Blacktown City Council

LONG TERM FINANCIAL PLAN 2021-2031

Our Blacktown 2036
OUR VISION, OUR PLAN

Adopted 23 June 2021

This volume forms part of the 2021/22 Operational Plan

Contents

From the Mayor

Welcome to the 2021–2031 Long Term Financial Plan (LTFP). This document outlines the financial strategy of Blacktown City Council over the next 10 years to deliver the outcomes contained in *Our Blacktown 2036*, and the detailed financial modelling to ensure our position remains sound.

I am proud to lead a strong and united Council, which is committed to prudent financial management. Blacktown City is the fourth largest council in Australia by population, and growing to a city of well over half a million within 15 years. This amazing rate of growth provides great opportunities for our community, but also challenges Council to provide the infrastructure and services that our people need and deserve.

Local government across Australia, and especially in growth areas like Western Sydney, faces significant financial shortfalls due to the lack of adequate support from the Australian and NSW governments in so many areas. We continue to lobby hard on this issue for our community.

Despite these challenges, Blacktown City Council is confident that through the comprehensive financial strategy laid out in our LTFP, we will remain sustainable and effective in delivering for our great City.

Councillor Tony Bleasdale OAM
Mayor

From the Chief Executive Officer

The Long Term Financial Plan forecasts Council's revenue and expenditure, balance sheet and cash flow for the coming 10 year period, based on a set of assumptions provided in this document. A range of scenarios are modelled, based on optimistic, pessimistic and 'base case' parameters. The document sets out the financial ratios on which our performance and sustainability can be assessed.

The purpose of the LTFP is to help guide Council's long term decision making regarding the prioritisation of projects and services. The document clearly indicates the resources required to deliver the outcomes sought by Council. It is also closely aligned with our strategy for Asset Management, which is the largest single commitment of local government.

The core objectives of Blacktown City for our LTFP include:

- commitment to balanced budgets
- ongoing improvements to financial efficiency
- effective control of our major cost centres, such as our people and assets.

The LTFP is updated annually, and this document is placed on public exhibition as part of the Operational Plan and budget process. Public comment and questions on any aspect of our financial strategy are invited.

Council would also like to note that early on in the COVID-19 global pandemic we met and set up a response and budget that we thought would be required based upon early government predictions. We are happy to say that the effects of the pandemic upon Council services has not been as bad as predicted and whilst we are not out of the woods, we believe that we are unlikely to require the total amount of funds initially set aside.

There may be ongoing COVID-19 pandemic legacy issues affecting some areas of Council which will be dealt with as and when they become known and will be addressed in the quarterly reviews. Council doesn't expect any further changes to Commonwealth and State grants as a result.

Kerry Robinson OAM
Chief Executive Officer

Introduction

Council's Long Term Financial Plan (LTFP) contains a forecast of Council's revenue and expenditure for the 10 year period from 2021/22 to 2030/31. The LTFP is based on Council's proposed 2021/22 budget, which is the base year of the LTFP. Future years in the LTFP are based on a range of assumptions used to project future revenue and expenditure. In addition to revenue and expenditure forecasts, the LTFP also includes a projection of Council's balance sheet and cash flow.

The primary purpose of the model is to assist in long term decision making regarding the prioritisation of the services delivered by Council and what assets and financial resources are required to provide those services. The model serves as a guide to Council's future financial position. However, the projections contained in the LTFP are subject to change due to a variety of external factors as well as major decisions made by Council. It is necessary to regularly review and monitor a variety of factors and if necessary revise the projections contained in Council's LTFP. In keeping with the legislative requirements outlined below, the LTFP is revised annually as part of Council's annual budget process.

Responding to legislative requirements

The Integrated Planning and Reporting (IP&R) framework relates to the strategic planning processes and requirements for NSW councils. The IP&R requirements require NSW councils to develop a Resourcing Strategy to assist in developing its planning documents. The Resourcing Strategy comprises the following three components:

- Asset Management Strategy
- Workforce Management Plan
- Long Term Financial Plan

The 3 components of the Resourcing Strategy cannot be developed in isolation. Rather, all 3 need to be considered together in order to identify the available money, assets and people to carry out the diverse range of services, activities and programs identified in our Strategic Plan – *Our Blacktown 2036*.

The LTFP contains information based on financial modelling to assist in making future strategic decisions. To do so, the LTFP has been developed to provide a framework that assists in:

- facilitating strategic decision making to address significant issues facing Council in the medium to long term
- identifying potential future deficits or resourcing shortfalls
- assessing the financial resources required to achieve Council's medium and long term objectives
- measuring and comparing the long term financial impact of different policies and strategies and managing these accordingly
- providing an indication of Council's future financial position based on specified levels of service
- assessing whether current service levels are sustainable and testing the impact of different service levels.

The LTFP must cover a minimum period of 10 years. Over this period the level of detail contained in the LTFP will vary depending on the year under consideration, with greater detail in earlier years, less in later years.

Over the longer term, it is anticipated there will be changes in the factors used to develop long term projections, such as the annual rate pegging limit and CPI. As it is not possible to accurately predict these trends the LTFP contains a number of different scenarios in order to assess the likely future impact of changes in these factors. The impact of alternative scenarios have been modeled and are shown later in this document.

Objectives

In preparing the LTFP a number of core objectives of Council have been considered. These objectives are listed below.

Balanced budgets

Council has a longstanding commitment to adopting balanced budgets. Council will always adopt balanced budgets. Regular reviews of current strategies and investigating potential options to both enhance revenue and reduce expenditure will be undertaken as one of Council's key objectives is to achieve ongoing efficiency improvements whilst maintaining excellent service delivery.

Ongoing identification of improvements

For the purpose of the LTFP, indexation has been applied to all income and expenditure items from the 2022/23 financial year onwards in line with the assumptions set out in **attachment 1** of this document.

In adopting the annual budget (2021/22), all expense items have been set at the same level as the current 2020/21 financial year, meaning a nil budget increase has been applied, except for the following:

i. Our employment related costs have been increased based on the 2018-2021 Blacktown City Enterprise Agreement (EA), which provides for a 3.0%, 3.0% & 2.85% yearly increase on all salaries and wages respectively commencing in 2018/19. As a consequence of the COVID-19 pandemic, the 2018-2021 EA has been extended by 1 year which provides for a 2% increase on all salary and wages from 1 July 2021, concluding June 2022.

ii. A further $600,000 has been allocated across specific operational budgets for indexation on the cost of materials and contracts. This represents approximately 0.75% of the existing expenditure on operational materials and contracts for these sections.

This practice helps ensure annual operational efficiencies are maximised, and opportunities are provided to allow for the expansion of functional areas in a prioritised approach.

All other increases in operational expenditure require an expansionary budget request to be submitted by the relevant section with a justification for the increase in the budget allocation.

Employee leave entitlement reserve

Council employees accrue leave in accordance with the provisions contained in the Local Government Award. Council maintains an internally restricted reserve to assist in the funding of employee leave entitlements (ELE), that is, the future cost of undertaking leave held by staff. Council's practice has been to ensure the amount held in this reserve equates to at least 20% of the total ELE provision. The LTFP assumes that this practice will be maintained over the 10 year period covered by the LTFP.

Workers compensation reserve

Since 1991, Council has been self-insured for workers compensation. A condition of being approved to hold a self-insured workers compensation license is that Council must provide a bank guarantee to secure total outstanding claims liabilities. The amount required to be held is based on an assessment conducted annually by an independent actuary.

Although it is not mandatory, Council has traditionally supported this bank guarantee with an internally restricted reserve, called the workers compensation reserve. Council's revised funding strategy for the workers compensation reserve is detailed in report CS390179 dated 23 October 2019. Council's target is that the workers compensation reserve remains at a minimum balance of 30% of the overall workers compensation liability assessed by the actuary.

Unrestricted current ratio

The unrestricted current ratio is a measure of whether a Council has sufficient liquid assets available to meet short term commitments, after excluding certain restricted assets (such as unspent Section 7.11 contributions and grants). As a general rule the target/healthy ratio is 100% or greater. That is, for every $1 of liability there is $1 of asset to cover it. It is an objective of the LTFP that Council's unrestricted current ratio remains greater than 100% for the 10 year period covered by the LTFP.

Debt service ratio

The debt service ratio represents the percentage of Council's total operating revenue that is attributable to net debt servicing costs. The debt service ratio target set by the Office of Local Government as part of its Fit for the Future (FFTF) assessments of local councils, is a ratio of no more than 20%.

Rates and annual charges outstanding ratio

This ratio measures the percentage of a Council's total rates and annual charges that is outstanding. It is accepted that for large urban councils this ratio should remain below 5%. Over the 10 year period covered by the LTFP, Council will endeavour to remain within this target.

Prudent investment management

Council has a longstanding policy of prudent and conservative management of its investment portfolio. In keeping with this approach Council's investment portfolio comprises mainly of investment products which are both high rated and low risk. Council will continue this approach in the future and this is reflected in the interest revenue projections contained in the LTFP.

Fit for the Future reassessment proposal

IPART was appointed in 2015 to assess council FFTF proposals and determine whether councils are 'fit' or 'unfit' according to the NSW Government's criteria. Under this initial assessment Blacktown Council was assessed as 'unfit'.

In 2016 Council was invited by the Office of Local Government (OLG) to submit a reassessment proposal. Our submission was approved by Council as part of report CS360123 (Submission for reassessment under the Office of Local Government's Fit for the Future program) in July 2016.

Whilst continuing the conservative basis that underpins the LTFP, our reassessment proposal better recognised that as the level of development activity in the city continues to increase, it is appropriate to carefully review some of the key projections used in our LTFP. The key revisions made to our LTFP as part of the reassessment submission were as follows:

- better forecasting of future rates revenue that results from growth in the North West Growth Centre
- review depreciation rates and methodologies
- better projections of future revenues and expenditures based on more recent actual results rather than previous budgets.

In considering our reassessment submission, in late 2016, the OLG advised Council that based on the revisions to the LTFP and the forecast improvement in the criteria used for their assessment, that Council had been reassessed as 'fit'. These key revisions as outlined in our reassessment proposal have continued to be incorporated into the annual LTFP adopted by Council including the proposed LTFP 2021-2031.

LTFP assumptions

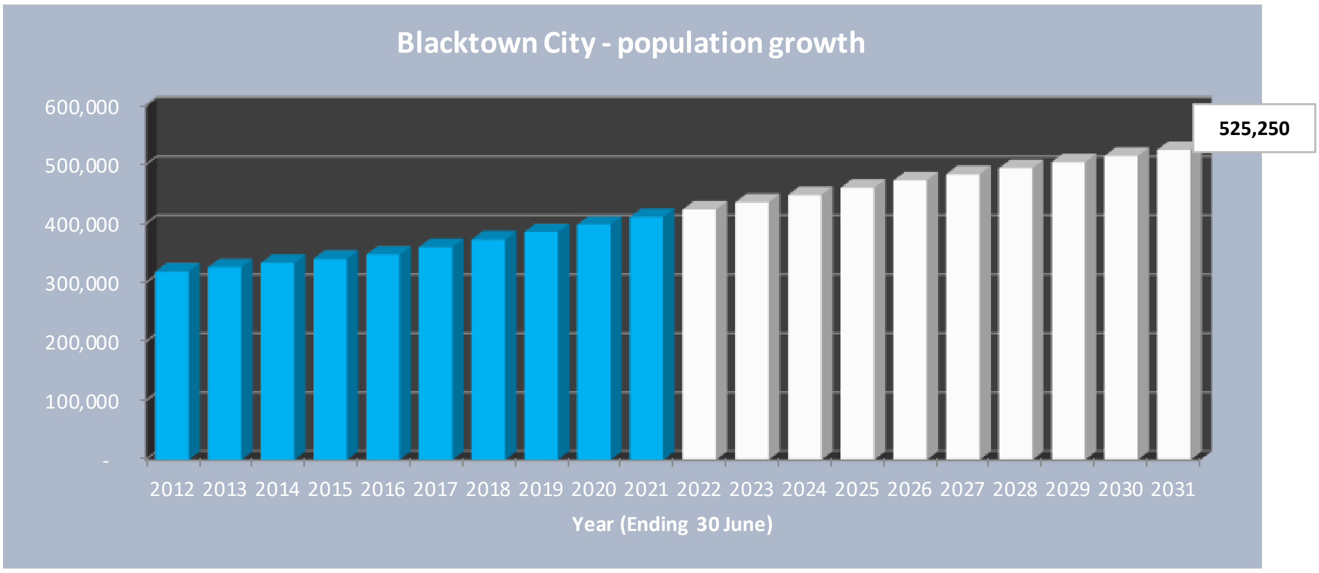
In preparing Council's LTFP, projections on future financial trends have been based on a number of assumptions. These assumptions are explained below.

Population

Growth in population has a major impact on Council's future revenues and expenses. Blacktown City's high rate of growth will continue for quite some time, with the majority of this growth to occur in the North West Growth Area and in defined Urban Renewal Precincts around key transport nodes and centres.

This phase in Blacktown's growth will see approximately 100,000 new home sites over the next 25 years. The Greater Sydney Region Plan: A metropolis of three cities, identifies that there will be an additional 1.7 million more people in Sydney by 2036, which will require 725,000 new dwellings. Such continued high growth creates a major challenge for Council to ensure it balances the needs of established areas with those of new release areas. With this increase in population there is an increase in the demand for new and expanded facilities and services provided by Council. The changing demographics of Blacktown City will also mean changes in the types of services to be provided by Council in the future, which will have an increasing impact on the later years covered by the LTFP.

The graph below shows the movement in Blacktown's population over the past 10 years and the projected increase over the next 10 years. By 2031, Blacktown's population is anticipated to reach approximately 525,250.



	2021	2026	2031	2036	2041	Total change	Annual change %
Population	411,650	473,500	525,250	569,550	612,150	**200,500**	2.0%
Dwellings	134,850	157,850	177,550	195,250	212,850	**78,000**	2.3%

Source: Department of Planning and Environment

Levels of service to the community

The Long Term Financial Plan is based on the maintenance of existing Council services to the community at existing service levels. The LTFP will be reviewed as required when the type of service or service levels are varied by Council in reflection of city needs and community priorities. In such cases, the capacity of the Council to fund these services will be assessed against the financial policy framework provided in the LTFP.

The LTFP includes projected revenues and expenditures for the International Centre of Training Excellence (ICTE), the Warrick Lane development, Blacktown Animal Rehoming Centre (BARC) and St Bartholomew's Cemetery. The modeling shows the inclusion of these 4 Transformational Projects, based on Council's adopted funding strategy and business model, does not compromise Council's ability to deliver services to the community at existing service levels.

Council's existing services are outlined in the 2017-2022 Delivery Program in the section "What we do for you". The present levels of service have generally been defined historically by a balance between the community's desired level of service (assessed by various means including surveys, service requests and informal feedback) and Council's resource capacity and strategic priorities. In some cases, service levels are set through major contracts or service level agreements.

Service levels are increasingly a matter of engagement and dialogue with the community under the Integrated Planning and Reporting framework. The Delivery Program provides for a 'best value' approach to Council's services and an ongoing program of service review.

Under recent amendments to the Local Government Act, all councils are required to review their services as part of good management practice. Our current services and how they are delivered may change over the period of the Delivery Program as a consequence of Council's Better

Practice Reviews program. Better Practice Reviews is a rolling program to examine all of our external and internal services and ensure that they are efficient, effective and sustainable. This provides an ongoing mechanism for the review and improvement of our business with input from customers and external and internal stakeholders.

Service levels for asset-based or “infrastructure services” are of particular importance to Council’s long term planning and the financial modeling which is provided in the LTFP. These service levels are discussed in more detail in Council’s 2017-2027 Asset Management Strategy.

Revenue

Rates and charges

Rates and charges are a major source of Council’s income, representing approximately 50% of our average total revenue over the 10 years of the LTFP. In NSW, council rates are levied based on land valuations supplied by the Valuer General of NSW. These valuations are reviewed every 3 years as part of a process termed general revaluation. It is important to note that regardless of changes in the land valuations for existing properties, the actual total amount of rates income a council may levy is limited by rate pegging. Rate pegging refers to the process in which the NSW Government determines annually the allowable increase in rates, which is referred to as the rate peg. This allowable increase is announced annually by the Independent Pricing and Regulatory Tribunal (IPART).

Councils can apply for a special rate variation to increase rates income by an amount higher than the approved rate peg limit. However, the approved increase in rates will consider factors such as the community’s capacity to pay as well as population growth and changing demographics.

The approved annual rate pegging limit since 2007/08 is shown in the table below, along with the actual rate increase adopted by Council. This table shows that over this period the average annual rate variation limit has been 2.7%. For 2021/22, IPART has determined the rate variation limit to be 2.0%. This includes an allowance of 0.2% for the local government election, resulting in an effective limit of 1.8%. Council had a special rate variation approved by IPART for 2014/15 and 2015/16 of 6.7% and 5.1% respectively inclusive of the rate pegging limit. All of the additional rating revenue received for the special rate variation has been directed to funding increased asset renewal projects.

Year	Rate pegging limit %	Blacktown's increase %	CPI (weighted average all capital cities) %
2007/08	3.4%	3.4%	4.4%
2008/09	3.2%	3.2%	1.4%
2009/10	3.5%	3.5%	3.1%
2010/11	2.6%	2.6%	3.5%
2011/12	2.8%	2.8%	1.2%
2012/13	3.6%	3.6%	2.4%
2013/14	3.4%	3.4%	3.0%
2014/15	2.3%	6.7%	1.5%
2015/16	2.4%	5.1%	1.0%
2016/17	1.8%	1.8%	1.9%
2017/18	1.5%	1.5%	2.1%
2018/19	2.3%	2.3%	1.6%
2019/20	2.7%	2.7%	-0.3%
2020/21	2.6%	2.6%	1.8%
2021/22	1.8% *	2.0%	2.0%
Total cumulative increase	**39.9%**	**47.2%**	**30.7%**
Average annual increase (last 15 years - 2007/08 to 2021/22)	**2.7%**	**3.1%**	**2.0%**

* Effective rate peg for 2021/22 is 1.8%

As shown in the above table, over the last 15 years (2007/08 to 2021/22) the approved annual rate variation limit has averaged 2.7%.

In terms of the actual annual increase in Council's rates revenue, it is noted that a proportion of the actual increase is a result of 'growth', that is additional rates received due to an increase in the number of rateable properties. This generally occurs when larger parcels of land are subdivided into smaller lots, but can also occur as a result of high density developments such as large residential unit complexes. The level of such development activity can vary from year to year as a result of changes in prevailing economic conditions, planning decisions made by the State Government and the availability and price of vacant land.

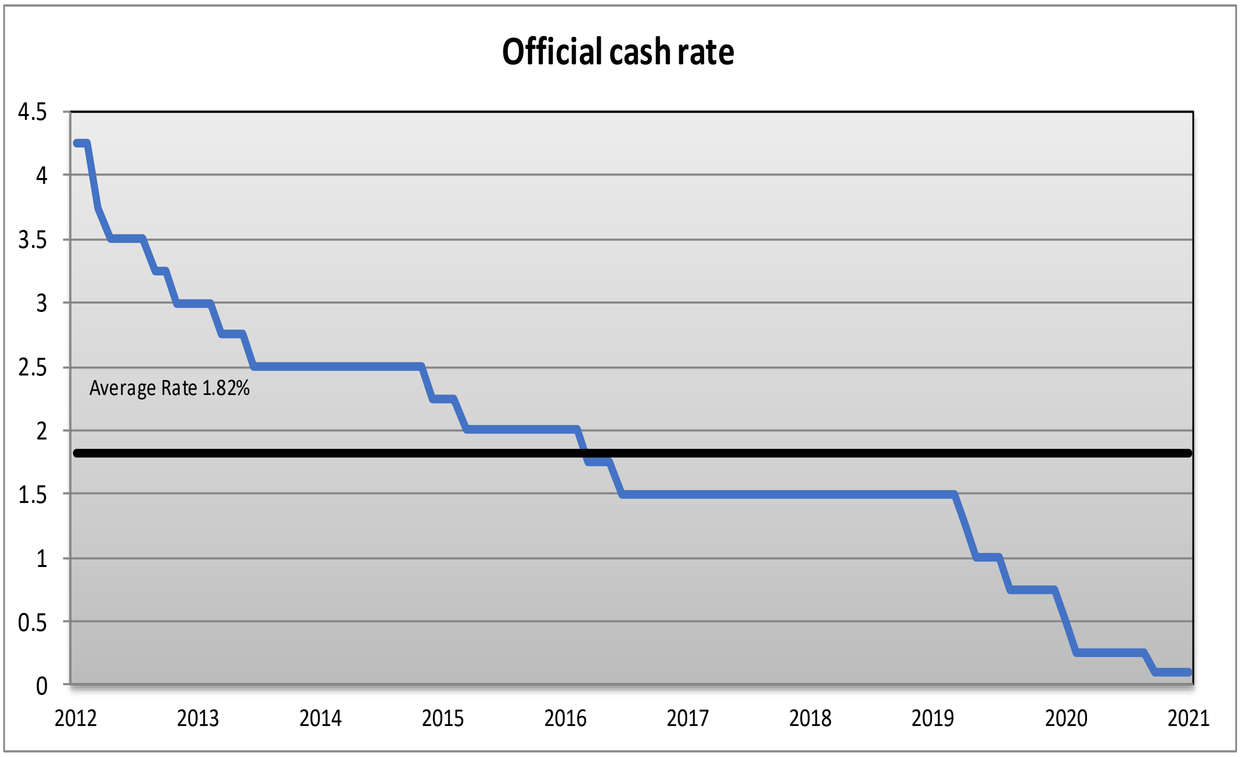
The level of additional rates income attributable to growth for Council has varied considerably over the past 10 years. Council has used prediction modelling on the future growth on the City based expected developments.

Revenue from annual charges comprises the Domestic Waste Management (DWM) charges and stormwater management charge. In accordance with Section 504 of the *Local Government Act 1993*, income obtained from charges for domestic waste management must be calculated so as to not exceed the reasonable cost to the council of providing those services. As such, the provision of Domestic Waste Management services is not subject to rate pegging. The LTFP assumes the annual DWM charge will increase on average, by 2.5% a year to recover significant increases expected in future tipping charges. However, the actual increase in each year may be higher or lower than this percentage having regard to movements in specific costs.

Interest and investment revenue

The level of interest revenue earned by Council will vary with regard to the total amount held in Council's investment portfolio. Council's LTFP projects movements in the amount of Council's investment portfolio with regard to future capital works, receipt of external grants and contributions. Anticipated growth in Section 7.11 (formerly Section 94) capital contributions (discussed in further detail later in this document) is forecast to peak 2025/26 then reduce over the subsequent years of the LTFP. The LTFP forecasts that due to the high number of new lots created annually over the 10 years of the LTFP, there will be an increase in the projected balance of Section 7.11 funds held, increasing the forecast interest revenue generated. The additional Section 7.11 funds will be allocated towards future capital works for Section 7.11 infrastructure beyond the 10 year planning horizon in this LTFP.

Interest revenue is also subject to external factors such as monetary policy decisions, and economic and investment market conditions. Over the longer term, economic conditions can vary considerably, which in turn can affect interest rates. In times of economic expansion, rising interest rates can be an effective way of reducing economic growth and thereby lowering inflationary pressures. Conversely, during economic downturns the lowering of interest rates can have a positive impact on economic growth. The graph below depicts movements in the official Reserve Bank of Australia cash rate over the 10 year period 2012 to 2021.



The official cash rate has varied from a current low point of 0.10% to a maximum of 4.25%. The average has been 1.82% over this period. In preparing long term future interest revenue projections, Council has researched available economic data and projections from a variety of sources as well as sought advice from its external investment advisers. Council's current average annual return on investment is 1.17%. Based on this research and having regard for Council's conservative Investment Policy, the LTFP model projects future interest rates to average 0.8% per annum over the next 10 years. However, having regard for likely future changes in economic conditions, these forecasts will be continually monitored and the index updated in the LTFP model on a regular basis.

User charges and fees

Council provides a wide range of facilities and services for which it receives revenue from user fees and charges. These services include childcare, preschools, aquatic and leisure centres, animal control and building and engineering construction certification. Often the revenue received does not fully offset the costs associated with the service or facility as they are aimed at providing a broad community benefit and if higher fees were charged many residents may be unable to enjoy the use of the facility or service. In other instances, fees may not be high enough to recover full costs due to external market pressures or the fee being set by statute.

Approximately two thirds of Council's total user fees and charges are generated through childcare centres and leisure centres (comprising health and fitness facilities and swimming pools). Whilst these fees are considered discretionary, revenue growth in these areas is limited due to Council seeking to provide services accessible to the wider community. Other fees such as those relating to development applications are fixed by legislation.

Historically the revenue received for the majority of these fees and charges have increased in line with CPI. Accordingly, the LTFP model includes a projected increase in user charges and fees in line with projected CPI growth.

Other revenues

Other revenues include fines, revenue from community centres, charges for the reinstatement of roads and footpaths, and fees paid at our leisure centres. Revenue from these sources is difficult to predict as they can be susceptible to a range of external factors such as prevailing economic conditions, population growth and changing demographics. Other revenue is projected to increase at 2.0% per annum which is in line with projected CPI growth.

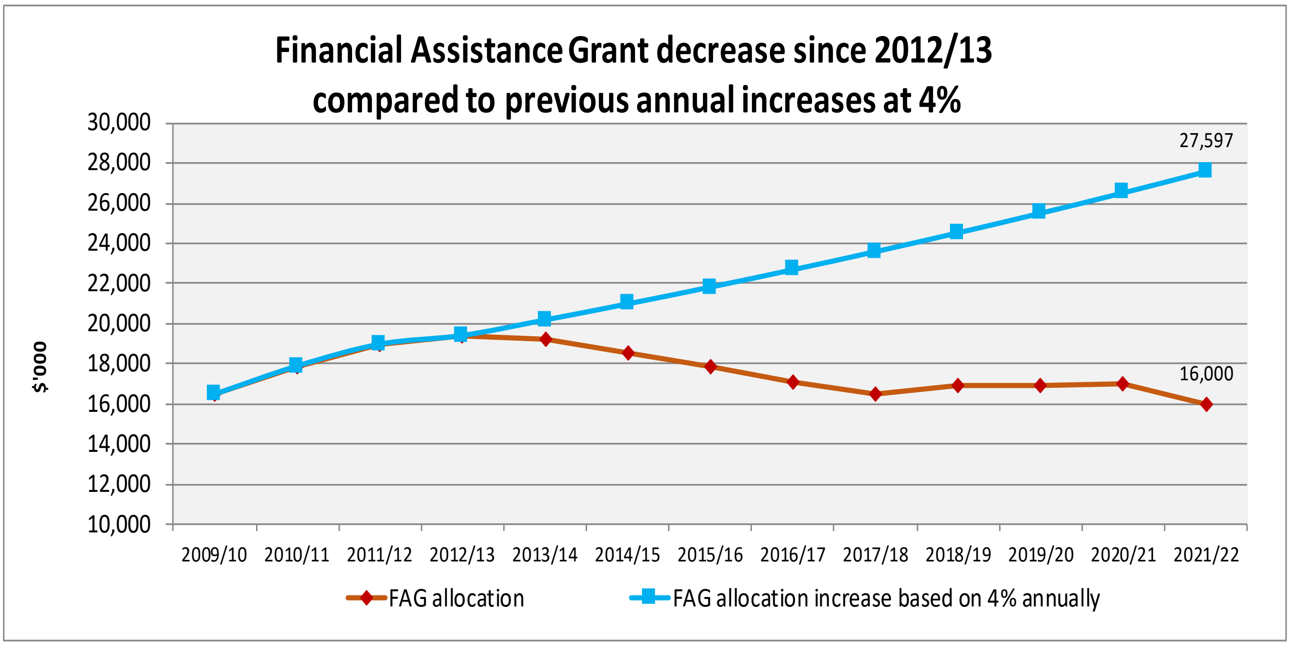
The additional revenues from the proposed International Centre of Training Excellence, the Warrick Lane development, Blacktown Animal Rehoming Centre and St Bartholomew's Cemetery have been reflected within other revenues of this LTFP.

Grants and contributions

Council receives grants from the NSW and Commonwealth governments. These are either discretionary or non-discretionary. The majority of grants provided to Council are for specific purposes, such as infrastructure maintenance, provision of community services and environmental programs. Generally, the funding received is less than the total cost of the works/services being provided. Typically, it is often a condition of the grant funding that Council provides matching funding.

The largest single source of Council's grants revenue is the Financial Assistance Grant (FAG). This is a general purpose grant and is allocated to councils on a formula basis that has regard for a range of factors such as population, quantum of infrastructure maintained and the relative disadvantage between councils.

It is estimated that our FAG allocation in 2021/22 will be $1 million lower than the 2020/21 allocation. At the time of preparing this report the Local Government Grants Commission was unable to give a precise projection of our 2021/22 allocation, but it did indicate Council should budget for further future reductions for the foreseeable future.



It is estimated that our FAG allocation in 2021/22 will be further reduced to around $16 million, which is $1 million less than the actual 2020/21 allocation.

As our FAG allocation is expected to continue to reduce in the foreseeable future, we have applied an annual 5% per annum decrease until 2023/24. It is estimated our FAG entitlement may increase at an average rate of 2% from 2024/25.

It is assumed that other general grants will increase on average by 2.0% per annum.

Section 7.11 developer contributions

Section 7.11 of the *Environmental Planning and Assessment Act 1979* enables councils to levy contributions for public amenities and services required as a consequence of development. Developer contributions are essential to providing key facilities and services for local residents, especially in new areas. Section 7.11 contributions are 1 of 4 key components to the NSW infrastructure contributions system. The others are Section 7.12 (fixed percentage) contributions plans, planning agreements and Special Infrastructure Contributions (State Government contributions).

Section 7.11 contributions are held as an externally restricted asset until they are spent for the purposes designated. Council's policy is to commence specific works only when sufficient contributions have been received to complete the works. However, Council does try to forward fund works if possible to stimulate and unlock development. The level and timing of contributions fluctuate according to a variety of factors including economic growth and the level of development activity.

The LTFP applies varying Section 7.11 contribution amounts based on estimated developments each year, noting that the actual increase in any given year may vary significantly from this index. Council is preparing contributions plans that cover each North West Priority Growth Area precincts. Contributions are no longer capped as the cap ceased on 31 December 2020. Developers now pay the full contribution in accordance with the approved contributions plan.

New Section 7.11 developer contributions (North West Priority Growth Area precincts)

The LTFP incorporates an estimated Section 7.11 capital works program predominantly for the new Section 7.11 contribution plans in the North West Priority Growth Area, this may vary from year to year as it is difficult to project expenditure patterns associated with the development of this sector.

Expenditure

Employee costs

Employee costs include the payment of salary and wages, employee leave entitlements, superannuation and workers compensation expenses. Overall employee costs comprise around 45% of Council's total operating costs.

The LTFP projects overall employee costs to increase on average by 2.56% per annum, this increase covers a range of employee related expenses such as employee leave entitlements, employer superannuation contributions (including the progressive increase in compulsory employer superannuation contributions from 9.5% to 12%) and workers compensation expenses. The LTFP incorporates a modest provision for future increases in Council's staff numbers based on historical growth in full time equivalent staff numbers. This is considered reasonable in order for Council to meet the operational requirements of an expanding city.

The major increase for employee costs are annual salary and wage increases included in Council's Enterprise Agreement. Other factors influencing employee costs are changes in the level of superannuation contributions, workers compensation costs and increases in staff numbers.

Council is required to make compulsory employer superannuation contributions on behalf of its employees. The amount of employer superannuation contributions which are payable by Council depend on whether an employee is in an accumulation scheme or a defined benefit scheme. The main difference between each of these schemes is the level of contribution Council is required to make on behalf of each employee.

For Council employees in the accumulation scheme, Council is required to make compulsory employer superannuation contributions in accordance with the compulsory employer superannuation contribution limits. As a result of legislative changes, this contribution will progressively increase from its current level of 9.5% to 12% in 2025/26. The current rate of 9.5% will remain until 30 June 2021 and then increase by 0.5% in subsequent financial years until it reaches 12%.

For employees who are in a Defined Benefit Superannuation scheme, Council's superannuation contribution is based on a multiple of the employee's salary. In addition to this amount, all NSW councils were initially advised in 2011 that due to the impact of the global financial crisis and the negative effect this had on the financial position of the Defined Benefit Superannuation scheme, all councils would be liable for a separate fixed levy payable over a projected 10 year period. For Council, this levy is approximately $1.295 million annually. Recent advice from Local Government Super is that whilst the financial position of the scheme is reviewed on an annual basis, it would be prudent for Council to budget for this additional levy to continue for the foreseeable future. As such, this additional cost has been incorporated in the LTFP and is assumed to continue for the 10 year life of the plan. Should the required contribution vary from this forecast, the LTFP will be revised accordingly.

Materials and contracts

Council's materials and contracts expenditure includes a broad range of services and resources including audit, legal and consultants fees, reserves and roads maintenance, cleaning and waste management.

Costs are impacted by many factors such as economic conditions, market competition, and availability of resources and raw materials. The LTFP projects some of these costs to increase in line with CPI.

Debt servicing

Council has historically maintained a sound financial position whilst remaining debt free. During 2017, Council approved the Transformational Projects borrowing policy and funding strategy (report CS370124). The LTFP includes debt as a partial source of funding towards 4 of the 8 Transformational Projects, with $85 million in external borrowings used towards a total capital cost of $224.8 million for the International Centre of Training Excellence, Warrick Lane development, Blacktown Animal Rehoming Centre and St Bartholomew's Cemetery expansion. Future versions of the LTFP will likely include further scenarios to incorporate other Transformational Projects and the use of additional external debt. Any use of external borrowings will only occur subject to compliance with Council's adopted debt policy P000525.1 (report CS40005, May 2020).

Depreciation

The LTFP projects annual depreciation expenditure to increase by an average of 3.4% per annum based on estimated capital expenditure levels in future years. The actual depreciation expenditure in future years will be impacted by future asset revaluation methods and timing as stipulated by relevant accounting standards.

Council's infrastructure assets have been revalued in accordance with a staged implementation program as advised by the Office of Local Government. The revaluation of Council's assets at fair value is to be undertaken as per the following schedule:

- 2020/21 financial year – community land, crown land and land improvements
- 2021/22 financial year – nil
- 2022/23 financial year – operational land, buildings, plant and equipment
- 2023/24 financial year – water and sewer
- 2024/25 financial year – roads, bridges, footpaths, other road assets, stormwater drainage, swimming pools and land under roads.

Full revaluations are to be undertaken for all assets on a minimum 5 year cycle.

Other operating expenses

Other operating expenses comprise a variety of items, such as the following:

- advertising
- contributions to fire services
- electricity costs
- insurance
- street lighting
- waste levy.

Generally, the LTFP projects the majority of items categorised as other operating expenses to increase in line with CPI. However, there are specific items which have been projected to increase at an alternative rate to the CPI. These include the following expenses:

- Energy costs is one area where Council has experienced significant cost increases. This has been the result of a progressive increase in the number of Council provided facilities, such as libraries and leisure centres, many of which have high energy requirements, along with general increases in energy tariffs. A new contract for street lighting and electricity for major and minor sites commenced from 1 January 2019 following expiry of the previous 3 year contract. The new contract resulted in a cost reduction of 2-5% for street lighting and electricity for major and minor sites of 2-5% over the prior contract.
- Contributions to other levels of government are also anticipated to increase at a higher rate than CPI. This consists of compulsory contributions to the NSW Fire Brigade and Rural Fire Service and contributions to other government agencies. Based on trend analysis, it is projected in the LTFP that these payments will increase annually by an average of 7.5%.
- It is important to the note that Council's contribution to this levy for 2020/21 increased by 25% from 2019/20 to 2020/21 financial year as a result of devastating bushfires experienced in NSW during 2019/20. The increased cost for 2020/21 financial year was funded from the NSW State Government economic stimulus package to safeguard council jobs, services and infrastructure announced in April 2020. This It is unclear if funding will continue into the 2021/22 financial year. Council's proposed 2021/22 budget allows for an increase for a cost increase of $900,000 which is funded from the COVID-19 internally restricted reserve.

  Council's insurance premiums for 2021/22 will increase by 19% as advised by the Local Government Insurance "CivicRisk Mutual Limited". This increase is due to projected insurance cost increases driven by global insurances losses and lack of availability due to the pandemic and motor claims costs. Based on this information, it is projected in the LTFP that these payments will increase by 10% annually for the next 3 years and then in subsequent years they will increase at 2.5%.

Capital works program

Council's extensive capital works program aims to deliver much needed maintenance and renewal of infrastructure assets including roads, community buildings, parks and reserves and leisure facilities. The total proposed value of works in Council's 2021/22 Works Improvement Program is $150,048,867, this includes $19,470,000 from the Infrastructure Sinking Fund. The financial projection of future capital works will depend on the nature, timing and funding of specific projects. The majority of infrastructure projects are costed in accordance with current design estimates. Any significant cost revisions in subsequent years will be reflected in the LTFP.

Works Improvement Program

Council's Works Improvement Program (WIP) is a document that is reviewed annually by Council which lists all capital works projects which have been identified to service the community within the Local Government area. The projects identified in the WIP are either renewal projects or projects to create new assets or to enhance existing assets. Councils Asset Management Strategy inform the WIP of the projects which are to be listed for funding consideration. The WIP is divided into a number of key asset programs such as road works, bridges, buildings, drainage, transport facilities and parks improvements. Each program identified in the WIP also identifies the relevant funding source, whether it is grants and contributions, Section 7.11 developer contributions, general revenue or Council's Infrastructure Sinking Fund (ISF).

Each year Council adopts a 1 year WIP with projects listed in each program identified for funding above the funding cut-off line. Each project listed in the WIP is prioritised using a program specific scoring system which assesses each project to generate a merit based project list for funding consideration.

The WIP incorporates Council's Infrastructure Sinking Fund (ISF) program. The ISF was established to ensure that funds arising from Council's debt reduction strategy were used for the provision of important infrastructure to the City, as well as to expedite works in new release areas. The 2021/22 ISF incorporates key elements of the Transformational Projects funding strategy that was approved by Council in 2017. This is represented by the re-allocation of $5 million per annum of discretionary funding directly towards the program of Transformational Projects for each year of the 10 year ISF program. The total value of works proposed for funding in the 2021/22 WIP is $150.1 million.

Council's current financial position

As a result of a longstanding commitment to prudent financial management combined with the application of a variety of effective financial strategies, Council's current financial position is sound.

In terms of assessing Council's current financial position it is useful to refer to the financial information contained in Note 25(b) – (Statement of performance measures – consolidated results) of Council's Financial Statements and special schedule 7. The information in this note comprises a variety of indicators which can be used to assess a council's financial position. This information is summarised below.

Unrestricted current ratio

Ratio	2019/20	2018/19	2017/18
Unrestricted current ratio	2.74:1	3.15:1	3.05:1

The purpose of the unrestricted current ratio is to highlight that sufficient liquid assets are available to meet short term commitments, after excluding certain restricted assets (for example unspent S7.11 contributions and grants). As a general rule the target/healthy ratio is 100% or greater, that is for every $1 of liability there is $1 of asset to cover it.

As shown in the above table, over the past 3 years Council's unrestricted current ratio has been significantly higher than the accepted benchmark of 1.5:1.

Debt service ratio

Ratio	2019/20	2018/19	2017/18
Debt service ratio	0%	0%	0%

The debt service ratio is the percentage of a council's net debt servicing costs divided by total operating revenue. Prudent financial management dictates that a council does not over commit itself to debts it cannot fulfil. The Office of Local Government has determined that an acceptable debt service ratio is less than 20%.

Council has maintained a sound financial position whilst being completely debt free for more than a decade. Council will be borrowing externally to fund its adopted Transformational Projects, with all borrowings within accepted ratio levels and subject to compliance with Council's adopted debt policy (report CS370124, November 2017).

Rates, annual charges, interest and extra charges outstanding percentage

Ratio	2019/20	2018/19	2017/18
Rates, annual charges, interest and extra charges outstanding percentage	4.52%	4.40%	4.33%

Council's outstanding rates and charges have in the past exceeded the recommended maximum benchmark for urban councils of 5%. As a result of improved debt recovery procedures this ratio has decreased in recent years and whilst it increased in 2018/19 and 2019/2020, it is still lower than the benchmark of 5%.

Buildings and infrastructure renewals ratio

Ratio	2019/20	2018/19	2017/18
Buildings and infrastructure renewals ratio	71.40%	63.17%	63.94%

The purpose of this ratio is to assess the rate at which these assets are being renewed relative to the rate at which they are depreciating. The recommended benchmark for this ratio is 100%.

Council's 3 year average was 66.17%. In 2019/20, the ratio was 71.40%, which was an increase on the previous year. We expect this ratio to improve over the next 10 years with implementation of the strategies in our Fit for the Future improvement plan.

Council is not allocating enough funds to renewal of assets and depreciating more assets than what we are renewing. It means not all our assets are being renewed to a satisfactory condition.

Alternative strategies to achieve value through asset preservation are being investigated. In order to meet this benchmark additional asset renewal funding would be required.

Infrastructure backlog ratio

Ratio	2019/20	2018/19	2017/18
Infrastructure backlog ratio	1.89%	2.25%	2.18%

This ratio shows that asset renewal backlog as a proportion of the total value of Council's Infrastructure.

The higher this ratio, the higher a council's relative backlog as a proportion of its total infrastructure portfolio. The benchmark for this ratio is for the backlog to be less than 2% of the value of council's infrastructure assets. Council's ratio for 2019/20 was 1.89%, which meets the benchmark of less than 2%. This ratio has improved, and Council's backlog is slightly lower than anticipated, however if additional funding is not allocated to bring assets to a satisfactory condition, the cost to do so will continue to increase over time.

Based on the current levels of annual funding for asset renewal and our long term asset renewal funding forecasts, it will be increasingly difficult for Council to continue to meet this benchmark in the medium term future.

Asset maintenance ratio

Ratio	2019/20	2018/19	2017/18
Asset maintenance ratio	101.04%	97.20%	99.57%

This ratio compares the actual versus required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing through insufficient maintenance. The benchmark for this ratio is for the 3 year average to be greater than or equal to 100%. This means councils should be spending at least the required expenditure on asset maintenance as shown in "Special Schedule 7 - Report on infrastructure assets" of their annual financial statements.

Council's 3 year average for the period 2017/18 to 2019/20 was 99.27%, this implies that Council is currently not spending quite enough on the maintenance of its assets to make the target of 100%. Based on the current levels of annual funding for asset renewal and our long term asset renewal funding forecasts, it will be increasingly difficult for Council to continue to meet this benchmark in the medium term future.

Conservative investment management - no capital losses

Council has traditionally had a conservative approach towards the management of its investment portfolio. Council has an Investment Policy which restricts Council to investing generally in higher rated, low risk forms of investments. A key aspect of the policy is the requirement for Council officers to seek independent investment advice when making decisions regarding the composition of Council's investment portfolio.

The benefit of this approach was highlighted during the global financial crisis, when Council's investment portfolio suffered no capital losses. Council's investment policy is regularly reviewed, having regard for changes in investment markets and economic conditions as well as any changes made to applicable legislative requirements.

Council's Land Development Strategy

Background

In November 2014, Council adopted a 10 year Land Projects business plan (LPBP) and cash flow which is targeted at significantly increasing the net profit, so the annual return on Council's budget is increased to a minimum of $2 million.

Since 1984, Council has had a Land Projects group established to maximise returns on surplus operational land assets within the rural, residential, business and industrial zones of the City, for which Council seeks to develop and/or sell with the objective of maximising the investment returns to Council. Council's Land Development Strategy has funded a number of major projects including the Max Webber Library, development of the Civic Plaza, improvements to the Mount Druitt business district and the AFL/cricket facility at the Blacktown International Sportspark.

It is anticipated that with the rapid development of the North West Growth Centre, Council will acquire a number of residential properties to subdivide, providing a financial return to Council.

The Land Projects business plan was developed with advice from an expert property advisory panel and includes the following objectives to provide maximum return to Council:

- Return on Land Projects, measured for all projects on a consolidated net profit basis, to have a target of $2 million net profit returned to Council's annual budgets for funding of new capital works across the city.
- Key performance indicators to be used to inform decision making around which properties are to be acquired and developed as summarised as follows:
    a. **Return on revenue** (also known as net profit margin) – target rate of 16% or greater. Return on revenue is calculated as net profit as a percentage of net sales revenue.
    b. **Return on costs** – target 19% or greater. This is calculated as net profit as a percentage of total development costs.

c. **Internal Rate of Return (IRR)** – Target rate of 17.5%. IRR is the calculated discount rate for a project at which level the net present value of costs equals the net present values of revenues for the project.

The LTFP incorporates the 10 year cash flow forecasts associated with Council's Land Projects business plan.

The surplus funds generated as part of the Land Projects business plan are to be utilised as a key funding source for the delivery of the Transformational Projects. The Transformational Projects funding strategy currently identifies the need to utilise up to $141 million towards the cost of the International Centre of Training Excellence (ICTE), the Warrick Lane development, Blacktown Animal Rehoming Centre (BARC) and St Bartholomew's Cemetery.

As Council progresses its other Transformational Projects, it is intended to further utilise proceeds from Land Projects, and this will subsequently be reflected in the LTFP in future revisions.

Future challenges

As Council's traditional residential land bank is depleted and the limited future opportunities to invest in unrevised residential land is considered, potential new investment options need to include a diversified portfolio with a greater focus on industrial and commercial investments.

Efficiency dividends

Council has a long-standing practice when preparing annual budgets to not index operating costs, other than employee related costs. This means that opportunities for savings and efficiencies need to be identified in order to ensure the continuation of existing service levels. It is estimated that this practice results in annual savings of approximately $1 million. It is anticipated that Council will continue to achieve productivity gains to offset rising costs over the life of the LTFP.

Future and ongoing financial challenges

In projecting Council's future financial position, a number of anticipated future challenges which may have an adverse impact on Council have been considered. These are summarised below.

Rate pegging

For over 30 years NSW councils have been subject to rate pegging. Rate pegging is the maximum percentage limit by which NSW councils may increase the total income they receive from rates. The rate pegging percentage is set each year by IPART.

For many years the NSW Local Government sector has objected to rate pegging due to the adverse effect it has on the financial sustainability of NSW councils. IPART, in its 2008 paper - Review of the Revenue Framework for Local Government found that over the period 1976/77 to 2006/07 taxation (i.e. rates) revenue grew more slowly in NSW than in the rest of Australia. Since rate pegging was introduced in NSW, rates revenue per capita for NSW councils increased by an average of 1.9% per annum, compared with 3.4% per annum for the rest of Australia. IPART has acknowledged that rate pegging has constrained the growth of NSW councils' rate revenue relative to councils in other states.

It has been Council's experience, that many of its major costs have increased at a higher level than rate pegging. Major examples of this include energy costs (fuel, electricity, gas), materials used in the construction and maintenance of Council's road and drainage networks and labour costs. In the past, Council has addressed this challenge through the ongoing identification of cost savings and efficiencies. However, this will be an increasing challenge in the future as the population of Blacktown City and the value of infrastructure maintained by Council continues to increase.

Normally, Council may charge interest on overdue rates and charges, however due to the financial impact faced by the community as a result of the COVID-19 pandemic, the OLG has announced interest should not be charged from 1 July 2020 to 31 December 2020. From 1 January 2021 the maximum interest is set at 7% per annum. Council will apply the maximum interest rate for the 2021/22 year.

Section 7.11 developer contributions cap

Background to Section 7.11 developer contributions

Since the 1940s the NSW planning process has had the ability to require developers to contribute to the provision of local infrastructure, the need for which arises as a result of development. Legislation requiring a contribution towards the provision of local infrastructure was first codified in the *Environmental Planning and Assessment Act 1979*.

In 1992 the statutory provisions relating to Section 7.11 of the *Act* were amended so that councils were required to prepare contributions plans to ensure that contributions were efficient, responsible, accountable and certain. These provisions are regulated in the Environmental Planning and Assessment Regulation 2000 (as amended).

Section 7.11 of the *Act* enables councils to legally levy contributions for local infrastructure as a consequence of development. The power to levy contributions relies on there being a clear link (or nexus) between the development being levied and the need for the local infrastructure for which the levy is required.

Generally, contributions can only be made towards:

- capital costs including land acquisition costs
- local infrastructure which a council has the responsibility to provide
- local infrastructure which is needed as a consequence of or to facilitate new development.

This infrastructure (or facilities) is referred to as “baseline facilities”, in other words, only the basic level of facilities that are essential for new communities to be established. Once the facilities are delivered, councils are required to maintain them. The types of infrastructure or facilities that have been funded through Section 7.11 include roads, stormwater drainage, open space (sports fields and playgrounds) and community facilities (libraries, neighbourhood centres, community centres and childcare centres).

Council has adopted a number of Section 7.11 contributions plans since 1993. It is considered that contributions plans are the most cost-efficient way for a council to deliver infrastructure. Large release areas, such as the Parklea release area, have had their local infrastructure funded and provided by Section 7.11 contributions.

The NSW Government was concerned by representations by the development industry that the increase in various government charges was affecting housing affordability and introduced a "cap" on Section 7.11 contributions across NSW in 2010.

However, as part of the NSW Government’s $4 billion Housing Affordability Strategy (announced in June 2016), the cap on contributions increased by $5,000 from 1 January 2018 to $35,000 in Local Infrastructure Growth Scheme (LIGS) transition areas such as the North West Priority Growth Area, and has increased by $5,000 per annum from 1 July 2018 for 2 years, before the cap was removed entirely on 30 June 2020. A cap of $50,000 per lot/dwelling was re-instated to Blacktown and the Hills councils NWGA precincts from 1 July 2020 to 31 December 2020 in response to funding that was provided to the councils under the NSW Government's Accelerated Infrastructure Fund. However, the cap ended on 31 December 2020.

Long term funding

Council also faces a $500 million funding shortfall for the provision of community facilities (buildings) in the North West Growth Area as these facilities are not considered as "essential local infrastructure" by the NSW Government, and cannot be included in Section 7.11 contributions plans which levy greater than either $20,000 per dwelling/lot in established areas or $30,000 per dwelling/lot in growth areas.

Cost shifting

Cost shifting is a major challenge confronting Local Government. Cost shifting occurs when there is a transfer of services from a Federal or State Government to Local Government without the provision of adequate funding required to provide the service.

Some major examples of cost shifting include:

- cost of the mandatory pensioner rebates on Council rates
- exemption of State Government properties from the stormwater management charge
- cost of regulating on site sewerage facilities
- administration of the *Companion Animals Act*
- functions under the *Protection of the Environment Act*
- cost of functions as a local control authority for noxious weeds
- public library operations
- processing of development applications
- citizenship ceremonies
- collection of the Emergency Services Levy.

The annual cost to Council of cost shifting is estimated to be in excess of $20 million per annum. The LTFP assumes these costs will increase annually by CPI.

Asset renewal funding

A major ongoing challenge for the NSW Local Government sector is the need to provide adequate levels of funding for the maintenance and renewal of existing infrastructure. This has been previously highlighted in a number of studies such as the 2006 Local Government and Shires Association's Independent Inquiry into the Financial Sustainability of NSW Local Government and the 2013 report released by NSW Treasury Corporation (TCorp) in regard to financial sustainability of all NSW councils. The TCorp review identified an infrastructure renewal backlog of $7.2 billion across all NSW councils.

These studies have identified the need for NSW councils to significantly increase funding for the renewal of existing infrastructure. They have further identified that if funding is not increased in the immediate term, then the infrastructure renewal backlog will continue to increase at a level which may become too great to address without serious ramifications on service delivery.

For Council, the infrastructure renewal backlog as at 30 June 2020 was $48.96 million. Council is a custodian of infrastructure, property, plant and equipment assets that have a value of approximately $6.1 billion. Without adequate funding, effective maintenance and renewal of these assets to maximise their potential life cannot be achieved. Council's Resourcing Strategy, which includes the Asset Management Strategy, provides detailed information in regard to the renewal requirements for Council's infrastructure assets. The Asset Management Strategy is supported by individual asset management plans for each key asset class.

Council's current asset renewal funding strategy

In order to manage Council's asset renewal backlog, Council adopted an Asset Renewal Funding Strategy in November 2013 to increase the annual amount of funding allocated towards asset renewal works. This funding strategy comprised the following:

- $10.85 million – annual amount allocated at level 1 in the Works Improvement Program
- $1 million – operational savings re-allocated towards asset renewal
- $2 million – reallocation of funding from the Infrastructure Sinking Fund (ISF)
- $5.6 million – special rate variation 2014/15
- $2.9 million – special rate variation 2015/16.

In 2021/22 the total funding allocated towards asset renewal in the Works Improvement Program is around $24 million.

Future asset renewal backlog

Council's asset renewal funding requirements do not increase by a linear amount on an annual basis. Rather, the projected level of funding required increases significantly in later years as infrastructure assets in the older parts of the City reach the stage of their life cycle whereby more expensive renewal treatments are required. We have also revised the amount of additional rates revenue which can be allocated towards increased asset renewal in later years, in recognition of continued increases above the rate pegging limit of many of our major expenditures. As a result, it is projected that in later years, Council will be confronted with much higher funding requirements than it is now, as the infrastructure for areas of the City constructed in the 1980s will need to be renewed. For this reason, it is important that Council adequately addresses its current asset renewal requirements, so that it has a better basis to address future funding requirements.

Council's asset renewal backlog is expected to be around $52 million as at 30 June 2021. The LTFP forecasts that around $250 million will be allocated towards asset renewal works over the period 2021/22 to 2030/31. This forecast is based on Council's adopted current funding strategy.

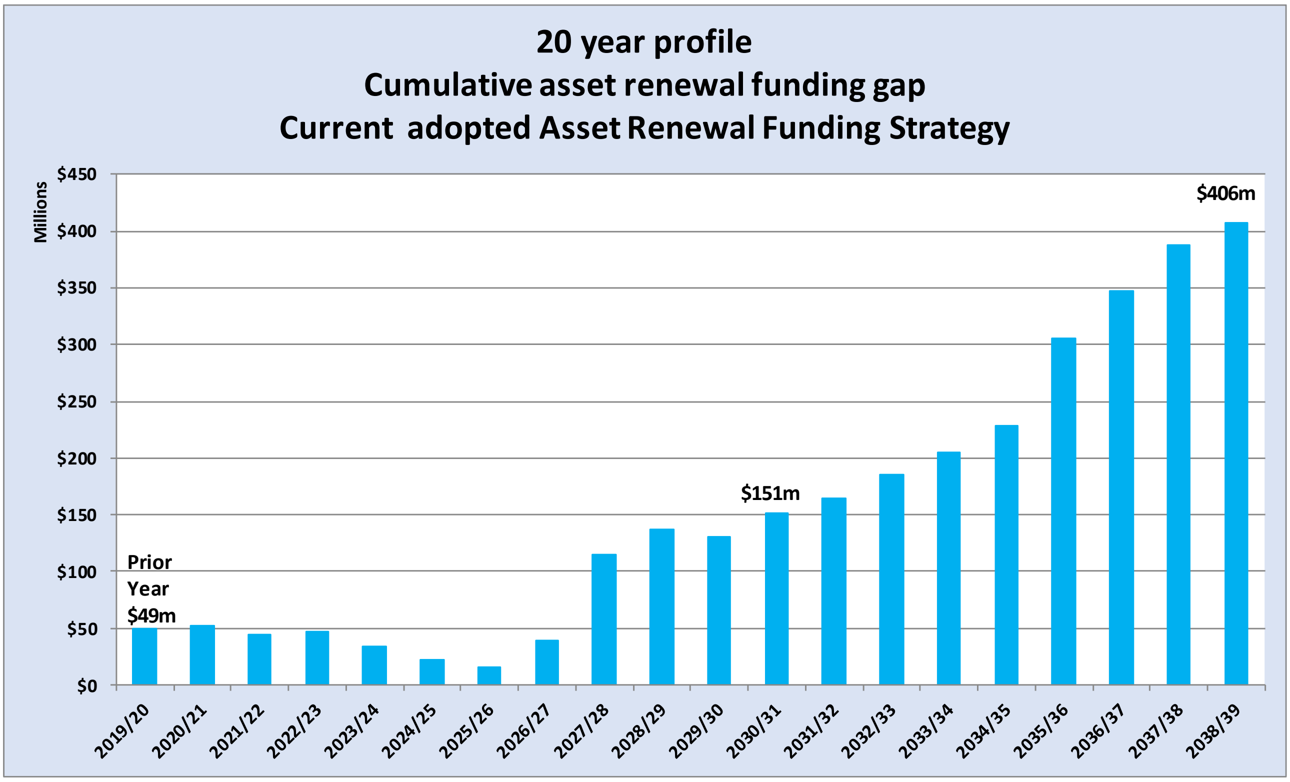
The following graph shows the forecast cumulative asset renewal backlog based on this level of funding. The graph shows that with the projected levels of funding, the annual level of backlog is manageable over the next few years, reducing to $15.2 million in 2025/26, and reaching $151 million in 10 years time in 2030/31, which is consist with the previous 2020-2030 LTFP modelling.

The graph shows that over the subsequent years, the backlog becomes less manageable and will reach around $406 million in 2038/39.

Council is addressing its annual asset renewal investment as a prudent and efficient manner by:

- condition based strategy that renews assets based on actual condition, risk and service criticality
- innovative approaches that optimise maintenance and renewal innovations such as digital condition monitoring, pavement sealing programs and footpath grinding
- competitive sourcing of capital and major maintenance works that deliver lowest price and therefore efficient programs.

The most significant challenge facing Council is road infrastructure, which dominates the asset renewal projections. To respond to this challenge Council's 2021/22 proposed budget recommends funding for a permanent Road Pavement Specialist position to manage Council's road network to forward plan and coordinate the funding and timely provision of roadworks and ensure projects are prioritised in accordance with the selection criteria.



Note: The above graph includes renewal costs only and does not reflect the same information contained within Special Schedule 7 of Council's annual financial statements.

Program of Transformational Projects and associated funding strategy

Council has adopted a set of Transformational Projects as a key element of its vision for the City. The Transformational Projects identify key priorities for our community, including "breakthrough" areas to advance the long term community strategic plan.

The identified Transformational Projects are:

- Blacktown International Sportspark masterplan (BISP)
- International Centre of Training Excellence (ICTE)
- Australian Catholic University (ACU) Campus
- Warrick Lane development
- Council accommodation
- Riverstone Town Centre masterplan
- Blacktown Animal Rehoming Centre (BARC)
- St Bartholomew's Cemetery expansion (St Barts)
- Blacktown Brain and Spinal Institute (BBSI) – refer below for further detail.

Council, along with other relevant stakeholders, will work towards delivering these projects, ensuring the vision is achieved. Each of the Transformational Projects are at different stages of development. In most cases a detailed business case and funding strategy is still to be prepared for Council consideration. The projects vary in nature and may include work in the following areas:

- construction and capital expenditure
- planning and design
- facilitation, including the negotiation of agreements between Blacktown City and external parties for a future project
- advocacy and issues management.

Blacktown Brain and Spinal Institute (BBSI) and Council accommodation strategy

Council recently adopted report CT410004 (Outcome of community consultation regarding the sale of land in Flushcombe Road, Blacktown to facilitate the Blacktown Brain and Spinal Institute) in March 2021 to recognise Blacktown Brain and Spinal Institute (BBSI) as an additional transformational project following extensive community consultation.

What future impacts will the project have on Council's budget?

If the BBSI project proceeds, Council would need to relocate from its existing administration building at 62 Flushcombe Road to another location. Customer services presently provided from the administration building would be relocated to another Blacktown CBD location.

The existing administration building is aged and no longer has sufficient capacity for all of Council's staff, many of whom have needed to be relocated in recent years to various other buildings across the City. To address this problem one of Council's Transformational Projects is to address office accommodation for its organisation. We aim to ensure that Blacktown City Council is an 'anchor tenant' in the heart of the city centre. Our large and highly skilled organisation will be appropriately accommodated to attract and retain staff and provide high quality local government services to the community through latest technologies.

The interim accommodation strategy is dependent on the decision around the BBSI and timing of a possible new head office for Council at Warrick Lane development (in conjunction with the Australian Catholic University development). The costs of temporary relocation have been agreed, with Council to fund the move costs and the temporary site rent and the BBSI to fund the temporary site fitout, should it proceed.

The proceeds funded from the sale of Council's Flushcombe Road site in the Blacktown CBD to the BBSI would be used to fund the cost of a new administration building. It is not expected these proceeds would fund the full cost of a new administration centre, and other funding strategies would be required. However, the advantage of the BBSI proposal is the ability to fund a significant proportion of the cost of a new Council administration building.

Impact on Council's Long Term Financial Plan 2021-2031

The amount of both the proceeds for the sale of Council's Flushcombe Road site and the cost of a new administration building are significant.

As the proposed contract for the BBSI project contains a number of milestones for the proponent to complete, at this stage there is a risk the BBSI project may not proceed. For this reason, the current Long Term Financial Plan does not include the future proceeds for the sale of Council's Flushcombe Road site and the cost of a new administration building.

However, our Long Term Financial Plan will continue to be regularly reviewed and updated and as the BBSI project continues, adjustments will be made to the Long Term Financial Plan as greater certainty regarding the BBSI occurs. These adjustments will reflect the funding strategy for the cost of a new administration building, which will include the proceeds achieved from the sale of our existing administration building site.

This funding strategy will consider whether Council continues its current objective to share a new office building in Warrick Lane development, Blacktown with the Australian Catholic University, and will also consider the proposed timing of this construction.

Transformational Projects funding strategy

The Transformational Projects are being progressively implemented, and while some projects may be completed before others, they need to be considered jointly as a program, as the projects:

- have some potential to be combined
- are very significant in both scope and cost
- have overlaps in their proposed timing
- have proposed funding from the same sources.

The Council approved a draft funding strategy for the Transformational Projects covers a period of 20 years, concluding in 2037/38. It is based on 3 fundamental principles:

i. **Utilisation of available internal funding sources**
The total funding required for all Transformational Projects are to be identified within our LTFP. These funds are only to be allocated to the Transformational Projects if it does not impact on the achievement of our existing LTFP targets and objectives. In particular we will continue in future years to maintain existing planned levels of capital renewal funding and achievement of financial performance targets.

ii. **All funds made available are in accordance with the adopted borrowing policy**
External borrowings will only be used when there are no other available funding sources to address specific cash flow requirements.

iii. **Funding from project partners**
Any funding contributions from project partners, or government grants, will be used to either enhance project scope or eliminate the need to borrow. We will be seeking government contributions towards the Transformational Projects.

It is noted that currently the funding strategy as included in this LTFP is allocated towards the funding of the following projects at a total capital cost of $224.8 million:

- International Centre of Training Excellence (ICTE), $100 million
- Warrick Lane development/University, $81.5 million (including $5 million remediation works)
- Blacktown Animal Holding Facility (BARC), $33.8 million
- St Bartholomew's Church (St Barts), Stage 1A, $9.5 million

For the other remaining Transformational Projects, detailed scoping and cost estimates are still being completed, noting that the funding strategies for further Transformational Projects will be considered in future Council reports, and included in future revised versions of the LTFP.

Sources of funding

The most recent funding strategy for the ICTE, Warrick Lane development, BARC and St Barts projects, identifies the following key sources of funding for the funding model:

i. **Land Projects reserve** –the funds required over a 9 year period to 2026/27 are $141 million, noting the timing and overall quantum of this funding will be subject to external market factors.

ii. **Infrastructure Sinking Fund (ISF) reserve** – re-allocation of $5 million per annum in ISF funding towards Transformational Projects from 2018/19. Depending on how much of the program is able to be funded from the Land Projects reserve, the total amount and timing of ISF funding to be re-allocated could range from 10 to 20 years, particularly when taking into account the other Transformational Projects not currently modelled. Currently the funds required for ICTE, Warrick Lane development, BARC and St Bartholomew's Cemetery are $45 million, over a 9 year period to 2026/27.

    The consequence of this funding re-allocation over the duration of 10 to 20 years, is that the previous annual discretionary ISF allocations of $5 million towards commercial centres, community facilities and major reserve works are not possible.

iii. **Funds from external borrowing** – all external borrowings will be in accordance with Council's approved borrowing policy. It is estimated that $85 million in external borrowings would be repaid by 2026/27. This timing will be subject to the overall value of projects, and the availability of the funding sources mentioned above.

iv. **Funds available to borrow from existing internal reserves** – the original funding strategy included internal borrowings of $30 million. Internal borrowings are where Council reallocates funds held in an internally restricted reserve to another purpose and then subsequently repays the reallocation. The advantage of internal borrowings is the avoidance of interest costs incurred when borrowing externally. However, interest rates have reduced significantly, to the point where the saving in interest costs by using internal borrowings is minimal, with financial modelling showing that the difference in interest costs is not significant, and are further reduced by the forgone interest revenue that would have been generated on the internal reserves had there not been an internal borrowing against them.

Council's Works Improvement Program (WIP) funding

The actual cumulative reduction in revenue due to the impact of the COVID-19 pandemic, as at the end of the December 2020 quarter, has been $12 million lower than projected. Therefore, it is not considered necessary to undertake the external borrowings as previously recommended. Should circumstances significantly deteriorate in the future Council could still consider external borrowings if necessary, subject to a future report to Council for its consideration. It is also noted that the amendment noted above to Council's Borrowing of Funds policy (P000525.1) to permit external borrowings to support the COVID-19 funding strategy was limited to June 2022.

Funding strategy assumptions

The total capital cost of the program of Transformational Projects is currently estimated at around $315 million. This estimate is preliminary, and subject to the development of project scopes and business cases for each project.

It is emphasised that the funding strategy is based on outline scopes and existing cost estimates of the program, which will be developed and refined as each project progresses. While the overall strategy will remain largely as described, it will be progressively revised as scopes and capital cost estimates are further refined with progression of detailed project design. As the cashflow estimates become more certain, the funding strategy for the program of Transformational Projects will be incorporated into future revisions of the LTFP.

It is assumed at this stage that all projects not currently in the funding strategy are revenue neutral, meaning they will not cause any net increase or decrease in our operating costs. However, prior to funding being committed to any project, detailed estimates for the "whole-of-life" costs of the project are required. These are future costs (and revenue) which result from completion of the Transformational Projects. It is essential to include such cost and revenue projections in order to determine the full impact of the projects on the LTFP.

Funding model

The funding model which has been developed for the Transformational Projects is designed to balance project costs with available funding on a continuous basis. It can be updated as decisions are made regarding project scopes and programs and as improved estimates become available from progression of project design and construction and detailed analysis of the operation of the facility.

Cashflow

The funding model is based on utilising a number of funding sources as mentioned previously. The allocation of funding in the model is aligned with the forecast capital expenditure cashflows, projected funding available in our Land Projects and transformational project reserve, re-allocation of annual infrastructure sinking fund (ISF) funding and the use of external debt.

The capital cashflow projections forecast total expenditure of up to $315 million. It being noted that at the time of preparing this version of the LTFP, Council had only detailed costings for 4 of the 8 Transformational Projects. The current estimates indicate expenditure being incurred on the program of projects from 2017/18 through to 2024/25.

Borrowing policy

An integral element of the Transformational Projects funding strategy is the use of external borrowings. The adopted borrowing policy provides guidance and control for the prudent borrowing of funds to finance Council projects. It covers the permissible purposes for which funds can be borrowed, imposes limits on the quantum, timing and cost of borrowing and legislative constraints and other conditions pertaining to it.

In recognition of the interest cost associated with external borrowings, it should generally be the last source of funding and only utilised following consideration of all other options such as changing the planned timing of project cash flows, internal borrowing, and seeking grants from government and other project partners.

All borrowing by councils must be in accordance with legislative restrictions expressed in the following:

- *Local Government Act 1993*
- Local Government (General) Regulation 2005
- Local Government Circular 09-21
- Minister's Borrowing Order.

The borrowing policy places the following limitations on borrowing:

i. Borrowings should only be made for projects that have had a detailed business case prepared for them. This business case needs to follow the Capital Expenditure Guidelines, December 2010, issued by the Office of Local Government.

ii. Debt discharge should preferably be primarily sourced from net positive cash flows specifically generated by the project, but can also be sourced from reliable cash flows from other internal sources.

iii. Project capital expenditure analysis should consider use of all possible sources of funding.

iv. The total amount of outstanding debt should be such that the cost of debt servicing in any financial year is less than 10% of Council operating revenue, calculated as follows:

$$\frac{\text{Total Interest + Principle Repayments}}{\text{Operating Revenue – Restricted Grants}} \quad < = 10\%$$

v. At a debt service ratio of 10% our borrowing capacity would be around $305 million, with a required annual debt servicing cost of $34 million per annum for 10 year loan at 2%. All debt must be repaid within the assessed economic life of the asset that it was used to fund.

The borrowing policy provides that Council needs to resolve that the Chief Executive Officer has authority to obtain borrowings for a specific maximum amount for a specific purpose. This will follow submission of a business case to Council which indicates that borrowing is a necessary source of funding, the amount required and that it will be obtained in accordance with the borrowing policy.

Details of all borrowings must be reported in the Quarterly Review of the Operational Plan and include details of:

- level of debt outstanding
- accrued Interest cost for the period and cash interest payments
- expected interest, accrued cost and cash payments for the remainder of the financial year
- expected time of debt discharge.

Sensitivity analysis

Council's LTFP covers a 10 year period based on assumptions regarding future financial trends. These assumptions include future rate variation limits (i.e. rate pegging), increases in CPI and employment costs. Many of these factors can fluctuate over time as they are influenced by a variety of circumstances, such as prevailing economic conditions, decisions by other levels of government and changing community expectations. As it is not possible to accurately predict changes in these factors in individual years over the long term, they have been projected to remain constant over the 10 year period covered by the LTFP. To ensure these assumptions are both robust and realistic, they have been based on available information, including economic projections from a variety of sources as well as recent trends.

A sensitivity analysis has also been completed to assess and project the timing of future cashflows for future Land Projects proceeds, as they will significantly affect the Transformational Projects funding strategy.

A full list of the assumptions underlying the projections in the LTFP is contained in **attachment 1** to the LTFP.

Over a 10 year period, these assumptions may be subject to change outside the parameters used in developing the assumptions for the LTFP. Any major change in these assumptions will have an impact on the financial projections contained therein. The level of impact depends not only on the level of change but also on the nature of the assumption.

A minor variance in some of the assumptions will have a relatively small impact on the projections contained in the LTFP. For example, increases in the level of grant income received for specific purposes would result in a corresponding increase in expenditure. Conversely, a change in the annual rate pegging limit will have a significant impact on future financial projections. Sensitivity analysis has been undertaken to assess the impact of changes in the factors which have been used to project future revenue and expenditure. This sensitivity analysis is shown in **attachment 2**.

Sensitivity analysis involves developing different scenarios by varying the critical assumptions, such as the projected level of rates revenue and employee costs. The different scenarios demonstrate the impact of these changes on Council's financial projections.

A base model, optimistic and pessimistic model have been considered in the sensitivity analysis.

The operational revenues and expenses for the new ICTE, the Warrick Lane development, Blacktown Animal Rehoming Centre and St Bartholomew's Cemetery have also been subject to sensitivity analysis and have been incorporated into the base, optimistic and pessimistic models from 2021/22.

Scenarios

Council's LTFP contains long term projections based on specific assumptions. As it is difficult to accurately predict all future trends, alternative scenarios have been modelled to help provide an indication of Council's future financial position under a variety of circumstances. These alternative scenarios are summarised below.

Base case scenario

The *base case* scenario forms the basis of Council's LTFP. It is based on a range of assumptions which are considered the most likely to occur over the next 10 years. These assumptions are detailed in **attachment 1** to the LTFP. The *base case* scenario is shown in **attachment 4.**

Optimistic case scenario

The second scenario is an *optimistic case.* In this scenario the LTFP is based on assumptions which are slightly more favourable than those in the base case. The *optimistic case* scenario is shown in **attachment 5.**

Pessimistic case scenario

The third scenario is a *pessimistic case.* In this scenario the LTFP is based on assumptions which are slightly less favourable than those in the base case. The *pessimistic case* scenario is shown in **attachment 6.**

Performance monitoring

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

Unrestricted current ratio

The unrestricted current ratio is a measure of whether Council has sufficient liquid assets to meet short term commitments, after excluding certain restricted assets. The target is for this ratio to be greater than 100%.

Debt service ratio

The debt service ratio is Council's total operating debt servicing costs as a percentage of income from continuing operations excluding capital items and specific purpose grants and contributions. Council's target for this indicator will be a ratio of 20% or lower.

Rates and annual charges outstanding ratio

This ratio measures the percentage of Council's total rates and charges that is outstanding. Council's target for this indicator will be a ratio of less than 5%.

Employee Leave Entitlement reserve

Council's target is that its Employee Leave Entitlements (ELE) reserve represents at least 20% of its ELE provision.

Workers Compensation reserve

i. Council's workers compensation claims costs are projected to increase with several major claims are over normal costs for the next 3 to 5 years totalling around $9 million.

ii. The funding strategy involves an internal borrowing of $5 million from Land Projects reserve and then progressively repaying these funds back with additional budget expansionary requests as detailed in the table below:

Financial year additional funding to be included in our annual budget

2020/21	$550,000
2021/22	$500,000
2022/23	$300,000
2023/24	$300,000
2024/25	$300,000
2025/26	$300,000
2026/27	$300,000
2027/28	$300,000
2028/29	$300,000

iii. The repayment of the $5 million would be finalised by 2028/29 financial year. During any year any surplus or deficit funding requirements (as against the annual budget) for workers compensation will be transferred to or from the workers compensation reserve.

Investment returns

Council's targets a long term investment return that exceeds the Ausbond bank bill index.

Attachment 1 – Base case assumptions

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	Average
Operating Income										
Rates - Ordinary	4.40%	4.53%	4.56%	4.64%	4.20%	4.21%	4.21%	4.22%	4.26%	4.36%
Annual Charges	4.52%	4.46%	4.43%	4.61%	4.68%	4.62%	4.68%	4.62%	4.69%	4.59%
User Charges - Specific	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Fees & Charges - Statutory & Regulatory	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Fees & Charges - Other	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Interest & Investment Revenues - Investments	0.60%	0.70%	0.70%	0.80%	0.80%	0.90%	0.90%	1.00%	1.00%	0.82%
Other Revenues	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Operating Grants - General Purpose (Untied)	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Operating Grants - Specific Purpose	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Operating Contributions - General Purpose (Untied)	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%

Operating Expenditure										
Employee Costs - Salaries	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Employee Costs - Casual Wages	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Employee Costs - Superannuation	3.00%	3.00%	3.00%	3.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.72%
Employee Costs - Other	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Materials & Contracts - Raw Materials & Consumables	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Materials & Contracts - Contracts	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Materials & Contracts - Legal Expenses	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Materials & Contracts - Other	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Other Expenses - Insurance	10.00%	10.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	4.17%
Other Expenses - Utilities	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Other Expenses - Statutory & Regulatory	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
Other Expenses - Other	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%

Note:

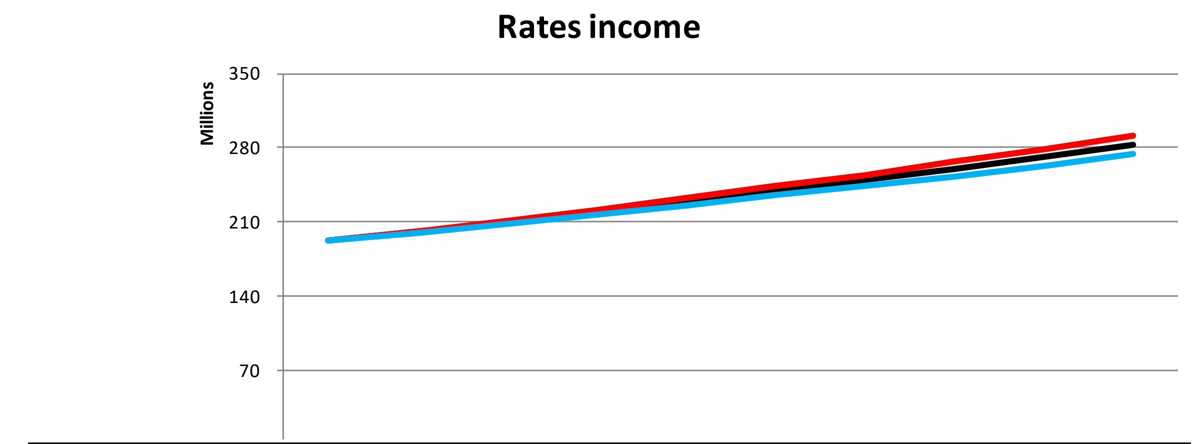
*The forecast increase for “Employee costs” allows for anticipated increases in the staff establishment as well as a forecast 2% increase for the Enterprise Agreement

Attachment 2 – Sensitivity testing

Council's LTFP is based on a range of assumptions used to project future financial trends. In some cases, small changes in an assumption can have a substantial impact on the long term projections contained in the LTFP, whereas changes in other assumptions have a less material impact. As it is not always possible to accurately predict future movements in all of the assumptions used to prepare the LTFP, it is beneficial to conduct sensitivity analysis on the impact of small changes in those assumptions which have the greatest impact on the LTFP. The sensitivity analysis undertaken is outlined below.

Rates

As detailed previously a total average annual increase of 4.36% which includes both rate peg and growth in Council's ordinary rates income over the course of the 10 years of the LTFP is reflected in the *base case* scenario. Rate peg has been increased at 1.6% and 1.8% per annum for 2022/23 and 2023/24 respectively with an annual average of 2% over the 10 year period. A sensitivity analysis has been performed to assess the impact on forecast rates revenue from a +/- 0.25% movement in the rate peg, as well as an increase or decrease in the level of development activity.

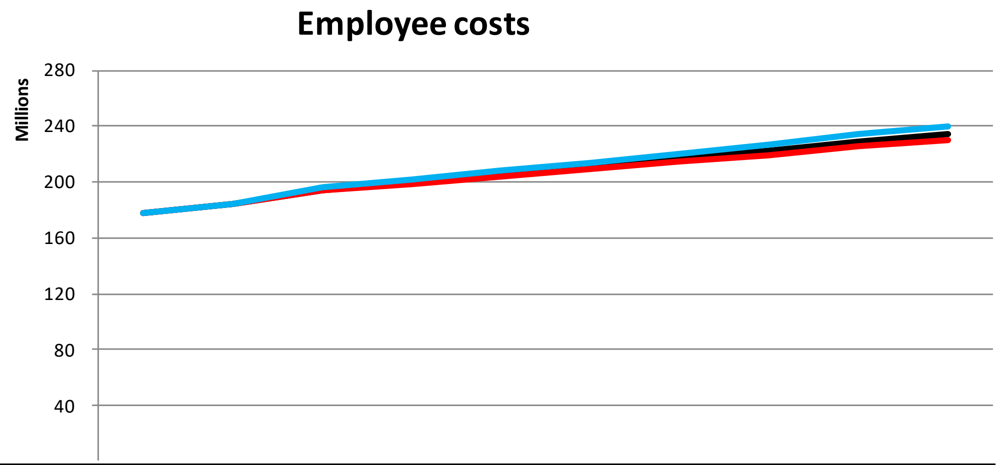


	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
4.36% Average Increase	192M	201M	210M	219M	230M	239M	249M	260M	271M	282M
4.73% Average Increase	192M	202M	212M	222M	233M	244M	255M	266M	279M	291M
3.99% Average Increase	192M	200M	208M	217M	226M	235M	244M	253M	263M	274M

Based on the average annual rates increase of 4.36% in the *base case* scenario, rating income is projected to increase from $192 million to $282 million in 2030/31. If the annual rate increase is reduced from 4.36% to 3.99% the projected annual rates income in 2030/31 is reduced to $274 million. Conversely, if the average annual rate increase is changed from 4.36% to 4.73% the annual rates income in 2030/31 is increased to $291 million.

Employment costs

As detailed previously an average annual increase of 2.56% in Council's employee costs has been incorporated in the *base case* scenario of the LTFP. Sensitivity analysis on a slightly higher (2.81%) average annual increase as well as a slightly lower (2.31%) has been conducted. As can be seen in the graph below these changes have an impact on long term projections contained in the LTFP.



	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
2.56% Average Increase	178M	184M	195M	200M	206M	211M	217M	223M	230M	235M
2.31% Average Increase	178M	184M	194M	199M	204M	209M	214M	220M	226M	230M
2.81% Average Increase	178M	185M	196M	202M	208M	214M	220M	227M	234M	240M

Using the annual average increase of 2.56% in the base case scenario, employee costs are projected to increase from $178 million to $235 million in 2030/31.

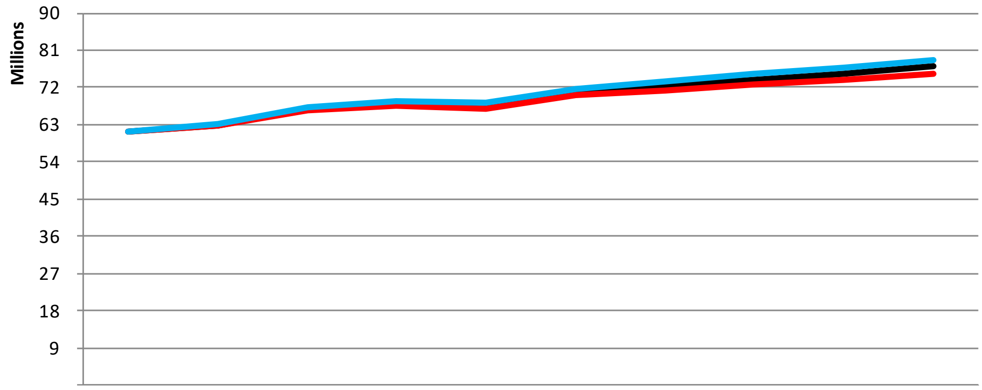
If the average annual employment costs increase is reduced from 2.56% to 2.31% the annual employment costs in 2030/31 is projected to be $230 million.

Conversely, if the average annual employment costs are increased to 2.81%, the annual employment costs in 2030/31 are increased to $240 million.

CPI

As detailed previously an annual increase of 2.0% for CPI has been incorporated in the *base case* scenario of the LTFP from the 2022/23 financial year onwards. Materials, contract and other costs CPI has been used to project both certain income and expenditure items in the LTFP. Sensitivity analysis on a slightly higher (2.25%) annual CPI increase as well as a slightly lower (1.75%) annual CPI increase has been conducted. As can be seen in the graphs below, these changes impact on the long term revenue and expenditure projections contained in the LTFP.

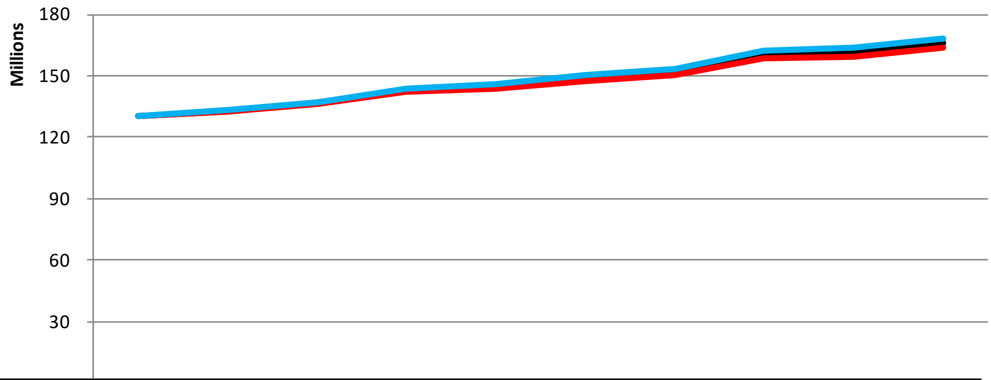
Fees, charges, rental income and other revenues



	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
2.00% Average Increase	61M	63M	67M	68M	67M	71M	72M	74M	75M	77M
1.75% Average Increase	61M	63M	67M	67M	67M	70M	71M	73M	74M	75M
2.25% Average Increase	61M	63M	67M	69M	68M	72M	73M	75M	77M	79M

Using the annual CPI increase of 2.00% in the *base case* scenario, total user fees and charges and other revenues is projected to increase from $61 million to $77 million in 2030/31. If the annual CPI rate increase is reduced from 2.00% to 1.75% this revenue is projected to be reduced to $75 million in 2030/31. Conversely, if the annual CPI increase is changed to 2.25% this revenue is projected to be $79 million in 2030/31.

Materials, contracts and other expenses



	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
2.02% Average Increase	130M	133M	137M	143M	145M	149M	152M	160M	161M	166M
1.77% Average Increase	130M	133M	136M	142M	144M	148M	150M	158M	159M	163M
2.27% Average Increase	130M	133M	137M	143M	146M	150M	154M	162M	164M	168M

In the *base case* scenario, total materials, contracts and other expenses are projected to increase from $130 million to $166 million in 2030/31. If the annual CPI rate increase is reduced by 0.25% this expenditure is projected to be $163 million in 2030/31. Conversely, if the annual CPI increased by 0.25% this expenditure is projected to be $168 million in 2030/31.

Land Projects cash flows

Sensitivity analysis was conducted to assess and project the timing of future cashflows for future Land Projects proceeds, and the impact this would have on the level of external debt required by Council.

To allow for the potential variability of the future timing of proceeds from land development activities, the funding strategy allows for 3 alternate scenarios relating to the timing of cash flows and the volatility of market prices:

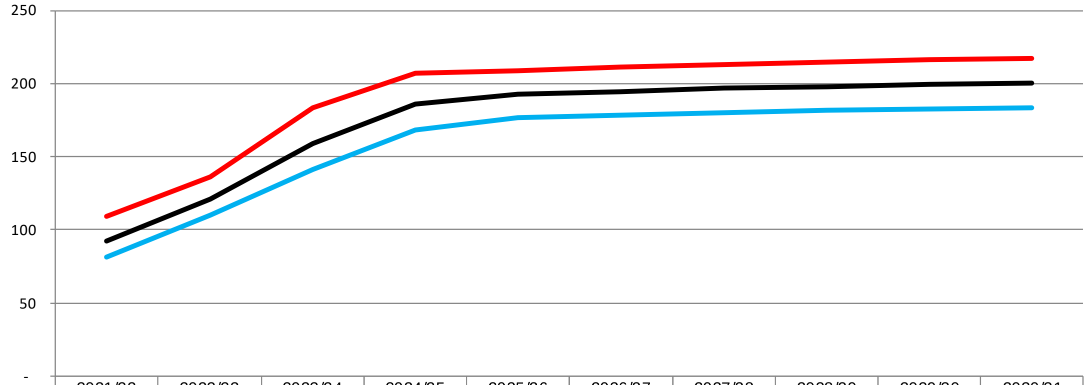
i. Optimistic case – 100% sales proceed amount and timing as per forecasted by Land Projects

ii. Base case – 90% of sales proceed amount, with 75% received in the forecast year and 25% one year later

iii. Pessimistic case – 80% of sales proceeds amount, with 60% received in the forecast year and 40% one year later.

The purpose of the alternative scenarios is to demonstrate the potential variability of overall revenues should prevailing market conditions have either a positive or negative impact on the property market. As can be seen in the graphs below, these changes impact on the cash flow availability contained in the LTFP.

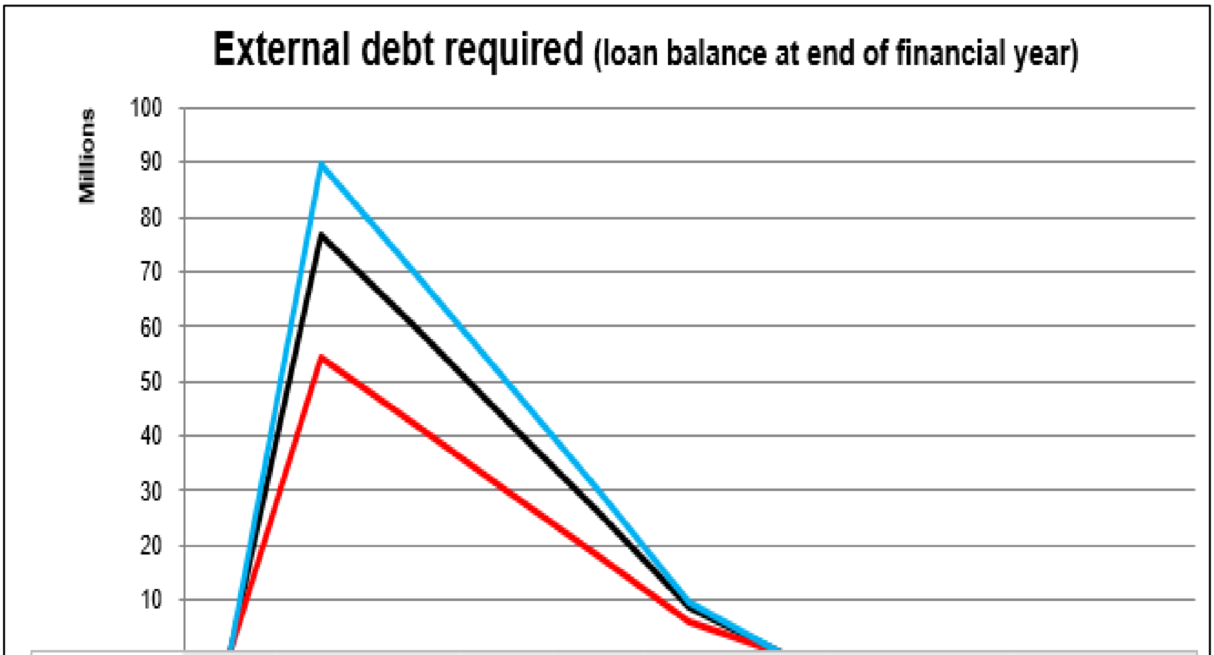
Land Projects cash available (cumulative)



	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Base	92	121	159	186	192	195	197	198	199	201
Optimistic	109	136	183	207	209	212	213	215	216	218
Pessimistic	82	110	142	168	176	178	180	182	183	184

External debt required

The level of external debt required is dependent on the availability of the Land Projects proceeds. Based on the sensitivity analysis above, the following level of debt has been deemed to be required for each scenario (based on the same level of capital expenditure for ICTE, Warrick Lane development, BARC and St Barts Transformational Projects only).



	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Base	0M	77M	60M	43M	26M	9M	0M	0M	0M	0M	0M
Optimistic	0M	54M	42M	30M	18M	6M	0M	0M	0M	0M	0M
Pessimistic	0M	90M	70M	50M	30M	10M	0M	0M	0M	0M	0M

Attachment 3 – Financial indicators

The following financial indicators are used to monitor how we are tracking in terms of our Fit for the Future (FFTF) improvement plan that was submitted to the OLG as part of our FFTF reassessment proposal in 2016. The indicators in the table below are calculated from the base case scenario provided in attachment 4 of the LTFP and from information in our asset management strategy. Consistent with our improvement plan, the table below shows that we are either achieving the OLG target or improving our result for all of the indicators, with the exception of the Infrastructure Backlog ratio.

Ratio	Target per OLG	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Operating performance ratio	> 0%	-10.2%	-10.0%	-11.6%	-10.6%	-9.0%	-8.0%	-7.1%	-7.0%	-5.6%	-4.4%
Own source revenue ratio	> 60%	66.0%	57.5%	57.9%	58.4%	58.4%	62.1%	62.4%	62.7%	63.0%	63.0%
Debt service ratio	> 0% < 20%	2.2%	4.6%	4.4%	4.1%	4.2%	2.1%	0.0%	0.0%	0.0%	0.0%
Infrastructure asset renewals ratio	> 100%	28.5%	27.5%	26.5%	26.4%	26.3%	26.2%	26.2%	26.1%	26.0%	26.0%
Capital expenditure ratio	>1.1	3.2	3.3	3.2	3.3	3.3	3.0	3.0	3.0	3.1	3.1
Infrastructure backlog ratio	< 2%	1.6%	1.6%	1.1%	0.7%	0.5%	1.3%	3.7%	4.4%	4.1%	4.8%

A summary for each of the indicators is provided below:

Operating performance ratio

How is this ratio calculated?

This ratio divides the operating surplus/deficit by operating revenue (excluding capital income).

What is the benchmark for this ratio?

The benchmark for this ratio is to have an operating surplus which results in a positive ratio (+0%).

What influences this ratio?

This ratio is influenced by projections in operating income and expenditure for items such as rates and annual charges, fees for services and applications, interest on investments, operating grants, employee costs, materials and contracts and depreciation.

Commentary:

Council has conducted a comprehensive review of its income statement projections and depreciation methodologies, the result of which Council will move towards achieving the benchmark in future years.

Own source revenue ratio

How is this ratio calculated?

This ratio divides total income excluding grants and contributions by total revenue inclusive of all grants and contributions.

What is the benchmark for this ratio?

The benchmark for this ratio is to have our own source revenue ratio at 60% or higher.

What influences this ratio?

This ratio is influenced by the level of projected operating income such as rates and annual charges, fees and charges as well as the level of capital income for items such as Section 7.11 developer contributions and other capital grants.

Commentary:

Our ability to achieve the target of 60% or better for this ratio is significantly affected by the high level of capital income we receive from developer contributions. The OLG benchmark for this ratio is 60% or better. The levels of Section 7.11 and infrastructure asset dedications that are included in this ratio for BCC over the next 10 years are significant and distort Council's performance against the benchmark.

Debt service ratio

How is this ratio calculated?

This ratio is calculated by dividing the sum of annual interest expense and principal loan repayments by operating income excluding capital.

What is the benchmark for this ratio?

The benchmark for this ratio is to be greater than 0% and less than 20%.

What influences this ratio?

This ratio is influenced by a council's level of debt and operating income.

Commentary:

Whilst Blacktown Council has historically avoided debt as a source of funding, this version of the LTFP does include the use of debt in line with Council's established borrowing policy towards the funding of the ICTE, Warrick Lane development, Blacktown Animal Rehoming Centre and St Bartholomew's Cemetery projects. The resulting debt service ratio is within the required benchmark. Future revisions to the LTFP incorporating additional Transformational Projects will likely include further use of external debt.

Infrastructure renewals ratio

How is this ratio calculated?

This ratio is calculated by dividing the annual expenditure on the renewal of existing assets by the annual depreciation expenditure for those assets.

What is the benchmark for this ratio?

The benchmark for this ratio is 1:1. If the ratio is less than 1:1, the assets are not being renewed as fast as they are being depreciated.

What influences this ratio?

This ratio is influenced by the level of funding allocated towards asset renewal and the level of annual depreciation for these assets.

Commentary:

In previous years our LTFP projected a proportion of the additional rating revenue attributable to the creation of new rateable properties would be allocated to asset renewal. This additional rating revenue was in the order of $4.5 million per year. For the 2021-2031 LTFP we have reviewed this allocation and determined that, given the many of operating cost increases forecast over the next 10 years, it is not appropriate to continue this allocation in the LTFP.

As a consequence, this has had a deleterious impact on our future infrastructure renewal ratio which will need to addressed. This will include a continual review of the allocation of funding in future works improvement programs, application for relevant grant funding and potential other funding strategies. Also at the time of preparing this LTFP we are implementing a new asset management system which will offer enhanced asset condition modelling and future renewal profiles. This will help build on our existing asset management strategies to best focus our renewal expenditures to minimise our future asset renewal shortfall. A recent Better Practice Review of this service has also identified a series of initiatives which will progressively address this issue.

Capital expenditure ratio

How is this ratio calculated?

This ratio is calculated by dividing the amount of annual capital expenditure by the annual depreciation expense.

What is the benchmark for this ratio?

The benchmark for this ratio is for a factor greater than 1.1:1.

What influences this ratio?

This ratio is influenced by the value of Council's total allocation towards capital expenditure and the annual depreciation expense. This ratio shows the extent to which a council is expanding its asset base through capital expenditure on both new assets and the replacement and renewal of existing assets.

Commentary:

We are forecasting that we will exceed the benchmark for this ratio in each of the 10 years of the LTFP. The calculation for this ratio includes the value of the assets dedicated to Council in lieu of developer contributions along with the value of the land under roads recognised in the financial accounts each financial year.

Infrastructure backlog ratio

How is this ratio calculated?

This ratio is calculated by dividing the reported estimated cost to bring assets to a satisfactory condition (as shown in Special Schedule 7 of the annual financial statements), by the total value of infrastructure assets listed in Special Schedule 7.

What is the benchmark for this ratio?

The benchmark for this ratio is for the backlog to be less than 2% of the value of Council's infrastructure assets.

What influences this ratio?

This ratio is influenced by the value of Council's infrastructure assets, the size of the infrastructure backlog and the amount of annual funding allocated towards infrastructure asset renewal works

Commentary:

With a continued commitment to undertaking asset renewal works, we are forecasting that this ratio will be lower than the 2% benchmark for the majority of the LTFP, with our forecast backlog to be reduced to around $15.3 million in 2025/26. Council's adopted Asset Renewal Funding Strategy in November 2013 has addressed the infrastructure backlog. It is only from 2027/28 of the LTFP that this ratio is above the benchmark of 2%, with a forecast backlog of $114 million, with a forecast backlog of $152 million in the final year (2030/31) of the LTFP, consistent with previous years modelling. In the subsequent years beyond the LTFP (2030/31 - 2039/40) the backlog becomes greater due to the age Council's road assets requiring replacement, with the backlog forecast to reach around $406 million in 2038/39.

Attachment 4 – Base case scenario

Base case — **Long term financial plan - income statement**

	2021/22 $'000	2022/23 $'000	2023/24 $'000	2024/25 $'000	2025/26 $'000	2026/27 $'000	2027/28 $'000	2028/29 $'000	2029/30 $'000	2030/31 $'000
Operating income										
Rates and annual charges	266,323	278,119	286,154	299,221	313,210	323,179	334,023	347,058	359,295	373,198
User charges and fees	41,803	41,849	45,033	45,576	44,529	47,503	48,496	49,510	50,546	51,602
Interest and investment revenues	3,662	3,684	3,710	3,736	3,766	3,796	3,830	3,865	3,903	3,942
Rental Income	10,362	10,621	10,887	11,159	11,438	11,724	12,017	12,318	12,625	12,941
Other revenues	9,164	10,396	11,016	11,277	11,491	11,677	11,872	12,063	12,258	12,454
Operating grants and contributions	24,272	23,637	23,046	23,507	23,977	24,457	24,946	25,445	25,954	26,473
Total operating income	**355,586**	**368,306**	**379,846**	**394,476**	**408,411**	**422,336**	**435,184**	**450,259**	**464,581**	**480,610**
Operating expenditure										
Employee benefits and on-costs	177,849	184,041	194,676	200,050	205,773	211,341	217,075	222,977	229,511	234,724
Borrowing costs	422	736	568	398	227	75	29	29	29	29
Materials and contracts	86,751	90,003	92,277	94,400	97,535	100,452	102,027	105,290	107,722	110,221
Depreciation	83,600	87,400	91,900	93,187	94,491	95,814	97,155	98,516	99,895	101,293
Other expenses	43,191	42,804	44,502	48,299	47,105	48,384	49,923	54,880	53,671	55,695
Total operating expenditure	**391,813**	**404,984**	**423,923**	**436,334**	**445,131**	**456,066**	**466,209**	**481,692**	**490,828**	**501,962**
Operating surplus/(deficit)	**(36,227)**	**(36,678)**	**(44,077)**	**(41,858)**	**(36,720)**	**(33,730)**	**(31,025)**	**(31,433)**	**(26,247)**	**(21,352)**
Capital income										
Capital grants and contributions	170,699	255,807	260,536	265,369	273,914	242,653	247,037	251,516	256,092	264,313
Net gains from disposal of I,PP&E	37,065	19,975	28,320	37,619	12,658	10,892	10,876	10,860	10,844	10,827
Total capital income	**207,764**	**275,782**	**288,856**	**302,988**	**286,572**	**253,545**	**257,913**	**262,376**	**266,936**	**275,140**
Capital expenditure										
Capital expenditure	194,183	241,346	247,012	256,449	262,431	244,725	251,769	256,884	262,757	267,030
Dedicated assets	95,000	73,600	74,593	75,608	77,402	70,838	71,758	72,699	73,660	75,386
Total capital expenditure	**289,183**	**314,946**	**321,605**	**332,057**	**339,833**	**315,563**	**323,527**	**329,583**	**336,417**	**342,416**
Capital surplus/(deficit)	**(81,419)**	**(39,164)**	**(32,749)**	**(29,069)**	**(53,261)**	**(62,018)**	**(65,614)**	**(67,207)**	**(69,481)**	**(67,276)**
Funding movements										
Transfer from reserves	177,248	224,992	200,155	202,179	208,908	216,122	224,828	221,815	222,170	221,383
Transfer to reserves	(243,656)	(235,619)	(226,515)	(216,719)	(212,367)	(225,203)	(243,296)	(239,642)	(244,288)	(251,999)
Depreciation contra income	83,600	87,400	91,900	93,187	94,491	95,814	97,155	98,516	99,895	101,293
Book value of assets sold	23,543	15,825	28,210	9,374	16,214	17,964	17,965	17,964	17,964	17,964
Internal income	32,638	32,638	32,638	32,638	32,638	32,638	32,638	32,638	32,638	32,638
Internal expenditure	(32,651)	(32,651)	(32,651)	(32,651)	(32,651)	(32,651)	(32,651)	(32,651)	(32,651)	(32,651)
Loan Borrowings	85,000	-	-	-	-	-	-	-	-	-
Principal repayment	(8,076)	(16,743)	(16,911)	(17,081)	(17,252)	(8,936)	-	-	-	-
Total funding movements	**117,646**	**75,842**	**76,826**	**70,927**	**89,981**	**95,748**	**96,639**	**98,640**	**95,728**	**88,628**
Net surplus/(deficit)	**0**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Base case **Long term financial plan - balance sheet**

	2021/22 $'000	2022/23 $'000	2023/24 $'000	2024/25 $'000	2025/26 $'000	2026/27 $'000	2027/28 $'000	2028/29 $'000	2029/30 $'000	2030/31 $'000
ASSETS										
Current assets										
Cash and cash equivalents	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Investments	212,432	222,138	238,620	248,503	251,174	258,103	271,362	285,711	301,759	324,164
Receivables	24,409	25,061	26,132	26,961	27,609	27,919	28,755	29,684	30,612	31,751
Inventories	18,191	15,041	9,652	12,221	13,424	13,806	14,143	14,537	14,904	10,371
Other	1,769	1,808	1,862	1,943	1,969	2,026	2,068	2,180	2,197	2,258
Total current assets	286,801	294,048	306,266	319,628	324,176	331,854	346,328	362,112	379,472	398,544
Non-current assets										
Investments	141,621	148,092	159,080	165,669	167,449	172,069	180,908	190,474	201,173	216,110
Receivables	2,611	2,727	2,806	2,934	3,071	3,169	3,275	3,403	3,523	3,659
Inventories	36,420	28,650	15,617	21,571	24,189	24,868	25,546	26,225	26,903	15,894
Property, plant and equipment	4,971,053	5,171,295	5,368,023	5,565,019	5,765,578	5,940,718	6,121,626	6,306,349	6,495,621	6,705,150
Investments accounted for using the equity method	9,312	9,312	9,312	9,312	9,312	9,312	9,312	9,312	9,312	9,312
Investment property	181,216	181,216	181,216	181,216	181,216	181,216	181,216	181,216	181,216	181,216
Intangible assets	2,119	2,119	2,119	2,119	2,119	2,119	2,119	2,119	2,119	2,119
Total non-current assets	5,344,352	5,543,411	5,738,173	5,947,840	6,152,934	6,333,471	6,524,002	6,719,098	6,919,867	7,133,460
TOTAL ASSETS	**5,631,153**	**5,837,459**	**6,044,439**	**6,267,468**	**6,477,110**	**6,665,325**	**6,870,330**	**7,081,210**	**7,299,339**	**7,532,004**
LIABILITIES										
Current liabilities										
Payables	116,532	119,310	122,010	124,657	125,301	127,520	129,269	132,820	133,862	136,193
Borrowings	76,924	60,181	43,270	26,189	8,936	-	-	-	-	-
Provisions	59,239	60,022	60,815	61,621	62,438	63,267	64,109	64,963	65,830	66,709
Total current liabilities	**252,695**	**239,513**	226,095	212,467	196,675	190,787	193,378	197,783	199,692	202,902
Non-current liabilities										
Provisions	12,164	12,191	12,218	12,246	12,274	12,303	12,332	12,361	12,391	12,422
Total non-current liabilities	12,164	12,191	12,218	12,246	12,274	12,303	12,332	12,361	12,391	12,422
TOTAL LIABILITIES	**264,859**	**251,704**	**238,313**	**224,713**	**208,949**	**203,090**	**205,710**	**210,144**	**212,083**	**215,324**
Net assets	**5,366,294**	**5,585,755**	**5,806,126**	**6,042,755**	**6,268,161**	**6,462,235**	**6,664,620**	**6,871,066**	**7,087,256**	**7,316,680**
Equity	**5,366,294**	**5,585,755**	**5,806,126**	**6,042,755**	**6,268,161**	**6,462,235**	**6,664,620**	**6,871,066**	**7,087,256**	**7,316,680**

Base case

Long term financial plan - cash flow statement

	2021/22 $'000	2022/23 $'000	2023/24 $'000	2024/25 $'000	2025/26 $'000	2026/27 $'000	2027/28 $'000	2028/29 $'000	2029/30 $'000	2030/31 $'000
Cash flows from operating activities										
Receipts:										
Rates and annual charges	261,978	277,927	286,023	299,008	312,982	323,017	333,846	346,845	359,095	372,971
User charges and fees	53,240	41,861	45,904	45,724	44,243	48,316	48,768	49,788	50,829	51,891
Interest and investment revenues	1,834	6,030	3,481	3,590	3,716	3,709	3,659	3,684	3,710	3,668
Grants and contributions	104,885	211,048	209,143	213,479	220,843	195,082	200,419	204,461	208,589	215,744
Other	15,217	19,901	21,709	22,310	22,798	23,501	23,770	24,261	24,759	25,246
Payments:										
Employee benefits and on-costs	(175,624)	(183,155)	(193,714)	(199,152)	(204,858)	(210,414)	(216,133)	(222,020)	(228,529)	(233,747)
Materials and contracts	(54,958)	(89,352)	(91,295)	(92,894)	(97,124)	(99,432)	(101,250)	(103,209)	(107,478)	(109,100)
Borrowing Costs	(422)	(736)	(568)	(398)	(227)	(75)	(29)	(29)	(29)	(29)
Other	(39,332)	(42,838)	(44,350)	(47,960)	(47,211)	(48,269)	(49,785)	(54,437)	(53,779)	(55,514)
Net cash provided (or used in) operating activities	**166,818**	**240,686**	**236,333**	**243,707**	**255,162**	**235,435**	**243,265**	**249,344**	**257,167**	**271,130**
Cash flows from investing activities										
Receipts:										
Sale of infrastructure, property, plant and equipment	58,270	33,476	54,220	44,697	26,591	26,591	26,591	26,591	26,591	26,591
Payments:	-	-	-	-	-	-	-	-	-	-
Purchase of infrastructure, property, plant and equipment	(170,425)	(241,346)	(247,012)	(256,449)	(262,431)	(244,725)	(251,769)	(256,884)	(262,757)	(267,030)
Net cash provided (or used in) investing activities	**(112,155)**	**(207,870)**	**(192,792)**	**(211,752)**	**(235,840)**	**(218,134)**	**(225,178)**	**(230,293)**	**(236,166)**	**(240,439)**
Cash flows from financing activities										
Receipts:										
Proceeds from borrowings and advances	85,000	-	-	-	-	-	-	-	-	-
Payments:										
Repayment of borrowings and advances	(8,076)	(16,743)	(16,911)	(17,081)	(17,252)	(8,936)	-	-	-	-
Net cash provided (or used in) investing activities	**76,924**	**(16,743)**	**(16,911)**	**(17,081)**	**(17,252)**	**(8,936)**	**-**	**-**	**-**	**-**
Net increase/(decrease) in cash & cash equivalents	**131,587**	**16,073**	**26,630**	14,874	2,070	8,365	18,087	19,051	21,001	30,691
Cash, cash equivalents & investments - beginning of reporting period	252,466	384,157	401,070	429,298	446,553	451,807	464,183	487,134	511,931	539,583
Cash, cash equivalents & investments - end of reporting period	**384,053**	**400,230**	**427,700**	**444,172**	**448,623**	**460,172**	**482,270**	**506,185**	**532,932**	**570,274**

Attachment 5 – Optimistic case scenario

Optimistic Scenario

Long term financial plan - income statement

	2021/22 $'000	2022/23 $'000	2023/24 $'000	2024/25 $'000	2025/26 $'000	2026/27 $'000	2027/28 $'000	2028/29 $'000	2029/30 $'000	2030/31 $'000
Operating income										
Rates and annual charges	266,323	278,709	287,373	301,113	315,827	326,509	338,110	351,951	365,045	379,865
User charges and fees	41,803	41,744	44,766	45,195	44,030	46,881	47,748	48,630	49,529	50,445
Interest and investment revenues	3,662	3,684	3,710	3,736	3,766	3,796	3,830	3,865	3,903	3,942
Rental Income	10,362	10,595	10,834	11,078	11,327	11,582	11,842	12,109	12,381	12,660
Other revenues	9,164	10,373	10,970	11,206	11,395	11,557	11,726	11,890	12,057	12,226
Operating grants and contributions	24,272	23,637	23,046	23,507	23,977	24,457	24,946	25,445	25,954	26,473
Total operating income	**355,586**	**368,742**	**380,699**	**395,835**	**410,322**	**424,782**	**438,202**	**453,890**	**468,869**	**485,611**
Operating expenditure										
Employee benefits and on-costs	177,849	183,883	194,073	198,967	204,182	209,220	214,396	219,714	225,636	230,206
Borrowing costs	322	527	408	288	167	52	29	29	29	29
Materials and contracts	86,751	89,862	91,990	93,963	96,943	99,698	101,107	104,198	106,452	108,768
Depreciation	83,600	87,400	91,900	93,187	94,491	95,814	97,155	98,516	99,895	101,293
Other expenses	43,191	42,706	44,306	48,000	46,699	47,867	49,289	54,121	52,778	54,662
Total operating expenditure	**391,713**	**404,378**	**422,677**	**434,405**	**442,482**	**452,651**	**461,976**	**476,578**	**484,790**	**494,958**
Operating surplus/(deficit)	**(36,127)**	**(35,636)**	**(41,978)**	**(38,570)**	**(32,160)**	**(27,869)**	**(23,774)**	**(22,688)**	**(15,921)**	**(9,347)**
Capital income										
Capital grants and contributions	170,699	265,805	270,772	275,849	284,793	251,965	256,594	261,289	266,084	274,703
Net gains from disposal of I,PP&E	37,065	23,323	33,742	42,088	15,317	13,551	13,535	13,520	13,503	13,486
Total capital income	**207,764**	**289,128**	**304,514**	**317,937**	**300,110**	**265,516**	**270,129**	**274,809**	**279,587**	**288,189**
Capital expenditure										
Capital expenditure	194,183	249,244	255,099	264,728	271,025	252,082	259,319	264,604	270,651	275,238
Dedicated assets	95,000	75,700	76,743	77,809	79,687	72,793	73,765	74,751	75,758	77,568
Total capital expenditure	**289,183**	**324,944**	**331,842**	**342,537**	**350,712**	**324,875**	**333,084**	**339,355**	**346,409**	**352,806**
Capital surplus/(deficit)	**(81,419)**	**(35,816)**	**(27,328)**	**(24,600)**	**(50,602)**	**(59,359)**	**(62,955)**	**(64,546)**	**(66,822)**	**(64,617)**
Funding movements										
Transfer from reserves	174,938	270,980	181,986	195,599	222,659	222,659	225,249	222,611	223,425	222,691
Transfer to reserves	(218,656)	(290,920)	(220,838)	(222,918)	(238,409)	(243,060)	(253,627)	(251,844)	(258,528)	(267,971)
Depreciation contra income	83,600	87,400	91,900	93,187	94,491	95,814	97,155	98,516	99,895	101,293
Book value of assets sold	23,543	15,825	28,210	9,374	16,214	17,964	17,965	17,964	17,964	17,964
Internal income	32,638	32,638	32,638	32,638	32,638	32,638	32,638	32,638	32,638	32,638
Internal expenditure	(32,651)	(32,651)	(32,651)	(32,651)	(32,651)	(32,651)	(32,651)	(32,651)	(32,651)	(32,651)
Loan Borrowings	60,000	-	-	-	-	-	-	-	-	-
Principal repayment	(5,866)	(11,820)	(11,939)	(12,059)	(12,180)	(6,136)	-	-	-	-
Total funding movements	**117,546**	**71,452**	**69,306**	**63,170**	**82,762**	**87,228**	**86,729**	**87,234**	**82,743**	**73,964**
Net surplus/(deficit)	**0**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Optimistic Scenario

Long term financial plan - balance sheet

	2021/22 $'000	2022/23 $'000	2023/24 $'000	2024/25 $'000	2025/26 $'000	2026/27 $'000	2027/28 $'000	2028/29 $'000	2029/30 $'000	2030/31 $'000
ASSETS										
Current assets										
Cash and cash equivalents	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Investments	198,923	214,464	238,484	256,085	266,187	279,933	299,206	320,459	344,354	375,610
Receivables	24,233	25,141	26,309	27,244	27,998	28,370	29,292	30,318	31,355	32,622
Inventories	18,191	15,037	9,642	12,206	13,404	13,781	14,112	14,501	14,861	10,322
Other	1,769	1,805	1,856	1,933	1,955	2,009	2,047	2,155	2,167	2,224
Total current assets	273,116	286,447	306,291	327,468	339,544	354,093	374,657	397,433	422,737	450,778
Non-current assets										
Investments	132,615	142,976	158,989	170,723	177,458	186,622	199,471	213,639	229,570	250,407
Receivables	2,611	2,733	2,818	2,952	3,096	3,201	3,315	3,451	3,579	3,724
Inventories	36,420	28,650	15,617	21,571	24,189	24,868	25,546	26,225	26,903	15,894
Property, plant and equipment	4,971,053	5,181,293	5,388,257	5,595,735	5,807,173	5,991,624	6,182,090	6,376,586	6,575,850	6,795,769
Investments accounted for using the equity method	9,312	9,312	9,312	9,312	9,312	9,312	9,312	9,312	9,312	9,312
Investment property	181,216	181,216	181,216	181,216	181,216	181,216	181,216	181,216	181,216	181,216
Intangible assets	2,119	2,119	2,119	2,119	2,119	2,119	2,119	2,119	2,119	2,119
Total non-current assets	5,335,346	5,548,299	5,758,328	5,983,628	6,204,563	6,398,962	6,603,069	6,812,548	7,028,549	7,258,441
TOTAL ASSETS	**5,608,462**	**5,834,746**	**6,064,619**	**6,311,096**	**6,544,107**	**6,753,055**	**6,977,726**	**7,209,981**	**7,451,286**	**7,709,219**
LIABILITIES										
Current liabilities										
Payables	116,532	119,331	121,914	124,457	124,997	127,083	128,716	132,145	133,061	135,262
Borrowings	54,134	42,314	30,375	18,316	6,136	-	-	-	-	-
Provisions	59,239	60,022	60,815	61,621	62,438	63,267	64,109	64,963	65,830	66,709
Total current liabilities	**229,905**	**221,667**	213,104	204,394	193,571	190,350	192,825	197,108	198,891	201,971
Non-current liabilities										
Provisions	12,164	12,191	12,218	12,246	12,274	12,303	12,332	12,361	12,391	12,422
Total non-current liabilities	12,164	12,191	12,218	12,246	12,274	12,303	12,332	12,361	12,391	12,422
TOTAL LIABILITIES	**242,069**	**233,858**	**225,322**	**216,640**	**205,845**	**202,653**	**205,157**	**209,469**	**211,282**	**214,393**
Net assets	**5,366,393**	**5,600,888**	**5,839,297**	**6,094,456**	**6,338,262**	**6,550,402**	**6,772,569**	**7,000,512**	**7,240,004**	**7,494,826**
Equity	**5,366,393**	**5,600,888**	**5,839,297**	**6,094,456**	**6,338,262**	**6,550,402**	**6,772,569**	**7,000,512**	**7,240,004**	**7,494,826**

Optimistic Scenario

Long term financial plan - cash flow statement

	2021/22 $'000	2022/23 $'000	2023/24 $'000	2024/25 $'000	2025/26 $'000	2026/27 $'000	2027/28 $'000	2028/29 $'000	2029/30 $'000	2030/31 $'000
Cash flows from operating activities										
Receipts:										
Rates and annual charges	261,978	278,507	287,232	300,888	315,586	326,334	337,921	351,725	364,831	379,623
User charges and fees	53,240	41,728	45,593	45,312	43,712	47,661	47,985	48,872	49,775	50,695
Interest and investment revenues	2,010	5,951	3,385	3,490	3,621	3,622	3,581	3,595	3,609	3,554
Grants and contributions	104,885	219,335	217,240	221,767	229,453	202,378	207,978	212,189	216,491	223,968
Other	15,217	19,796	21,617	22,166	22,599	23,259	23,457	23,888	24,324	24,746
Payments:										
Employee benefits and on-costs	(175,624)	(182,999)	(193,117)	(198,075)	(203,274)	(208,300)	(213,462)	(218,765)	(224,662)	(229,238)
Materials and contracts	(54,958)	(89,270)	(91,069)	(92,520)	(96,595)	(98,745)	(100,400)	(102,191)	(106,285)	(107,727)
Borrowing Costs	(322)	(527)	(408)	(288)	(167)	(52)	(29)	(29)	(29)	(29)
Other	(39,332)	(42,750)	(44,163)	(47,670)	(46,815)	(47,763)	(49,162)	(53,689)	(52,898)	(54,494)
Net cash provided (or used in) operating activities	**167,094**	**249,771**	**246,310**	**255,070**	**268,120**	**248,394**	**257,869**	**265,595**	**275,156**	**291,098**
Cash flows from investing activities										
Receipts:										
Sale of infrastructure, property, plant and equipment	58,270	36,824	59,642	49,167	29,250	29,250	29,250	29,250	29,250	29,250
Payments:	-	-	-	-	-	-	-	-	-	-
Purchase of infrastructure, property, plant and equipment	(194,533)	(249,244)	(255,099)	(264,728)	(271,025)	(252,082)	(259,319)	(264,604)	(270,651)	(275,238)
Net cash provided (or used in) investing activities	**(136,263)**	**(212,420)**	**(195,457)**	**(215,561)**	**(241,775)**	**(222,832)**	**(230,069)**	**(235,354)**	**(241,401)**	**(245,988)**
Cash flows from financing activities										
Receipts:										
Proceeds from borrowings and advances	60,000	-	-	-	-	-	-	-	-	-
Payments:										
Repayment of borrowings and advances	(5,866)	(11,820)	(11,939)	(12,059)	(12,180)	(6,136)	-	-	-	-
Net cash provided (or used in) investing activities	**54,134**	**(11,820)**	**(11,939)**	**(12,059)**	**(12,180)**	**(6,136)**	**-**	**-**	**-**	**-**
Net increase/(decrease) in cash & cash equivalents	**84,965**	**25,531**	**38,914**	27,450	14,165	19,426	27,800	30,241	33,755	45,110
Cash, cash equivalents & investments - beginning of reporting period	276,593	361,909	388,559	429,358	459,480	477,129	500,877	533,857	570,169	610,907
Cash, cash equivalents & investments - end of reporting period	**361,558**	**387,440**	**427,473**	**456,808**	**473,645**	**496,555**	**528,677**	**564,098**	**603,924**	**656,017**

Attachment 6 – Pessimistic case scenario

Pessimistic Scenario — **Long term financial plan - income statement**

	2021/22 $'000	2022/23 $'000	2023/24 $'000	2024/25 $'000	2025/26 $'000	2026/27 $'000	2027/28 $'000	2028/29 $'000	2029/30 $'000	2030/31 $'000
Operating income										
Rates and annual charges	266,323	277,532	284,946	297,356	310,643	319,930	330,053	342,330	353,767	366,822
User charges and fees	41,803	41,953	45,300	45,958	45,032	48,130	49,253	50,403	51,578	52,781
Interest and investment revenues	3,662	3,684	3,710	3,736	3,766	3,796	3,830	3,865	3,903	3,942
Rental Income	10,362	10,647	10,940	11,241	11,550	11,868	12,194	12,529	12,874	13,228
Other revenues	9,164	10,419	11,063	11,347	11,587	11,799	12,020	12,240	12,461	12,687
Operating grants and contributions	24,272	23,637	23,046	23,507	23,977	24,457	24,946	25,445	25,954	26,473
Total operating income	**355,586**	**367,872**	**379,005**	**393,145**	**406,555**	**419,980**	**432,296**	**446,812**	**460,537**	**475,933**
Operating expenditure										
Employee benefits and on-costs	177,849	184,744	195,839	201,713	207,965	214,088	220,406	226,924	234,107	240,001
Borrowing costs	534	853	655	455	254	71	29	29	29	29
Materials and contracts	86,751	90,144	92,564	94,840	98,133	101,213	102,958	106,398	109,013	111,703
Depreciation	83,600	87,400	91,900	93,187	94,491	95,814	97,155	98,516	99,895	101,293
Other expenses	43,191	42,901	44,698	48,600	47,513	48,905	50,564	55,651	54,579	56,749
Total operating expenditure	**391,925**	**406,042**	**425,656**	**438,795**	**448,356**	**460,091**	**471,112**	**487,518**	**497,623**	**509,775**
Operating surplus/(deficit)	**(36,339)**	**(38,170)**	**(46,651)**	**(45,650)**	**(41,801)**	**(40,111)**	**(38,816)**	**(40,706)**	**(37,086)**	**(33,842)**
Capital income										
Capital grants and contributions	170,699	245,808	250,299	254,888	263,035	233,341	237,514	241,779	246,100	253,853
Net gains from disposal of I,PP&E	37,065	16,628	22,898	33,149	9,999	8,233	8,217	8,201	8,185	8,168
Total capital income	**207,764**	**262,436**	**273,197**	**288,037**	**273,034**	**241,574**	**245,731**	**249,980**	**254,285**	**262,021**
Capital expenditure										
Capital expenditure	194,183	233,447	238,925	248,169	253,836	237,369	244,246	249,192	254,863	258,766
Dedicated assets	95,000	71,500	72,443	73,407	75,118	68,882	69,758	70,654	71,561	73,190
Total capital expenditure	**289,183**	**304,947**	**311,368**	**321,576**	**328,954**	**306,251**	**314,004**	**319,846**	**326,424**	**331,956**
Capital surplus/(deficit)	**(81,419)**	**(42,511)**	**(38,171)**	**(33,539)**	**(55,920)**	**(64,677)**	**(68,273)**	**(69,866)**	**(72,139)**	**(69,935)**
Funding movements										
Transfer from reserves	179,557	258,356	169,169	182,587	209,377	214,671	220,727	217,987	218,689	217,750
Transfer to reserves	(258,656)	(261,181)	(184,541)	(185,843)	(202,043)	(213,938)	(228,745)	(223,882)	(227,310)	(233,217)
Depreciation contra income	83,600	87,400	91,900	93,187	94,491	95,814	97,155	98,516	99,895	101,293
Book value of assets sold	23,543	15,825	28,210	9,374	16,214	17,964	17,965	17,964	17,964	17,964
Internal income	32,638	32,638	32,638	32,638	32,638	32,638	32,638	32,638	32,638	32,638
Internal expenditure	(32,651)	(32,651)	(32,651)	(32,651)	(32,651)	(32,651)	(32,651)	(32,651)	(32,651)	(32,651)
Loan Borrowings	100,000	-	-	-	-	-	-	-	-	-
Principal repayment	(10,273)	(19,706)	(19,903)	(20,103)	(20,305)	(9,710)	-	-	-	-
Total funding movements	**117,758**	**80,681**	**84,822**	**79,189**	**97,721**	**104,788**	**107,089**	**110,572**	**109,225**	**103,777**
Net surplus/(deficit)	**0**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Pessimistic Scenario **Long term financial plan - balance sheet**

	2021/22 $'000	2022/23 $'000	2023/24 $'000	2024/25 $'000	2025/26 $'000	2026/27 $'000	2027/28 $'000	2028/29 $'000	2029/30 $'000	2030/31 $'000
ASSETS										
Current assets										
Cash and cash equivalents	30,000	30,000	30,000	30,000	24,136	26,412	30,000	30,000	30,000	30,000
Investments	219,987	225,082	235,254	238,653	238,653	238,653	243,792	251,300	259,584	273,245
Receivables	24,507	24,920	25,912	26,651	27,209	27,474	28,229	29,064	29,885	30,901
Inventories	18,191	15,046	9,662	12,235	13,444	13,832	14,175	14,575	14,947	10,421
Other	1,769	1,811	1,869	1,953	1,983	2,043	2,090	2,206	2,227	2,293
Total current assets	294,454	296,859	302,697	309,492	305,425	308,414	318,286	327,145	336,643	346,860
Non-current assets										
Investments	146,658	150,054	156,836	159,102	159,102	159,102	162,528	167,533	173,056	182,163
Receivables	2,611	2,721	2,794	2,915	3,046	3,137	3,236	3,356	3,468	3,596
Inventories	36,420	28,650	15,617	21,571	24,189	24,868	25,546	26,225	26,903	15,894
Property, plant and equipment	4,971,053	5,161,297	5,347,788	5,534,304	5,723,984	5,889,811	6,061,196	6,236,183	6,415,463	6,614,531
Investments accounted for using the equity method	9,312	9,312	9,312	9,312	9,312	9,312	9,312	9,312	9,312	9,312
Investment property	181,216	181,216	181,216	181,216	181,216	181,216	181,216	181,216	181,216	181,216
Intangible assets	2,119	2,119	2,119	2,119	2,119	2,119	2,119	2,119	2,119	2,119
Total non-current assets	5,349,389	5,535,369	5,715,682	5,910,539	6,102,968	6,269,565	6,445,153	6,625,944	6,811,537	7,008,831
TOTAL ASSETS	**5,643,843**	**5,832,228**	**6,018,379**	**6,220,031**	**6,408,393**	**6,577,979**	**6,763,439**	**6,953,089**	**7,148,180**	**7,355,691**
LIABILITIES										
Current liabilities										
Payables	116,532	119,290	122,107	124,859	125,610	127,966	129,835	133,513	134,688	137,154
Borrowings	89,727	70,021	50,118	30,015	9,710	-	-	-	-	-
Provisions	59,239	60,022	60,815	61,621	62,438	63,267	64,109	64,963	65,830	66,709
Total current liabilities	**265,498**	**249,333**	233,040	216,495	197,758	191,233	193,944	198,476	200,518	203,863
Non-current liabilities										
Provisions	12,164	12,191	12,218	12,246	12,274	12,303	12,332	12,361	12,391	12,422
Total non-current liabilities	12,164	12,191	12,218	12,246	12,274	12,303	12,332	12,361	12,391	12,422
TOTAL LIABILITIES	**277,662**	**261,524**	**245,258**	**228,741**	**210,032**	**203,536**	**206,276**	**210,837**	**212,909**	**216,285**
Net assets	**5,366,181**	**5,570,704**	**5,773,121**	**5,991,290**	**6,198,361**	**6,374,443**	**6,557,163**	**6,742,252**	**6,935,271**	**7,139,406**
Equity	**5,366,181**	**5,570,704**	**5,773,121**	**5,991,290**	**6,198,361**	**6,374,443**	**6,557,163**	**6,742,252**	**6,935,271**	**7,139,406**

Pessimistic Scenario

Long term financial plan - cash flow statement

	2021/22 $'000	2022/23 $'000	2023/24 $'000	2024/25 $'000	2025/26 $'000	2026/27 $'000	2027/28 $'000	2028/29 $'000	2029/30 $'000	2030/31 $'000
Cash flows from operating activities										
Receipts:										
Rates and annual charges	261,978	277,349	284,825	297,153	310,426	319,778	329,888	342,130	353,580	366,609
User charges and fees	53,240	41,994	46,216	46,138	44,778	48,978	49,561	50,717	51,900	53,110
Interest and investment revenues	1,736	6,095	3,565	3,677	3,800	3,785	3,740	3,776	3,815	3,786
Grants and contributions	104,885	202,761	201,047	205,190	212,233	187,786	192,888	196,760	200,685	207,462
Other	15,217	20,007	21,800	22,455	22,999	23,746	24,086	24,638	25,202	25,757
Payments:										
Employee benefits and on-costs	(175,624)	(183,849)	(194,871)	(200,809)	(207,043)	(213,154)	(219,457)	(225,960)	(233,116)	(239,016)
Materials and contracts	(54,958)	(89,434)	(91,522)	(93,271)	(97,655)	(100,125)	(102,110)	(104,242)	(108,690)	(110,498)
Borrowing Costs	(534)	(853)	(655)	(455)	(254)	(71)	(29)	(29)	(29)	(29)
Other	(39,332)	(42,927)	(44,538)	(48,251)	(47,610)	(48,781)	(50,416)	(55,197)	(54,675)	(56,555)
Net cash provided (or used in) operating activities	**166,608**	**231,143**	**225,867**	**231,827**	**241,674**	**221,942**	**228,151**	**232,593**	**238,672**	**250,626**
Cash flows from investing activities										
Receipts:										
Sale of infrastructure, property, plant and equipment	58,270	30,128	48,798	40,227	23,932	23,932	23,932	23,932	23,932	23,932
Payments:	-	-	-	-	-	-	-	-	-	-
Purchase of infrastructure, property, plant and equipment	(194,883)	(233,447)	(238,925)	(248,169)	(253,836)	(237,369)	(244,246)	(249,192)	(254,863)	(258,766)
Net cash provided (or used in) investing activities	**(136,613)**	**(203,319)**	**(190,127)**	**(207,942)**	**(229,904)**	**(213,437)**	**(220,314)**	**(225,260)**	**(230,931)**	**(234,834)**
Cash flows from financing activities										
Receipts:										
Proceeds from borrowings and advances	100,000	-	-	-	-	-	-	-	-	-
Payments:										
Repayment of borrowings and advances	(10,273)	(19,706)	(19,903)	(20,103)	(20,305)	(9,710)	-	-	-	-
Net cash provided (or used in) investing activities	**89,727**	**(19,706)**	**(19,903)**	**(20,103)**	**(20,305)**	**(9,710)**	**-**	**-**	**-**	**-**
Net increase/(decrease) in cash & cash equivalents	**119,722**	**8,118**	**15,837**	3,782	(8,535)	(1,205)	7,837	7,333	7,741	15,792
Cash, cash equivalents & investments - beginning of reporting period	276,923	397,018	406,253	423,973	430,426	425,372	428,483	441,500	454,899	469,616
Cash, cash equivalents & investments - end of reporting period	**396,645**	**405,136**	**422,090**	**427,755**	**421,891**	**424,167**	**436,320**	**448,833**	**462,640**	**485,408**

Attachment 7 – Transformational Project funding sources

The table below summarises the estimated total funding required by source for the ICTE, Warrick Lane development, Blacktown Animal Rehoming Centre and St Bartholomew's Cemetery. This will be subject to change depending on market conditions and availability of these funding sources.

	Cumulative amount ($ million)				
A) Funding source	**BARC**	**Warrick Lane**	**ICTE**	**St Barts**	**Total**
Proceeds from Land Projects	21.3	41.5	69.0	9.5	141.3
s7.11 CP19 Blacktown Growth Precinct		40.0	-	-	40.0
Infrastructure Sinking Fund (ISF)	12.5	-	31.0	-	43.5
Total	33.8	81.5	100.0	9.5	224.8
B) Funding sources repaid by proceeds from Land Projects					
External debt					85.0
External interest					2.6
Total					87.6