

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: Penrith City Council

Date of Council resolution endorsing this submission: Ordinary Meeting 25th May 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.

Penrith City is a high growth local government that actively pursues community aspirations through responsible fiscal management, forward thinking leadership and strong state and regional partnerships. Penrith City Council's actions to initiate a comprehensive Capacity Review in early 2014, building upon a Financial Capacity Review that started in 2013, has ensured that Penrith City Council is well placed to respond to the NSW Government's FFTF reforms. Penrith City Council meets Scale and Capacity evidenced by its long term financial plan and through the implementation of a business improvement program will meet all the Fit for the Future benchmarks by 2020.

The principles that underpin Penrith City Council's Fit for the Future submission include:

- Meets Scale and Capacity as assessed in the October 2013 Independent Local Government Review Panel's preferred published options;
- Meets and/or shows improvement against the FFTF criteria and the benchmarks as required;
- Meets the elements of strategic capacity as a Regional City with a dynamic and growth oriented future that can demonstrate development and management of the resources to cope with complex and unexpected change, the scope to undertake new functions and major projects, advanced advocacy and economic development of the LGA, high quality and highly effective political and managerial leadership as demonstrated by;

- Strong fiscal management, which includes the outcomes of the Financial Capacity Review and financial strategy to meet the FFTF benchmarks
- Forward thinking efficient asset and service management
- Regional leadership; and
- Strategic partnerships at local, state and federal level.

Overall Penrith City Council's Fit for the Future submission is in line with Councils long term financial plan, Community Plan, Delivery Program and Resourcing strategy.

Key strategies to improve performance against the Sustainability benchmarks in the 2016-20 period are:

- Implementing the Building and Infrastructure Asset Renewal program as outlined in the Asset Management Strategy
- Growth in own source revenue
- Improved operating performance through realisation of targeted cost savings and productivity improvements

Key strategies to improve performance against the Infrastructure and Service Management benchmarks in the 2016-20 period are:

- Introduction of a comprehensive asset management strategy that includes rationalisation of assets.
- Asset Management Plans with asset service standards and asset risk management.
- Confirmed and agreed service levels
- Scaling of asset standards and levels. The Asset Management Strategy will identify assets that are critical to the Council's operations and expenditure will be in proportion to agreed standards, service level and risk ratings.

Key strategies to improve performance against the Efficiency measures in the 2016-20 period are:

- Introduction of service level agreements and service specifications that reduce duplication and double handling
- Improvement in overall performance of key business processes
- Comprehensive improvement plans that show a decrease in operating expenditure per capita over time achieved through savings from improved productivity and efficiency in service delivery and asset management.

1.2 Scale and Capacity

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

(ie, 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).

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.

Our People

The state government's recent *Plan for Growing Sydney* predicts a population of 271,000 for Penrith by 2031. The City will need another 32,000 new dwellings to house our new residents, and our current target of 40,000 new jobs will also have to increase.

Penrith City's 'estimated resident population' for 2014 is 194,134 people. It is home to many young people, and an increasing proportion of older people. As a community, we are growing more culturally diverse, with more people speaking languages other than English at home. The top five languages are Arabic, Filipino / Tagalog, Italian, Maltese and Hindi. In 2011, the City had the third highest number of Aboriginal and Torres Strait Islander residents in NSW.

Our Place

Penrith is a thriving regional City of 404km², that supports Sydney's growth, and is located 55 kilometres west of Sydney's CBD.

The City's rural and natural setting, with the Nepean River as a focal point and the backdrop of the World Heritage listed Blue Mountains to the west, provides a unique lifestyle. The river connects us with our environment and brings a focus for our leisure. It links us with the area's aboriginal history, and continues to shape our growth and development, through both its impacts and its opportunities.

Our Economy

Penrith City Council is recognised in the NSW Metropolitan Strategy as a regional city. Our economic catchment reaches well beyond the city and is expected to grow to 1 million people. The City's population and strong economic growth have helped Penrith's economy reach \$7.61 billion (gross regional product).

The City's growing population creates challenges around employment and economic development opportunities relevant to both new residents and the established community. Of Penrith's 87,200 employed local residents in 2011, around 30,800 (35%) work in Penrith and 56,400 (65%) travel outside the City each day to work. The daily travel puts pressure on roads and reduces time spent with family. Only 7.8% of residents currently use public transport to get to work, as the services don't meet travel needs (especially cross-regional trips).

The dispersed nature of employment centres and the distance of employment centres from public transport are critical issues for the City. The retention of young people with higher level qualifications is another emerging issue.

To be a sustainable region, the employment base needs to diversify so the current reliance on manufacturing is reduced, and replaced by growth in emerging employment sectors. Combining Gross Regional Product growth, with sector growth, there are a number of sectors where Penrith can compete and create jobs:

- ▶ Lifestyle health
- ▶ Creative information, digital media and telecommunications, creative arts
- ▶ Advanced engineering, manufacturing and construction
- ▶ Global advanced education
- ▶ Advanced logistics
- ▶ Housing, amenities, lifestyle and learning (as supporting initiatives for economic growth).

A diverse economy that targets 'future' jobs and strong employment sectors, and improves access to education and training will build our resilience so that we can change and adapt quickly to future economic conditions.

2.2 Key challenges and opportunities

Strengths	Weaknesses
<ul style="list-style-type: none"> • Designated under the Metro Strategy as a Regional City • Successfully partners with State and Federal Governments. • Active member National Growth Areas Alliance • Strong rates base • Strong development and growth throughout LGA (potential growth in employment through Science and Employment Parks; there will be another 32,000 homes in the City by 2031;) • Council monthly financial health monitoring and reporting • Council capacity and future proofing exercise initiated in 2014 • High levels of community satisfaction • Asset backlog low • Review of surplus assets underway • Property development portfolio with significant property holdings on strategic sites • Service specifications in place for all services • Transformational change to ICT systems resulting in improved productivity and business efficiency • Workers compensation model delivering considerable savings and improvements in work health and safety • Strong community interest in education and culture • Activated libraries which provide community hubs for access to information and life-long learning • Regional facilities such as Joan Sutherland Performing Arts 	<ul style="list-style-type: none"> • Public transport – lack of local public transport limits travel within the City • Lack of effective public transport and local jobs forces 65% residents to rely on cross-regional road/infrastructure networks to access work outside the city • Road congestion • Cost of growth exceeding capacity to generate income limits ability to respond to Regional City growth • Cost shifting • Rate pegging limits ability to raise own source revenue • Limited funding for libraries, arts, cultural and leisure facilities and events • Lack of appropriate provision for infrastructure by State and Federal Governments.

<p>Centre, Penrith White Water Stadium</p> <ul style="list-style-type: none"> • Cultural facilities - Penrith Conservatorium of Music, Penrith Q Theatre, Penrith Regional Gallery and The Lewers Bequest • Penrith Lakes – unique urban and recreation opportunity • Penrith Progression - plan to transform and re-design Penrith City. • Highly qualified staff – more than a third of council staff are degree qualified and 20% have higher level tertiary qualifications • Leverage off strong Sister City relationships with; <ul style="list-style-type: none"> ○ Fujieda City, Shizuoka Prefecture, Japan - Sister City ○ Penrith, Cumbria, England - Sister City ○ Hakusan City (incorporating Matto City), Ishikawa Prefecture, Japan - Friendship City ○ Gangseo-gu, Seoul, Republic of Korea - Mutual Co-operation Agreement ○ Xicheng District of Beijing City, China - Mutual Co-operation Agreement ○ Kunshan, Jiangsu Province, China - Friendship City. 	
Opportunities	Threats
<ul style="list-style-type: none"> • Support for growth in local economy to deliver local jobs • Support for infrastructure development – parking stations, public transport and roads. • Rapid population growth (32,000 homes in the City by 2031) • Growth in asset base from development • Strong development and growth throughout LGA • Growth in employment through Western Sydney Employment Area and proposed Sydney Science Park • Opportunity to deliver aspirations of Penrith Progression 	<ul style="list-style-type: none"> • Climate Change – and effects of heat • Severe weather events, heatwaves, storms and bushfires which will place additional demands on emergency services and damage infrastructure. • Potential risks from flooding, especially along the Nepean River, South Creek and Ropes Creek • Cost shifting • Lack of coordinated development between neighbouring local governments

<ul style="list-style-type: none"> • Growing commercial activity • Business and productivity improvement program as a result of capacity review • Council's strategic focus on organisational development and change (ICT and Customer Service) • Strategic Alliance with Blue Mountains City Council and Hawkesbury City Council • Regional Alliances such as WSROC and Westpool • National Growth Areas Alliance - NGAA is comprised of 24 of the fastest growing outer metropolitan local government areas in Australia. • Strong relationships with State and Federal Government • Innovative Cooling the City Strategy and Sustainability Research • River master plan maximises opportunities for development associated with the River • Opportunity for economic growth and additional market development through Sister City relationships with; <ul style="list-style-type: none"> ○ Gangseo-gu, Seoul, Republic of Korea - Mutual Co-operation Agreement ○ Xicheng District of Beijing City, China - Mutual Co-operation Agreement ○ Kunshan, Jiangsu Province, China - Friendship City 	<ul style="list-style-type: none"> • Lack coordinated development across State and Federal government in relation to key infrastructure. • Infrastructure and services to meet the needs of regional city is not provided - Penrith Infrastructure Strategy identifies \$4 billion worth of infrastructure (social and physical) required to support past and planned growth in the City • Poor understanding of the extent and complexity of Greater Western Sydney leads to unbalanced delivery of services and infrastructure by the State and Federal governments.
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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)	-4.3%	No	-2.07%	No
Own Source Revenue Ratio (Greater than 60% average over 3 years)	67.54%	Yes	76.06%	Yes
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	44.4%	No	39.43%	No

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

Penrith City Council has long been faced with the challenge of establishing and maintaining long term financial sustainability and the recently implemented SRV (over 4 years 2011-12 to 2014-15) has helped Council's long term projections to achieve the above ratios. The Operating Performance Ratio in 2016-17 is impacted by a number of programs being accelerated to foster efficiency and productivity including ICT improvements and Customer service programs. Assuming approval in 2016 of the SRV, the initial focus for 2016-17 will be on reducing infrastructure backlog, particularly buildings, which results in a temporary decline in the Building and Infrastructure Asset Renewal Ratio. This is corrected from 2018-19 once backlog has been addressed. Further details on the strategies already commenced are included in the

accompanying Improvement Plan. Penrith City Council's Long Term Financial Plan is projecting all benchmarks will be achieved by 2018-19.

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%)	4.43%	No	1.6%	Yes
Asset Maintenance Ratio (Greater than 100% average over 3 years)	114.1%	Yes	101.9%	Yes
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	7.03%	Yes	7.42%	Yes

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

All benchmarks that are being achieved are expected to continue to be achieved. Further details are included in the accompanying Improvement Plan.

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	0.86	No	0.90	No

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

Financial modelling for this benchmark has used 2015-16 as a base year. This represents a more realistic base for comparison rather than the starting point of 2009-10 as used in the initial template. Additionally, this benchmark is impacted by significant spending to implement the ICT Strategy and Customer Experience Review, which will result in significant productivity gains and improved customer service respectively. As a result the benchmark is not met for 2016-17; however improvement is forecast for 2018-19 and will continue from this point forward.

Further details on the how this will be maintained are included in the accompanying Improvement Plan.

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 / No

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

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

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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

2.4 Water utility performance

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

Yes / No

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
1.		

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.

Penrith City Council has long been faced with the challenge of establishing and maintaining long term financial sustainability. The last five years has seen an increasing focus on the overall financial sustainability of local government in NSW, with none more so than the requirements of this submission. In addition several key events have highlighted our vulnerability to changes in the financial climate including the Global Financial Crisis (GFC), that saw both investment losses for Council and an increased contribution required by the Local Government Super Scheme (LGSS) for the Defined Benefits Scheme (DBS) along with reduced income resulting from the slowdown in the economy, Penrith's 'weak' rating as part of the TCorp review of local government financial sustainability, review of the Financial Assistance Grants, proposed changes to section 94 developer contributions and the Asset Renewal & Established Areas Strategy (AREAS) Special Rate Variation (SRV) which is set to end in 2015-16.

The combination of these factors triggered a review of Council's financial capacity ahead of the announcement of Fit for the Future. Consequently over the past 12-18 months, and in preparation for the expiry of the AREAS SRV (details of the AREAS SRV can be found in the "Special Initiatives" section of the 2013-17 Delivery Program), discussions have been occurring and will continue to occur with management, the Finance Working Party (FWP), Councillors and the Community as we review Council's financial capacity. The review to date has focused on our current sustainable position, established following the now completed implementation of the 2011-12 SRV, and also considered future aspirations that are outside our current capacity along with structural budget changes that will better secure our long term financial future.

The LTFP foreshadows Council's intention to apply to renew the AREAS SRV and assumes a new 508(A) SRV commencing in 2016-17.

A key and immediate element of the Financial Capacity Review has been the development of a revised borrowing strategy. The revised strategy will reduce Council's annual general infrastructure borrowings from \$3.2m to nil over 5 years, implementation commencing with the

draft 2015-16 budget and the full strategy being incorporated into the base scenario of the LTFP.

The progress of the Financial Capacity Review has seen a number of identified financial initiatives developed that will strengthen our long term financial position including fundamental changes to service cost alignments, Property Development “dividends” and increased investments in Asset Management, ICT and Major Project funding and design. Community Engagement has been undertaken as outlined throughout this submission with further engagement planned prior to a proposed SRV being finalised, approval of which is a key assumption of Council’s strategy.

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.

There are a number of key assumptions which underpin the accompanying improvement plan, as follows:

1. The Asset Renewal and Established Areas Strategy Special Rate Variation (AREAS SRV) will continue beyond 30 June 2016, at its current rate
2. An additional 508(A) Special Rate Variation of 2.4% above the estimated rate peg will be approved for each of the four years from 1 July 2016, after which time this increase will be permanently included in the rate base (this increase is included in the LTFP)
3. The following business improvements will be implemented:
 - a. Service specifications including service level agreements
 - b. Allocation of resources required to realise savings from the business process review
 - c. Changes to the organisational structure that have been investigated to ensure they deliver expected benefits
 - d. Reinvestment of capacity generated to areas of greatest organisational need that will generate further efficiencies or improvements in service delivery
 - e. Levels of service as agreed with the community through community engagement
 - f. Proposals for mutually beneficial shared services through the Strategic Alliance with Blue Mountains and Hawkesbury Councils
4. Transport assets (roads, footpaths etc.) grow by no more than 1%-2% per year
5. Managed growth in building and open space assets (additional assets received are partly offset by rationalisation of existing assets)
6. Financial Assistance Grants will remain at a similar level to 2014-15

7. Annual IPART determined rate peg in the 2%-3% range

Further details of the assumptions of the Improvement plan can be found in attached Improvement Plan. This has been built on Council's LTFP and the underlying assumptions can be found in the Extract of Council's Resource Strategy included with this submission.

3.1 Sustainability

Outline your strategies and outcomes in the table below.

3.1 Sustainability

Objective	Strategies	Key milestones	Outcome	Impact on other measures
Ensure assets meet community needs in the long term	Implement the Building and Infrastructure Asset Renewal Program	Asset Management Strategy endorsed by 31 December 2015	Improved Asset Management Framework	Positive impact on Asset Renewal Ratio; Asset Management Ratio; Own Source Revenue Ratio
Reduce reliance on grant funding	Growth to own source revenue	508(A) SRV application lodged by Feb 2016 All service reviews complete by December 2016	Additional operating income, targeted at asset renewal Identified opportunities for cost savings, review of opportunities to increase cost recovery	Positive impact on Own Source Revenue Ratio and Operating Performance Ratio
Ensure services meet community expectations and willingness to pay	Improve operating performance	All service reviews complete by December 2016 Assets review	Identified opportunities for cost savings, review of opportunities to increase cost recovery Reviewed levels of	Positive impact on Own Source Revenue Ratio and Operating Performance Ratio

		complete by December 2015; New asset management structure in place by June 2016	service based on risk; linked with LTFP Dedicated asset management function	
Build capacity for City-shaping projects	Implement the recommendations of the Financial Capacity Review	Commencing with preparation of 2015-16 budget and ongoing.	Financial strategies that build long term sustainability; refocussed use of debt	Positive impact on all ratios.

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.

Detail of the strategies, assumptions, risks and the impact on the benchmarks is provided in the Improvement Plan accompanying this submission. A brief overview of the programs that will be delivered by the 508(A) SRV incorporated in to the LTFP to achieve these outcomes is provided below.

Asset Management, Renewal and backlog

The 2011-12 SRV established an asset renewal program for all asset classes. As IPART did not approve the full SRV request it resulted in these programs being funded at reduced levels and the program needing to be recast over a longer timeframe. A detailed review of our programs, including the impact of the reduced funding on the progress of asset renewal, the impact of now accelerating the reduction of the current backlog along with how these programs and maintenance provisions will accommodate the growth of the City has been undertaken. The Capacity Review and Fit for the Future consultations have informed the Community's service level and asset condition expectations, however further engagement including any trade off discussions will be completed as part of the proposed SRV. Council engaged Jeff Roorda and Associates to undertake a complete review of our Asset Management Plans, underlying assumptions and costings. This independent review has confirmed Council's estimates that a further \$4m of annual funding (for 8 years) will be required for the Building Asset Renewal Program in order for Council's backlog to be addressed, accessibility and compliance requirements met and a sustainable Asset Renewal and program continued. In addition the current \$650,000 annual contribution to the Building Asset Renewal Program from the Property Development Reserve will not be sustainable beyond 2015-16. The LTFP anticipates the following additional funding allocations of:

Recommended Strategy	Impact ('000)	From	Comment
Address Buildings Backlog and compliance	\$1,500	2018-19	Over 8 years
Additional Building Renewal	\$2,500	2018-19	Ongoing
Alternate source for renewal funds	\$650	2016-17	Ongoing

(Reduce reliance on Property Development Reserve)

Realign Service Costs

The comprehensive service review being completed ensures that all service costs are realigned, where required. A key influence on this recommendation has been the Property Strategy that has been developed by the Finance Working Party and is to be implemented over the coming months. Refocusing the activities of Council's Property Development function to ensure that an alternate and sustainable revenue stream is provided has been central to the work done by the Finance Working Party, and to achieve this capacity must be built. This is forecast to enable the payment of an annual dividend of \$1.8m back to Council's general operations from 2021-22 to support service delivery. In addition this strategy recommends that the bulk of parking enforcement activities be funded from general revenue, thereby leaving revenue in the Parking Reserve to help finance future parking infrastructure. The LTFP anticipates the following additional funding allocations of:

Recommended Strategy	Impact ('000)	From	Comment
Property			
Property Development "Dividend"	\$1,800	2021-22	Ongoing
Fund subsidised rental	(\$775)	2016-17	Ongoing
Loan for future 'City Park' property	(\$384)	2016-17	2018-19
Car Parking			
Re-establish Parking proceeds Reserve	(\$815)	2016-17	Ongoing

Major Projects and Regional City infrastructure

As the City matures into our Regional City status capacity will need to be established for both project planning and implementation to ensure that we are in the best position to obtain the expanded infrastructure we will require. Detailed options will need to be modelled to create this capacity and ensure that our City's needs are identified and mapped, particularly over a 5-10 year horizon and this has been a key focus of "Penrith Progression" as outlined earlier in this submission. The LTFP anticipates the following additional funding allocations of:

Recommended Strategy	Impact ('000)	From	Comment
Major Projects Contribution	\$1,500	2018-19	\$3.3m from 2021-22
Design cost allowance	\$200	2016-17	Ongoing

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

There are a number of key assumptions which underpin the accompanying Improvement Plan, as follows:

1. The Asset Renewal and Established Areas Strategy Special Rate Variation (AREAS SRV) will continue beyond 30 June 2016, at its current rate
2. An additional 508(A) Special Rate Variation of 2.4% above the estimated rate peg will be approved for each of the four years from 1 July 2016, after which time this increase will be permanently included in the rate base (this increase is included in the LTFP)
3. The following business improvements will be implemented:
 - a. Service specifications including service level agreements
 - b. Allocation of resources required to realise savings from the business process review
 - c. Proposals for mutually beneficial shared services through the strategic alliance
 - d. Changes to the organisational structure that have been investigated to ensure they deliver expected benefits
 - e. Reinvestment of capacity generated to areas of greatest organisational need that will generate further efficiencies or improvements in service delivery
 - f. Levels of service as agreed with the community through community engagement
4. Transport assets (roads, footpaths etc.) grow by no more than 1%-2% per year
5. Managed growth in building and open space assets (additional assets received are partly offset by rationalisation of existing assets; consideration is given to upgrade of existing assets as an alternative to provision of new assets)
6. Financial Assistance Grants will remain at a similar level to 2014-15
7. Annual IPART determined rate peg in the 2%-3% range
8. \$4 million per year will be added to the current allocation for building asset renewal for the first 8 years, giving a total building asset renewal budget per annum of \$6 million. This is to be funded in conjunction with the proposed Special Rate Variation of 2.4% in addition

to the renewal of the existing AREAS SRV. The program will address backlog, renewal, compliance and agreed upgrade; with backlog and renewal works identified by the Asset Management Plan taking priority.

9. Asset renewal is defined as follows:

Asset renewal is any capital expenditure on an asset which does not increase its capacity or service level, including capital works which bring it into compliance with current construction standards (e.g. replacing a toilet with an accessible toilet, and associated works to make the building accessible)

10. Funding asset renewal to the same level as anticipated depreciation is not reasonable for Penrith City Council at this time, given the age, expected useful life and growth in assets arising from development of new release areas. This position will be reviewed as part of reviewing the Asset Management Strategy and Asset Management Plans and an appropriate target set to ensure renewal funding is sufficient to reduce or eliminate backlog.

11. Asset backlog is defined as follows:

Asset backlog is unfunded high residual risk associated with assets essential to achieving the outcomes stated in Council's Community Strategic Plan.

Further details of the assumptions of the Improvement plan can be found in the attached Improvement Plan. This has been built on Council's LTFP and the underlying assumptions can be found in the Extract of Council's Resource Strategy included with this submission.

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
Ensure assets meet the needs of the community	Introduction of a comprehensive asset management strategy (including property assets) including rationalisation of assets	Asset management strategy implemented by December 2015 Program for assessment and disposal of some assets in place by June 2016 Initial sales by June 2017	Councils backlog addressed, accessibility and compliance requirements met. High risk and surplus assets identified	Positive impact on Own Source Revenue Ratio; Asset Maintenance Ratio; Asset Renewal Ratio; and Infrastructure Backlog Ratio
Improve asset management	Complete the Assets Review and endorse a program for action	Asset Review complete by December 2015 New asset management structure in place by June 2016	Improved resourcing and skills for asset management Better linkages between asset management, workforce planning and financial planning	Positive impact on Operating Performance Ratio. Neutral impact on Asset Maintenance Ratio and Asset Renewal Ratio

Improve asset planning and introduce risk based planning	Update Asset Management Plan to identify asset service standards and risk management	New asset management plan adopted by 30 June 2016 and each year thereafter Risk based planning in place from January 2017	Consistent definition of backlog based on risk used to prioritise works; leading to no anticipated backlog in key assets	Neutral impact on Asset Renewal Ratio, Asset Maintenance Ratio and positive impact on Infrastructure Backlog Ratio.
Improve understanding of community expectations for asset based services	Engage with the community around desired and affordable levels of service for all asset classes	Initial community engagement complete by December 2015 'Satisfactory' defined for key assets by June 2016 'Satisfactory' defined for all assets by June 2018	Asset management based on agreed levels of service; better prioritisation of resources to assets of most importance to the community	Neutral impact on Asset Renewal Ratio, Asset Maintenance Ratio

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.

Detail of the strategies, assumptions, risks and the impact on the benchmarks is provided in the Improvement Plan accompanying this submission. A brief overview of the programs that will be delivered by the 508A) SRV incorporated in to the LTFP to achieve these outcomes is provided below.

Productivity Initiatives

New savings resulting from the current service review and continuous improvement have been targeted by this strategy which has also recognised the need for increased investment in ICT to drive productivity initiatives. The LTFP anticipates the following additional funding allocations/(savings) of:

Recommended Strategy	Impact ('000)	From	Comment
Operational Budget savings – 0.5%	(\$1,000)	2016-17	0.25% in 2015-16
Increased base investment in ICT	\$200	2016-17	Ongoing
Once off ICT investment	\$1,500	2016-17	Over 2 years

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

There are a number of key assumptions which underpin the accompanying Improvement Plan, as follows:

1. The Asset Renewal and Established Areas Strategy Special Rate Variation (AREAS SRV) will continue beyond 30 June 2016, at its current rate
2. An additional 508(A) Special Rate Variation of 2.4% above the estimated rate peg will be approved for each of the four years from 1 July 2016, after which time this increase will be permanently included in the rate base (this increase is included in the LTFP)
3. The following business improvements will be implemented:
 - a. Service specifications including service level agreements
 - b. Allocation of resources required to realise savings from the business process review
 - c. Proposals for mutually beneficial shared services through the strategic alliance
 - d. Changes to the organisational structure that have been investigated to ensure they deliver expected benefits
 - e. Reinvestment of capacity generated to areas of greatest organisational need that will generate further efficiencies or improvements in service delivery
 - f. Levels of service as agreed with the community through community engagement

4. Transport assets (roads, footpaths etc.) grow by no more than 1%-2% per year
5. Managed growth in building and open space assets (additional assets received are partly offset by rationalisation of existing assets)
6. Financial Assistance Grants will remain at a similar level to 2014-15
7. Annual IPART determined rate peg in the 2%-3% range
8. Population growth occurs as per projections prepared by the Department of Planning, as follows:

	2011	2016	2017	2018	2019	2020
Total population	184,600	203,950	207,940	211,930	215,920	219,910

Further details of the assumptions of the Improvement plan can be found in attached Improvement Plan. This has been built on Council's LTFP and the underlying assumptions can be found in the Extract of Council's Resource Strategy included with this submission.

3.3 Efficiency

Outline your strategies and outcomes in the table below.

3.3 Efficiency

Objective	Strategies	Key milestones	Outcome	Impact on other measures
Improve productivity through measurable initiatives	Introduce service level agreements and service specifications that reduce duplication and double handling, and save time and effort	Schedule for review of service specifications and preparation of service level agreements in place by December 2015; All agreements in place by December 2017	Resourcing for services based on agreed levels of service Service performance reviewed against agreed measures	Positive impact on Operating performance ratio
Improve key business processes	Improve overall performance of key business processes	Complete review by December 2015; Implementation plan in place December 2015	Service and business productivity gains realised.	Positive impact on Real Operating Expenditure and Debt Service Ratio

Identify measurable productivity improvements for individual services

Improvement plans in place to increase productivity and efficiency in service delivery and asset management

Service reviews complete by December 2016
Workforce Strategy complete by June 2017

Service Reviews complete and actions endorsed
Realise service and customer service improvements
Workforce planning based on needs of services into the future

Positive impact on Operating performance 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. Implementation of Financial Capacity Review

Revised assumptions and strategies used for budget development 2015-16 (completed) and 2016-17 508(A) SRV application submitted (Feb 2016) and approved (June 2016)

2. Implement findings of the Asset Review

Review completed by December 2015
Structural change creating dedicated asset management function by June 2016
Reviewed Asset Management Strategy and Asset Management Plans by June 2016

<p>3. Comprehensive business improvement plan that includes:</p> <ul style="list-style-type: none"> a. improvement of key business processes b. Service level agreements between key services c. Revised service specifications d. Measurable productivity improvements identified 	<p>Improvement plan approved by Leadership Team and implementation program agreed by June 2016 Implementation program proceeding to schedule by June 2017</p>
<p>4. Continue with ICT improvements</p>	<p>Resources allocated in 2015-16 budget (complete) and 2016-17 budget First stage implementation complete by June 2016 Second stage implementation complete by June 2017</p>
<p>5. Resource and knowledge sharing through the Strategic Alliance with Blue Mountains City Council and Hawkesbury City Council</p>	<p>Strategic Alliance activated Areas agreed for investigation</p>
<p>* Please attach detailed action plan and supporting financial modelling</p>	

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

Penrith City Council Financial Capacity Review initiated in 2013 has underpinned the development of the Fit for the Future Action Plans. Extensive consultation with Councillors has supported the Capacity Review. Penrith City Council has worked with UTS:CLG, Beyond Technology, Fifth Quadrant and Jeff Roorda and Associates in undertaking a thorough investigation of key business processes, services and infrastructure to inform the development of sound strategies to ensure Council is fit for the future. See the attached detailed Improvement Plan for further details.

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.

Penrith City Council has explored the full range of improvement actions available including: changes to services, structural change, and a regional strategic alliance. All actions outlined in the attached improvement plan are underpinned by a detailed Capacity Review that began in 2013 and after extensive deliberation by the Capacity Review Steering Committee have been included in our Action Plan.

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)	-4.3%	-3.4%	-2.07%	-0.41%	1.31%	2.64%	Yes
Own Source Revenue Ratio (Greater than 60% average over 3 years)	65.7%	72.82%	76.06%	76.98%	77.77%	78.70%	Yes
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	44.4%	40.5%	39.43%	53.70%	56.45%	63.83%	Yes
Infrastructure Backlog Ratio (Greater than 2%)	4.43%	2.6%	1.6%	1.44%	1.28%	1.17%	Yes
Asset Maintenance Ratio (Greater than 100% average over 3 years)	114.1%	108.15%	101.85%	102.31%	100.72%	100.74%	Yes
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	7.03%	7.42%	7.42%	7.34%	6.92%	6.29%	Yes
Real Operating Expenditure per capita A decrease in Real Operating Expenditure per capita over time	0.99	0.95	0.90	0.88	0.86	0.84	Yes

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.

See the detailed attached Improvement Plan which includes information on the risks associated with the strategies, actions and assumptions that underpin the expected improvement in Council's performance.

5. Putting your plan into action

How will your council implement your Improvement Action Plan?

Implementation of Council's Improvement Action Plan will be through inclusion of actions in the Operational Plan and Delivery Program, and through development of the annual budget including revision of the Long Term Financial Plan. This ensures that responsibility is clear and resources are allocated to all tasks. Progress will be reported as part of the IP&R Annual Reporting Program.

It is important to note that a number of actions, including those expected to generate significant productivity improvements, have already commenced with initial resourcing allocated and future costs incorporated into long term financial planning. This includes the service reviews, business process review, improvements in ICT, customer service review and assets review. Governance and resourcing processes are already in place for considering, endorsing and implementing recommendations as they arise.

Council has allocated responsibility for monitoring and reporting regularly on progress against the key strategies in the improvement plan to the Organisational Performance and Development Department. This Department has responsibility for supporting implementation of the Business Improvement Plan, including completion of the Capacity Review (service reviews, assets review, and business process review); and also has oversight of the implementation of the ICT Strategy. Progress on all key initiatives is reported regularly via the Executive Manager Corporate to the Assistant General Manager and CFO, and the General Manager. This Department also reports to the Capacity Review Steering Committee on progress on the service reviews, assets review and business process review.

Regular consultation will continue with Council via Councillor Briefings. A range of communication methods are being used across the organisation, including a staff representative Communications Panel which has been established to support communication around the Capacity Review. Change management and communication mechanisms will continue for the foreseeable future as change is implemented across the organisation.

Extensive community engagement is planned for late 2015 and 2016, including an independently facilitated, representative Community Panel which will run for 5 months. Other engagement methods proposed include online forums, listening posts, mail outs and social media. The initial focus of this engagement will be levels of service for assets; however issues around community priorities and expectations for service delivery will also be covered. The results of this engagement will inform both the application for a 508(A) SRV in February 2016 and the

preparation of new IP&R documents in 2016 and 2017.