

Template 2

Fit for the Future

Council Improvement Proposal

(Existing structure)



Office of
Local Government

Getting started . . .

Before you commence this template, please check the following:

- You have chosen the correct template – only councils that have sufficient scale and capacity and who do not intend to merge or become a Rural Council should complete this template (Template 2)
- You have obtained a copy of the guidance material for Template 2 and instructions for completing each question
- You have completed the self-assessment of your current performance, using the tool provided
- You have completed any supporting material and prepared attachments for your Proposal as PDF documents. Please limit the number of attachments and ensure they are directly relevant to your proposal. Specific references to the relevant page and/or paragraph in the attachments should also be included.
- Your Proposal has been endorsed by a resolution of your Council.

Council name: Hawkesbury City Council

Date of Council resolution endorsing this submission: 30 June 2015

1.1 Executive Summary

Provide a summary (up to 500 words) of the key points of your Proposal including current performance, the issues facing your council and your planned improvement strategies and outcomes.

Hawkesbury City Council's performance, as measured against the Fit for the Future (FFTF) criteria, is primarily shaped by its financial capacity to fund the renewal of its long-lived assets. Meeting the costs associated with the consumption of these assets is the critical determinant impacting on Council's future financial sustainability.

Council is currently achieving three of the seven Fit for the Future (FFTF) benchmarks (Own Source Revenue Ratio, Debt Service Ratio and Real Operating Expenditure). The incapacity to appropriately fund the maintenance and renewal of infrastructure is the primary factor driving performance against the four remaining FFTF benchmarks.

Council's FFTF Proposal is therefore directed at improving its performance against the asset related benchmarks (Building and Asset Renewal Ratio, Infrastructure Backlog Ratio, and Asset Maintenance Ratio). It aims to substantially increase recurrent spending on the renewal of Council assets, while tackling its infrastructure backlog. This will have a positive impact on Council's operating performance (through the funding of annual depreciation charges) to enable Council, over time, to achieve the Operating Performance Ratio (OPR) benchmark. The primary factor driving Council's current OPR is the imputed cost of annual depreciation charges representing the true cost of asset consumption not being matched by sufficient increases in revenue. Annual depreciation charges have increased by over 50% since 2009/10 as a result of asset revaluations.

Council's FFTF challenge reflects its geography and demography. It is a peri-urban council on the north-western periphery of the Metropolitan Region and is the largest local government area within Sydney. It straddles the divide between urban metropolitan councils to its east and rural councils to its west. While the south east corner of the LGA is predominantly urban, the remainder of LGA forms a much larger rural hinterland. In comparison with adjoining metropolitan councils, Council has a relatively smaller, but growing, population of 65,000 persons spread over an area of 2,793 square kilometres. As a result, it is required to maintain a large asset holding serving a dispersed population.

To address this situation, Council's FFTF Proposal incorporates an integrated mix of 20 strategies. The main elements of which include a proposal for a \$25M Infrastructure Backlog borrowings program targeting road renewal and the delivery of an enhanced program of asset maintenance and renewal. This program is to be funded by increased revenues derived from a proposed special rate variation (SRV) and/or a service reduction/asset disposal strategy with the final mix of strategies to be determined following consultation with the community. The FFTF strategies also include expenditure reductions and a review of service levels with efficiency dividends reinvested in asset renewal and maintenance. The FFTF strategies are also aimed at consolidating strategic capacity – primarily through a formal regional partnership with Blue Mountains and Penrith Councils (which, together with Hawkesbury Council, form the western sub-region within the NSW Government's metropolitan strategy – *A Plan for Growing Sydney*).

The implementation of the actions outlined in Council's FFTF Proposal will see Council direct substantial additional funding to infrastructure renewal. By 2019/20 it will meet the Building & Asset Renewal Ratio and Asset Maintenance Ratios and substantially improve performance against the Infrastructure Backlog Ratio while continuing to meet the Own Source Revenue Ratio, Debt Service Ratio and Real Operating Expenditure benchmarks. The FFTF Proposal will also significantly improve Council's performance against the Operating Performance Ratio with a break even operating result to be achieved by 2021/22.

Scale and Capacity

Does your council have the scale and capacity broadly consistent with the recommendations of the Independent Local Government Review Panel?

(i.e., the Panel did not recommend your council needed to merge or become a Rural Council).

Yes

If No, please indicate why you are not proceeding with a voluntary merger or creation of a Rural Council as recommended by the Independent Panel and demonstrate how your council has scale and capacity (up to 500 words).

Council's FFTF Proposal is consistent with the preferred **no change** recommendation of the Independent Local Government Review Panel. However, Council recognises that it cannot remain complacent and will need to consolidate its strategic capacity if it is to remain fit for the future and continue to efficiently deliver services and infrastructure to the community.

To this end, Council's FFTF Proposal includes a number of strategies which aim to strengthen its strategic capacity.

Regional Strategic Alliance. At its Ordinary Meeting of 28 April 2015, Council resolved to enter into a *Regional Strategic Alliance Cooperation and Management Agreement* with Blue Mountains City Council and Penrith City Council (the Agreement is appended as Attachment 1 to this Proposal). The Agreement ostensibly provides for the three councils to act in concert to investigate a regional entity and governance framework that could initiate projects and programs aimed at optimising state and regional planning, strengthening regional advocacy, and maximising opportunities for organisational effectiveness, shared services and innovation. The current population of the three Council areas is 339,349 and is projected to grow to 451,100 by 2031.

The Regional Strategic Alliance is a considered response to both the NSW Government's FFTF Reform Package and the identification of the three Councils as a West Sub-region grouping within the NSW Government's metropolitan strategy – *A Plan for Growing Sydney*.

Hawkesbury Horizon Initiative. The Hawkesbury Horizon Initiative (HHI) was launched in 2014. It aims to provide a catalyst for the revitalisation of the wider Hawkesbury Region through the identification of regionally significant investible projects. The intention of the HHI is to increase Council's capacity to be a capable partner for state and federal agencies. To this end Council has conducted a round of community workshops and meetings with regional leaders in the areas of business, education, health and lifestyle. The outcomes from these workshops has provided the basis for subsequent briefings with State and Federal government agencies to discuss collaborative projects that would best meet local, state and federal objectives for integrated regional planning, and economic and employment growth.

Sound Platform for Asset Management. Reports into the future of Local Government consistently underscore the importance of sound asset management to drive long-term sustainability and the identification and management of strategic and operational risks. Over the past few years Council has invested significant resources in strengthening its asset planning capability. To this end an allocation of \$120,000 has been included in Council's 2015/2016 Operational Plan as seed funding for the establishment of a reconfigured asset management and planning structure that can better support sustainable asset management planning. This strategy will be critical to ensuring that Council can continue to address the question of scale and capacity through the consolidation of a sound platform for long-term financial forecasting and asset management based on agreed community standards, and the planned reconfiguration of assets to meet changing demographic requirements.

2. Your council's current position

2.1 About your local government area

Explain the key characteristics of your local government area, your community's goals and priorities and the challenges you face in the future (up to 500 words).

You should reference your Community Strategic Plan and any relevant demographic data for this section.

The Hawkesbury LGA is a peri-urban area on the north-western periphery of the Sydney Metropolitan Region. It covers an area of 2,793 square kilometres and is the largest local government area within Sydney. Its population of 65,000 live in townships, villages and rural localities divided by flood plains, rural lands and national parks. The population is dispersed with no one town or village containing more than 11% of the total population.

Employment within the LGA is focused on key sectors including education and health, defence, manufacturing, construction, and agriculture, with the major centres of Windsor, Richmond and North Richmond also generating significant employment in the retail and commercial sectors. The Hawkesbury has a strong local economy where 63% of the 21,526 people who work in the area also reside in the area.

The Hawkesbury is dominated by the Hawkesbury-Nepean River System and the escarpment of the Blue Mountains to its west. The topography of the area varies widely. 70% of the LGA is located in National Parks with significant world heritage values and riparian and wetland communities. The LGA contains substantial areas of bushland which are prone to bushfire while at the same time the majority of its urban areas are affected by flooding or flood evacuation constraints. The Richmond RAAF Base is located in the Hawkesbury, while the LGA also has a productive rural hinterland with more than three-quarters of its agricultural output exported beyond its borders.

These physical characteristics have impacted, and continue to impact on the development of the Hawkesbury. The combination of topography, flooding, evacuation constraints, bushfire risk, airport noise, agricultural land and environmental values has meant that the majority of the LGA is 'highly constrained' with significant implications for future urban development.

The primary aspiration of the community as identified in the Hawkesbury Community Strategic Plan 2013- 2032 ([Attachment 2](#)) is to achieve balanced growth – to provide housing, lifestyle and employment choices which are sympathetic to the rural, environmental and heritage values of the LGA matched by infrastructure and services which can meet the contemporary needs of residents

To marry these community aspirations and development constraints, the Hawkesbury Residential Land Strategy ([Attachment 3](#)) has adopted a planning framework to achieve a future dwelling target of 6,000 new dwellings by concentrating development around existing urban centres and villages through urban infill or the greenfield expansion of existing centres. Consistent with this direction, recently approved planning proposals have included 1,400 lots at North Richmond, 659 lots at Pitt Town, and 580 lots at Glossodia, while planning for the Vineyard Precinct (within the North West Growth Sector) has also commenced with a proposed development yield of 4,000 new dwellings.

Within this context, the task facing Council is to deliver future development outcomes which are economically and environmentally sustainable, maintain rural character and heritage values, and maximise the use of existing infrastructure. To do this, Council will focus on raising sufficient revenue to maintain and renew its existing assets while also seeking external investment to provide the new infrastructure required to support a growing population.

2.2 Key challenges and opportunities

Strengths	Weaknesses
<ul style="list-style-type: none"> • moderate Financial Sustainability Rating • strong pipeline of residential development • moderate asset rating for infrastructure management practices • increased spend on asset renewal/maintenance • strong sense of community • Strategic Alliance with Blue Mountains & Penrith • asset management planning framework in place 	<ul style="list-style-type: none"> • historical under-spend on asset renewal & increasing annual depreciation charges • structural constraints on revenue growth, cost shifting & increasing compliance costs • large land area & road network with relatively small and decentralised rating base • rural based metropolitan area (peri-urban) impacting on time-frame to be FFTF
Opportunities	Threats
<ul style="list-style-type: none"> • sound community engagement framework to drive consultation on acceptable service levels • residential strategy in place to achieve sustainable population growth • low level of loan borrowings • modest rating imposts (in line with rate pegging) with sound justification for SRV • Hawkesbury Horizons Initiative to drive future regional collaboration 	<ul style="list-style-type: none"> • exposure to natural disasters (bushfire & floods) • increasing infrastructure backlog • continuing unsustainable growth in rural localities with higher per unit service costs • securing bipartisan community support on the way forward to achieve sustainability • proposed (unsolicited) boundary adjustments which weaken financial sustainability

Strengths.

- Council has a moderate Financial Sustainability Rating (FSR). T-Corp's Financial Assessment of Council (completed in March 2013 and appended in [Attachment 4](#)) indicates that Council has been reasonably managed noting that its underlying operating performance (measured using EBITDA) has remained consistent over the past five years and that it has a stable and sound stream of own source revenue. Council's auditors have also indicated that its current financial status and liquidity is sound.
- There is a strong pipeline of residential development projects (6,000+ lots) centred on existing urban centres and villages. This will increase population density, generate additional own-source revenue and drive down the per capita cost of service provision. 2,600 of the projected lots have been approved, and as part of these developments, Council has negotiated planning agreements for developer funded asset upgrades and renewals at a total cost \$80M+ over the next 10 years
- Council has a moderate asset rating in relation to its infrastructure management practices. Its total spend on asset renewal and maintenance has increased by 55% over the last three years (from \$12.4M in 2011/12 to \$20.8M in 2013/14). This has been achieved through the targeted injection of additional funds for asset renewal, increased efficiencies through technological and operational innovation, and improvements in the capture and reporting of renewal and maintenance expenditures.
- There is a strong sense of community within the Hawkesbury with people wanting to be active partners in planning. Satisfaction with Council's community engagement is increasing, with ongoing dialogue on the asset management challenges facing Council ([Attachment 5](#)). While the community is generally satisfied with the provision and maintenance of community facilities and parklands, their key focus area for improvement is with roads and transport infrastructure.
- Council is committed to collaborating with Blue Mountains and Penrith Councils (which comprise the western sub-region within the NSW Government's Metropolitan Strategy) to establish a Regional Strategic Alliance. A strong regional alliance carries the potential for collective planning, action and advocacy and increased operating efficiencies through economies of scale and shared service arrangements.
- Council has a comprehensive Integrated Planning and Reporting (IPR) regime in place and is strengthening its asset planning capability to establish a more complete picture of the useful life of assets to enable the accurate forecasting of future funding requirements, Infrastructure Backlog values and annual depreciation expense. The consolidation of this integrated Asset Management Planning framework will support the effective management of strategic and operational risks through the identification of targeted asset management intervention points.

Weaknesses.

- Council has been assessed as having a negative outlook based on the perception of the likely future movement of its current FSR rating. The primary factor driving this negative outlook is the level of Council's required asset renewal works with asset revaluations resulting in a 50% increase in annual depreciation charges. As noted in the T-Corp's Financial Assessment, Council has been under-spending on asset renewals and maintenance.
- Constraints on revenue growth arising from rate pegging, the freezing of Financial Assistance Grants, and caps on statutory fees and charges together with escalating cost indices, cost shifting, and increasing compliance costs will mean that Council will not generate sufficient revenue under its current financial settings to maintain and renew its assets and sustain current levels of service into the future.
- In comparison with its neighbouring urban councils, the Hawkesbury has a large land area and road network but a relatively smaller and decentralised rating base. Council is required to provide core services and local facilities to outlying areas with small population catchments. Given that population density is an important driver of sustainability, these relative differentials result in higher per unit service costs and per-capita asset maintenance costs. Each resident in the Hawkesbury has to support a relatively greater amount of infrastructure asset. As an example, Council is required to maintain 16m of road length per resident in comparison to comparable figures of between 3m and 9m in adjoining council areas.
- Historically, the Hawkesbury has remained largely rural – it is classified as a metropolitan rural area under the NSW Government's *'A Plan for Growing Sydney'*. The Independent Panel has also recognised Council's status as a peri-urban council. This combination of metropolitan and rural characteristics carries the expectation that Council will have the same capacity as a metropolitan council to achieve the FFTF benchmarks. Council believes this assumption is misplaced and has argued so in its submission ([Attachment 6](#)) in response to IPART's Consultation Paper on the proposed methodology for the assessment of fit for the future proposals. Accordingly, Council is of the view that Council's performance against the FFTF benchmarks will need to take into account the particular characteristics and challenges facing peri-urban councils.

Opportunities.

- Council is continuously improving its community engagement processes and tools. This engagement framework will enable Council to continue its dialogue with the community to determine acceptable service levels for all asset classes. The completion of

a comprehensive service level review will enable Council, in conjunction with the community, to determine a safe and realistic BTS (bring to satisfactory) asset standard for asset classes which better reflects community priorities and Council's future financial capacity.

- Council has adopted a Residential Land Strategy (HRLS) which aims to concentrate new residential development around existing urban centres and villages through urban infill or the greenfield expansion of existing centres. Given that there is a strong correlation between population density and the ability of Council to generate its own revenue and achieve greater levels of self-funding for the renewal and maintenance of assets, the implementation of the HRLS has the potential to improve the future financial sustainability of Council while at the same time preserving the substantial environmental and heritage values within the LGA.
- Council has a significant commercial and community property portfolio. Council's T-Corp financial assessment recommends the review of this portfolio and where appropriate the rationalisation or sale of surplus properties. The outcomes of community consultations also suggest that the community has some appetite for supporting the sale of surplus community assets provided that proceeds are directed to the renewal and maintenance of priority assets.
- Council currently has a low level of loan borrowings (when measured against the FFTF benchmark) and could increase its debt exposure to address its Infrastructure Backlog provided that it has the financial capacity to service this debt. T-Corp has identified the increased use of debt as a key mechanism for addressing infrastructure backlogs and enhancing intergenerational equity.
- T-Corp has also highlighted the need for councils to consider special rate variations (SRVs) to seek rate increases above the rate peg to increase the capacity to fund the service levels identified by the community. Since its inception in 1981, Hawkesbury City Council has been modest in its rating imposts. To date Council's rating increase have been aligned with rate pegging with the exception of a single increase of 6.5% above the rate pegging limit approved for the 2007/2008 financial year.

Threats.

- The Hawkesbury has a high exposure to natural disasters particularly flooding and bushfires. Council has adopted a Floodplain Risk Management Strategy and a Natural Hazards Resilience Study which outlines the potential exposure to increased infrastructure damage arising from climate change and identifies strategies to address these risks.
- Council's future financial sustainability is directly threatened by its increasing infrastructure maintenance backlog and its current financial incapacity to prevent the further deterioration of its assets. Projected operating deficits are primarily being driven by

escalating annual depreciation charges. Unless action is taken to increase asset renewal and maintenance funding, the accumulated intergenerational debt represented by Council's Infrastructure Backlog will continue to grow.

- Council has adopted a Residential Land Strategy to concentrate residential future development around existing centres, however, over the past decade the majority of population growth has continued to occur in rural localities with relatively higher per-unit service and infrastructure costs. Unless reversed, this trend has the potential to further weaken Council's sustainability. Proximity to Sydney has given rise to community expectations for urban levels of service and infrastructure which cannot realistically be funded from a rural and peri-urban rating base.
- Council's initial engagement with the community indicates that residents are receptive to considering expenditure reductions, operating efficiencies and revenue increases to address future funding requirements. As noted by T-Corp, progressing this dialogue will depend on clearly articulating the benefits of moving from backlog to sustainability over the long term. There is a risk that without the required civic leadership and bipartisan community support, agreement on a way forward will not be achieved and Council's financial sustainability will continue to deteriorate.
- As a 'no change' (existing structure) council, Council's future sustainability will be dependent on growing its rating and revenue base. Council's FFTF proposal has been framed in accordance with the preferred option of the Independent Review Panel and the NSW Government response to the Panel's recommendations, which both provide for Council to maintain its current boundaries. Any proposal that would affect this capacity would pose a threat to Council's long-term sustainability. In this context, the unilateral proposal by The Hills Shire Council to absorb the eastern portion of the Hawkesbury LGA represents such a threat in that it would see the loss of revenue from rateable properties (equivalent to 14% of Council's rating income) without a commensurate transfer of assets to an equivalent relative value. The proposal would also reduce Council's capacity to effectively plan for the sustainable population growth as the area in question suffers from fewer development constraints than most other areas within the LGA.

2.3 Performance against the Fit for the Future benchmarks

Sustainability				
Measure/ Benchmark	2013 / 2014 performance	Achieves FFTF benchmark?	Forecast 2016 / 2017 performance	Achieves FFTF benchmark?
Operating Performance Ratio (Greater than or equal to break-even average over 3 years)	-0.125	No	-0.062	No
Own Source Revenue Ratio (Greater than 60% average over 3 years)	65.7%	Yes	85.9%	Yes
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	76.9%	No	84.1%	No

If the Fit for the Future benchmarks are not being achieved, please indicate why.

For example, historical constraints/context, one-off adjustments/factors, council policies and trade-offs between criteria.

Council is currently achieving one of three Sustainability benchmarks. Council’s negative operating performance ratio (OPR) is a function of increasing annual depreciation charges not being matched by a sufficient level of revenue. The deterioration in Council’s OPR since 2010 reflects asset revaluations which have resulted in a 50% increase in annual depreciation charges. However the trend indicates an improving position with the OPR deficit halving over the last 4 years.

In 2013/14, annual depreciation charges accounted for 20.6% of Council's operating expenditures (\$12.9M). Based on Council's current financial position, revenue forecasts and projected increases in cost indices above rate pegging, the OPR is projected to improve by 2016/17 but thereafter will once again begin to deteriorate. Any substantial and sustained improvement in Council's OPR will be reliant on strategies to increase revenues which can be directed to asset renewal.

Council has a stable and sound stream of own source revenue (OSR). The projected increase in the Own Source Revenue Ratio to 2016/17 reflects the exclusion of the majority of Council's non-capital grant income from the operating revenue figure used to calculate the OSR.

Council's performance against the asset renewal benchmark is projected to increase (from an average of 76.9% over the past three years to an average of 84.1% over the three years to 2016/17). Council's performance against this benchmark fluctuates from year to year which reflects the scope of asset renewals programmed in any one year. The improvement in the asset renewal benchmark to 2016/17 can be partly attributed to a one-off increase in asset renewals funded through developer contributions and works-in-kind. From 2017/18 the improvement in the asset renewal benchmark reverses and is projected to decline due to the recalibration of the funding allocation between asset maintenance and asset renewal as outlined in the *Infrastructure and Service Management* section. This approach will ensure that over the longer term, earlier maintenance intervention will extend asset life and reduce renewal requirements. However, funding strategies will be required to address the deterioration of assets over the medium term.

In broad terms, council management has adopted a practice of presenting a balanced operating budget (excluding depreciation) to Council. Actual expenditure on asset renewal is determined based on the funds that are nominally available after the cost of maintaining existing service levels are inputted into the draft financial estimates. Council has a rigorous budget process where funding requests for each budget line item are required to be substantiated by managers and each item is then reviewed and verified. As part of this process, senior management review all operations to identify strategies to contain rising costs and/or improving efficiencies to optimise the spend on asset renewal. This has proven to be a successful approach, within a context of constrained revenue, which has seen Council increase its expenditure on asset renewal over the last three financial years. Despite this absolute increase in asset renewal expenditure, the increased amount will not be sufficient to meet the FFTF Benchmark.

2.3 Performance against the Fit for the Future benchmarks

Infrastructure and service management

Measure/ benchmark	2013 /2014 performance	Achieves FFTF benchmark?	Forecast 2016 / 2017 performance	Achieves FFTF benchmark?
Infrastructure Backlog Ratio (Less than 2%)	14.1%	No	4.96%	No
Asset Maintenance Ratio (Greater than 100% average over 3 years)	58.4%	No	99.8%	No
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	0.47%	Yes	1.2%	Yes

If the Fit for the Future benchmarks are not being achieved, please indicate why.

Council is currently achieving one of three Infrastructure and Service Management Benchmarks. Council’s performance against the Infrastructure Backlog benchmark is a function of a long-standing historical under-spend on asset renewal. Council has been unable to substantially address its Infrastructure Backlog due to constraints placed on its revenues primarily as a result of rate pegging - Councils annual rate increases have been lower than that which would be required to renew assets and sustain levels of service.

Council's practice of presenting a balanced operating budget (excluding depreciation) to Council for adoption has been based on a conscious trade-off between maintaining service levels and fully-funding the cost of renewing assets. In effect, the 'balanced' budget has only been achieved at the cost of the ongoing deterioration in assets. The other significant factor driving the escalation of Infrastructure Backlog is the estimated cost of bringing assets to a satisfactory condition (BTS). To date the BTS value has been determined by Managers based on a technical assessment of asset condition. Council has commissioned an infrastructure assessment report (Attachment 7) to move towards a more auditable Special Schedule 7 based on a risk based asset management approach to more accurately assess and verify infrastructure backlog values. As a result of this revised approach, the high risk infrastructure backlog component within the total required asset renewal works has been identified. Consequently, while the quantum of asset renewal requirement has remained the same, the high risk infrastructure backlog value component of this requirement has been revised downwards to 4.24% in 2014/15 (but will deteriorate from this point onwards based on current financial settings).

The risk based assessment modeling commissioned by Council has also resulted in a revision to Council's projected performance against the Asset Maintenance Ratio. Council has traditionally calculated its asset maintenance requirements based on technical condition assessments to identify the funds required to bring assets to optimal condition under ideal intervention methods. The risk based assessment management approach recommended through the external review (Attachment 7) is based on the assumption that Council has been allocating close to the required amount on the maintenance of its assets to ensure that the day-to-day deterioration of these assets does not pose a public safety risk – as evidenced by the everyday performance of these assets. The revised risk based assessment methodology has also recalibrated the relationship between asset maintenance and asset renewal with the recommendation that Council must fund asset maintenance to the required level to maintain public safety. Within this context, the report has recommended that Council should focus on funding asset maintenance, with the balance of available asset funding directed to asset renewal. This approach accounts for the improved performance against the Asset Maintenance Ratio to 2016/17 and the decline in the Building and Asset Renewal Ratio post 2017/18 (as flagged in the previous section).

Council's debt service result meets the benchmark as a result of its low loan borrowings. The relatively low level of loan borrowings reflects Council's current financial position as assessed by T-Corp which has placed a \$6M cap on loan borrowings - Council is currently servicing a LIRS loan of \$5.26M and has limited financial capacity to expand its loan borrowings without additional revenue.

2.3 Performance against the Fit for the Future benchmarks

Efficiency				
Measure/ benchmark	2013 /2014 performance	Achieves FFTF benchmark?	Forecast 2016 / 2017 performance	Achieves FFTF benchmark?
Real Operating Expenditure per capita A decrease in Real Operating Expenditure per capita over time	Decreasing	Yes	Decreasing	Yes

If the Fit for the Future benchmarks are not being achieved, please indicate why.

Council is currently achieving the Efficiency benchmark. Council has been able to contain real operating expenditure per-capita through careful budget management, although this has been achieved at the expense of its capacity to fully fund the cost of maintaining and renewing infrastructure. While, this trade-off has enabled Council to maintain service levels, and where required, absorb new functions and responsibilities, it has contributed to a growing infrastructure backlog.

2.4 Water utility performance

NB: This section should only be completed by councils who have direct responsibility for water supply and sewerage management

Does your council currently achieve the requirements of the NSW Government Best Practice Management of Water Supply and Sewerage Framework?

Yes*

If NO, please explain the factors that influence your performance against the Framework.

In 2012-13, Council was assessed by the NSW Office of Water (NOW) as achieving 89% of the sewerage requirements of the *NSW Best-Practice Management Framework*. The missing element for full compliance was the completion of an Integrated Water Cycle Management Evaluation Study and Strategy (IWCM).

Council commissioned NSW Government Public Works (A division of the NSW Office of Finances and Services) to complete the IWCM Evaluation Study and Strategy. The IWCM Evaluation Study and Strategy was finalised in early April 2015 and submitted to the NSW Office of Water on 23 April 2015.

How much is your council's current (2013/14) water and sewerage infrastructure backlog?

\$1.198M

2.4 Water utility performance

Identify any significant capital works (>\$1m) proposed for your council's water and sewer operations during the 2016-17 to 2019-20 period and any known grants or external funding to support these works.

Capital works

Proposed works	Timeframe	Cost	Grants or external funding
Refurbishment of Clarifier – South Windsor Sewer Treatment Plan	2016/2017	\$250,000	nil
Upgrade of Pump Station C	2017/2018	\$2,700,000	nil
Upgrade of Pump Station E	2018/2019	\$250,000	nil
Sewer Rehabilitation (Sewer Pipe Relining)	2018/2019	\$500,000	nil

2.4 Water utility performance

Does your council currently manage its water and sewerage operations on at least a break-even basis?

Yes

If No, please explain the factors that influence your performance.

2.4 Water utility performance

Identify some of your council’s strategies to improve the performance of its water and sewer operations in the 2016-17 to 2019-20 period.

Improvement strategies

Strategy	Timeframe	Anticipated outcome
<u>Sewer Load Management</u> . Regular inspection of mains to minimise hydraulic load due from infiltration, inflow and illegal connections and improve management of industrial and commercial pollutant load through CCTV program and pump flow/ flow gauge analysis.	Ongoing	Wastewater hydraulic loads within design peak limits and implement Infiltration/Inflow program for all catchments by 2025
<u>Environment</u> . Minimise environmental impacts in line with current best practices and maximise beneficial reuse of treated effluent	Ongoing	100% regulatory compliance. Greater than 25% effluent reuse by 2018
<u>Total Asset Management</u> . Implementation of long-term (30 year) works program to satisfy future demands in growth, improved levels of service and required asset renewal/replacement	Ongoing	Funded projects carried out on time and to budget in accordance with capital works program
<u>Maintenance</u> . Develop maintenance strategies linked to assets condition to meet levels of service requirements	Ongoing	Systematic maintenance and rehabilitation plans implemented

3. How will your council become/remain Fit for the Future?

3.1 Sustainability

Summarise your council's key strategies to improve performance against the Sustainability benchmarks in the 2016-20 period, including the outcomes you expect to achieve.

The primary factor impacting on Council's sustainability, and in particular its operating performance, is its current incapacity to fully fund the imputed cost of annual depreciation. Council's current financial settings prevent it from generating the income required to support existing service levels as well as funding the maintenance and long term renewal of its infrastructure. Accordingly, Council's FFTF Proposal is targeted towards directing substantial additional funding to infrastructure renewal and maintenance and the reduction of its infrastructure backlog so that over the medium to long term it is in a position to fully fund its annual depreciation expense.

To improve its performance against the Sustainability benchmarks, Council will be implementing a broad combination of strategies that by 2019/20 will;

- generate \$1.5M in internal savings through operating efficiencies for re-investment in asset renewal;
- raise at least \$1M in one-off revenue through the sale of properties; and
- increase own-source operating revenue by \$4.8M to be primarily directed to asset renewal.

In total, these strategies (in combination with Council's other FFTF strategies) will;

- significantly improve Council's Operating Performance Ratio with a break even operating position projected to be reached in 2021/22;
- increase Council's Own Source Revenue Ratio which will remain above the benchmark; and
- meet the Building and Asset Renewal Ratio by 2018/19 and sustain this performance going forward.

Explain the key assumptions that underpin your strategies and expected outcomes.

For example the key assumptions that drive financial performance including the use of SRVs, growth in rates, wage increases, Financial Assistance or other operating grants, depreciation, and other essential or major expense or revenue items.

The modeling for the projected internal savings to be achieved through operational efficiencies and improved property returns and/or property sales is based on the following assumptions;

- the maintenance of existing service levels with projected annual award increases of 3%;
- an annual 1% reduction in real terms in non- employee related operating expenditures within selected Council operations commencing in 2016/17 to achieve a 4% efficiency dividend by 2019/20;
- as the 4% projected efficiency dividend will be on top of efficiencies which have been achieved over the preceding five financial years, it is expected that the capacity to achieve further efficiencies beyond 2019/20 will be exhausted (based on the assumption of maintaining service levels);
- annual depreciation charges based on the outcome of the external review of Council's asset management practice;
- a preliminary review of Council's property portfolio which has identified potential under-performing and surplus properties, this would have to be verified through external review and would be subject to Council and statutory approval.

The modeling for the projected revenue increases to be achieved through rating variations, dividend payments and the review of pricing structures is based on the following assumptions;

- the inclusion of only reasonably assured, ongoing operating grants within the overall revenue projections and the maintenance of Financial Assistance Grants at current levels;
- Council approval to commence a community engagement process to canvass options for increasing investment in asset renewal and maintenance based on a proposal for a Special Rate Variation for a cumulative rating increase of up to 29.7% over 5 years (inclusive of the rate peg amount) and/or a service reduction/asset disposal strategy (the final mix of strategies to be determined following consultation with the community). If endorsed by Council, and approved by IPART, the SRV and/or service reduction/asset disposal strategy would commence in 2017/18;

- the inclusion within any SRV application, for a proposal for a Special Rate to be applied to the projected 1,980 rateable properties within the Redbank North Richmond and Jacaranda Ponds, Glossodia residential developments. If approved by IPART the Special Rate would be applied from 2019/20. The amount of the Special Rate is based on the estimated annual cost of maintaining the enhanced heritage open space and riparian corridors within these developments;
- levying of an annual \$25 stormwater management charge against the estimated 25,129 residential and equivalent business properties (based on the applicable land area for business properties) connected to Council's stormwater drainage network. To be applied from 2017/18
- annual dividend payments based on a 6% rate of return on the value of assets within Council's Waste Management Facility commencing in 2015/16. No dividend payment has been inputted for Councils Sewer Schemes but it is anticipated this would commence post 2019/20.
- a staged process for achieving, by 2019/20, break-even operating results for selected 'non-core' business units (cemeteries, companion animal shelter, pools, Upper Colo reserve) based on a review of pricing structures and service models.

3.1 Sustainability

Outline your strategies and outcomes in the table below.

3.1 Sustainability

Objective	Strategies	Key milestones	Outcome	Impact on other measures
1. Increased operating efficiencies to improve Council's capacity to meet operating expenditure requirements	1.1 <u>Review of Road Operations</u> . An annual 1% efficiency target applied to Councils yearly \$14M spend on road works operating costs (excluding ordinary wages and overheads). Will achieve \$150K efficiency savings per year for 4 years to reach the projected target of \$600K by 2019/20 with no reduction in service levels.	The milestones for this strategy will be driven by the established time frames for the preparation of annual financial estimates.	Reduction in per-unit cost of road operations to achieve annual internal savings of \$600K by 2019/20 for reinvestment in road renewal works.	Improve: <ul style="list-style-type: none"> • Operating Performance Ratio • Infrastructure Renewal Ratio • Per-capita Operating Expenditure • Reduce Infrastructure Backlog
	1.2 <u>Review of Service Delivery Models</u> . An annual 1% efficiency target applicable to Corporate Support and Discretionary Services (excluding employee costs and overheads). Will achieve approx. \$101K efficiency savings per year for 4 years to reach projected target of \$405,404 by 2019/20 with no reduction in service levels.	The milestones for this strategy will be driven by the established time frames for the preparation of annual financial estimates.	1% reduction in real terms on non-employee operating costs for targeted services to achieve annual internal savings of \$405K by 2019/20 for reinvestment in asset renewal works.	Improve: <ul style="list-style-type: none"> • Operating Performance Ratio • Infrastructure Renewal Ratio • Per-capita Operating Expenditure • Reduce Infrastructure Backlog

1.3 Review of Plant/Fleet Management. Review of plant/fleet vehicles and accessories, ownership and maintenance models to achieve annual 0.5% saving on net cost of operating leaseback fleet plus, an annual 1% savings on costs of Works Plant. Target of \$54,900 in efficiency savings by 2019/20

Internal review to commence July 2015 and completed Feb 2016 with implementation of staged strategy to achieve efficiency target commencing in 2016/17.

Reduction in per-unit operating and capital costs per vehicle to achieve annual internal savings of \$55K by 2019/20 for reinvestment in asset renewal works.

Improve:

- Operating Performance Ratio
- Infrastructure Renewal Ratio
- Per-capita Operating Expenditure
- Reduce Infrastructure Backlog

1.4 Property and Asset Review. As noted by T-Corp, Council has diverse property portfolio. Rate of return review to confirm non-performing and surplus properties for sale or disposal. Conservatively projected to raise \$1M by 2019/20 in one-off sale proceeds.

Internal review of property portfolio underway. Provisional list of properties for sale reported to Council by June 2016 with actions to commence in 2016/17.

Identification of under-performing and surplus properties to realise \$1m in asset sales by 2019/20. Sale proceeds and improved returns to be directed to infrastructure renewal.

Improve:

- Operating Performance Ratio
- Infrastructure Renewal Ratio
- Reduce Infrastructure Backlog

1.5 Review of Insurance Coverage and Self-Insurer Model. Review of the current self-insurer model to enable comparison with alternate funding and provisioning arrangements for workers compensation and other insurances. Review to include assessment of impact of self-insurer requirements on procurement costs and staff productivity.

Internal review to commence July 2015 and completed June 2016 to benchmark comparative per-staff insurance cost. Outcome of review to determine requirement for further review.

At this point the potential financial savings and other efficiencies are yet to be determined. Accordingly no savings have been factored into the FFTF Self-Assessment tool for 2016/17 and beyond.

(Yet to be determined). Reduction in costs of workers compensation and insurance coverage would contribute to improvement in Operating Performance Ratio and Real Operating Expenditure.

2. Increase Operating Revenues to meet the costs of maintaining and renewing assets and delivering services

2.1 Special Rate Variation. Proposal to commence community engagement process canvassing options for increasing investment in asset renewal and maintenance. Outcome of community engagement process to be reported to Council to inform consideration of option to submit application to IPART for 29.7% rate increase over five years commencing in 2017/18 (inclusive of rate peg amount). Will generate additional rating revenue of \$3.4M by 2019/20. \$1.7M of this amount to meet loan repayments for \$25M borrowings program to address Infrastructure Backlog. Balance of revenue directed to asset renewal and maintenance and budget repair.

Timing and process driven by outcome of community engagement (CE) process & IPART requirements. CE to commence in 2016 with outcomes reported to Council. Council to determine (by Nov 2016) whether to proceed with option of advising IPART of intention to lodge SRV (advice required by IPART by Dec 2016). Draft SRV proposal reported to Council for possible submission to IPART by Feb 2017.

Income raised through SRV will be used to fund accelerated 5 year \$25M road works program to 2021/22, and over the longer term an enhanced infrastructure renewal program targeting long-lived assets and directed at stabilising infrastructure backlog.

- Improve:
- Operating Performance Ratio
 - Own Source Revenue Ratio
 - Infrastructure Renewal Ratio
 - Asset Maintenance Ratio
 - Reduce Infrastructure Backlog
 - Increase Debt Service Ratio

2.2 Stormwater Management Charge (SMC). \$25 annual levy for stormwater management services against properties connected to the stormwater drainage network - commencing in 2017/18. Projected to raise \$636K in additional annual revenue to fund required level of maintenance & renewal of stormwater assets.

Timing and process to be driven by Office of Local Government (OLG) guidelines for the levying, calculation and use of stormwater management charges. Contingent on Council Resolution.

Income raised through SMC will be used to fund an enhanced program of stormwater asset maintenance & renewal program in accordance with OLG guidelines.

- Improve:
- Operating Performance Ratio
 - Own Source Revenue Ratio
 - Infrastructure Renewal Ratio
 - Asset Maintenance Ratio
 - Reduce Infrastructure Backlog

2.3 Special Rate for New Residential Development. New developments at Redbank Nth Richmond(1400 lots) and Jacaranda Ponds Glossodia (580 lots) will generate additional asset maintenance requirements within these developments which will not covered by ordinary rating revenue due to the particular characteristics of the environmental and heritage assets within these developments. A Special Rate will be applied from 2019/20 to these new developments to generate the additional revenue required to meet these additional costs.

Timing and process driven by IPART requirements (as per 2.1 above). The application for a special rate for new residential developments will be included in Council's application to IPART for a SRV.

Special rate based on estimated costs of additional maintenance works. The combined annual amount of \$416K per year is based on a rate per property of \$208 for Redbank and \$215 for Jacaranda Ponds. To be applied from 2019/20.

Improve:

- Operating Performance Ratio
- Own Source Revenue Ratio
- Asset Maintenance Ratio (beyond 2019/20)

2.4 Review of Waste Management and Sewer Business Units. Council has assets invested in a Waste Management Facility (WMF) and Sewerage Schemes (SS). A 6 % rate of return on the value of these assets is a reasonable business target. A review of the operations of the Waste Management Facility is currently being undertaken by an external consultant. KPMG has been commissioned to undertake a review of Sewerage Schemes service delivery models.

Dividend payment for WMF would occur in conjunction with the preparation of annual financial estimates. Dividend payment from SS to be determined pending compliance with Best Practice guidelines and IPART requirements.

Payment of a \$309K dividend from the WMF has been included in 2015/16 financial estimates with the amount expected to increase in outer years. No amount has been included for SS for the period ending in 2019/20.

Improve:

- Operating Performance Ratio
- Own Source Revenue Ratio
- Infrastructure Renewal Ratio

2.5 Review of Pricing Structures for Business Units.

A review of the operations of income generating 'non-core' business units – e.g. Cemeteries, Companion Animal Shelter, Richmond Pool, Upper Colo Reserve. The purpose of the review is to establish the true operating costs of these business units so that their pricing structures could be geared to achieve at least a break-even operating position over the medium term.

Financial modelling to establish turnaround targets have been completed. Will be achieved through a combination of pricing structures and review of service models. Staged process for achieving targets by 2019/20 will be implemented from 2016/17.

Projected internal savings of \$425K by 2019/20. Savings to be reinvested in asset renewal.

Improve:

- Operating Performance Ratio
- Infrastructure Renewal Ratio

- Reduce Infrastructure Backlog

2.6 Lobbying for increased regional roads funding. Council currently receives RMS funding as a contribution to the costs of maintaining regional road network. It is proposed that Council lobby government and RMS to have additional roads placed on the regional roads network (Yarramundi Lane, Francis St) and seek contribution to costs of maintaining these roads.

Resolution of Council and preparation of Ministerial correspondence and/or representations.

Unable to be calculated. No figure has been inputted into FFTF Modelling as outcome of this strategy cannot be determined at this time as it lies beyond Council's control.

To be determined pending outcome of representations.

3.2 Infrastructure and Service Management

Summarise your council's key strategies to improve performance against the Infrastructure and service management benchmarks in the 2016-20 period, including the outcomes you expect to achieve.

The primary factor impacting on Council's performance in relation to infrastructure and service management is the size of its asset renewal and infrastructure backlog which, in turn, is the function of a history of under-spending on infrastructure renewal. Accordingly, Council's FFTF Proposal aims to redress this history of under-spend on infrastructure renewal. It will do this by directing substantial additional resources to infrastructure renewal to stabilise its infrastructure backlog, combined with a loan borrowings program to accelerate the staged reduction of its infrastructure backlog to a sustainable level by 2019/20.

To improve its performance against the Infrastructure and Service Management benchmarks, Council will be implementing strategies that by 2019/20 will;

- finalise a risk and evidence based assessment of infrastructure costs and liabilities to provide a sound platform for long term financial forecasting;
- recalibrate its capital work programs to direct \$2.7M in additional annual funding to infrastructure renewal; and
- complete a \$25M accelerated road, building and parks renewal and works program to be funded through loan borrowings.

In total, these strategies (in combination with Council's other FFTF strategies) will;

- substantially reduce Council's infrastructure backlog to achieve an Infrastructure Backlog Ratio of 2.26% by 2019/20;
- improve Council's Asset Maintenance Ratio to 102.2% by 2019/20 and sustain this level going forward to stabilise the infrastructure backlog; and
- result in a small increase in the Debt Service Ratio, but still remain within the FFTF Benchmark.

Explain the key assumptions that underpin your strategies and expected outcomes.

The modeling for the main elements of the infrastructure renewal program to reduce and maintain the stability of Council's infrastructure backlog is based on the following assumptions;

- a loan borrowings program which will progressively draw down a total of \$25M over a period of 5 years, with a loan term of 15 years for each loan (at an assumed 6% interest), this borrowing strategy will fund an accelerated asset renewal and works program over a period of 5 years, with loan and interest repayment spread over 15 years;
- the revenue required to fund the loan borrowings program is to be derived from the proposed Special Rate Variation and/or a service reduction/asset disposal strategy (outlined previously) with the balance of revenue after meeting loan and interest repayments directed to asset maintenance and budget repair which is projected to increase from 2020/21 onwards (as the accelerated \$25M asset renewal program winds down);
- the projected annual increase of \$2.7M for asset renewal be achieved through a recalibrated capital works program based on the timing and costing of works within the revised S94 Contributions Plan and Voluntary Planning Agreements for the Redbank, North Richmond and Jacaranda Ponds, Glossodia residential developments which are to be delivered from 2015/16 onwards (but exclude additional renewal works to be contained in the S94 Plans for the Kurmond/Kurrajong Investigation Area, and the Vineyard Precinct, as well as the revised Section 94A Plan);
- the enhanced program of asset renewal will be supplemented by an annual \$116K child care centre sinking fund based on recovering 25% of the annual depreciation charges for these centres - to commence in 2016/17 with funds raised to be reinvested in child care centre renewal.

In total, the combined impact of these measures, together with the measures outlined previously, will enable Council to invest an additional \$40M over four years in the renewal of assets. By 2019/20 this additional investment will largely address and stabilise Council's infrastructure backlog so that it is in a position to achieve the FFTF Benchmark of less than 2% of asset write down value by 2023/24. It will also enable Council to fully fund its asset maintenance requirement.

To support this process Council will be implementing a number of strategies to validate and refine the assumptions underpinning its infrastructure forecasting. These strategies include the finalisation of asset management plans and the consolidation of asset management planning framework, and the completion of a comprehensive service level review in consultation with residents. At this time, it is not possible to gauge the financial impact of these strategies against the infrastructure related FFTF benchmarks.

3.2 Infrastructure and Service Management

Outline your strategies and outcomes in the table below.

3.2 Infrastructure and service management

Objective	Strategies	Key milestones	Outcome	Impact on other measures
3. Establish sound platform for Asset Planning and Management	3.1 <u>Completion of Asset Management Plans</u> . Completion of asset management plans to provide a sound platform for long-term financial forecasting and the validation of infrastructure backlog values. To be undertaken in conjunction with the review and consolidation of Council's asset management planning framework (scheduled to be completed in 2015/16).	Review of asset management structure and staffing resources to commence in July 2015 and completed by October 2015. Asset Management Plans to be finalised by March 2016.	Strategy will establish more complete picture of useful life of assets to forecast funding requirements and support effective management of strategic and operational risks through identification of asset management intervention points.	No specific impact can be determined at this time. The finalisation of asset management plans will potentially impact on all FFTF Benchmarks.
	3.2 <u>Service Level Review</u> . Community engagement strategy to determine safe, affordable and agreed levels of service for all asset classes. The strategy would also explore the community's appetite and preferences for adjusting current operations to redirect resources to asset renewal and maintenance.	A community engagement process on asset management challenges facing Council has commenced. The next stage of this process would be driven by the timing of the proposed SRV application.	Completion of review will establish a safe and realistic BTS (bring to satisfactory) asset standard for asset classes to reflect community priorities and Council's future financial capacity. Review is integral to completion of Asset Management Plans.	No specific impact can be determined at this time. Has potential to positively on asset related FFTF benchmarks.

<p>4. Reduce Infrastructure Backlog through increased spending on infrastructure renewal and maintenance.</p>	<p>4.1 <u>Integrated Capital Works Program.</u> Establish parameters for capital works investment with a clear priority on asset renewal to address infrastructure backlogs and upgrading existing assets. Strategy is intended to minimise future exposure to increased asset maintenance costs and annual depreciation charges.</p>	<p>Strategy has commenced and is reflected in the content of revised S94 Plan and current Voluntary Planning Agreements. Will be applied to S94 Plans and VPAs covering future residential developments.</p>	<p>Based on works programs contained within revised S94 Plan and finalised VPAs, additional capital funding of \$10.7M will be directed to asset renewal works between 2016/17 and 2019/20.</p>	<p>Improve:</p> <ul style="list-style-type: none"> • Operating Performance Ratio • Infrastructure Renewal Ratio <p>• Reduce Infrastructure Backlog</p>
	<p>4.2 <u>Sinking Fund for Community Facilities.</u> Introduction of building renewal and maintenance charge levied on community facilities used by external agencies to deliver fee-paying and/or funded community services (child care centres and community centres). The purpose of levy to raise revenue, based on 25% of the annual depreciation charges for these facilities, as a contribution to the maintenance and renewal of these assets.</p>	<p>Revised Licence Agreement with provision for building levy completed by November 2015 and distributed to child care centres. Payment of levy to commence 2016/17 at 50% of required amount for first two years and then full amount from 2018/19</p>	<p>Strategy is projected to raise \$350,205 by 2019/20 with an ongoing annual amount of \$116,375. Revenue to be directed to the renewal and upgrade of child care centres.</p>	<p>Improve:</p> <ul style="list-style-type: none"> • Operating Performance Ratio • Own Source Revenue Ratio • Infrastructure Renewal Ratio • Asset Maintenance Ratio <p>• Reduce Infrastructure Backlog</p>
	<p>4.3a <u>Infrastructure Borrowings Program.</u> \$25M loan facility to fund an accelerated 5 year works which will focus on road rehabilitation, road reconstruction and renewal and the renewal of Park assets and community buildings. The Borrowings Program is the first phase of a longer term infrastructure renewal and backlog</p>	<p>The Borrowings Program is linked to the proposed SRV application and will be driven by IPART requirements. A provisional \$25M works program has been prepared and will be a</p>	<p>The Borrowings Program is the primary financial tool within Council's FFTF Proposal to reduce Council's Infrastructure Backlog to a manageable level over the long term. It will address a history of under-spending on</p>	<p>Improve:</p> <ul style="list-style-type: none"> • Infrastructure Renewal Ratio • Asset Maintenance Ratio <p>• Reduce Infrastructure Backlog</p> <p>• Increase Debt Service Ratio (but remain within Benchmark)</p>

	<p>stabilisation program lined to SRV revenue (Strategy 2.1). The \$25M loan will enable Council to deliver a high visibility, high volume works program in response to documented community priorities.</p>	<p>key element of the SRV Community Engagement Strategy.</p>	<p>asset renewal and enable Council to continue to work towards achieving a balanced operating result.</p>	
	<p>4.3b <u>Energy Efficiency Borrowings Program</u>. This strategy has been included as Council wishes to explore opportunities to invest in energy efficiency initiatives. The proposal would see Council seek a loan facility to invest in energy efficiency technology and infrastructure. Costs recovered through energy savings would be used to fund loan borrowings</p>	<p>At this time, no detailed work has been undertaken to model options for Council consideration. Proposed project (s) would be dependent on business case which would require external review. First step would be preparation of an in house feasibility study for report to Council</p>	<p>To be determined based on more detailed whole-of-life asset costs and business modelling.</p>	<p>The Strategy is unlikely to have an impact on FFTF Benchmarks to 2019/20 as any operational savings would be directed to repayment of loan in shorter term. Will increase Debt Service Ratio.</p>

3.3 Efficiency

Summarise your council's key strategies to improve performance against the Efficiency measures in the 2016-20 period, including the outcomes you expect to achieve.

The primary factor impacting on Council's performance in relation to its capacity to reduce the per-unit costs of its operations (i.e. value for money) has been the relative size and distribution of its population. As an urban/rural hybrid council, Council faces ongoing challenges in delivering services across a large geographic area given its relatively smaller rating and customer base compared with neighbouring metropolitan councils.

Despite this disadvantage, Council has been able to contain real operating expenditure per-capita through careful budget management, although this has been achieved at the expense of its capacity to fully fund the cost of maintaining and renewing infrastructure. While this trade-off has enabled Council to maintain service levels, and where required, absorb new functions and responsibilities, it has contributed to a growing asset renewal and infrastructure backlog. To rectify this historic underspend, Council's FTF Proposal outlines an integrated mix of expenditure reductions and revenue increases which are aimed at directing substantial additional resources to meet the operating and capital costs of infrastructure. On the expenditure side, the FTF Proposal identifies potential annual recurrent savings of \$1,484,900 to be achieved by 2019/20 for re-investment in asset renewal. Other savings may be possible depending on the outcomes of the proposed Service Level Review.

Increasing its investment in infrastructure is the primary goal of Council's plan for its future financial sustainability. Maximising the funds available for this purpose will require Council to pursue ongoing operating efficiencies and contain the per-capita cost of services and infrastructure maintenance. To do this Council will be;

- exploring opportunities for shared service arrangements and the aggregation of back-office functions with Blue Mountains and Penrith City Councils through a formal strategic alliance;
- continuing to implement the Hawkesbury Residential Land Strategy to drive sustainable population growth centred on existing urban centres and villages. Consistent with this direction, recently approved planning proposals have included 1,400 lots at North Richmond, 659 lots at Pitt Town, and 580 lots at Glossodia. Investigations are underway to determine the potential residential development yield for the Kurmond/Kurrajong Investigation Area and the Vineyard Precinct (within the North West Growth Sector).

In total, these strategies (in combination with Council's other FFTF strategies) will;

- increase population density and generate additional own-source revenue to drive down the per capita cost of service provision and infrastructure maintenance;
- leverage external investment through developer funded asset upgrades and renewals;
- achieve economies of scale through an aggregated population catchment of 451,000 across three local government areas by 2031.

Explain the key assumptions that underpin your strategies and expected outcomes.

Modelling of the financial impact of the three council Regional Strategic Alliance has not been undertaken as areas for possible collaboration are currently being investigated by a Management Committee appointed by the three participating councils with outcomes not due to be reported until June 2016 (at the earliest). The anticipated benefit of strategies for sustainable population growth are premised on the strong correlation between population density and the unit costing of service provision.

3.3 Efficiency

Outline your strategies and outcomes in the table below.

3.3 Efficiency

Objective	Strategies	Key milestones	Outcome	Impact on other measures
5. Reduce per-unit cost of operations.	<p>5.1 <u>OPEX Expenditure Reduction</u>. Cap on the annual increase in Operating Expenditure at figure below CPI for targeted services. This strategy primarily incorporates the operating efficiency strategies identified in Section 3.1 under Objective 1, and reductions to be potentially achieved through the proposed Service Level Review.</p>	<p>(as for the relevant strategies identified in Section 3.1)</p>	<p>Projected to deliver recurrent operating savings of \$1,048,900 by 2019/20 for reinvestment in asset renewal.</p>	<p>Improve:</p> <ul style="list-style-type: none"> • Operating Performance Ratio • Infrastructure Renewal Ratio • Per-capita Operating Expenditure • Reduce Infrastructure Backlog
	<p>5.2 <u>Regional Strategic Alliance</u>. Formal partnership with Blue Mountains and Penrith City Councils to investigate and assess opportunities for collective advocacy, regional planning, joint procurement and opportunities for aggregated service arrangements across the three local government boundaries.</p>	<p>Council has executed Cooperation and Management Agreement with BMCC and PCC. A Management Committee is to be established to investigate joint projects and programs. Due to report to the three councils by June 2016.</p>	<p>Outcomes will be determined by the scope and direction of joint activities to be undertaken.</p>	<p>To be determined.</p>

5.3 Sustainable Population Growth. Continued implementation of the Hawkesbury Residential Land Strategy (HRLS) which aims to concentrate new residential development around existing urban centres and villages through urban infill and/or greenfield expansion of existing centres.

Processes supporting the implementation of the HRLS are in train. Planning agreements have been completed for greenfield expansion of three targeted centres.

Current approvals in place for new residential developments of 2,600 lots. Investigations in train for potential 4,000+ additional lots.

Residential growth will increase population density which carries potential to impact positively on Real Operating Expenditure per capita Ratio.

3.4 Improvement Action Plan

Summarise the key improvement actions that will be achieved in the first year of your plan.

Action plan

Actions	Milestones
1. Commence process to identify and achieve efficiency dividend targets.	As per established time frames for the preparation of annual financial estimates.
2. Commence process for consideration of rate variations and/or service level reduction and asset disposal.	Community Engagement Process completed and reported to Council by November 2016.
3. Consolidate Sound Platform for Strategic Asset Management Planning.	Updated Asset Management Plans finalised by March 2016
4. Complete preliminary investigation of Regional Strategic Alliance regional entity and governance framework	Initial report completed June 2016.
5. Implement Community Engagement Framework to determine affordable and agreed service levels	Completed by November 2016
* Please attach detailed action plan and supporting financial modelling	(See Appendix 1 Page 78 and <u>Attachment 8</u> – Resourcing Strategy)

Outline the process that underpinned the development of your Action Plan.

For example, who was involved, any external assistance, consultation or collaboration, and how the council has reviewed and approved the plan.

The financial sustainability issues facing local government have been well documented in the various reports issued by T-Corp, the Office of Local Government and the Independent Local Government Review Panel. These reports have pointed to the need for councils to improve their financial sustainability by;

- sourcing additional revenue, e.g. through Special Rate Variations;
- using debt funding to assist in reducing the Infrastructure Backlog;
- devising programs and strategies to contain rising costs and improve efficiencies;
- refining asset management and long-term financial plans and better ensuring their consistency;
- increasing spending on maintenance and infrastructure renewal;
- developing pricing paths to achieve at least breakeven operating positions over the medium term.

It is appropriate therefore, that Council has used these financial sustainability recommendations as the starting point for the development of its FFTF Proposal. This process has involved the identification of a provisional list of FFTF strategies - these provisional strategies were based on a careful consideration of the T-Corp, the Independent Panel, and OLG recommendations; and a review of Council's Biennial Community Survey results, Council's adopted Plans, and Council Resolutions.

In practical terms, the truncated time-frame for the preparation of council FFTF proposals dictated Council's approach to the development of its FFTF Action Plan. At the outset, it was determined that Council's FFTF Proposal would provide a starting point for a process which would enable Council to work with elected officials and the community on becoming Fit for the Future. In this context, Council's FFTF Action Plan was intended to map out a pathway for further discussion, community consultation and decision making (by Council) post June 30 2015 and would be subject to IPART and other statutory processes.

In January 2015, a series of briefing sessions were held with Council staff to present and discuss the FFTF process and to invite comments and suggestions as to the actions that Council should consider in finalising its FFTF Proposal. A number of staff suggestions were received and were incorporated into the provisional list of FFTF Strategies.

A preliminary briefing session was also held for Councillors in February 2015, to broadly outline Council's FFTF position and the proposed approach to putting together Council's FFTF Proposal. Two further briefing sessions were held in April and May 2015 where the proposed FFTF strategies were considered in more depth, with detailed working papers on Council's financial performance and position and the modelling of proposed FFTF strategies distributed prior to these sessions. During this period, Council provided information to the community about the FFTF reform process on its on-line information portal including an on-line survey to canvass community views in relation to Council's approach to the completion of its FFTF Proposal.

The draft FFTF proposal was initially reported to Council on 23 June 2015. Council at its meeting of 30 June 2015 subsequently resolving to submit the FFTF proposal to IPART.

In summary, the following considerations and assumptions have informed Council's approach to the development of the elements of the FFTF Action Plan;

- The FFTF Action Plan provides a starting point for a process to enable Council to work towards becoming Fit for the Future post June 30 2015.
- As a 'no change' Council, the purpose of Council's FFTF Proposal is to outline a viable strategy to demonstrate that Council will have the scale and capacity to remain in its current form.
- The size of the funding requirement to achieve financial sustainability has required a clear focus on the long-term. The focus of the FFTF Proposal will necessarily be on what can be achieved over the next five years to improve Council's performance against the FFTF Benchmarks.
- The proposed FFTF Improvement Strategies have been framed with reference to the clear advice for councils to consider a mix of options including special rate variations and other revenue increases, reductions in expenditure, the use of debt, and the review of existing service levels.
- There has been a consistently expressed expectation from the community for Council to improve the condition and maintenance of infrastructure assets – particularly roads. The Community Survey clearly indicates that residents are dissatisfied with current service levels for road maintenance – this is backed up by focus group findings. To respond to these expectations, Council's FFTF proposal includes a strategy to direct substantial additional funding to road renewal.
- Given the outcomes of community surveys and the history of Council resolutions, there is an expectation that as far as possible both Council and the community would prefer to maintain current service levels for non-infrastructure related services. The FFTF proposal should therefore aim to minimise the need to close services. The focus will be on achieving operational efficiencies and

cost savings by implementing more effective and efficient service models, achieving break-even operations (where possible), and through economies of scale by exploring opportunities to aggregate buying power and joint-work arrangements with our adjoining Councils.

The FFTF Action Plan has been based on a rigorous assessment of Council's future financial sustainability and a detailed understanding and evaluation of its operations. Council's costs are heavily influenced by the provision and ongoing maintenance of long-lived assets – the recognition and appropriate financial treatment of the cost of asset consumption is the critical component of Council's future sustainability

3.5 Other actions considered

In preparing your Improvement Action Plan, you may have considered other strategies/actions but decided not to adopt them. Please identify what these strategies/actions were and explain why you chose not to pursue them.

For example, neighbouring council did not want to pursue a merger, unable to increase rates or increase borrowing, changes in policy or service standards.

As Council's FFTF Proposal is intended to provide a road-map for further consultation and investigation post 30 June 2015, it consciously includes a broad mix of FFTF strategies including expenditure reductions, revenue increases, debt, and service level reviews. Within this framework, Council has not omitted any specific strategy as it is of the view that it would be premature to discard a strategy without testing it with the community based on more detailed modelling and consultation.

4. How will your plan improve performance?

4.1 Expected improvement in performance

Measure/ benchmark	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	Achieves FFTF benchmark*?
Operating Performance Ratio (Greater than or equal to break-even average over 3 years)	-0.098	-0.084	-0.052	-0.032	-0.019	-0.011	No
Own Source Revenue Ratio (Greater than 60% average over 3 years)	73.7%	79.8%	86.1%	84.4%	84.4%	83.9%	Yes
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	92.4%	89.3%	88.6%	93.7%	111.7%	137.5%	Yes
Infrastructure Backlog Ratio (Less than 2%)	4.24%	4.33%	4.65%	4.57%	3.52%	2.26%	Yes
Asset Maintenance Ratio (Greater than 100% average over 3 years)	69.7%	79.8%	93.7%	96.2%	98.6%	102.2%	Yes
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	0.87%	1.22%	1.19%	1.30%	1.76%	2.53%	Yes
Real Operating Expenditure per capita A decrease in Real Operating Expenditure per capita over time	Decreasing	Decreasing	Decreasing	Decreasing	Decreasing	Decreasing	Yes

* Assessment based on IPART timeframes for FFTF Performance Measures as outlined in IPART Assessment Methodology.

4.1 Expected improvement in performance

If, after implementing your plan, your council may still not achieve all of the Fit for the Future benchmarks, please explain the likely reasons why.

For example, historical constraints, trade-offs between criteria, longer time required

The implementation of Council's FFTF Proposal will see Council achieve 6 of the 7 FFTF Benchmarks by 2019/20. The benchmark which will not be achieved within the required time frame is the Operating Performance Ratio – the reason for this is that Council's projected operating revenue in 2019/20 will not be sufficient to cover the costs of asset consumption represented by annual depreciation charges. Council has accepted this outcome, as to achieve a break-even operating result by 2019/20 would require rating increases or service reductions which would be beyond the capacity of the community to pay or accept in the medium term. It is projected that a break-even operating result will be achieved in 2021/22.

The primary factor impacting on the timing of Council achieving the OPR benchmark is its current incapacity to fully fund annual depreciation charges which in turn is a function of the size of its Asset Renewal and Infrastructure Backlog. As a peri-urban council, Council maintains a large asset holding (in excess of \$1 Billion) – more than half of which is made up of 1,038km of local roads - which services a relatively small and dispersed population. In effect, Council's ability to achieve a break-even OPR will be contingent on its capacity to address its Infrastructure Backlog and raise the additional revenue required to fund asset maintenance and renewal over the longer term.

Accordingly Council would suggest that in the assessment of FFTF proposals, consideration should be given to the aggregated impact of the asset related FFTF benchmarks rather than viewing each asset related FFTF benchmark in isolation. In practice this would mean that the assessment panel should consider the trajectory of the combination of the Operating Performance Ratio, the Asset Renewal Ratio, the Asset Maintenance Ratio and the Infrastructure Backlog to assess whether Council is taking the appropriate steps to improve its overall sustainability over the time period covered by the FFTF proposal. Council believes its FFTF Proposal clearly demonstrates that this is the case.

5. Putting your plan into action

How will your council implement your Improvement Action Plan?

For example, who is responsible, how the council will monitor and report progress against achieving the key strategies listed under Section 3.

Council will be integrating reporting on progress in implementing the FFTF Strategies within its existing Integrated Planning and Reporting (IPR) Regime and corporate reporting framework.

As part of this process, quarterly status reports will be prepared and reported to Council's Senior Executive (MANEX). The preparation of these status reports will be coordinated by the Director, Support Services. The status report will list the actions within the FFTF Action Plan; the person responsible for implementing the action; the outcome to be achieved; and the time frame for achieving the required outcome. The preparation and quarterly reporting of the status of the FFTF Action Plan will enable Council's senior executive to monitor its status and take corrective action where required.

In addition to this internal reporting regime, Council will also include progress on implementing its FFTF Strategies in the six-monthly Delivery Program Report. The integration of FFTF reporting within the IPR Reporting Regime will ensure that the community can track Council's progress in becoming Fit for the Future.



Appendix 1

Fit for the Future - Improvement Action Plan

3.1 Financial Sustainability

Objective	1. Increase operating efficiencies to contain operating expenditure within operating revenues.
FFTF Context	<p>T-Corp analysis of Financial Sustainability of LG identifies Operating Performance Ratio as key measure of Council performance - OPR measures operating performance as the difference between operating revenue (excluding capital grants and contributions) and operating expenses. It points to Council's capacity to contain operating expenditure within operating revenue. The outcome of Council's community engagement around the issue of future financial sustainability highlights a strong community expectation that Council needs to continue to pursue organisational efficiencies.</p>
FFTF Assumption	<p>The actions listed under this objective are based on the assumption that an annual 1% efficiency dividend can be achieved from the identified services and functions by limiting cost escalation (for non-employee related costs) at a discounted figure of 1% below annual CPI to achieve a 4% efficiency dividend by 2019/20. Modeling for this objective indicates that the proposed efficiency dividends are an achievable and reasonable target which would have no visible impact on current service levels. It has been assumed that the internal savings derived from efficiency dividends will be re-invested in asset renewal and maintenance (and will not be made available for other purposes)</p>
Costs, Benefits and Risks.	<p>The implementation of the efficiency dividend actions does not carry any direct costs. The actions can be implemented in conjunction with the preparation of Council's annual financial estimates. The draft budgets covering Council operations will be set at a default cost-escalation of 1% below CPI for all non-employee related costs (excluding restricted services). Where a Manager indicates that the default cost escalation may not be achievable for a particular line item – there will be an expectation that additional savings would need to be identified from other areas to achieve the global 1% efficiency dividend for all non-employee related costs.</p> <p>The proposed actions have been assessed as carrying minimal strategic and operational risks. They are based on the assumption that service levels will be maintained and that the requirement to achieve internal savings through costs escalation at less than CPI will have a negligible impact on staff and community safety and that any impacts can be effectively managed. It is also assumed that the requirement for a 1% efficiency dividend (in real terms) can be reasonably achieved through the application of standard business management practices.</p>

Timeframe	The timing for this group of strategies will be driven by the established time frames for the preparation of annual financial estimates. The provisional draft budget is distributed to Managers in November of each financial year and the existing (and long-established) budget process will then be implemented to finalise the figures within the draft budget by March each year. This process will be repeated each year up to 2019/20.
Outcome	It is projected that annual global savings will be in the order of \$405K by 2019/20. These internal savings will be reinvested into asset renewal. As ongoing efficiencies have already been secured (through previous budget cycles) it is expected that in the absence of service level reductions or reconfigured service models, the capacity to achieve further efficiencies beyond 2019/20 will be exhausted.
Impact on FFTF Benchmarks	The efficiency dividend actions will redirect funds from operating expenses to capital renewal. This will impact positively on the Operating Performance ratio and the Building and Infrastructure Asset Renewal Ratio.

Proposed Action	1.1 Review of Road Operations.	An annual 1% efficiency target applied to Councils yearly \$14M spend on road works operating and capital costs (excluding overheads). It is also proposed to review the potential financial impact of different delivery options – outsourcing models, use of contractors, operational changes - to assess cost-effective mix for road operations.
Justification	Roads make up 60% of the value of Council's non sewer assets, 68% of the non-sewer Infrastructure Backlog and account for the majority of increase in the infrastructure backlog flowing from the asset revaluation process. Over the last 3 years, expenditure on road network has made up 29% of Council's total expenditure. Road maintenance is consistently identified as a primary concern for residents and a key challenge facing the Hawkesbury. Increasing the level of investment in road maintenance will be a key outcome of Council's FFTF Proposal as the state of the road-network, and the money required to bring it up to standard, is a major factor impacting on Council's FFTF performance. The proposed strategy would aim to increase the efficiency of Council's road operations with the dividend derived from these efficiencies re-invested to increase the percentage of the road network that can be brought up to standard in any one year.	
Capacity	Council is currently working through data to identify the current per kilometre or per unit cost of road maintenance taking into account the scope of works (patching, re-sheeting, grading etc.) and road condition (i.e. excellent through to very poor). These figures would need to be compared with the indicative per kilometer or per unit costs which could be achieved through other delivery options to establish the \$ equivalent figure of the efficiencies which could be achieved. The aim of the review of delivery options will be to achieve a 1% reduction (in real terms) in the cost of road operations (excluding overheads).	

Outcome	Internal savings redirected to road renewal would contribute to an improvement in the Operating Performance Ratio, the Building and Infrastructure Asset Renewal Ratio and the Infrastructure Backlog Ratio.
Process and time frame	The implementation and timing for this action will be driven by the established time frames for the preparation of annual financial estimates commencing in November 2015.
Financial Modeling	Financial modeling for this Action is based on a 1% efficiency dividend from total road operations based on the 2013/14 actuals (\$14,871,666), 2014/15 Adopted Budget (\$12,328,039), and 2015/16 Draft Budget (\$14,280,265). A 1% efficiency dividend based on the average annual expenditure over the last three years equals an annual amount of \$138,267. This has been rounded up to \$150K which is considered to be a reasonable target.

Proposed Action	1.2 Review of Service Delivery Models	An annual 1% efficiency target applicable to Corporate Support and Discretionary Services (excluding employee costs and overheads). To be implemented in conjunction with a review of delivery models to determine if they can be delivered at a lower cost or more effectively, or if alternate delivery models should be considered to accommodate industry changes and new technologies.
Justification	Council provides a range of 'non-core' services to residents. These can be discretionary services - i.e. services which Council is notionally not required to provide in that there is no statutory or legislative obligation for Council to provide these services. Other services are corporate services which support Council's core operations – it is not possible to discontinue these services but there are potential opportunities to generate expenditure savings through a review of the way that these services operate. There may be opportunities to refine the operating models to take into account industry changes, customer preferences, and the adoption of new technologies or service delivery platforms. In the medium to longer term it may be possible to reduce the costs of providing these services and/or outsource their operations. In the first instance, a 1% efficiency dividend will be applied to the operating costs of these services (excluding employee costs)	
Capacity	The annual net cost (excluding employee costs) of providing 'corporate support and discretionary services is \$9.89M. Modeling for a minimum efficiency dividend of 1% in real terms per indicates that accumulated savings of \$405,404 can be reasonably achieved by 2019/20.	
Outcome	A reduction in the cost of operations (in real terms) would contribute to an improvement in the Operating Performance Ratio and the Real Operating Expenditure Per Capita benchmark.	
Process and time frame	The timing for this action will be driven by the established time frames for the preparation of annual financial estimates commencing in November 2015.	

Financial Modeling	Financial modeling for this Action is based on a 1% efficiency dividend from operating costs (excluding employee costs) and capital costs for discretionary and corporate support functions (excluding waste and sewer services). Based on 2014/15 the total operating and capital costs for these services is \$9.883M. A 1% efficiency dividend equates to \$98,833 in 2016/17, \$100,489 in 2017/18, \$102,179 in 2018/19, and \$103,903 in 2019/20. The accumulated savings by 2019/20 amount to \$405,404.
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Proposed Action	1.3 Review of Plant/Fleet Management, Depot Operations and Stores.	Review of plant/fleet vehicles and accessories, ownership and maintenance models to achieve annual 0.5% saving on net cost of operating leaseback fleet plus, an annual 1% savings on costs of Works Plant.
Justification	Council spends on average approximately \$957K net per annum on plant/fleet replacement and a further \$770K on plant/fleet maintenance services. Council's current fleet/plant maintenance operations are primarily supported by the Works Depot (including the Workshop and Stores). It would be timely to review the depot operations, including staffing and rostering arrangements, as these arrangements were developed some years ago. The efficiency of the current operating model have not been benchmarked and may not reflect the optimum operational settings given changes to technology (asset systems and mobility), warranty settings (extended warrant and fixed service costs for fleet), and just-in-time stock delivery models. The review would aim to increase the efficiency of Council's plant/fleet management, workshop and stores.	
Capacity	A review of the current operating settings would enable a detailed comparison of the relative costs of plant hire – vs – outright purchase; revised plant replacement settings to identify possible savings that could be achieved by retaining fleet/plant for longer periods prior to replacement; the cost of workshop and stores operations with a view to identifying opportunities for increased efficiencies through the reconfiguration of current operating and rostering arrangements, resource sharing with other councils, and/or the possible outsourcing of some functions. Council has recently completed a review of leaseback fleet and there is limited scope for significant cost savings for leaseback fleet. It is not expected that further savings beyond 2019/20 are achievable.	
Outcome	Based on the 2013/14 result, every 1 % increase in the efficiency of Council in plant replacement and maintenance costs and depot and workshop operations could potentially realise annual savings of \$18,000. A reduction in plant/fleet and workshop operations (in real terms) would contribute to an improvement in the Operating Performance Ratio and the Real Operating Expenditure Per Capita benchmark.	
Process and time frame	The timing for this action will be driven by the established time frames for the preparation of annual financial estimates commencing in November 2015. Associated with an internal review of plant/leaseback arrangements commencing in July 2015	
Financial Modeling	Financial Modeling suggests that a 2% efficiency target for leaseback capital and operating costs would realise internal savings of \$24,100 by 2019/20. A similar target for plant running costs would realise \$30,800 by 2019/20. Accumulated savings of \$54,900 by 2019/20	

Proposed Action	1.4 Property and Asset Review	Review of investment property portfolio and land-holdings to identify potential surplus or under-performing properties which could be sold, re-developed, or achieve improved returns.
Justification	Council has a diversified investment property portfolio, including shopping centres, residential properties, land and commercial offices. While this portfolio generates a substantial revenue stream, it incurs asset renewal and maintenance costs and contributes to Council's Infrastructure Backlog. A review of the portfolio may identify properties delivering a poor return or properties which require significant capital investment to bring to standard. The review may also identify properties which are surplus to requirements and for which no future use has been identified.	
Capacity	A preliminary review of the property portfolio has identified a number of properties which could be considered surplus to requirements and potential improved returns.	
Outcome	The sale of under-performing investment properties and land-holdings which are deemed surplus to requirement will raise non-recurrent revenue and reduce annual operating and maintenance costs. Improved returns would have an ongoing positive impact on revenue. This strategy has the potential to impact positively on the FFTF Operating Performance Ratio and the Infrastructure Backlog Ratio.	
Process and time frame	A review of the property portfolio could be conducted in-house and possible verified through external review. The disposal of properties would be subject to Council approval and statutory requirements. The actual timing of sales unable to be precisely determined at this time. Accordingly the target is to achieve property sales and/or improved returns of \$1M by 2019/20.	
Financial Modeling	Council's investment and residential property portfolio is valued at \$34.9M. A preliminary review of investment property portfolio has identified a number of properties with low rates of return. A conservative estimate of the potential revenue to be gained from the sale of targeted properties by 2019/20 suggests that the target of \$1M can be achieved.	

Proposed Action	1.5 Review of Insurance Coverage and Model	Review of current insurance coverage and self-insurance model to identify alternative provisioning arrangements.
Justification	Council is currently a licensed self-insurer for workers compensation and is a member of the UIP pool of Councils for Property and Plant insurance and Westpool for public liability. These arrangements have been in place for a number of years on the basis that they deliver value to Council through lower-cost insurance provisions and premiums. T-Corp has recommended that councils investigate the potential use of alternative funding and provisioning arrangements for workers compensation and other insurances. Maintaining Council's status as a self-insurer has entailed significant financial outlays and human capital to meet rigorous Work Cover requirements and has increased procurement costs as WHS requirements flow through to Council's suppliers and are reflected in higher pricing. A review of the current model to enable a comparison with alternate external insurance models to be made to determine the cost and resource effectiveness of the current model.	

Capacity	Council's current direct expenditure on workers compensation and insurance is in the order of \$1.98M. In addition a significant proportion of staff hours across all Council branches are required to support the current WHS model.
Outcome	The potential financial savings (if any) for this strategy would be determined following the completion of the proposed review. Based on the 2014/15 estimates, a 1% saving in direct financial outlays for workers compensation and insurance would generate a return of \$19,880 and may also increase staff productivity through reducing the current compliance burden. A reduction in the cost of workers compensation and insurance coverage (in real terms) would contribute to an improvement in the Operating Performance Ratio and the Real Operating Expenditure Per Capita benchmark.
Process and time frame	Internal review to commence July 2015 and completed June 2016 to benchmark comparative per-staff insurance cost. Proposed process: <ol style="list-style-type: none"> 1. Assess current insurance coverage costs against benchmarks (where these exist) 2. Determine which functions should be tested under different operating models. 3. Establish comparative costs and assess if operational changes could achieve same outcomes. 4. Consider industrial and associated financial implications of moving to alternate delivery options
Financial Modeling	At this point the potential financial savings and other efficiencies are yet to be determined. Accordingly no savings have been factored into the FFTF Self-Assessment tool for 2016/17 and beyond.

Objective	2. Increase operating revenues to meet the cost of maintaining and renewing assets and delivering services.
FFTF Context	<p>T-Corp analysis of Financial Sustainability of Local Government recommends that future increases in rates and annual charges for Council services should be based on the underlying cost of delivering these services and annual movements in the costs of these services. The T-Corp analysis recommends the development of viable pricing paths to achieve at least breakeven operating costs. This principle should operate at both a macro (Council wide) level and a micro business unit level.</p>
FFTF Assumption	<p>The actions listed under this objective are based on the assumption that Council will need to increase its operating revenues to meet the true underlying costs of maintaining and renewing assets and delivering services. The primary factor impacting on Council performance against FFTF Benchmarks is the level of its expenditure on asset renewal and maintenance. The current trend level of expenditure on asset renewal and maintenance, while improving, has not been sufficient to prevent the further deterioration of assets and therefore the accumulated level of funding required for asset renewal and addressing high risk infrastructure backlog component of the asset renewal figure. This in turn has had an ongoing negative impact on Council's Operating Performance due to the increase in annual depreciation charges which have escalated significantly as a result of asset revaluations.</p> <p>Given the outcomes of community surveys and the history of Council resolutions, there is an expectation that as far as possible both Council and the community would prefer to maintain current service levels. The actions within this objective are based on this assumption.</p>
Costs, Benefits and Risks.	<p>The implementation of actions to increase operating revenues can be primarily achieved 'in-house' but may require funding for external assistance in meeting the community engagement component associated with IPART requirements. It is anticipated that required actions can be implemented in conjunction with normal workload demands.</p> <p>The benefit of the proposed actions are substantial in that, if successful, they will begin to address the ongoing revenue shortfall that has prevented Council from fully funding the costs of maintaining and renewing its portfolio of community assets. In the absence of this additional revenue, there is a strong possibility that Council will be exposed to ongoing strategic and operational risks as assets continue to deteriorate to the point where they constitute an unacceptable risk to community safety.</p>

Timeframe	The timing for this group of strategies will be primarily driven by the outcome of community consultation and IPART requirements associated with applications for rating variations.
Outcome	It is projected that actions within this objective will increase operating revenues by \$4.8M by 2019/20. This increased revenue will be directed to asset renewal and asset maintenance.
Impact on FFTF Benchmarks	The increase in operating revenues will impact positively on the Operating Performance Ratio, the Own Source Revenue Ratio, The Building and Infrastructure Asset Renewal Ratio, the Infrastructure Backlog Ratio, and the Asset Maintenance Ratio.

Proposed Action	2.1 Special Rate Variation.	Initiate community engagement process to facilitate Council consideration of application to IPART to seek approval for a rate increase above rate pegging. The working proposal is for a cumulative rate increase of 29.7% (including rate peg) over a five year period commencing in 2017/18.
Justification	<p>While Council has increased its expenditure on Asset Renewals and Maintenance by 55 % since 2011/12, it is still below the levels required to achieve the relevant FFTF Benchmarks. The increase in asset renewal and maintenance expenditure has been achieved through operational efficiencies which have seen annual operating expenditure fall in real terms. While further savings through ongoing operating efficiencies are possible, these savings will not be sufficient to fund the current annual asset renewal and maintenance shortfall as well as the funding required to address the \$65M in accumulated asset renewal requirement (including the high risk Infrastructure Backlog). Achieving the level of savings required to fund this shortfall would necessitate a substantial reduction in existing service levels including the closure of services. As a result of the revenue limitations imposed by rate pegging, Council has been consistently under-spending on asset renewal and maintenance.</p> <p>The proposed SRV strategy is a key component of Council's FFTF strategy to increase expenditure on Asset Renewal and Asset Maintenance. The additional rating revenue generated through the SRV would be directed to resource a \$25M program of asset renewal and works, to bring assets back to standard and address community expectations, and asset maintenance to prevent the further deterioration of assets. The primary purpose of the SRV is to fund a \$25M infrastructure renewal and works program over five years.</p>	
Capacity	<p>Since its formation in 1981, Council has been modest in its rating imposts - to date Council's rating increase have been aligned with rate pegging with the exception of a single increase of 6.5% above the rate pegging limit approved for the 2007/2008 financial year. In addition, in 2002/2003 Council introduced a 5 year Environmental Stormwater Management Special Levy which was discontinued in 2007/2008 – in the last year of its application the Environmental Stormwater Management Special Levy was set at \$42 per rateable property. The capacity to achieve a SRV is dependent on securing the required Council Resolution and meeting IPART requirements for the formulation and submission of an SRV, which includes community consultation.</p>	

<p>Outcome</p>	<p>The SRV would generate an additional \$3.4M in rating income by 2019/20 (and \$5.1M by 2021/22). 50% of this additional revenue would be directed to the servicing a \$25M loan (to be repaid over 15 years). The \$25M would fund a 5 year accelerated asset renewal works program primarily focused on road renewal and road reconstruction, with the balance of revenue dedicated to asset maintenance and budget repair. Following the 5 year accelerate program, the additional net revenue raised through the SRV (not required to service the loan) would be dedicated to ongoing infrastructure renewal and maintenance to stabilise Council's infrastructure backlog. It would therefore impact positively on the Operating Performance Ratio Own Source Revenue, Building and Infrastructure Asset Renewal, Infrastructure Backlog and Asset Maintenance. As the SRV is linked to a \$25M loan, it will increase Council's Debt Service Ratio but remain within the FFTF Benchmark.</p>
<p>Process and Time Frame</p>	<p>The Process will be driven the outcome of initial community engagement process in conjunction with IPART requirements. It is anticipated that the process would commence in 2016.</p> <p><u>Milestone 1:</u> The first step in this process will be for Council to confirm options for increasing investment in infrastructure renewal to provide the basis for a comprehensive community engagement process aligned with Strategy 3.2 (Service Level Review). It is proposed that up to three options could be presented to the community with each option achieving the same FFTF outcome as would notionally be delivered by an SRV rating increase. The three options would therefore include a no SRV option but with identified service level reductions and the sale of Council assets to fund a renewal works program. The second option would be the SRV proposal as outlined above. A third option would be based on a combination of options 1 and 2 or an alternate option to be developed by Council. A Council Resolution would be required to approve the options to be presented to the community as well as the scope of the works program to be funded by the additional and/or re-aligned revenues associated with each option.</p> <p><u>Milestone 2:</u> The outcome of the community engagement process to be reported to Council. This information and other data would be considered by Council to determine if Council should proceed to advise IPART of its intention to lodge an SRV application or alternatively commence a service level reduction/asset disposal strategy, or a combination of both. As notice of Council's intention to lodge an SRV application would be required to be submitted to IPART by December 2016, this decision would need to be made by November 2016. As for Milestone 1, a Council Resolution would be required to complete this Milestone.</p> <p><u>Milestone 3:</u> Should Council have determined to proceed with an SRV, Milestone 3 would require the draft SRV application to be reported to Council to seek Council's approval to submit the application to IPART. While Council may choose to amend or alter elements of the SRV application, to meet IPART requirement the SRV application would need to be lodged by February 2017. Accordingly, a Council Resolution would be required to complete this Milestone.</p> <p><u>Milestone 4:</u> Should IPART approve the SRV, the rating increases and works to be funded from the SRV revenue would be incorporated in Council's Integrated Planning and Reporting documents (including the Operational Plan). As required by the budget process, approval to exhibit this documentation and the adoption of the Operational Plan would require Council Resolution</p>

Financial Modeling	Preliminary Modeling for the SRV has been completed based on a cumulative rate increase of 29.7% including the rate peg amount. Proposed annual rating increase (including rate peg) would be 7% in (2017/18); 6% (2018/19); 5% (2019/20); 4.5% (2020/21) and 4.25% (2021/22). The proposed SRV would raise additional rating revenue of 5.11M by 2021/22. Of this amount \$2.53M would be required to fund proposed loan borrowings with the balance of additional revenue of \$2.58M to Parks and Building Renewals (\$1.6M) and Budget Repair (\$980K)	
Proposed Action	2.2 Stormwater Management Charge	Levying of an annual charge for stormwater management services.
Justification	Based on Special Schedule 7 (2013/14 Annual Report), Council is currently not providing sufficient funding for the maintenance and renewal of stormwater assets. Section 510A of the <i>Local Government Act 1993</i> , permits a Council to levy an annual charge for stormwater management services against properties connected to the stormwater drainage network. Council does not currently levy a stormwater drainage charge. Levying such a charge would enable Council, over the medium to long term, to meet the costs of maintaining and renewing stormwater assets.	
Capacity	The Local Government Regulation sets a maximum annual charge for stormwater management services of \$25 per residential property, and a charge for every 350m ² of the land area of business properties.	
Outcome	The application of a stormwater management charge would enable Council to achieve a break even operating position for stormwater management services (as recommended by T-Corp). The application of the maximum charge against all affected properties would fund the shortfall in annual maintenance and over time address the Infrastructure Backlog for stormwater assets. The additional revenue generated by Stormwater Management Charge would be dedicated to the renewal and maintenance of stormwater drainage assets. It would therefore impact positively on the Operating Performance Ratio (through a reduction in annual depreciation charges), Own Source Revenue, Building and Infrastructure Asset Renewal, Infrastructure Backlog and Asset Maintenance. Increased expenditure on asset maintenance will have a negative impact on the Operating Costs per capita Benchmark	
Process and Time Frame	A stormwater management charge can be levied by Council by way of a Council Resolution. The OLG has issued guidelines for the levying and calculation of stormwater management charge and the purposes for which the funds raised from these charges can be used. It is proposed that the Stormwater Management Charge would commence in 2017/18.	
Financial Modeling	Based on provisional modeling the total number of residential properties and equivalent business properties for which a stormwater management charge can be levied is 25159. The potential revenue to be raised from the application of a stormwater management annual charge is \$628,975.	

Proposed Action	2.3 Special Rate for new residential development	Levying of a locality based special rate to cover the costs of works and services generated by new residential development releases where the ordinary rate revenue collected from that area will not be sufficient to meet the costs of maintaining and renewing assets and delivering services to residences within that locality.
Justification	Preliminary projections for the additional costs which will arise from the transfer of enhanced heritage open space and riparian environmental reserves associated with Redbank Nth Richmond, and Jacaranda Ponds Glossodia, indicate that the ordinary rating revenue to be collected from these residential releases will not be sufficient to meet the costs of maintaining these enhanced assets (after meeting the costs of providing other Council services and facilities). The residents of these release areas will be the primary beneficiaries of the enhanced heritage and environmental assets within these developments. Section 496A of the <i>Local Government Act 1993</i> , permits a Council to levy a special rate to meet the costs of works, services and facilities provided or proposed to be provided by Council within any part of Council's area.	
Capacity	A special rate can be levied on rateable properties within a defined area. Council is required to determine the amount of the special rate based on an assessment of the estimated costs of works and services to be provided for the benefit of ratepayer within the area. This would ordinarily require Council to prepare a proposed program of works or services, estimate the costs of these works and services, and apportion the costs against the number of rateable properties within the defined area.	
Outcome	The application of a special rate would enable Council to ensure that the total rating revenue collected from the targeted development (both ordinary and special rates) would fund the costs of maintaining assets and providing services and facilities to the development (as recommended by T-Corp). The application of a special rate would fund the additional costs associated with the local expansion of the enhanced open space and riparian reserve network under Council's control. The additional revenue generated by a Special rate would be dedicated to the maintenance of Council owned open space and riparian reserve network. It would therefore impact positively on the Operating Performance Ratio Own Source Revenue, Building and Infrastructure Asset Renewal, and Asset Maintenance.	
Process and Time Frame	The levying of a Special Rate would require the same general process for a SRV as outlined in Strategy 2.1 and would require an application to IPART. The proposal for the Special Rate for Redbank Nth Richmond, and Jacaranda Ponds Glossodia would be included in the proposed SRV Application.	
Financial Modeling	Special rate based on estimated costs of additional maintenance works (additional work crew). The combined annual amount of \$416K per year is based on a rate per property of \$208 for Redbank and \$215 for Jacaranda Ponds. To be applied from 2019/20.	

Proposed Action	2.4 Review of Waste Management and Sewer Business Units.	A review of the operations of the Waste Management Facility and Sewerage Schemes. The purpose of review would be to identify a reasonable rate of return (dividend payment) from these operations and investigate business models which would best maximise the operations of these business units and the assets and resources under their control.
Justification	The operation of the Waste Management Facility and Sewerage Schemes requires a substantial investment from Council. Council currently levies an overhead charge from these units as a contribution to the costs of providing the necessary corporate systems to keep these units functioning. These businesses effectively operate on a commercial basis (competitively neutral) and should return a dividend in the form of a reasonable rate of return on their assets. The Waste Management Facility and Sewerage Schemes hold a significant portfolio of assets and resources. As with any business, maximising the opportunities afforded by this portfolio should be a key business aim. Council should investigate different operating models (with or without a Council ownership component) as well as alternate waste treatment (AWT) opportunities to expand operations to a regional level to deliver additional revenue streams.	
Capacity	<p>A 6% rate of return on the value of assets within Waste Management Facility (WMF) and Sewerage Schemes (SS) is a reasonable business target. The 2015/16 dividend for the WMF is \$309,000 which has been included in the 2015/16 draft financial estimates. This figure will rise to \$500,000 following the acquisition of land to expand the operations of the WMF Council is not in a position to derive a dividend from SS until such time as the SS achieve best practice benchmarks (which is imminent) - when the benchmarks are achieved Council would need to apply to IPART to seek approval for a dividend payment from the SS.</p> <p>A review of the operations of the Waste Management Facility is currently being undertaken by an external consultant. KPMG has been commissioned to undertake a review of Sewerage Schemes service delivery models. Once completed, these reviews will identify different operating options and models and opportunities for maximising return on assets and revenue streams.</p>	
Outcome	The receipt of dividends from the WMF and SS would increase operating revenues within the General Fund. There would be a parallel increase in the operating costs of the WMF and SS – but this would reflect the real cost of operating these facilities on a competitively neutral commercial basis. The outcome of operational reviews may also generate additional revenue or increase operating efficiencies – at this time no indicative figure is available to quantify the \$ impacts of these changes. The additional revenue generated by business unit dividends would impact positively on the Operating Performance Ratio and the Own Source Revenue Ratio.	
Process and Time Frame	The identification of dividend payments representing a reasonable rate of return would occur in conjunction with the preparation of annual financial estimates commencing in 2015/16. Options for different operating models and business opportunities would be contingent on the outcomes of the reviews of the WMF and SS.	
Financial Modeling	Payment of a \$309K dividend from the WMF has been included in 2015/16 financial estimates with the amount expected to increase in outer years. No amount has been included for SS for the period ending in 2019/20	

Proposed Action	2.5 Review of Pricing Structures for Business Units	A review of the operations of income generating 'non-core' business units – e.g. Cemeteries, Companion Animal Shelter, Richmond Pool, Upper Colo Reserve. The purpose of the review is to establish the true operating costs of these business units so that their pricing structures could be geared to achieve at least a break-even operating position over the medium term.
Justification	Council provides a range of services to residents – both free of charge and on a fee for service basis. In principle, the cost of providing services on a fee for service basis should be offset by the revenue collected from the users of these services so that they operate on at least a cost recovery basis (as recommended by T-Corp). Currently, a number of Council's services, provided on a fee for service basis operate at a net loss to Council when underlying costs (overheads and infrastructure requirements) are taken into account. Given the demands on Council's finances, the continued subsidisation of these services into the future is not sustainable.	
Capacity	To date, the net cost to Council of business unit operating on a fee for service basis have not been fully calculated. The extent to which fees and charges can be adjusted to achieve (at least) a cost neutral result may be dependent on the elasticity of the market and other extraneous factors.	
Outcome	The potential additional revenue that could be generated through adopting a medium to long-term pricing path to achieve break-even operating positions would be in the order of \$425K by 2019/20. The additional revenue generated by business unit dividends would impact positively on the Operating Performance Ratio and the Own Source Revenue Ratio.	
Process and Time Frame	Financial modeling to establish turnaround targets have been completed. Will be achieved through a combination of pricing structures and review of service models. Staged process for achieving targets by 2019/20 will be implemented from 2016/17. The implementation and timing for this action will be driven by the established time frames for the preparation of annual financial estimates commencing in November 2015	
Financial Modeling	The financial modeling for this proposed action is based on setting a turnaround target for each service taking into account current income and expenditures.	

Proposed Action	2.6 Lobbying for increased regional road funding	Lobby NSW government and Roads and Maritime Services to have additional roads placed on the regional roads network (Yarramundi Lane, Francis St) and seek contribution to costs of maintaining these roads.
Justification	A number of local roads are used by through traffic travelling from regional road to regional road. These local roads are used as 'rat runs' by traffic due to ongoing traffic bottlenecks on these regional roads. In effect these local roads are being used by through traffic as quasi regional roads due to the incapacity of the regional road network to accommodate traffic volumes. The use of these local roads by through traffic contributes to the increased maintenance and renewal costs of maintaining these local roads.	
Capacity	Council has identified two roads (Yarramundi Lane and Francis St Richmond) for which a financial contribution for maintenance and renewal should be sought	
Outcome	Should Council be successful in lobbying government, the additional funding revenue would be dedicated to the maintenance and renewal of roads which would have a positive impact on Building and Infrastructure Asset Renewal Ratio , Infrastructure Backlog and Asset Maintenance Ratio.	
Process and Time Frame	Dependent on Council Resolution.	
Financial Modeling	Unable to be calculated. No figure has been inputted into FFTF Modeling as outcome of this strategy cannot be determined at this time as and lies beyond Council's control.	

3.2 Infrastructure and service management

Objective	3. Establish Sound Platform for Asset Planning and Management.
FFTF Context	<p>Reports into the future of Local Government consistently underscore the importance of sound asset management to drive long-term sustainability and the identification and management of strategic and operational risks. T-Corp analysis has highlighted the limitations of relying on Special Schedule 7 as a basis for asset management planning. T-Corp strongly recommends that councils prioritise asset management planning to provide a sound platform for long-term financial forecasting by validating Infrastructure Backlog values so that a clear picture of the total funding requirements of council assets can be established with a high level of certainty. Enhancing the knowledge and skills of management and elected officials as to the importance of financial planning and asset management is viewed as critical to this process.</p>
FFTF Assumption	<p>Council's future sustainability is directly linked to its asset management capability and expertise. Asset management involves the integration of many of the functions of council. A failure to maintain and evolve this capability may expose Council to ongoing strategic and operational risks. Council has relied on Special Schedule 7 to estimate its funding requirements for asset management. Council has commenced a process to enable it to move towards a risk and evidence based assessment of ongoing infrastructure costs and liabilities. To support this process Council will be implementing a number of strategies to validate and refine the assumptions underpinning its infrastructure forecasting. These strategies include the finalisation of asset management plans and the consolidation of asset management planning framework, and the completion of a comprehensive service level review in consultation with residents.</p>
Costs, Benefits and Risks.	<p>The implementation of the actions to consolidate Council's asset management planning framework can be primarily achieved 'in-house' but will require external review. It is anticipated that the required actions can be implemented in conjunction with normal workload demands.</p> <p>The benefit of the proposed actions are substantial in that they will address asset management scale and capacity issues and in particular the essential element of prioritising asset management planning. The actions will ensure that Council has the scale and capacity to maintain Asset Management Plans that integrate to the delivery program and annual budget process and are based on up to date and reliable condition assessments. Without the consolidation of this capacity there is a risk that Council will be unable to chart a viable path for future financial sustainability.</p>

Timeframe	The timing for this group of strategies will be (in part) driven by community engagement process and IPART requirements as outlined for Strategy 2.1.
Outcome	The consolidation of an integrated Asset Management Planning framework will support the effective management of strategic and operational risks through the identification of targeted asset management intervention points. At this point the financial impact of this strategy is unable to be determined, however, Council's future sustainability is directly linked to its asset management capability and expertise. An allocation of \$120,000 has been included in the 2015/2016 Operational Plan as seed funding for the establishment of a reconfigured asset management and planning structure that can better support sustainable asset management planning.
Impact on FFTF Benchmarks	The finalisation of asset management plans will have an impact on all FFTF benchmarks.

Proposed Action	3.1 Completion of Asset Management Plans.	The completion of asset management plans to establish required levels and scheduling of asset renewal expenditure based on preferred and affordable service levels.
Justification	<p>Until recently, Council's has focused its asset management resources on the creation and maintenance of assets rather than the planning and long-term renewal of assets. This has directed Council's resources towards meeting shorter term priorities based on the felt needs of the community and political priorities. It has not necessarily future- proofed Council's assets portfolio based on optimal decision making with a focus on the longer term. The T-Corp sustainability assessment and results against the FFF benchmarks are a clear indication that this reactive approach is not sustainable in the light of future revenue and expenditure projections.</p> <p>Variability across councils in the methodology and assumptions underlying the preparation of Special Schedule 7 (Report on Infrastructure Assets) has diminished its utility as a tool for evaluating asset management and has perhaps given rise to a perception that it misstates the asset and long-term financial position of Council and/or that is simply a book-entry that ascribes a paper value to the annual depreciation of Council's assets (rather than actually recording the real cost of asset consumption).</p> <p>Council is currently in the process of constructing an asset management (AM) system with a data repository and modeling functionality to establish an accurate picture of asset condition and facilitate scenario modeling. The effective implementation of this system and the finalisation of asset management plans will require appropriate resource allocation based on a considered appraisal of changing asset management requirements.</p>	

Capacity	<p>Council's current asset management structure is based on asset categories (Roads, Parks, Buildings etc.) with a focus on technical condition assessment, data entry, and the construction of computerised asset management technology. There are a number of positions across Council currently involved in these processes. While this approach has satisfied the immediate operational requirement for the development of an asset management system based on technical data, it has not necessarily supported a corporate wide asset planning function with a clear focus on longer-term asset management and financial forecasting to drive engagement with elected officials and the community about agreed and sustainable levels of service into the future. Similarly, resources have not been invested in enhancing the asset management planning capability of Council staff, management and elected officials to promote greater understanding of the long-term financial impact of decisions.</p> <p>To this end an allocation of \$120,000 has been included in the 2015/2016 Operational Plan as seed funding for the establishment of a reconfigured asset management and planning structure that can better support sustainable asset management planning.</p>
Outcome	<p>Consolidating and strengthening Council's asset planning capability will enable Council to more accurately determine asset renewal expenditure requirements in accordance with the levels and timing outlined in soundly based asset management plans. The completion of asset management plans will establish a more complete picture of the useful life of assets to enable the accurate forecasting of future funding requirements, Infrastructure Backlog values and annual depreciation expense.</p>
Process and Time Frame	<p>Review of asset management structure and staffing resources to commence in July 2015 and completed by October 2015. Updated Asset Management Plans to be finalised by March 2016</p>
Financial Modeling	<p>At this point the financial impact of this strategy is unable to be determined, however, Council's future sustainability is directly linked to its asset management capability and expertise.</p>

Proposed Action	3.2 Service Level Review	Implementation of a Community Engagement Strategy to determine affordable and agreed service levels
Justification	<p>T-Corp's definition of financial sustainability in local government incorporates an implicit requirement for community engagement to determine acceptable levels of service for all asset classes. Currently, levels of service within Council's asset management system are primarily based on technical condition assessments. There is a risk that a reliance on technical specifications may result in over servicing and/or priority settings which may not reflect community concerns.</p> <p>The completion of a comprehensive service level review will enable Council, in conjunction with the community, to determine a safe and realistic BTS (bring to satisfactory) asset standard for asset classes which better reflects community priorities and Council's future financial capacity. Undertaking a service level review is integral to the satisfactory completion of asset management plans.</p>	

Capacity	Council has established community engagement processes and tools. Satisfaction with Council's consultation with the community has increased and dialogue has commenced with the community on the asset management challenges facing Council. While the community is generally satisfied with the provision and maintenance of community facilities and parklands, their key focus area for improvement is with roads and transport infrastructure. This engagement framework will enable Council to continue its dialogue with the community to determine acceptable service levels for all asset classes and the community's capacity and willingness to pay for its preferred levels of service.
Outcome	At this time it is not possible to quantify the financial impact of a service level review. In general terms, the purpose of the review would be to inform the community of funding required to maintain services and assets (and prevent their further deterioration). Progressing this dialogue will depend on clearly articulating the benefits of moving from backlog to sustainability over the long term and the resources that would need to be found to do this. Establishing the resource requirements, will enable the community to review options for reviewing service levels to enable funds to be redirected to asset renewal and maintenance. Accordingly, this strategy has the potential to impact positively on the FFTF Building and Infrastructure Asset Renewal Benchmark, the Infrastructure Backlog Benchmark and the Asset Maintenance Ratio.
Process and Time Frame	The timing and process for a service level review will be driven by IPART requirements The implementation of this strategy would be based on the elements within the community engagement and communication plan that would drive the service level review. Council may need to seek external assistance to design and deliver the required community engagement and communication plan.
Financial Modeling	Financial impact to be determined based on outcome of service level review.

Objective	4. Reduce Infrastructure Backlog through increase spending on infrastructure renewal and maintenance.
FFTF Context	<p>T-Corp analysis of Financial Sustainability of LG highlights that local government costs are heavily influenced by the provision, ongoing maintenance, and renewal of long lived assets. Recognition of the cost of asset consumption is therefore a critical component of the future financial and service level sustainability of councils. Achieving a break-even operating position will be dependent on providing sufficient funds to address Infrastructure Backlog and future requirements for the renewal and maintenance of assets. T-Corp has identified that the use of debt is an efficient vehicle for addressing Infrastructure Backlog, enhancing inter-generational equity and improving asset quality.</p>
FFTF Assumption	<p>T-Corp has highlighted the importance of sound asset management for long-term financial forecasting and financial sustainability. This requires the provision of sufficient funds to meet future requirements for the maintenance of assets and services.</p> <p>Constructing new assets will generate additional funding demands for asset renewal and maintenance and increase annual depreciation charges. It may also divert funds from asset renewal and maintenance. Achieving the correct balance between new assets and the renewal of assets (new -vs- renew) will be a critical aspect of Council's future financial sustainability.</p> <p>The actions listed under this objective are linked to the proposed Special Rate Variation to generate the majority of the increased revenue required to address Council asset renewal funding requirements.</p>
Costs, Benefits and Risks.	<p>The implementation of the actions to move towards a more sustainable capital works planning framework and stable asset renewal position can be primarily achieved 'in-house'. It is anticipated that the required actions can be implemented in conjunction with normal workload demands.</p> <p>The benefit of the proposed actions are substantial in that they will enable Council to prioritise its capital works spending to achieve the best balance between building new assets and renewing existing assets and, accelerate the required asset renewal works to stabilise Council's infrastructure backlog. In the absence of these actions there is a strong possibility that Council will be exposed to ongoing strategic and operational risks as assets continue to deteriorate to the point where they constitute an unacceptable risk to community safety.</p>

Timeframe	The timing for this group of actions will be (in part) driven by IPART requirements associated with the application for a special rate variation. If successful the SRV application will enable Council to begin the implementation of an accelerated asset renewal program in July 2017. Other actions which fall under this objective are already in train or will also commence in July 2016.
Outcome	The cumulative impact of these actions will be to direct \$36M to asset renewal works to address and stabilise Council's infrastructure backlog.
Impact on FFTF Benchmarks	The proposed actions will impact positively on the Building and Infrastructure Asset Renewal Ratio, the Infrastructure Backlog Ratio, and the Asset Maintenance Ratio.

Proposed Action	4.1 Integrated Capital Works Program.	Developing and implementing a corporate framework for integrated capital works investment with a clear focus on the renewal of existing assets and/or works which minimise asset maintenance costs /or reduce operating costs.
Justification	<p>To maintain its financial sustainability going forward, Council will need to establish parameters for capital works investment with a clear priority on asset renewal to address infrastructure backlogs. This principle should be applied to the demand for new asset and services associated with residential development - rather than creating new 'stand alone' assets, wherever possible, the focus should be on upgrading existing assets to cater for the increased demand arising from population growth.</p> <p>In this respect, T-Corp has cautioned against using one-off grants or capital funds to construct non-core assets (entertainment and recreational facilities) which cannot be operated on a commercial or break-even basis as services may have to be reduced to pay for the operating and renewal costs of these new assets into the future. T-Corp suggests that such a strategy may be acceptable as long as the community is aware and accepting of this trade-off or where the users of these assets have the capacity to generate the revenue that would be required to meet the maintenance and life-cycle costs of these assets into the future. Service levels should not be increased unless the upgrade of an asset, undertaken in conjunction with asset renewal processes, provides some financial pay-back or where there may be a legislative requirement to upgrade and asset or service</p>	
Capacity	Projected expenditure on capital works over the next 10 years arising from new residential development alone could exceed \$150m (based on the content of Voluntary Planning Agreements and Developer Contributions Plans). These works have the capacity to significantly increase asset maintenance costs, operating costs and annual depreciation charges. The long-term costs of bringing these assets on line will need careful assessment so that wherever possible works should be geared towards the renewal and upgrade of existing assets so as to minimise their long term impact on Councils financial sustainability.	

Outcome	The aim of an integrated capital works investment framework is to direct capital funding to asset renewal works and to minimise future exposure to increased asset maintenance costs and annual depreciation charges. Accordingly, this strategy has the potential to impact positively on FFF Operating Performance, Building and Infrastructure Asset Renewal, the Infrastructure Backlog Ratio and the Asset Maintenance Ratios.
Process and Time Frame	Strategy has commenced and is reflected in the content of revised S94 Plan and current Voluntary Planning Agreements. Will be applied to S94 Plans and VPAs covering future residential developments.
Financial Modeling	Based on works programs contained within revised S94 Plan and finalised VPAs, additional capital funding of \$10.7M will be directed to asset renewal works between 2016/17 and 2019/20.

Proposed Action	4.2 Establish Sinking Fund for Community Facilities.	The introduction of a building renewal and maintenance charge to be levied on community facilities used by external agencies to deliver fee-paying and/or funded community services (child care centres and community centres). The purpose of the levy would be to raise revenue, based on the annual depreciation charges for these facilities, as a contribution to the maintenance and renewal of these assets.
Justification:	<p>Council maintains a network of 30+ community and child care centres. A substantial number of these facilities (about 20) are used by external agencies to deliver government funded and/or fee paying services. Council delegates the management of these facilities to these agencies who use the income generated from the hire and use of the facilities to offset the operating and occupancy costs of these facilities. Council does not require these agencies to remit any of this revenue to Council.</p> <p>This foregone income subsidises the day-to-day operation of these fee-paying and/or /funded services. In addition, it is generally the case that these agencies have been operating from these buildings for many decades with the effect that Council has been further subsidising their operations by funding the long-term maintenance and renewal of these assets. In effect, a proportion of the real cost of providing these services, has been shifted from the state and federal government (and/or the consumers of these services) to ratepayers.</p> <p>It would be a reasonable expectation that the external agencies who derive a financial benefit from the use of rent-free Council facilities should contribute to the life-cycle costs of the assets which they have been effectively consuming for many years. The income generated by the external agencies (located in Council premises) is substantial - calculated at \$6.5M in 2002 and would be in the order of \$10M in 2015). In a framework where state and federal funding programs are moving towards a more aggregated and contestable funding landscape, there will be an increasing requirement for funded services to operate on a quasi-commercial basis – the true costs of providing these services should therefore be reflected in their tenders and pricing paths. The revenue raised from the application of a building renewal and maintenance charge would be dedicated to the asset renewal and maintenance of the buildings from which this revenue was raised.</p>	

<p>Capacity:</p>	<p>The annual depreciation charges of the child care centres alone are \$465,500. A 25% contribution to these costs would generate \$116,375 which could be dedicated to child care centre asset renewal. A conservative estimate of the income generated by child care centres operating from Council premises would be in the order of \$3.15M. A building renewal and maintenance levy of \$116,375 represents 3.7% of this income. The centres between them are licenced for 350 full time places – the cost per place would be \$332.50 or \$8 per week (\$1.60 per day).</p> <p>A conservative estimate of the grant income derived by external community service agencies (not child care centers) operating from Council premises would be in the order of \$2.5M - a 25% pro-rata contribution to the annual depreciation charge for the exclusive use floor space occupied by their agencies would generate additional funds which would be dedicated to the renewal of these exclusive use areas.</p>
<p>Outcome:</p>	<p>The potential additional revenue that could be generated through the application of a building renewal and maintenance charge on child care centres (covering 25% of the annual depreciation cost of these buildings would be \$116,735). The application of a building renewal and maintenance charge for the exclusive –use-floor space occupied by funded agencies within community centres have yet to be calculated</p> <p>The additional revenue generated by a building renewal and maintenance charge would impact positively on the Operating Performance Ratio and Own Source Revenue. If revenue was dedicated to asset renewal/maintenance it would also have a positive impact on the Building and Infrastructure Asset Renewal, Infrastructure Backlog and Asset Maintenance ratios. Increased expenditure on asset maintenance will have a negative impact on the Operating Costs per capita Benchmark</p>
<p>Process and Time Frame</p>	<p>It first instance, the proposed building renewal and maintenance charge would be introduced for child care centres using the following process</p> <ol style="list-style-type: none"> 1. Prepare revised Licence Agreement (to replace current Community Facilities Manual) to include provision for building renewal and maintenance levy 2. Distribute draft licence agreement to affected agencies for comment and report to Council for adoption 3. Confirm calculation of building renewal and maintenance levy for each building. 4. Commence application of levy in 2016/17
<p>Financial Modeling</p>	<p>Payment of levy to commence 2016/17 at 50% of required amount for first two years and then full amount from 2018/19. Strategy is projected to raise \$350,205 by 2019/20 with an ongoing annual amount of \$116,375. Revenue to be directed to the renewal and upgrade of child care centres</p>

Proposed Action	4.3a Infrastructure Borrowings Program.	A \$25M borrowings program to address infrastructure backlog and current annual maintenance expenditure shortfall (linked to Strategy 2.1 - Special Rate Variation – to raise the revenue to service the loan repayments on the proposed Borrowings). The borrowings program would fund an accelerated 5 year asset renewal and works program and increase provision for long-term asset maintenance.
Justification	<p>The Financial Assessment and Benchmarking Report prepared in March 2013 for Hawkesbury City Council by T-Corp, identified Council's Infrastructure Maintenance and Renewal Backlog as the primary risk impacting on council's future sustainability. Historically, Council has been under-spending on maintenance and infrastructure renewal and the current trend level of expenditure on asset renewals and maintenance has not been sufficient to prevent the further deterioration of assets and therefore the accumulated level of the Infrastructure Backlog. T-Corp has strongly recommended that councils use debt funding to reduce their Infrastructure Backlogs and improve intergenerational equity.</p> <p>Council currently spends 62% (\$35.4M) of its revenues on the maintenance and renewal of its assets. Based on the FFTF Benchmark results, Council will need to increase its annual asset maintenance and renewal expenditure by a substantial amount to prevent the further deterioration of its assets. Unless action is taken to increase asset renewal and maintenance funding, the accumulated intergenerational debt represented by Councils Infrastructure Backlog will continue to grow</p>	
Capacity	The capacity of Council to service a \$25M would be dependent on approval for a Special Rate Variation and/or the identification of service level reductions and asset sales which could support an equivalent program. The additional rating revenue generated through the SRV or alternate options would be used to service loan repayments on the proposed borrowings (over 15 years) and increase spending on asset renewal maintenance (over the long term) to prevent the further deterioration of assets. Council currently has a low level of loan borrowings (when measured against the FFTF benchmark) and could increase its debt exposure to address its Infrastructure Backlog provided that it has the financial capacity to service this debt.	
Outcome	The proposed borrowings program would fund a \$25M infrastructure renewal and works program which would reduce Council's Infrastructure Backlog and improve assets in line with community expectations. The borrowings program would potentially halve Council's current high risk Infrastructure Backlog. The borrowings program would impact positively on the Asset Renewal, Infrastructure Backlog and Asset Maintenance Ratios. It will also increase the Debt Service Ratio but it will still remain within the FFTF benchmark for this ratio.	
Process and Time frame	As the proposed Borrowings program is linked to an SRV, the Process will be driven by IPART requirements. The key milestones for the Borrowings Program would be to prepare a proposed \$25M Asset Maintenance & Renewal Program by early 2016, and then commence a Community Engagement Strategy to outline the Program, and report the outcomes of the consultation to Council by November 2016.	
Financial Modeling	The proposed \$25M borrowing program would reduce Council's current high risk Infrastructure Backlog and required renewal works.	

Proposed Action	4.3b Energy Efficiency Borrowings Program.	Loan facility to invest in energy efficiency technology and infrastructure. Costs recovered through energy savings would be used to fund loan borrowings
Justification	Council wishes to further explore opportunities to invest in energy efficiency initiatives.	
Capacity	Council would participate in Borrowing Programs relating to Energy Efficiency Initiatives where Projects can provide a positive net return from Year 1, based on a whole of life asset cost.	
Outcome	To be determined based on more detailed whole-of-life asset costs and business modeling	
Process and Time frame	At this time, no detailed work has been undertaken to model options for Council consideration. Proposed project (s) would be dependent on business case which would require external review. First step would be preparation of an in house feasibility study for report to Council	
Financial Modeling	Strategy unlikely to have impact on FFTF forecasts to 2019/20 as energy efficiency savings would be directed to repayment of loan in short to medium term.	

3.3 Efficiency

Objective	5. Reduce per-unit cost of operations.
FFF Context	IPART requires Council to demonstrate operational savings over the next five years (net of Integrated Planning and Reporting service improvements). Increasing its investment in infrastructure is the primary goal of Council's plan for its future financial sustainability. Maximising the funds available for this purpose will require Council to pursue ongoing operating efficiencies and contain the per-capita cost of services and infrastructure maintenance.
FFTF Assumption	The primary factor impacting on Council's performance in relation to its capacity to reduce the per-unit costs of its operations (i.e. value for money) has been the relative size and distribution of its population. As an urban/rural hybrid council, Council faces ongoing challenges in delivering services across a large geographic area given its relatively smaller rating and customer base compared with neighbouring metropolitan councils. The anticipated benefit of strategies for sustainable population growth are premised on the strong correlation between population density and the unit costing of service provision
Costs, Benefits and Risks.	The efficiency actions under this objective have been identified under Objective 1 and can primarily be implemented in conjunction with the preparation of Council's annual financial estimates. The benefits arising from the other actions will be reliant on the scope of shared service arrangements to be investigated and negotiated under the Regional Strategic Alliance. Council has been able to contain real operating expenditure per-capita through careful budget management, although this has been achieved at the expense of its capacity to fully fund the cost of maintaining and renewing infrastructure. While, this trade-off has enabled Council to maintain service levels, and where required, absorb new functions and responsibilities, it has contributed to a growing infrastructure backlog.
Timeframe	The timing for the efficiency actions will be driven by the established time frames for the preparation of annual financial estimates (as outlined under Objective 1). Modeling of the financial impact of the three council Regional Strategic Alliance has not been undertaken as areas for possible collaboration are currently being investigated by a Management Committee appointed by the three participating councils with outcomes not due to be reported until June 2016. The implementation of the Hawkesbury Residential Land Strategy is ongoing.

Outcome	<p>The actions identified under this Objective are intended to;</p> <ul style="list-style-type: none"> • increase population density and generate additional own-source revenue to drive down the per capita cost of service provision and infrastructure maintenance; • leverage external investment through developer funded asset upgrades and renewals; • achieve economies of scale through an aggregated population catchment of 451,000 across three local government areas by 2031. <p>These outcomes are unable to be quantified at this time</p>
Impact on FFTF Benchmarks	<p>Residential growth will increase population density which carries potential to impact positively on Real Operating Expenditure per capita Ratio.</p>

Proposed Action	5.1 OPEX expenditure reduction	A defined cap on annual increase in net OPEX (Operating Expenses excluding depreciation and Asset Maintenance) at a figure less than CPI over the next five years (adjusted for account population growth).
Justification	As for the proposed actions identified under 3.1.	
Capacity		
Outcome		
Process and Time Frame		
Financial Modeling	Projected to deliver recurrent operating savings of \$1,484,900 by 2019/20 for reinvestment in asset renewal.	

Proposed Action	5.2 Regional Strategic Alliance	Investigate potential for collective action and advocacy and increased operating efficiencies through economies of scale and shared service arrangements.
Justification	T-Corp has identified that there may be some value in pursuing shared service and resourcing arrangements. The Independent Local Government Review Panel has identified the need for stronger and more effective regional groupings of council which are seen as a vehicle for achieving the longer-term sustainability of local government and for increasing the effectiveness of local government as a regional planning partner with State and Commonwealth government.	

Capacity	Council is investigating the potential for entering into a Regional Strategic Alliance with Blue Mountains and Penrith Councils – a development which has been supported by the NSW Government who has suggested that such an initiative could be aligned with Council's FFTF proposal.
Outcome	The outcomes of the Regional Strategic Alliance will be dependent on its proposed scope and governance model. There is potential for the proposed Alliance to deliver economies of scale and improve collaboration and service arrangements across local government boundaries. At this time, these benefits are unable to be quantified.
Process and Time Frame	Council has executed Cooperation and Management Agreement with BMCC and PCC. A Management Committee is to be established to investigate joint projects and programs. Due to report to the three councils by June 2016.
Financial Modeling	Financial impact to be determined based on assessment of economy of scale efficiencies, resource sharing, and joint procurement.

Proposed Action	5.3 Sustainable Population Growth	Implementation of Residential Land Strategy.
Justification	The T-Corp assessment of the financial sustainability of local government has established a strong correlation between population density and the ability of council's to generate revenue to fund services and maintain assets. Councils with low population densities require each resident to support a greater amount of infrastructure asset. T-Corp financial assessment of Hawkesbury Council highlighted low levels of population growth as a risk to Council. Council has adopted a Residential Land Strategy to concentrate residential future development around existing centres, however, over the past decade the majority of population growth has continued to occur in rural localities with relatively higher per-unit service and infrastructure costs. Unless reversed, this trend has the potential to further weaken Council's sustainability.	
Capacity	Council has adopted a Residential Land Strategy (HRLS) which aims to concentrate new residential development around existing urban centres and villages through urban infill or the greenfield expansion of existing centres. There is a strong pipeline of residential development projects (6000+ lots) centred on existing urban centres and villages. Implementing the HRLS has the potential to increase population density, generate additional own-source revenue and drive down the per capita cost of service provision.	
Outcome	The aim of the HRLS is to concentrate development around existing urban centres and villages to maximise the use of existing infrastructure. Its implementation has the potential to increase rating revenue and drive down the per-unit costs of services and infrastructure maintenance. Consistent with this direction, recently approved planning proposals have included 1,400 lots at North Richmond, 659 lots at Pitt Town, and 580 lots at Glossodia. Investigations are underway to determine the potential residential development yield for the Kurmond/Kurrajong Investigation	

	Area and the Vineyard Precinct (within the North West Growth Sector). This strategy has the potential to impact positively on the FFTF Operating Performance Ratio and the Real Operating Expenditure Per Capita benchmark.
Process and Time Frame	Processes supporting the implementation of the HRLS are in train. Planning agreements have been completed for greenfield expansion of three centres. Current approvals in place for new residential developments of 2,600 lots. Investigations in train for potential 4,000+ additional lots.
Financial Modeling	Implementation of HRLS has the potential to increase rating revenue and drive down the per-unit costs of services and infrastructure maintenance. This impact is yet to be modeled.

Financial Modelling of FFTF Proposal

A. Summary of projected impact on FFTF Performance Indicators

Projected Performance Indicators LTFP - Fit for the Future Model												
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Sustainability												
Operating Performance Ratio (Avg)	-0.125	-0.098	-0.084	-0.052	-0.032	-0.019	-0.011	-0.006	0.008	0.027	0.051	0.064
Own Source Revenue Ratio (Avg)	65.69%	73.71%	79.75%	86.05%	84.43%	84.38%	83.89%	85.64%	86.62%	88.13%	88.66%	89.05%
Building & Asset Renewal Ratio (Avg)	76.94%	92.36%	89.26%	88.85%	93.69%	111.65%	137.45%	133.88%	117.01%	101.18%	115.24%	126.96%
Effective Infrastructure & Service Management												
Infrastructure Backlog Ratio	14.05%	4.24%	4.33%	4.65%	4.57%	3.52%	2.26%	2.42%	2.43%	2.15%	1.50%	0.00%
Asset Maintenance Ratio (Avg)	58.37%	69.72%	79.78%	93.63%	96.16%	98.58%	102.17%	102.13%	101.87%	100.12%	100.01%	100.01%
Debt Service Ratio (Avg)	0.47%	0.87%	1.22%	1.19%	1.30%	1.76%	2.53%	3.36%	3.94%	4.07%	3.75%	3.32%
Efficiency - Based on OLG CPI												
Real Operating Expenditure (Trend)	Decreasing	Decreasing	Decreasing	Decreasing	Decreasing	Decreasing	Decreasing	Decreasing	Decreasing	Decreasing	Decreasing	Decreasing
Total Rate Increase (incl 2.5% peg)					7.00%	6.00%	5.00%	4.50%	4.50%	4.50%	4.50%	2.50%
Meets FFTF Benchmark												
Does not meet FFTF Benchmark												
*Avg = average for the current year + 2 prior years												
*Trend = trend observed over current year + 4 prior years discounted by average CPI												
FFTF Model	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25
Asset Maintenance	12,439	12,339	12,602	12,860	13,879	14,125	14,684	13,912	13,782	13,653	13,525	13,398
Asset Renewal	8,331	8,384	9,208	8,116	9,860	14,561	15,821	8,939	9,755	11,261	13,153	13,247
Infrastructure Backlog	63,849	20,405	20,842	22,381	22,231	17,419	11,398	12,299	12,422	11,044	7,779	0
Structural Deficit	6,952	4,699	2,602	1,809	1,353	505	351	344	-2,645	-3,855	-5,579	-6,332
WDV		480,844	480,844	480,844	480,844	480,844	480,844	480,844	480,844	480,844	480,844	480,844

B. Summary of Projected Income and Expenditure

Report Code	Year 1 2015/16	Year2 2016/17	Year3 2017/18	Year4 2018/19	Year5 2019/20	Year6 2020/21	Year7 2021/22	Year8 2022/23	Year9 2023/24	Year10 2024/25
General Rates	-28,844,133	-30,617,706	-32,717,044	-34,640,653	-36,337,439	-37,939,512	-39,614,034	-41,364,275	-43,193,651	-44,247,180
Utility Rates & Charges	-13,143,565	-13,763,555	-14,246,475	-14,828,691	-15,699,883	-16,594,052	-17,138,615	-18,516,054	-19,810,385	-20,893,971
User Charges & Fees	-4,947,669	-5,455,679	-5,609,212	-5,771,066	-5,945,015	-6,128,963	-6,323,735	-6,530,203	-6,749,551	-6,982,825
Internal Income & Expenses	98,333	101,283	104,322	107,451	110,674	113,995	117,415	120,937	124,566	128,302
Interest	-1,122,623	-1,001,119	-1,026,966	-990,167	-957,933	-964,810	-913,851	-891,508	-848,418	-805,074
Other Income	-4,165,167	-3,958,683	-4,099,729	-4,163,925	-4,311,376	-4,382,195	-4,536,500	-4,614,409	-4,776,048	-4,861,546
Operating Grants and Contributions	-6,805,415	-6,546,660	-6,590,659	-6,845,972	-6,586,040	-6,567,341	-6,908,829	-6,614,913	-6,669,077	-7,004,757
Capital Grants & Contributions	-2,259,174	-2,558,633	-5,738,105	-3,763,651	-5,207,941	-2,745,742	-2,436,024	-2,438,890	-2,441,842	-2,444,882
	-61,189,413	-63,800,753	-69,923,868	-70,896,674	-74,934,952	-75,208,621	-77,754,173	-80,849,315	-84,364,404	-87,111,933
Employee Costs	23,552,827	24,259,412	24,987,194	25,736,810	26,508,914	27,251,164	28,014,196	28,798,594	29,604,955	30,433,893
Borrowing Costs	345,462	318,218	393,951	605,257	816,019	954,568	1,022,612	969,696	925,000	900,000
Materials & Contracts	15,267,252	15,388,958	16,258,426	16,581,186	16,992,215	17,924,769	15,847,607	15,857,240	15,641,939	15,415,981
Depreciation & Amortisation	11,509,398	11,532,066	11,587,597	11,626,026	11,676,975	11,717,076	11,754,810	11,759,987	11,765,178	11,757,385
Other Expenses	10,857,673	11,552,656	12,311,958	13,088,708	14,083,509	14,959,345	16,033,905	17,169,612	18,406,643	19,827,421
	61,532,612	63,051,310	65,539,127	67,637,986	70,077,632	72,806,922	72,673,130	74,555,129	76,343,715	78,334,680
Accumulated Depreciation	-11,509,398	-11,532,066	-11,587,597	-11,626,026	-11,676,975	-11,717,076	-11,754,810	-11,759,987	-11,765,178	-11,757,385
Cash Assets	-1,255,464	35,045	-1,632,957	-5,430,557	-6,516,422	-1,562,856	413,362	3,061,355	3,332,540	3,144,216
Proceeds of Capital Sales	-881,926	-1,607,097	-1,187,812	-1,344,450	-1,243,561	-1,486,356	-1,233,703	-1,609,703	-1,157,778	-1,762,901
Property, Plant & Equipment	13,303,589	13,853,560	18,793,107	21,659,720	24,294,278	17,167,987	17,656,194	16,602,520	17,611,105	19,153,323
Net Result	0	0	0	0	0	0	0	0	0	0

C. Summary of Projected Impact on Depreciation, Amortisation and Asset Maintenance

Infra Depreciation	Year 1 2015/16	Year2 2016/17	Year3 2017/18	Year4 2018/19	Year5 2019/20	Year6 2020/21	Year7 2021/22	Year8 2022/23	Year9 2023/24	Year10 2024/25
Grand Total	11,107,000	11,107,000	11,107,000	11,107,000	11,107,000	11,107,000	11,107,000	11,107,000	11,107,000	11,107,000
JRA Depn	9,644,798	9,654,966	9,710,497	9,748,926	9,799,875	9,839,976	9,877,710	9,882,887	9,888,078	9,893,285
Change	-1,462,202	-1,452,034	-1,396,503	-1,358,074	-1,307,125	-1,267,024	-1,229,290	-1,224,113	-1,218,922	-1,213,715
2304. Depreciation Expense Other S	640,500	640,500	640,500	640,500	640,500	640,500	640,500	640,500	640,500	640,500
2305. Depreciation Expense Building	4,224,500	4,224,500	4,224,500	4,224,500	4,224,500	4,224,500	4,224,500	4,224,500	4,224,500	4,224,500
2306. Depreciation Expense Land In	111,500	111,500	111,500	111,500	111,500	111,500	111,500	111,500	111,500	111,500
2307. Depreciation Expense Roads	2,640,000	2,640,000	2,640,000	2,640,000	2,640,000	2,640,000	2,640,000	2,640,000	2,640,000	2,640,000
2308. Depreciation Expense Bridges	327,000	327,000	327,000	327,000	327,000	327,000	327,000	327,000	327,000	327,000
2309. Depreciation Expense Footpat	185,500	185,500	185,500	185,500	185,500	185,500	185,500	185,500	185,500	185,500
2314. Depreciation Expense Park As	1,299,000	1,299,000	1,299,000	1,299,000	1,299,000	1,299,000	1,299,000	1,299,000	1,299,000	1,299,000
2315. Depreciation Expense Stomw	1,210,000	1,210,000	1,210,000	1,210,000	1,210,000	1,210,000	1,210,000	1,210,000	1,210,000	1,210,000
2317. Depreciation Expense - Kerb &	469,000	469,000	469,000	469,000	469,000	469,000	469,000	469,000	469,000	469,000

Loan Interest Expense	Year 1 2015/16	Year2 2016/17	Year3 2017/18	Year4 2018/19	Year5 2019/20	Year6 2020/21	Year7 2021/22	Year8 2022/23	Year9 2023/24	Year10 2024/25
2204. Interest on Loans	245,462	218,218	190,163	159,295	127,884	93,453	57,708	19,696	0	0
New Interest	0	0	103,788	345,962	588,135	761,115	864,904	850,000	825,000	800,000
Total Interest	245,462	218,218	293,951	505,257	716,019	854,568	922,612	869,696	825,000	800,000

Principal Repayment	Year 1 2015/16	Year2 2016/17	Year3 2017/18	Year4 2018/19	Year5 2019/20	Year6 2020/21	Year7 2021/22	Year8 2022/23	Year9 2023/24	Year10 2024/25
4282. Tfr To LIRS Loan Reserve	455,898	483,864	510,385	543,599	574,422	609,510	644,577	492,019	0	0
New Loans	0	0	200,004	666,670	1,133,137	1,466,473	1,666,476	1,681,380	1,706,380	1,731,380
	455,898	483,864	710,389	1,210,269	1,707,559	2,075,983	2,311,053	2,173,399	1,706,380	1,731,380

Asset Mtce	Year 1 2015/16	Year2 2016/17	Year3 2017/18	Year4 2018/19	Year5 2019/20	Year6 2020/21	Year7 2021/22	Year8 2022/23	Year9 2023/24	Year10 2024/25
Asset Operating Expenditure	14,203,154	14,659,278	15,327,186	15,624,317	16,135,822	16,667,911	17,436,349	17,797,971	18,398,176	19,023,440
SRV Funded Mtce	0	0	400,000	400,000	400,000	500,000	900,000	2,400,000	2,400,000	2,400,000
Special Rate Funded Mtce	0	0	0	0	0	416,000	416,000	416,000	416,000	416,000
	14,203,154	14,659,278	15,727,186	16,024,317	16,535,822	17,583,911	18,752,349	20,613,971	21,214,176	21,839,440
less Roads Efficiency	0	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
less Road Reseals	1,601,050	1,649,082	1,698,554	1,749,511	1,801,996	1,856,056	1,911,737	1,969,090	2,028,162	2,089,007
less JRA recommend to change to renewal	0	0	0	0	0	0	2,909,000	4,842,000	5,511,000	6,202,000
	12,602,104	12,860,196	13,878,632	14,124,806	14,583,826	15,577,855	13,781,612	13,652,881	13,525,014	13,398,432
Required Mtce	13,456	13,605	13,820	14,014	13,948	13,866	13,781	13,652	13,524	13,397

D. Projected trends for Other Expenses

Other Expenses Naturals	Draft Budget 2015/2016	Est 16/17	Est 17/18	Est 18/19	Est 19/20	Est 20/21	Est 21/22	Est 22/23	Est 23/24	Est 24/25
1168 Council Rates & Annual Charges R	-3,760	-3,854	-3,950	-4,049	-4,150	-4,254	-4,360	-4,469	-4,581	-4,696
1754 Other Waste Disposal Income - Int	-307,224	-322,585	-338,714	-355,650	-373,433	-392,104	-411,710	-432,295	-453,910	-476,605
2402 Sundry Expenses	41,758	42,802	43,872	44,969	46,093	47,245	48,426	49,637	50,878	52,150
2405 Contribution to outside bodies	3,718,026	4,130,908	4,546,479	5,064,289	5,590,551	6,242,219	6,907,075	7,713,833	8,552,249	9,553,237
2408 Printing & Stationery Costs	100,270	102,777	105,346	107,980	110,679	113,446	116,282	119,190	122,169	125,223
2412 Bad and Doubtful Debts	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
2419 General Office Expenditure	35,674	36,566	37,480	38,417	39,377	40,362	41,371	42,405	43,465	44,552
2422 Telephone Expenses	154,636	158,502	162,464	166,526	170,689	174,956	179,330	183,814	188,409	193,119
2423 Postage & Freight	177,970	182,419	186,980	191,654	196,446	201,357	206,391	211,550	216,839	222,260
2425 Bank Charges	181,040	185,566	190,205	194,960	199,834	204,830	209,951	215,200	220,580	226,094
2426 Licences, Subscriptions & Member	174,567	178,931	183,404	187,990	192,689	197,507	202,444	207,505	212,693	218,010
2427 Advertising	86,690	88,857	91,079	93,356	95,690	98,082	100,534	103,047	105,623	108,264
2453 Sponsorship	12,500	12,813	13,133	13,461	13,798	14,143	14,496	14,859	15,230	15,611
2457 Contribution to HSC & HLC	851,909	873,207	895,037	917,413	940,348	963,857	987,953	1,012,652	1,037,968	1,063,918
2492 Comty Services Program Expenses	98,496	100,958	103,482	106,069	108,721	111,439	114,225	117,081	120,008	123,008
2521 Members Fees Section 29A	260,880	267,402	274,087	280,939	287,963	295,162	302,541	310,104	317,857	325,803
2522 Councillor's Travelling Allowances	10,500	10,763	11,032	11,307	11,590	11,880	12,177	12,481	12,793	13,113
2523 Delegates Expenses	72,000	73,800	75,645	77,536	79,475	81,461	83,498	85,585	87,725	89,918
2550 Fire Control Operating Ex	213,000	218,325	223,783	229,378	235,112	240,990	247,015	253,190	259,520	266,008
2553 Contribution Bush Fire Fight Fund	828,669	849,386	870,620	892,386	914,696	937,563	961,002	985,027	1,009,653	1,034,894
2554 Contribution Board Fire Commissior	144,210	147,815	151,511	155,298	159,181	163,160	167,239	171,420	175,706	180,099
2567 Police Fines & Processing	1,500	1,538	1,576	1,615	1,656	1,697	1,740	1,783	1,828	1,873
2571 Rates Property Revaluation	151,750	155,544	159,432	163,418	167,504	171,691	175,983	180,383	184,893	189,515
2582 Database Subscriptions & Member	28,465	29,177	29,906	30,654	31,420	32,206	33,011	33,836	34,682	35,549
2583 Lib Local Priority Projects Oper Gra	16,000	16,400	16,810	17,230	17,661	18,103	18,555	19,019	19,494	19,982
2593 Contribution Emergency Mgt SES	92,684	95,001	97,376	99,811	102,306	104,863	107,485	110,172	112,926	115,750
2600 Gas	57,100	62,810	69,091	76,000	83,600	91,960	101,156	111,272	122,399	134,639
2601 Electricity	544,063	571,266	599,829	629,821	661,312	694,378	729,096	765,551	803,829	844,020
2602 Water	187,958	206,754	227,429	250,172	275,189	302,708	332,979	366,277	402,905	443,195
2603 Insurance	1,259,405	1,347,563	1,441,893	1,542,825	1,650,823	1,766,381	1,890,027	2,022,329	2,163,892	2,315,365
2613 HCC Sewer Rates	65,092	67,045	69,056	71,128	73,262	75,459	77,723	80,055	82,457	84,930
2630 Street Lighting Expenditure	735,000	771,750	810,338	850,854	893,397	938,067	984,970	1,034,219	1,085,930	1,140,226
2637 Insurance - Public Liability Claims	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
2663 Insurance Contra	-483,000	-516,810	-552,987	-591,696	-633,114	-677,432	-724,853	-775,592	-829,884	-887,976
2674 Op Exp-EMP-Gross Pollutant Trap	49,750	49,750	99,500	49,750	49,750	49,750	99,500	49,750	49,750	49,750
2740 General Computer Expenses	15,500	15,888	16,285	16,692	17,109	17,537	17,975	18,425	18,885	19,357
2744 Corporate Systems	808,000	848,250	888,413	930,583	1,119,111	1,048,931	1,099,294	1,152,184	1,207,727	1,266,058
2765 Section 356 Expenditure	91,695	93,987	96,337	98,745	101,214	103,744	106,338	108,997	111,721	114,514
2772 On Line Title Seaches	300	308	315	323	331	339	348	357	366	375
2964 Other Waste Disposal Expenses - I	329,600	346,080	363,384	381,553	400,631	420,662	441,696	463,780	486,969	511,318
	10,857,673	11,552,656	12,311,958	13,088,708	14,083,509	14,959,345	16,033,905	17,169,612	18,406,643	19,827,421

E. Summary of Renewal Works funded through Developer Contributions

Project Funded from 2008 Rollover to 2015				Project Funding from S94 Contributions Plan 2015							
Project No.	Asset Class	Total Estimate	Total Renewal	Renewal				Project	Total Estimate	Total Renewal	New
1	Buildings	77,250	77,250	Buildings	1,977,627	659,209		Works to be completed by 2018			
2	Buildings	216,300	216,300	Parks	654,102	218,034		Windsor Town Centre	450,000	225,000	225,000
3	Buildings	118,450	118,450	Roads	0	0		Windsor Foreshore	300,000	150,000	150,000
4	Buildings	350,200	350,200		2,631,729	877,243		North R'mond Comm	350,000	175,000	175,000
5a	Buildings	77,250	77,250	New				R'mond Town Centre	250,000	125,000	125,000
26a	Buildings	696,210	348,105	Buildings	552,107	184,036		North R'mond Path	250,000	0	250,000
5b	Buildings	46,350	46,350	Parks	462,522	154,174				675,000	925,000
26b	Buildings	284,404	142,202	Roads	754,990	251,663		Average per year		225,000	308,333
6	Park	66,950	66,950		1,769,619	589,873		Works to be completed by 2020			
7	Buildings	21,630	21,630					Windsor Town Centre	250,000	125,000	125,000
8a	Park	21,630	21,630					Gloss Comm	350,000	175,000	175,000
27	Park	277,173	138,587					R'mond Town Centre	250,000	125,000	125,000
9	Park	103,000	103,000					Wilber Comm	250,000	125,000	125,000
10	Buildings	20,600	0					R'mond-Windsor Pway	250,000	0	250,000
11	Buildings	41,200	0					Riverside Parks	200,000	100,000	100,000
12a	Buildings	144,200	144,200							650,000	900,000
28a	Buildings	92,700	92,700					Average per year		325,000	450,000
13	Buildings	36,050	36,050					Works to be completed by 2025			
14	Buildings	66,950	66,950					Windsor Town Centre	250,000	125,000	125,000
12b	Buildings	239,990	239,990					North R'mond Town	400,000	200,000	200,000
15	Park	125,660	62,830					North R'mond Oval	250,000	125,000	125,000
16	Park	125,660	62,830					Tamplin Field	250,000	125,000	125,000
8b	Park	72,100	36,050					Hobart Public	250,000	125,000	125,000
17	Park	36,050	18,025					Sth Windsor Public	250,000	125,000	125,000
29	Park	92,700	46,350					Riverside	200,000	100,000	100,000
28b	Park	61,800	30,900							925,000	925,000
18	Park	103,000	51,500					Average per year		231,250	231,250
19	Park	30,900	15,450								
20	Roads	166,860	0								
21	Roads	94,760	0								
22	Roads	208,060	0								
23	Roads	285,310	0								
24	Roads	TBA									
25	Roads	TBA									
		4,401,347	2,631,729								