



Council's Long Term Financial Plan

What is a Long Term Financial Plan?

Council needs to maintain a financially sustainable position over time so that we can provide infrastructure and services for the benefit of our community. Our Long Term Financial Plan (LTFP) helps us develop a plan to achieve this. The LTFP expresses in financial terms the activities Council proposes to undertake in the short, medium and long term. Using this, we can identify if we can continue to pay for our services and maintain our infrastructure in good condition (i.e. community buildings, parks, roads and business centres) with the income that we expect to receive.

Using our LTFP we can answer some key questions:

- Where will we be financially in 10 years?
- Is our revenue growing at the same rate as our costs?
- Are we able to financially afford our current service levels over time?
- What would be the financial impact if we did something different?
- Can we afford to do something new or build a new facility for our community to use?

The LTFP is for a period of 10 years and we update it each year. Financial planning over a 10-year period is challenging and relies on a range of assumptions many of which are largely outside of Councils control, for example the rate peg determined each year by the Independent Pricing & Regulatory Tribunal (IPART). We therefore closely monitor our LTFP and regularly update it to reflect these changing circumstances.

We also look at what would be the impact on our finances if trends were to worsen. We do this through a sensitivity analysis using the key assumptions most likely to affect the LTFP. Further to this, the LTFP allows us to run different scenarios helping us to answer the question “what would be the financial impact if we did something different?” In developing our LTFP we have looked at four different scenarios which are detailed in the plan which you can access below.

What Does Financial Sustainability Mean?

Financial sustainability is the ability to meet our current and future costs as they arise and to have the capacity to respond to foreseeable changes and emerging risks. Put simply it is our ability to:

- Cover our existing expenses and their future increases
- Cover new expenses that we know will be required into the future
- Have the ability to react to cover the expenses from things that we think may occur, for example a major storm event and resulting repair works and clean up that may be required.

Our Financial Challenges

This year we have updated our LTFP against a backdrop of challenges we have faced over the last five years including that our expenditure has grown at a greater rate than our income. There have been a range of factors contributing to this, only some of which Council are able to control or change. We continue to take significant steps to address these including those outlined in the section “How Are We Addressing Our Financial Challenges” below.

More challenging for Council are external factors which Council has either no control over, or limited capacity to predict, including:

- COVID-19 which has had a significant impact on Council’s financial position over the 2019-2020, 2020-2021 and 2021-2022 financial years, of over \$11 million. This was through a combination of support initiatives provided to the community as well as the impact of reduced income across a range of sources.
- \$42 million (41%) of our income comes from rates, excluding capital grants and contributions. The increase in rates income is set annually by the IPART. This constrains our ability to increase our revenue to adequately cover appropriate increases in our costs.

These challenges have resulted in financial deficits in each of 2019-2020, 2020-2021 and 2021-2022 financial years. During the last few years we have been fortunate to have cash reserves to draw on and have been able to maintain Council’s services. This is not a long term solution as our cash reserves are limited. We must address these deficits and regain our surplus.





How Are We Addressing Our Financial Challenges?

We have taken a proactive approach to improving our financial position through the following budget repair actions:

- In April 2021 Council resolved to refinance our Loan for Kiaora Place, the Council-owned Double Bay commercial centre, resulting in:
 - decreased annual interest expense by \$700,000
 - total savings of \$7.87 million over the life of the loan (net of the one-off break costs of \$6.45million)
- During 2021 we extended the replacement of our passenger vehicles from a 2.5 year replacement cycle to a 4 year replacement cycle. This is expected to save \$3.5million over 10 years
- Councillors and Council staff identified and implemented expense efficiencies of \$500,000 in 2021/22, with a further anticipated \$2.7million saving included in 2022/23 through a staff review / redundancy program. These actions have been achieved without impacting adversely on the services provided to our community. With regard to the staffing review, it should be noted that any further expenditure or staff reductions will likely result in an impact on the services Council provides to the community.
- Council continues to look at opportunities to increase income, with potential additional income of around \$2 million per annum. This income is phased in to our LTFP over three years commencing with \$500,000 in 2022-23. This is dependent on tender outcomes and future Council resolutions.

Where can I access Council's Long Term Financial Plan?

Council adopted our Long Term Financial Plan 2022/23 - 2031/32 on 27 June 2022. The Plan is available on Council's website [here](#).



Woollahra
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