



# Strathfield Council

## Fit for the Future - Reporting

June 2015

# Content

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# Background

- ❖ Council has requested that Morrison Low undertake a review and update of Council's Long Term Financial Plan (LTFP) to ensure that Council's Fit for the Future (FFF) submissions and assumptions are realistic and appropriate
- ❖ Once a new LTFP was considered and updated, the outputs were modelled to see the impact of any changes on Council's forecast performance against the FFF benchmarks

# LTFP 2014 - 2024

- ❖ Morrison Low carried out a full update of the LTFP to incorporate savings and additional revenue enabling financial sustainability for Strathfield
- ❖ The outcome is that Strathfield is able to achieve all FFF ratios within the medium term with the identified additional income and revenue projections and by adopting the LTFP and improvement plan
- ❖ The updated LTFP provides for additional revenue in the form of additional rates due to the growth along the Parramatta Road corridor and a Special Rate Variation in 2017/18
- ❖ Provision has also been made for additional parking revenue from the implementation of paid parking.
- ❖ Improvement in Council's asset position is made possible by the allocation of additional funds and the reallocation of funds to asset renewals and asset maintenance
- ❖ Operation savings of \$125k per annum are included to represent savings from future service reviews

# LTFP 2014 - 2024

- ❖ The key assumptions applied to the LTFP are as follows:
  - Annual rates increase by 2.3% - 3% p.a.
  - Discretionary fees increase by 3.0% p.a.
  - Financial assistance grants increase by 1.0% p.a.
  - Interest rate of 2.5% on funds invested
  - Other revenues increase by 2% p.a.
  - Utilities costs increase by 3.0% p.a.
  - Other costs increase by 2.0% p.a.

# LTFP 2014 - 2024

- ❖ In terms of revenue assumptions for the LTFP, the following have been factored into the LTFP:
  - New revenue from parking fees
    - Mason/Bressington parks
    - Homebush West shopping Centre
  - Increased revenue driven by population growth
    - Extra 304 properties p.a. from 2016 increasing to 523 properties p.a. from 2020 onwards
    - Generates additional rates revenue
    - Waste management charges and costs
  - Increased levels of s94 revenue and development assessment revenue to reflect what is already occurring
- ❖ Council has also factored into the model a Special Rate Variation of 7.5% proposed in 2017/18
- ❖ The application of the Special Rate Variation and the additional income proposed in the LTFP will provide revenue capacity to ensure financial sustainability by 2020

# LTFP 2014 - 2024

- ❖ Council has also modelled significant changes to its expenditure patterns into its LTFP to ensure long term sustainability. These changes include:
  - Asset renewals budget increased to levels required under AMPs
  - Asset renewals are increased to a level sufficient to
    - reduce backlog below threshold
    - achieve and maintain a renewals ratio of 100% over the medium term
  - Once the backlog and renewals benchmarks are met, and if any excess funding is identified, this is applied to asset maintenance in order to reach that benchmark
  - Waste management costs increase to service growing population
- ❖ Under the LTFP, Council is able to be funded from a positive working funds balance and no borrowing required

# Income Statement

local government



Income Statement For the year	Budget 2014/15	Budget 2015/16	Projected 2016/17	Projected 2017/18	Projected 2018/19	Projected 2019/20	Projected 2020/21	Projected 2021/22	Projected 2022/23	Projected 2023/24
			Includes allowance for additional cash of \$7,000,000 in 2014/15							
<b>Income from Continuing Operations</b>										
<i>Revenue:</i>										
Rates and Annual Charges	21,120,881	22,104,985	22,958,709	25,155,589	26,098,043	27,320,957	28,587,381	29,898,700	31,256,339	32,661,766
User Charges and Fees	4,053,903	5,324,109	6,002,488	6,648,141	6,831,975	7,194,772	7,389,801	7,764,129	7,971,036	8,357,598
Interest and Investment Revenue	915,000	1,131,546	961,409	798,723	768,262	750,240	819,302	902,387	855,044	977,272
Other Revenue	1,503,904	1,253,426	1,291,544	1,326,106	1,366,474	1,403,212	1,445,964	1,485,013	1,530,294	1,571,796
Grants and Contributions provided for Operating Purposes	2,623,392	1,469,571	1,297,497	1,315,691	1,334,431	1,353,734	1,373,615	1,394,093	1,415,185	1,436,909
Grants and Contributions provided for Capital Purposes	1,022,060	4,528,279	3,296,905	3,395,812	3,497,686	3,602,617	3,710,695	3,822,016	3,936,676	4,054,777
<i>Other Income:</i>										
Net gain from the disposal of assets	2,475,000	130,831	137,372	137,372	144,241	151,453	159,026	166,977	175,326	184,092
<b>Total Income from Continuing Operations</b>	<b>33,714,140</b>	<b>35,942,748</b>	<b>35,945,925</b>	<b>38,777,434</b>	<b>40,041,112</b>	<b>41,776,984</b>	<b>43,485,784</b>	<b>45,433,315</b>	<b>47,139,900</b>	<b>49,244,211</b>
<b>Expenses from Continuing Operations</b>										
Employee Benefits and On-Costs	13,911,643	14,325,929	14,647,103	15,077,927	15,469,953	15,845,894	16,257,887	16,680,592	17,114,288	17,559,259
Materials and Contracts	6,920,152	6,760,443	6,818,583	6,989,164	7,257,382	7,565,349	7,948,891	8,350,513	8,761,285	9,181,415
Depreciation and Amortisation	4,612,785	4,759,430	4,878,416	4,999,933	5,124,488	5,230,737	5,361,062	5,494,646	5,631,569	5,771,914
Other Expenses	7,406,708	8,383,703	8,375,177	8,607,961	8,782,941	9,037,859	9,218,616	9,402,988	9,591,048	9,782,869
<b>Total Expenses from Continuing Operations</b>	<b>32,851,288</b>	<b>34,229,505</b>	<b>34,719,279</b>	<b>35,674,985</b>	<b>36,634,764</b>	<b>37,679,840</b>	<b>38,786,456</b>	<b>39,928,740</b>	<b>41,098,189</b>	<b>42,295,457</b>
<b>Operating Result from Continuing Operations</b>	<b>862,852</b>	<b>1,713,243</b>	<b>1,226,646</b>	<b>3,102,449</b>	<b>3,406,347</b>	<b>4,097,144</b>	<b>4,699,327</b>	<b>5,504,575</b>	<b>6,041,711</b>	<b>6,948,754</b>
<b>Discontinued Operations</b>										
Net Profit / (Loss) from Discontinued Operations	-	-	-	-	-	-	-	-	-	-
<b>Net Operating Result for the Year</b>	<b>862,852</b>	<b>1,713,243</b>	<b>1,226,646</b>	<b>3,102,449</b>	<b>3,406,347</b>	<b>4,097,144</b>	<b>4,699,327</b>	<b>5,504,575</b>	<b>6,041,711</b>	<b>6,948,754</b>
<b>Net Operating Result attributable to Council</b>	862,852	1,713,243	1,226,646	3,102,449	3,406,347	4,097,144	4,699,327	5,504,575	6,041,711	6,948,754
<b>Net Operating Result attributable to Minority Interests</b>	-	-	-	-	-	-	-	-	-	-
<b>Net Operating Result for the year before Grants and Contributions provided for Capital Purposes</b>	<b>(2,634,208)</b>	<b>(2,945,867)</b>	<b>(2,207,631)</b>	<b>(430,735)</b>	<b>(235,580)</b>	343,074	829,607	1,515,582	1,929,709	2,709,885

# Balance Sheet

local government

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# Cash Flow Statement

local government

Statement of Cash Flows For the year	Budget 2014/15	Budget 2015/16	Projected 2016/17	Projected 2017/18	Projected 2018/19	Projected 2019/20	Projected 2020/21	Projected 2021/22	Projected 2022/23	Projected 2023/24
<b>Cash Flows from Operating Activities</b>										
<u>Receipts:</u>										
Rates and Annual Charges	21,120,881	22,104,985	22,958,709	25,155,589	26,098,043	27,320,957	28,587,381	29,898,700	31,256,339	32,661,766
User Charges and Fees	4,053,903	5,324,109	6,002,488	6,648,141	6,831,975	7,194,772	7,389,801	7,764,129	7,971,036	8,357,598
Investment and Interest Revenue Received	915,000	1,131,546	961,409	798,723	768,262	750,240	819,302	902,387	855,044	977,272
Grants and Contributions	3,645,452	5,997,850	4,594,402	4,711,503	4,832,117	4,956,350	5,084,310	5,216,108	5,351,861	5,491,686
Bonds, Deposits and Retention amounts received	-	-	-	-	-	-	-	-	-	-
Other	1,503,904	1,253,426	1,291,544	1,326,106	1,366,474	1,403,212	1,445,964	1,485,013	1,530,294	1,571,796
<u>Payments:</u>										
Employee Benefits and On-Costs	(13,911,643)	(14,325,929)	(14,647,103)	(15,077,927)	(15,469,953)	(15,845,894)	(16,257,887)	(16,680,592)	(17,114,288)	(17,559,259)
Materials and Contracts	(6,920,152)	(6,760,443)	(6,818,583)	(6,989,164)	(7,257,382)	(7,565,349)	(7,948,891)	(8,350,513)	(8,761,285)	(9,181,415)
Bonds, Deposits and Retention amounts refunded	-	-	-	-	-	-	-	-	-	-
Other	(7,406,708)	(8,383,703)	(8,375,177)	(8,607,961)	(8,782,941)	(9,037,859)	(9,218,616)	(9,402,988)	(9,591,048)	(9,782,869)
<b>Net Cash provided (or used in) Operating Activities</b>	<b>3,000,637</b>	<b>6,341,842</b>	<b>5,967,690</b>	<b>7,965,010</b>	<b>8,386,594</b>	<b>9,176,428</b>	<b>9,901,364</b>	<b>10,832,244</b>	<b>11,497,954</b>	<b>12,536,576</b>
<b>Cash Flows from Investing Activities</b>										
<u>Receipts:</u>										
Sale of Investment Securities	-	-	-	-	-	-	-	-	-	-
Sale of Real Estate Assets	-	-	-	-	-	-	-	-	-	-
Sale of Infrastructure, Property, Plant and Equipment	2,475,000	130,831	137,372	137,372	144,241	151,453	159,026	166,977	175,326	184,092
<u>Payments:</u>										
Purchase of Investment Securities	-	-	-	-	-	-	-	-	-	-
Purchase of Infrastructure, Property, Plant and Equipment	(6,042,661)	(6,386,275)	(12,612,510)	(9,320,834)	(9,251,697)	(6,565,430)	(6,736,982)	(12,892,917)	(6,784,154)	(10,338,380)
Purchase of Real Estate Assets	-	-	-	-	-	-	-	-	-	-
<b>Net Cash provided (or used) in Investing Activities</b>	<b>(3,567,661)</b>	<b>(6,255,444)</b>	<b>(12,475,138)</b>	<b>(9,183,461)</b>	<b>(9,107,456)</b>	<b>(6,413,977)</b>	<b>(6,577,957)</b>	<b>(12,725,940)</b>	<b>(6,608,828)</b>	<b>(10,154,288)</b>
<b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>	<b>(567,024)</b>	<b>86,397</b>	<b>(6,507,448)</b>	<b>(1,218,452)</b>	<b>(720,862)</b>	<b>2,762,451</b>	<b>3,323,407</b>	<b>(1,893,696)</b>	<b>4,889,125</b>	<b>2,382,288</b>
<b>plus: Cash and Cash Equivalents - beginning of year</b>	<b>10,437,000</b>	<b>9,869,976</b>	<b>9,956,373</b>	<b>3,448,925</b>	<b>2,230,473</b>	<b>1,509,611</b>	<b>4,272,063</b>	<b>7,595,470</b>	<b>5,701,775</b>	<b>10,590,900</b>
<b>Cash and Cash Equivalents - end of year</b>	<b>9,869,976</b>	<b>9,956,373</b>	<b>3,448,925</b>	<b>2,230,473</b>	<b>1,509,611</b>	<b>4,272,063</b>	<b>7,595,470</b>	<b>5,701,775</b>	<b>10,590,900</b>	<b>12,973,188</b>
plus: Investments on hand - end of year	21,500,000	21,500,000	21,500,000	21,500,000	21,500,000	21,500,000	21,500,000	21,500,000	21,500,000	21,500,000
<b>Total Cash, Cash Equivalents and Investments</b>	<b>31,369,976</b>	<b>31,456,373</b>	<b>24,948,925</b>	<b>23,730,473</b>	<b>23,009,611</b>	<b>25,772,063</b>	<b>29,095,470</b>	<b>27,201,775</b>	<b>32,090,900</b>	<b>34,473,188</b>

# Equity Statement

local government

Statement of Changes in Equity For the year	Budget 2014/15	Budget 2015/16	Projected 2016/17	Projected 2017/18	Projected 2018/19	Projected 2019/20	Projected 2020/21	Projected 2021/22	Projected 2022/23	Projected 2023/24
<b>RETAINED EARNINGS</b>										
<b>Opening Balance</b>	160,156,000	161,018,852	162,732,095	163,958,741	167,061,190	170,467,537	174,564,681	179,264,008	184,768,584	190,810,294
Correction of Prior Period Errors	-	-	-	-	-	-	-	-	-	-
<b>Revised Opening Balance</b>	160,156,000	161,018,852	162,732,095	163,958,741	167,061,190	170,467,537	174,564,681	179,264,008	184,768,584	190,810,294
<b>Net Operating Result for the Year</b>	862,852	1,713,243	1,226,646	3,102,449	3,406,347	4,097,144	4,699,327	5,504,575	6,041,711	6,948,754
<b>Total Comprehensive Income</b>	<b>862,852</b>	<b>1,713,243</b>	<b>1,226,646</b>	<b>3,102,449</b>	<b>3,406,347</b>	<b>4,097,144</b>	<b>4,699,327</b>	<b>5,504,575</b>	<b>6,041,711</b>	<b>6,948,754</b>
<b>Balance at End of the Reporting Period</b>	<b>161,018,852</b>	<b>162,732,095</b>	<b>163,958,741</b>	<b>167,061,190</b>	<b>170,467,537</b>	<b>174,564,681</b>	<b>179,264,008</b>	<b>184,768,584</b>	<b>190,810,294</b>	<b>197,759,048</b>
<b>IPP&amp;E ASSET REVALUATION RESERVE</b>										
<b>Opening Balance</b>	125,016,000	125,016,000	125,016,000	125,016,000	125,016,000	125,016,000	125,016,000	125,016,000	125,016,000	125,016,000
Correction of Prior Period Errors	-	-	-	-	-	-	-	-	-	-
<b>Revised Opening Balance</b>	<b>125,016,000</b>	<b>125,016,000</b>	<b>125,016,000</b>	<b>125,016,000</b>	<b>125,016,000</b>	<b>125,016,000</b>	<b>125,016,000</b>	<b>125,016,000</b>	<b>125,016,000</b>	<b>125,016,000</b>
Revaluations - IPP&E Asset Revaluation Reserve	-	-	-	-	-	-	-	-	-	-
<b>Total Comprehensive Income</b>	<b>125,016,000</b>	<b>125,016,000</b>	<b>125,016,000</b>	<b>125,016,000</b>	<b>125,016,000</b>	<b>125,016,000</b>	<b>125,016,000</b>	<b>125,016,000</b>	<b>125,016,000</b>	<b>125,016,000</b>
<b>Balance at End of the Reporting Period</b>	<b>125,016,000</b>	<b>125,016,000</b>	<b>125,016,000</b>	<b>125,016,000</b>	<b>125,016,000</b>	<b>125,016,000</b>	<b>125,016,000</b>	<b>125,016,000</b>	<b>125,016,000</b>	<b>125,016,000</b>
<b>COUNCIL EQUITY INTEREST</b>										
<b>Opening Balance</b>	285,172,000	286,034,852	287,748,095	288,974,741	292,077,190	295,483,537	299,580,681	304,280,008	309,784,584	315,826,294
Correction of Prior Period Errors	-	-	-	-	-	-	-	-	-	-
<b>Revised Opening Balance</b>	285,172,000	286,034,852	287,748,095	288,974,741	292,077,190	295,483,537	299,580,681	304,280,008	309,784,584	315,826,294
<b>Net Operating Result for the Year</b>	862,852	1,713,243	1,226,646	3,102,449	3,406,347	4,097,144	4,699,327	5,504,575	6,041,711	6,948,754
<b>Total Comprehensive Income</b>	<b>862,852</b>	<b>1,713,243</b>	<b>1,226,646</b>	<b>3,102,449</b>	<b>3,406,347</b>	<b>4,097,144</b>	<b>4,699,327</b>	<b>5,504,575</b>	<b>6,041,711</b>	<b>6,948,754</b>
Revaluations - IPP&E Asset Revaluation Reserve	-	-	-	-	-	-	-	-	-	-
<b>Balance at End of the Reporting Period</b>	<b>286,034,852</b>	<b>287,748,095</b>	<b>288,974,741</b>	<b>292,077,190</b>	<b>295,483,537</b>	<b>299,580,681</b>	<b>304,280,008</b>	<b>309,784,584</b>	<b>315,826,294</b>	<b>322,775,048</b>

# Modelling

- ❖ Taking into account the updated LTFP information, Morrison Low has projected Council's performance against the benchmarks into the future

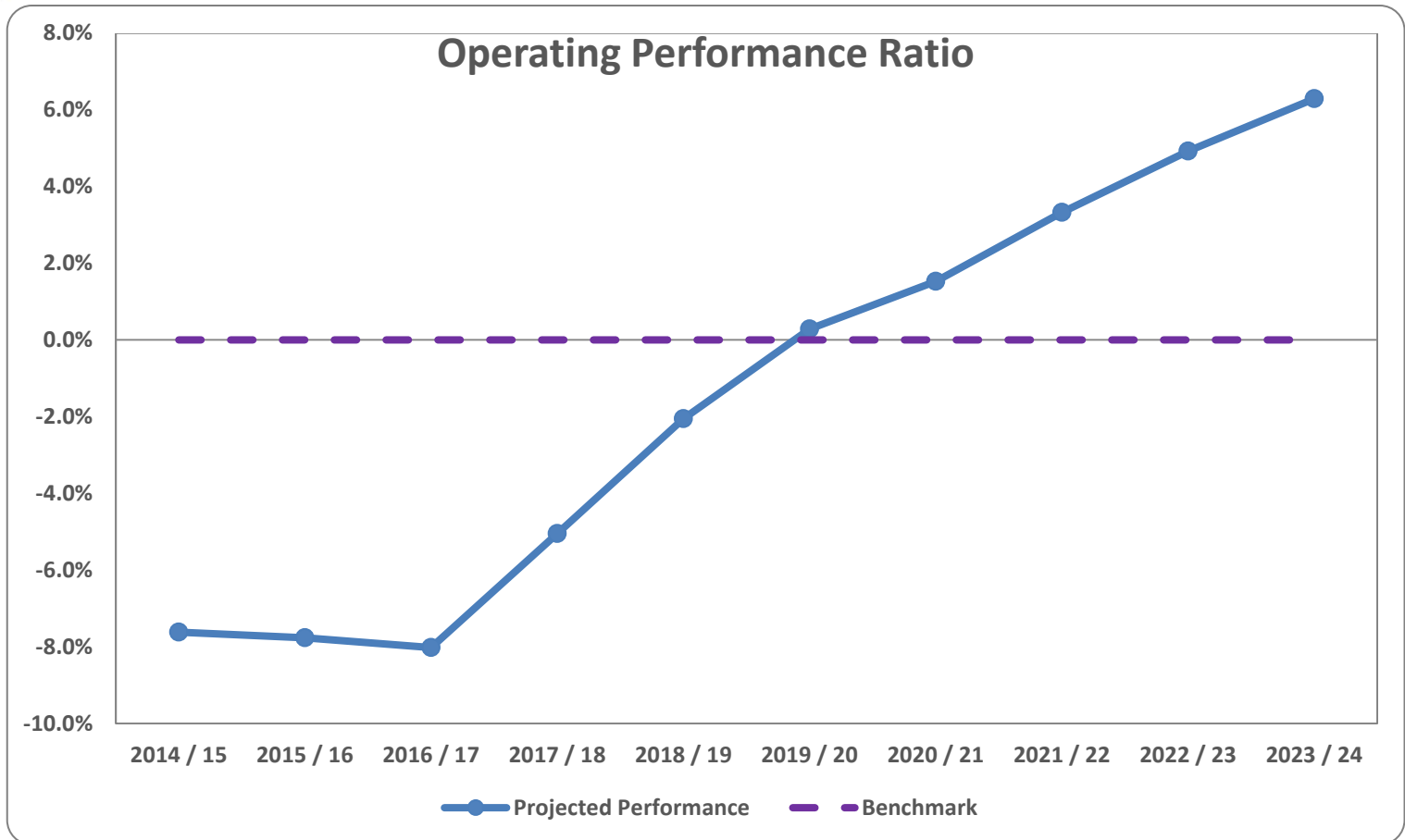


# Summary of performance against the ratios to 2020

Indicator	Projected Performance
Operating Performance	✓
Own Source Revenue	✓
Debt Service Cover	✓
Asset Maintenance	✓
Asset Renewal	✓
Infrastructure Backlog	✓
Real Operating Expenditure	✓

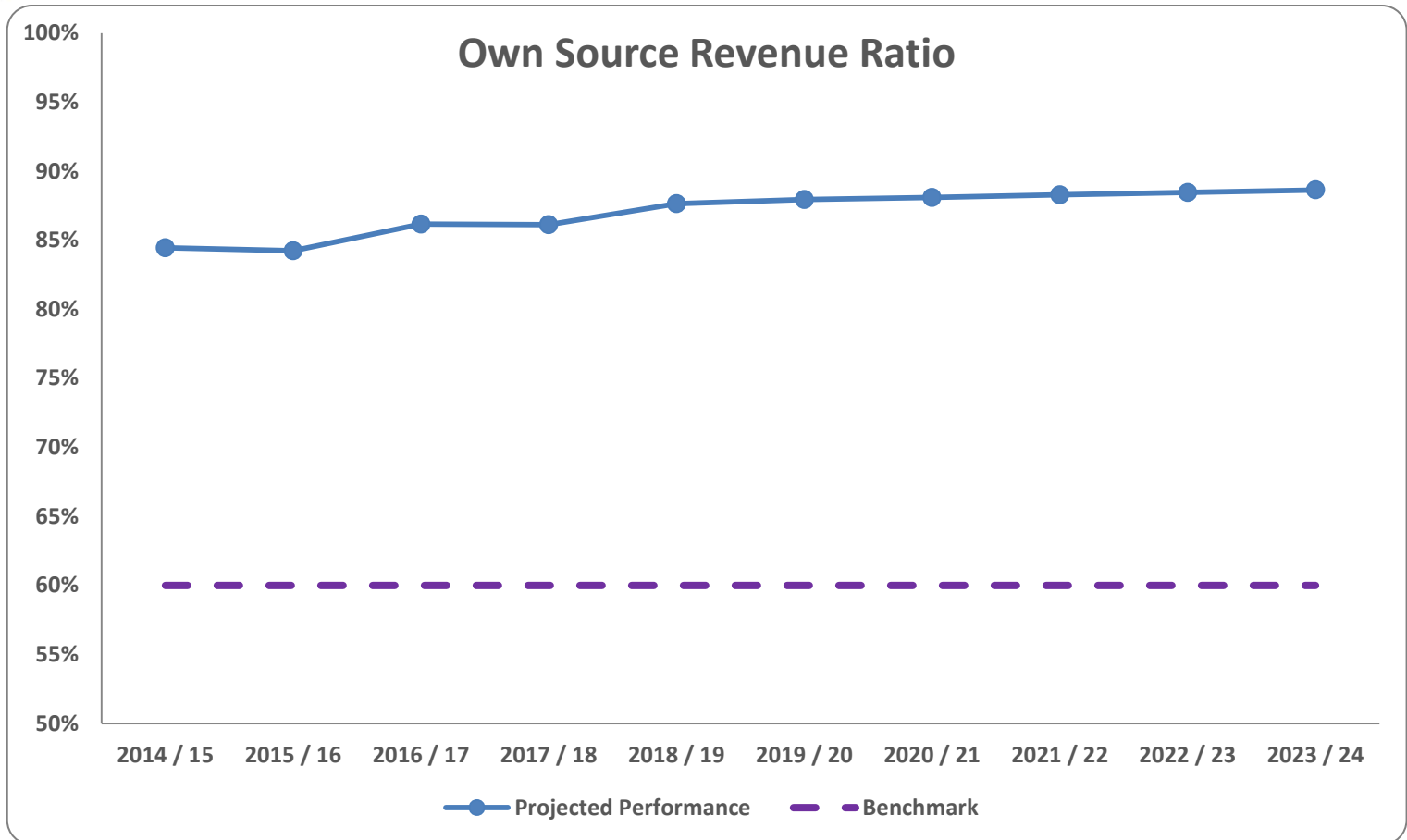
# Operating Performance

(Greater than or equal to breakeven – average over 3 years)



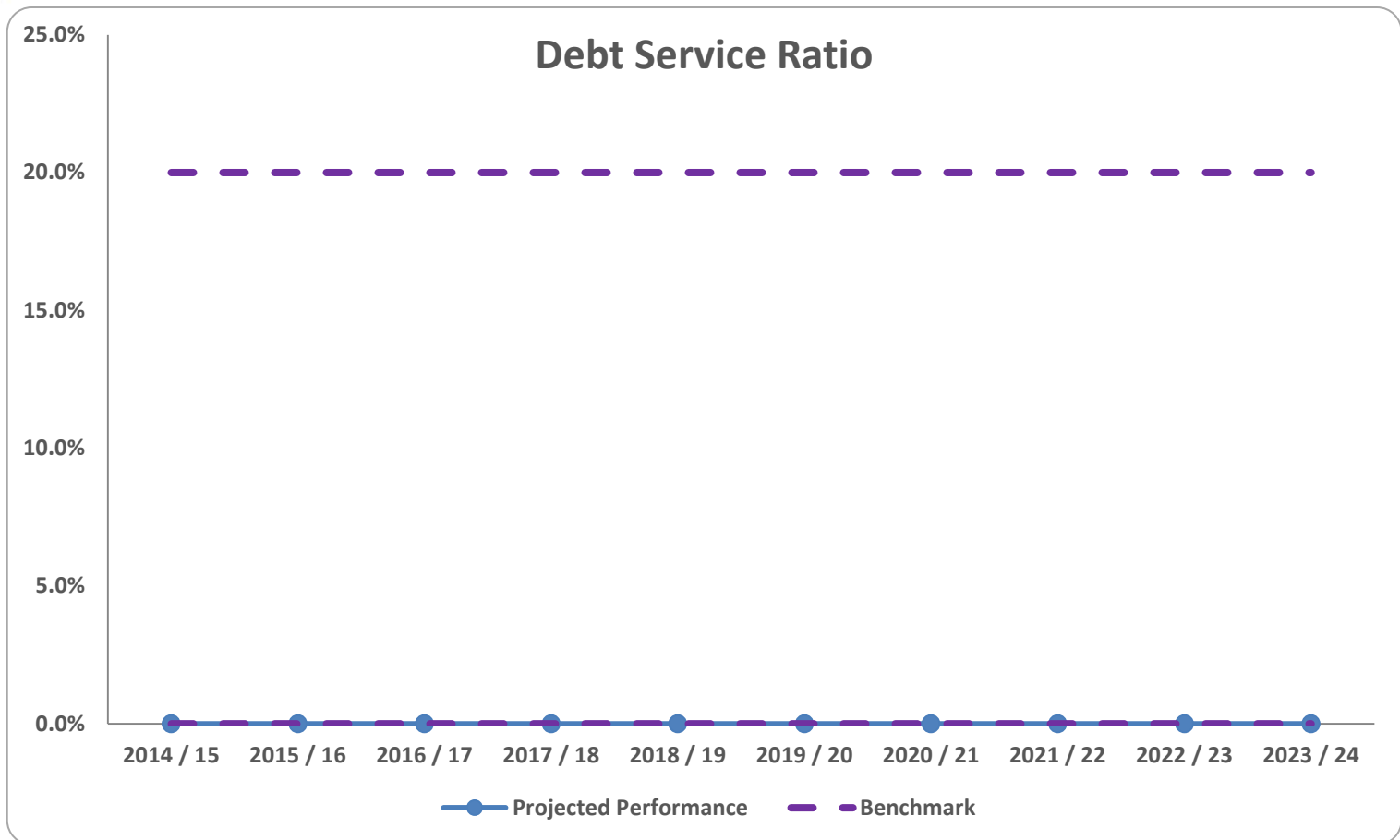
# Own Source Revenue

(Greater than 60% – average over 3 years)



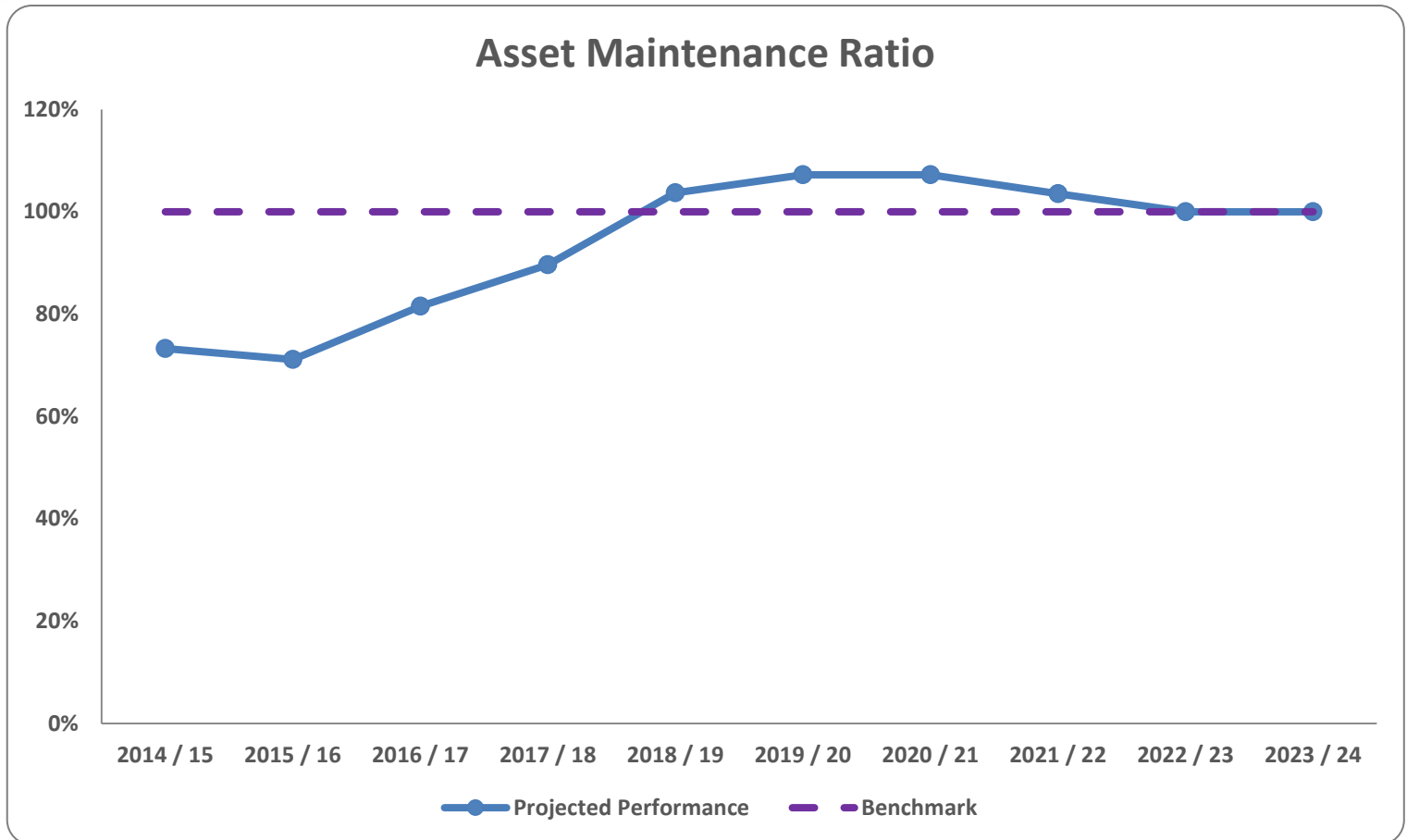
# Debt Service

(Greater than 0% and less than or equal to 20%  
– average over 3 years)



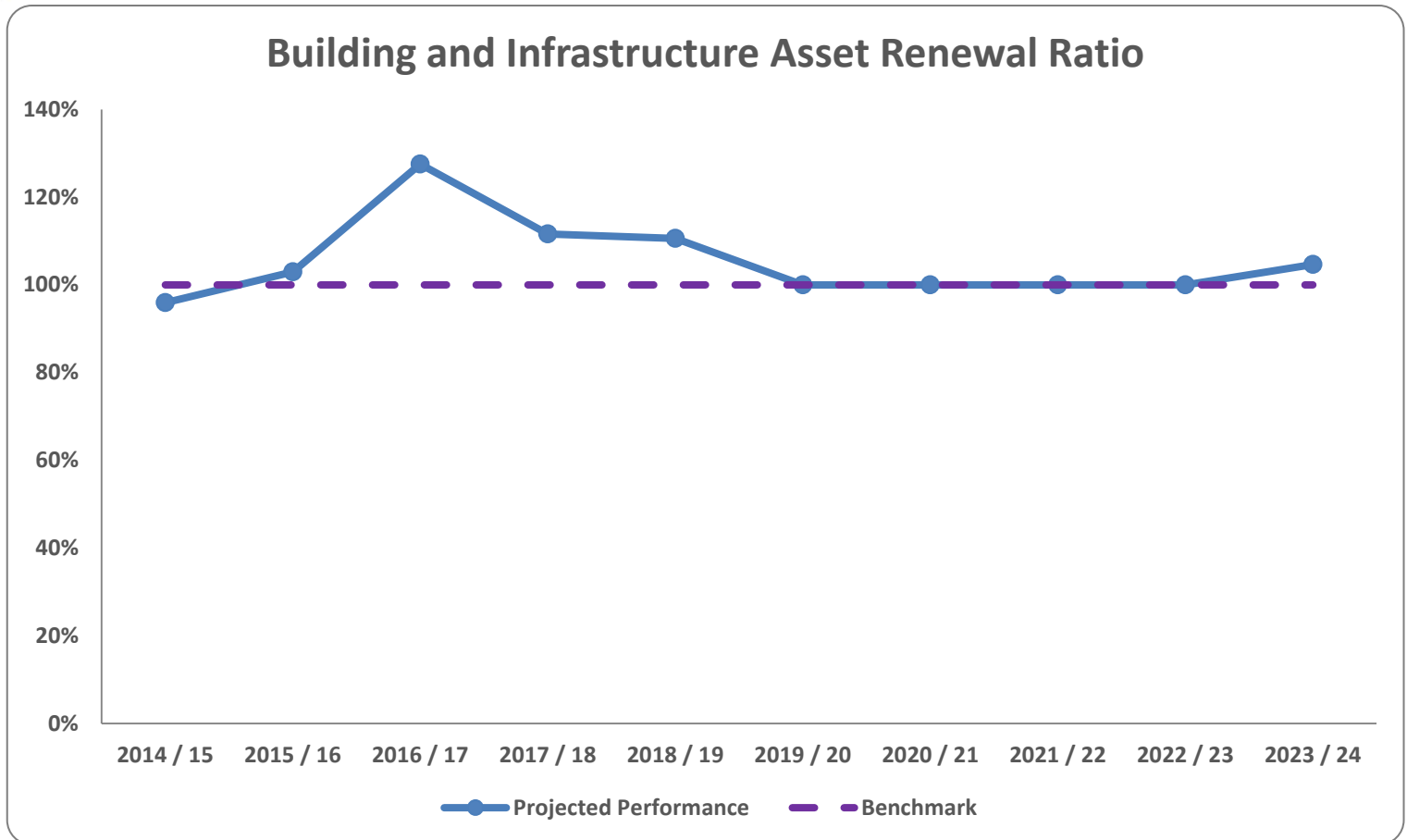
# Asset Maintenance

(Greater than 100% – average over 3 years)



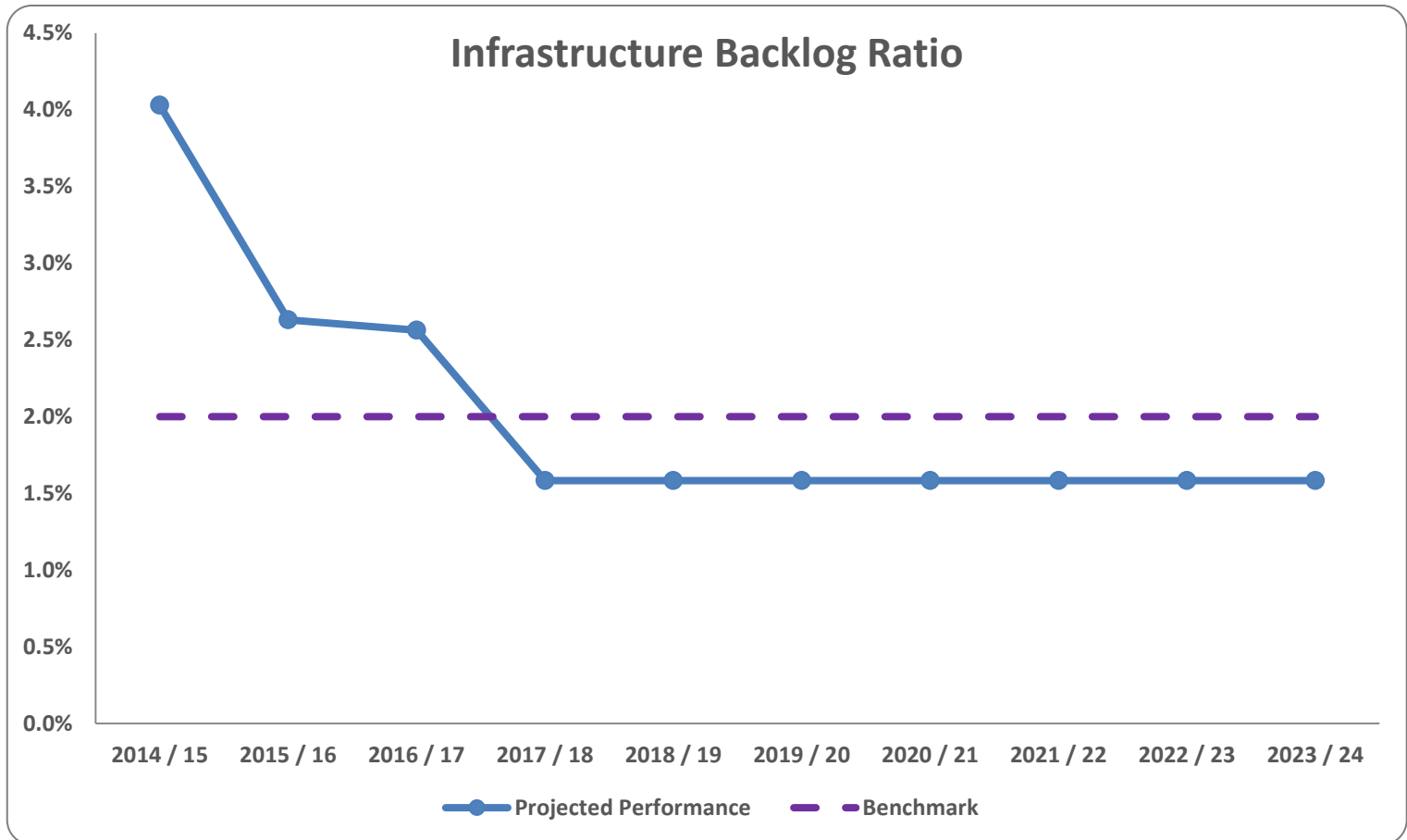
# Building and Infrastructure Renewal

(Greater than 100% – average over 3 years)

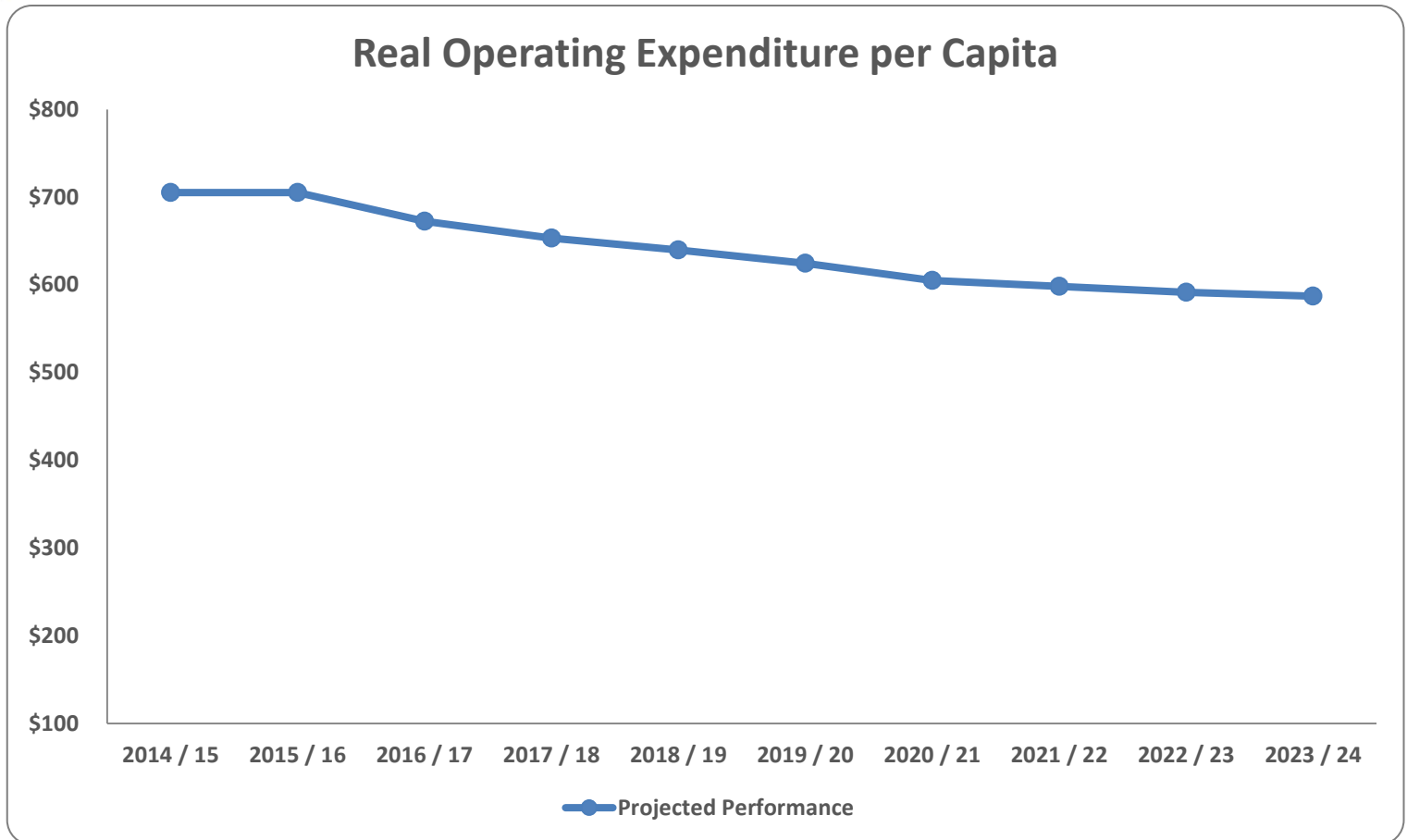


# Infrastructure Backlog

(Less than 2%)



# Real Operating Expenditure (Decreasing)





# Conclusions

- ❖ Council's newly updated LTFP incorporates additional income through
  - A Special Rate Variation
  - increased income through additional parking meter income
  - continued growth along the Parramatta Road corridor
- ❖ Additional funding is used to meet asset related FFF benchmarks
- ❖ Further, a service review program is to be carried out beginning in the next financial year and is predicted to identify operational savings in the order of \$125,000 per year
- ❖ Modelling projected performance against the Fit for the Future benchmarks using this information means that Council has an improved performance and all ratios are met by 2019/20 as required by IPART



A word cloud of terms related to local government services, arranged in a cluster on the right side of the slide. The words are in various colors (dark blue, green, and purple) and sizes, with 'local government' being the largest. The terms include: local government, procurement, alliance partnering, long term financial plan, asset management, waste management, governance, financial/feasibility modeling, economic development, and sustainability.

local government  
procurement  
alliance partnering  
long term financial plan  
asset management  
waste management  
governance  
financial/feasibility modeling  
economic development  
sustainability