



Fit for the Future Improvement Proposal

Attachment 4

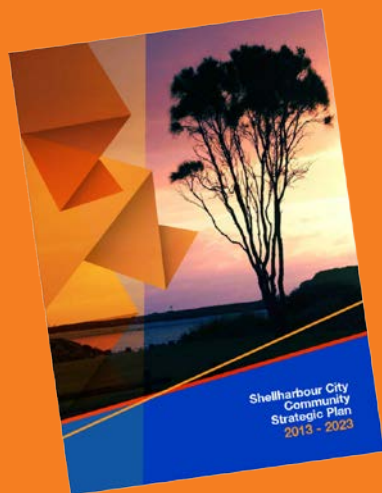
Long Term Financial Plan 2015/16 – 2024/25



Long Term
Financial Plan
2015/16 - 2024/25

INTEGRATED PLANNING & REPORTING FRAMEWORK

The Integrated Planning and Reporting Framework is a legislative requirement for all NSW Councils. It aligns organisational planning, processes, and performance to the Community Strategic Plan 2013-2023. Ultimately, the Framework provides greater accountability and transparency.



COMMUNITY STRATEGIC PLAN (10 YEARS)

What you want

Reflects the community's vision for the City and outlines the key long-term Objectives which sets the direction for the future. It is developed and delivered as a partnership between Council and the community.



RESOURCING STRATEGY (10 YEARS) LONG TERM FINANCIAL PLAN (10 YEARS)

How will we deliver what you want

Contains information on the time, money, assets and people required by Council to progress the Strategies within the Delivery Program and move towards achieving our community Objectives. It is made up of the following three key components:

- ▶ **Long Term Financial Plan;**
- Asset Management Plan; and
- Workforce Management Plan.



DELIVERY PROGRAM (4 YEARS) AND OPERATIONAL PLAN (1 YEAR)

What we will do

Details Strategies and individual Actions across the full range of Council operations, that Council will undertake to achieve the community Objectives.

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Introduction

The Long Term Financial Plan (LTFP) is an important part of Council's strategic planning process, as it is used as a decision making and problem solving tool to model different scenarios. It is also used to inform and guide future action and to allow Council to identify financial issues at an earlier stage. The LTFP provides a means to forecast Shellharbour City Council's capacity to provide financial resources to meet the Objectives of the Community Strategic Plan.

The LTFP is developed in conjunction with the Asset Management Plans and Workforce Management Plan and incorporates the strategies and actions contained within Council's Delivery Program.

The LTFP is for a period of ten years and includes the following:

- the planning assumptions used to develop the plan
- projected income and expenditure, balance sheet and cash-flow statement
- sensitivity analysis
- monitoring financial performance and sustainability

The primary purpose of this LTFP is to facilitate effective financial decision-making which is informed by the short, medium and long term expectations of the community.

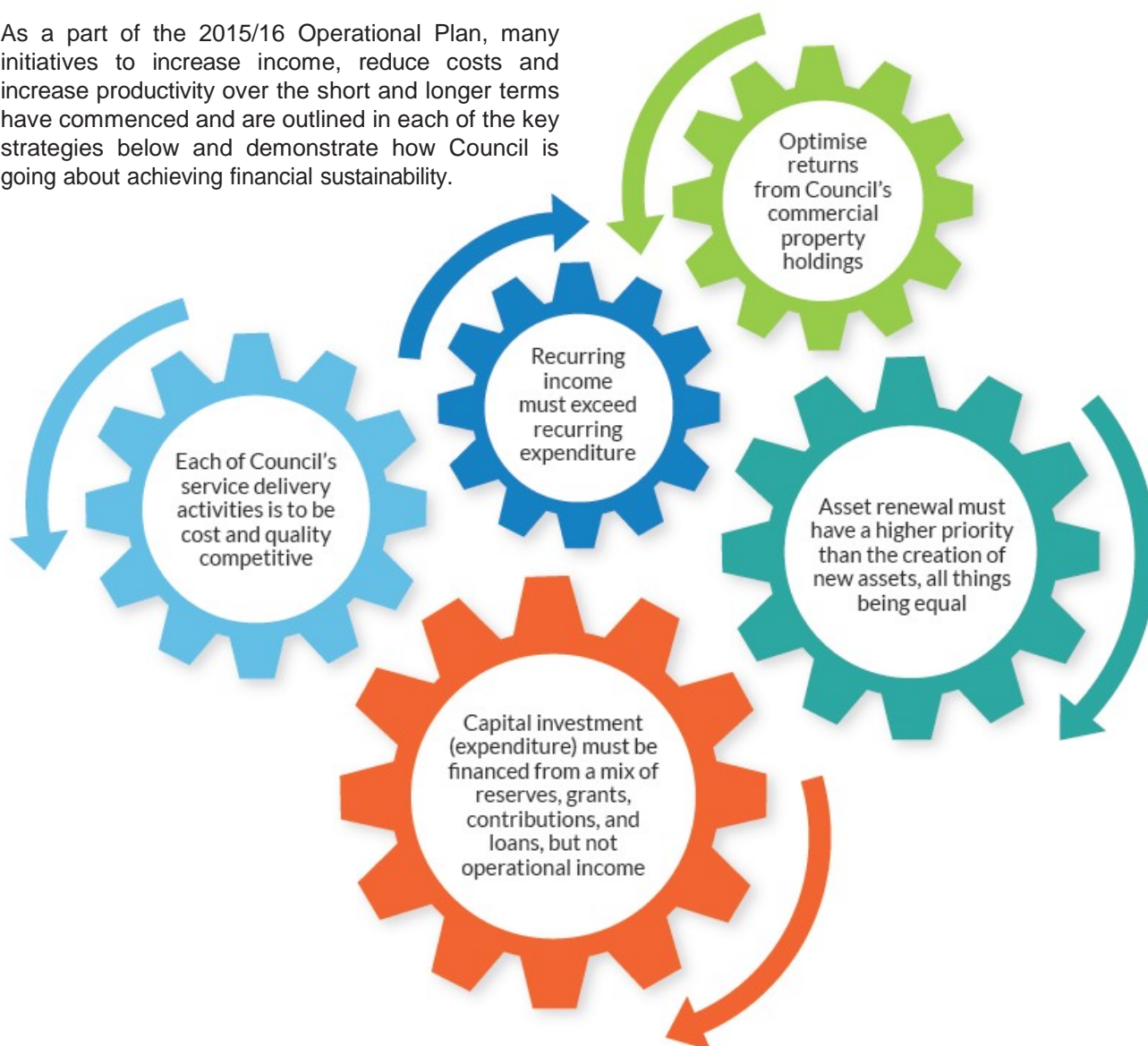
The LTFP is reviewed on an annual basis, with a major review process undertaken in line with the review of the Community Strategic Plan.

Councils in New South Wales are experiencing a period of significant reform under the "Fit for the Future" program announced by the NSW State Government in September 2014. Key focus areas of the reform include an expectation that councils are sustainable, efficient, can effectively manage infrastructure and deliver services for communities; and have the scale and capacity to engage effectively across community, industry and government. Shellharbour City Council is in a strong position to demonstrate that it is progressing toward being "Fit for the Future" and has been moving toward financial sustainability through the implementation of the current suite of Integrated Planning and Reporting documents including the Long Term Financial Plan.

Moving toward a Financially Sustainable Future

Council's key objective is financial sustainability in both the medium and longer term. At its meeting on 28 February 2012, Council adopted recommendations from the report "A Financial Strategy for the Council". This report introduced strategies and associated actions to inform the LTFP and ensure Council is financially sustainable. At a high level, this will allow Council to plan for a sustainable organisation structure, schedule affordable and realistic annual budgets and program capital works for new, replacement and renewal of assets that are prudent in the short, medium and longer term.

As a part of the 2015/16 Operational Plan, many initiatives to increase income, reduce costs and increase productivity over the short and longer terms have commenced and are outlined in each of the key strategies below and demonstrate how Council is going about achieving financial sustainability.





Recurring income must exceed recurring expenditure

The aim of this Strategy was for Council to achieve by 2015/16, an annual operating statement deficit before capital, within -1% of annual operating expenditure, known as an Operating Performance Ratio. Initiatives that have enabled Council to operate in a more efficient manner include:

Procurement initiatives

The adoption of a procurement roadmap by Council in 2012 has led to the organisation working through a number of key actions, which have provided recurrent operational savings to date. These savings have been reflected in the 2015/16 estimates and have been maintained in future years in the LTFP.

Budgeting for Outcomes

Over the last 24 months Council has moved to a 'budgeting for outcomes' model. It is important that the budget reflects the priorities included in the Community Strategic Plan which has resulted in a restructure of the Finance ledger. This has embedded a direct link between the financial data and the Strategies and Actions in the Delivery Program, enabling Council to monitor the true cost of achieving the community Objectives.

Service Reviews

A number of service reviews have been undertaken with the aim of achieving effective and efficient service provision. The objective of these reviews is to examine whether services are being delivered in a manner that best meets the community needs and provides value for money.

A graphical representation of how Council is projected to achieve the Operating Performance Ratio is contained in the Financial Performance and Sustainability section.



Each of Council's service delivery activities is to be cost and quality competitive

This strategy establishes a comparative approach to benchmark the appropriate levels of cost and quality for each of Council's service delivery activities.

Service Level Agreements

Service Level Agreements (SLA's) have been established between Council's Corporate Policy Directorate and the service delivery arm of Council, Shellharbour Enterprises. The SLA's detail what services will be delivered and the associated resource allocation. A substantial amount of work has been performed over the last 24 months to enable cost and quality to be competitive. This is an ongoing process which will continue to be reviewed and refined into the future. External benchmarking is currently in progress for a selection of maintenance activities regularly undertaken by Council.



Asset renewal must have a higher priority than the creation of new assets, all things being equal

The application of this strategy will in time lead to Council being able to better maintain and sustain its existing assets.

Sustainable Rate Increase

On the 11 June 2013, Council was granted approval from the Independent Pricing and Regulatory Tribunal (IPART) to increase rateable income beyond the prescribed rate peg. This will enable Council to better maintain and sustain its existing assets and allow Council's building and infrastructure renewal ratio to move closer to the suggested industry benchmark and state average for this key financial indicator.



Capital investment (expenditure) must be financed from a mix of reserves, grants, contributions and loans, but not operational income

The Strategy was applied from 2011/12 and has had the effect of limiting capital expenditure on new assets, while making additional resources available for recurrent operating expenditure, including asset maintenance.

Debt Management Strategy

With the adoption of the new financial strategies by Council in 2012, loan borrowings are now replacing the use of operating income for some of these capital projects enabling works to be carried out in a more efficient manner. This also allows the funding to be spread over future generations rather than existing ratepayers bearing the full cost of the capital infrastructure and frees up operational funding for asset maintenance and service provision.

In addition to the above, Council has also been successful in receiving a rebate on the interest payable for borrowings associated with road renewal works. Council will continue to seek opportunities to minimise the interest expense associated with loan borrowings. The level of borrowings drawn each financial year is carefully monitored through long-term financial modelling to ensure affordability.



Optimise returns from Council's Commercial property holdings

Council has a number of commercially valuable assets, such as the Shell Cove Project, the Illawarra Regional Airport, the Shellharbour Beachside Tourist Park and The Links Golf Course. The management of these assets has been reviewed and strategies are in place to conduct their operation in a more commercial manner, as the optimisation of business returns is a priority.

Most recently action taken to optimise returns include: the ongoing input of a Business Unit Advisory Board to provide a commercial insight specific to Council's business activities; strong land and house sales at Shell Cove; the construction contract awarded for stage 2 of the Shell Cove boat harbour; the commencement of detailed master planning of the Shell Cove Town Centre; the review and renewal of several commercial leases; the generation of a draft Strategic and Business Plan for the Illawarra Regional Airport, and the completion of an updated business plan for ongoing development of the Shellharbour Beachside Tourist Park.

Fit for the Future

In September 2014 the New South Wales Government introduced the “Fit for the Future” reforms in response to the Independent Local Government Review Panel and Local Government Acts Taskforce recommendations.

A Fit for the Future council is one that is:

- Sustainable
- Efficient
- Effectively manages infrastructure and delivers services for communities; and
- Has the scale and capacity to engage effectively across community, industry and government.

Councils in NSW are being asked to prepare a submission addressing the “Fit for the Future” criteria and associated benchmarks by 30 June 2015, which will be assessed by a panel of independent experts. Council is in the process of preparing this submission which will inform the way in which council delivers programs, projects and infrastructure to the community now and into the future.

Council is also participating in a Regional Joint Organisation pilot which will assist in the development of a model for the establishment of 15 Joint organisations in regional NSW from September 2016. Regional Joint Organisations are an opportunity for councils to come together to formulate ideas and priorities for Local and State Government at a regional level to help our local communities grow and thrive. They will also create a mechanism for State and Local Government to plan better than ever before.

It is anticipated, next year’s Long Term Financial Plan will include Council’s Fit for Future Roadmap.

Criteria and Benchmarks

The following provides a summary of the criteria and benchmarks set by the Office of Local Government that Council is working toward as part of its “Fit for the Future” submission.

Sustainability

For councils to meet the service and infrastructure needs of their communities they need to be financially sustainable. The NSW Treasury Corporation defined a financially sustainable council as one that, over the long term, is able to generate sufficient funds to provide the level and scope of services and infrastructure, agreed with its community through the Integrated Planning & Reporting process.

Efficiency

A Fit for the Future council minimises unnecessary burden on business and the community; provides value for money to the community; and manages resources well to deliver services or infrastructure.

Effective infrastructure and services

A Fit for the Future council is one that knows the current and future infrastructure needs of the community; develops, maintains and renews infrastructure using the right mix of revenue and borrowing; works with others to deliver cost effective services; delivers services and infrastructure that meets the needs of communities as identified through the Integrated Planning & Reporting process; and delivers services and infrastructure on time and on budget.

Scale and capacity

Scale is a key component of strategic capacity – both in creating individual councils with the resources and skills to provide leadership on regional planning and to advocate on behalf of communities by creating a system of local government where State and Local Government can work together effectively. A Fit for the Future council is one that saves money on bureaucracy and administration, freeing up funds for front-line services and community

facilities; can contribute to projects and tackle issues that impact on its residents and extend beyond the council boundary; and has credibility and influence across councils, across government, and with industry.

Fit for the Future Assumptions

The LTFP has been prepared in line with the requirements under the 'Fit for Future' benchmarks. Further analysis has been undertaken during the exhibition period to seek out opportunities for Council to improve its financial position and long term sustainability. These assumptions/initiatives have been factored into the LTFP. They include:

Depreciation

There has been and continues to be a significant amount of focus on this Income Statement expense line item within the local government industry, as Councils strive to gain a better understanding of the useful life patterns of their infrastructure assets. A reduction has been made to Council's expected depreciation expense across the LTFP. This is due to some modifications to expected useful lives in the road infrastructure asset class.

Council's Long Term Financial Plan factors in some reductions in materials & contracts and other expenses as a result of expected productivity efficiency gains. The following initiatives will assist in achieving these savings:

Service Level Agreements (SLA's)

SLA's detail what services will be delivered and the associated resource allocation. This is an ongoing process which will continue to be reviewed and refined into the future with expectations of productivity gain outcomes.

Special Rate Variation (SRV)

Additional rate income raised via the SRV is allocated in its entirety to Asset Renewal. As more funding is spent on renewal, it can be expected that expenditure on the maintenance of Council's assets will increase at a slower rate or decline in some areas in the future.

Waste Management

Council has recently reviewed and benchmarked its operations in this area in order to reduce its costs. Initiatives currently being implemented include the introduction of new technologies to reduce the Waste and Environmental Levy applied to materials used for operating purposes, alternate work methods to improve the placement and compaction of waste in landfill and a full review of the plant used to operate the landfill.

Plant/Fleet Management

A comprehensive review of this area is planned for the 2015/16 financial year. The review is expected to highlight areas of improvement that will lead to cost savings. Areas for review will include acquisition and disposal, maintenance and servicing, fleet private use arrangements and Fringe Benefits Taxation.

Procurement

There a number of planned initiatives identified in the area of procurement. They include the implementation of Category Codes as recommended by Local Government Procurement, the establishment of Panels for 15 Trade Services over 5 different zones across Shellharbour, Kiama and Shoalhaven Councils, joint tendering with nearby Councils for large spend category areas allowing efficiency gains through the pooling of resources and greater buying power and the implementation of a supplier management system for new contracts.

Planning Assumptions

The LTFP contains a number of assumptions, including some that are beyond the control of Council, such as interest rates and State Government waste levies. Variations in these assumptions during the life of the plan may have a significant impact on Council's future financial planning. The LTFP is updated annually in conjunction with preparation of the Operational Plan and Budget, which responds to the four year Delivery Program and Shellharbour's 10 year Community Strategic Plan, to ensure the assumptions are continually updated with the latest information available.



Inflation

The LTFP has been prepared using 'real dollars' methodology. All estimates are reflective of today's (2015) values, which removes the effect of inflation on forecasted figures.

An assumption of 2.5% inflation has been used as per Reserve Bank forecasts. Any changes in amount reflect growth or increases that are estimated to exceed forecast inflation.



Service Priorities

Council's objective is to ensure 'value for money' for their ratepayers, deliver long-term financial sustainability and ensuring services remain relevant and align with the 'needs and wants' of the local community. Extensive consultation was conducted as part of the development of the Community Strategic Plan to determine the range and priority of services desired by the community.

Increase in dwellings

"Residential development forecasts assume the number of dwellings in Shellharbour City will increase by an average of 349 dwellings per annum to 33,467 in 2036"



Business

1%



Residential

1.16%



Farmland

0.8%

Population

Demographic profiling was conducted for Shellharbour City Council by demographic specialists Informed Decisions in November 2014. Their results forecast population increases for Shellharbour.

“Between 2011 and 2036, the population for Shellharbour City is forecast to increase by 19,043 persons (28.76% growth), at an average annual change of 1.16%”



Population 2014
67,830

Population 2036
85,262

Change 2014-2036
25.70%



Revenue Forecasts

The sources of funds for Council are varied and the following shows the breakdown of revenues budgeted for Council for 2015/16. This is expected to remain an indicative breakup of sources of revenue for the term of the LTFP.



Rates & Annual Charges

Rating is a major component of Council's revenue base. In June 2013 Council received approval from IPART, to increase rates under section 508A of the Act, for a four year special rate variation, which commenced in the 2013/14 financial year. These increases have been included in the 2015/16 budget and LTFP. Approved increases include: 10% in 2015/16 and in 2016/17. These percentages incorporate rate peg increases. A 3% rate peg has been assumed for 2017/18 and beyond.

The increase to rates will be retained permanently in Council's rate base and will be utilised to improve infrastructure renewal. Council faces a significant challenge in meeting community expectations in the adequate maintenance and renewal of assets and our current rate revenue is no longer sufficient to cover the funding required to maintain assets to a level expected by the community.

The process to increase rates included an assessment of the community's capacity and willingness to pay rates and for a 'Sustainable' increase to rates. This occurred during many community engagement opportunities provided to the Shellharbour community, especially regarding service levels and their financial implications (for example, Budget Allocator Tool).

User Charges and Fees

Many of the services provided by Council are offered on a 'cost recovery' basis to allow a 'user pays' principle to be applied. Other considerations when determining user charges and fees include: Regulated charges, Market price, Community Service requirements and Section 94 Developer Contributions (discussed separately). The 2015/16 Operational Plan includes information on Council's pricing policies for its user charges and fees.

Grants

Council receives a Financial Assistance Grant from the Commonwealth Government and anticipates the continuation of this grant. Other budgeted grants are generally for specific purposes and projects, with the grant monies assumed to be expended in the year it is provided. In preparing the LTFP Council has assumed that it will continue to receive grants. Should these grants and subsidies be reduced, Council's ability to provide the same level of service will be impacted.

\$3.9m

Federal Assistance Grant



Contributions

Section 94 contributions account for a significant proportion of total contributions received each year by Council. Some of these are cash and others are assets contributed from the developer on completion of a subdivision. In December 2013, Council adopted the Seventh Review of its Section 94 Contributions Management Plan 2013 following a major review.



Interest and Investments

Based on existing term deposits held and taking into consideration the 10 year Australian Bond rate, interest rates have been included at 4% for 2015/16 and future years. This has then been discounted for 2.5% CPI pa for conversion into 2015 real dollars. The balance of funds available for investment has been calculated after taking into account cashflow forecasts.

Expenditure Forecasts

The Community Strategic Plan has given Council an indication of the communities' expectations for the future. In developing expenditure forecasts Council has considered, not only the new expenditure in the Community Strategic Plan, but also Council's existing commitments, much of which is regular and ongoing. Extensive consultation with staff occurred during the preparation of the LTFP. All categories of expenditure have been examined and projections included have been based on varying factors, including historical averaging or staff projections in many cases.

Employees Costs

Wages for 2015/16 are based on an award increase and salary system movements of 3.5% before being reduced for inflation (an effective increase in 2015 real dollars). A vacancy factor of 3% is built into the 2015/16 budget and this is included in all later year projections. Staffing levels have been assumed as being stable apart from new positions associated with the new City Library. Calculations of these large expenditure items are also informed by the Workforce Management Plan, as well as legislative requirements for superannuation increases and changes to workers' compensation legislation



Depreciation

Council is required to revalue different asset classes in line with the Office of Local Government's (OLG) scheduled program of revaluations. In 2014/15, two of Council's major asset classes Roads and Transport and Stormwater Drainage will be revalued, including their useful lives (where appropriate) following extensive condition sampling. This revaluation program may have a significant impact on future amounts included in the depreciation expense.

Borrowing Costs

Section 621 of the Local Government Act 1993 allows the Council to borrow at a level determined by the Council via approval of the Revenue Policy contained within the annual Operational Plan. Borrowing to build, renew and upgrade community assets is recognised by the Office of Local Government as a prudent financial strategy when used to fund the cost of long life assets. Also referred to 'intergenerational equity', it spreads the cost of financing assets across generations and the community likely to use the infrastructure.



Actual Borrowings

\$3m



2013/14

Proposed Borrowings

\$4.59m



2014/15

\$4.79m



2015/16

\$15.19m



2016/17

Repayments currently included in the LTFP include:

Road Renewal

Borrowings from 2012/13 under the Local Infrastructure Renewal Scheme (LIRS) – Round 1 for \$3m expenditure on the renewal of Council's road infrastructure. The term of this loan is 10 years.

Shellharbour Beachside Tourist Park Amenity Improvement

Borrowings from 2014/15 have been included in this year's LTFP for \$600K, with repayments to be funded from the Crown Reserve Restriction. The term of this loan is 10 years. This project is currently underway with the renewal of the existing amenities building and includes the delivery of a camp kitchen.

A further loan of \$200K is proposed for 2015/16 to assist fund the installation of additional cabins set to commence late in 2015/16. The term of this loan is also 10 years.

Stadium Roof replacement

The LTFP includes proposed loan borrowings for the Stadium Roof replacement with the borrowing drawdown to occur in 2014/15.

Loans are also proposed for the City Hub project.

City Hub

The total cost of the City Hub project is valued at approximately \$59.5m in real dollars (2015), which will be funded from sale of assets, borrowings and developer contributions. The LTFP has included borrowings with a 20 year term to support the completion of the City Hub project. The borrowing amount is \$10.4m in 2016/17 financial year. Refer to Major Projects section for further information on the project.

Capital Expenditure

The capital expenditure items included in the LTFP, are primarily for the renewal of existing assets. These costs have been included in real dollars and are informed by the information contained in Council's Asset Management Plan.

Major Projects

Shell Cove Project

The Shell Cove Project is a tourism infrastructure and 3,000 lot/dwelling residential development.

At March 2015, there were 1,842 housing lots and homes sold. Further vacant residential lots and new houses are to be produced and sold. Community facilities delivered include a public school, interim community centre, extensive public open space, sporting facilities and a corner store. A par 71 quality golf course and associated clubhouse facilities – “The Links Shell Cove” – opened in 2004.

The centrepiece of Shell Cove is the Boat Harbour precinct called “The Waterfront”. A 20 hectare harbour, 300 berth marina, associated support facilities and a public boat ramp will be surrounded by a 1.5km public promenade/boardwalk. The focal point will be a vibrant people place that includes a hotel, supermarket, shops, restaurants and cafes, tavern, residential accommodation, boat storage and maintenance facilities, car parking and public parks.

Construction work on the Boat Harbour commenced in 2013 and is expected to be completed in 2018. The Waterfront precinct works and sales are scheduled to start in 2015 and be completed in 2024.

Shell Cove is being delivered via a financial and legal agreement between Council and Australand (as the project manager and financial partner). Council will receive 50% of the net profits, with the profit distributions not expected before 2020.

Council’s LTFP includes revenue from the Shell Cove Project (Administration Fees) on the sales of property, with no provision for profit distribution in this current iteration.

The triennial Feasibility Study is currently being undertaken (including an independent review). Implications of the study will be assessed and included in the LTFP in due course.



City Hub

Approval for the City Hub Project was given by Council at its meeting on 18 September 2012. The estimated cost of the project is approximately \$59.5million, which will be funded from the sale of assets, borrowings and developer contributions. The design is practically complete and in June 2015 Council decided to proceed with the construction. The community will see the new building taking form during 2015/2016. They can also anticipate the facilities being available mid-2017.

The project has a vision to create a sense of place, a civic and cultural heart with buildings and features that reflect community's identity and its commitment to

sustainability. Once developed, the City Hub will provide the main community and cultural precinct for the city.

At the heart of the City Hub will be a new City Library with a museum, community meeting rooms and interactive spaces. There will also be a new auditorium, Council Chambers and new administration offices. At the entrance to the City Hub will be a civic plaza that will create a sense of place, where all people in the community can comfortably gather and interact, or enjoy quiet and solitude. The City Hub will also complement the retail and commercial development of City Centre.



Dunmore Resource Recovery Centre

Council is proposing to develop a new transfer station and food organics processing facility to improve waste recovery and reduce landfill at the Dunmore Resource Recovery site. The reconfiguration of the site would improve safety for the community at the site as well as increase business opportunities through the sale of organic material. Depending on approvals, construction is planned to commence in 2015/16.

Warilla Library

The sale of the current Warilla library site includes an 18-month lease period. Council commenced the lease of the library on 1 October 2014 from the new owner while the new library is developed. The 18-month lease period can be extended for a further six months if required. At its meeting on 2 December 2014 Council resolved that:

1. Keith Fletcher Park as the preferred site for construction of a new Warilla Library
2. The carrying out of further site investigation works including geotechnical considerations
3. The preparation of a concept plan and detailed cost estimates
4. Allocation of \$250,000 from the sale of the old Council Chambers and Warilla Library for the costs associated with the site investigation, concept design, project management and consultancies
5. The implementation of the community engagement strategy for the library's redevelopment.

Calderwood

The NSW Government has approved a concept plan for the development of 4,800 dwellings in Calderwood. In 2013 the Land & Environment Court issued development consent for Stage 1 of the development, being 231 residential lots. The overall development may have long term financial impacts on Council in terms of infrastructure provision and maintenance. To mitigate this, Council has negotiated a whole of project Voluntary Planning Agreement, which will secure infrastructure and financial contributions that are acceptable to the Council.

Aboriginal Interpretive Centre

A proposed Bass Point Aboriginal Interpretive Centre is planned to be constructed at the entrance to the Bass Point Eco-Reserve and immediately adjacent to the Waterfront Shell Cove, currently under construction.

The proposal for the centre aims to create local employment and economic opportunities, provide educational programs for schools and tourists and preserve local and regional Aboriginal heritage, stories and artefacts. The centre may include a restaurant, art gallery/keeping place, gift shop and conference/educational space as well as local guided tours. The centre will offer the entire community and visitors to the region a new innovative Aboriginal cultural experience.

The Bass Point Interpretive Centre (BPIC) Steering Committee was re-established in June 2014 and continues to meet on a regular basis. The committee has developed a project plan, a project timeline and the with a tender to be awarded in April 2015 for the development a Business Case. The completion of the Business Case will be an integral step in the overall process in the development and ultimate construction of a high-quality, sustainable and commercially viable Centre.

Sensitivity Analysis

LTFPs are inherently uncertain. They contain a wide range of assumptions, including assumptions about interest rates and the potential effect of inflation on revenues and expenditures. Some of these assumptions will have a relatively limited impact if they are wrong. Others can have a major impact on future financial plans.

Those matters that may have moderate impact on the LTFP have been included below as a part of the Risk Management process.

Risk Management

A risk assessment has been performed on the LTFP by examining at a high level the impact of inaccurate projected estimates of operational items and capital expenditure. This risk assessment is applicable to all scenarios and has been created using the attached risk matrix. The severity and frequency of each risk was examined to establish a risk rating for each category. Risk treatments and mitigation strategies were then detailed to identify the best methods to help eliminate and or minimise the potential impacts arising out of the identified risks.

It is important to note that the risk ratings listed below relate only to the inherent risk for each item. Residual risk Ratings are determined when the effectiveness of the risk treatments and mitigation strategies are considered.

Frequency/Likelihood
A - Almost certain - could happen at any time
B - Likely - Will probably happen in most circumstances
C - Possible - May occur at sometime
D - Unlikely - Could happen but unlikely
E - Rare - May occur in exceptional circumstances

Consequence
1 - Insignificant - financial loss up to 0.3% of Council's Budget
2 - Minor - financial loss (up to 0.8% of Council's Budget)
3 - Moderate - financial loss up to 1.5% of Council's Budget
4 - Major - financial loss up to 5% of Council's Budget
5 - Catastrophic - Extensive financial loss up to 10% of Council's Budget

Frequency or Likelihood	Severity / Consequences				
	Catastrophic 5	Major 4	Moderate 3	Minor 2	Insignificant 1
A Almost Certain	E	E	H	H	M
B Likely	E	E	H	M	M
C Possible	E	H	M	M	L
D Unlikely	H	H	M	L	I
E Rare	H	M	L	I	I

E Extreme Risk
H High Risk
M Moderate Risk

L Low Risk
I Insignificant Risk

Immediate action required (SWMS required)
Senior management attention needed (SWMS required)
Management responsibility must be specified (SWMS required)
Manage by routine procedures and monitoring
Continue current controls and procedures

LTFP Risk Assessment

Income	Severity	Frequency	Risk	Risk Treatments / Mitigation Strategies
Rate pegging lower than 3%	Minor	Possible	Moderate	<ul style="list-style-type: none"> Review of service levels Cost recovery through user fees & charges Identify other possible business investment opportunities Maintain SRV
Maintain Special Rate Variation for the duration of the approval	Major	Possible	High	<ul style="list-style-type: none"> Demonstrate the appropriate use of funds Advise Council of risks and repercussions associated with not proceeding with SRV
Uncertain Financial Assistance Grant Estimate	Moderate	Possible	Moderate	<ul style="list-style-type: none"> Maintain existing estimate for the life of the plan
Negative effects of limited investment opportunities and low interest rate environment	Minor	Possible	Moderate	<ul style="list-style-type: none"> LG investment order SCC investment Policy Utilisation of financial advisors Forecast adjustments
Section 94 Contributions Plan including the Calderwood development	Moderate	Possible	Moderate	<ul style="list-style-type: none"> Monitor contributions levied and received Monitor trends in the development industry and economy in relation to housing supply and delivery Liaise generally with development industry

Inaccurate Projected Estimates of Expenditure Capital & Operational	Severity	Frequency	Risk	Risk Treatments / Mitigation Strategies
1. Employee Wages	Major	Possible	High	<ul style="list-style-type: none"> Forecast adjustments Approval from Management Executive required for all new positions Allocating all staff costs to actions Use of budgeting software Introduction of procedures and review of policies Ongoing review of Workforce Management Plan
2. Wages Liabilities <ul style="list-style-type: none"> Super % increase to 12% by 2025/2026 Retirement/Exit Liabilities/Entitlements/Sick leave 	Insignificant Moderate	Almost Certain Likely	Moderate High	<ul style="list-style-type: none"> Forecast adjustments Manage leave entitlement in accordance with the Award Monitored by Manex on a Quarterly basis Restricted cash to cover provision for leave entitlements
3. Workers Compensation	Minor	Possible	Moderate	<ul style="list-style-type: none"> Proactive management of workers comp claims and return to work programs Amendments to the Workers Compensation Act Forecast adjustments
4. Unfunded maintenance on additional assets (growth assets, such as Shell Cove and Calderwood)	Moderate	Possible	Moderate	<ul style="list-style-type: none"> Refine Service Level Agreements Service reviews with a view to rationalise/consolidating services and assets Enhanced processes and procedures for asset management Forecast adjustments Redistribute budget allocation Investigate Partnerships with not-for-profit and private sector for the delivery of services
5. Lake Illawarra – cost implications of an increased expectations of service provision eg Bushland	Insignificant	Almost Certain	Moderate	<ul style="list-style-type: none"> Apply for Grants Strategic collaboration with stakeholders

Inaccurate Projected Estimates of Expenditure Capital & Operational	Severity	Frequency	Risk	Risk Treatments / Mitigation Strategies
6. Unfunded renewal and depreciation costs – Asset backlog	Major	Possible	High	<ul style="list-style-type: none"> • Maintain SRV • Rationalise assets • Refine Service Level Agreements • Service reviews • Enhanced processes and procedures for asset management, including review of useful lives • Forecast adjustments • Maximise grant funded opportunities for shovel ready projects to leverage our available budget
7. Waste Levy Costs – uncertainty about ongoing increases	Minor	Likely	Moderate	<ul style="list-style-type: none"> • Waste management and recycling initiatives • Source appropriate capping material • Improve processes to reduce operational expense
8. Uncertainty around Carbon Pricing/Taxing legislation	Insignificant	Possible	Low	<ul style="list-style-type: none"> • Installation of Gas Extraction System at Dunmore Recycling Centre • Organics collections and processing • Increase charges • Forecast adjustments
9. Climate Change Adaptation & Sea level rise and how it is impacting on Council's Infrastructure and Land Use Planning over the next 10 years	Moderate	Possible	Moderate	<ul style="list-style-type: none"> • Redirection of Capital and maintenance budgets • Climate Change Risk assessment • Asset rationalisations • Reconstruct infrastructure • Monitor and contribute to the setting of sea level benchmarks • Design new lots and earthworks at Shell Cove with consideration for sea level benchmarks
10. Purchasing of equipment and supplies for day to day operations	Moderate	Possible	Moderate	<ul style="list-style-type: none"> • Continue the implementation of The Procurement Road Map • Refinement of service level agreements and service reviews • Development of new procurement policies

Key Capital Projects	Severity	Frequency	Risk	Risk Treatments / Mitigation Strategies
Calderwood Development <i>Impact of infrastructure provision and maintenance resulting from this large scale development</i>	Moderate	Possible	Moderate	<ul style="list-style-type: none"> • Work with developers during the approvals process to create a sustainable asset base
Funding the redevelopment of Dunmore Resource Recovery Centre	Moderate	Likely	High	<ul style="list-style-type: none"> • Maintain adequate project contingency • Capacity for loan (internal) servicing • Project management plan and associated sub plans • Engagement of appropriate technical advice • Grant applications • Project risk assessments • Procurement risk • Adjust project scope if required
CityHub Business Case	Moderate	Possible	Moderate	<ul style="list-style-type: none"> • Maintain adequate project contingency • Capacity for loan servicing • Project management plan and associated sub plans • Project risk assessments • Procurement efficiencies • Adjust project scope if required • Delay this project and advise Council on how to implement Council's obligations under the Section 94 Plan
The Links Business Plan - implementation	Minor	Possible	Moderate	<ul style="list-style-type: none"> • Adjust project scope if required • Maintain adequate project contingency • Internal borrowings • Project management plan and associated sub plans • Project risk assessments • Procurement efficiencies
Shell Cove Project				<ul style="list-style-type: none"> • Work with developers during the approvals process to create a sustainable asset base

Inaccurate Projected Estimates of Income and Expenditure Capital & Operational	Severity	Frequency	Risk	Risk Treatments / Mitigation Strategies
Operation of Council's Business units – including but not limited to The Links, Airport, and Tourist Park				<ul style="list-style-type: none"> • Implement, monitor & review Business Plans annually • Maintain oversight guidance by Business Unit Advisory Board

Scenario Development

Scenario 1 – Dunmore Resource Recovery Centre

The Business Case was considered and endorsed by Council in 14 October 2014 for the redevelopment of the Dunmore Waste and Recycling Depot. Council has received \$2,050,250 in grant funding for the Transfer Station component of the redevelopment under the Waste Less Recycle More program. Council has also been successful in seeking an additional \$1.85million grant funding for the Organics Processing Facility component of the redevelopment under the Waste Less Recycle More program. Council will seek approval from the Minister of Local Government to internally borrow from its external Domestic Waste Management Restriction. Pending approval, construction is forecast to commence in 2015/16.

Financial Performance and Sustainability

Sustainability



Operating Performance Ratio

How well is Council managing its finances in terms of containing operating expenditure within operating revenue?

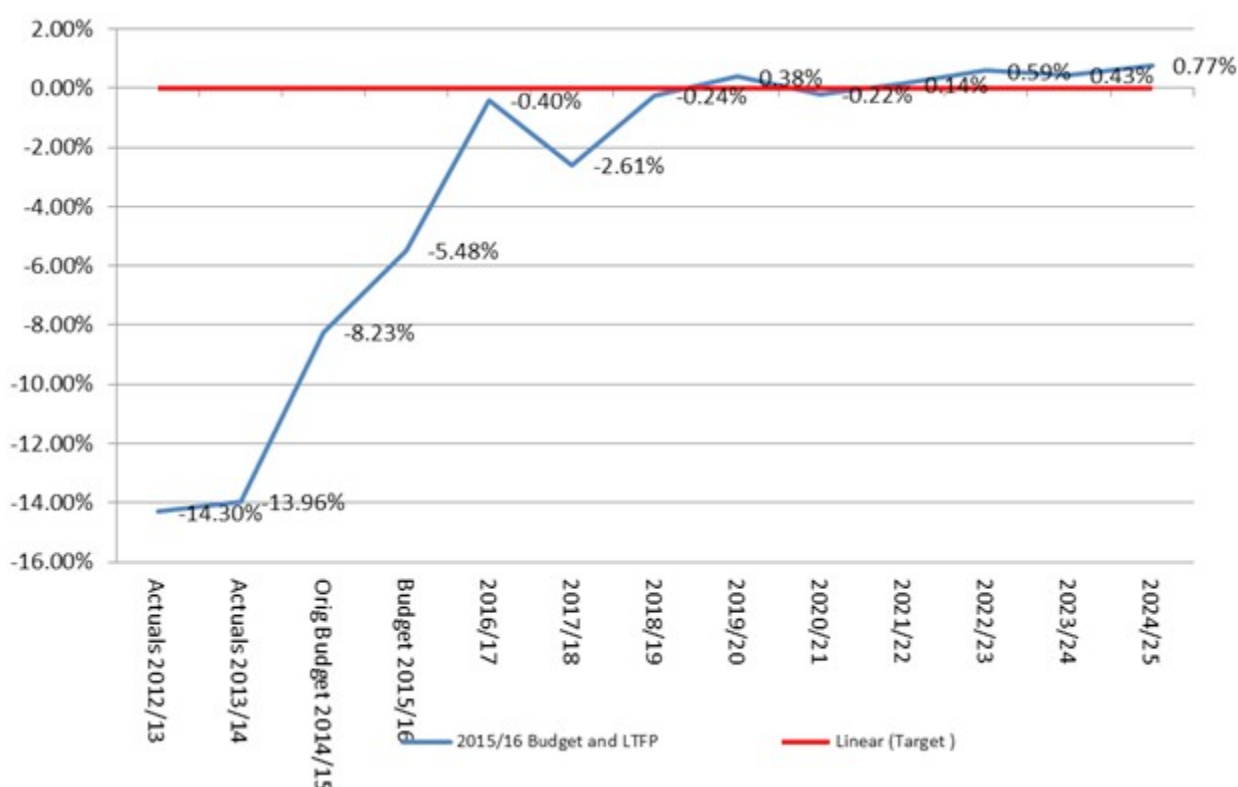
Operating performance ratio is an important measure as it provides an indication of whether a Council is containing its operating expenditure within its operating revenue.

Ratio = Operating revenue excluding capital grants and contributions less operating expenses divided by Operating revenue excluding capital grants and contributions.

What do the results tell us?

Council is trending towards a break-even position. An increase in depreciation from 2017/18 is impacting on Council's ability to meet the benchmark. While operating deficits are acceptable over a short period, consistent deficits will not allow Council to maintain or increase their services or execute their infrastructure plans.

Benchmark is an average of 0% over a three year period



Sustainability



Own Source Revenue Ratio

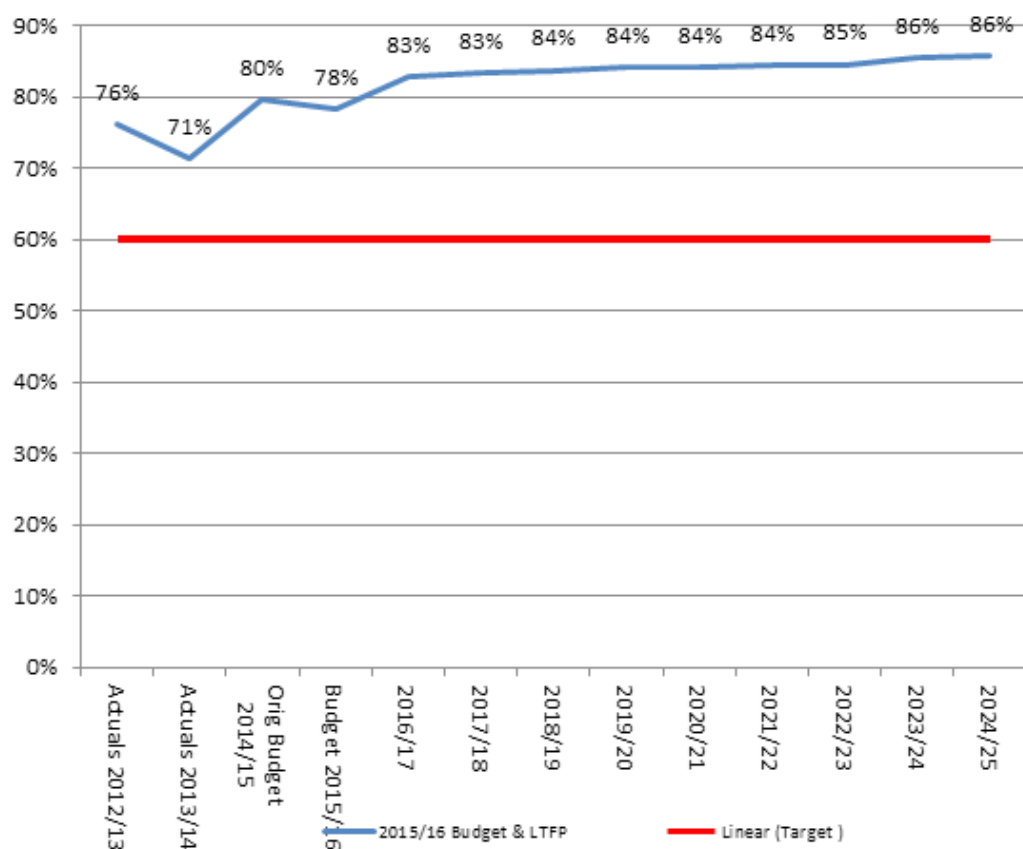
How reliant is Council upon external funding sources such as Operating Grants and Contributions?

Own source revenue measures the degree of reliance on external funding sources (eg. Grants and Contributions). Financial flexibility increases as the level of own source revenue increases and gives Council greater ability to respond to external shocks or challenges.

Ratio = Rates, User fees and Charges divided by total operating revenue (inclusive of capital grants and contributions)

What do the results tell us?

Council comfortably meets the benchmark for this indicator and is projected to continue to do so in the future. The result indicates that Council has sufficient financial flexibility due to its levels of discretionary revenue.



Sustainability



Building and Infrastructure Asset Renewal Ratio

Is Council renewing existing infrastructure?

The building and infrastructure renewal ratio assesses the rate at which assets are being renewed against the rate at which they are depreciating.

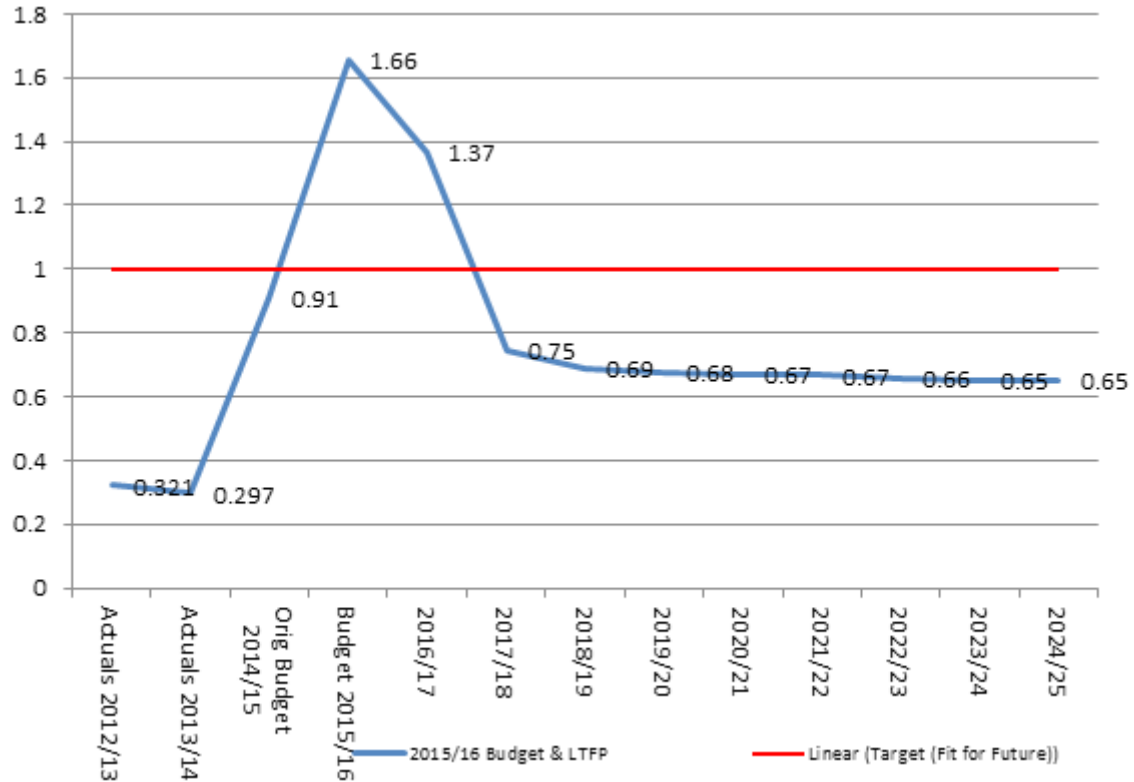
Ratio = Asset renewals (building and infrastructure) is divided by Depreciation, Amortisation and Impairment (building and infrastructure).

What do the results tell us?

Over the longer term, the graph indicates that Council's assets are depreciating at a greater rate than what is being spent on asset renewal. As Council staff gain a better understanding of how assets depreciate, it is expected Council's result will trend closer to the benchmark.

Council has approval from IPART to address this through a Sustainable Rate Increase.

Benchmark: greater than one over a 3 year average



Infrastructure and Service Management



Debt Service Ratio

What impact is loan repayments (principle & interest) having on the discretionary Revenue of Council?

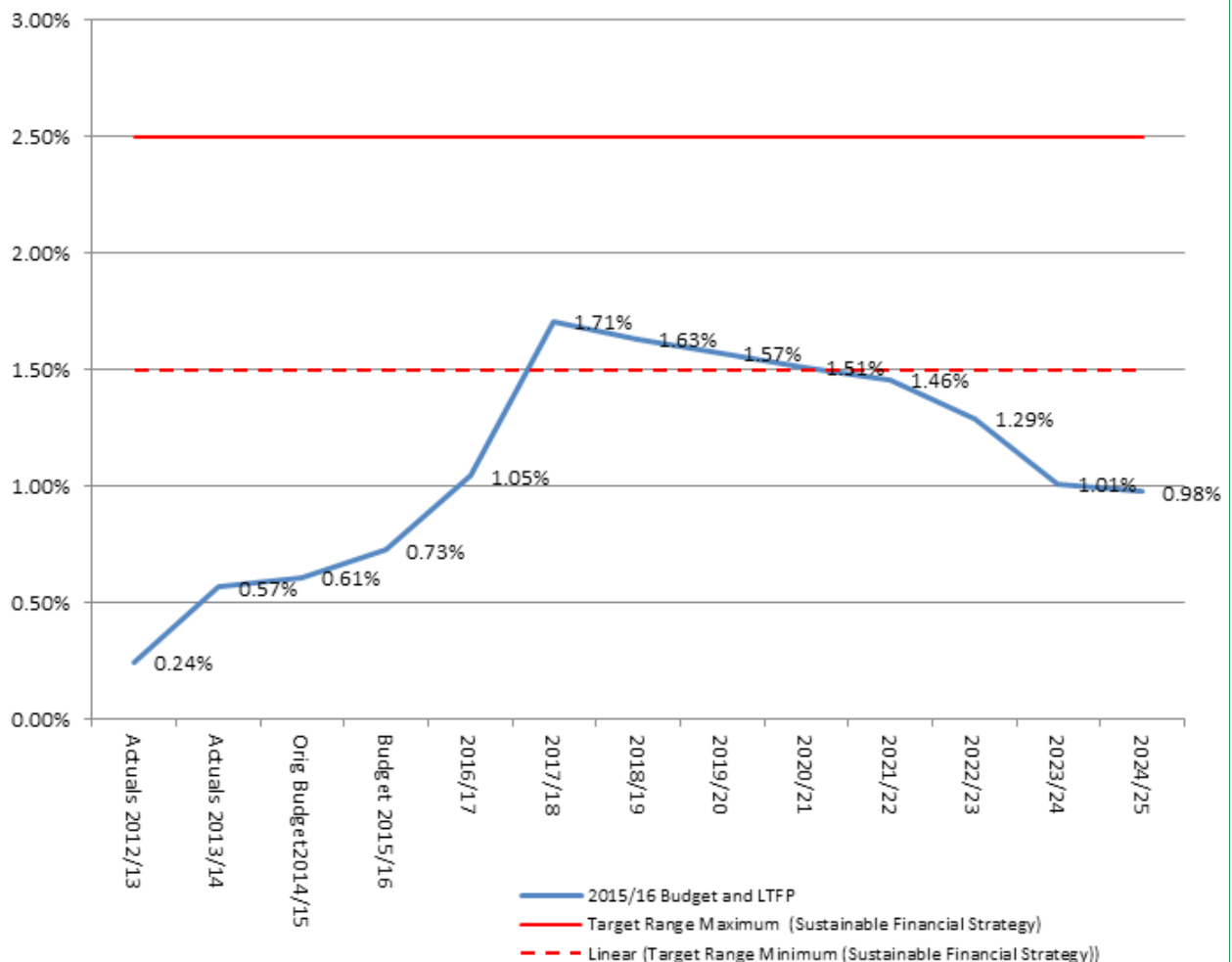
Prudent and active debt management is a key part of Council's approach to funding and managing infrastructure over the longer term.

Ratio = Total of Loan repayments is divided by income from continuing operations excluding Capital items and specific purpose Grants and Contributions.

What do the results tell us?

Council's debt levels are relatively low, up to 2.26% in 2016/17. Loan borrowings are used to smooth funding costs and equitably spread the cost of assets across current and future generations of users and rate payers.

Benchmark is greater than 0% but less or equal to 20% over 3 year average



Income Statement

Account Description	Proposed 2015/16	FY2 2016/17	FY3 2017/18	FY4 2018/19	FY5 2019/20	FY6 2020/21	FY7 2021/22	FY8 2022/23	FY9 2023/24	FY10 2024/25
Income										
Rates & Annual Charges	49,338	52,779	53,671	54,578	55,499	56,436	57,389	58,357	59,341	60,341
User Charges & Fees	19,117	19,265	19,647	20,113	20,215	20,317	20,420	20,525	20,630	20,736
Interest & Investment Revenues	2,596	2,174	1,941	2,063	2,097	2,151	2,090	2,025	2,142	2,265
Other Revenues	2,909	2,160	2,127	2,628	2,350	2,407	2,425	2,621	2,106	1,848
Operating Grants & Contributions	8,001	6,944	6,860	6,870	6,881	6,893	6,904	6,915	6,927	6,939
Capital Grants & Contributions	12,846	9,600	9,196	9,023	8,903	8,953	8,856	8,856	7,920	7,921
Net Gains from Disposal of Assets	10,351	7,456	3,536	261	231	231	231	231	231	231
Total Income	105,157	100,378	96,977	95,536	96,176	97,387	98,315	99,530	99,297	100,281
Expenses										
Employee Benefits & Oncosts	31,701	31,382	32,175	32,619	32,925	33,233	33,557	33,884	34,212	34,544
Borrowing Costs	809	816	1,384	1,352	1,321	1,290	1,260	1,232	1,216	1,205
Materials & Contracts	21,476	20,310	20,442	20,273	20,392	21,398	21,397	21,464	21,952	21,618
Depreciation & Amortisation	16,470	16,376	17,820	17,917	18,053	18,315	18,572	18,863	19,154	19,269
Other Expenses	15,333	14,776	14,622	13,894	14,025	15,071	14,825	14,982	15,146	15,714
Total Expenses	85,790	83,660	86,443	86,055	86,715	89,307	89,611	90,424	91,680	92,350
Net Operating Surplus/(Deficit)	19,367	16,718	10,534	9,481	9,461	8,080	8,704	9,106	7,617	7,931
Net Operating Surplus/(Deficit) Before capital	6521	7,118	1,338	458	558	(873)	(152)	249	(303)	10

Balance Sheet

Account Description	Proposed	FY2	FY3	FY4	FY5	FY6	FY7	FY8	FY9	FY10
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Current Assets										
Cash & Cash Equivalents	7,976	7,543	7,973	7,913	8,224	8,807	7,559	8,562	8,122	9,072
Current Investments	18,266	14,742	12,557	12,364	13,178	12,240	11,553	13,553	15,553	17,553
Current Receivables	5,951	5,941	5,931	5,921	5,911	5,901	5,891	5,881	5,871	5,861
Inventories	1,676	1,305	494	494	494	494	494	494	494	494
Other Current Assets	474	474	474	474	474	474	474	474	474	474
Non-current assets classified as 'held for sale'	400									
Total Current Assets	34,743	30,006	27,429	27,166	28,281	27,916	25,971	28,964	30,514	33,454
Non Current Assets										
Non-current Investments	26,081	19,289	16,038	21,102	23,283	24,168	27,010	24,862	28,751	31,654
Non-current Receivables	810	864	917	971	1,024	1,078	1,131	1,185	1,238	1,292
Infrastructure, Prop, Plant & Equip	755,481	794,388	810,853	815,363	821,888	829,668	838,010	846,218	849,008	851,738
Investment Property	18,530	18,530	18,530	18,930	18,930	18,930	18,930	19,330	19,330	19,330
Intangible Assets	1,195	825	766	639	416	348	23	23	23	23
Total Non Current Assets	802,097	833,895	847,104	857,004	865,542	874,192	885,104	891,617	898,350	904,036
		0								
Total Assets	836,840	863,902	874,533	884,170	893,822	902,107	911,075	920,581	928,863	937,491
Current Liabilities										
Current Payables	6,313	6,263	6,213	6,213	6,213	6,213	6,213	6,213	6,213	6,213
Current Borrowings	537	727	771	792	813	814	726	524	541	400
Current Provisions	12,217	12,711	13,204	13,703	14,207	14,715	15,229	15,748	16,282	16,822
Total Current Liabilities	19,068	19,701	20,189	20,708	21,232	21,742	22,168	22,485	23,037	23,435
Non Current Liabilities										
Non-current Borrowings	3,373	12,440	11,384	10,334	9,289	8,248	7,325	6,622	5,922	5,378
Non-current Provisions	10,988	11,632	12,297	12,985	13,696	14,432	15,193	15,980	16,793	17,635
Total Non Current Liabilities	14,361	24,072	23,681	23,319	22,985	22,680	22,518	22,602	22,716	23,013
Total Liabilities	33,429	43,773	43,870	44,027	44,218	44,423	44,686	45,087	45,752	46,448
Net Assets	803,411	820,129	830,663	840,143	849,605	857,685	866,389	875,494	883,111	891,042
Equity										
Retained Earnings	397,986	414,704	425,238	434,718	444,180	452,260	460,964	470,069	477,686	485,617
Revaluation Reserves	405,425	405,425	405,425	405,425	405,425	405,425	405,425	405,425	405,425	405,425
Council's equity interest	803,411	820,129	830,663	840,143	849,605	857,685	866,389	875,494	883,111	891,042
Total Equity	803,411	820,129	830,663	840,143	849,605	857,685	866,389	875,494	883,111	891,042

Statement of Cashflow

Account Description	Proposed 2015/16	FY2 2016/17	FY3 2017/18	FY4 2018/19	FY5 2019/20	FY6 2020/21	FY7 2021/22	FY8 2022/23	FY9 2023/24	FY10 2024/25
Cash Flows from Operating Activities										
Receipts:										
Rates & Annual Charges	49,316	52,755	53,647	54,554	55,475	56,412	57,364	58,331	59,315	60,314
User Charges & Fees	19,117	19,265	19,647	20,113	20,215	20,317	20,420	20,525	20,630	20,736
Interest & Investment Revenues	2,596	2,174	1,941	2,063	2,097	2,151	2,090	2,025	2,142	2,265
Other Revenues	2,283	2,160	2,127	2,228	2,350	2,407	2,425	2,221	2,106	1,848
Operating Grants & Contributions	8,001	6,944	6,860	6,870	6,881	6,893	6,904	6,915	6,927	6,939
Capital Grants & Contributions	6,046	2,800	2,396	2,223	2,103	2,153	2,056	2,056	1,120	1,121
Payments:										
Employee Benefits & Oncosts	(31,270)	(30,955)	(31,737)	(32,175)	(32,477)	(32,781)	(33,100)	(33,423)	(33,746)	(34,074)
Borrowing Costs	(187)	(173)	(719)	(664)	(609)	(554)	(500)	(445)	(402)	(364)
Materials & Contracts	(21,476)	(20,310)	(20,442)	(20,273)	(20,392)	(21,398)	(21,397)	(21,464)	(21,952)	(21,618)
Other Expenses	(15,333)	(14,776)	(14,622)	(13,894)	(14,025)	(15,071)	(14,825)	(14,982)	(15,146)	(15,714)
Net cash provided (or used in) operating activities	19,092	19,885	19,097	21,044	21,619	20,528	21,437	21,760	20,993	21,454
Cash Flows from Investing Activities										
Receipts:										
Sale of infrastructure, property, plant and equipment	16,345	4,706	821	733	693	693	693	693	693	693
Sale of Investments	22,500	27,000	19,000	18,000	15,000	14,500	13,000	12,000	12,000	15,000
Sale of Real estate assets	3,990	3,990	3,990							
Payments:										
Purchase of infrastructure, property, plant and equipment	(61,246)	(49,722)	(28,760)	(16,099)	(18,240)	(19,357)	(20,575)	(20,732)	(15,606)	(15,660)
Purchase of Investments	(2,500)	(16,000)	(13,000)	(23,000)	(18,000)	(15,000)	(15,000)	(12,000)	(18,000)	(20,000)
Net cash provided (or used in) investing activities	(20,912)	(30,026)	(17,949)	(20,366)	(20,548)	(19,165)	(21,883)	(20,040)	(20,913)	(19,968)
Cash Flows from Financing Activities										
Receipts:										
Proceeds from Borrowings & Advances	200	10,409								
Payments:										
Repayment of Borrowings and Advances	(405)	(700)	(719)	(738)	(760)	(780)	(802)	(717)	(521)	(536)
Net cash provided (or used in) financing activities	(205)	9,709	(719)	(738)	(760)	(780)	(802)	(717)	(521)	(536)
Net increase / (decrease) in cash	(2,024)	(432)	429	(60)	311	583	(1,248)	1,003	(441)	951
Cash & cash equiv. at beginning of reporting period	10,000	7,976	7,543	7,973	7,913	8,224	8,807	7,559	8,562	8,122
Cash & cash equivalents at end of reporting period	7,976	7,543	7,973	7,913	8,224	8,807	7,559	8,562	8,122	9,072

Above numbers are subject to rounding



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