

Council Reassessment Proposal



Office of
Local Government

Getting started . . .

Before you commence this template, please check the following:

- The Office considers this proposal should not be an onerous undertaking for Council, and encourages you to keep responses to a maximum of 500 words, ensuring the information is directly relevant to your proposal.
- Proposals should be completed within the template format provided.
- Specific references to the relevant page and/or paragraph of any attachments should also be included in your response.
- Refer to the *Reassessment Guidelines* as you complete your proposal template.
- Council is only required to submit for reassessment, those areas that IPART considered 'did not satisfy' the benchmarks.
- Councils in OLG groups 8 – 11, should submit the Own Source Revenue ratio including and excluding Financial Assistance Grants (FAG) allocation.
- Councils in OLG groups 8 – 11, have until 2026/27 to achieve the benchmarks.
- FAG allocations should be calculated on Council's current funding allocation.
- The indicators are to be actual or forecast figures for each year, **not** a 3 year average as previously reported in Council's proposal assessed by IPART.
- Council should also include the Income Statement from its Long Term Financial Plan (LTFP); a hyperlink to your full LTFP; and any other documents relevant to your Council's proposal.
- You are invited to contact the Office, should you wish to further clarify your Council's proposal.
- Council should forward a copy of the Council resolution endorsing the revised proposal when available.
- Actual results for 2016/17 should be included even if they have not been audited at the time of submission. They will be treated as preliminary results.

Council name:

Dungog Shire Council

Date of Council resolution endorsing this submission:

20 December 2017 - Minute No. 37615

1.1 Executive Summary

Provide a summary (up to 1000 words) of the key points of your Proposal including current performance, the issues facing your council and your planned improvement strategies following IPART's initial assessment.

Council wrote to the Office of Local Government (OLG) in December 2017 and February 2018 requesting an extension to submit our reassessment proposal, which was kindly granted, as at the time circumstances had prevented any significant change to council's position since the initial assessment for reasons detailed later. In September 2017 a new council was elected and has resolved to implement an improvement plan. To date we have engaged external financial consultants, Morrison Low and had a number of workshops with staff and councillors to look at the current situation and measures that could be considered within the improvement plan. Our baseline Long Term Financial Plan (LTFP) modelling highlights an obvious income disparity to required infrastructure requirements, as did the previous IPART assessment. As a result, council has commenced considerable consultation and discussion with the community regarding an improvement plan, appropriate service levels and to seek concurrence on a special rate variation which is proposed to become effective 2019-2020. The forecast data provided within this proposal comes from modelling undertaken by Morrison Low based on council's Improvement Plan.

The Fit for the Future (FFTF) reforms have been detrimental to Dungog Shire Council to date. Since 2014 Dungog Shire Council has been the subject of 3 separate merger proposals under the FFTF program and during this time has been prevented by the NSW Government from applying for a Special Rate Variation effectively contributing to further deterioration of Council's position. Additionally, the pressures placed on Council, staff and the community during this period have been detrimental to conducive and effective operations to the point of the General Manager resigning along with 5 of 9 councillors including the Mayor, effectively leaving council to run with 4 councillors, one of which was overseas for several weeks. This period of significant instability placed council in a holding pattern unable to make necessary system upgrades to allow us to keep pace with industry and also resulted in difficulties recruiting appropriately qualified staff to the organisation. Future planning for the organisation was not possible.

In addition to the administrative complexities, Council has also endured a one in one thousand year Natural Disaster storm event in 2015 which has also placed an inordinate amount of pressure on Council's small workforce since the initial assessment by IPART with Council only just completing the last of the repairs in June 2018 that were created by this storm. Council has also suffered further flooding events in 2016 and 2018 adding to the issues faced by Council.

These circumstances are further impacted by the fact that Dungog Shire Council is the only shire in NSW that does not have a State classified road; these roads were handed back to council by the NSW State Government thereby requiring council to use its own general revenue to maintain these roads and preventing Council from contracting to RMS. This is an anomaly that significantly disadvantages Dungog Shire Council and it is an issue that has been taken up by the new Mayor and Council with the NSW Minister for Roads, Maritime and Freight, Melinda Pavey MP.

Again, due to the merger proposals the local government election in Dungog Shire was postponed to September 2017 whereby nine (9) new councillors were elected and soon after appraised of the need for an Improvement Plan. The cornerstone of the improvement plan hinges on a successful special rate variation of 78.9% cumulative above the rate peg over seven years. This will allow council to address the infrastructure backlog, replace all timber bridges and meet four of the seven Fit For The Future benchmarks and show significant improvement and be trending toward meeting the remaining three benchmarks. It is noted however, that unlike other NSW councils special rate variation applications that allow for revitalisation of town centres and provision of new amenities for their community, Dungog Shire Council's special rate variation application is required to predominantly fund essential infrastructure maintenance, a fact not lost on our residents who are being asked to pay more in their rates charges.

A special rate variation is only one of a number of options Council is considering in order to improve our overall financial performance and better manage and maintain essential infrastructure. We are looking to develop a positive culture of efficiency and productivity as well as facilitating savings across the organisation.

Each of these strategies and actions on their own will not enable Council to achieve financial sustainability, the goal and challenge for Council is to achieve the optimum mix of these strategies and actions which will see council assessed as Fit For The Future.

As stated in the Reassessment Guideline Council's in Group 8-11 must plan to meet the Operating Performance Ratio within 10 years, the benchmark within the reassessment guideline being a greater than or equal to break-even actual/forecast year only. Dungog Council will meet this requirement in 2023 and continues to improve each year thereafter. Council meets all of the Sustainability benchmarks. In meeting these benchmarks Council demonstrates it will generate sufficient funds over the long term to provide the agreed level and scope of services and infrastructure to our community.

Sustainability

Measure/ benchmark	Actual 2016 / 2017 performance	Achieves FFTF benchmark?	Forecast performance 2021/ 2022 (Group 1-7 Councils) 2026 / 2027 (Group 8-11 Councils)	Achieves FFTF benchmark?
Operating Performance Ratio (Greater than or equal to break-even – actual/forecast year only)	-17.51%	No	0.085	Yes
Own Source Revenue Ratio (Greater than 60% - actual/forecast year only)	40.49%	No	84%	Yes
Building and Infrastructure Asset Renewal Ratio (Greater than 100% - actual/forecast year only)	92.37%	Yes	139%	Yes

What measures has council implemented to achieve the benchmarks following Council's initial proposal?

Council's ability to meet the benchmarks is evidenced through a number of measures and strategies within its Improvement Plan including:

Savings and Efficiencies

Consideration of a special rate variation is only one of a number of options Council is considering in order to improve our overall financial performance and better manage and maintain infrastructure. We are looking to develop a positive culture of efficiency and productivity as well as facilitating savings across the organisation by:

- Energy efficiency initiatives including solar and other green initiatives
- Sharing services with other Hunter Councils in areas such as weeds management, records storage, legal services, library services, environmental services and regional procurement.
- Extending the life of our landfill by increasing recycling and diversion rates, as these improve so does the life of our landfill.
- Proactively managing projects related to enhanced funding (other than transport infrastructure) e.g. grant submissions, fees and charges review, Rural Land Use Strategy, development of a new Section 94 Plan.
- Undertaking service reviews and assessing future options for service delivery reviews.
- Transitioning non-core services to other service providers.
- Discussions have commenced in relation to potential strategic alliance options with Port Stephens and other Hunter Councils.
- Managing general savings and cost containment projects, e.g. asset rationalisation and overdue rates recovery, employee oncost review.
- Savings from joint contract negotiations e.g. waste management, election costs, print services and electricity supply.
- Human resourcing savings e.g. workers compensation. Council's workers compensation premium is now 1.98% of total wages paid, compared to the Local Government average of 3.24% leading to a saving in excess of \$65,000.
- Comprehensive asset management plans have been developed across all asset classes to identify future needs.
- Using technology and systems to improve productivity e.g. online mapping, DA tracking.

Under the NSW Code of Accounting Practice full revaluations of Council's infrastructure, property, plant and equipment are to be carried out on a five year rolling cycle. Accordingly, Council's roads, bridges, footpaths and drainage assets are being revalued this financial year as at 30 June 2019.

Council has also been liaising with its auditor's and have identified some improvements in its asset calculations regarding useful lives which resulted in longer asset lives and a decrease in Council's future annual depreciation expense.

Council's external auditor has also carried out significant benchmarking across its local government audit clients and as a result have used this data to assess trends in useful lives and unit costs in order to compare each council across the region. After receiving advice from and in consultation with its auditors, Dungog Shire Council has and is looking further in this year's revaluation to align itself with these regional trends. This will allow council to further refine and improve on the initial valuation and useful lives thereby having a positive impact on carrying values and future annual depreciation expense. This also provides Council with evidence that its assessment of its transport infrastructure is realistic and in line with industry trends.

A review of Council fees and charges has been undertaken with regard to best value principles including value for money, community expectation and values, and a balance between affordability and accessibility of services. Council has benchmarked fees and charges with other council's where possible and also improved the format of the Fees and Charges document to better align with the Community Strategic Plan.

Council is also proposing to undertake a review of fees and charges with particular emphasis on understanding true costs and realising opportunities around facilities that are utilised by community organisations or managed by Section 355 Committees in future years and on the back of work undertaken to date. Council has also drafted a Section 355 committee user guide which will be provided to each for implementation of revised guidelines with committees taking on the care, control and management of the facilities under the legislation and more delegated responsibility for the direct costs of the facilities.

Council has also been progressively increasing fees and charges within its control (i.e. those outside of the statutory fees and charges) to be more in line with the cost of providing the service.

Council is also joining forces with other local governments in the Upper Hunter Region (Dungog, Singleton, Muswellbrook, Upper Hunter) to participate in the Upper Hunter Economic Development Corporation. The remit of the organisation is to market, promote, advocate and deliver on a number of catalytic economic development/business projects for the Upper Hunter to derive better land use outcomes and potentially own source revenue for the Council's involved. The Chair of the newly formed Corporation is the Hon. George Souris.

Council currently undertakes private works as a commercial interest. Income generated as a result of private works assists Council's overall financial performance. Private works undertaken by Council is primarily resident and landholder requests.

Council has also implemented or is looking to implement the following;

Innovation – investigating and implementing new and innovative processes where possible to meet current industry standards. One recent example being James Bridge, a successful Innovation Fund project of \$105,000 which is looking to develop new and enhanced methods of timber bridge replacement which could potentially save council thousands of dollars.

Council has implemented a Roads Strategy which identifies construction standards and priorities, maintenance requirements and intervention levels. Part of this strategy is to also improve processes and utilise technology where possible, accordingly, council now undertakes significantly more geotechnical investigations and stabilises existing pavements where possible.

Strategic Asset Management Training is now a very real focus of Council and has been undertaken by relevant staff. Further training opportunities across council are being explored and utilised to improve staff knowledge and grow skills to enhance

sustainability and efficiency into the future.

Council has engaged widely with the community regarding implementing a special rate variation. To date there has been a mail out to all residents, various notices and stories in the Mayor's media column and community newsletters. Additionally, council has conducted 15 separate community meetings; the initial 6 community meetings outlined council's situation and the need for a special rate variation. From the first 6 community meetings residents were invited to participate on a Community SRV Reference Panel for a further 3 in depth meetings working with staff and councillors on determining a level of special rate variation and the impacts on various sectors within the shire. Upon completion of the SRV Reference Panel meetings another 6 community meetings were conducted to present and discuss the proposed rate increase and possible impacts with the community, this was a total of 15 community meetings. Council is encouraged by the community's recognition to progress with a special rate variation noting that the quantum of the proposed increase is yet to be resolved by Council. Further consultation continues with a survey being distributed to all rate payers in the forthcoming rates notice.

Council dedicates a part time resource (2 days per week) to completing and submitting grant applications to bring forward asset renewal of Timber Bridge replacements where possible. However, it is important to note that these grant programs require Council to match grant funding dollar for dollar. This is a significant impost on a Council such as Dungog that has limited unrestricted general revenue. Our approach to matching dollar for dollar grants is to secure external loans, again noting that Council cannot access favourable loans with the NSW State Government as a result of not being deemed Fit for the Future, thus forcing us into loan arrangements in the market with commercial financial institutions. Despite this further disadvantage, Council is looking to use debt to address the infrastructure backlog for renewal of council's timber bridges (intergenerational equity) which will also contribute to a stronger local economy as current load limits on these bridges are restrictive to efficient and effective local business.

The General Manager and senior leadership team, along with Council will be reviewing all expenditure programs and service provisions across all current operations.

Dungog Council together with other Upper Hunter Council's is participating in the development of a Regional Economic Development Strategy which focuses on a strong local economy which in turn helps Council sustainability.

Council has commenced a review of its Rural Land Use Strategy which will help minimise land use conflict and better identify future land opportunities for development.

Councils Section 94 Plan is also under review to better reflect current development and infrastructure requirements which will allow use of current funds collected under an extremely futuristic plan.

Council has adopted a new S94 Heavy Haulage Plan.

Council will be reducing governance costs through a reduction in councillors, from 9 down to 7, effective from the 2020 local government election.

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

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

Benchmarks are being met or trending towards being met however Council is dealing with outdated corporate systems as a result of upgrades and replacements being placed on hold over the last four years due to merger proposals. These upgrades will be addressed in current and future budgets but are contributory to Council's present situation.

Dungog Council has minimised rates as much as possible over the years including at times not increasing rates by the full peg amount. In some years, Council has not only not increased rate amounts but reduced the rate amount. At the time these decisions were made it is assumed that the circumstances were compelling, however these historical decisions have been detrimental to our current position as these amounts will likely never be recouped and has contributed to the infrastructure backlog and current financial position. Dungog rates are currently amongst the lowest in the Hunter.

Infrastructure and Service Management

If Council satisfied the criterion as part of IPART's assessment, there is no need to complete this section.

Measure/ benchmark	Actual 2016 / 2017 performance	Achieves FFTF benchmark?	Forecast performance 2021 / 2022 (Group 1-7 Councils) 2026 / 2027 (Group 8-11 Councils)	Achieves benchmark?
Infrastructure Backlog Ratio (Less than 2% - actual/forecast year only)	Criterion satisfied as part of IPART's assessment in original submission			
Asset Maintenance Ratio (Greater than 100% - actual/forecast year only)	Criterion satisfied as part of IPART's assessment in original submission			
Debt Service Ratio (Greater than 0% and less than or equal to 20% - actual/forecast year only)	Criterion satisfied as part of IPART's assessment in original submission			

Efficiency

If Council satisfied the criterion as part of IPART's assessment, there is no need to complete this section.

Measure/ benchmark	Actual 2016 / 2017 performance	Achieves FFTF benchmark?	Forecast performance 2021 / 2022 (Group 1-7 Councils) 2026 / 2027 (Group 8-11 Councils)	Achieves benchmark?
Real Operating Expenditure per capita A decrease in Real Operating Expenditure per capita over time	\$2,221	No	\$2,306	No

What measures has council implemented to achieve the benchmarks following Council's initial proposal?

Consideration of a special rate variation is only one of a number of options Council is considering in order to improve our overall financial performance and better manage and maintain infrastructure. We are looking to develop a culture of efficiency and productivity as well as facilitating savings across the organisation by:

- Energy efficiency initiatives including solar and other green initiatives
- Sharing services with other Hunter Councils in areas such as weeds management, records storage, legal services, library services, environmental services and regional procurement.
- Extending the life of our landfill by increasing recycling and diversion rates, as these improve so does the life of our landfill.
- Managing projects related to enhanced funding (other than transport infrastructure) e.g. grant submissions, fees and charges review, Rural Land Use Strategy, new Section 94 Plan.
- Undertaking service reviews and assessing future options for service delivery reviews.
- Discussions have commenced in relation to potential strategic alliance options with Port Stephens and other Hunter Councils.

- Managing general savings and cost containment projects, e.g. asset rationalisation and overdue rates recovery, employee oncost review.
- Savings from joint contract negotiations e.g. waste management, print services and electricity supply.
- Human resourcing savings e.g. workers compensation. Council's workers compensation premium is now 1.98% of total wages paid, compared to the Local Government average of 3.24% leading to a saving in excess of \$65,000.
- Comprehensive asset management plans have been developed to identify future needs.
- Using technology and systems to improve productivity and efficiency e.g. online mapping, DA tracking and cloud and mobile computing.

Dungog Council's EFT staff per head of population is the lowest in Group 10 councils – 138 as shown in the OLG 2016/17 time series data.

Dungog Council's EFT staff numbers are the second lowest in group 10 councils – 66 EFT as shown in OLG 2016/17 time series data. Council's staff numbers have since been reduced, council's EFT currently sits at 63.5, down from 66 EFT and a vacancy rate of 3.5% has also been built in to council's 2018/19 budget.

Council has completed the successful Innovation Fund project of James Bridge and is looking to develop new and innovative methods of timber bridge replacement which could potentially save council thousands of dollars.

An organisational review is being conducted for a report to Council in September/October, 2018 with a focus on efficiency and productivity and to ensure alignment with the Community Strategic Plan 2030 and a focus on core service delivery.

Council is in the process of evaluating expressions of interest in relation to the proposed sale of Council owned land that is surplus to need.

Council has appointed consultancy firm GLN to review and update Council's Section 94 Plan. This review will be completed and reported to Council by December, 2018.

Reducing governance costs through a reduction in councillors from 9 down to 7 will be effective from the 2020 local government election.

Council has been participating in a strategic shared services review with Port Stephens Council to ascertain whether a number of Council's planning functions can be undertaken by Port Stephen's Council at a price equal to or better than the level of service and quality available at Dungog Shire Council.

Council has explored and entered into further joint contracts with larger Hunter Council areas for service and commodity supplies in the following areas; Supply and Spray Bitumen services, Supply and Install Guardrail, Supply and Deliver Emulsion, Line marking Services, Traffic Control Services, Tree Pruning and maintenance, Road Stabilising Services, Ready mixed concrete supply, Traffic Safety Sign supply, Concrete Pipes and Pits, Fuels, Oils and Lubricants, Supply of tyres, Supply of Electricity for Street Lighting.

Council is also working closely with Hunter Water with both organisations recently agreeing to share their respective planned annual capital works program in an attempt to share resources (both staff and materials) on concurrent projects that are required in the Shire.

Council has implemented a Roads Strategy which identifies construction standards and priorities, maintenance requirements and intervention levels. Part of this strategy is to also improve processes and utilise technology where possible, accordingly, council now undertakes significantly more geotechnical investigations and stabilises existing pavements where possible.

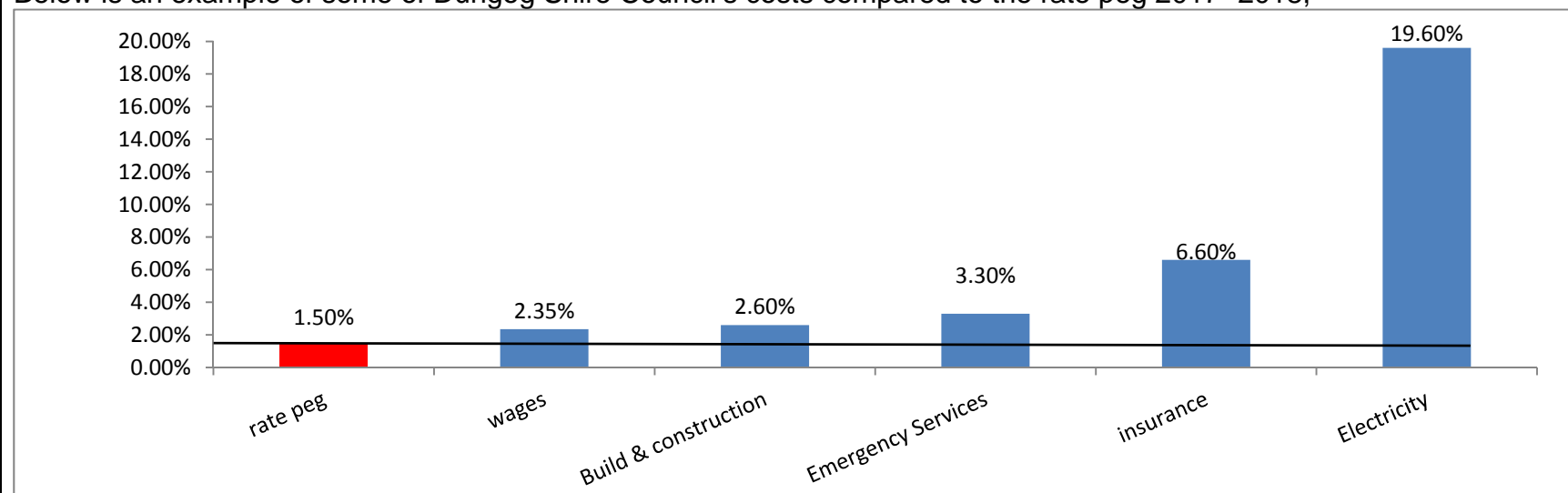
If the benchmarks are not being achieved, please indicate why.

Dungog Shire has endured significant hardship and challenges over the last 4 years due to merger proposals, natural storm events and unique circumstances that affect our Shire in relation to road classifications. It is also noted that Dungog Shire Council has approximately 23% of our land that is currently unrateable (quarantined by Hunter Water, State Forestry and National Parks). This matter has been taken up by the NSW Association of Country Mayors (who have established an Unrateable Land Working Party of member Councils), the Canberra Joint Organisation, and the Central West Joint Organisation and our Mayor is currently corresponding with the Deputy Premier, John Barilaro MP regarding the impost of unrateable land on the Dungog Shire Council. Pragmatically fully rating National Parks and Forestry Corporations may be an aspiration beyond reach; however haulage rates and infrastructure funding arrangements may be other ways to address this issue (arrangements similar to those in mining communities). Our shire is based on agriculture and has a small and very slow growing population spread over a large area; we have a large road and timber bridge network, multiple villages with multiple facilities and a low population and rate base.

Due to the dispersed population Dungog Council's operating costs are higher than those council's with concentrated populations. We have limited ability to generate alternative revenue sources and are heavily reliant on Grant income which also means limited opportunity for return on investment.

Rate pegging is not increasing at the same rate as CPI, wages and other direct costs. Council is limited by the NSW Government on the amount it can increase rate income irrespective of actual cost increases.

Below is an example of some of Dungog Shire Council's costs compared to the rate peg 2017- 2018;



Due to the three merger proposals endured by Dungog Council and which have all now been removed, Councils Improvement Plan is in the initial stages, some of the cost containment strategies have not been implemented and therefore the effects have not materialised.

Council is restricted in its ability to apply for grants and State and Federal Government grant conditions require Council to match the grant 50/50. Without significant untied general revenue, this requirement does not allow Council to take advantage of funding opportunities.

Council as a result of not being deemed Fit for the Future is not able to take advantage of more agreeable borrowing rates and conditions with NSW Treasury, and instead is locked into less favourable loans with banks.

Dungog Shire Council is requesting that the NSW Government review the classification of the road network addressing the fact that Dungog is the only shire in NSW that does not have a State classified road, resulting in council using its own general revenue to maintain these roads and preventing Council from contracting to RMS. This factor holds Council back in achieving required asset management benchmarks.

Capacity building activities are now central to the Councils culture – a Capacity building focus on all FFTF initiatives are built into the councils approach.

Sustainability

How will your council improve its performance?

Summarise your council's key strategies to improve performance against the Sustainability benchmarks in the 2021/22 period, (2026/27 for OLG group 8-11) including the outcomes you expect to achieve.

Councils key strategy is to implement an improvement plan that includes:

Constraining expenditure through revised and joint procurement strategies, expanding resource sharing initiatives, energy efficiency savings (solar where applicable) and reviewing plant and equipment requirements.

Council, in consideration of its infrastructure needs, has changed its approach to asset management. Council has shifted its focus from the creation of new assets to the renewal of assets except where critical new infrastructure is required.

Council is looking to implement a new asset management system to help risk rate and prioritise the renewal and repair of infrastructure assets. This focus on strategic asset management will reduce the infrastructure backlog by reducing the estimated cost to bring council assets to a satisfactory standard.

Council is undertaking a full condition assessment of its roads and bridges to better understand its liability and future renewal profile. This proactive approach to scheduling works will ensure Council can maintain and renew its infrastructure through priority allocation of funds. Council's renewal program is supported by the Special Rate Variation with governance arrangements in place to ensure transparency and regular reporting to council and community through the IP&R process.

Leveraging intergenerational loans to assist with asset management/renewal.

Council is endeavouring to develop a culture of efficiency and facilitate savings across the organisation. Council has committed to

generating savings by:

- Exploring shared servicing and strategic alliance possibilities with Port Stephens and other Hunter Councils
- Managing projects related to enhanced funding (other than transport infrastructure), e.g. grant submissions, fees and charges review.
- Managing general savings and cost containment projects, e.g. asset rationalisation and overdue rates recovery, employee oncost review.
- Investing in up to date technology to enhance staff productivity (i.e. a mobile workforce).
- Working with other industry partners (i.e. the not for profit sector) to deliver required community services.
- Transitioning non-core services to other service providers.
- Seeking opportunities to create own source revenue outcomes.
- Continue to work with the community to develop agreed service levels to link to council's decision making and budget setting.

Council will continue to investigate and address over time ongoing energy efficiency measures. This initiative is anticipated to deliver further savings as installations progress and will be factored into future long term financial plan documentation.

Council's proposed model as shown in the attached Income Statement and Balance Sheet assumes a permanent special rate variation over a seven year period of 12.5% in years 1 and 2, 7.5% in years 3, 4 and 5 and 3.5% in years 6 and 7 above the rate peg, across all categories commencing in 2019/20 and finishing in 2026/27. The SRV will be invested in maintaining and renewing Council's infrastructure, replacing all timber bridges within the shire and meeting or trending toward meeting the seven FFTF benchmarks. Notwithstanding that given the initiatives outlined within this submission relative to shared servicing and income generation etc., the requirement to implement the full SRV will be monitored regularly.

Dungog's LGA Socio-Economic Index for Australia (SEIFA) disadvantage rating, and the ability of its residents to pay, played an important part of the modelling process when calculating the impact on the average residential rate assessment. The adopted model results in an average projected increase of \$2.60 and \$1.94 per week. As outlined in the below table, Council's average general rates will still remain lower than its neighbouring councils of Maitland and Port Stephens even with the proposed SRV and inclusive of Port Stephens Transform special rate variation proposal (assuming there are no further increases in either rating structures over the 7 year period).

Council has engaged widely with the community to date through a mail out to all residents, various notices and stories on council's web page and in the Dungog Chronicle, the Maitland Mercury, the Mayor's media column and local community newsletters. Additionally, council has conducted 15 separate community meetings; the initial 6 community meetings outlined council's situation

and the need for a special rate variation. From the first 6 community meetings residents were invited to participate on a Community SRV Reference Panel for a further 3 in depth meetings working with staff and councillors on determining a level of special rate variation and the impacts on various sectors within the shire. Upon completion of the SRV Reference Panel meetings another 6 community meetings were conducted to present and discuss the proposed rate increase and possible impacts with the community, this was a total of 15 community meetings. The community recognise a real need to progress the SRV and as such there has not been any significant backlash to consultation thus far.

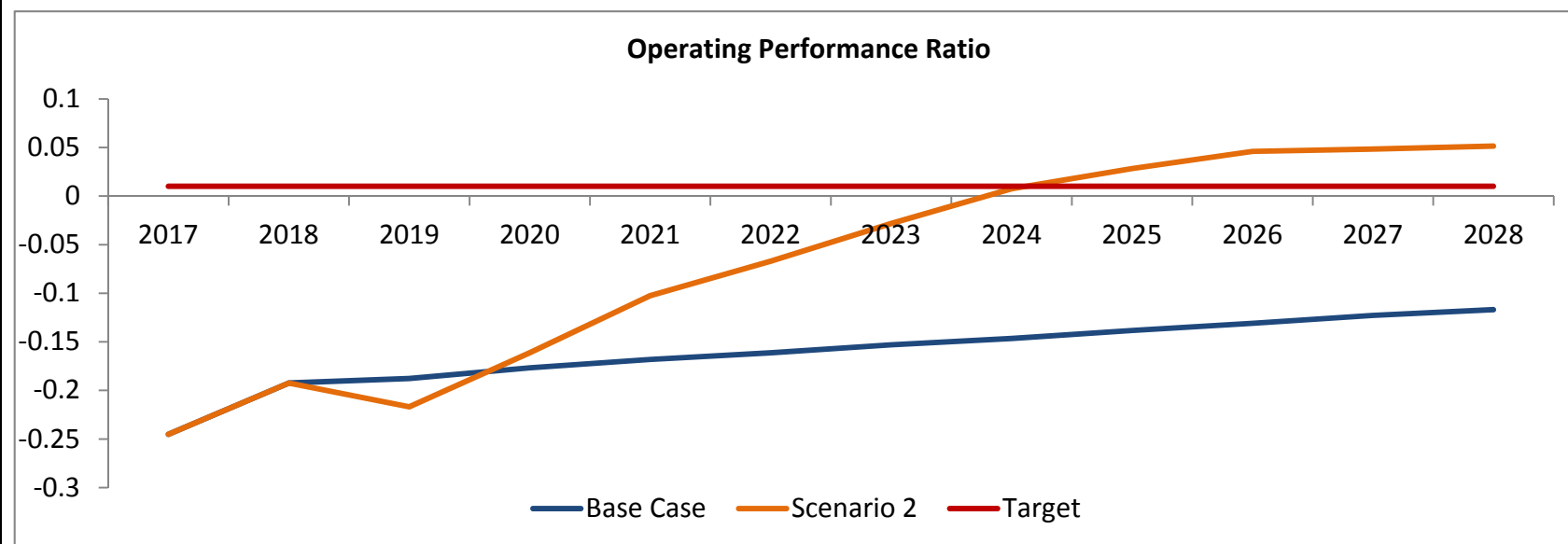
Residential Rates - Financial Scenario 2: Current Service Levels Maintained

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Rates								
Dungog								
Average General Rates	\$ 902.00	\$1,037.30	\$ 1,192.90	\$ 1,312.18	\$ 1,443.40	\$ 1,587.74	\$ 1,683.01	\$ 1,783.99
Percentage Increase	2.30%	15.00%	15.00%	10.00%	10.00%	10.00%	6.00%	6.00%
\$ Increase per year		\$135.30	\$ 155.60	\$119.29	\$131.22	\$144.34	\$ 95.26	\$100.98
\$ Increase per week		\$2.60	\$2.99	\$2.29	\$2.52	\$2.78	\$1.83	\$1.94
Port Stephens – SRV Option 4								
Average General Rates	\$ 1,048.00	\$ 1,137.08	\$ 1,233.73	\$ 1,338.60	\$ 1,452.38	\$ 1,575.83	\$ 1,709.78	\$ 1,855.11
Percentage Increase	2.30%	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%	8.50
\$ Increase per year		\$89.08	\$96.65	\$104.87	\$113.78	\$123.45	\$133.95	\$145.33
\$ Increase per week		\$1.71	\$1.86	\$2.02	\$2.19	\$2.37	\$2.58	\$2.79
Maitland								
Average General Rates	\$ 1,480.00	\$ 1,587.30	\$ 1,702.38	\$ 1,744.94	\$ 1,788.56	\$ 1,833.28	\$ 1,879.11	\$ 1,926.09
Percentage Increase	7.25%	7.25%	7.25%	2.50%	2.50%	2.50%	2.50%	2.50%
\$ Increase per year		\$107.30	\$115.08	\$42.56	\$43.62	\$44.71	\$45.83	\$46.98
\$ Increase per week		\$2.06	\$2.21	\$0.82	\$0.84	\$0.86	\$0.88	\$0.90

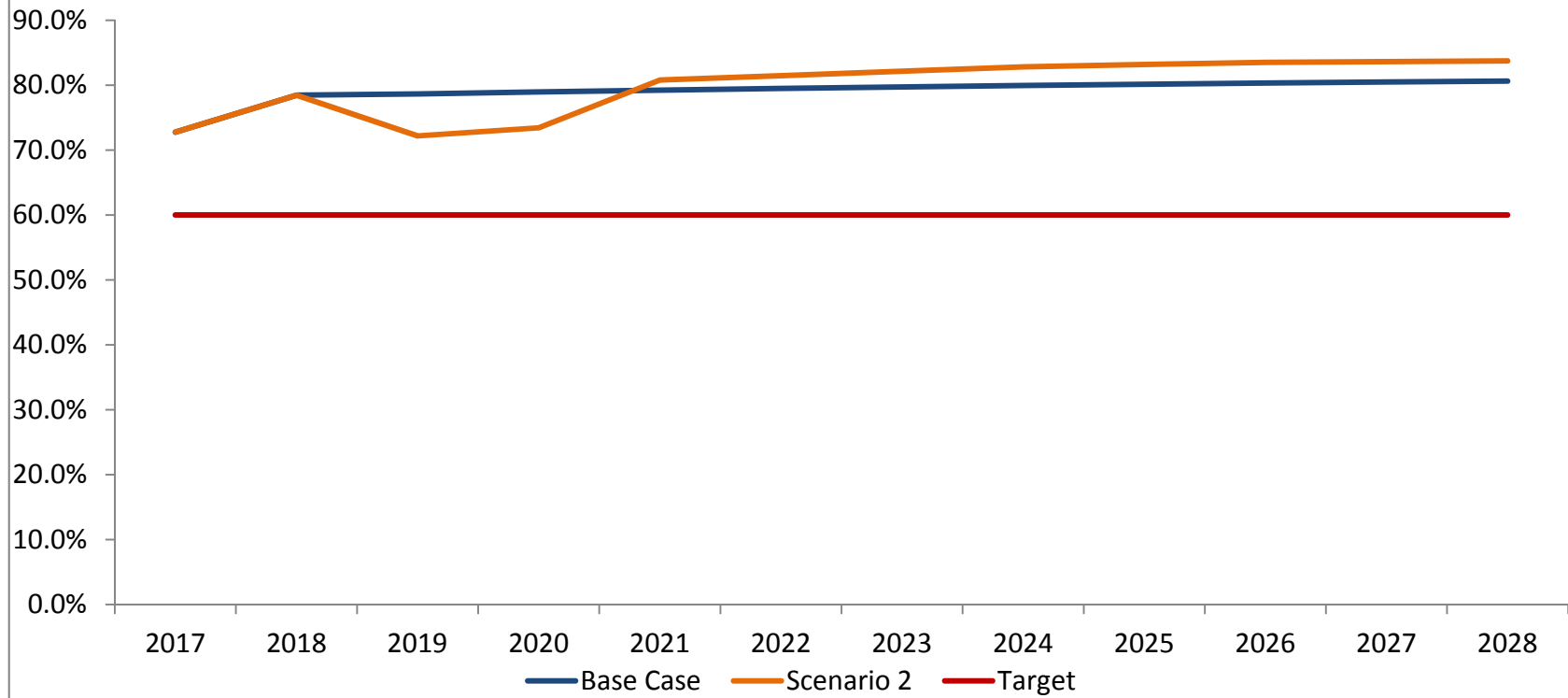
Council recognises the opportunities to increase efficiency and improve financial sustainability through shared services and strategic alliances and the opportunities that this process presents. Council is currently partnering with the Hunter JO in this regard in areas such as weeds management, records storage, legal services, environmental services, Library service, and regional procurement. In addition, it is anticipated that other regional initiatives previously undertaken within the Hunter Region of Councils will continue. By way of example, the joint purchasing initiative over the last three years has resulted in savings across the Hunter region of over \$508,000, for Dungog Council the saving is over \$31,000. Further opportunities will also be pursued over time through continued participation in the Hunter JO.

The implementation of a service review program across Council is expected to deliver enhanced efficiency and effectiveness, improved productivity, and identify savings. The objective is to improve processes and information flow and importantly to enable automation across a range of Council's functions to further support the service review process.

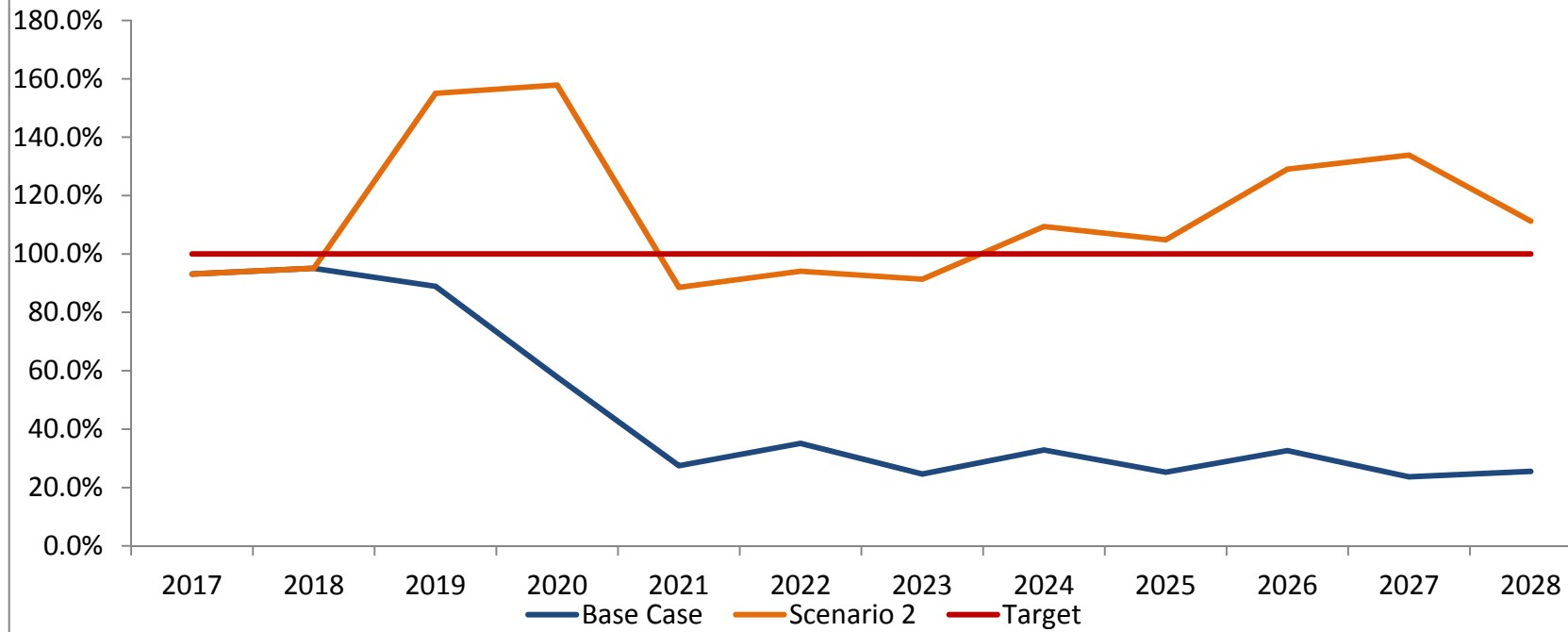
The service review process is being carried out in the construct of a broader Shared Servicing and Alliancing project being undertaken with Council's neighbouring LGA's in consideration of economies of scale and managing service levels to achieve efficiencies.



Own Source Revenue Ratio



Building and Infrastructure asset renewal ratio



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.

Council has engaged external financial consultants Morrison Low to assist Council with the SRV process and financial modelling ensuring Council's approach is realistic and robust in terms of its future financial modelling. Attached to this reassessment is a file containing all the assumptions that have been factored into council's SRV proposal.

Council has taken a conservative approach in developing its assumptions and completed considerable sensitivity analysis. Council's sensitivity analysis identified the factors most likely to affect the outcome of the LTFP and the impact on its financial position on changes to the underlying assumptions. For example, what happens to Council's financial position if salary and wage increases are 1% higher than forecast, growth is half that forecast or investment returns are 1% less than forecast in the LTFP. Council undertakes quarterly budget reviews and will adjust assumptions if and when required to minimise risk of not achieving the LTFP objectives. Consideration was also given into our Shire's socio-economic status and community's ability to pay.

Council is taking a strategic approach to becoming a sustainable council as outlined in its Income Statement and Balance Sheet. The model in which Council has underpinned its strategies and expected outcomes assumes a permanent special rate variation over a seven year period of 12.5% in years 1 and 2, 7.5% in years 3, 4 and 5 and 3.5% in years 6 and 7 above the rate peg, across all categories commencing in 2019/20 and finishing in 2026/27. Notwithstanding that, given the initiatives outlined within this submission relative to shared servicing, additional development and income generation etc., the requirement for the full SRV will be monitored regularly.

Council's original submission to the Fit for the Future Program in June 2015 as identified in IPART's summary assumed a successful special rate variation from 2016/17 over 6 years of 92.2% cumulative above the rate peg. IPART did not consider this to be a reasonable assumption as council had not commenced community consultation on the proposed rate increase.

Council's revised approach sufficiently addresses its financial requirements over the longer term whilst having regard to Dungog's LGA SEIFA disadvantage rating and the affordability of its residents to pay and feedback received from our various community engagements. Council has engaged widely with the community to date through a mail out to all residents, various notices and stories in print media, the Mayor's media column and community newsletters, 12 separate community meetings across the shire and a further 3 detailed meetings with the SRV Community Reference Panel to provide input to Councillors and staff regarding the level of the SRV. It is intended to consult further when the revised IP&R documents and LTFP inclusive of the proposed SRV are

exhibited in the next few months. The community recognise a real need to progress the SRV and as such there has not been any significant backlash to consultation thus far.

Under the NSW Code of Accounting Practice full revaluations of Council's infrastructure, property, plant and equipment are to be carried out on a five year rolling cycle. Accordingly Council's roads, bridges, footpaths and drainage assets will be revalued at 30 June 2019.

In reviewing grants and contributions, it is considered prudent not to forecast an increase greater than that historically provided to Council, other than CPI, over the period of the LTFP. Council notes that current reviews are underway in relation to grant allocations and advocates strongly for a revision of funding arrangements, particularly in relation to the distribution of the Financial Assistance Grants.

Although council believes it has taken a conservative approach in its grant forecasts, any reduction or discontinuance of grants will be offset by a corresponding reduction in expenditure.

Sustainability

Outline your strategies and outcomes in the table below

Objective	Strategies	Key milestones	Outcome	Impact on other measures
Move towards a breakeven operating result in the medium to long term.	Create a revenue base that adequately guides community growth and delivers quality services.	Permanent SRV of 78.91% cumulative (above the rate peg) from 2019/20 - 2026/27. Ongoing review of fees and charges by 31 December 2018	Generation of additional income of \$4.2M (excl. rate peg). Additional revenue streams identified and increase of revenue base.	These outcomes will positively impact on the Sustainability, Effective Infrastructure and Service Management and Efficiency ratios.
	Continue reviewing services and service levels to ensure value for money for Council and its community.	Ongoing efficiencies and savings identified. Continue review of Council services.	Identifying additional cost savings.	These outcomes will positively impact on the Sustainability, Effective Infrastructure and Service Management and Efficiency ratios.

	<p>Expand on regional alliancing, collaboration and shared service opportunities.</p>	<p>Continue to undertake service reviews and shared Service opportunities with other willing councils.</p> <p>Continue with input into and participation in the Hunter JO.</p> <p>Continue with joint purchasing and contracting arrangements.</p>	<p>Identify shared services savings initiatives and implement where commercially viable</p>	<p>These outcomes will positively impact on the Sustainability, Effective Infrastructure and Service Management and Efficiency ratios over the medium to long term.</p>
<p>Improve overall building & infrastructure asset renewal performance.</p>	<p>Continue reviewing services to ensure value for money for Council and its community and the delivery of services to an agreed level.</p>	<p>Complete infrastructure assessment to identify condition of assets.</p> <p>Clearly identify community expectations around service levels by continuing to undertake a review of Council services.</p> <p>Report outcomes</p>	<p>Creation of priority schedule of works regarding maintenance and renewals.</p> <p>The development of a framework of service level agreements that informs the Asset Management Framework.</p> <p>Greater transparency of</p>	<p>These outcomes will positively impact on the Effective Infrastructure and Service Management ratios.</p>

		to the community and Council .	the outcomes and accountability reported back into Council through these governance arrangements.	
	Continue to meet legislative and operational requirements.	All legislative and operational requirements met.	Achieved within statutory timeframes.	These outcomes will positively impact on the Sustainability, Effective Infrastructure and Service Management and Efficiency ratios.

Infrastructure and Service Management

If Council satisfied the criterion as part of IPART's assessment, there is no need to complete this section.

Summarise your council's key strategies to improve performance against the Infrastructure and Service Management benchmarks in the 2021/22 period, (2026/27 for OLG group 8-11) period, including the outcomes you expect to achieve.

Criterion satisfied as part of IPART's assessment in original submission

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

Criterion satisfied as part of IPART's assessment in original submission

Infrastructure and Service Management

If Council satisfied the criterion as part of IPART’s assessment, there is no need to complete this section.

Outline your strategies and outcomes in the table below.

Objective	Strategies	Key milestones	Outcome	Impact on other measures
1. Criterion satisfied as part of IPART’s assessment in original submission				

Efficiency

If Council satisfied the criterion as part of IPART's assessment, there is no need to complete this section.

Summarise your council's key strategies to improve performance against the Efficiency measures in the 2021/22 period, (2026/27 for OLG group 8-11), including the outcomes you expect to achieve.

Constraining expenditure through joint procurement strategies, expanding resource sharing initiatives, energy efficiency savings and reviewing plant and equipment requirements.

Council is endeavouring to develop a culture of efficiency and facilitate savings across the organisation. Council has committed to generating savings by:

- Extending the life of our landfill by increasing recycling and diversion rates, as these improve so does the life of our landfill.
- Managing projects related to enhanced funding (other than transport infrastructure) e.g. grant submissions, fees and charges review, Rural Land Use Strategy, new Section 94 Plan.
- Discussions have commenced in relation to potential strategic alliance options with Port Stephens and other Hunter Councils.
- Managing general savings and cost containment projects, e.g. asset rationalisation and overdue rates recovery, employee oncost review.
- Savings from joint contract negotiations e.g. waste management, print services and electricity supply.
- Human resourcing savings e.g. workers compensation. Council's workers compensation premium is now 1.98% of total wages paid, compared to the Local Government average of 3.24% leading to a saving in excess of \$65,000.
- Using technology and systems to improve productivity and efficiency e.g. online mapping, DA tracking and cloud and mobile computing.

Council recognises the opportunities to increase efficiency and improve financial sustainability through shared services and strategic alliances and the opportunities that this process presents. Council is currently partnering with the Hunter JO in this regard in areas such as weeds management, records storage, legal services, environmental services, Library service, and regional procurement. In addition, it is anticipated that other regional initiatives previously undertaken within the Hunter Region of Councils will continue. By way of example, the joint purchasing initiative over the last three years has resulted in savings across the Hunter

region of over \$508,000, for Dungog Council the saving is over \$31,000. Further opportunities will also be pursued over time through continued participation in the Hunter JO.

The implementation of a service review program across Council is expected to deliver enhanced efficiency and effectiveness, improved productivity, and identify savings. The objective is to improve processes and information flow and importantly to enable automation across a range of Council's functions to further support the service review process.

The service review process is being carried out in the construct of a broader Shared Servicing and Alliancing project being undertaken with Council's neighbouring LGA's in consideration of economies of scale and managing service levels to achieve efficiencies.

An organisational review is being conducted for a report to Council in September/October, 2018 with a focus on efficiency and productivity and to ensure alignment with the Community Strategic Plan 2030 and core service delivery.

Council is in the process of evaluating expressions of interest in relation to the proposed sale of Council owned land that is surplus to need.

Council has appointed consultancy firm GLN to review and update Council's Section 94 Plan. This review will be completed and reported to Council by December, 2018.

Reducing governance costs through a reduction in councillors from 9 down to 7, effective from the 2020 local government election.

Council has been participating in a strategic shared services review with Port Stephens Council to ascertain whether a number of Council's planning functions can be undertaken by Port Stephens Council at a price equal to or better than the level of service and quality available at Dungog Shire Council.

Council has explored and entered into further joint contracts with larger Hunter Council areas for service and commodity supplies in the following areas; Supply and Spray Bitumen services, Supply and Install Guardrail, Supply and Deliver Emulsion, Line marking Services, Traffic Control Services, Tree Pruning and maintenance, Road Stabilising Services, Ready mixed concrete supply, Traffic Safety Sign supply, Concrete Pipes and Pits, Fuels, Oils and Lubricants, Supply of tyres, Supply of Electricity for Street Lighting. These contracts continue to provide efficiencies through the power of joint purchasing.

Council has implemented a Roads Strategy which identifies construction standards and priorities, maintenance requirements and intervention levels. Part of this strategy is to also improve processes and utilise technology where possible, accordingly, council

now undertakes significantly more geotechnical investigations and stabilises existing pavements where possible.

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

Amalgamation and/or merger proposals will not be re-introduced and Dungog Shire Council will be allowed to get on with the task of improving its current situation via the implementation of the Improvement Plan.

Council's special rate variation application to IPART approved to the level applied for.

Dungog Shire will continue to be based on agriculture and population growth will be positive, albeit a small positive thereby increasing the rate base.

Circumstances will not change relating to length of roads and there will be some rationalisation of assets.

Operating costs will remain higher due to the dispersed population.

Rate pegging is not expected to increasing at the same rate as CPI, wages and other direct costs. Council will continue to be limited by the NSW government on the amount it can increase rate income irrespective of actual cost increases.

Council will continue to be the recipient of grants from State and Federal Government.

CPI increase applied to fees & charges, other revenue, materials and contracts and other expenses.

Council will be deemed Fit for the Future and will be able to take advantage of more agreeable borrowing rates and conditions with NSW Treasury instead of being locked into less favourable loans with banks.

Efficiency

If Council satisfied the criterion as part of IPART's assessment, there is no need to complete this section.

Outline your strategies and outcomes in the table below.

Objective	Strategies	Key milestones	Outcome	Impact on other measures
Constraining expenditure and generate savings.	<p>Continue to embrace new technology and work methods that enhance labour productivity.</p> <p>Continue reviewing services and service levels to ensure value for money for council and its community.</p> <p>Expand on regional alliances, collaboration and shared service opportunities.</p> <p>Increase recycling and diversion rates.</p>	Ongoing efficiencies and savings identified.	<p>Identify additional cost savings and increase efficiency.</p> <p>Extend the life of existing landfill sites.</p>	These outcomes will positively impact on the Efficiency, Sustainability and Infrastructure and Service Management ratios.

Grow the population.

Complete strategic documents.

Participate in regional economic initiatives.

Rural Land Use Strategy completed.

Section 94 Plan completed.

Ongoing participation in the Upper Hunter Economic Development Corporation and Regional Economic Development Strategy.

Appropriate lands identified for development and a resultant increase in population.

Economic opportunities maximised and resultant increase in development and population.

These outcomes will positively impact on the Efficiency, Sustainability and Infrastructure and Service Management ratios.

Improvement Action Plan

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

Action plan

Actions	Milestones
Section 94 Plan review	31 December 2018
Ongoing review of fees and charges with the intent of identifying additional revenue streams and creating an increased revenue base.	31 December 2018
Make application to IPART for a special rate variation (SRV) commencing 2019/20 in accordance with the IPART guidelines.	28 February 2019
Continue implementation and refinement of Council's Asset Management to better define asset conditions, service levels, useful lives and required annual maintenance taking into account community expectations.	30 June 2019
Implementation of a service review program and continue to explore strategic alliance and shared service opportunities.	30 June 2019
Commence a review program of council services (to achieve improved efficiency and potential transition of non-core services to other service providers).	30 June 2019
Sale of Council owned assets that are surplus to need	30 June 2019
Lobbying and representations to State Government regarding inequities in road funding, reclassification of Dungog Shire's road network and the impost of unrateable land.	30 June 2019

Completion of the Rural Land Use Strategy and identification of land for possible future growth opportunities.

30 June 2019

Councillor numbers reduced from 9 to 7.

September 2020

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

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

A number of reports have been presented to Council, copies attached.

Strategic workshops completed with councillors and senior staff.

Staff has been briefed regarding the development of council's Improvement Plan and proposed SRV.

Council's Mayor and General Manger have held talks with neighbouring Local Governments – strategic alliances, resource sharing.

External financial consultants Morrison Low have been engaged to undertake financial modelling and assist with SRV options and application to IPART.

Community Engagement - Council has engaged widely with the community to date through a mail out to all residents, various notices and stories in the Dungog Chronicle, the Maitland Mercury, the Mayor's media column and local community newsletters. Additionally, council has conducted 15 separate community meetings; the initial 6 community meetings outlined council's situation and the need for a special rate variation. From the first 6 community meetings residents were invited to participate on a Community SRV Reference Panel for a further 3 in depth meetings working with staff and councillors on determining a level of special rate variation and the impacts on various sectors within the shire. Upon completion of the SRV Reference Panel meetings another 6 community meetings were conducted to present and discuss the proposed rate increase and possible impacts with the community, this was a total of 15 community meetings. The community recognise a real need to progress the SRV and as such there has not been any significant backlash to consultation thus far.

Key staff have met with representatives of the Office of Local Government and IPART.

Other actions considered

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

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

Dungog Council was the subject of a NSW Government initiated merger proposal which has been quashed.

Dungog Council was also the subject of a council initiated merger proposal from Port Stephens Council, discussions have been held with Port Stephens Council in this regard and they have resolved not to merge with Dungog Shire as they believe it is not in the best interests of their constituents.

As part of the SRV formulation the SRV Community Reference Panel considered a number of SRV alternatives including a flat rate SRV of 10% each year over seven years inclusive of the rate peg. The Panel and council chose not to pursue this alternative as the additional income from the SRV was not sufficient to make a significant impact until a number of years into the SRV. The community has been quite clear on their thoughts about the SRV and have indicated they are willing to pay more in rates but want to see the benefits quickly. Accordingly the tapered alternative was chosen as it will provide an initial injection of funding sufficient for the community to see visible improvements.

How will your plan improve performance?

(Ratios to be calculated as a single year, not 3 year averages)

Expected improvement in performance

If Council satisfied the Infrastructure and Service Management and Efficiency criterion as part of IPART's assessment, there is no need to complete the relevant ratios below. However, Councils can complete all ratios to further substantiate their reassessment proposal if desired.

Measure/ benchmark	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23 (Group 8-11 Councils only)	2023/24 (Group 8-11 Councils only)	2024/25 (Group 8-11 Councils only)	2025/26 (Group 8-11 Councils only)	2026/27 (Group 8-11 Councils only)	Achieves FFTF benchmark?
Operating Performance Ratio (Greater than or equal to break-even)	-0.245	-0.184	-0.197	-0.135	-0.074	-0.036	0.005	0.043	0.066	0.085	0.090	Trending toward meeting benchmark
Own Source Revenue Ratio (Greater than 60%)	73%	78%	72%	73%	81%	81%	82%	83%	83%	84%	84%	Yes
Building and Infrastructure Asset Renewal Ratio (Greater than 100%)	93%	97%	160%	165%	93%	99%	97%	117%	112%	139%	144%	Yes
Infrastructure Backlog Ratio (Less than 2%)	6.4%	6.4%	5.3%	5.0%	5.1%	5.0%	5.0%	4.6%	4.2%	3.5%	2.6%	Trending toward meeting benchmark

Asset Maintenance Ratio (Greater than 100%)	66%	66%	74%	74%	73%	73%	72%	72%	71%	71%	70%	Trending toward meeting benchmark
Measure/ benchmark	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23 (Group 8-11 Councils only)	2023/24 (Group 8-11 Councils only)	2024/25 (Group 8-11 Councils only)	2025/26 (Group 8-11 Councils only)	2026/27 (Group 8-11 Councils only)	Achieves FFTF benchmark?
Debt Service Ratio (Greater than 0% and less than or equal to 20%)	11.5	16.1	25.6	15.8	14.1	14.4	13.9	14.2	13.0	11.6	10.1	Yes
Real Operating Expenditure per capita A decrease in Real Operating Expenditure per capita over time	\$2,335	\$2,062	\$2,140	\$2,183	\$2,207	\$2,254	\$2,305	\$2,355	\$2,409	\$2,437	\$2,494	No

Include Council's Income Statement from its Long Term Financial Plan, as well as a hyper link to Council's full Long Term Financial Plan. Also provide a link to Council's original submission to IPART and any other documents relevant to Council's proposal.

Copies of Income Statements, Balance Sheets and Assumptions relating to a Base scenario of do nothing and an SRV scenario are included as attachments (*DSC Income Statement Balance Sheet Assumptions SRV Model.pdf* & *DSC Income Statement Balance Sheet Base Model.pdf*)

Copy of Councils original submission included as an attachment (*F4F-Dungog-Improvement Plan 20150629.pdf*)

Copies of Council Resolution endorsing the reassessment proposal included as an attachment (*Council Resolution Reassessment Proposal.pdf*)

Copy of Council Resolution relating to Improvement Plan and SRV included as an attachment (*Council Resolution Special Rate Variation.pdf*)

Expected improvement in performance

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

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

Longer time is required as the size of an SRV to achieve all benchmarks was prohibitive and unlikely to be approved by IPART as noted in their FFTF assessment in 2015. The impact on ratepayers would be too great.

Government constraints - mergers proposals prevented council from applying for an SRV and the uncertainty of any future prevented the development of an improvement strategy.

Constraints exacerbated council's current position therefore longer time will be required to meet all benchmarks.

Longer time is also required to assess the impacts of some of the alternative actions and efficiency measures.

Putting your plan into action

How will your council implement your Improvement Action Plan?

For example, who is responsible, how will council monitor and report progress against achieving the key strategies listed within your Plan.

The Improvement Action Plan (Plan) will remain the responsibility of the General Manager and supported by the Executive Leadership Team which includes Council's Executive Manager Infrastructure & Assets, Executive Manager Corporate Services and Manager Finance. Council's Plan is being formulated through the existing IP&R Framework. The actions identified within the Plan will be tasked to various responsible officers according to their delegations of authority, facilitated through the Operational Plan.

Council will also provide ongoing reporting of actions identified within the Plan and the FFTF performance measures in its annual report providing feedback to the community on the achievements and progress against the key strategies and action items.

Additionally, Council has established KPI's within the General Manager's performance criteria related to the Improvement Plan/Special Rate Variation (SRV), to oversee productivity initiatives and progress of works e.g., Rural Land Use Strategy, Section

94 Plan review and fees and charges review.

Ongoing actions resulting from the Plan will be included in the new Delivery Plan 2019/20 as adopted by Council in June 2018 with progress against the Plan to be reported through Council's regular operational plan reporting.

Council will be exploring the establishment of an internal audit function through shared resourcing and collaborative arrangements with neighbouring councils.

The foregoing outlines a rigorous and transparent governance approach that will continue building on the extensive improvement agenda and ensure effective implementation of the Improvement Action Plan.

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?

Not Applicable – Council does not manage water supply or sewerage operations.

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

N/A

How much is your council's current (2016/17) water and sewerage infrastructure backlog?

N/A

Water utility performance

Identify any significant capital works (>\$1m) proposed for your council's water and sewer operations during the 2017-18 to 2021-22 period and any known grants or external funding to support these works.

Capital works

Proposed works	Timeframe	Cost	Grants or external funding
N/A			

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.

N/A

Water utility performance

Identify your council's key strategies to improve the performance of its water and sewer operations in the 2017-18 to 2021-22 period.

Improvement strategies

Strategy	Timeframe	Anticipated outcome
N/A		

From: [REDACTED]
To: [REDACTED]
Cc:
Subject: Financial Reassessment questions

[REDACTED]

Please see below the Operating Performance Ratio and Own Source Revenue Ratio 2016 -2017 figures agreeing to audited figures. This has altered the ratios a little but all still meeting the benchmark.

The Own Source Revenue ration is also shown with and without the FAG grant fro information.

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
	5	6	7	8	9	10	11	12	13	14	15	16	17	18
			0	1	2	3	4	5	6	7	8	9	10	11
Operating Performance Ratio														
Base Case	-0.101	-0.175	-0.200	-0.173	-0.157	-0.146	-0.135	-0.125	-0.115	-0.104	-0.095	-0.085	-0.077	-0.068
Scenario 2 Tapered SRV	-0.101	-0.175	-0.192	-0.190	-0.129	-0.068	-0.030	0.011	0.049	0.072	0.092	0.096	0.101	0.111
Target		0	0	0	0	0	0	0	0	0	0	0	0	0
Own Source Revenue Ratio														
Base Case	41%	40%	50%	51%	52%	52%	53%	53%	54%	54%	55%	55%	56%	56%
Scenario 2 Tapered SRV	41%	40%	50%	47%	49%	56%	57%	59%	61%	62%	62%	63%	63%	64%
Target		60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%
Own Source Revenue Ratio Including F.A.Gs														
Base Case	51%	56%	63%	63%	64%	64%	65%	65%	66%	66%	67%	67%	67%	68%
Scenario 2 Tapered SRV	51%	56%	63%	58%	60%	67%	68%	70%	71%	71%	72%	72%	73%	73%
Target		60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%

Regards
[REDACTED]

[REDACTED]