

Fit for the Future Criteria Results

Singleton Council



BENCHMARK

Operating Performance Ratio (greater or equal to break-even average over 3 years)
 Own Source Revenue Ratio (greater than 60% average over 3 years)
 Building and Infrastructure Asset Renewal Ratio (greater than 100% average over 3 years)

Infrastructure Backlog Ratio (less than 2%)
 Asset Maintenance Ratio (greater than 100% average over 3 years)
 Debt Service Ratio (greater than 0 and less than or equal to 20% average over 3 years)

A decrease in Real Operating Expenditure per capita over time

OVERALL RESULT ✘

The Council does not meet all seven of the Fit for the Future Criteria

MEETS FFTF BENCHMARK	RESULT	MEETS FFTF BENCHMARK
NO	-0.108	✘
YES	70.40%	✔
NO	94.36%	✘
NO	2.53%	✘
NO	69.26%	✘
YES	3.75%	✔
NO	Increasing	✘

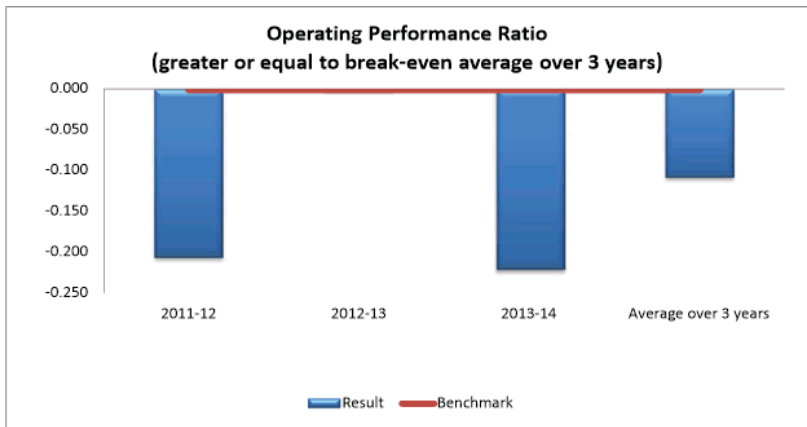
GENERAL FUND - OPERATING PERFORMANCE RESULT

Singleton Council

BENCHMARK AND RESULT

Benchmark:- Greater or equal to break-even average over 3 years

	2011-12	2012-13	2013-14	Average over 3 years
Result	-0.206	0.035	-0.221	-0.108
Benchmark	0	0	0	0



MEETS THE FFTF BENCHMARK
NO

*This is how we calculated the council's result....
(Figures are carried over from the data sheet and are in \$000)*

	<u>Total continuing operating revenue (exc. capital grants and contributions) less operating expenses</u>			
	<u>Total continuing operating revenue (exc. capital grants and contributions)</u>			
2011-12	$\frac{(40667-6808-5526-0-141-0-0-0)-(34010-0-0-0)}{40667-6808-5526-0-141-0-0-0}$	=	$\frac{-5,818}{28,192}$	= -0.206
2012-13	$\frac{(52118-6166-2537-9-549-0-0-0)-(41342-0-0-0)}{52118-6166-2537-9-549-0-0-0}$	=	$\frac{1,515}{42,857}$	= 0.035
2013-14	$\frac{(36904-5175-531-14-1190-0-0-0)-(36624-0-0-0)}{36904-5175-531-14-1190-0-0-0}$	=	$\frac{-6,630}{29,994}$	= -0.221

Note: Both numerator and denominator in this calculation excludes fair value adjustments, reversal of revaluation decrements, net gain/losses on sale of assets and net share/loss of interests in joint ventures

OPERATING PERFORMANCE RATIO

Singleton Council

$$\frac{\text{Total continuing operating revenue (exc. capital grants and contributions) less operating expenses}}{\text{Total continuing operating revenue (exc. capital grants and contributions)}}$$

Description and Rationale for Criteria:

- TCorp in their review of financial sustainability of local government found that operating performance was a core measure of financial sustainability.
- Ongoing operating deficits are unsustainable and they are one of the key financial sustainability challenges facing the sector as a whole. While operating deficits are acceptable over a short period, consistent deficits will not allow Councils to maintain or increase their assets and services or execute their infrastructure plans.
- Operating performance ratio is an important measure as it provides an indication of how a Council generates revenue and allocates expenditure (e.g. asset maintenance, staffing costs). It is an indication of continued capacity to meet on-going expenditure requirements.

Description and Rationale for Benchmark:

- TCorp recommended that all Councils should be at least break even operating position or better, as a key component of financial sustainability. Consistent with this recommendation the benchmark for this criteria is greater than or equal to break even over a 3 year period.

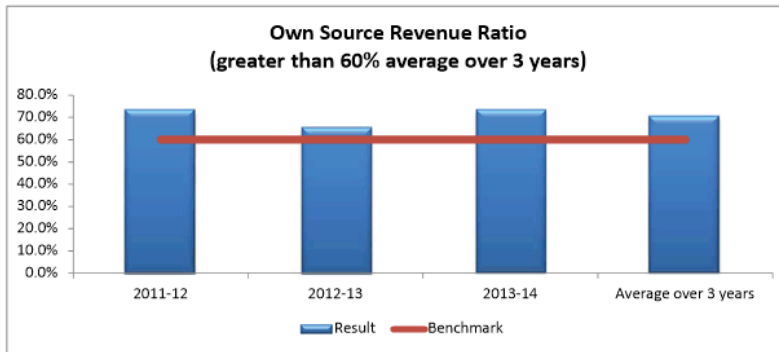
GENERAL FUND - OWN SOURCE REVENUE RESULT

Singleton Council

BENCHMARK AND RESULT

Benchmark:- *Greater than 60% average over 3 years*

	2011-12	2012-13	2013-14	Average over 3 years
Result	73.7%	65.9%	73.4%	70.4%
Benchmark	60%	60%	60%	60%



MEETS THE FFTF BENCHMARK

YES

This is how we calculated the council's result.....

(Figures are carried over from the data sheet and are in \$000)

	<i>Total continuing operating revenue less all grants and contributions</i>			<i>Total continuing operating revenue inclusive of capital grants and contributions</i>		
2011-12	40667-2387-6808-5526-0-141-0-0-0	=	25,805	=	73.7%	
	40667-5526-0-141-0-0-0		35,000			
2012-13	52118-10560-6166-2537-9-549-0-0-0	=	32,297	=	65.9%	
	52118-2537-9-549-0-0-0		49,023			
2013-14	36904-4190-5175-531-14-1190-0-0-0	=	25,804	=	73.4%	
	36904-531-14-1190-0-0-0		35,169			

Note: Both numerator and denominator in this calculation excludes fair value adjustments, reversal of revaluation decrements, net gain on sale of assets and net share of interests in joint ventures

OWN SOURCE REVENUE RATIO

Singleton Council

$$\frac{\text{Total continuing operating revenue less all grants and contributions}}{\text{Total continuing operating revenue inclusive of capital grants and contributions}}$$

Description and Rationale for Criteria:

- Own source revenue measures the degree of reliance on external funding sources (e.g. grants and contributions). This ratio measures fiscal flexibility and robustness. Financial flexibility increases as the level of own source revenue increases. It also gives councils greater ability to manage external shocks or challenges.
- Councils with higher own source revenue have greater ability to control or manage their own operating performance and financial sustainability.

Description and Rationale for Benchmark:

- TCorp has used a benchmark for own source revenue of greater than 60 per cent of total operating revenue. All Councils should aim to meet or exceed this benchmark over a three year period.
- It is acknowledged that many councils have limited options in terms of increasing its own source revenue, especially in rural areas. However, 60 per cent is considered the lowest level at which councils have the flexibility necessary to manage external shocks and challenges.

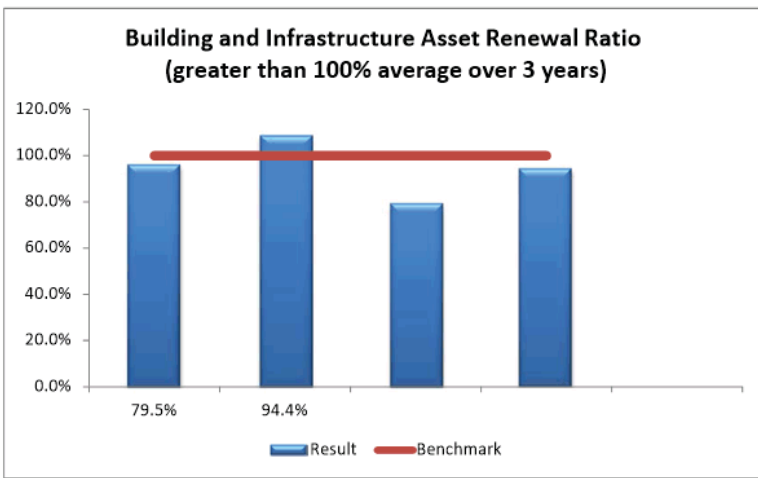
GENERAL FUND - BUILDING AND INFRASTRUCTURE ASSET RENEWAL RESULT

Singleton Council

BENCHMARK AND RESULT

Benchmark:- Greater than 100% average over 3 years

	2011-12	2012-13	2013-14	Average over 3 years
Result	96.4%	109.0%	79.5%	94.4%
Benchmark	100%	100%	100%	100%




MEETS THE FFTF BENCHMARK
NO

*This is how we calculated the council's result.....
 (Figures are carried over from the data sheet and are in \$000)*

	<i>Asset renewals (building and infrastructure)</i>		
	<i>Depreciation, amortisation and impairment (building and infrastructure)</i>		
2011-12	$\frac{5,942}{6,164}$	=	96.4%
2012-13	$\frac{7,077}{6,494}$	=	109.0%
2013-14	$\frac{5,765}{7,249}$	=	79.5%

BUILDING AND INFRASTRUCTURE ASSET RENEWAL RATIO

Singleton Council

Asset renewals (building and infrastructure)

Depreciation, amortisation and impairment (building and infrastructure)

Description and Rationale for Criteria:

- The building and infrastructure renewals ratio represents the replacement or refurbishment of existing assets to an equivalent capacity or performance, as opposed to the acquisition of new assets or the refurbishment of old assets that increase capacity or performance. The ratio compares the proportion spent on infrastructure asset renewals and the asset's deterioration.
- This is a consistent measure that can be applied across councils of different sizes and locations. A higher ratio is an indicator of strong performance.

Description and Rationale for Benchmark:

- Performance of less than one hundred percent indicates that a Council's existing assets are deteriorating faster than they are being renewed and that potentially council's infrastructure backlog is worsening. Councils with consistent asset renewals deficits will face degradation of building and infrastructure assets over time.
- Given that a ratio of greater than one hundred percent is adopted, to recognise that capital expenditures are sometimes lumpy and can be lagged, performance is averaged over three years.

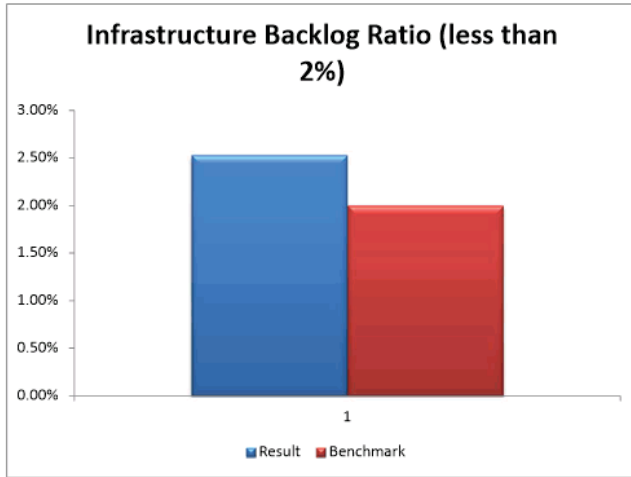
GENERAL FUND - INFRASTRUCTURE BACKLOG RESULT

Singleton Council

BENCHMARK AND RESULT

Benchmark:- Less than 2%

	2013-14
Result	2.53%
Benchmark	2%



MEETS THE FFTF BENCHMARK



NO

This is how we calculated the council's result.....

(Figures are carried over from the data sheet and are in \$000)

<i>Estimated cost to bring assets to a satisfactory condition</i>			
<i>Total (WDV) of infrastructure, buildings, other structures and depreciable land improvement assets</i>			
2013-14	$\frac{11,069}{437,325}$	=	2.53%

INFRASTRUCTURE BACKLOG RATIO

Singleton Council

$$\frac{\text{Estimated cost to bring assets to a satisfactory condition}}{\text{Total (WDV) of infrastructure, buildings, other structures and depreciable land improvement assets}}$$

Description and Rationale for Criteria:

- The infrastructure backlog ratio indicates the proportion of backlog against the total value of the Council's infrastructure assets. It is a measure of the extent to which asset renewal is required to maintain or improve service delivery in a sustainable way. This measures how councils are managing their infrastructure which is so critical to effective community sustainability.
- It is acknowledged, that the reliability of infrastructure data within NSW local government is mixed. However, as asset management practices within councils improve, it is anticipated that infrastructure reporting data reliability and quality will increase.
- This is a consistent measure that can be applied across councils of different sizes and locations. A low ratio is an indicator of strong performance.

Description and Rationale for Benchmark:

- High infrastructure backlog ratios and an inability to reduce this ratio in the near future indicate an underperforming Council in terms of infrastructure management and delivery. Councils with increasing infrastructure backlogs will experience added pressure in maintaining service delivery and financing current and future infrastructure demands.
- TCorp adopted a benchmark of less than 2 per cent to be consistently applied across councils. The application of this benchmark reflects the State Government's focus on reducing infrastructure backlogs.

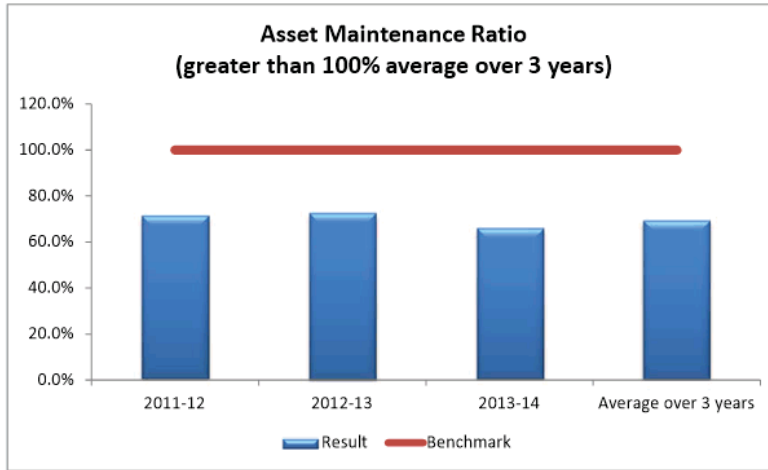
GENERAL FUND - ASSET MAINTENANCE RESULT

Singleton Council

BENCHMARK AND RESULT

Benchmark:- *Greater than 100% average over 3 years*

	2011-12	2012-13	2013-14	Average over 3 years
Result	71.1%	72.7%	65.7%	69.3%
Benchmark	100%	100%	100%	100%



MEETS THE FFTF BENCHMARK 

NO

This is how we calculated the council's result....

(Figures are carried over from the data sheet and are in \$000)

	<i>Actual asset maintenance</i>		
	<i>Required asset maintenance</i>		
2011-12	$\frac{4,008}{5,639}$	=	71.1%
2012-13	$\frac{4,553}{6,265}$	=	72.7%
2013-14	$\frac{5,926}{9,014}$	=	65.7%

ASSET MAINTENANCE RATIO

Singleton Council

$$\frac{\text{Actual asset maintenance}}{\text{Required asset maintenance}}$$

Description and Rationale for Criteria:

- The asset maintenance ratio reflects the actual asset maintenance expenditure relative to the required asset maintenance as measured by an individual council.
- The ratio provides a measure of the rate of asset degradation (or renewal) and therefore has a role in informing asset renewal and capital works planning.

Description and Rationale for Benchmark:

- The benchmark adopted is greater than one hundred percent, which implies that asset maintenance expenditure exceeds the council identified requirements. This benchmark is consistently adopted by the NSW Treasury Corporation (TCORP). A ratio of less than one hundred percent indicates that there may be a worsening infrastructure backlog.
- Given that a ratio of greater than one hundred percent is adopted, to recognise that maintenance expenditure is sometimes lumpy and can be lagged, performance is averaged over three years.

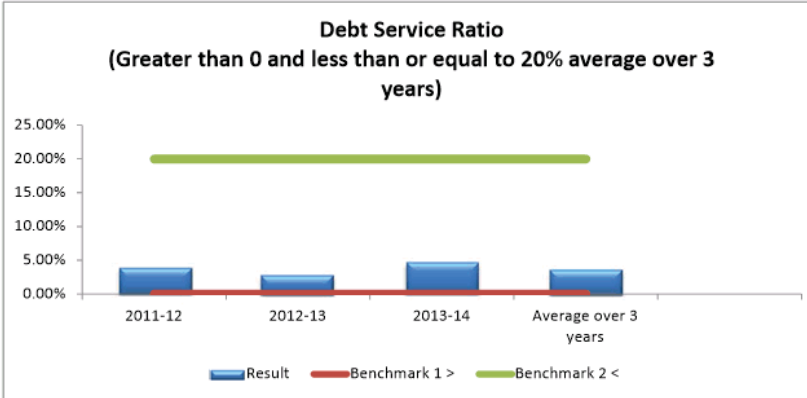
GENERAL FUND - DEBT SERVICE RESULT

Singleton Council

BENCHMARK AND RESULT

Benchmark:- Greater than 0 and less than or equal to 20% average over 3 years

	2011-12	2012-13	2013-14	Average over 3 years
Result	3.93%	2.94%	4.73%	3.75%
Benchmark 1 >	0%	0%	0%	0%
Benchmark 2 <	20%	20%	20%	20%



MEETS THE FFTF BENCHMARK

YES

This is how we calculated the council's result.....

(Figures are carried over from the data sheet and are in \$000)

	Cost of debt service (interest expense & principal repayments)		Total continuing operating revenue (exc. capital grants and contributions)	
2011-12	623+484	=	$\frac{1,107}{28,192}$	= 3.93%
2012-13	747+515	=	$\frac{1,262}{42,857}$	= 2.94%
2013-14	887+532	=	$\frac{1,419}{29,994}$	= 4.73%

Note: The denominator in this calculation excludes fair value adjustments, reversal of revaluation decrements, net gain on sale of assets and net share of interests in joint ventures

DEBT SERVICE RATIO

Singleton Council

Cost of debt service (interest expense & principal repayments)

Total continuing operating revenue (exc. capital grants and contributions)

Description and Rationale for Criteria:

- Prudent and active debt management is a key part of Councils' approach to both funding and managing infrastructure and services over the long term.
- Prudent debt usage can also assist in smoothing funding costs and promoting intergenerational equity. Given the long life of many council assets it is appropriate that the cost of these assets should be equitably spread across the current and future generations of users and ratepayers. Effective debt usage allows councils to do this.
- Inadequate use of debt may mean that councils are forced to raise rates that a higher than necessary to fund long life assets or inadequately fund asset maintenance and renewals. It is also a strong proxy indicator of a council's strategic capacity.
- Council's effectiveness in this area is measured by the Debt Service Ratio.

Description and Rationale for Benchmark:

- As outlined above, it is appropriate for Councils to hold some level of debt given their role in the provision and maintenance of key infrastructure and services for their community. It is considered reasonable for Councils to maintain a Debt Service Ratio of greater than 0 and less than or equal to 20 per cent.
- Councils with low or zero debt may incorrectly place the funding burden on current ratepayers when in fact it should be spread across generations, who also benefit from the assets. Likewise high levels of debt generally indicate a weakness in financial sustainability and/or poor balance sheet management.

REAL OPERATING EXPENDITURE PER CAPITA

Singleton Council

Description and Rationale for Criteria:

- At the outset it is acknowledged the difficulty in measuring public sector efficiency. This is because there is a range of difficulty in reliably and accurately measuring output.
- The capacity to secure economies of scale over time is a key indicator of operating efficiency. The capacity to secure efficiency improvements can be measured with respect to a range of factors, for example population, assets, and financial turnover.
- It is challenging to measure productivity changes over time. To overcome this, changes in real per capita expenditure was considered to assess how effectively Councils:
 - can realise natural efficiencies as population increases (through lower average cost of service delivery and representation); and
 - can make necessary adjustments to maintain current efficiency if population is declining (e.g. appropriate reductions in staffing or other costs).
- Assuming that service levels remain constant, decline in real expenditure per capita indicates efficiency improvements (i.e. the same level of output per capita is achieved with reduced expenditure).

Description and Rationale for Benchmark:

- The measure 'trends in real expenditure per capita' reflects how the value of inflation adjusted inputs per person has grown over time. In the calculation, the expenditure is deflated by the Consumer Price Index (for 2009-11) and the Local Government Cost Index (for 2011-14) as published by the Independent Pricing and Regulatory Tribunal (IPART). It is acknowledged that efficiency and service levels are impacted by a broad range of factors, and that it is unreasonable to establish an absolute benchmark across Councils. It is also acknowledged that council service levels are likely to change for a variety of reasons however, it is important that councils prioritise or set service levels in conjunction with their community, in the context of their development of their Integrated Planning and Reporting.
- Councils will be assessed on a joint consideration of the direction and magnitude of their improvement or deterioration in real expenditure per capita. Given that efficiency improvements require some time for the results to be fully achieved and as a result, this analysis will be based on a 5-year trend.