist to determine how best to achieve the community's expectations, while addressing the long term financial challenges Council faces.

Financial sustainability

a. What is financial sustainability?

In general terms 'sustainable' means that an organisation can continue its current practices. For community members, financial sustainability is probably thought of as whether an individual can afford their current lifestyle: whether they can pay for rent, food and other expenses with the income they receive each year. For those that own homes, farms or businesses, may think in longer terms as to whether they will be in a position to repay debts by the time they retire. The concepts most people use in their personal and business lives are basically the same as those that should be applied to Local Government, but need some modification. This is because Councils are perpetual organisations which acquire and manage a stock of financial and physical assets (including renewing and disposing of individual items) in order to provide services for generation after generation of local residents and ratepayers.

For Local Government, financial sustainability poses the question - Does Council have sufficient funds to meet all of the resource and financing obligations in the short and long term while maintaining the levels of service expected by the community?

The 2005 Independent Inquiry into the Financial Sustainability of Local Government found that too many Councils had large infrastructure maintenance and renewal backlogs and as a result communities were enjoying infrastructure which would, and was beginning to, fall apart – and which would be left for future generations to fix up. The Inquiry noted the very high proportion of infrastructure that Local Governments managed compared with other governments and the private sector and that most Councils failed to fund the full requirement of maintaining and renewing assets to a satisfactory standard.

In 2006 the Australian Local Government Association adopted a national definition of financial sustainability:

> *'A Council's long-term financial performance and position is sustainable where planned long-term service and infrastructure levels and standards are met without unplanned increases in rates or disruptive cuts to services'*

In 2012 the Independent Local Government Review Panel was appointed by the NSW Government to formulate options for governance models, structures and boundary changes to improve the strength and effectiveness of local government and to help drive the key strategic directions set out in the Destination 2036 Action Plan. Amongst a number of other things the Panel's terms of reference included taking into consideration:

- The ability to support the current and future needs of local communities
- The ability to deliver services and infrastructure efficiently effectively and in a timely manner
- The financial sustainability of each local government area

The Panel issued its final report titled 'Revitalising Local Government' in October 2013 incorporating 65 recommendations essential to make NSW local government sustainable and fit-for-purpose into the mid-21st Century. The recommendations include an overarching imperative to ensure the long-term sustainability and effectiveness of NSW local government, strengthening strategic capacity, new initiatives to tackle underlying problems of financial weakness and infrastructure backlogs and the implementation of a series of measures to promote greater fiscal responsibility.

In response to the Final Report of the NSW Independent Local Government Review Panel, in September 2014 the NSW Government announced the Fit for the Future program. The program requires Councils to assess their current position and the recommendations of the Independent Panel and submit a Fit for the Future proposal by 30 June 2015. Once Councils have an approved plan in place to become Fit for the Future they will have access to a range of opportunities, including cheaper finance options, simplified reporting requirements, priority access to State funding/grants and options for additional planning powers.

To do this, Council is required to develop a balanced approach through a range of funding options to provide future generations with sustainable infrastructure and environment. A long term financial plan helps Council to achieve this sustainability and provides a mechanism to model and report long term key performance measures.

b. Key Performance Measures and Benchmarks

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 Performance Ratio

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

Own Source 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

- Compares the proportion spent on infrastructure asset renewals and the asset's deterioration in terms of depreciation
- 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 which would be a more appropriate measure. 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: > 0% and less than or equal to 10%

Efficiency

That Council realise an efficient service and infrastructure delivery, achieving value for money for current and future ratepayers.

Real Operating Expenditure per capita over time

- Benchmark: A decrease in real operating expenditure per capita over time

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: > than 1.5

Rates and Annual Charges Outstanding

- Assesses the impact of of uncollected rates and annual charges on liquidity and the adequacy of recovery efforts
- Benchmark: < 5%

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 rates and annual charges outstanding ratio measures uncollected rates and annual charges as a proportion of total rates and charges levied. This debtor management ratio is a measure of the effectiveness of recovery efforts, however, is impacted by Council policies as well as economic and social conditions.

c. Strategies

In any long term financial plan, the key questions will always include:

- what is happening to the levels of service the community receives?
- are there any changes to any major policies?
- what major projects will be constructed around the City?

The primary objective of Council's financial planning is to enable the delivery of the community's vision as set out in the Community Strategic Plan, while ensuring Council's continued financial sustainability. An analysis of Council's current financial position and longer term financial forecasts has identified a gap between operating revenue and expenditure that must be addressed. Not addressing this operational deficit would ultimately jeopardise the adequate funding of asset management, including capital expenditure, identified in Council's Asset Management Plan.

In addition to the annual operating result, Council is focussing on a number of other key financial parameters. These include the prudent build up and use of internally and externally restricted reserve funds, liquidity and unrestricted cash ratios, internal and external borrowings, asset renewal and maintenance and new capital projects.

By focussing on each of these key areas and setting improvement targets for each of them over the period of the Delivery Program, Council aims to improve the financial health of the organisation to an appropriate level that can be sustained in the long term.

Balanced funding budget

As Council is a not for profit organisation, a balanced budget is presented each year. This means the revenue Council receives each year matches Council's expenditure. This objective is proving to be challenging to achieve, due to minimal increases in revenue and larger increases in expenditure to deliver the same service levels. To address this challenge, Council will focus on the following areas to generate additional revenues and to deliver services in a more cost effective manner:

- a comprehensive review of services that are provided by the organisation, both internal and external
- property strategy to optimise returns on Council's portfolio
- internal borrowing strategy for recurrent capital requirements
- rating strategies.

Operational result

Council aims to have a positive operational result, to generate sufficient recurrent revenue to maintain existing services and to fund maintenance costs of assets. This will require a combination of expenditure and revenue initiatives to address predicted deficits over a number of years. It should be noted however the operating result is heavily impacted by the accounting measure of depreciation.

Service review

One of the major elements of Council's long term financial strategy is to review all of its services and identify opportunities to improve productivity, reduce costs or increase revenue. Each of the reviews will involve:

- defining customers and services
- determining utilisation measures for services
- determining how customers measure the value of these services and establishing key performance measures
- documenting the processes by which services are delivered
- measuring and benchmarking current performance
- recommending any changes to the service delivery model that can improve the service delivered to the community, productivity and quality, reduce costs or provide additional revenue opportunities.

Property strategy

Council owns a number of revenue generating properties within the Local Government Area. The most significant of these are ground leases in Macquarie Fields (five properties) and the Dumaresq Street cinema complex in Campbelltown. Council continues to evaluate the use of all sites to ensure that they are optimally meeting Council's strategic objectives for growth and development, traffic and transport infrastructure and financial sustainability.

Council also owns a number of general purpose properties within the Local Government Area that are surplus to current needs. The development of Council's Property Strategy will include reviewing a range of options for the property portfolio including reinvestment, redevelopment and disposal.

The Property Strategy will deliver value in terms of one or more of the following objectives:

1. strategic Council and city infrastructure
2. income producing property investments
3. proceeds from the sale of surplus properties
4. reinvestment in infrastructure
5. diversification of income.

The timeframes to deliver parts of this strategy will vary depending on the characteristics of the property, and any associated facilities that will be relocated or redeveloped.

Council is currently reviewing the property portfolio in developing the Property Strategy and it will include the identification of strategic sites, evaluation of development opportunities and an increased contribution towards Council's long term financial sustainability.

The potential disposal of surplus properties will provide funding to increase the quality and services by reinvesting in that same class of asset. A number of key projects are already completed or underway including:

1. Community School Agreement review - completed
2. Open Space and Facilities review - underway
3. Community Service Delivery Model review - underway

The following property development opportunity sites have already been identified as priorities for the preparation of action plans:

A. Menangle Park – certain lands in Council ownership
B. Farrow Road/Blaxland Road - Council owned vacant land
C. Hollylea Road, Leumeah industrial estate – vacant Council owned land.

Council is currently redeveloping the Minto public housing estate in partnership with Housing NSW. Landcom is providing services in developing the estate and a Development Management Agreement has been agreed to by all parties. Council has an agreed percentage of income from sales associated with the redevelopment. These funds will be allocated to Council's Asset Replacement Reserve to fund infrastructure renewal requirements.

Other strategies

A number of other strategies have been identified and are being further developed that will contribute to the progressive improvement in Council's financial position. At present, the potential savings through expense reduction, productivity improvements or revenue generation have not been quantified and are therefore not yet factored into the forward financial estimates. These include:

- maximise grant revenue to undertake work that is of priority to all levels of government, while remaining aware of potential grants that create financial pressure on Council and/or direct effort away from strategic priorities, particularly where matching funds are required.
- e-Business – Council is currently developing opportunities to enhance conducting business over the internet. This strategy is currently underway and includes new initiatives such as e-Planning and e-Certificates.
- sustainability initiatives – Council continues to implement a number of sustainability initiatives that are informed primarily by Council's Energy Management Plan and are funded through the savings generated. These initiatives should assist in the reduction in energy usage and therefore a reduction in operational costs.

(Scenic Hills, Campbelltown)

Levels of service

Council has previously undertaken a process of engagement with the relevant stakeholders to inform the Community Strategic Plan and the Delivery Program. This in turn has driven the direction that has been taken in the Asset Management Policy, Strategy and Plan.

It is important to note that the community engagement conducted, confirmed that Council currently provides the services and functions that the community wants.

The plan assumes the levels of service and operations remain stable or in some cases slightly increased over those in the 2014-2015 budget. Council will maintain, subject to available funding, its operational and capital high priority programs, as well as basic service provision, while seeking efficiency improvements in-line with appropriate benchmarks. Non high priority programs should be considered in terms of:

- can Council afford to maintain the program in the long term?
- should Council be involved and to what extent?
- is it a statutory obligation?
- is it required as part of an adopted strategy, policy or plan?
- is the program supported by the Community Strategic Plan?
- what is the cost and benefit given the level of priority?

The Delivery Program provides a comprehensive overview of Council's services, functions, programs and activities.

Policies

In developing the Long Term Financial Plan, key Council plans and policies have been considered to ensure that any strategies developed are within existing policy guidelines. Refer to page 39 of this document for a summary of significant financial policies.

Council has developed an Asset Management Policy. The policy statement reads:

> 'The management of Council's assets is a key function of Council. The provision of assets maintained to meet community needs and expectations is fundamental to Council's overall service delivery.
>
> This policy demonstrates Council's commitment to the responsible management of Council's assets. This policy addresses relevant legislative requirements and will be revised in accordance with any future changes.'

This policy sets the broad framework for undertaking asset management in a structured and coordinated way. Asset management improvements directly relate to accountability, risk management and service efficiency.

Major projects

Over the next 10 years, Council will spend approximately $217m on a range of 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 decade are listed below:

- business centres revitalisation – the revitalisation of the Campbelltown, Ingleburn and Glenfield CBDs, is a key goal for Council, encouraging more people to access the services available through improved amenity and encouraging new investment in the business centres. These works would include the renovation of public areas, a refurbishment of the paving, and promoting business investment. It is anticipated this project will require significant funding which has not been provided to date
- provision of increased parking to support the CBDs of Park Central, Campbelltown, Ingleburn and Glenfield
- City footpath and cycleway links
- upgrade of services/assets (eg centralised parks vs small pocket parks)
- implementation of projects in accordance with the Open Space Strategy and the Infrastructure Strategy
- City wide transport and flood study and associated works

There will be a number of significant projects anticipated over the next 10 years that will be delivered by other Government agencies, however Council will be required to provide associated works including connecting roads and intersection upgrades. These projects are forecast to include:

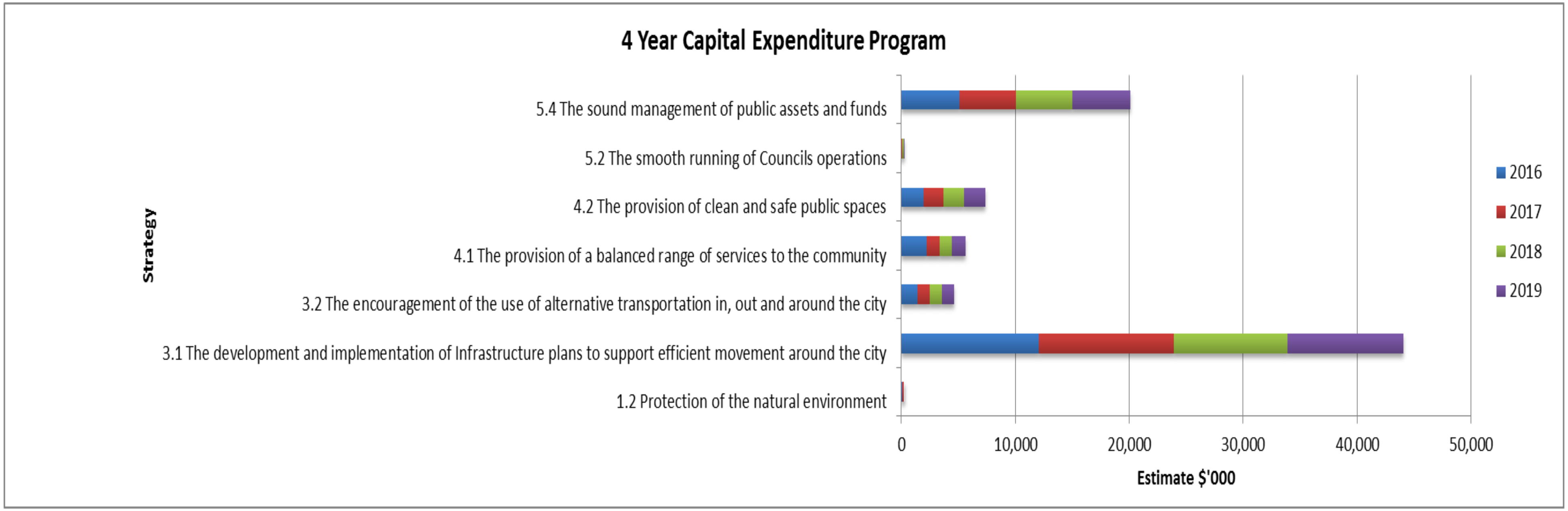
- Campbelltown Hospital extensions
- Badgally Road link to Campbelltown CBD and Railway
- Eagle Vale Drive upgrade
- Narellan/Kellicar Road upgrade
- Narellan Road upgrade
- Spring Farm Parkway
- development of a support road and traffic management network for the Campbelltown CBD
- F5 (now M31) capacity and future ramps at Menangle Park and Badgally Road, Campbelltown
- alternative/upgrades to University of Western Sydney access
- redevelopment of housing estates – community and recreation facilities
- Upgrade to Ingleburn Station bus/rail interchange
- future commuter parking provision at Campbelltown, Leumeah, Minto, Ingleburn, Macarthur Rail Stations.

Investigations/works are underway for the following projects:

- UWS intersection improvements
- Minto to Ingleburn Industrial link road
- Cambridge Avenue high level bridge
- Sport and Recreation projects
- St Helens Park skate facility
- Broughton Street rail overbridge
- Extension of Beverley Road
- Flood mitigation works throughout the City
- Upgrade to sections of Appin Road
- Upgrade of Denham Court Road and Campbelltown Road.

Major projects

Additional capital expenditure will be required to meet the infrastructure needs as a consequence to anticipated growth in resident and business populations, and supporting Campbelltown as a Regional City Centre. Funding for these projects will be sourced primarily from development contributions, planning agreements, capital grants and the allocation of supplementary rates income.



The Long Term Financial Plan (the plan) 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 2015-2025 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 recent confirmation by the NSW Government of the Campbelltown/Macarthur CBD as one of Sydney's three Regional City 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 2015-2016 adopted budget and 2013-2014 Financial Statements form the base year for the Long Term Financial Plan.

What are the key assumptions that underpin the Long Term Financial 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 from page 27 of this document, however, the key assumptions are outlined below:

- future determinations of the rate peg are forecast to be 2.5%, 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
- the Consumer Price Index (CPI) is estimated at a flat rate of 2.5% 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 3.5% per annum
- new borrowings are restricted to ensure the Debt Service Ratio remains less than 10%. Strategic capital expenditure will be considered suitable for funding from internal or external loans in line with intergenerational equity considerations.

(Japanese Tea Garden, Campbelltown Arts Centre)

What are the key assumptions that underpin the Long Term Financial Plan?

Population

The most comprehensive population count available in Australia is derived from the Census of Population and Housing conducted by the Australian Bureau of Statistics (ABS) every five years. In the 2011 Census, there were 145,967 people in 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 last Census was conducted on 9 August 2011 with the next Census to be conducted in August 2016.

To provide a more relevant population figure the ABS 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 years updates take into account births, deaths and both internal and overseas migration. The Long Term Financial Plan is modelled on the ERP figures however also references Planning NSW data projections and known development activity as detailed in the new dwelling forecasts.

The official population (ERP) of Campbelltown City Local Government Area (LGA) as of 30 June 2014 is 156,572. In 2025, Campbelltown City's population is forecast to grow to 211,256 representing an average annual growth rate of just over 3%. It is assumed an average of 2.2 people per new dwelling. This forecast growth will be reflected in the number of new dwellings, which are predicted to be:

Typology	Net Dwelling Increase									
	Forecast									
	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025
Transit Nodes	780	920	870	870	870	870	1,020	1,060	1,100	1,140
Urban Renewal	150	350	500	500	500	600	600	300	200	-
Greenfield Release Areas	1,770	1,560	1,000	800	800	1,400	1,400	1,450	1,450	1,150
Total LGA	**2,700**	**2,830**	**2,370**	**2,170**	**2,170**	**2,870**	**3,020**	**2,810**	**2,750**	**2,290**

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.

What are the key assumptions that underpin the Long Term Financial Plan?

a. Strategic aims/objectives

- provide a transparent account of Council's financial position to the community
- model the cumulative financial effects of Council's high level plans and policies
- identify the financial opportunities and challenges confronting Council
- identify the financial capacity for the delivery of key initiatives arising out of the Community Strategic Plan, Delivery Program and the Operational Plan
- identify adequate levels of funding to ensure provision of required services at the appropriate service level
- identify the financial capacity to support the recommendations arising out of the Asset Management Plans
- identify appropriate levels of debt and ensure intergenerational equity
- provide a basis for sound and strategic decision making
- allow scenario testing of different policies and service levels
- achieve a balanced budget over the long term
- meet the requirements of the Office of Local Government's Integrated Planning and Reporting framework
- achieve a situation of financial health for Council that is sustainable in the long term.

b. Scope/structure

In determining Council's long term financial sustainability, the following scope has been defined:

- current service delivery methods will largely continue
- the Council will continue to be responsible for providing the current range of functions and services
- the Workforce Management Plan will inform the future labour resourcing required for the organisation
- the quantity of assets (roads, buildings, land etc) is forecast to grow by around 2.5% per year. As new release areas progress, a number of new community facilities and infrastructure assets will be identified in accordance with Developer Contribution Plans and Planning Agreements
- the current philosophy and practices of condition based maintenance will largely continue.

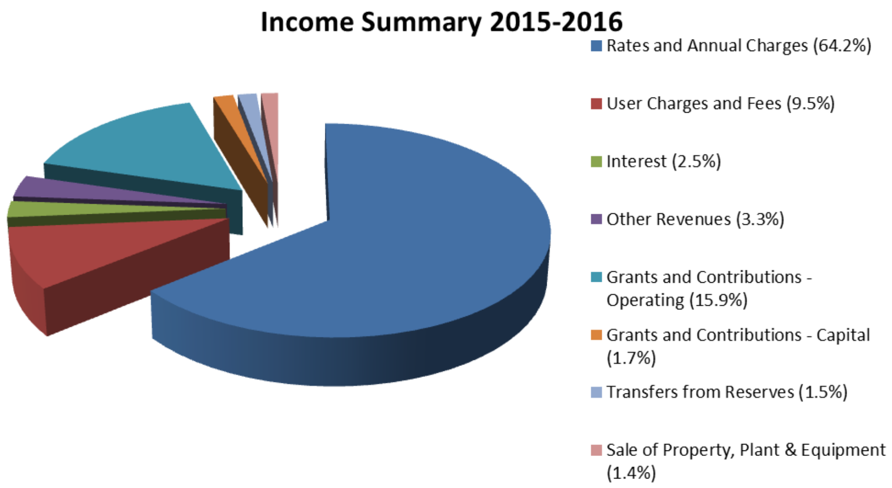
The key policy implication of these assumptions is that the community are satisfied with the level of service they are currently receiving from Council. However, there may be a need for an increase in Council owned/built assets over the next 10 years in new release areas in and around the Local Government Area. The expenditure impact of servicing the growing population will need to be built into future Long Term Financial Plan models, when service levels and expectations of the growing population are more clearly defined.

c. Current financial position

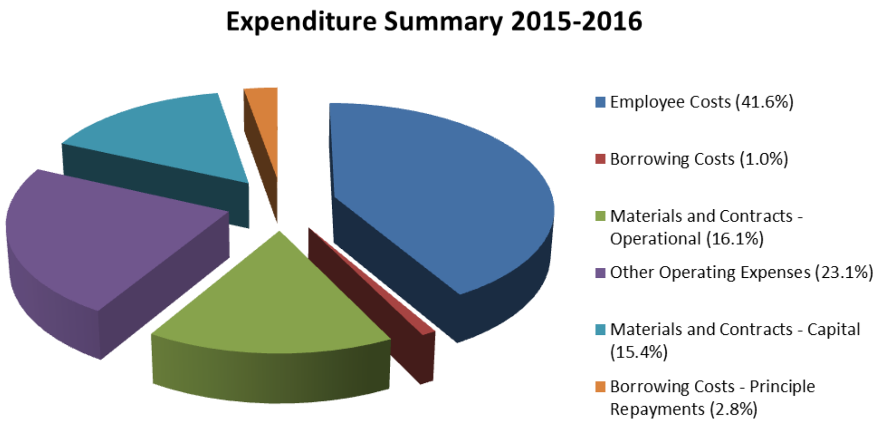
Council operates at present from a sound financial position.

The Operational Plan estimates that Council's total income for 2015-2016 will be $147.8m including capital income of $4.5m. The below graph indicates Council's sources of income:

The Operational Plan estimates Council's 2015-2016 operating expenditure at $147.8m incorporating capital expenditure of $22.8m. The below graph indicates Council's sources of expenditure:



Total Income $147.8m



Total Expenditure $147.8m

SUMMARY OF FINANCIAL STATEMENTS 2013 AND 2014	2013-2014 $,000	2012-2013 $,000
INCOME STATEMENT		
Total income from continuing operations	139,264	131,364
Total expenses from continuing operations	128,698	133,029
Operating result from continuing operations	**10,566**	**(1,665)**
Net operating result for the year before grants and contributions provided for capital purposes	**(2,571)**	**(6,709)**
STATEMENT OF FINANCIAL POSITION		
Total current assets	98,467	96,583
Total current liabilities	31,776	31,885
Total non current assets	1,880,679	1,871,597
Total non current liabilities	21,223	19,944
Total equity	**1,926,147**	**1,916,351**
OTHER FINANCIAL INFORMATION		
Restricted cash, cash equivalents and investments		
External restrictions	20,657	25,861
Internal restrictions	58,466	52,046
Unrestricted	10,716	9,731
Total	**89,839**	**87,638**
Ratios		
Operating performance ratio	-2.92%	-5.31%
Unrestricted current ratio	3.44:1	3.17:1
Debt service cover ratio	3.81:1	4.43:1
Own source operating revenue	73.3%	74.4%
Rates and annual charges outstanding percentage	4.29%	4.82%
Building and infrastructure renewals ratio	59.74%	48.38%

What are the key assumptions that underpin the Long Term Financial Plan?

The audited Financial Statements as at 30 June 2014 outlines the value of Council's restricted reserve funds held for specific future purposes:

Financial year ended	2014 $'000
External restrictions	
Self insurance claims	3,230
Developer contributions - S94	6,732
Developer contributions - other	775
Specific purpose unexpended grants	2,189
Domestic waste management	3,006
General contributions	4,378
Stormwater management levy	347
Total external restrictions	20,657

Financial year ended	2014 $'000
Internal restrictions	
Employee leave entitlements	10,577
Committed works funded by loans	2,965
Property development	12,406
Replacement of plant and vehicles	2,687
Asset replacement/future infrastructure	20,207
Self insurance	2,390
Committed works	1,908
Local Government elections	239
Heritage funds	50
Community bus	83
Olympic ambassador	95
Motor vehicle insurance excess	1,001
Public liability claims	2,365
Industrial special risk insurance	1,010
Environment planning	78
Environmental sustainability	405
Total internal restrictions	58,466
TOTAL RESTRICTIONS	**79,123**

d. Scenarios

A number of scenarios have been modelled for the purposes of the Long Term Financial Plan. However, Council has endorsed an infrastructure renewal and maintenance strategy which is modelled and reflected in this Plan:

Base model - asset renewal and maintenance strategy

This model assumes current funding levels and annual efficiency gains and productivity improvements to maintain a balanced budget. Furthermore, additional expenditure on the renewal and maintenance of assets mainly funded by the 2014-2015 special rate variation, loan funding and internal reserves is provided to meet the infrastructure renewal and maintenance requirement as defined in the Asset Management Plan. This is the financial forecast based on the proposed 2015-2016 budgeted expenditure and revenue, indexed for projected relative movements in the major areas of cost impacts for every year through to 2024-2025. The key assumptions and results are:

Activity	% change
Budget result	Balanced budget 2015-2025
Rates	2015-2016 rate peg 2.4%, future rate peg estimated at 2.5% per year
Fees and charges	Inflation increases of at least 2.5%
Investment return	4% average increase
Loan borrowings per year	$2.5m internally borrowed and repaid at market rates
Employee costs	3.5% average increase
Materials and contracts	Inflation increase of at least 2.5%
Depreciation	2015-2016 $19.2m, 2024-2025 $24.9m
Capital expenditure	2015-2016 $22.8m, average of $22m each year thereafter
Asset renewal and maintenance annual funding gap	$0m in 2015-2016 and future years
Asset renewal and maintenance backlog	2015-2016 $26.4m, 2024-2025 $0m
Percentage of assets in poor condition	2015-2016 4.3%, 2024-2025 0%

This Plan maintains a balanced budget through to 2024-2025. This financial strategy reduces the asset maintenance and renewal backlog over the next 10 years with a projection of $0 backlog in 10 years time.

The Plan summary:
In summary, the Plan maintains a balanced budget over the next 10 years. The Plan begins to address the asset maintenance and renewal backlog, allows time to review all community services and facilities and monitor the rate of growth in a number of areas of the City. This strategy is projected to reduce the infrastructure maintenance and renewal backlog over the next 10 years to $0.

e. Asset Management Plan

The Asset Management Plan provides a strategy for the management of Council's $1.8b ($2.2b fair value) asset portfolio (this includes all asset types). Of these assets, $934m are depreciating infrastructure and building assets that need to be maintained, renewed and eventually replaced.

The financial impact on Council's budget from assets is substantial and increasing, as new assets are created and existing assets age. Council aims to maintain its infrastructure and assets to a standard acceptable to the community, to ensure continued delivery of services to agreed standards. This involves developing and integrating the Asset Management Strategy and Plan with the Long Term Financial Plan to provide for continued and appropriate investment in maintenance, renewal and replacement of assets. An emphasis is placed on allocating additional funds to maintain and enhance the existing asset base, so current service levels are not compromised.

The Asset Management Strategy and Plan assists Council to make informed decisions on the most cost effective use of its assets over the longer term and to achieve the objectives of the Community Strategic Plan, support service delivery within available resources and maintain a prudent risk profile.

Objectives of strategic asset planning:

- to establish and routinely update an Asset Management Strategy (minimum 10 year period) as the primary framework to provide and maintain asset services to current and future generations
- to manage assets through the development of Asset Management Plans in accordance with relevant legislation and best practice for each asset class
- to ensure future funding needs are identified, affordable, agreed on and then funds allocated, so that assets can meet their defined levels of service in consultation with stakeholders, including our community
- to ensure that assets are recorded in accordance with the requirements of the appropriate asset accounting standards and financial reporting requirements. This includes development of an asset management information system with comprehensive knowledge of all physical assets
- to promote asset management awareness among staff incorporating the asset management strategy, asset management objectives, targets, plans, and funding requirements.

A key element of this financial strategy is to maintain or improve infrastructure assets in an appropriate condition through a combination of:

- Special rate variation approved by IPART and the Minister of Local Government of 8% in 2014-2015 which will yield $5.4m per year increased by future rate pegs
- additional loan funding of $10m for the renewal of existing assets in 2014-2015 under the Local Infrastructure Renewal Scheme

- additional $1m per year from 2014-2015 onwards for maintenance of existing assets funded by efficiency gains
- Asset Management Plan initiatives:
    - target service delivery review
    - cyclic and preventative maintenance plans
    - maintain the current asset network size
    - asset amalgamation/rationalisation
    - ownership options
    - investigate alternate funding sources
    - timely service level agreement with asset service providers
    - develop business case framework dealing with creating new assets.

The plan currently aims to maintain assets in a condition that is appropriate for that category of asset.

f. Restricted assets/reserves

Overall, Council's internally restricted and externally restricted reserves are expected to remain constant over the period of the Delivery Program.

g. Annual review

Each year, the plan will be updated with actual financial data along with the review of planning and financial assumptions for continued accuracy. Changes to the plan will be driven by changes in strategic direction as and when required by the Community Strategic Plan, Delivery Program and the Operational Plan.

(University Of Western Sydney, Campbelltown Campus, School of Medicine)

What are the key assumptions that underpin the Long Term Financial Plan?

Planning assumptions

In preparing this Long Term Financial Plan, 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 Long Term Financial Plan.

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 211,200 by 2025	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 based on Council's growth model, modified for short to medium term economic conditions and depends on the demands of the market	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 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	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 for service provision in this Long Term Financial Plan

What are the key assumptions that underpin the Long Term Financial Plan?

Category	Assumption	Risk	Level of risk	Reason for level of risk, and impact on Long Term Financial Plan
Economic environment	Council has prepared this Long Term Financial Plan on the basis that current predictions on the depth and duration of the decline in world market conditions will remain slow over the medium to short term	The current market conditions significantly decline	Moderate	This Long Term Financial Plan has been prepared based on data available at the time of writing. It reflects the current uncertainty in the global economy through assumptions around inflation, borrowing costs and return on investments
Environmental change	This Long Term Financial Plan is prepared on the assumption that environmental change (ie 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. Council assumes that IPART will support Council's submission to stand alone in the Fit for the Future review process.	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 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 3% 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

What are the key assumptions that underpin the Long Term Financial Plan?

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 2015-2016 is 2.4%. The increases in rates for years from 1 July 2016 include the assumption that the annual determination will be 2.5%. This will generate additional income of approximately $1.9m each year	The Ministerial rate determination is less than 2.5%	High	Variances between the forecast and the actual rate peg by every 0.5% would result in a shortfall of $380k
	Redevelopment of Housing NSW estates ie Airds, 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	Low	Should legislation permit exemptions to community housing providers or other large community based groups, Council's rates revenue would be impacted by up to 10%. This scenario is seen to be unlikely and as such has been allocated a low risk rating
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 1% increase is approximately $3.20 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 significant change to Council policy would be assessed in terms of impact on Council's financial position

What are the key assumptions that underpin the Long Term Financial Plan?

Category	Assumption	Risk	Level of risk	Reason for level of risk, and impact on Long Term Financial Plan
Financial assistance grants	The Long Term Financial Plan assumes Council's financial assistance grant will increase by less than 1% per year. Council assumes the freeze on the indexation of the general component of the financial assistance grant to remain and that increases will still be provided for the roads component.	Changes to amount of grant or variation to assessment criteria equating to less than 1%	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.
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 calculated at 5% for 2015-2016 based on indicative quotes for a recent 10 year loan procurement process. Council assumes no further Local Infrastructure Renewal Scheme rounds to be available. Council has proposed to borrow internally from reserves and meet repayments incorporating a flat 5% interest rate.	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 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 4% for year 1 and an estimated 25 basis point increase per year for 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
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

What are the key assumptions that underpin the Long Term Financial Plan?

Category	Assumption	Risk	Level of risk	Reason for level of risk, and impact on Long Term Financial Plan
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 current review and refinement of Council's depreciation methodology to utilise condition/consumption based methodology for long and medium life infrastructure assets rather than straight line method.	Condition based 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
	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 $3.20 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 the rate peg of 2.5% 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	The Federal Government announced changes that will gradually increase the Superannuation Guarantee Levy from 9% to 12% beginning 2013-2014 to 2025-2026. This increase equates to $1.6m per year once levy reaches 12% in today's dollars	That employee costs increase more than projected	Moderate	As Council is a service provider, employee costs are a large portion of operating expenses. A 3.5% increase in employee costs is estimated to increase superannuation costs by $211k
Energy-utilities	The plan assumes an energy increase of 3% per year. This accounts for price and usage based increases offset by sustainability projects savings	That utility costs increase more than projected	Moderate	An increase of 1% above forecasts would increase 2015-2016 utility costs by over $66k

What are the key assumptions that underpin the Long Term Financial Plan?

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, based on the 2011-2012 financial year, Council estimates the total cost shifting for Council to be $5.7m.	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 4.6% of Council's operational income. An increase of 5% in costs shifted to Council would absorb $285k
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 2015-2016 employee costs by $614k (equivalent to less than 1% of rates)

What are the key assumptions that underpin the Long Term Financial Plan?

Significant forecasting assumptions

The following are the general assumptions that have been applied to this Plan. Where specific information is known about revenue and expenditure trends, this has been factored into forecasts.

Operating expenditure	Source	2015 - 2016	2016 - 2017	2017 - 2018	2018 - 2019	2019 - 2020	2020 - 2021	2021 - 2022	2022 - 2023	2023 - 2024	2024 - 2025
Employee costs	Employee costs	3.6%	1.9%	3.7%	4.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Borrowing costs	Borrowing costs	34.2%	-14.1%	-15.5%	-17.1%	-19.2%	-22.8%	-27.2%	-34.1%	-49.0%	-58.8%
Utilities	Energy	0.2%	4.8%	4.9%	5.0%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%
Materials and contracts	Inflation	-6.9%	1.6%	2.2%	2.3%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%
Depreciation and amortisation	Council’s fixed asset register	-21.7%	3.1%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	3.0%	3.0%
Other expenses		-2.3%	4.1%	0.4%	3.3%	3.4%	5.0%	1.9%	3.4%	3.5%	4.9%

What are the key assumptions that underpin the Long Term Financial Plan?

Operating revenue	Source	2015 - 2016	2016 - 2017	2017 - 2018	2018 - 2019	2019 - 2020	2020 - 2021	2021 - 2022	2022 - 2023	2023 - 2024	2024 - 2025
Rates	2.5% rate peg, 0.7% growth	3.5%	2.9%	3.4%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%
Annual charges	Cost recovery	5.5%	3.6%	2.7%	4.2%	6.2%	6.2%	6.2%	6.2%	6.2%	6.2%
User charges	Inflation	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Fees	Statutory fees	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Interest revenue	Return on investments	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%
Grants and contributions – Operating	Less than Inflation	-8.0%	-2.4%	-1.0%	1.0%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%
Grants and contributions – Capital	Less than Inflation	-87.7%	-51.9%	1.3%	1.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%
Other revenue	Inflation	3.0%	28.4%	-42.9%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%

a. Methodology

The model has been prepared at the lowest accounting level within Council’s general ledger system. At this level, certain accounts were coded for manual adjustment rather than broad percentage increases, to remove or allow for one-off budget allocations relating to circumstances that are not ongoing to future years.

Infrastructure management
Renewal and replacement capital expenditure will be based on long term asset management plans which consider the optimal timeframe for asset replacement based on whole of life costing. Total capital expenditure will be managed in a way that avoids disruptive adjustments to current activities and programs.

Funding opportunities through Federal and State Government grant allocations will be sought where possible. Council and Local Government NSW continues to lobby other levels of government to seek substantial increases to existing grant allocations to help meet Council’s infrastructure renewal requirements.

b. Modelling assumptions

The following are the general assumptions that have been applied:

Operating revenue

Rates

Rate rises above CPI are required to produce viable operating results, which in turn generate funds for asset management, namely asset maintenance and capital renewal works, as well as long term borrowing management.

Rate increases are projected to be in line with rate pegging which has been estimated at 2.5% per annum from 2016-2017.

Natural rates growth from supplementary levies is estimated at around $500k per annum. Growth resulting from new release areas has been projected in line with page 19 of this document.

The following table provides a greater break down of the Rates and Annual Charges in the Income Statement:

	2015/16 Draft Budget	2016/17 Draft Budget	2017/18 Draft Budget	2018/19 Draft Budget	2019/20 Draft Budget	2020/21 Draft Budget	2021/22 Draft Budget	2022/23 Draft Budget	2023/24 Draft Budget	2024/25 Draft Budget
Rates	75,728,900	77,933,700	80,614,600	83,211,700	85,879,100	88,632,000	91,473,100	94,405,300	97,431,500	100,554,700
Annual Charges	19,203,700	19,896,400	20,431,900	21,292,900	22,604,400	24,000,800	25,487,700	27,070,900	28,756,700	30,551,900

Domestic waste management

The Domestic Waste Management Charge will increase by 4.8% from the current charge of $311.40 per annum to $326.50 in 2015-2016. Projected increases for future years have been based on 5% 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 1.7%.

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 2.5% of total revenue so changes in this area will only marginally affect Council's Long Term Financial Plan. The net positive yields on cash investments are factored into income with a return that equals an estimated 4% per annum.

User charges

In accordance with Council's Revenue 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. The majority of statutory fees have been modelled to increase by around 2% over the next 10 years.

Other revenue

This predominantly includes property rental income and is expected to increase by CPI of 2.5% per annum over future years.

Operating expenditure

Local Government cost index

The Local Government Cost Index (LGCI) is designed to measure the average change in prices of a fixed 'basket' of goods and services that are purchased by councils, relative to the prices of the same basket in a base period. The index has 26 cost components, such as employee benefits and on-costs, and building materials for roads, bridges and footpaths. The cost components represent the purchases made by an average council to undertake its typical activities. The index was constructed in 2010 based on a survey undertaken by IPART of NSW councils' expenditure in 2008-2009 and 2009-2010. The change was then used in the LGCI in the year to September 2014 to inform the rate peg for 2015-2016. The change in the LGCI in the year to September 2014 was 2.47%.

Employee costs

This includes wages and salaries and other associated employee 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 2015-2016 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 wage increases of 3.5% over the life of the plan with no net increase in staff numbers. As at 30 June 2014, the number of full time equivalent staff was 619. Any plans for changes to employee numbers or reclassifications will be required to be part of the Workforce Management Plan with supported funding.

The legislated changes to the Superannuation Guarantee Levy progressively increases from the current rate of 9.5% to 12% by 2025-2026, has been factored into the estimates.

Materials and contracts

Material and contract expenses have been adjusted in line with an inflation factor of 2.5%. Actual cost increases may in fact be greater than the inflation index. Payments to contractors have been adjusted in accordance with projected CPI movements.

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. It should be further noted in 2015-2016 Council is reviewing and refining Council's depreciation methodology to utilise condition/consumption based methodology for long and medium life infrastructure assets rather than straight line method. It is anticipated that this will decrease depreciation to be more in line with actual asset degradation and may equate to a reduction of up to $5m.

Borrowing costs
This represents the interest paid on borrowings. The large spike in interest cost in 2015-2016 is due to a successful application for $10m of borrowings under the Local Infrastructure Renewal Scheme. There are no future external borrowings factored into this Plan, rather an internal borrowing strategy for $2.5m of recurrent capital expenditure per annum. This will reduce the external borrowing costs paid per annum from 2016-2017 by a reducing amount beginning with $200k.

Other expenses
Other expenses incorporate such items of expenditure as insurance, telecommunication and utility charges. The plan includes a CPI increase of 2.5% for the majority of items apart from:

- electricity charges 5% reducing to 3%
- insurance 4% per year
- waste disposal charges 5% per year

Surplus/deficit for the year
'Profits' or surplus operating results are important because it generates funds for servicing long term debt and much needed capital works. Council's operating results before capital grants and contributions for the last two years were a deficit of $2.5m in 2013-2014 and a deficit of $6.7m in 2012-2013. This trend reflects Council's inability, within current operating income levels, to fund asset depreciation.

Capital income

Loans
Council will internally borrow an annual $2.5m per annum to support the annual capital expenditure program. Traditionally, loans are for a period of 10 years with a fixed interest rate which Council will conduct a tender process to ensure the most competitive interest rate should further external borrowings be required in the future.

Plant and equipment
Plant and equipment will be disposed of as per the Plant Replacement Program.

Property sales
Surplus property assets be sold as identified.

Capital expenditure

Loans
The repayment of existing loans will continue based on the existing loan repayment schedules.

Capital works
Capital works will be undertaken as per the Delivery Program and Asset Management Plan. The focus on discretionary funding is the renewal of existing assets.

Plant and equipment purchases
Plant and equipment will be acquired as per the Plant Replacement Program.

Property purchases
The plan has not modelled any significant property purchases. Council will continue to investigate strategic opportunities to purchase property to take advantage of income generation and diversification.

Relevant policies

a. Borrowing strategy

This provides Council with loan borrowing decisions, with a strategy emphasising the need for maintaining Council's financial viability in terms of debt servicing and overall debt level. Borrowings will be used to promote intergenerational equity within Council's prudential limits and capacity to repay. Net financial liabilities and associated net interest costs will be maintained within target. Council currently has a loan liability related to previously constructed/purchased assets. By 2025-2026, Council will have repaid these loans. An increase of debt will allow Council to spread the burden of future capital costs more equitably across future generations, and reduce the growth in renewal costs that arise from the delay in investment in assets.

Council will maintain a consistent borrowing level to support the annual capital asset renewal requirements at a level of $2.5m of new internal borrowings per year, with each loan to be repaid over (at most) a 10 year period at 5% interest rate. Council may also consider additional loans under any available interest subsidy programs.

Benchmark - Debt Service Ratio to be maintained at less than 10% of operating revenue.

b. Investment policy

This policy establishes the framework within which investment principles are to apply to the investment of Council funds. The general objective of the policy is to maximise investment income, while maintaining security and a satisfactory relationship with Council's creditors and financial institutions. Any Council money that is not required for cash flow purposes in the short term is invested. Sufficient money is retained in the transactional account to meet ongoing commitments. The *Local Government Act 1993* prescribes how and in what instruments Council may invest.

Benchmark - Investment returns are 100 basis points above the AUSBond Bank Bill Index.

c. Pricing policy

The *Local Government Act 1993* requires Council to include in its Operational Plan, a Statement of the Council's Pricing Policy with respect to the goods and services provided by Council. The purpose of the Pricing Policy is to explain the rationale behind each fee and charge set out in Council's annual Schedule of Fees and Charges.

Council's Pricing Policy is made up of a Pricing Base and a number of Pricing Principles which Council considers when setting the level of its fees and charges. Some fees are statutory and are set by State Government legislation and Council cannot exceed the limits on these fees.

Fees and Charges outlined under the Pricing Policy are reviewed annually as part of the Operational Plan process.

d. Purchase and disposal of property strategy

The objective of the strategy is to assist Council with the acquisition and/or disposal of land and/or buildings. These are conducted to fulfil the following requirements:

- to ensure Council's and the public's interests are protected in all commercial transactions
- to assure probity in all Council dealings
- to ensure all transactions are carried out in accordance with legislative and community requirements
- to ensure all transactions are conducted as transparently as possible
- to assist Council in making decisions relating to its property portfolio
- to assist Council to optimise commercial returns and satisfy Council's strategic objectives.

e. Financial Hardship policy

The objective of this policy is to provide financial relief to customers of Council experiencing difficulties in meeting their commitments in rates, debtors and other fees and charges. Successful applications for hardship will be entitled to write off of interest accrued over a period of twelve months from the date of the debt subject to the debt being paid in the agreed period. This policy will be available to all ratepayers and organisations within the Campbelltown Local Government Area.

Income Statement

Long Term Financial Plan 10 Year Model

Year Ended	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
	$('000)	$('000)	$('000)	$('000)	$('000)	$('000)	$('000)	$('000)	$('000)	$('000)
Income from continuing operations										
Rates and Annual Charges	94,932	97,830	101,044	104,503	108,483	112,632	116,960	121,475	126,187	131,105
User Charges and Fees	13,976	14,332	14,742	15,135	15,548	15,973	16,411	16,862	17,327	17,806
Grants and contributions for operation purposes	23,483	22,920	22,699	22,916	23,302	23,696	24,098	24,508	24,926	25,353
Capital Grants, Subsidies & Contributions	2,453	1,178	1,194	1,214	1,222	1,230	1,238	1,247	1,255	1,264
Interest and Investment Revenue	3,692	3,796	3,910	4,028	4,054	4,081	4,108	4,135	4,163	4,191
Other Revenues	4,925	6,323	3,612	3,702	3,794	3,888	3,986	4,085	4,187	4,292
Total Income from continuing operations	143,461	146,378	147,201	151,498	156,403	161,501	166,800	172,313	178,045	184,011
Expenses from continuing operations										
Employee Costs	61,478	62,656	64,969	67,902	70,278	72,738	75,284	77,919	80,646	83,469
Materials and Contracts	23,810	24,201	24,722	25,284	26,058	26,857	27,679	28,528	29,403	30,304
Borrowing Costs	1,457	1,252	1,058	877	708	547	398	262	133	55
Depreciation	19,169	19,755	20,332	20,922	21,530	22,158	22,804	23,471	24,164	24,879
Other Expenses	34,175	35,576	35,724	36,899	38,154	40,057	40,811	42,217	43,676	45,807
Total Operating Expenses	140,089	143,440	146,805	151,884	156,728	162,357	166,976	172,397	178,022	184,514
Operating result from continuing operations	3,373	2,938	396	(386)	(325)	(856)	(176)	(84)	23	(503)
Net operating result for the year before grants and contributions provided for capital purposes	920	1,760	(798)	(1,600)	(1,547)	(2,086)	(1,414)	(1,331)	(1,232)	(1,767)

Balance Sheet

Long Term Financial Plan 10 Year Model

Year Ended	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
	$('000)	$('000)	$('000)	$('000)	$('000)	$('000)	$('000)	$('000)	$('000)	$('000)
Current Assets										
Cash and Investments	88,526	88,987	89,493	89,837	90,333	90,874	92,115	93,446	94,869	95,756
Receivables	9,032	9,274	9,542	9,810	10,085	10,367	10,657	10,956	11,263	11,579
Inventories	375	385	394	404	414	424	435	446	457	469
Other	49	50	52	53	54	56	57	58	60	61
Total Current Assets	97,982	98,695	99,481	100,104	100,886	101,721	103,265	104,906	106,649	107,865
Non-Current Assets										
Receivables	-	-	-	-	-	-	-	-	-	-
Inventories	8,839	8,839	8,839	8,839	8,839	8,839	8,839	8,839	8,839	8,839
Infrastructure, Property, Plant and Equipment	1,894,633	1,893,582	1,890,138	1,886,397	1,882,789	1,879,378	1,876,170	1,873,132	1,870,991	1,869,132
Investments	15,109	15,109	15,109	15,109	15,109	15,109	15,109	15,109	15,109	15,109
Total Non-Current Assets	1,918,581	1,917,530	1,914,086	1,910,345	1,906,737	1,903,326	1,900,118	1,897,080	1,894,939	1,893,080
Total Assets	2,016,563	2,016,225	2,013,567	2,010,449	2,007,623	2,005,047	2,003,383	2,001,986	2,001,588	2,000,945
Current Liabilities										
Payables	8,334	8,470	8,653	8,849	9,120	9,400	9,688	9,985	10,291	10,606
Provisions	21,613	22,153	22,707	23,275	23,857	24,453	25,065	25,691	26,334	26,992
Borrowings	3,953	3,791	3,496	3,353	2,596	2,388	2,236	1,370	1,114	-
Total Current Liabilities	33,900	34,415	34,856	35,477	35,573	36,241	36,988	37,046	37,739	37,598
Non-Current Liabilities										
Provisions	1,854	1,854	1,854	1,854	1,854	1,854	1,854	1,854	1,854	1,854
Borrowings	20,348	16,557	13,061	9,708	7,112	4,724	2,488	1,118	4	-
Total Non-Current Liabilities	22,202	18,411	14,915	11,562	8,966	6,578	4,342	2,972	1,858	1,854
Total Liabilities	56,102	52,826	49,771	47,039	44,539	42,819	41,330	40,018	39,597	39,452
Net Assets	1,960,462	1,963,399	1,963,796	1,963,410	1,963,084	1,962,228	1,962,052	1,961,968	1,961,992	1,961,492
Equity										
Accumulated Surplus	739,676	742,613	743,010	742,624	742,298	741,442	741,266	741,182	741,206	740,706
Asset Revaluation Reserve	1,220,786	1,220,786	1,220,786	1,220,786	1,220,786	1,220,786	1,220,786	1,220,786	1,220,786	1,220,786
Total Equity	1,960,462	1,963,399	1,963,796	1,963,410	1,963,084	1,962,228	1,962,052	1,961,968	1,961,992	1,961,492

Statement of Cash Flows

Long Term Financial Plan 10 Year Model

Year Ended	2016 $('000)	2017 $('000)	2018 $('000)	2019 $('000)	2020 $('000)	2021 $('000)	2022 $('000)	2023 $('000)	2024 $('000)	2025 $('000)
Cash Flows from Operating Activities										
- Receipts	141,008	145,200	146,007	150,284	155,181	160,271	165,562	171,066	176,790	182,747
- Adjustments - Receivables	-829	-252	-279	-279	-286	-294	-302	-311	-320	-329
- Payments	-120,920	-123,685	-126,473	-130,962	-135,198	-140,199	-144,172	-148,926	-153,858	-159,635
- Adjustments - Payables	1,799	677	736	764	853	876	899	924	949	974
Net Cash provided by/(used in) Operating Activities	21,059	21,940	19,991	19,808	20,549	20,654	21,987	22,753	23,561	23,757
Cash Flows from Investing Activities										
Receipts - Capital Grants/Subsidies/Contributions	2,453	1,178	1,194	1,214	1,222	1,230	1,238	1,247	1,255	1,264
Receipts - Proceeds from Sale of Assets	2,081	2,188	2,133	2,246	2,246	2,246	2,246	2,246	2,246	2,246
Receipts - Sale of Investments	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Payments - Purchase of Investments	-50,000	-50,000	-50,000	-50,000	-50,000	-50,000	-50,000	-50,000	-50,000	-50,000
Payments - CapEx on Renewal/Replacement of Assets	-22,814	-20,892	-19,021	-19,427	-20,168	-20,993	-21,842	-22,679	-24,269	-25,266
Net Cash Used in Investing Activities	-18,280	-17,526	-15,694	-15,967	-16,700	-17,517	-18,358	-19,186	-20,768	-21,756
Cash Flows from Financing Activities										
Receipts - Borrowings	0	0	0	0	0	0	0	0	0	0
Payments - Principal Repayments	-4,092	-3,953	-3,791	-3,496	-3,353	-2,596	-2,388	-2,236	-1,370	-1,114
Net Cash Used in Financing Activities	-4,092	-3,953	-3,791	-3,496	-3,353	-2,596	-2,388	-2,236	-1,370	-1,114
Net Increase/(Decrease) in cash assets held	-1,313	461	506	345	496	541	1,241	1,331	1,423	887
Cash and cash equivalents at beginning of reporting period	89,839	88,526	88,987	89,493	89,837	90,333	90,874	92,115	93,446	94,869
Cash and cash equivalents at end of reporting period	88,526	88,987	89,493	89,837	90,333	90,874	92,115	93,446	94,869	95,756

Key Financial Indicators

Sustainability

Indicator #1 - 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 2016	Year ended June 2017	Year ended June 2018	Year ended June 2019	Year ended June 2020	Year ended June 2021	Year ended June 2022	Year ended June 2023	Year ended June 2024	Year ended June 2025
2.91	2.87	2.84	2.79	2.79	2.74	2.71	2.75	2.73	2.76

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.

Commentary
Council's liquidity is more than satisfactory. Council can easily pay its debts as they fall due.

Indicator #2 - 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 2016	Year ended June 2017	Year ended June 2018	Year ended June 2019	Year ended June 2020	Year ended June 2021	Year ended June 2022	Year ended June 2023	Year ended June 2024	Year ended June 2025
0.65%	1.21%	(0.55%)	(1.06%)	(1.00%)	(1.30%)	(0.85%)	(0.78%)	(0.70%)	(0.97%)

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 #3 - 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 2016	Year ended June 2017	Year ended June 2018	Year ended June 2019	Year ended June 2020	Year ended June 2021	Year ended June 2022	Year ended June 2023	Year ended June 2024	Year ended June 2025
81.92%	83.54%	83.77%	84.07%	84.32%	84.57%	84.81%	85.05%	85.30%	85.54%

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 continues to exceed the benchmark for Own Source Revenue. This displays Council's ability to control operating performance and support financial sustainability.

Indicator #4 - 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 2016	Year ended June 2017	Year ended June 2018	Year ended June 2019	Year ended June 2020	Year ended June 2021	Year ended June 2022	Year ended June 2023	Year ended June 2024	Year ended June 2025
82.89%	78.25%	77.47%	77.16%	77.62%	77.13%	76.64%	76.16%	75.62%	75.12%

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.

Effective Infrastructure and Service Management

Indicator #5 - 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 2016	Year ended June 2017	Year ended June 2018	Year ended June 2019	Year ended June 2020	Year ended June 2021	Year ended June 2022	Year ended June 2023	Year ended June 2024	Year ended June 2025
2.79%	2.49%	2.25%	2.00%	1.72%	1.41%	1.09%	0.75%	0.38%	0.03%

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 will be eliminated within the 10 year period.

Indicator #6 - Asset Maintenance

Indicator Title: **Asset Maintenance Ratio**

Indicator Definition: Actual asset maintenance / Required asset maintenance

Benchmark:

> 100%

80%-100%

< 80%

Year ended June 2016	Year ended June 2017	Year ended June 2018	Year ended June 2019	Year ended June 2020	Year ended June 2021	Year ended June 2022	Year ended June 2023	Year ended June 2024	Year ended June 2025
103.92%	98.91%	98.57%	98.79%	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. It should be noted that Council's funding strategy was to escalate various works into the 2015-2016 year which is reflected in this ratio for the 2017-2019 period.

Indicator #7 - 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 2016	Year ended June 2017	Year ended June 2018	Year ended June 2019	Year ended June 2020	Year ended June 2021	Year ended June 2022	Year ended June 2023	Year ended June 2024	Year ended June 2025
3.94%	3.58%	3.32%	2.91%	2.62%	1.96%	1.68%	1.46%	0.85%	0.64%

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. In 2020 the decrease in debt servicing cost results from the finalisation of a interest free loan that funded the Farrow Road link to Campbelltown Railway Station. Council is currently nearing finalisation of the City's Traffic Study that will highlight the need for additional borrowings to fund significant infrastructure to cater for growth especially around Campbelltown's central business district. In the next six months, further modelling will be conducted and modelled within the Long Term Financial Plan and specifically affect this ratio.

Efficiency

Indicator #8 - Real Operating Expenditure Per Capita

Indicator Title:	**Real Operating Expenditure**
Indicator Definition	Operating expenditure / Population
Benchmark:	Decreasing Stable Increasing

Year ended June 2016	Year ended June 2017	Year ended June 2018	Year ended June 2019	Year ended June 2020	Year ended June 2021	Year ended June 2022	Year ended June 2023	Year ended June 2024	Year ended June 2025
834.61	827.67	827.44	838.70	848.24	855.58	855.91	859.37	863.27	873.41

Real Operating Expenditure Measure Explained

It is acknowledged the difficulty in measuring public sector efficiency and productivity changes over time. This measure assumes that service levels remain constant and that a decline in real operating expenditure per capita indicates efficiency improvements.

An increasing expenditure per capita is undesirable

A stable expenditure per capita is fair

A decreasing expenditure per capita is good

Commentary

There are some major flaws in the use of this measure to demonstrate efficiency including the use of depreciation, asset expense requirements and capitalisation thresholds. Council has a constant focus on innovation and business improvement and regularly tracks and reports on the outcomes achieved via the Innovation and Performance Sub Committee. Since 2005 Council has reported $12.2m of savings and efficiency gains equating to an average of 1% of operating revenue per annum. In addition, service reviews relating to the efficiency criteria is a body of work that will continue be a part of Council's business improvement practices however as the outcomes are not yet realised has not been reflected in this Long Term Financial Plan.

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