

Long Term Financial Plan 2023-2026



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Review of the Long Term Financial Plan

The City of Kwinana's Long Term Financial Plan (LTFP) is an important financial tool for the City. The LTFP, in conjunction with the Strategic Community Plan, Corporate Business Plan, Asset Management Plans and Workforce Plan aim to achieve the City's goals and drive its vision of being "A unique and liveable City, celebrated for and connected by its diverse community, natural beauty and economic opportunities".

The Council adopted the 20 year 2022 – 2041 Long Term Financial Plan in June 2021, but the nature of the estimates and assumptions made, and the uncertainty of changes within the economy, means the LTFP requires regular review and updating. Changes in population levels and demographics bring with them changing community needs and expectations. The LTFP needs to be reviewed to ensure that it is still relevant and delivering the community services and programs necessary, maintaining the level of capital renewal programs and new capital projects needed, whilst ensuring the City's capacity to maintain overall financial sustainability.

Financial Sustainability

The LTFP helps ensure that the long term financial sustainability can be maintained while meeting the needs and expectations of our communities and delivering the Council's objectives as specified in the Strategic Community Plan. Therefore, the alignment between the financial information in the LTFP and the community priorities in the Strategic Community Plan is paramount.

This plan, whilst ensuring the financial sustainability of the City overall, also directly achieves outcomes and strategic objectives in the Strategic Community Plan.

Strategic Community Plan Vision	
A unique and liveable City, celebrated for and connected by its diverse community, natural beauty and economic opportunities	
Outcome	Strategic Objective
3 Infrastructure and services that are affordable and contribute to health and wellbeing	3.1 Develop quality, affordable infrastructure and services designed to improve the health and wellbeing of the community
5 Visionary leadership dedicated to acting for its community	5.1 Model accountable and ethical governance, strengthening trust with the community

In 2019 the Auditor General issued an opinion on the City's annual financial statements that there were significant adverse trends in the financial position of the city. Specifically, the current ratio, the asset sustainability ratio and the operating surplus ratio had been below industry standard for the prior three years.

Since that time, the City is showing improvements in the ratios, however it is important that the trend continue until the City reaches the Department of Local Government Standards. The 2022-2041 LTFP implements a strategy of improving the Asset Sustainability Ratio and the Operating Surplus Ratio. The ratios are complementary; improving one ratio results in the improvement of the other. Because the asset sustainability was below the standard, the decision was made to gradually work towards increasing the ratios to reach the required target by 2032.

Basis of Preparation

The LTFP provides the basis for the preparation of the annual budget. It also reflects the known impacts of projects included in the Community Infrastructure Plan, the Asset Management Plan and the Strategic Community Plan.

Plan Framework

The LTFP has been prepared under the following guidelines

- Supports the Strategic Community Plan
- Maintains a balanced budget throughout (ie zero surplus)
- Improving the asset sustainability ratio to a minimum 80% by 2032
- Continues to maintain the level of service currently provided to the community

Assumptions

In preparing the LTFP the following assumptions and variables have been applied:

- Unless otherwise indicated through new proposals, service delivery levels are maintained at current levels
- All income and expenditures throughout the LTFP have been escalated based on relevant index rates
- Rate increase of 2.75% for the first year, and forecast to reflect the Local Government Cost Index for the remaining years
- Superannuation Guarantee budgeted at 12.5% for the next 3 years, increasing to 13% for the life of the plan. This takes into account the City of Kwinana's Collective agreement to match employee contributions.
- Perth Consumer Price Index (CPI) and Local Government Cost Index (LGCI) have been estimated conservatively and used for the remainder of the costs.

Key Highlights

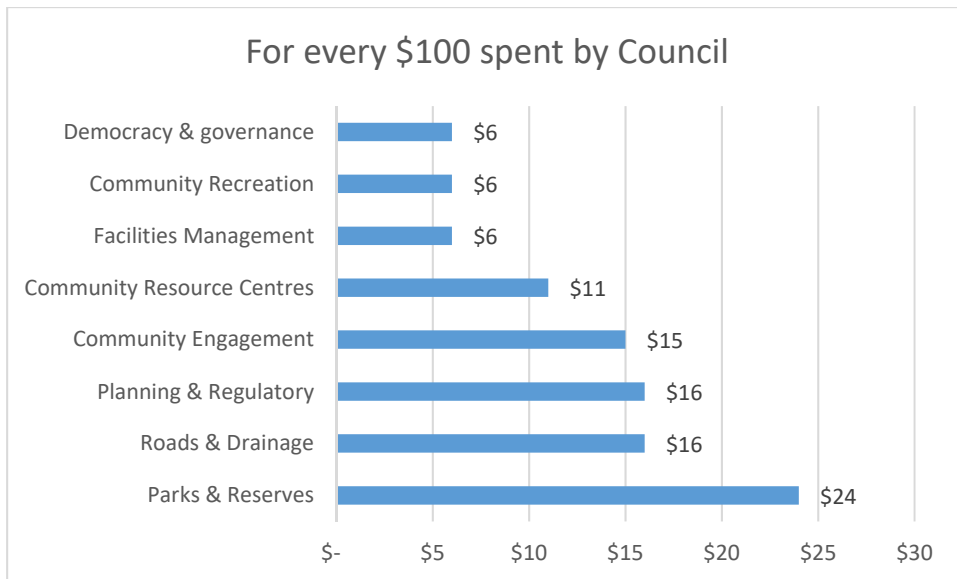
Overview

The major outcomes and projects contained within the LTFP include:

- Kwinana Loop Trail upgrade
- Tree planting and maintenance across the City
- Increasing the shared pathways linking the City
- Corporate Business System implementation
- Implementation of the Community Infrastructure Plan
- Continuation of the Kwinana Active strategy
- Continuation of the Events program
- New bushland reserves
- New parks

Council Services

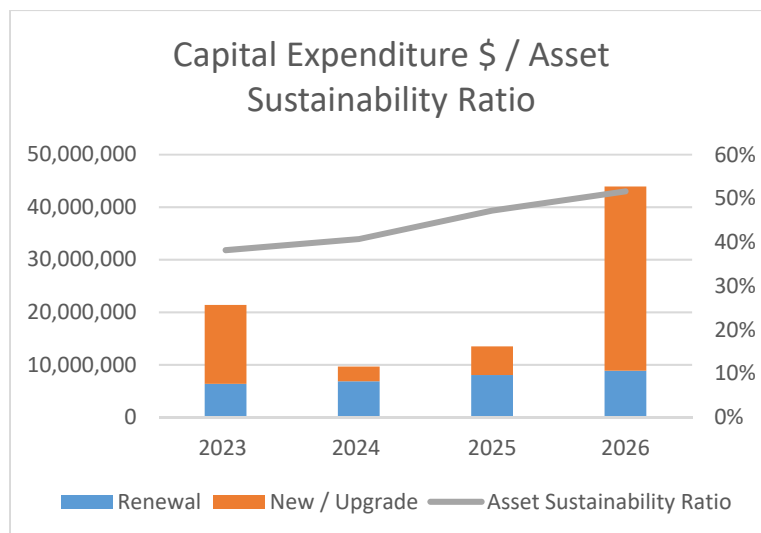
The rates received by the City go towards providing a variety of services for the Community and activating our Strategic Community Plan requires readjusting our budget to the areas of priority. The table below indicates broadly how we will spend our budget for the first year of the plan



Capital Expenditure

The City's Asset Management Plans detail information about our assets and define the services to be provided. There are a number of new projects planned over the next 4 years, as well as significant investment in the renewal of our existing assets. As per the City's aim to be financially sustainable, there is a steady increase in the amount to be spent on renewal projects as the plan progresses. With this approach, the City will achieve the goal of an 80% asset sustainability ratio by 2032.

Some of the new projects to be undertaken over future years will be funded by the Developer Contribution scheme. Funds are collected upon each new subdivision and put aside in Reserve (DCA Reserve). Once the community need for each project is determined, the new infrastructure items can be constructed, using the funds collected.



The Community's Capacity to Pay

The City understands that imposing rate increases to a community that can't afford them is unsustainable. The City's intention is to keep rate increases as low as possible, while maintaining the same level of service to its residents.

Although the City has indicated minimal rate increases as part of this plan, there are a range of flexible options to ensure that members of the community can find an arrangement to suit their circumstances in the payment of their rates. These are

- Hardship Policy
- Rates Deferrals – Pensioners
- Variety of payment options
- Direct debit arrangements with no administration fee

Rates Strategy

Council's rating strategy takes into consideration the key values contained within *Rating Policy Differential Rates (s.6.33) March 2016* released by the then Department of Local Government and Communities being:

- Objectivity;
- Fairness and Equity;
- Consistency;
- Transparency and Administrative Efficiency.

As part of the budget deliberations for the 2018/2019 adopted budget, Council commenced a five-year plan to reduce the number of rating categories to ensure the City is meeting the values set out for differential rating. The first stage occurred as part of the 2018/2019 budget, and continued as planned in 2019/2020. The harmonisation process was paused for the 2020/2021 budget due to COVID and the City's commitment to freeze rate revenue collected. However, the strategy continued with the adoption of the 2021/2022 budget and the harmonisation process will be complete by 2024/25. The table below shows the categories remaining at the end of the harmonisation strategy implementation.

Current Rating Category 2021/2022	Proposed Rating Category by 2024/2025
Gross Rental Value (GRV)	
Improved Residential	Improved Residential
Improved Special Residential	Improved Residential
Vacant Residential	Vacant
Vacant Non-Residential	Vacant
Improved Commercial and Industrial	Improved Commercial and Industrial
Unimproved Value (UV)	
General Industry	General Industry
Rural	Rural
Mining and Industrial	Mining and Industrial

As part of the annual budget deliberations, the City will review each rate category and where possible, attempt for the rate in the dollars to close the gap with the least financial impact in doing so.

Cashflows

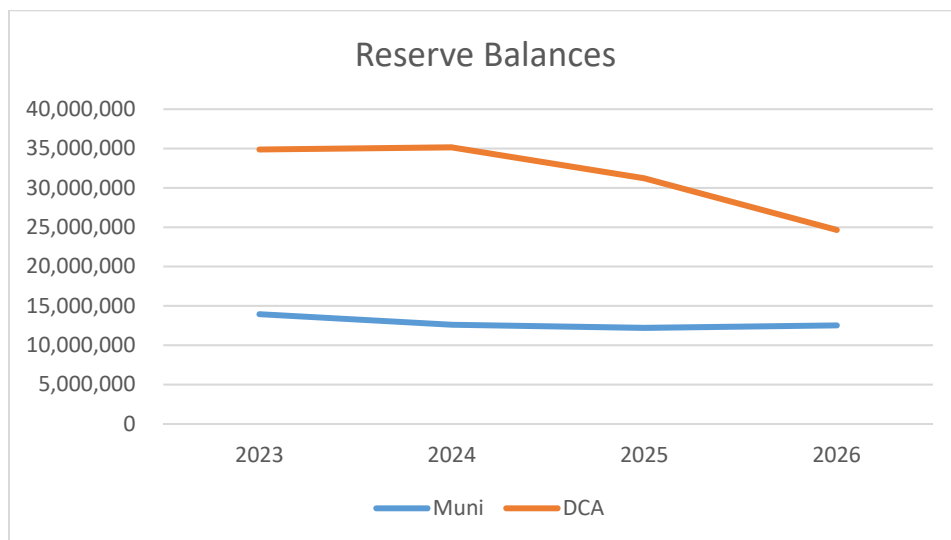
The LTFP sets out to achieve a "balanced budget". This occurs when the municipal closing surplus/(deficit) is nil. This means that the municipal funds available at the end of each financial year is zero, with the exception of cash held in reserve funds which are set aside for a particular purpose.

The LTFP commences with an opening reserve fund cash balance of \$53.5 million, which is gradually depleted to fund capital projects over the 4 year review of the LTFP. The graph below shows the two types of Reserves Funds the City manages. Municipal Reserves are

those that the City determine the use of, putting money away for specific purposes to be used in the future.

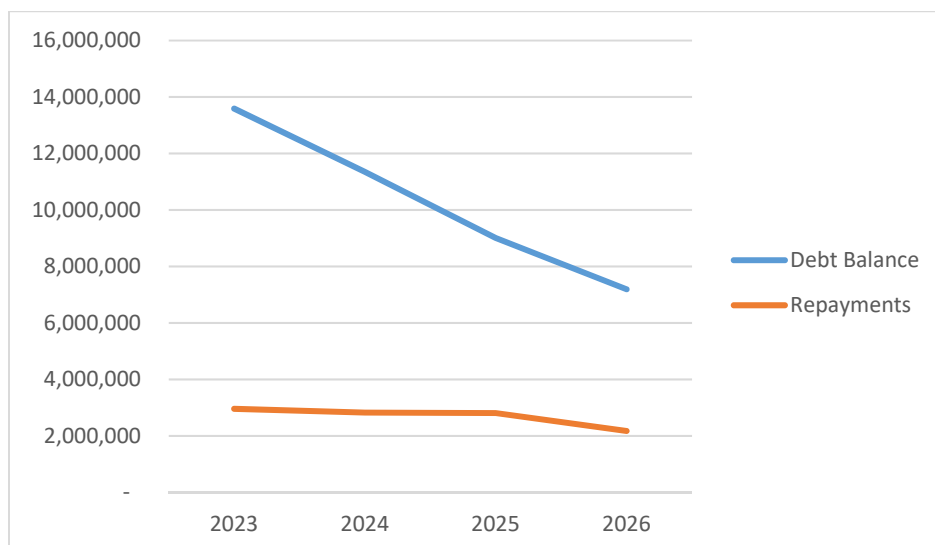
Reserves are established for the purpose of setting aside funds in current and past years to assist in funding future projects/services (reserve purpose). Transferring funds to reserves ensures the community who are benefiting now, will contribute to funding the purpose into the future. Having reserves eases the financial impact of a community when a project is required to be delivered in one year, to be funded by monies collected over a period of time.

Developer Contribution Reserves (DCA Reserves) hold monies collected from new developments and go towards funding the infrastructure required to support the community as it grows. The 20 year LTFP shows the City building all required infrastructure by 2036.



Loan Borrowings

The City invests in capital expenditure that benefits inter-generations. Loan borrowings can be the most equitable finance option to fund capital expenditure. The 4 year review of the LTFP does not include any increase in borrowings, but will see the full repayment of 6 loans by 2026.



Key Financial Indicators

Operating Surplus Ratio

The Operating Surplus Ratio is a measure of a local government's ability to cover its operational costs and have revenues available for capital funding or other purposes.

If a local government consistently achieves a positive operating surplus ratio and has soundly based long term financial plans showing that it can continue to do so in future, having regard to asset management and the community's service level needs, then it is considered financially sustainable.

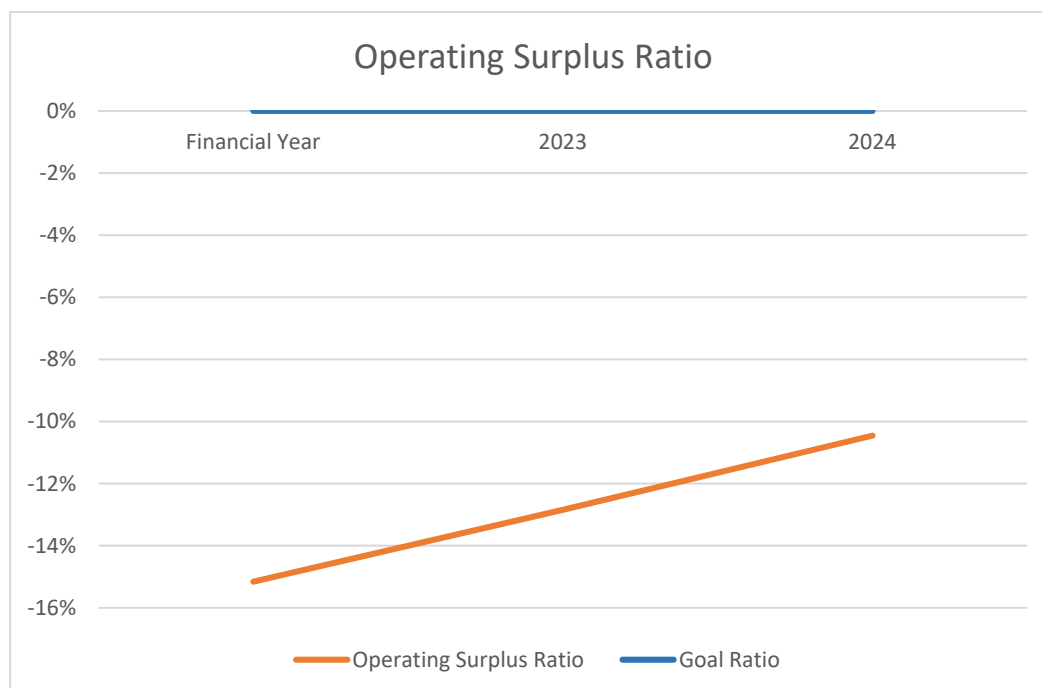
A positive ratio indicates the percentage of total own source revenue available to help fund proposed capital expenditure, transfer to cash reserves or to reduce debt. A negative ratio indicates the percentage increase in total own source revenue (principally rates) that would have been required to achieve a break-even operating result.

Target

The standards set by the Department of Local Government, Sports and Cultural Industries (DLGSC) is that the basic standard is between 1% and 15% (0.01 and 0.15) and the advanced standard is greater than 15% (>0.15).

Commentary

The City has not performed well with this ratio in the past. When undertaking this LTFP, the City needed to show how it could improve this ratio. By addressing the asset sustainability ratio and increasing renewal expenditure, the Operating Surplus Ratio also increases.



Asset Sustainability Ratio

The Asset Sustainability Ratio expresses capital expenditure on renewal and replacement of existing assets as a percentage of depreciation costs. It is used to identify any potential decline

or improvement in asset conditions. A percentage of less than 100% on an ongoing basis indicates assets may be deteriorating at a greater rate than spending on renewal or replacement.

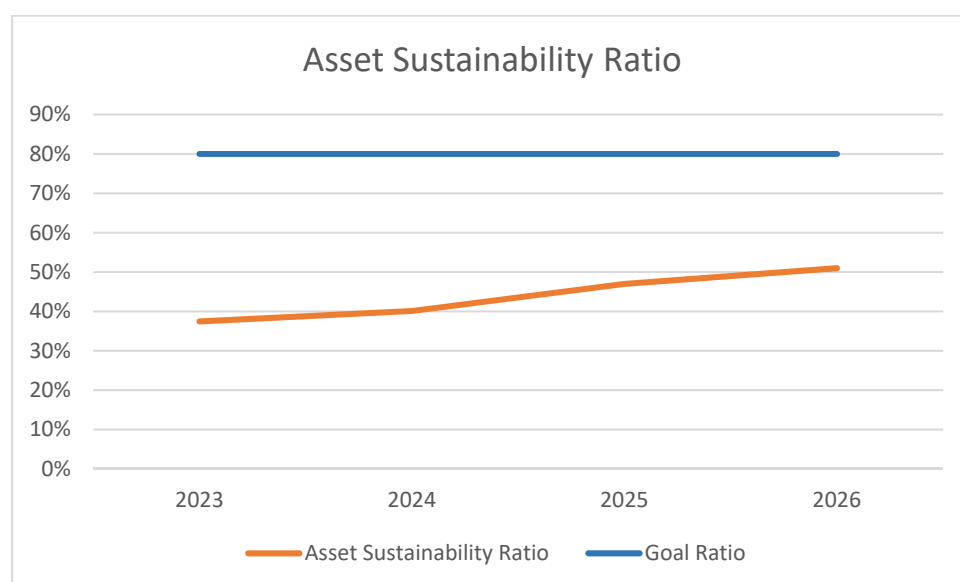
Target

The standards set by DLGSC is that the basic standard is met if the ratio can be measured and is 90% (0.90) and the improving standard is met if the ratio is between 90% and 110% (0.90 and 1.10).

However, the City has set its target to be 80% with the aim of achieving this within the next by 2032.

Commentary

The City has consistently returned a lower than standard asset sustainability ratio for many years, due to underspending on the renewal of its assets. It was a key focus of undertaking this review of the LTFP to ensure that the City continue to improve the Asset Sustainability Ratio. It is important that the City increase their renewal expenditure to ensure that its assets remain in good condition.



Debt Service Coverage Ratio

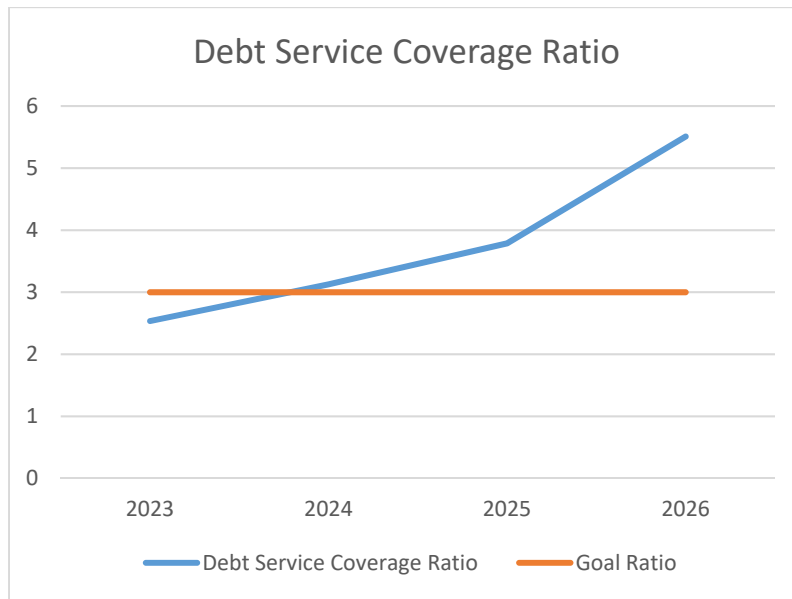
The Debt Service Coverage Ratio represents a local governments ability to produce enough cash to cover its debt payments.

Target

The standards set by DLGSC is that the basic standard is met if the ratio can be measured and is greater than 2.00 (200%) and the advanced standard is met if the ratio is greater than 5.00 (500%).

Commentary

The City is within the Department's target for the course of the LTFP. The City has capacity to borrow further, but with consideration to be given to all ratios.



**Statement of Financial Activity / Rate Setting Statement
(By Nature or Type)**

	2023	2024	2025	2026
	\$	\$	\$	\$
Opening Funding Surplus (Deficit)	500,000	0	0	0
Revenue from operating activities				
Rates	44,517,110	46,676,623	48,925,642	51,267,593
Operating Grants, Subsidies & Contributions	6,742,164	6,877,007	7,014,547	7,154,838
Fees & Charges	12,938,688	13,326,849	13,726,654	14,138,454
Interest Earnings	659,427	729,866	813,080	856,141
Other Revenue	389,735	397,530	405,480	413,590
Revenue from operating activities	65,247,124	68,007,875	70,885,403	73,830,616
Expenditure from operating activities				
Employee Costs	(27,739,815)	(28,294,611)	(28,860,504)	(29,437,714)
Materials & Contracts	(25,892,207)	(26,401,911)	(26,921,809)	(27,456,106)
Utilities	(2,508,206)	(2,671,240)	(2,844,870)	(3,029,787)
Depreciation	(16,413,830)	(16,742,107)	(17,076,949)	(17,418,488)
Interest Expenses	(699,253)	(584,395)	(360,577)	(280,303)
Insurance Expenses	(630,903)	(643,521)	(656,391)	(669,519)
Other Expenditure	(304,550)	(310,641)	(316,854)	(323,191)
Expenditure from operating activities	(74,188,765)	(75,648,426)	(77,037,954)	(78,615,107)
Operating activities excluded from budget				
Add back Depreciation	16,413,830	16,742,107	17,076,949	17,418,488
Movement in contract liabilities assoc with restricted cash	(1,356,992)	64,690	(4,198,835)	(6,866,860)
Amount attributable to operating activities	6,115,197	9,166,246	6,725,563	5,767,137
New Operating Proposals				
New Employment Expenses	(427,344)	(707,776)	(815,676)	(930,717)
New Service/Changes to Services Proposals	(235,484)	(139,509)	(238,380)	(439,525)
New Operating Proposals	(662,828)	(847,286)	(1,054,056)	(1,370,242)
Amount available for capital and other commitments	5,952,369	8,318,960	5,671,507	4,396,895
Investing activities				
Grants, Subsidies and Contributions	4,794,992	1,831,170	7,677,289	35,733,193
Proceeds from Self Supporting Loan	18,444	19,062	19,700	20,359
New / Upgrade Asset Expenditure	(7,065,763)	(2,279,412)	(7,316,990)	(35,720,187)
Renewal Asset Expenditure	(6,149,709)	(6,715,883)	(8,025,022)	(8,882,578)
Amount attributable to investing activities	(8,402,036)	(7,145,064)	(7,645,023)	(8,849,213)
Financing Activities				
Repayment of Debentures	(2,261,963)	(2,241,044)	(2,340,722)	(1,815,162)
Transfer to Reserves	(4,975,859)	(5,177,669)	(8,163,935)	(26,724,136)
Transfer from Reserves	9,687,489	6,244,816	12,478,174	32,991,616
Amount attributable to financing activities	2,449,667	(1,173,897)	1,973,517	4,452,318
Closing Funding Surplus (Deficit)	0	0	0	0

New Operating Expenses

Note: Figures are 000's

New Operating Item		2023	2024	2025	2026
Office of CEO					
Economic Development					
	Joint Community and Economic Development Plan	40			
Finance					
	Fair Value Asset Valuations			21	21
	Financial Management Review	20			21
HRM					
	EBA Negotiations			26	
Marketing & Communications					
	Knowledge Base	12	12	13	13
	Rate it application	5	5	5	5
Executive Management					
	Efficiency Savings	(100)	(102)	(104)	(106)
City Strategy					
	Community Perception Survey	32		33	
City Infrastructure					
Asset Management					
	Consultancy	78	46	52	146
City Operations					
	New Estates	116	191	268	448
	Infra audit footpath defects	15			
	Bushland weed and condition mapping		20	21	
	Loop Trail maintenance		18	19	19
	Tree Maintenance	60	61	62	64
City Development and Sustainability					
Environmental Health Services					
	Feasibility Study 3rd bin	75			
	Waste Education Plan & Waste Plan Review			52	
	Reserve Funded	(75)		(52)	
	Review of Public Health Plan		20		
	Review of the Mosquito and Midge Management Plan		5		
Essential Services					
	Bushfire Risk Management Plan - activation				11
	LEMA's and Community Emergency Risk Management Plans			52	
	Mobile CCTV Safety & Security	12	12	12	13
Planning & Building Services					
	Precinct Plan for the Thomas Road / Kwinana Freeway Mixed Use Precinct				53
City Life					
Community Engagement					
	Social Strategy & Plan Review				80
Community Services					
	Program income	(2)	(5)	(8)	(10)
Family Daycare					
	Family Day Care Australia Conference			9	
Recquatic					
	Room hire (once Stirling Skills lease has ceased)	(10)	(21)	(33)	(34)
	Standard Aquatic Membership - 15%, \$10,500	(11)	(22)	(34)	(47)
	Junior Aquatic Membership - 5%, \$6,500	(7)	(14)	(21)	(29)
	Premium Aquatic Membership 20%, \$14,000	(14)	(30)	(46)	(63)
	Creche Memberships - 10%, \$7,000	(7)	(15)	(23)	(31)
	Premium Recquatic Membership - 30%, \$21000	(22)	(44)	(69)	(94)
	Standard Fitness Membership - 20%	(14)	(30)	(46)	(63)
	Court Hire	(3)	(7)	(11)	(15)
City Engagement					
	Additional funds for Aboriginal/cultural signage	10	10	10	11
	EHQ annual licence plus allowance for other subscriptions	27	28	28	29
Grand Total		235	140	238	440

New Workforce Plan Expenses

Note: Figures are 000's

Row Labels	2023	2024	2025	2026
City Development and Sustainability				
Environmental Health Services				
Environmental Health Officer	88	89	90	92
Environmental Health Cadetship		82	84	85
City Infrastructure				
City Operations				
Mechanical Apprentice	42	42	43	44
Property Services Officer	41	41	42	43
Engineering Services				
ETO Traffic		96	97	99
ETO Design			97	99
ETO Project Management				99
IT				
Spatial Data Analyst	94	96	97	99
Office of CEO				
Governance				
Governance and Risk Officer	59	60	61	62
HRM				
Senior HR Advisor		96	97	99
Finance				
Systems Accountant	103	105	106	108
Grand Total	427	708	816	931

Capital Expenditure

Note: Figures are in 000's

Project Name	2023	2024	2025	2026
Renewal	6,150	6,716	8,025	8,883
Buildings	910	1,132	1,665	1,940
Building Contingency	100	102	104	106
Building Renewals	760	979	1,561	1,834
Administration Building	50	51		
Bus Shelters	22	26	30	34
Bus Shelters Renewal	22	26	30	34
Car Parks	57	65	76	84
Car Park Renewal	57	65	76	84
Computing Infrastructure			156	159
Corporate Business System Renewal - Transfer to Reserve			156	159
Drainage	22	25	29	34
Drainage Renewals per Asset Management Plan	22	25	29	34
Footpaths	135	152	177	202
Footpath Renewals	135	152	177	202
Furniture & Equipment	128	77	70	100
Furniture and Fittings Renewal	20	20	21	21
Recquatic - Furniture & Equipment renewal	100			
Community Resource Centres Equipment Renewal		26	17	17
Smart Shelf Replacement				14
Self Check outs	8	31	12	
Community resource centres plant and equipment renewal			21	21
Sound Level Meter				27
Motor Vehicles	350	357	364	371
Plant Replacement Program - Light Fleet	350	357	364	371
Parks & Reserves	857	1,014	1,180	1,345
Public Open Space/Parks & Reserves Renewals	857	1,014	1,180	1,345
Roads	3,257	3,432	3,861	4,074
Muni Funded Road Renewals	1,634	1,809	2,238	2,451
MRRG Road Renewals	1,125	1,125	1,125	1,125
Road Reseal Renewals - Roads to Recovery	498	498	498	498
Street Lighting	24	28	32	37
Street Lighting Renewal per Asset Management Plan	24	28	32	37
Plant & Equipment	389	408	385	502
Plant Replacement Program - Plant & Equipment	370	377	385	393
Recquatic Plant renewal	19			78
Recquatic Equipment renewal		31		32
New / Upgrade	7,066	2,279	7,317	35,720
Buildings	135	219	2,537	3,382
DCA 10 - Local Community Centre Casuarina/Anketell				159
DCA 12 - Local Sporting Ground with Community Centre / Clubroom - Wellard West		153	2,496	2,649
DCA 8 - Local Sporting Ground with Facility Building - Mandogalup				42
DCA 8,9,10,11,12,13 - Branch Library (serves Districts A & B)				318
DCA 9 - Local Community Centre (large Scale) - Wandii				170
Administration Building	50	51		
Rhodes Park Accessible Public Toilet	60			
Solar & Efficiency Equipment	25	15	42	42
Bus Shelters		12		13
Bus Shelters New		12		13
Computing Infrastructure	1,978	660		
Corporate Business System	1,978	660		
Drainage	1,673	255	229	3,286
DCA 3 - Peel Sub O Drain - Casuarina				1,001
DCA 3 - Peel Sub P Drain - Anketell Sth & Casuarina	1,173			
DCA 3 - Peel Sub P1 Drain - Casuarina				1,093
DCA 3 - Peel Sub P1A Drain - Casuarina				599
Drainage New		255	229	265
Drainage New - Tanson Road upgrade	500			
DCA 2 Peel Sub N1 Drain - Wellard - 313m				328
Footpaths	530	496	281	478
Footpaths New				478
Gilmore Ave Shared path Construction - Chisham Ave to Wellard Rd		496		
Parmelia Ave Shared path Construction - Sulphur Rd to Tunncliffe St	530			
Parmelia Ave Shared path Construction - Tunncliffe St to Wellard Rd			281	

Project Name	2023	2024	2025	2026
Land	1,755			
DCA 2,3,4,5,6,7 - Branch Library Land	610			
DCA 4,5 - Local Community Centre Land	382			
DCA 4,5,6 - District Youth Centre Land	763			
Parks & Reserves	855	495	4,124	356
Urban Tree Planting	185	189	192	196
Streetscape Strategy	170	153	94	
Parks Upgrade Strategy	150	153	156	159
DCA 2,3,4,5,6,7 - District Sporting Ground			3,682	
Kwinana Loop Trail Upgrade	350			
Roads	100	102	104	28,164
Traffic Management Projects	100	102	104	106
DCA 1 - Wellard Road Upgrade – Bertram Road to Cavendish (Item J)				14,046
DCA 2 - Millar Road				265
DCA 2 - Sunrise Boulevard Internal Collector Road (a) - Lot 28				460
DCA 2 - Sunrise Boulevard Internal Collector Road (b) - Lot 59				452
DCA 2 - Sunrise Boulevard Internal Collector Road (c) - Lot 440				299
DCA 4,5 - Anketell Road				10,081
DCA 5 - Honeywood Avenue Internal Collector Road				2,455
Street Lighting	40	41	42	42
Street Lighting New	40	41	42	42
Grand Total	13,215	8,995	15,342	44,603