DRAFT

HAWKESBURY CITY COUNCIL

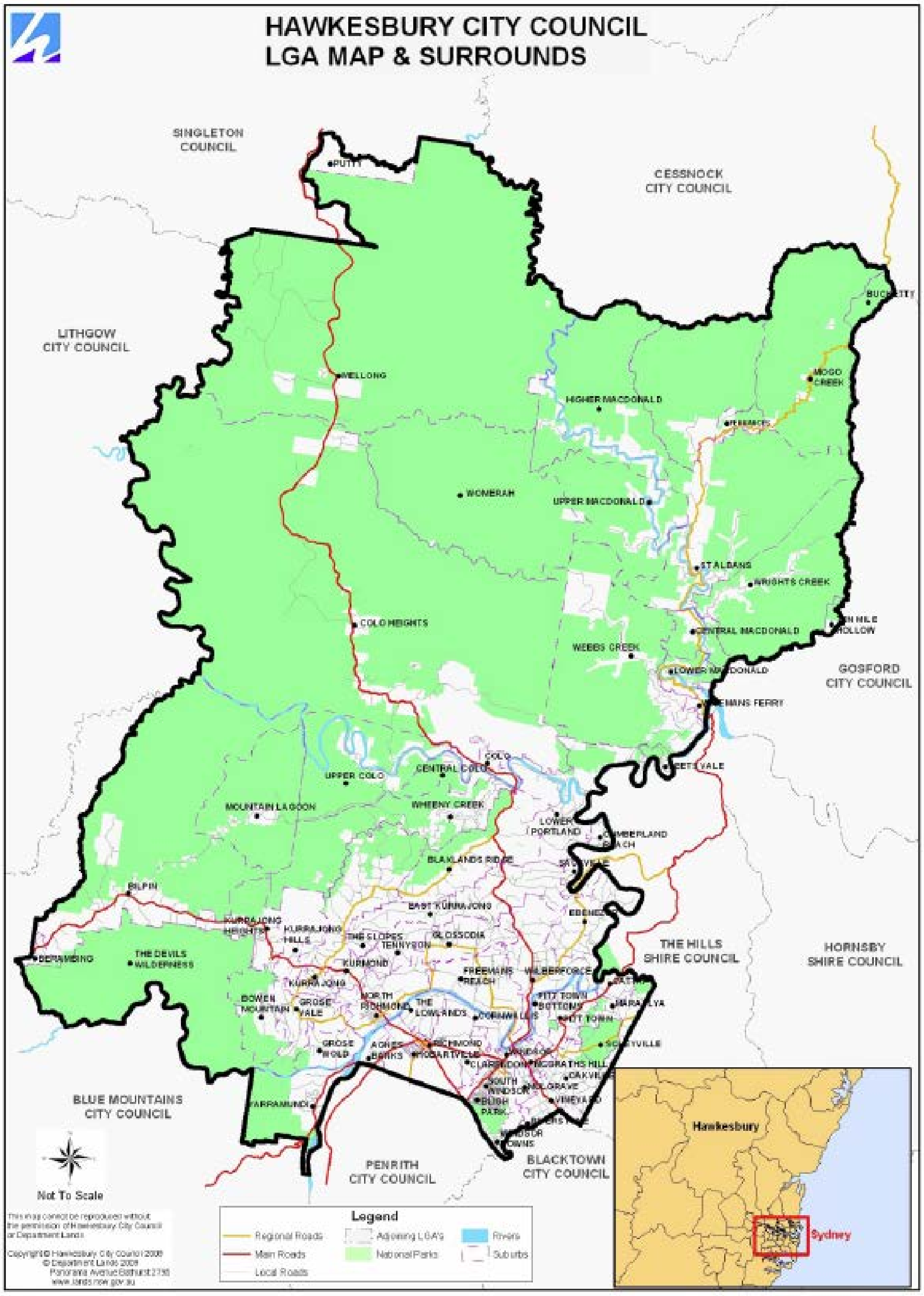
RESOURCING STRATEGY

2015-2025

Long Term Financial Planning
Workforce Management Planning
Asset Management Planning

Hawkesbury City Council

SHAPING OUR FUTURE



Hawkesbury City Council

Address:	366 George Street WINDSOR NSW 2756
Mailing Address:	PO Box 146 WINDSOR NSW 2756
Phone:	(02)4560 4444
Fax:	(02) 4587 7740
Email:	council@hawkesbury.nsw.gov.au
Office Hours:	Monday to Friday 8:30am – 5pm
Council Website:	www.hawkesbury.nsw.gov.au

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Acknowledgement

Infrastructure Assessment Report provided by Jeff Roorda and Associates, June 2015

About this Resourcing Strategy

The Hawkesbury Community Strategic Plan 2013 – 2032 (CSP) provides a vehicle for expressing long-term community aspirations. However, these will not be achieved without sufficient resources (i.e. time, money, assets and people) to actually carry them out. The Resourcing Strategy is a critical link when it comes to translating objectives of the CSP into actions.

This Resourcing Strategy has been prepared in accordance with the requirements of the Local Government Act 1993 and the Integrated Planning and Reporting framework. The Strategy considers the resources that Council needs in order to work towards its areas of responsibility in the CSP and consists of three elements:

- Long Term Financial Planning
- Workforce Management Planning
- Asset Management Planning.

This Resourcing Strategy is a ten year rolling forecast that will be updated annually as part of the development of Council's Delivery Program and Operational Plan. It will be reviewed in detail as part of the four yearly review of the CSP.

Long Term Financial Planning

The Long Term Financial Plan (LTFP) is the point where long term community aspirations and goals outlined within the CSP are tested against financial realities. The LTFP provides a dynamic framework, in which Council maintains financial sustainability in the delivery of its core functions and assists in measuring the performance of implementing objectives within the CSP.

The LTFP contains a set of financial projections and assumptions covering a period of 10 years.

Workforce Management Planning

The Workforce Management Plan will assist Council to plan for the future, anticipate change, and manage the workforce to meet the outcomes of Council's Delivery Program. It provides a framework for making decisions that align with meeting the strategic goals of the community and it identifies how future staffing and skill needs will be met.

Asset Management Planning

Council's infrastructure assets include assets such as roads, bridges, stormwater drainage, sewerage, solid waste, footpaths and cycle-ways, buildings, sporting fields and playgrounds, recreation facilities, parks and reserves. Non-infrastructure assets include land, motor vehicles, plant and equipment, office furniture, office equipment, art works, heritage collections and library books. These assets enable Council to provide residents, businesses and visitors with a wide range of services which attempt to meet their social, economic, environmental and recreational needs.

Asset Management Planning (AMP) is intended to establish the framework, strategies and processes required to improve the management of assets to enable Council to deliver upon the corporate goals and strategies and achieve the outcomes set in the HCSP. AMP will provide extensive benefits relating to governance, public accountability, risk management, service delivery, community satisfaction and financial efficiency in the short, medium and long term.

For the 2015-2025 Resourcing Strategy, Council engaged Jeff Roorda and Associates to review Council's infrastructure backlog, required asset maintenance, depreciation and optimal mix of renewal and maintenance expenditure.

Long Term Financial Planning

1 Introduction

The development of a Long Term Financial Plan (LTFP) is a requirement under the Integrated Planning and Reporting Framework and forms part of the Resourcing Strategy, which includes the LTFP, Workforce Management Plan and the Asset Management Plan.

Over recent years, financial sustainability in local government has received heightened attention and has become a major cause for concern due to:

- increased demand for services from the community
- the diversion of resources away from local government due to cost shifting
- constraints over major income streams due to rate pegging
- constraints over income streams subject to relatively static statutory fees
- dependence on grant income
- caps placed on development contributions
- ageing infrastructure and escalating expenditure required for asset maintenance and renewals.

The need to undertake a comprehensive review of NSW local government was acknowledged some years ago with an official review commencing after the Destination 2036 event where councils from throughout NSW discussed the future of local government. Destination 2036 highlighted the need to take a closer look at local government structures and finances and the way that councils would deliver services in the future. An Action Plan was then developed to guide local government reform over the next few years.

A Local Government Review Panel was established in 2012 and tasked with looking at ways to strengthen the effectiveness of local government in NSW. The Review included three rounds of consultation, as well as extensive research into council finances, service delivery, local government boundaries and local decision-making models.

The Review was carried out in four stages in order to maximise opportunities for councils and local communities to have their say, and to canvass ideas and directions for change with the broadest possible range of stakeholders. The Panel looked at all aspects of the local government system – not just councils but also their regional organisations and associations, the statutory bodies that regulate them (such as the Independent Pricing and Regulatory Tribunal and the Boundaries Commission), and the key state agencies with which they work with to achieve desired outcomes for their local communities.

The Panel issued its final report in October 2013 and included recommendations for each council area. The Fit for the Future Reform Package was subsequently announced in late 2014 and included the requirements for councils to demonstrate that they will be Fit for the Future as assessed on a number of set criteria.

The criteria, and associated performance, being focused on financial sustainability, asset management and efficient and effective service delivery, should underpin the development of a council's LTFP.

The LTFP is an important part of Council's strategic planning process. This is the point where long-term community aspirations and goals, outlined within the Community Strategic Plan 2013-2032 (CSP), are tested against financial realities. The CSP is divided into five vision statements, which are supported with directions, strategies, goals and measures to assist Council and the community to achieve its objectives:

1. Looking After People and Place
2. Caring for Our Environment
3. Linking the Hawkesbury
4. Supporting Businesses & Local Jobs
5. Shaping our Future Together.

The LTFP provides a dynamic framework in which Council maintains financial sustainability in the delivery of its core functions and assists in measuring the performance of implementing objectives within the CSP. The LTFP also:

- establishes greater transparency and accountability of Council to the community
- provides an opportunity for early identification of financial issues and any likely impacts in the longer term
- provides a mechanism to address financial constraints as a whole, provides a ‘big picture’ on how various plans fit together, and identifies the impact of decisions on other plans or strategies.

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

- background
- the current financial position of Council
- the financial sustainability outlook for Council
- an outline of financial objectives and strategies for financial sustainability
- the planning assumptions used to develop the Plan
- revenue and expenditure forecasts, including risk assessment
- consideration of asset management and its impact on the LTFP
- methods of monitoring financial performance
- outline of potential scenarios
- projected financial statements and sustainability measures
- methods and timings for subsequent reviews.

2 Background

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

A Map of the Hawkesbury local government area in its current form is shown in Figure 1 below.

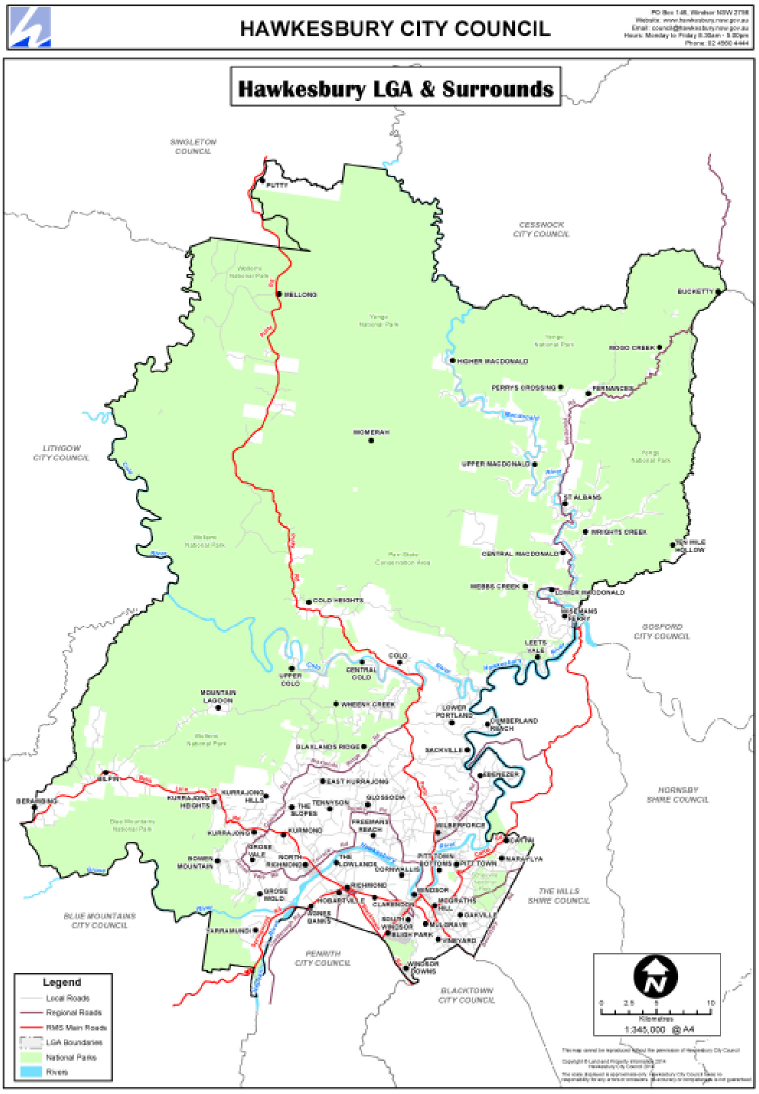

Figure 1: Map of Hawkesbury Local Government Area

2.1 Fit for the Future (FFTF) Framework

The NSW Government's FFTF Program aims to improve the strength and effectiveness of local government in providing services and infrastructure for the community. It is intended to ensure that councils will be financially sustainable into the future and more capable of being strategic partners with other levels of government. The FFTF framework requires councils to demonstrate that they have the capacity to generate sufficient income to fund the expenditure needed to deliver core services and maintain community assets to a satisfactory standard.

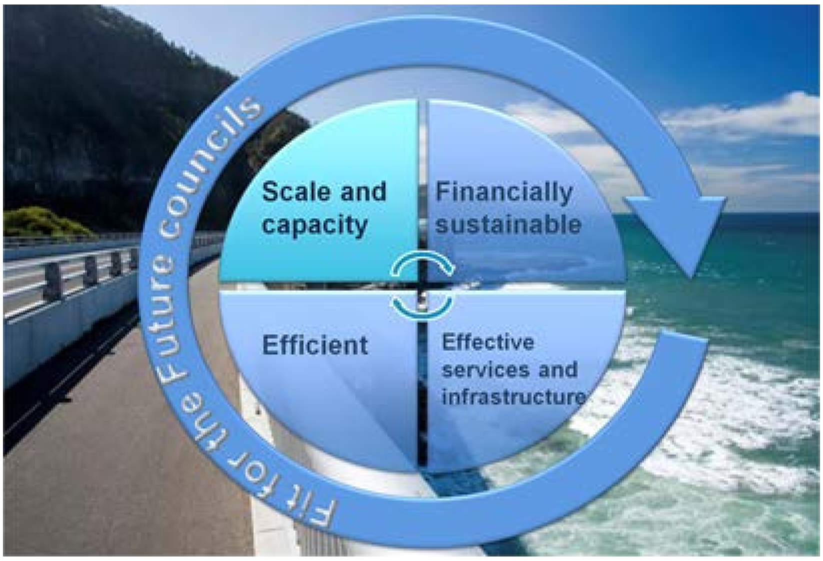

Figure 2: Fit for the Future framework

The FFTF framework provides a set of ratios and associated benchmarks for councils to use to assess their capacity to remain Fit for the Future in their current or in another proposed form.

These ratios are based on the following main principles:

Scale and Capacity

The issue of scale and capacity is the initial consideration to guide whether a council should stay in its current form or otherwise based on strategic capacity and population. The final report issued by the Local Government Independent Review Panel included recommendations regarding boundaries and structure of existing and proposed council areas. Councils assessed as having sufficient capacity and scale were recommended to stay in their current form, while councils assessed as not having sufficient scale and capacity have been presented with merger and/or boundary adjustments options.

Sustainability

The ratios and associated benchmarks underpinning this principle are aimed at assessing a council's ability to meet ongoing operating expenditure requirements and the ability to renew assets at the rate or faster than they are deteriorating. The ability to control operating performance and sustainability is measured through the level of a council's own source revenue.

Effective Infrastructure and Service Management

The ratios and associated benchmarks underpinning this principle are aimed at assessing a council's effective management of its assets. Measures and benchmarks are focused on a council's existing backlog of unfunded high risk works and the level of annual maintenance expenditure. The level of a council's debt is also used to assess whether a council is using debt wisely to distribute the life - long cost of assets to ensure intergenerational equity.

Efficiency

The ratio underpinning this principle is used to measure how well councils are utilising economies of scale and managing service levels to achieve efficiencies.

A detailed description and rationale for each ratio underpinning the above principles and the associated benchmarks is attached as Attachment 1 – Sustainability Measures Explained.

2.2 Council's Fit for the Future Position

Council is in the advantageous position of being one of a small number of 'No Change' councils. Only 9 of the 152 councils across NSW have been recommended by the Local Government Independent Review Panel to remain in their current form.

Council's current performance against the FFTF Benchmarks indicate that Council is not Fit for the Future. Council's projected financial position will deteriorate under current budget settings. The failure to make sufficient provision for the maintenance and renewal of infrastructure is the primary factor driving this projected poor performance.

In accordance with the FFTF framework process, Council is required to achieve three of the seven FFTF Benchmarks by 2019/2020 and deliver an incremental improvement against the remaining fourFFTF Benchmarks.

Council is currently achieving three of the seven FFTF benchmarks.

The incapacity to appropriately fund the maintenance and renewal of infrastructure is the primary factor driving Council's performance against the four remaining FFTF benchmarks. Council's ongoing sustainability in its current form is driven by its financial capacity to fund the renewal of its long-lived assets.

To ensure Hawkesbury remains financially sustainable in its current form, it needs to have a LTFP aimed at meeting the benchmarks as set within the FFTF framework.

This LTFP identifies strategies to tackle this history of under-spend on infrastructure renewal, and, over the longer term, sets out a viable path to address its growing infrastructure backlog.

This LTFP is based on establishing a platform for Council to be Fit for the Future in its current form and provides an overview of Council's financial position, the impact on its infrastructure and services and consequently its on-going sustainability under various scenarios.

2.3 Challenges

Council faces a number of challenges to remain sustainable in its current form.

<u>Geography and Demography</u>

Council is a peri-urban council on the north-western periphery of the Metropolitan Region and is the largest local government area within Sydney. It straddles the divide between urban metropolitan councils to its east and rural councils to its west. While the south east corner of the LGA is predominantly urban, the remainder of LGA forms a much larger rural hinterland. In comparison with adjoining metropolitan councils, Council has a relatively smaller, but growing, population of 65,000 persons spread over an area of 2,793 km2. As a result, it is required to maintain a large asset holding serving a dispersed population.

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

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

Revenue Constraints

Council has only increased its rating revenue by the permitted rate-pegging limit for the last seven years. During this time costs have escalated by a higher rate and Council has managed this shortfall by reducing its expenditure on its assets. However, this has impacted negatively on Council's infrastructure condition and now faces a significant backlog of works required to be undertaken.

Constraints on revenue growth arising from limited development potential, rate pegging and caps on statutory fees and charges together with escalating cost indices, cost shifting, and increasing compliance costs will mean that Council will continue to have a revenue shortfall resulting in a significant constraint on the ability to maintain and renew its assets and sustain current levels of service into the future.

Magnitude of Area

In comparison with its neighbouring urban councils, the Hawkesbury has a large land area and road network but a relatively smaller and decentralised rating base. Council is required to provide core services and local facilities to outlying areas with small population catchments. Given that population density is an important driver of sustainability, these relative differentials result in higher per unit service costs and per-capita asset maintenance costs. Each resident in the Hawkesbury has to support a relatively greater amount of infrastructure asset. As an example, Council is required to maintain 16m of road length per resident in comparison to comparable figures of between 3m and 9m in adjoining council areas.

3 Current Financial Position of Council

3.1 Operating Performance

Council was considered to be in a sound and stable financial position as at June 2014, as stated by Council's external auditors. This short term position was maintained during the 2014/2015 financial year with all Budget Review Statements for the September 2014, December 2014 and March 2015 quarters reporting a balanced budget position being maintained after a number of budgetary adjustments to accommodate changes in trend, changed priorities and unforseen events.

The auditors' comments apply to Council's financial position as at 30 June 2014. However, to truly assess Council's ability to continue to be financially sustainable to deliver the CSP and continue to meet community's expectations on an on-going basis, it is critical to take into account financial and other relevant projections.

All financial actual and projected results included in this LTFP exclude the Sewerage Fund amounts. The Sewerage operation is accounted for as a separate and a self-funded entity. The financial performance of this business activity does not impact on Council's overall financial performance and sustainability. Relevant charges and any applicable dividends are accounted for in accordance with relevant inter-entity processes.

Council generates revenue through the levying of general rates and annual charges, user fees, investment income, grants and other income sources.

The revenue generated from the various sources is used to deliver operational programs in line with the adopted CSP. Council's operating budgets are expended in maintaining the infrastructure in the Hawkesbury such as parks, recreational facilities, roads, bridges, community buildings and community facilities, and in delivering services in line with Council's adopted Plans.

These funds are also required to deliver essential services to the community, including waste management services, and community and cultural services. Other services provided include city planning and support services. Apart from direct service delivery, Council also supports other bodies, including emergency services and recreational services by way of contributions and donations. Some expenditure items include employee costs, materials, contractors, legal expenses, utilities, contributions and insurance.

Tables 1 to 3 below show Council's audited financial results for the 2013/2014 financial year and budgeted amounts for the 2014/2015 financial year.

Note: Amounts in Table 1 – 3 exclude the Sewerage Fund

Table 1: Statement of Financial Performance Summary

Statement of Financial Performance	2013/2014 Actual $'000	2014/2015 Original Budget $'000
Income from Continuing Operations	77,229	56,593
Expenses from Continuing Operations	62,478	62,617
Net Operating Result for the Year	14,751	(6,024)
Less Capital Grants & Contributions	18,304*	275
Net Operating Result before Capital Grants & Contributions	**(3,553)**	**(11,773)**

**2013/14 Actuals includes $13.5 million relating to unbudgeted non-cash capital contributions.*

Council's operating result excluding capital grants and contributions, as at 30 June 2014 was a deficit of $3.6 million. For the year ending 30 June 2015, the Original Budget is a deficit of $11.8 million. Due to the uncertainty of availability and approval of grant funding, the Original Budget does not allow for this type of funding.

Table 2: Income from Continuing Operations

Income from Continuing Operations	2013/2014 Actual $'000	2014/2015 Original Budget $'000
Rates and Annual Charges	38,380	40,309
User Charges and Fees	5,050	4,162
Interest	1,806	1,220
Other Operating Revenue	7,307	3,677
Grants & Contributions – Operating	6,212	6,949
Grants & Contributions – Capital	18,304	275
Net Gains from the disposal of assets	0	0
Profit from Disposal of Assets & Joint Venture Equity	170	0
Total Income from Continuing Operations	**77,229**	**56,593**

Table 3: Expenses from Continuing Operations

Expenses from Continuing Operations	2013/2014 Actual $'000	2014/2015 Original Budget $'000
Employee Costs	22,597	22,662
Borrowing Costs	431	370
Materials and Contracts	17,441	16,209
Depreciation & Amortisation	12,870	12,928
Other Expenses	9,085	10,448
Net Loss from the disposal of assets	54	-
Total Expenses from Continuing Operations	**62,478**	**62,617**

3.2 Capital Expenditure

Capital expenditure is incurred on road works, footpaths, drainage, bridge construction, the sewer network, park improvement, recreation, building works, plant replacement program, and on other assets including library resources, and IT equipment. In addition to its annual allocation of funding for capital works, mainly asset renewal, Council also has an Infrastructure Renewal Program funded by a special rate variation approved for commencement in 2007/2008.

The current Capital Works Program is fully funded by a combination of general revenue, internal and external reserves, expected revenue from developer contributions, and assets listed for sale.

3.3 Balance Sheet

The Balance Sheet discloses the assets, liabilities and equity of Council. The table below displays Council's reported Balance Sheet as at 30 June 2014.

Table 4: Statement of Financial Position Summary

Statement of Financial Position	2013/14 Actual $'000
Current Assets	42,768
Non-Current Assets	745,076
Total Assets	**787,844**
Current Liabilities	14,903
Non-Current Liabilities	9,425
Total Liabilities	**24,071**
Net Assets	763,516
Equity	**763,516**

3.4 Performance Indicators

As detailed above, the FFTF framework has provided a set of ratios and benchmarks for councils to assess their current and projected financial position against.

The table below shows the FFTF ratios, associated benchmarks and Council's current performance against each ratio based on the 2013/2014 audited financial results.

Table 5: Current Performance Ratio

Ratio	Benchmark	2013/2014 Actual	Benchmark met
Operating Performance Ratio (OPR)	**0**	-0.125	**No**
Own Source Revenue Ratio	**60%**	65.7%	**Yes**
Asset Renewal Ratio	**100%**	76.9%	**No**
Infrastructure Backlog Ratio	**2%**	14.1%	**No**
Asset Maintenance Ratio	**100%**	58.4%	**No**
Debt Service Ratio	**>0%<20%**	0.47%	**Yes**
Real Operating Expenditure per Capita	**Decreasing**	Decreasing	**Yes**

Council does not currently meet all the FFTF benchmarks. Council does not currently meet any of the asset related ratios. Council's current position in relation to the infrastructure backlog, the rate of asset renewal and the annual maintenance expenditure on its infrastructure assets, are a reflection of Council's underspending in these areas due to limited funding being available. The limited funding available for Council to maintain its infrastructure to the desired service level is attributed to the cap on revenue placed through the imposition of rate-pegging. The gap between Council's available funding and funding required to maintain asset and other service levels, drives the Operating Performance Ratio, which Council also currently does not meet.

The LTFP provides strategies Council could use to address the results in Table 4 and therefore remain financially sustainable in the future in its current form.

3.5 Cash and Reserves

As the year ended June 2014, Council has maintained strong liquidity. The Cash Expense Cover Ratio was 9, well above the industry benchmark of 3. This means Council could continue to cover its operating costs for 9 months should cash inflows cease.

The Unrestricted Current Ratio, measuring Council's ability to cover its current liabilities with its current assets, of 395% is also above the benchmark of 150%.

During the year ended June 2014, Council maintained adequate cash reserves to meet future obligations and unforeseen circumstances. Council's reserve balances as at the end of June 2014 was $35.2 million. This balance was made up of $21.0 million in internally restricted reserves and $14.2 million in externally restricted reserves.

3.6 Borrowings

Council is currently servicing two loans.

A loan of $4M was drawn down in 2010 and was used to bring forward the construction of Sewerage Pump Station V (South Windsor), in advance of Section 64 Contributions being levied as development occurs over time. This loan is interest free and has a remaining term of five years. This loan is funded from the Sewerage Fund and has therefore no impact on amounts in this LTFP.

A further loan of $5.26M was drawn in 2013 under the Infrastructure Renewal Scheme (LIRS) and is being used to fund a Timber Bridge Replacement Program. The loan is a subsidised interest loan, based on a 4% interest subsidy, and has a remaining term of eight years.

Council's level of debt, measured by the Debt Service Ratio, of 0.47% is within the benchmark of greater than 0% and less than 20%.

Borrowings are an ideal strategy to undertake works now at lower cost and spread the repayment burden over a number of years, addressing intergenerational equity. Council has very minimal capacity to undertake further debt based on current revenue levels, but could investigate a combination of borrowings and revenue generation strategies.

4 Financial Sustainability Outlook

4.1 Projected Performance

Whilst Council has been able to maintain a balanced budget position over a number of years, this has been as a result of infrastructure renewal works and new capital works being cancelled or deferred to future years, and maintenance expenditure being limited to funding available.

This strategy is not sustainable in the long-term as Council's assets are deteriorating at an increasing rate. This results in higher maintenance costs being incurred than would have been if optimal asset management intervention had occurred. Council's projected operating performance, asset condition and efficiency for the next five years on the basis of a "Business as Usual" proposal, is summarised in the Table 5 below:

Table 6: Projected Performance Ratios

Ratio	Benchmark	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	Benchmark met
Operating Performance Ratio (OPR)	**0**	-0.098	-0.084	-0.062	-0.055	-0.061	-0.064	**No**
Own Source Revenue Ratio	**60%**	73.7%	79.8%	85.9%	84.1%	83.7%	83.0%	**Yes**
Asset Renewal Ratio	**100%**	92.4%	89.3%	84.1%	76.9%	73.0%	82.1%	**No**
Infrastructure Backlog Ratio	**2%**	4.2%	4.3%	5.0%	5.6%	6.0%	6.0%	**No**
Asset Maintenance Ratio	**100%**	71.1%	83.4%	99.8%	102.7%	104.8%	106.8%	**Yes**
Debt Service Ratio	**>0%<20%**	0.9%	1.2%	1.2%	1.2%	1.1%	1.1%	**Yes**
Real Operating Expenditure per Capita	**Decreasing**	Decreasing	Decreasing	Decreasing	Decreasing	Decreasing	Decreasing	**Yes**

4.2 Projected Performance Explained

In combination, the ratios, measure a council's ability to generate sufficient revenue to enable it to maintain asset renewal and maintenance at an optimum level and to use debt funding to spread the burden of the cost of long lived assets and its infrastructure backlog over a period of time to achieve intergenerational equity.

An explanation of Council's projected performance against each ratio and what it means in terms of future sustainability is provided below.

Operating Performance Ratio – Council's Operating Performance Ratio (OPR) is projected to continue to not meet the benchmark. The projected slight improvement in the ratio is a result of a review of the mix of maintenance and renewal strategies based on an external asset management review. However, the OPR trend is not projected to continue to improve and meet the benchmark based on current budget settings. This means that Council will continue not to generate sufficient revenue to cover its operating costs, including the annual depreciation. This indicates a structural issue where there is an on-going funding gap between revenue available and what is needed to cover annual operating costs and depreciation based on current service levels. This ratio is a main indicator of Council's sustainability into the future and it is therefore critical that strategies are implemented to improve the projected performance.

Own Source Revenue Ratio – Council's Own Source Revenue Ratio is projected to continue to meet the relevant benchmark. This means that it is expected that a significant portion of Council's total revenue is revenue Council can generate itself and therefore has control on. Meeting this benchmark indicates that Council's reliance on other revenue sources such as grant funding, and consequently the risk associated with uncertainty, is limited.

Asset Renewal Ratio – Council's Asset Renewal Ratio is projected to continue not to meet the benchmark. This means that Council will not be able to renew its assets at the same rate that they are deteriorating, consequently resulting in assets progressively slipping into a lower condition rating, and eventually becoming a high risk renewal requirement, in other words a backlog of works that are urgently required to be undertaken but cannot be funded.

Infrastructure Backlog Ratio – Council's Infrastructure Backlog Ratio is projected to continue to deteriorate due to the continuation of underspending on asset renewal and annual maintenance. This means that infrastructure assets not meeting a satisfactory standard will increase, essentially resulting in an increasing number of assets that are not compliant with relevant legislation or industry requirements, carry an unacceptable level of risk, and ultimately do not meet the community's expectations and needs.

Asset Maintenance Ratio – Council's Asset Maintenance Ratio is expected to improve. Based on long term asset management modelling, in light of limited funding, Council would have to direct as much funding as possible to asset maintenance. This approach, whilst addressing the improvement in the relevant ratio requirement does mean an on-going increase in backlog as funds are directed towards maintenance at the expense of asset renewal. Whilst this approach reflects optimisation of funds available, it is likely to result in assets that are not up to the standard expected by the community.

Debt Service Ratio – Council's Debt Service Ratio is projected to continue to be met. Based on current revenue levels Council has no capacity to undertake additional borrowings.

Real Operating Expenditure per Capita – Council is projected to continue to provide services within funding available at a stable cost per capita. However, it is to be noted that this ratio would continue to be met at the costs of some critical asset ratios not being met.

5 Achieving Financial Sustainability

Council's aim is to remain financially sustainable in the long term, whilst achieving the objectives of the CSP 2013-2032 through the Delivery Program 2013-2017. Council also aims to maintain service levels in line with the community's expectations and address its infrastructure requirements.

Council's LTFP is based on a combination of a number of strategies:

- improve strategic capacity
- continuous improvement in financial position
- meeting all the sustainability ratios over the LTFP period
- addressing the infrastructure backlog
- intergenerational equity through the use of debt financing
- aiming for progressive increased level of funding for asset maintenance and renewal and optimal asset intervention methods
- aiming for progressively achieving full cost recovery for the provision of services
- maintaining a fair and equitable rating structure
- maintaining affordability of Council's services
- considering revenue generating opportunities
- maintaining or improving service levels in all service areas.

The strategies referred to in this LTFP are in line with Council's proposal in response to the Fit for the Future framework. The strategies are summarised below:

Additional Revenue

The on-going financial sustainability of Council requires additional revenue to be available to renew and maintain infrastructure assets as required and to be able to sustain current service levels meeting the community's expectations.

A number of revenue generating strategies can be applied to inject an on-going increased revenue stream to sustain the required asset management funding and maintain service levels in line with the community's expectations.

Borrowings Program – A borrowings program could be considered to be undertaken over a period of time with the primary aim of targeting road renewal and the delivery of an enhanced program of asset maintenance and renewal. The availability of loan funds will enable works to be brought forward, therefore bringing assets to satisfactory standard sooner resulting in increased community satisfaction and facilitating optimal asset intervention methods. Utilising debt financing results in costs being spread over a number of years and therefore achieving inter-generational equity. A Borrowings Program of any magnitude is dependent on the availability of additional funding to service the debt.

Special Rate Variation – At some time during the LTFP 10 year period Council could potentially look at special rate variations. The revenue generated through this strategy would predominantly be directed towards servicing the proposed Borrowings Program. As loans are repaid over time, it is envisaged that the additional revenue would be directed at ensuring optimal asset renewal and maintenance. The magnitude of additional revenue generated through this strategy is dependant on the timing and level of a Special Rate Variation being implemented. Whilst the financial modelling is based on some timing and other relevant assumptions, the introduction of a Special Rate Variation is subject to a community engagement process, Council endorsement and IPART approval.

Stormwater Charge - The introduction of a Stormwater Charge, of $25 per property, would generate funding to enable maintenance and renewal works relating to stormwater infrastructure. This strategy would generate $636K per annum that would be invested in the management of stormwater asset management.

Special Rates – The introduction of a Special Rate for new residential development for developments attracting specific additional maintenance requirements due to specific infrastructure and/ or characteristic attributable only to that development, is aimed at ensuring that these additional requirements are funded by the residents of that development, or, in other words those directly benefiting from those characteristics. Special Rates that could be considered within this LTFP are Special Rates for the Redbank and the Jacaranda Ponds developments. This strategy would raise additional annual revenue in the vicinity of $416K to meet the estimated asset maintenance costs associated with enhanced open space & riparian corridors within these developments.

Return on Businesses - This strategy is aimed at ensuring that Council receives a return on assets invested in non-core services operating as a business. Council operates a Waste Management Facility and a Sewerage Program. An annual dividend payment based on a 6% rate of return on the value of those assets could be implemented. This strategy will generate between 300K and $500K each year.

Property and Asset Review – This strategy is aimed at undertaking a comprehensive review of Council's property and asset holdings with a view to rationalising under-utilised and/or under – performing assets. This strategy would be expected to generate in the vicinity of $1M over a period of four years.

Containment of Costs and Efficiency Improvements

Council is continually seeking cost savings and efficiencies through on-going process improvements, increased used of technology, best value for money procurement processes, resource sharing and partnerships.

A number of areas where a specific targeted approach to cost reductions and efficiency improvements can be applied are as follows:

Review of Pricing Structures – This strategy is based on reviewing the pricing structures and service models of some selected non-core business units to ensure that as a minimum these units operate at breakeven result. This review has the potential to generate in the vicinity of $425K over a period of four years.

Review of Roads Operations – A review of current service models and resourcing of roads operational and capital works will identify areas to be investigated for potential efficiencies so as to reduce the cost per unit of works and consequently be able to deliver more works with available funding. It is estimated that efficiency savings in the vicinity of $150K per year could potentially be achieved, with these savings being re-invested in asset maintenance and renewal.

Review of Service Delivery Models – This strategy is targeted at reducing the costs of funding corporate support activities and discretionary services. Service delivery models and opportunities that could be pursued through the Regional Strategic Alliance are expected to provide opportunities for these services to operate at a lower cost. This strategy could generate in the vicinity of $101K per year for a four year period.

Review of Plant/Fleet Management – This strategy is aimed at reviewing Council's plant and fleet ownership and maintenance models with a view to achieve target savings, in the vicinity of $55,000 over a four year period.

Asset Management Plans and Long-Term Financial Plans

Over recent years Council has focused on constructing a complete inventory of its infrastructure assets to enable asset management modelling to be undertaken. This enables the formulation of robust asset maintenance and renewal scenarios that can be supported within the LTFP.

Completion of Asset Management Plans – Council will continue to work on refining its asset data and associated modelling to underpin the development of Asset Management Plans for each asset category. To support best practice asset management processes, and ultimately strive to meet the community's expectations, Council is also reviewing the optimum resourcing framework to support asset planning and management.

Asset Renewal and Capital Expenditure

To sustain and deliver expected service levels, Council's focus is to increase expenditure on infrastructure maintenance and renewal in addition to improving its asset management capability and balancing this with the need for expenditure for creation of new assets.

Council has been facing an on-going funding shortfall in addressing the required expenditure on asset maintenance and renewal. This is due to Council maintaining a balanced budget position from year to year, limiting expenditure to the level of income available. This on-going structural funding shortfall has resulted in an increasing asset renewal backlog and deterioration in asset conditions, which, if not addressed, could impact on Council's long term sustainability.

The following strategies are targeted at ensuring that Council's assets remain sustainable over the long term:

Service Level Reviews – Community engagement will be undertaken to determine safe, affordable, and agreed service levels for all asset classes. The process would also explore the community's appetite and preferences for adjusting current operations to redirect resources to asset renewal and maintenance.

Integrated Capital Works Program – Capital Works are to be aligned with existing relevant Plans, available grant funding and Developer Contribution Plans and Voluntary Planning Agreements, prioritising asset renewal and upgrading of existing assets over creating new assets as far as possible. Council will continue to ensure that Developer Contribution Plans and Voluntary Planning Agreements provide a funding source for Council's infrastructure needs arising from development and will continue to align works and funding with industry benchmarks and community's expectations. This strategy is aimed at ensuring no unnecessary new assets are created, but rather ensuring that existing assets are upgraded to the standard and capacity required.

Sinking Fund for Community Facilities – Council owns and maintains a number of community buildings including child care centres and community halls. Council could introduce a levy that would contribute to the maintenance and renewal of community buildings used by external agencies to deliver fee-paying and/ or funded community services.

Infrastructure Borrowings Program – An Infrastructure Borrowings Program as detailed above would be targeted at asset renewal to address Council's high risk works in the first instance and then enhance current levels of asset renewal and maintenance to stabilise the condition of Council's assets, achieving long term sustainability.

Capacity Building

Regional Strategic Alliance (RSA) – Council has established a Regional Strategic Alliance Cooperation and Management Agreement with Blue Mountains City Council and Penrith City Council. The Agreement ostensibly provides for the three councils to act in concert to investigate a regional entity and governance framework that could initiate projects and programs aimed at optimising state and regional planning, strengthening regional advocacy, and maximising opportunities for organisational effectiveness, shared services and innovation. The current population of the three Council areas is 339,349 and is projected to grow to 451,100 by 2031. The Regional Strategic Alliance is a considered response to both the NSW Government's Fit for the Future Reform Package and the identification of the three Councils as a West Sub-region grouping within the NSW Government's metropolitan strategy – A Plan for Growing Sydney.

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

The implementation of some of the above strategies is contingent on community engagement, Council endorsement and applicable legislative requirements and other statutory approvals.

6 Elements of the Plan

6.1 Planning Assumptions

Council's LTFP and associated scenarios and resulting financial models have been based on a number of key assumptions.

Service Levels

The LTFP is based on the assumption that the current service levels relating to services other than infrastructure are maintained or improved in line with the CSP within the limits of available funding. The range of services is based on those identified as part of the community consultation process undertaken when developing the CSP, and then detailed in the Delivery Program as adopted by Council.

Infrastructure

The LTFP is based on the assumption that no major new capital works are undertaken in the next ten years other than those funded by Contribution Plans, Voluntary Planning Agreements and/or Reserves. Should future Council decisions result in new major works being undertaken, existing planned asset renewal funding would need to be reallocated to those works or appropriate grant funding for the works being obtained, if the position resulting from this LTFP is to maintained.

Population Growth and Demographic changes

The LTFP is based on the existing local government area boundaries and the assumption that Council's projected population movement over the next ten years will not be significant. This may result in an increasingly older population placing increased pressure on existing infrastructure and services.

Council's adopted Residential Land Strategy may impact on this assumption if the identified areas are developed as there would be an increase in population. It is to be noted that new capital works required as a result of a new development, would be funded through developer contributions by way of Section 94 Developer Contribution Plans, Section 94A Developer Contribution Plans or Voluntary Planning Agreements. Any additional demands on existing assets and services would be funded through an increased rates base and special rates aimed at covering additional costs specific to the development area.

Council currently has some development areas – Redbank at North Richmond, Jacaranda Ponds at Glossodia, Pitt Town development area and the Vineyard development area. These developments are expected to generate in the vicinity of 3,000 properties over the LTFP period.

Economic Growth

The LTFP is based on minimal economic growth for Council and the Hawkesbury LGA. However, as indicated in the CSP, Council will continue to focus on supporting business and local jobs through the Tourism Strategy, the development of a Hawkesbury brand, the Economic Development Strategy and the Hawkesbury Horizons Initiative project. Council will seek economic growth opportunities through the Regional Strategic Alliance. The impact of these actions will be reflected in future reviews of the LTFP.

Interest Rates

The LTFP is based on stable interest rates and an investment portfolio reflecting projected income and expenditure. Whilst interest rates during 2014/2015 have been trending down, it would be expected that the objectives of the Monetary Policy will be reflected in the economy over a period of time. Whilst it is recognised that interest rates will fluctuate over a ten year period, the financial modelling is based on an average constant interest rate over the LTFP timeframe.

Inflation

The LTFP is based on an inflation rate of 2.5% for all scenarios in this LTFP. This projection is based on recommendations provided from the IPART Fit for the Future Assessment Methodology and OLG.

6.2 Revenue Forecasts

General Rates

Council's rating strategy and structure is reviewed every year as part of the annual Operational Plan process. The LTFP is based on the rating structure as included in the Operational Plan 2015/2016.

Council's current rating structure provides for three different categories of ordinary rates: residential, farmland and business. The rate type applicable to a particular property is determined on the basis of the property's rating categorisation. All properties are categorised in accordance with the provisions set out in the Local Government Act, 1993.

The LTFP is based on the assumption that Council's rating structure remains unchanged over the next ten years. Any changes in the rating structure would not impact on the total revenue but merely redistribute the income amongst the different categories and sub-categories thereof. Council's rating income or notional yield may be increased from one year to the next up to the rate-pegging limit as determined by the Independent Pricing and Regulatory Tribunal (IPART). Annual rate-pegging increases have been assumed at 2.4% for 2015/2016 based on the IPART's determination, and 2.5% each year for each consecutive year thereafter. Higher increases by way of Special Rate Variations are assumed in some Scenarios where indicated.

Domestic Waste Charges

Council's Domestic Waste Management Program is self-funded by way of an externally restricted reserve. The Local Government Act 1993 limits annual domestic waste management charges to an amount sufficient to recover the costs of providing the service. As such, revenue from Council's annual domestic waste charges included in this LTFP is based on the projected full cost to provide the waste service over the next ten years. It is to be noted that the projected increases in domestic waste charges also reflect projected increases in the Section 88 Waste and Environment Levy imposed on Council by NSW State Government.

Changes impacting on assumptions relating to the revenue arising from the Domestic Waste Management Program will not impact on financial projections within the LTFP as the Program is fully funded through a Reserve.

Sewerage Charges

In accordance with legislative requirements, Council maintains an externally restricted reserve for the Sewerage Program. All funds received through annual sewerage charges are quarantined to fund on-going program operational costs, and asset renewal and replacement. This LTFP excludes the Sewerage Program.

Sullage Charges

Council maintains an internally restricted reserve to fund its Sullage Program. All funds received in relation to sullage charges are quarantined to fund the operational cost of running the Program, as well as provide for future rehabilitation works. The revenue from annual sullage charges included in this LTFP reflects funding required ensuring the sustainability of the Sullage Program over the next ten years, taking into account the expected demand for the service.

Interest on Investments

Council's investment portfolio consists of term deposits and on-call accounts. The portfolio size varies from one year to another as reflected in the cash flow statement applicable to the different scenarios modelled. All Council's investments are made in accordance with the Minister's Order and Council's adopted Investment Policy.

As there is a high risk element relating to interest income due to interest rates being subject to external market fluctuations, interest rates have been maintained at a conservative level.

User Charges, Fees and Other Revenue

Council generates in the vicinity of $10 million each year through User Charges, Fees and Other Revenue. Activities subject to user fees and charges include Building and Development Activities, Animal Management, Parking Patrol, Pool Income and Rental Income. The revenue projections relating to these items are based on appropriate assumptions regarding increases in statutory fees, recent trends, expected trends, cost recovery and local and general economic conditions over the next ten years.

Grants and Contributions

Council receives a significant amount of funding each year from other levels of government through operating and capital grants and contributions. Council's financial planning approach with regards to grants and contributions has generally been that known, regular and certain grants are budgeted for, while one-off grants and contributions are accounted for in Council's budgets when certain to be received. In line with this approach, the LTFP only reflects known and certain grants, which are budgeted to increase slightly or remain static. The main grants included are the Financial Assistance Grant (FAG) and the Roads to Recovery Grant. The FAG is assumed to remain static over the next ten years and the Roads to Recovery Grant funding is based on known and approved funding only.

Net Gains from Disposal of Assets

This LTFP assumes that all assets are disposed at their written down value.

Restricted Assets

Council has a number of internally and externally restricted reserves aimed at quarantining funds in line with legislative requirements or for specific uses in the future. In relation to externally restricted reserves, the LTFP reflects projected reserve movements and balances as determined by the programs' respective ten year plans. Internally restricted reserves over the next ten years are projected in line with the expected timing of the specific expenditure the reserves are aimed at funding.

6.3 Expenditure Forecasts

Staff Costs

The LTFP assumes annual increase in staff costs of 3% and superannuation increases in line with the current legislation. This assumption is based on known and predicted award increases, step increases and increases applicable to other employee costs. The projected expenditure is based on the current staff establishment.

As part of Council's Resourcing Strategy, a Workforce Plan has been developed. The Plan identifies Council's current workforce profile, Council's current and future workforce challenges and also identifies future skill and workforce requirements.

Borrowing Costs

The LTFP includes debt servicing costs for current borrowings under the Local Infrastructure Renewal Program and future potential borrowings under the relevant scenarios in Part 8 of this document.

Materials & Contracts

Financial projections relating to materials and contracts have been based on a combination of service levels requirements, predicted CPI increases, known specific increases and one-off expenditure if known. The Infrastructure Assessment Report prepared by the asset management external reviewer , contained in the Asset Planning section of the Resourcing Strategy, has been used as the reference document for estimated infrastructure related costs to be funded.

Other Expenses

Financial projections relating to other expenses have been based on a combination of service levels requirements, predicted CPI increases, specific increases and one-off expenditure if known.

Depreciation

The asset management external reviewer's report has been used to determine the annual Depreciation amounts over the LTFP period. Future revaluations and actual maintenance and renewal expenditure undertaken will have an impact on Council's infrastructure assets useful lives and consequently impact on depreciation charges and Council's operating result.

6.4 Risk Assessment

The LTFP and the financial models contained within are based on a number of key assumptions.

Certainty of Revenue Streams

Projections of revenue streams over the next ten years are based on historic trends, planned pricing methodologies, known and recurrent grants, current statutory prices and the assumption of the continuation of rate pegging in each of the ten years. Pricing methodologies are aimed to provide services in a sustainable manner, with the community's capacity to pay taken into consideration.

Due to the magnitude of the FAG, any reduction in the overall available funds for distribution is likely to result in a diminished allocation to Council. This will have a direct impact on the level of works able to be delivered by Council.

Changes to key revenue assumptions have been reflected in the different financial models contained within this Plan.

Accuracy of Expenditure Estimates

Projections of operating expenditure over the next ten years is based on a combination of CPI assumptions, specific increases and one-off expenditure where known. In the case of infrastructure maintenance operating costs, expenditure required to maintain service levels based on the asset management external reviewer's report. Capital expenditure estimates mainly relate to infrastructure renewal, based on the service levels required and Council's current asset condition data s per the asset review report.

Changes to key expenditure assumptions have been reflected in the different Scenarios modelled within this Plan.

Potential Impacts on Income and Expenditure

The projected income and expenditure could be impacted by the following:

a) variations in underlying planning assumptions
b) changes to legislation and/or relevant regulations
c) future Council resolutions
d) major unplanned projects
e) service levels reviews arising from a community consultation process.

Should any of the above situations arise resulting in an impact on the LTFP, it is envisaged that those impacts are taken into account in future annual reviews of the Plan.

7 Asset Management

Council's future financial sustainability is directly impacted by its increasing infrastructure maintenance backlog and its current financial incapacity to prevent the further deterioration of its assets. Projected operating deficits are primarily being driven by escalating annual depreciation charges. Unless action is taken to increase asset renewal and maintenance funding, the accumulated intergenerational debt represented by assets below an established satisfactory standard will continue to grow.

A council's performance in relation to asset management and the impact on funding requirements is generally measured in terms of the cost to bring assets to satisfactory standard, generally described as 'backlog', the rate of renewal compared to the rate of depreciation, and the level of annual maintenance in line with established service levels. All these measures revolve around an established "satisfactory standard".

'Satisfactory Standard', and consequently all the associated measures, has to date generally been interpreted as assets being at an optimum standard. As a result the cost to bring all assets below this standard has been reported as a “Backlog”.

A number of industry wide reviews involving Engineering and Finance professionals highlighted the need for an industry wide determination of what constitutes a 'Satisfactory Standard' taking into account technical condition assessments and community expectations. This has resulted in a consistent methodology to enable a comparison between councils.

As referred to earlier in this document over recent years Council has focused on completing its assessment of our assets inventory to enable asset modelling to be undertaken. Council has also been reviewing the asset conditions and condition categorisation, based on a risk based methodology. This review has been undertaken in conjunction with the assistance of external review so as to ensure Council’s approach is in line with industry practice. The Infrastructure Assessment Report (review report) is included within the Asset Planning section of the Resourcing Strategy, and has been used as a reference document for the different scenarios modelled in Part (8) of this document.

As Council’s community engagement process was not complete at the time of preparing this report, the definition of a “Satisfactory Standard” for the Hawkesbury community has been based on both the above methodology as well as including an element of known community expectation.

The financial modelling relating to funding requirements relating to infrastructure assets is based on the external review report as a reference document, and takes into account an assumed level of community expectations.

The LTFP shows that based on Council’s asset expenditure projections, based on current budget settings (Scenario 1), a funding shortfall exists and would need to be addressed if service levels are to be maintained and improved.

Whilst this LTFP incorporates scenarios to address the funding gap by way of additional revenue, Council continuously aims to reduce its reliance on increased revenue through investigation of the following strategies:

- asset rationalisation and review of asset growth strategies
- more efficient use and operation of assets by turning them into income producing opportunities
- choosing low cost strategies over high cost asset strategies
- demand management
- evaluation of service levels and standards
- changing the composition of capital spending from new to renewal
- conduct cost/benefit analyses on the services being provided.

It is envisaged that future long term financial plans would incorporate the results of pursuing some of the above strategies.

8 Scenarios and Financial Models

This LTFP includes assumptions and financial modelling for three potential scenarios:

- Business as Usual Scenario
- Fit for the Future Scenario
- Strategic Scenario.

These Scenarios represent the impact of a set of assumptions on Council’s financial performance and on-going financial sustainability. The assumptions for each respective scenario are for financial modelling purposes only and would require community engagement, Council endorsement and the necessary legislative approvals before implementation.

8.1 Scenario 1 – Business as Usual Model

The *Business as Usual Mode*l represented in Scenario 1 reflects Council's financial position over a ten year period based on continuing to balance the budget year on year, which, in the absence of other service cuts, can only be achieved by reducing expenditure on infrastructure assets.

In summary, based on Council's projected income and expenditure over a ten year period, based on existing services and existing service levels, will mean that Council has a funding gap in regard to its infrastructure funding. Council will therefore need to restrict the level of asset maintenance and renewal in line with funding available. Whilst Council could continue to balance its annual budget year on year, this would be at the cost of rapidly deteriorating assets, therefore pushing the cost to the community potentially resulting in compromised safety and increased residents' dissatisfaction.

The main assumptions underpinning the *Business as Usual Model* are as follows:

- rating income indexed by estimated rate pegging of 2.5% from 2016/2017 onwards
- fees and charges indexed by CPI or other relevant index
- current service levels maintained (non-infrastructure asset services)
- materials and contracts expenditures indexed by CPI
- employee costs indexed by projected award increases
- infrastructure asset maintenance costs based on Infrastructure Assessment Report as a reference
- infrastructure asset renewal costs based on funding available after all other service levels have been maintained.

Under this Model Council will continue not to generate sufficient revenue to renew infrastructure assets at the rate they are deteriorating. This Model demonstrates that based on current budget settings, Council may face an on-going sustainability challenge.

Under this Model, service rationalisation, such as closing down community facilities to obtain cost reductions, is highly likely to be required to ensure on going financial sustainability. In addition, the on-going funding shortfall will result in continuing deterioration of the condition of the community infrastructure and therefore reduced service level. For example, roads currently in a fair condition would slip into a poor condition if the optimal asset management intervention is not funded.

This Model places the Hawkesbury's continuing existence in its current form at risk, and is therefore not the optimal long term model to pursue.

Financial modelling has been undertaken based on the assumptions above. A projected Income Statement, Capital Budget Statement, Balance Sheet and Cash Flow Statement and the resulting Sustainability Measures are included as Attachment 2 – *Business as Usual Model*.

8.2 Scenario 2 – Fit for the Future Model

The *Fit for the Future Model* represented in Scenario 2 reflects Council's financial position over a ten year period based on all the strategies detailed in part 5 of this document being implemented.

This Scenario demonstrates the impact of implementing a combination of strategies that:

- Enable an upfront injection of funds to address the high risk renewal works
- Generate increased on-going revenue stream from a number of sources
- Provide on-going additional funds to sustain the required asset maintenance and renewal
- Support a sustainable Council in its current form.

The assumptions in regard to the magnitude and implementation timing of the strategies is for financial modelling purposes only and would require community engagement, Council endorsement and the necessary legislative approvals before implementation.

The main assumptions underpinning the Fit for the Future Scenario are as follows:

- rating income indexed by estimated rate increases ranging between 2.5% and 7%, subject to required Council endorsement, community consultation and IPART approval
- revenue generation strategies detailed in part 5 implemented over the ten year period
- borrowings program of $25M over a period of five years
- borrowings program targeted at asset renewal and optimal asset maintenance
- enhanced program of works, including a program of rural road sealing
- fees and charges indexed by CPI or other relevant index
- current service levels maintained (non-infrastructure asset services)
- materials and contracts expenditures indexed by CPI
- employee costs indexed by projected award increases
- cost containment strategies detailed in part 5 implemented from 2016/2017
- infrastructure asset maintenance costs based on Infrastructure Assessment Report as a reference
- infrastructure asset renewal costs based on funding available after all other service levels have been maintained.

Under this scenario Council will be able to target its infrastructure backlog and improve its ability to generate sufficient on-going revenue to then continue to renew infrastructure assets at the rate they are deteriorating. This Model demonstrates that with an upfront injection of funds through a borrowings program, and a moderate increase in revenue base, Council can address its on-going sustainability challenge and remain sustainable in the future in its current form.

This Model supports the Hawkesbury's continuing existence in its current form, enables existing services to be maintained, and improves the state of Council's infrastructure, ultimately addressing its residents' expectations to the extent possible. This Model also ensures inter-generational equity, spreading the cost of long-live assets over a period of time, therefore limiting the financial burden on its residents.

This Model supports the Hawkesbury's ability to retain its identity by balancing on-going financial sustainability and taking into account the residents' ability to fund the provision of services at an acceptable standard.

Whilst this Model does not meet all the FFTF benchmarks over the set timeframe, it does provide a sound platform for continuous improvement towards the sustainability target measures. Council will continue to engage with its community to ensure an alignment of the ability and willingness to pay and the provision of ongoing sustainable services is achieved in the longer term.

Subject to this Model being accepted by IPART as an appropriate optimal long term model for Council to remain Fit for the Future, this Model would be an appropriate Model to pursue.

Financial modelling has been undertaken based on the assumptions above. A projected Income Statement, Capital Budget Statement, Balance Sheet and Cash Flow Statement and the resulting Sustainability Measures are included as Attachment 3 – *Fit for the Future Model*.

8.3 Scenario 3 – Strategic Model

The *Strategic Model* represented in Scenario 3 reflects the income and expenditure levels that would be apply over a ten year period, based on all the strategies detailed in part (5) of this document being implemented with the aim of all the FFTF sustainability measures being met over the set timeframe. This Model also reflects an increased service level relating to non-infrastructure services in line with industry benchmarks and the community's aspirational expectations.

This Model demonstrates the impact of implementing a combination of strategies that:

- enable an upfront injection of funds to address the high risk renewal works
- generate increased on-going revenue stream from a number of sources
- provide on-going additional funds to sustain the required asset maintenance and renewal
- support a sustainable Council in its current form.

The assumptions in regard to the magnitude and implementation timing of the strategies is for financial modelling purposes only and would require community engagement, Council endorsement and the necessary legislative approvals before implementation.

The main assumptions underpinning the *Strategic Model* are as follows:

- rating income indexed by estimated rate increases ranging between 2.5% and 6.5% subject to required Council endorsement, community consultation and IPART approval
- revenue generation strategies detailed in part 5 implemented over the ten year period
- borrowings program of $25M over a period of five years
- borrowings program targeted at asset renewal and optimal asset maintenance
- enhanced program of works, including a program of rural road sealing
- increased non-infrastructure service levels
- fees and charges indexed by CPI or other relevant index
- materials and contracts expenditures indexed as required to meet increased service levels
- employee costs indexed by projected award increases
- cost containment strategies detailed in part 5 implemented from 2016/2017
- infrastructure asset maintenance costs based on Infrastructure Assessment Report as a reference
- infrastructure asset renewal costs based on funding available after all other service levels have been maintained.

Under this scenario Council will be able to target its infrastructure backlog and improve its ability to generate sufficient on-going revenue to then continue to renew infrastructure assets at the rate they are deteriorating or better. This Model demonstrates that with an upfront injection of funds through a borrowings program, and an increase in revenue base, Council can address its on-going sustainability challenge and remain sustainable in the future in its current form.

This Model supports the Hawkesbury's continuing existence in its current form, enables existing services to be improved, and improves the state of Council's infrastructure, ultimately addressing its residents' expectations. This Model also ensures inter-generational equity, spreading the cost of long-live assets over a period of time, therefore limiting the financial burden on its residents.

This Model supports the Hawkesbury's ability to retain its identity by balancing on-going financial sustainability and taking into account the residents' ability to fund the provision of services at an optimal standard.

This Model meets all the FFTF benchmarks over the set timeframe. Council will continue to engage with its community to ensure an alignment of the ability and willingness to pay and the provision of ongoing sustainable services is achieved in the longer term.

This Model is the optimal Model that could be pursued, based on the community and Council agreeing on desired service levels and the associated funding requirements. However, as this Model would require significant community consultation, it would not be practically possible to implement the relevant assumptions of this Scenario until further reviews of this LTFP in future years. It is therefore appropriate to use this Model as a benchmark only at this stage.

Financial modelling has been undertaken based on the assumptions above. A projected Income Statement, Capital Budget Statement, Balance Sheet and Cash Flow Statement and the resulting Sustainability Measures are included as Attachment 4 – *Strategic Model*.

9 Reviewing the Plan

The LTFP is reviewed on an annual basis to ensure assumptions underpinning the Plan are still relevant and to reflect the latest financial result and changes in trends.

Management Reporting

The annual budget adopted by Council each financial year is subject to rigorous monitoring during the year. Council's Managers are required to review their respective actual financial results against monthly targets and provide explanations for variances above the threshold and comment on the planned corrective action if required. The monthly variance reports are reviewed by Council's Senior Management.

Quarterly Budget Reviews

Council is required to review its annual budget position on a quarterly basis. A Quarterly Budget Review Statement is prepared including any budget variations required and submitted for Council adoption. The Quarterly Budget Reviews assist in maintaining financial projection in line with actual results on an ongoing basis during the financial year and provide a realistic platform on which future budgets are based.

Annual Budgeting Process

Each year Council undertakes a rigorous process to prepare its budget estimates for the following year. The process involves budget submissions by each respective Council Manager, and a comprehensive review by Council's Senior Management. The allocation of funds is based on service levels, Council Resolutions, asset renewal priorities and continuous improvement. The annual budget prepared for each respective financial year forms the basis upon which future years within the LTFP are reviewed.

Attachment 1 - Sustainability Measures Explained

Operating Performance Ratio

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

Description and Rationale for Criteria:

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

Description and Rationale for Benchmark:

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

Own Source Revenue Ratio

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

Description and Rationale for Criteria:

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

Description and Rationale for Benchmark:

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

Building and Infrastructure Asset Renewal Ratio

$$\frac{\textbf{Asset renewals (building and infrastructure)}}{\textbf{Depreciation, amortisation and impairment (building and infrastructure)}}$$

Description and Rationale for Criteria:

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

Description and Rationale for Benchmark:

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

Building and Infrastructure Asset Renewal Ratio

$$\frac{\textbf{Asset renewals (building and infrastructure)}}{\textbf{Depreciation, amortisation and impairment (building and infrastructure)}}$$

Description and Rationale for Criteria:

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

Description and Rationale for Benchmark:

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

Infrastructure Backlog Ratio

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

Description and Rationale for Criteria:

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

Description and Rationale for Benchmark:

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

Asset Maintenance Ratio

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

Description and Rationale for Criteria:

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

Description and Rationale for Benchmark:

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

Debt Service Ratio

$$\frac{\textbf{Cost of debt service (interest expense and principal repayments)}}{\textbf{Total continuing operating revenue (exc. capital grants and contributions)}}$$

Description and Rationale for Criteria:

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

Description and Rationale for Benchmark:

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

Real Operating Expenditure Per Capita

Description and Rationale for Criteria:

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

Description and Rationale for Benchmark:

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

Attachment 2 - Business as Usual Model Projections

Table 7: Business as Usual Model Income Statement - General Fund

$'000	ORIGINAL Budget 2014/2015	ADOPTED Budget 2015/2016	DRAFT Budget 2016/2017	DRAFT Budget 2017/2018	DRAFT Budget 2018/2019	DRAFT Budget 2019/2020	DRAFT Budget 2020/2021	DRAFT Budget 2021/2022	DRAFT Budget 2022/2023	DRAFT Budget 2023/2024	DRAFT Budget 2024/2025
Income from Continuing Operations											
Revenue:											
Rates & Annual Charges	40,309	41,988	43,329	44,551	45,891	47,538	49,229	50,589	52,803	54,954	56,916
User Charges & Fees	4,162	4,849	4,990	5,141	5,300	5,470	5,651	5,842	6,045	6,261	6,491
Interest & Investment Revenue	1,220	1,123	1,001	1,027	990	958	965	914	892	848	805
Other Revenues	3,677	4,165	3,959	4,100	4,164	4,311	4,382	4,536	4,614	4,776	4,862
Grants & Contributions provided for Operating Purposes	6,949	6,805	6,547	6,591	6,846	6,586	6,567	6,909	6,615	6,669	7,005
Grants & Contributions provided for Capital Purposes	275	2,259	2,559	5,738	3,764	5,208	2,746	2,436	2,439	2,442	2,445
Other Income:											
Net gains from the disposal of assets	0	0	0	0	0	0	0	0	0	0	0
Entities using the equity method	0	0	0	0	0	0	0	0	0	0	0
Total Income from Continuing Operations	56,593	61,189	62,384	67,147	66,954	70,072	69,540	71,226	73,408	75,951	78,523
Expenses from Continuing Operations											
Employee Benefits & On-Costs	22,662	23,553	24,259	24,987	25,737	26,509	27,251	28,014	28,799	29,605	30,434
Borrowing Costs	370	345	318	290	259	228	193	158	120	100	100
Materials & Contracts	14,608	15,267	15,648	16,039	16,440	16,852	17,273	17,705	18,147	18,601	19,066
Depreciation & Amortisation	12,928	11,509	11,532	11,577	11,587	11,605	11,613	11,618	11,623	11,628	11,621
Other Expenses	10,448	10,858	11,553	12,312	13,089	14,084	14,959	16,034	17,170	18,407	19,827
Net Loss from the Disposal of Assets	0	0	0	0	0	0	0	0	0	0	0

$'000	ORIGINAL Budget 2014/2015	ADOPTED Budget 2015/2016	DRAFT Budget 2016/2017	DRAFT Budget 2017/2018	DRAFT Budget 2018/2019	DRAFT Budget 2019/2020	DRAFT Budget 2020/2021	DRAFT Budget 2021/2022	DRAFT Budget 2022/2023	DRAFT Budget 2023/2024	DRAFT Budget 2024/2025
Total Expenses from Continuing Operations	61,017	61,533	63,311	65,205	67,112	69,277	71,290	73,529	75,859	78,341	81,048
Net Operating Result for the Year	**(4,424)**	**(343)**	**(927)**	**1,942**	**(158)**	**795**	**(1,750)**	**(2,302)**	**(2,451)**	**(2,391)**	**(2,525)**
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	(4,699)	(2,602)	(3,485)	(3,796)	(3,922)	(4,413)	(4,496)	(4,738)	(4,890)	(4,832)	(4,970)

Table 8: Business as Usual Model Capital Budget Statement - General Fund

$'000	ORIGINAL Budget 2014/2015	ADOPTED Budget 2015/2016	DRAFT Budget 2016/2017	DRAFT Budget 2017/2018	DRAFT Budget 2018/2019	DRAFT Budget 2019/2020	DRAFT Budget 2020/2021	DRAFT Budget 2021/2022	DRAFT Budget 2022/2023	DRAFT Budget 2023/2024	DRAFT Budget 2024/2025
Net Operating Result (excl. Capital Grants)	(4,699)	(2,602)	(3,485)	(3,796)	(3,922)	(4,413)	(4,496)	(4,738)	(4,890)	(4,832)	(4,970)
Capital Funding and Expenditure											
Source of Capital Funding (excluding reserves)											
Proceeds from the sale of capital assets	986	882	1,482	1,063	1,219	1,119	1,486	1,234	1,610	1,158	1,763
Depreciation	12,928	11,509	11,532	11,577	11,587	11,605	11,613	11,618	11,623	11,628	11,621
Grants & Contributions provided for Capital Purposes	275	2,259	2,559	5,738	3,764	5,208	2,746	2,436	2,439	2,442	2,445
	14,189	14,650	15,573	18,378	16,570	17,932	15,845	15,288	15,672	15,228	15,828
Application of Capital Funding											
New Assets	8,024	1,087	936	4,114	939	1,692	693	475	477	478	480
Renewal of Assets	8,384	9,208	6,731	6,364	8,129	9,444	4,100	3,916	4,085	4,336	3,564
Other Assets	1,692	408	376	453	391	470	408	487	425	504	444
Plant & Equipment	2,656	2,601	4,425	3,366	3,169	3,312	4,128	3,940	4,440	3,476	4,983
	20,755	13,304	12,469	14,297	12,628	14,917	9,328	8,818	9,427	8,794	9,471
Net Capital Expenditure	(6,566)	1,347	3,104	4,080	3,942	3,014	6,517	6,470	6,245	6,434	6,358
Net Reserve Transfers & Capital Movements	11,265	1,255	381	(284)	(20)	1,399	(2,021)	(1,732)	(1,355)	(1,601)	(1,388)
Retained surplus/(deficit) available for general funding purposes	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Table 9: Business as Usual Model Projected Balance Sheet - General Fund

$'000	ORIGINAL Budget 2014/2015	ADOPTED Budget 2015/2016	DRAFT Budget 2016/2017	DRAFT Budget 2017/2018	DRAFT Budget 2018/2019	DRAFT Budget 2019/2020	DRAFT Budget 2020/2021	DRAFT Budget 2021/2022	DRAFT Budget 2022/2023	DRAFT Budget 2023/2024	DRAFT Budget 2024/2025
Current Assets											
Cash & Cash Equivalents	500	500	500	500	500	500	500	500	500	500	500
Investments	24,712	22,356	20,727	19,726	18,315	15,575	16,133	16,280	16,013	16,539	16,844
Receivables	5,226	5,357	5,491	5,628	5,769	5,913	6,061	6,213	6,368	6,527	6,690
Inventories	300	308	315	323	331	339	348	357	366	375	384
Other	700	718	735	754	773	792	812	832	853	874	896
	31,438	29,238	27,769	26,932	25,688	23,119	23,853	24,181	24,100	24,815	25,314
Non-Current Assets											
Receivables	1,100	1,130	1,161	1,193	1,226	1,260	1,294	1,330	1,367	1,404	1,443
Infrastructure Property, Plant & Equipment	713,625	714,537	713,992	715,649	715,471	717,665	713,894	709,860	706,054	702,062	698,149
Investments accounted for using the equity method	2,349	2,349	2,349	2,349	2,349	2,349	2,349	2,349	2,349	2,349	2,349
Investment Properties at Fair Value	34,906	34,906	34,906	34,906	34,906	34,906	34,906	34,906	34,906	34,906	34,906
	751,980	752,922	752,408	754,098	753,952	756,180	752,443	748,445	744,675	740,721	736,847
TOTAL ASSETS	**783,418**	**782,160**	**780,177**	**781,029**	**779,640**	**779,299**	**776,297**	**772,626**	**768,775**	**765,536**	**762,161**
Current Liabilities											
Payables	6,800	6,970	7,144	7,323	7,506	7,694	7,886	8,083	8,285	8,492	8,705
Borrowings	456	484	510	544	574	610	645	492	0	0	0
Provisions	5,223	5,860	6,515	7,190	7,886	8,602	9,340	10,100	10,883	11,690	12,520
	12,479	13,313	14,170	15,057	15,966	16,906	17,871	18,676	19,168	20,182	21,225
Non-Current Liabilities											
Borrowings	3,546	3,090	2,606	2,096	1,552	978	368	0	0	0	0
Provisions	3,594	3,588	3,582	3,576	3,571	3,565	3,559	3,554	3,548	3,543	3,537
	7,140	6,678	6,188	5,672	5,123	4,543	3,928	3,554	3,548	3,543	3,537
TOTAL LIABILITIES	**19,619**	**19,992**	**20,358**	**20,729**	**21,089**	**21,448**	**21,798**	**22,229**	**22,717**	**23,725**	**24,762**

$'000	ORIGINAL Budget 2014/2015	ADOPTED Budget 2015/2016	DRAFT Budget 2016/2017	DRAFT Budget 2017/2018	DRAFT Budget 2018/2019	DRAFT Budget 2019/2020	DRAFT Budget 2020/2021	DRAFT Budget 2021/2022	DRAFT Budget 2022/2023	DRAFT Budget 2023/2024	DRAFT Budget 2024/2025
NET ASSETS	**763,799**	**762,169**	**759,818**	**760,300**	**758,551**	**757,851**	**754,498**	**750,397**	**746,059**	**741,811**	**737,399**
Equity											
Retained Earnings	288,595	286,965	284,614	285,096	283,347	282,646	279,294	275,192	270,854	266,607	262,195
Revaluation Reserves	475,204	475,204	475,204	475,204	475,204	475,204	475,204	475,204	475,204	475,204	475,204
TOTAL EQUITY	**763,799**	**762,169**	**759,818**	**760,300**	**758,551**	**757,851**	**754,498**	**750,397**	**746,059**	**741,811**	**737,399**

Table 10: Business as Usual Model Cashflow Statement - General Fund

$'000	ORIGINAL Budget 2014/2015	ADOPTED Budget 2015/2016	DRAFT Budget 2016/2017	DRAFT Budget 2017/2018	DRAFT Budget 2018/2019	DRAFT Budget 2019/2020	DRAFT Budget 2020/2021	DRAFT Budget 2021/2022	DRAFT Budget 2022/2023	DRAFT Budget 2023/2024	DRAFT Budget 2024/2025
Cash Flows from Operating Activities											
Receipts											
Rates & Annual Charges	38,294	39,888	41,162	42,323	43,596	45,161	46,767	48,060	50,163	52,206	54,071
User Charges & Fees	4,120	4,801	4,940	5,089	5,247	5,416	5,594	5,784	5,985	6,198	6,426
Investment & Interest Revenue Received	1,220	1,123	1,001	1,027	990	958	965	914	892	848	805
Grants & Contributions	6,863	8,611	7,185	7,070	7,414	7,339	7,447	7,478	7,201	7,255	7,577
Other	3,641	4,124	3,919	4,059	4,122	4,268	4,338	4,491	4,568	4,728	4,813
Payments											
Employee Benefits & On-Costs	(21,982)	(22,846)	(23,532)	(24,238)	(24,965)	(25,714)	(26,434)	(27,174)	(27,935)	(28,717)	(29,521)
Materials & Contracts	(14,462)	(15,115)	(15,492)	(15,879)	(16,276)	(16,683)	(17,100)	(17,528)	(17,966)	(18,415)	(18,876)
Borrowing Costs	(276)	(252)	(225)	(197)	(167)	(137)	(102)	(67)	(30)	0	0
Other Expenses	(10,343)	(10,749)	(11,437)	(12,189)	(12,958)	(13,943)	(14,810)	(15,874)	(16,998)	(18,223)	(19,629)
Net Cash provided (or used in) Operating Activities	7,074	9,585	7,522	7,067	7,004	6,667	6,666	6,084	5,880	5,882	5,666
Cash Flows from Investing Activities											
Receipts											
Sale of Infrastructure, Property, Plant & Equipment	986	882	1,482	1,063	1,219	1,119	1,486	1,234	1,610	1,158	1,763
Payments											
Purchases of Infrastructure, Property, Plant & Equipment	(18,679)	(11,973)	(9,757)	(8,226)	(8,700)	(9,561)	(6,995)	(6,536)	(7,084)	(6,515)	(7,124)
Net Cash provided (or used in) Investing Activities	(17,693)	(11,091)	(8,275)	(7,163)	(7,481)	(8,442)	(5,509)	(5,302)	(5,475)	(5,357)	(5,361)
Cash Flows from Financing Activities											

$'000	ORIGINAL Budget 2014/2015	ADOPTED Budget 2015/2016	DRAFT Budget 2016/2017	DRAFT Budget 2017/2018	DRAFT Budget 2018/2019	DRAFT Budget 2019/2020	DRAFT Budget 2020/2021	DRAFT Budget 2021/2022	DRAFT Budget 2022/2023	DRAFT Budget 2023/2024	DRAFT Budget 2024/2025
Receipts											
Prcoeeds from Borrowings & Advances	0	0	0	0	0	0	0	0	0	0	0
Payments											
Repayment of Borrowings & Advances	(825)	(850)	(876)	(904)	(934)	(965)	(599)	(634)	(672)	0	0
Net Cash provided (or used in) Financing Activities	(825)	(850)	(876)	(904)	(934)	(965)	(599)	(634)	(672)	0	0
Net Increase / (Decrease) in Cash & Cash Equivalents	(11,445)	(2,356)	(1,629)	(1,000)	(1,411)	(2,741)	558	147	(266)	525	305
plus: Cash, Cash Equivalents & Investments - beginning of year	36,657	25,212	22,856	21,227	20,226	18,815	16,075	16,633	16,780	16,513	17,039
Cash & Cash Equivalents - end of year	**25,212**	**22,856**	**21,227**	**20,226**	**18,815**	**16,075**	**16,633**	**16,780**	**16,513**	**17,039**	**17,344**

Table 11: Business as Usual Model – Sustainability Measures

Ratio	Benchmark	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	Benchmark met ?
Operating Performance Ratio (OPR)	**0**	-0.098	-0.084	-0.062	-0.055	-0.061	-0.064	-0.066	-0.068	-0.068	-0.068	-0.067	**No**
Own Source Revenue Ratio	**>60%**	73.71%	79.75%	85.94%	84.08%	83.73%	82.99%	84.64%	85.55%	87.05%	87.52%	87.88%	**Yes**
Asset Renewal Ratio	**>100%**	92.36%	89.26%	84.07%	76.93%	73.01%	82.13%	74.30%	59.80%	41.41%	42.19%	40.97%	**No**
Infrastructure Backlog Ratio	**≤ 2%**	4.24%	4.33%	4.96%	5.64%	5.98%	6.02%	7.27%	8.59%	9.90%	11.18%	12.68%	**No**
Asset Maintenance Ratio	**>100%**	71.13%	83.37%	99.82%	102.7%	104.75%	106.84%	108.64%	111.56%	114.09%	116.71%	118.90%	**Yes**
Debt Service Ratio	**>0%<20%**	0.87%	1.22%	1.20%	1.17%	1.14%	1.11%	1.08%	1.05%	0.93%	0.58%	0.24%	**Yes**
Real Operating Expenditure per Capita	**Decreasing**	Decreasing	Decreasing	Decreasing	Decreasing	Decreasing	Decreasing	Decreasing	Decreasing	Decreasing	Decreasing	Decreasing	**Yes**

Attachment 3 - Fit for the Future Model Projections

Table 12: Fit for the Future Model Income Statement - General Fund

$'000	ORIGINAL Budget 2014/2015	ADOPTED Budget 2015/2016	DRAFT Budget 2016/2017	DRAFT Budget 2017/2018	DRAFT Budget 2018/2019	DRAFT Budget 2019/2020	DRAFT Budget 2020/2021	DRAFT Budget 2021/2022	DRAFT Budget 2022/2023	DRAFT Budget 2023/2024	DRAFT Budget 2024/2025
Income from Continuing Operations											
Revenue:											
Rates & Annual Charges	40,309	41,988	44,381	46,964	49,469	52,037	54,534	56,753	59,880	63,004	65,141
User Charges & Fees	4,162	4,849	5,354	5,505	5,664	5,834	6,015	6,206	6,409	6,625	6,855
Interest & Investment Revenue	1,220	1,123	1,001	1,027	990	958	965	914	892	848	805
Other Revenues	3,677	4,165	3,959	4,100	4,164	4,311	4,382	4,536	4,614	4,776	4,862
Grants & Contributions provided for Operating Purposes	6,949	6,805	6,547	6,591	6,846	6,586	6,567	6,909	6,615	6,669	7,005
Grants & Contributions provided for Capital Purposes	275	2,259	2,559	5,738	3,764	5,208	2,746	2,436	2,439	2,442	2,445
Other Income:											
Net gains from the disposal of assets	0	0	0	0	0	0	0	0	0	0	0
Entities using the equity method	0	0	0	0	0	0	0	0	0	0	0
Total Income from Continuing Operations	56,593	61,189	63,801	69,924	70,897	74,935	75,209	77,754	80,849	84,364	87,112
Expenses from Continuing Operations											
Employee Benefits & On-Costs	22,662	23,553	24,259	24,987	25,737	26,509	27,251	28,014	28,799	29,605	30,434
Borrowing Costs	370	345	318	394	605	816	955	1,023	970	925	900
Materials & Contracts	14,608	15,267	15,389	16,258	16,581	16,992	17,925	15,848	15,857	15,642	15,416
Depreciation & Amortisation	12,928	11,509	11,532	11,588	11,626	11,677	11,717	11,755	11,760	11,765	11,757
Other Expenses	10,448	10,858	11,553	12,312	13,089	14,084	14,959	16,034	17,170	18,407	19,827
Net Loss from the Disposal of Assets	0	0	0	0	0	0	0	0	0	0	0

$'000	ORIGINAL Budget 2014/2015	ADOPTED Budget 2015/2016	DRAFT Budget 2016/2017	DRAFT Budget 2017/2018	DRAFT Budget 2018/2019	DRAFT Budget 2019/2020	DRAFT Budget 2020/2021	DRAFT Budget 2021/2022	DRAFT Budget 2022/2023	DRAFT Budget 2023/2024	DRAFT Budget 2024/2025
Total Expenses from Continuing Operations	61,017	61,533	63,051	65,539	67,638	70,078	72,807	72,673	74,555	76,344	78,335
Net Operating Result for the Year	**(4,424)**	**(343)**	**749**	**4,385**	**3,259**	**4,857**	**2,402**	**5,081**	**6,294**	**8,021**	**8,777**
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	(4,699)	(2,602)	(1,809)	(1,353)	(505)	(351)	(344)	2,645	3,855	5,579	6,332

Table 13: Fit for the Future Model Capital Budget Statement - General Fund

$'000	ORIGINAL Budget 2014/2015	ADOPTED Budget 2015/2016	DRAFT Budget 2016/2017	DRAFT Budget 2017/2018	DRAFT Budget 2018/2019	DRAFT Budget 2019/2020	DRAFT Budget 2020/2021	DRAFT Budget 2021/2022	DRAFT Budget 2022/2023	DRAFT Budget 2023/2024	DRAFT Budget 2024/2025
Net Operating Result (excl. Capital Grants)	(4,699)	(2,602)	(1,809)	(1,353)	(505)	(351)	(344)	2,645	3,855	5,579	6,332
Capital Funding and Expenditure											
Source of Capital Funding (excluding reserves)											
Proceeds from the sale of capital assets	986	882	1,607	1,188	1,344	1,244	1,486	1,234	1,610	1,158	1,763
Depreciation	12,928	11,509	11,532	11,588	11,626	11,677	11,717	11,755	11,760	11,765	11,757
Grants & Contributions provided for Capital Purposes	275	2,259	2,559	5,738	3,764	5,208	2,746	2,436	2,439	2,442	2,445
	14,189	14,650	15,698	18,514	16,734	18,128	15,949	15,425	15,809	15,365	15,965
Application of Capital Funding											
New Assets	8,024	1,087	936	5,114	3,539	4,692	3,693	3,475	477	478	480
Renewal of Assets	8,384	9,208	8,116	9,860	14,561	15,821	8,939	9,755	11,261	13,153	13,247
Other Assets	1,692	408	376	453	391	470	408	487	425	504	444
Plant & Equipment	2,656	2,601	4,425	3,366	3,169	3,312	4,128	3,940	4,440	3,476	4,983
	20,755	13,304	13,854	18,793	21,660	24,294	17,168	17,656	16,603	17,611	19,153
Net Capital Expenditure	(6,566)	1,347	1,844	(280)	(4,926)	(6,166)	(1,219)	(2,232)	(794)	(2,246)	(3,188)
Net Reserve Transfers & Capital Movements	11,265	1,255	(35)	1,633	5,431	6,516	1,563	(413)	(3,061)	(3,333)	(3,144)
Retained surlplus/(deficit) available for general funding purposes	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Table 14: Fit for the Future Model Projected Balance Sheet - General Fund

$'000	ORIGINAL Budget 2014/2015	ADOPTED Budget 2015/2016	DRAFT Budget 2016/2017	DRAFT Budget 2017/2018	DRAFT Budget 2018/2019	DRAFT Budget 2019/2020	DRAFT Budget 2020/2021	DRAFT Budget 2021/2022	DRAFT Budget 2022/2023	DRAFT Budget 2023/2024	DRAFT Budget 2024/2025
Current Assets											
Cash & Cash Equivalents	500	500	500	500	500	500	500	500	500	500	500
Investments	24,712	22,356	20,530	19,800	18,910	16,415	16,586	16,419	15,684	15,800	15,689
Receivables	5,226	5,357	5,491	5,628	5,769	5,913	6,061	6,213	6,368	6,527	6,690
Inventories	300	308	315	323	331	339	348	357	366	375	384
Other	700	718	735	754	773	792	812	832	853	874	896
	31,438	29,238	27,572	27,005	26,283	23,959	24,307	24,320	23,771	24,076	24,160
Non-Current Assets											
Receivables	1,100	1,130	1,161	1,193	1,226	1,260	1,294	1,330	1,367	1,404	1,443
Infrastructure Property, Plant & Equipment	713,625	714,538	715,252	721,270	729,959	741,333	745,297	749,965	753,198	757,886	763,519
Investments accounted for using the equity method	2,349	2,349	2,349	2,349	2,349	2,349	2,349	2,349	2,349	2,349	2,349
Investment Properties at Fair Value	34,906	34,906	34,906	34,906	34,906	34,906	34,906	34,906	34,906	34,906	34,906
	751,980	752,923	753,668	759,718	768,440	779,848	783,847	788,550	791,820	796,545	802,217
TOTAL ASSETS	**783,418**	**782,160**	**781,240**	**786,723**	**794,723**	**803,807**	**808,153**	**812,870**	**815,590**	**820,621**	**826,376**
Current Liabilities											
Payables	6,800	6,970	7,144	7,323	7,506	7,694	7,886	8,083	8,285	8,492	8,705
Borrowings	456	484	510	744	1,241	1,743	2,111	2,159	1,667	1,667	1,667
Provisions	5,223	5,860	6,515	7,190	7,886	8,602	9,340	10,100	10,883	11,690	12,520
	12,479	13,313	14,170	15,257	16,633	18,039	19,338	20,342	20,835	21,849	22,891
Non-Current Liabilities											
Borrowings	3,546	3,090	2,606	4,696	10,019	14,844	17,435	15,324	13,165	11,498	9,832
Provisions	3,594	3,588	3,582	3,576	3,571	3,565	3,559	3,554	3,548	3,543	3,537
	7,140	6,678	6,188	8,272	13,590	18,409	20,994	18,877	16,713	15,041	13,369
TOTAL LIABILITIES	**19,619**	**19,992**	**20,358**	**23,529**	**30,223**	**36,448**	**40,332**	**39,220**	**37,548**	**36,890**	**36,260**

$'000	ORIGINAL Budget 2014/2015	ADOPTED Budget 2015/2016	DRAFT Budget 2016/2017	DRAFT Budget 2017/2018	DRAFT Budget 2018/2019	DRAFT Budget 2019/2020	DRAFT Budget 2020/2021	DRAFT Budget 2021/2022	DRAFT Budget 2022/2023	DRAFT Budget 2023/2024	DRAFT Budget 2024/2025
NET ASSETS	**763,799**	**762,169**	**760,882**	**763,194**	**764,501**	**767,359**	**767,822**	**773,651**	**778,042**	**783,732**	**790,116**
Equity											
Retained Earnings	288,595	286,965	285,678	287,990	289,297	292,155	292,618	298,446	302,838	308,528	314,912
Revaluation Reserves	475,204	475,204	475,204	475,204	475,204	475,204	475,204	475,204	475,204	475,204	475,204
TOTAL EQUITY	**763,799**	**762,169**	**760,882**	**763,194**	**764,501**	**767,359**	**767,822**	**773,651**	**778,042**	**783,732**	**790,116**

Table 15: Fit for the Future Model Cashflow Statement - General Fund

$'000	ORIGINAL Budget 2014/2015	ADOPTED Budget 2015/2016	DRAFT Budget 2016/2017	DRAFT Budget 2017/2018	DRAFT Budget 2018/2019	DRAFT Budget 2019/2020	DRAFT Budget 2020/2021	DRAFT Budget 2021/2022	DRAFT Budget 2022/2023	DRAFT Budget 2023/2024	DRAFT Budget 2024/2025
Cash Flows from Operating Activities											
Receipts											
Rates & Annual Charges	38,294	39,888	42,162	44,615	46,996	49,435	51,807	53,915	56,886	59,854	61,884
User Charges & Fees	4,120	4,801	5,301	5,450	5,607	5,776	5,955	6,144	6,345	6,559	6,786
Investment & Interest Revenue Received	1,220	1,123	1,001	1,027	990	958	965	914	892	848	805
Grants & Contributions	6,863	8,611	7,185	7,070	7,414	7,339	7,447	7,478	7,201	7,255	7,577
Other	3,641	4,124	3,919	4,059	4,122	4,268	4,338	4,491	4,568	4,728	4,813
Payments											
Employee Benefits & On-Costs	(21,982)	(22,846)	(23,532)	(24,238)	(24,965)	(25,714)	(26,434)	(27,174)	(27,935)	(28,717)	(29,521)
Materials & Contracts	(14,462)	(15,115)	(15,235)	(16,096)	(16,415)	(16,822)	(17,746)	(15,689)	(15,699)	(15,486)	(15,262)
Borrowing Costs	(276)	(252)	(225)	(301)	(513)	(725)	(863)	(932)	(880)	(825)	(800)
Other Expenses	(10,343)	(10,749)	(11,437)	(12,189)	(12,958)	(13,943)	(14,810)	(15,874)	(16,998)	(18,223)	(19,629)
Net Cash provided (or used in) Operating Activities	7,074	9,585	9,139	9,398	10,278	10,574	10,660	13,273	14,382	15,995	16,653
Cash Flows from Investing Activities											
Receipts											
Sale of Infrastructure, Property, Plant & Equipment	986	882	1,607	1,188	1,344	1,244	1,486	1,234	1,610	1,158	1,763
Payments											
Purchases of Infrastructure, Property, Plant & Equipment	(18,679)	(11,973)	(11,696)	(13,212)	(17,912)	(19,215)	(14,910)	(15,373)	(14,372)	(15,331)	(16,796)
Net Cash provided (or used in) Investing Activities	(17,693)	(11,091)	(10,089)	(12,024)	(16,567)	(17,971)	(13,423)	(14,140)	(12,763)	(14,173)	(15,033)
Cash Flows from Financing Activities											

$'000	ORIGINAL Budget 2014/2015	ADOPTED Budget 2015/2016	DRAFT Budget 2016/2017	DRAFT Budget 2017/2018	DRAFT Budget 2018/2019	DRAFT Budget 2019/2020	DRAFT Budget 2020/2021	DRAFT Budget 2021/2022	DRAFT Budget 2022/2023	DRAFT Budget 2023/2024	DRAFT Budget 2024/2025
Receipts											
Prcoeeds from Borrowings & Advances	0	0	0	3,000	7,000	7,000	5,000	3,000	0	0	0
Payments											
Repayment of Borrowings & Advances	(825)	(850)	(876)	(1,104)	(1,601)	(2,098)	(2,066)	(2,301)	(2,353)	(1,706)	(1,731)
Net Cash provided (or used in) Financing Activities	(825)	(850)	(876)	1,896	5,399	4,902	2,934	699	(2,353)	(1,706)	(1,731)
Net Increase / (Decrease) in Cash & Cash Equivalents	(11,445)	(2,356)	(1,826)	(730)	(890)	(2,495)	171	(167)	(734)	116	(111)
plus: Cash, Cash Equivalents & Investments - beginning of year	36,657	25,212	22,856	21,030	20,300	19,410	16,915	17,086	16,919	16,184	16,300
Cash & Cash Equivalents - end of year	**25,212**	**22,856**	**21,030**	**20,300**	**19,410**	**16,915**	**17,086**	**16,919**	**16,184**	**16,300**	**16,189**

Table 16: Fit for the Future Model – Sustainability Measures

Ratio	Benchmark	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	Benchmark met ?
Operating Performance Ratio (OPR)	0	-0.098	-0.084	-0.052	-0.032	-0.019	-0.011	-0.006	0.008	0.027	0.051	0.064	Yes
Own Source Revenue Ratio	>60%	73.71%	79.75%	86.05%	84.43%	84.38%	83.89%	85.64%	86.62%	88.13%	88.66%	89.05%	Yes
Asset Renewal Ratio	>100%	92.36%	89.26%	88.85%	93.69%	111.65%	137.45%	133.88%	117.01%	101.18%	115.24%	126.96%	Yes
Infrastructure Backlog Ratio	≤ 2%	4.24%	4.33%	4.65%	4.57%	3.52%	2.26%	2.42%	2.43%	2.15%	1.50%	0%	Yes
Asset Maintenance Ratio	>100%	69.72%	79.78%	93.63%	96.16%	98.58%	102.17%	102.13%	101.87%	100.12%	100.01%	100.01%	Yes
Debt Service Ratio	>0%<20%	0.87%	1.22%	1.19%	1.30%	1.76%	2.53%	3.36%	3.94%	4.07%	3.75%	3.32%	Yes
Real Operating Expenditure per Capita	Decreasing	Decreasing	Decreasing	Decreasing	Decreasing	Decreasing	Decreasing	Decreasing	Decreasing	Decreasing	Decreasing	Decreasing	Yes

Attachment 4 - Strategic Model Projections

Table 17: Strategic Model Income Statement - General Fund

$'000	ORIGINAL Budget 2014/2015	ADOPTED Budget 2015/2016	DRAFT Budget 2016/2017	DRAFT Budget 2017/2018	DRAFT Budget 2018/2019	DRAFT Budget 2019/2020	DRAFT Budget 2020/2021	DRAFT Budget 2021/2022	DRAFT Budget 2022/2023	DRAFT Budget 2023/2024	DRAFT Budget 2024/2025
Income from Continuing Operations											
Revenue:											
Rates & Annual Charges	40,309	41,988	45,561	48,037	50,708	53,782	56,998	59,929	63,412	65,803	68,010
User Charges & Fees	4,162	4,849	5,354	5,505	5,664	5,834	6,015	6,206	6,409	6,625	6,855
Interest & Investment Revenue	1,220	1,123	1,001	1,027	990	958	965	914	892	848	805
Other Revenues	3,677	4,165	3,959	4,100	4,164	4,311	4,382	4,536	4,614	4,776	4,862
Grants & Contributions provided for Operating Purposes	6,949	6,805	6,547	6,591	6,846	6,586	6,567	6,909	6,615	6,669	7,005
Grants & Contributions provided for Capital Purposes	275	2,259	2,559	5,738	3,764	5,208	2,746	2,436	2,439	2,442	2,445
Other Income:											
Net gains from the disposal of assets	0	0	0	0	0	0	0	0	0	0	0
Entities using the equity method	0	0	0	0	0	0	0	0	0	0	0
Total Income from Continuing Operations	56,593	61,189	64,980	70,998	72,135	76,679	77,673	80,931	84,381	87,163	89,981
Expenses from Continuing Operations											
Employee Benefits & On-Costs	22,662	23,553	24,259	24,987	25,737	26,509	27,251	28,014	28,799	29,605	30,434
Borrowing Costs	370	345	422	636	847	989	1,058	1,008	945	900	875
Materials & Contracts	14,608	15,267	15,797	16,266	16,631	17,098	17,293	18,059	18,293	18,527	18,523
Depreciation & Amortisation	12,928	11,509	11,543	11,616	11,659	11,710	11,750	11,755	11,760	11,765	11,757
Other Expenses	10,448	10,858	11,553	12,312	13,089	14,084	14,959	16,034	17,170	18,407	19,827
Net Loss from the Disposal of Assets	0	0	0	0	0	0	0	0	0	0	0

$'000	ORIGINAL Budget 2014/2015	ADOPTED Budget 2015/2016	DRAFT Budget 2016/2017	DRAFT Budget 2017/2018	DRAFT Budget 2018/2019	DRAFT Budget 2019/2020	DRAFT Budget 2020/2021	DRAFT Budget 2021/2022	DRAFT Budget 2022/2023	DRAFT Budget 2023/2024	DRAFT Budget 2024/2025
Total Expenses from Continuing Operations	61,017	61,533	63,574	65,817	67,962	70,389	72,311	74,870	76,966	79,203	81,417
Net Operating Result for the Year	**(4,424)**	**(343)**	**1,407**	**5,180**	**4,173**	**6,290**	**5,362**	**6,061**	**7,415**	**7,960**	**8,563**
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	(4,699)	(2,602)	(1,152)	(558)	409	1,083	2,616	3,625	4,976	5,518	6,118

Table 18: Strategic Model Capital Budget Statement - General Fund

$'000	ORIGINAL Budget 2014/2015	ADOPTED Budget 2015/2016	DRAFT Budget 2016/2017	DRAFT Budget 2017/2018	DRAFT Budget 2018/2019	DRAFT Budget 2019/2020	DRAFT Budget 2020/2021	DRAFT Budget 2021/2022	DRAFT Budget 2022/2023	DRAFT Budget 2023/2024	DRAFT Budget 2024/2025
Net Operating Result (excl. Capital Grants)	(4,699)	(2,602)	(1,152)	(558)	409	1,083	2,616	3,625	4,976	5,518	6,118
Capital Funding and Expenditure											
Source of Capital Funding (excluding reserves)											
Proceeds from the sale of capital assets	986	882	1,607	1,188	1,344	1,244	1,486	1,234	1,610	1,158	1,763
Depreciation	12,928	11,509	11,543	11,616	11,659	11,710	11,750	11,755	11,760	11,765	11,757
Grants & Contributions provided for Capital Purposes	275	2,259	2,559	5,738	3,764	5,208	2,746	2,436	2,439	2,442	2,445
	14,189	14,650	15,709	18,542	16,767	18,161	15,982	15,425	15,809	15,365	15,965
Application of Capital Funding											
New Assets	8,024	1,087	1,936	6,714	3,939	4,692	3,693	475	477	478	480
Renewal of Assets	8,384	9,208	10,180	12,907	14,223	14,286	9,900	10,409	12,412	12,511	12,502
Other Assets	1,692	408	384	470	809	1,489	415	514	441	574	571
Plant & Equipment	2,656	2,601	4,821	3,526	3,636	3,293	4,153	4,237	4,394	3,987	5,387
	20,755	13,304	17,322	23,617	22,606	23,760	18,161	15,636	17,724	17,550	18,939
Net Capital Expenditure	(6,566)	1,347	(1,613)	(5,075)	(5,840)	(5,599)	(2,179)	(212)	(1,915)	(2,185)	(2,974)
Net Reserve Transfers & Capital Movements	11,265	1,255	2,765	5,633	5,431	4,516	(437)	(3,413)	(3,061)	(3,333)	(3,144)
Retained surlplus/(deficit) available for general funding purposes	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Table 19: Strategic Model Balance Sheet - General Fund

$'000	ORIGINAL Budget 2014/2015	ADOPTED Budget 2015/2016	DRAFT Budget 2016/2017	DRAFT Budget 2017/2018	DRAFT Budget 2018/2019	DRAFT Budget 2019/2020	DRAFT Budget 2020/2021	DRAFT Budget 2021/2022	DRAFT Budget 2022/2023	DRAFT Budget 2023/2024	DRAFT Budget 2024/2025
Current Assets											
Cash & Cash Equivalents	500	500	500	500	500	500	500	500	500	500	500
Investments	24,712	22,356	20,648	19,639	18,269	15,327	15,219	14,799	13,943	13,920	13,661
Receivables	5,226	5,357	5,491	5,628	5,769	5,913	6,061	6,213	6,368	6,527	6,690
Inventories	300	308	315	323	331	339	348	357	366	375	384
Other	700	718	735	754	773	792	812	832	853	874	896
	31,438	29,238	27,690	26,845	25,642	22,872	22,939	22,700	22,030	22,196	22,131
Non-Current Assets											
Receivables	1,100	1,130	1,161	1,193	1,226	1,260	1,294	1,330	1,367	1,404	1,443
Infrastructure Property, Plant & Equipment	713,625	714,538	718,709	729,523	739,126	749,933	754,858	757,505	761,859	766,486	771,905
Investments accounted for using the equity method	2,349	2,349	2,349	2,349	2,349	2,349	2,349	2,349	2,349	2,349	2,349
Investment Properties at Fair Value	34,906	34,906	34,906	34,906	34,906	34,906	34,906	34,906	34,906	34,906	34,906
	751,980	752,923	757,126	767,971	777,607	788,448	793,407	796,090	800,481	805,146	810,603
TOTAL ASSETS	**783,419**	**782,161**	**784,816**	**794,816**	**803,249**	**811,320**	**816,346**	**818,790**	**822,510**	**827,341**	**832,735**
Current Liabilities											
Payables	6,800	6,970	7,144	7,323	7,506	7,694	7,886	8,083	8,285	8,492	8,705
Borrowings	456	484	710	1,210	1,708	2,076	2,311	2,159	1,667	1,667	1,667
Provisions	5,223	5,860	6,515	7,190	7,886	8,602	9,340	10,100	10,883	11,690	12,520
	12,479	13,313	14,370	15,724	17,100	18,372	19,538	20,342	20,835	21,849	22,891
Non-Current Liabilities											
Borrowings	3,546	3,090	5,206	10,563	15,419	18,044	18,568	16,257	14,098	12,432	10,765
Provisions	3,595	3,588	3,582	3,576	3,571	3,565	3,559	3,554	3,548	3,543	3,537
	7,141	6,678	8,788	14,139	18,990	21,609	22,128	19,811	17,647	15,974	14,302
TOTAL LIABILITIES	**19,619**	**19,992**	**23,158**	**29,862**	**36,089**	**39,982**	**41,665**	**40,153**	**38,482**	**37,823**	**37,194**

$'000	ORIGINAL Budget 2014/2015	ADOPTED Budget 2015/2016	DRAFT Budget 2016/2017	DRAFT Budget 2017/2018	DRAFT Budget 2018/2019	DRAFT Budget 2019/2020	DRAFT Budget 2020/2021	DRAFT Budget 2021/2022	DRAFT Budget 2022/2023	DRAFT Budget 2023/2024	DRAFT Budget 2024/2025
NET ASSETS	**763,799**	**762,169**	**761,658**	**764,953**	**767,160**	**771,338**	**774,681**	**778,638**	**784,029**	**789,518**	**795,541**
Equity											
Retained Earnings	288,595	286,965	286,454	289,749	291,956	296,134	299,477	303,434	308,825	314,314	320,337
Revaluation Reserves	475,204	475,204	475,204	475,204	475,204	475,204	475,204	475,204	475,204	475,204	475,204
TOTAL EQUITY	**763,799**	**762,169**	**761,658**	**764,953**	**767,160**	**771,338**	**774,681**	**778,638**	**784,029**	**789,518**	**795,541**

Table 20: Strategic Model Cashflow Statement - General Fund

$'000	ORIGINAL Budget 2014/2015	ADOPTED Budget 2015/2016	DRAFT Budget 2016/2017	DRAFT Budget 2017/2018	DRAFT Budget 2018/2019	DRAFT Budget 2019/2020	DRAFT Budget 2020/2021	DRAFT Budget 2021/2022	DRAFT Budget 2022/2023	DRAFT Budget 2023/2024	DRAFT Budget 2024/2025
Cash Flows from Operating Activities											
Receipts											
Rates & Annual Charges	38,294	39,888	43,283	45,635	48,172	51,093	54,148	56,933	60,242	62,513	64,609
User Charges & Fees	4,120	4,801	5,301	5,450	5,607	5,776	5,955	6,144	6,345	6,559	6,786
Investment & Interest Revenue Received	1,220	1,123	1,001	1,027	990	958	965	914	892	848	805
Grants & Contributions	6,863	8,611	7,185	7,070	7,414	7,339	7,447	7,478	7,201	7,255	7,577
Other	3,641	4,124	3,919	4,059	4,122	4,268	4,338	4,491	4,568	4,728	4,813
Payments											
Employee Benefits & On-Costs	(21,982)	(22,846)	(23,532)	(24,238)	(24,965)	(25,714)	(26,434)	(27,174)	(27,935)	(28,717)	(29,521)
Materials & Contracts	(14,462)	(15,115)	(15,639)	(16,103)	(16,464)	(16,927)	(17,120)	(17,879)	(18,110)	(18,341)	(18,338)
Borrowing Costs	(276)	(252)	(329)	(543)	(756)	(898)	(967)	(917)	(855)	(800)	(775)
Other Expenses	(10,343)	(10,749)	(11,437)	(12,189)	(12,958)	(13,943)	(14,810)	(15,874)	(16,998)	(18,223)	(19,629)
Net Cash provided (or used in) Operating Activities	7,074	9,585	9,752	10,168	11,163	11,953	13,523	14,117	15,350	15,823	16,327
Cash Flows from Investing Activities											
Receipts											
Sale of Infrastructure, Property, Plant & Equipment	986	882	1,607	1,188	1,344	1,244	1,486	1,234	1,610	1,158	1,763
Payments											
Purchases of Infrastructure, Property, Plant & Equipment	(18,679)	(11,973)	(14,991)	(17,794)	(18,811)	(18,707)	(15,853)	(13,454)	(15,437)	(15,273)	(16,592)
Net Cash provided (or used in) Investing Activities	(17,693)	(11,091)	(13,383)	(16,606)	(17,467)	(17,464)	(14,366)	(12,221)	(13,828)	(14,115)	(14,830)
Cash Flows from Financing Activities											

$'000	ORIGINAL Budget 2014/2015	ADOPTED Budget 2015/2016	DRAFT Budget 2016/2017	DRAFT Budget 2017/2018	DRAFT Budget 2018/2019	DRAFT Budget 2019/2020	DRAFT Budget 2020/2021	DRAFT Budget 2021/2022	DRAFT Budget 2022/2023	DRAFT Budget 2023/2024	DRAFT Budget 2024/2025
Receipts											
Prcoeeds from Borrowings & Advances	0	0	3,000	7,000	7,000	5,000	3,000	0	0	0	0
Payments											
Repayment of Borrowings & Advances	(825)	(850)	(1,076)	(1,571)	(2,067)	(2,431)	(2,266)	(2,316)	(2,378)	(1,731)	(1,756)
Net Cash provided (or used in) Financing Activities	(825)	(850)	1,924	5,429	4,933	2,569	734	(2,316)	(2,378)	(1,731)	(1,756)
Net Increase / (Decrease) in Cash & Cash Equivalents	(11,445)	(2,356)	(1,707)	(1,009)	(1,370)	(2,942)	(109)	(420)	(856)	(24)	(259)
plus: Cash, Cash Equivalents & Investments - beginning of year	36,657	25,212	22,856	21,148	20,139	18,769	15,827	15,719	15,299	14,443	14,420
Cash & Cash Equivalents - end of year	**25,212**	**22,856**	**21,148**	**20,139**	**18,769**	**15,827**	**15,719**	**15,299**	**14,443**	**14,420**	**14,161**

Table 21: Strategic Model – Sustainability Measures

Ratio	Benchmark	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	Benchmark met ?
Operating Performance Ratio (OPR)	**0**	-0.098	-0.084	-0.049	-0.024	-0.007	0.004	0.019	0.032	0.047	0.057	0.065	**Yes**
Own Source Revenue Ratio	**>60%**	73.71%	79.75%	86.14%	84.60%	84.64%	84.18%	85.97%	87.03%	88.58%	89.09%	89.44%	**Yes**
Asset Renewal Ratio	**>100%**	92.36%	89.26%	95.94%	111.11%	127.75%	141.08%	130.33%	116.98%	110.41%	119.16%	126.16%	**Yes**
Infrastructure Backlog Ratio	**≤ 2%**	4.24%	4.33%	4.20%	3.47%	2.53%	1.62%	1.60%	1.49%	1%	0.49%	0%	**Yes**
Asset Maintenance Ratio	**>100%**	69.72%	79.78%	93.60%	96.07%	98.33%	101.84%	101.80%	101.65%	100.00%	100.01%	100.01%	**Yes**
Debt Service Ratio	**>0%<20%**	0.87%	1.22%	1.35%	1.81%	2.59%	3.42%	3.99%	4.18%	4.05%	3.61%	3.20%	**Yes**
Real Operating Expenditure per Capita	**Decreasing**	Decreasing	Decreasing	Decreasing	Decreasing	Decreasing	Decreasing	Decreasing	Decreasing	Decreasing	Decreasing	Decreasing	**Yes**

Workforce Management Planning

10 Introduction

10.1 Background

Workforce Management Planning is about having a strategic focus to provide the right number of people with the right skills at any time both now and into the future to deliver the required services.

The Workforce Management Plan (WMP) will assist Council to plan for the future, anticipate change and manage the workforce to meet the outcomes of Council's Delivery Program. It provides a framework for making decisions that align with meeting the strategic goals of the community.

The Hawkesbury Community Strategic Plan 2013-2032 (CSP) has five visions:

- Looking After People and Place
- Caring for Council's Environment
- Linking the Hawkesbury
- Supporting Business and Local Jobs
- Shaping Council's Future Together.

The WMP takes into consideration the Council's Annual Operational Plans, Delivery Program and reviews strategies for the next four years. These strategies target the key areas of attraction and recruitment of new employees and the retention of existing employees.

The WMP also includes a study of Council's current workforce which gives us a snapshot of the organisation to provide baseline data for strategy development. The data includes employee profile in terms of age, gender, employment status, length of service and turnover.

10.2 Development of Hawkesbury City Council Workforce Management Plan

The WMP is made up of five parts and provides information on Council's current workforce demographics.

Hawkesbury City Council is considered to be a small to medium size Council employing some 280 staff across a very diverse range of occupations. The organisational structure under which Council currently operates is set out below. This structure is constantly reviewed to ensure Council's staff can effectively and efficiently deliver the service outcomes set out in the Council's Delivery Program.

11 Council's Organisation

11.1 Structure

The Hawkesbury Local Government Area has an area of 2,793 square kilometres and is the largest LGA area in the Sydney basin, with an estimated population of 62,828 (Preliminary ABS ERP, April 2009) and is bounded by other councils including Blue Mountains; Penrith; Hornsby; Blacktown; The Hills and Gosford.

Below is the Organisation Structure that was adopted in July 2013.

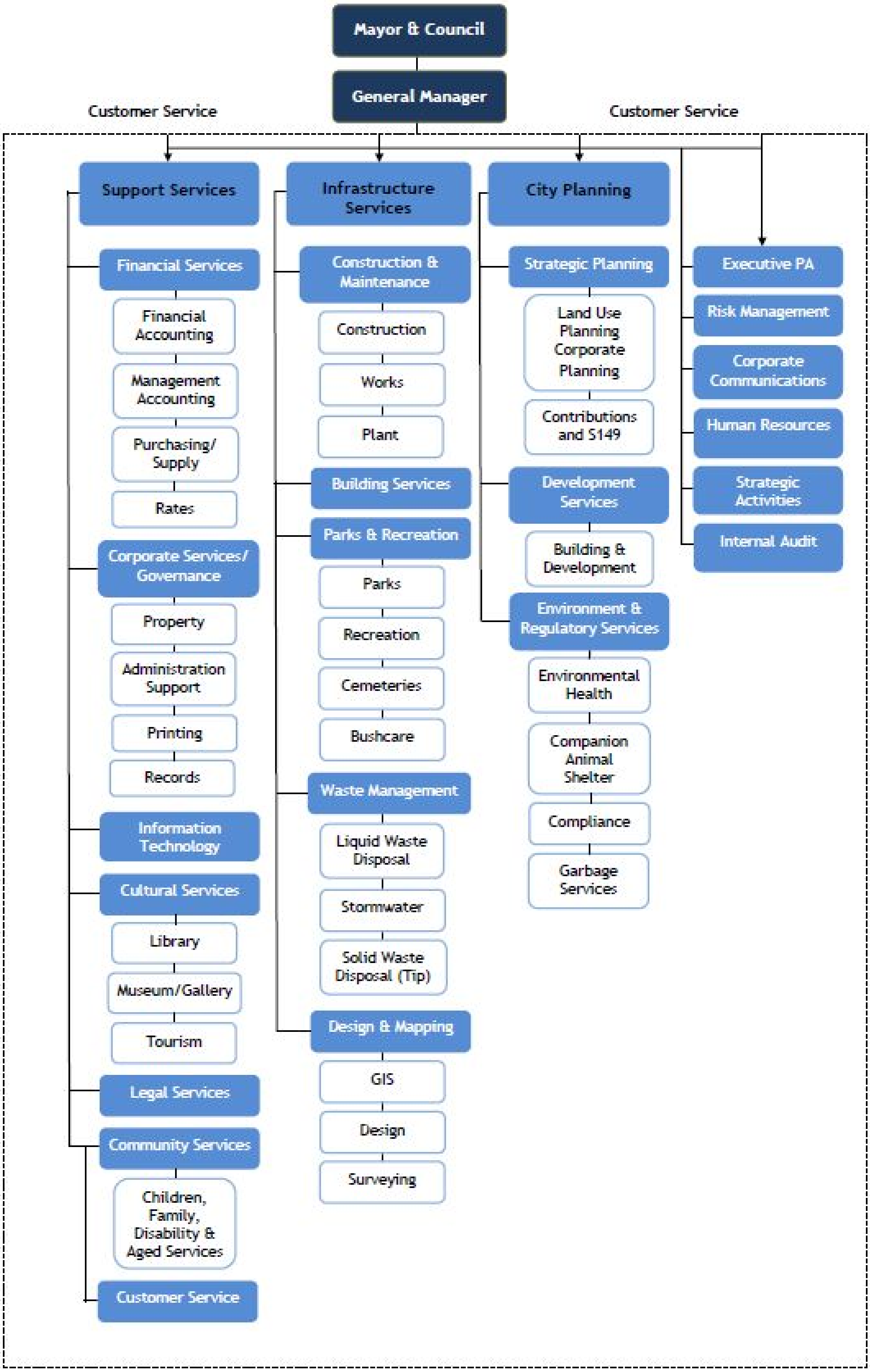

Figure 3: Hawkesbury City Council Organisational Structure

11.2 Workforce Profile

As at July 2013 Council had 284.55 full time equivalent (FTE) positions. This comprises full time and part time permanent staff. Council also employs a range of casual staff whose numbers are driven by specific and seasonal requirements.

Council utilises a number of Contractors and Consultants to supplement its workforce in areas where specialist knowledge and experience is required. Council utilises a number of volunteers in the Museum/Gallery, Community Nursery and at the Companion Animal Shelter.

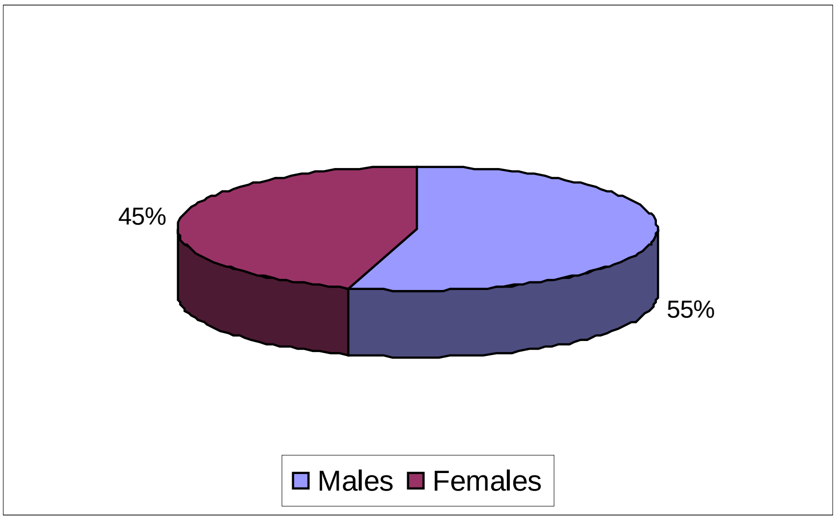

Figure 4: Gender Balance

Council's workforce is made up of some 55% males and 45% females and the Council's Senior Management and Management team incorporates 23 positions consisting of 14 males and nine females.

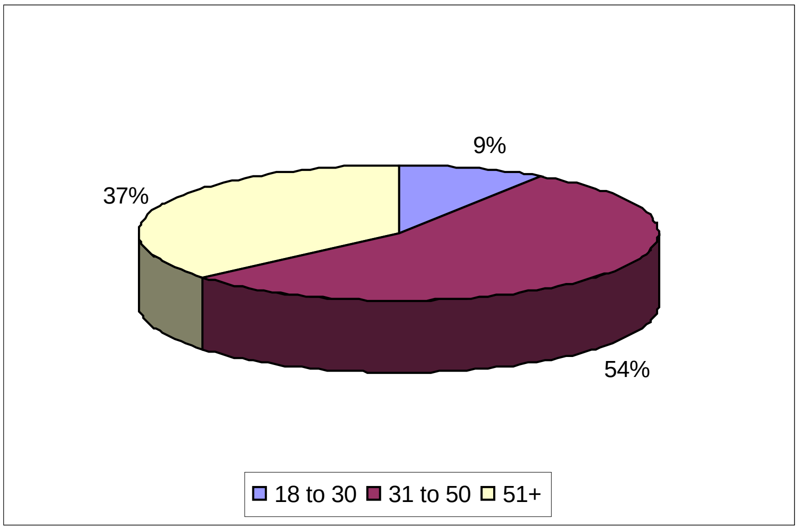

Figure 5: Age Profile

Table 22: Age Profile

Age Profile	%
18 to 30	9%
31 to 50	54%
51+	37%
Total	**100%**

Council's age profile shows only 9% of staff in the 18 to 30 year category, with 54% in the 31 to 50 year category and 37% being older than 51 years. Council only has four employees younger than 21 with the average age being 46 years.

With 37% of employees in an age bracket where they are more likely to consider retirement options in the next five to 10 years, Council may be faced with an increased number of employees leaving the workforce taking with them their skills and corporate knowledge.

Staff Turnover

Table 23: Number of Terminations

No. of Terminations	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013
No. of FT and PT terminations (calculated as % of FTE)	10.8%	6.6%	7.2%	9.4%	9.2%

The average turnover for the last five years is 8.6% with the most common reasons being other employment opportunities, remuneration levels and retirement.

While it is cost effective for the organisation to keep turnover at a minimum, natural attrition allows Council to engage staff who can contribute new ideas and fresh concepts as well as provide possible career paths for skilled, talented, experienced or qualified internal applicants.

Length of Service

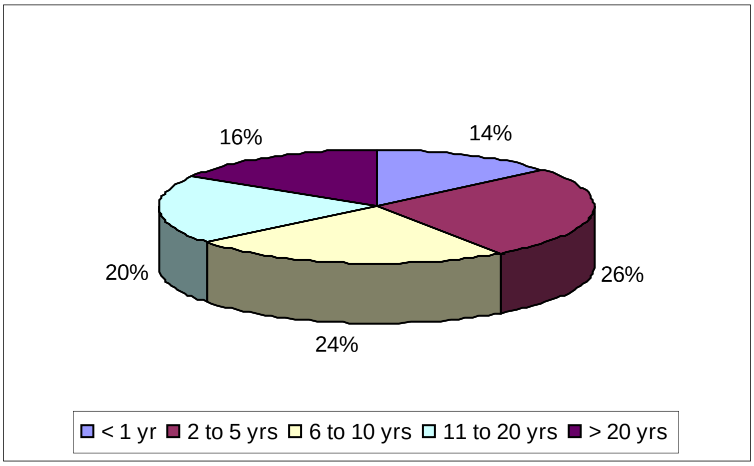

Figure 6: Length of Service

Table 24: Length of Service

Length of Service	%
< 1 yr	14%
2 to 5 yrs	26%
6 to 10 yrs	24%
11 to 20 yrs	20%
> 20 yrs	16%
Total	**100%**

16% of Council's employees have over 20 years of service and the average length of service is 9.9 years.

Classification

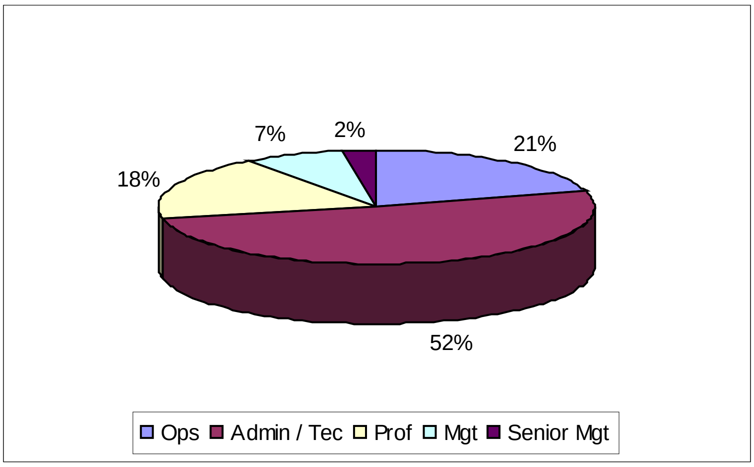

Figure 7: Classification

Table 25: Classification

Classification	%
Operational	21%
Administrative/Technical	52%
Professional	18%
Management	7%
Senior Management	2%
Total	**100%**

It should be noted that specialist operational works are contracted out in order to achieve maximum utilisation of Council's existing resources.

12 Workforce Issues Identified

12.1 Council's Strengths

What Council does well:

- Our commitment to Work Health and Safety.
- Our commitment to developing our staff.
- Our Employee Rewards and Benefits Program.

Table 26: Employment Rewards and Benefits Program

Type of Reward or Benefit	Details	$ Value
Salary increases	Annual Award increases	
Performance Payments	Opportunity to progress through steps in salary system based on satisfactory performance	
Nine Day fortnight	One day off per fortnight for all staff below Grade 19	
Nineteen Day month	One day off per month for Staff Grade 19 and above and Managers	
Free parking	Available to all staff	
Mobile Phones/PDA's	Available to employees in designated positions for business and nominal personal use	
Salary sacrifice	Local Government Superannuation Fund	
Salary deductions	Available for most Health funds, union membership and rate payments	
Lunchrooms/kitchenettes	Lunch and tea rooms facilities with equipment well as tea, coffee, milk and filtered water supplied	
Employee of the Month Award	Gift Voucher, Certificate and morning tea	100.00
Service Award 10 years	Voucher	250.00
Service Award 20 years	Voucher	500.00
Service Award 30 years	Voucher	750.00
EAP Program	Up to 4 individual confidential counselling sessions available to all staff member and their immediate family members (more sessions approved if required)	
Social Club	Committee run Social Club offering events, raffles, activities and discounts to members	
Resignation function 10+ years	Farewell function	250.00

Type of Reward or Benefit	Details	$ Value
Flu Vaccination	Provided free on site to all staff members	30.00
Gym Membership	Reduced price Corporate membership with weekly payroll deductions	
Uniforms and PPE	Supplied to operational staff and indoor staff as necessary to undertake their roles	
Uniform Subsidy – new staff	Subsidy amount, tax deduction and weekly repayment deductions	500.00
Uniform Subsidy – yearly replacement	Subsidy amount, tax deduction and weekly repayment deductions	150.00
Corporate training budget	Access to training opportunities for all staff to increase skills and for professional development	
Tertiary Education Assistance – TAFE Statement of Attainment	Subsidy amount towards out of pocket expenses, reasonable time off for study and examination leave or block release as required	300.00
Tertiary Education Assistance – TAFE Certificate level	Subsidy amount towards out of pocket expenses, reasonable time off for study and examination leave or block release as required	500.00
Tertiary Education Assistance – Diploma level	Subsidy amount towards out of pocket expenses, reasonable time off for study and examination leave or block release as required	800.00
Tertiary Education Assistance – Degree or Post Graduate level	Subsidy amount towards out of pocket expenses, reasonable time off for study and examination leave or block release as required	1,500.00

12.2 Council's Challenges

What Council can improve on:

- corporate branding and image
- marketing as an employer of choice
- staff retention
- attracting younger staff
- succession planning
- retaining skills and knowledge.

12.3 Other Workforce Issues

Other workforce issues include the understanding and examination of:

- mission critical occupations
- skills shortage occupations
- hard to fill occupations
- supply and demand gap analysis
- risk assessment of supply
- targeted workforce development strategies – recruitment, retention, growing or buying Council's workforce and job re-design.

12.4 Forecasting Workforce Demand

Forecasting workforce demand will involve identifying changes over the next four years taking into account:

- planned changes in service delivery
- revenue generation activities
- budgetary constraints
- technology
- legislative requirements.

The following changes will affect the organisational structure and design; mix of skills required; management/employee ratios:

- operating expenditure – cost of employment
- award salary increases
- an ageing workforce
- succession planning and knowledge transfer
- skills shortage in specific occupational groups
- staff turnover
- attraction and retention capacity of Council
- Work Health and Safety accountability and increased costs
- increasing compliance requirements
- changes in legislation and accreditation
- changes in service levels in response to community priorities and expectations.

As a part of developing this WMP, Council's Executive and Branch Managers were asked to project the future human resources requirements for their individual areas and were asked to consider the following questions:

1. What skills, knowledge, roles and positions do you believe will be created or become critical to the delivery of Council's services in the next four years?

2. What skills, knowledge, roles and positions do you believe will become obsolete in the next four years?

3. What changes do you foresee in the type of work or the way we do things within the next 10 years?

4. Does Council's Division and/or Branch staff have the desired skills and knowledge for the future? Where are the gaps?

This data was then used to compile the identified needs and will be used as the basis for future consideration of new position requests and potential redeployment of human resources.

New position and budget requests will be considered on an annual basis in line with Council's integrated planning cycle. This will facilitate the critical assessment of all requests and enable informal decision making and resource allocation to ensure best value for the organisation.

Requests put forward for consideration should be aligned to human resource requirements identified through the development of the WMP and must demonstrate a resource link to a strategy or action within Council's Delivery Program.

13 Identified Needs

13.1 Additional resources requirements identified over the next four years

Table 27: Additional resources requirements identified over the next four years

Division	Branch	Resource Requirements	Comments
Support Services	**Financial Services**	Nil	Financial Services Branch recently re-structured and resources requirements identified and fulfilled through reallocation of resources and job re-design accordingly.
	Information Services	Project Manager	Additional resource to support systems and on-line services.
		Trainer	Additional resource for training of staff in corporate applications.
		Web Content and Social Media person	Additional resource to review, control and revise web content to ensure consistency and currency. Interact with community via social media / engagement HQ etc. (could be a shared position with Corporate Communications)
	Cultural Services	Gallery and Museum: Education and Public Programs	If Gallery and Museum position vacancies arise, priorities will be reassessed with the aim of increasing capacity to deliver audience focussed public programs as well as targeted education programs.
		Library: Housebound Services Children's Librarian Young Adults Librarian HSC Special Needs Services	Additional resource to meet demand for children, young adults, house bound (too infirm or ill to attend the Library) and those with special needs. Special needs includes services targeted at the elderly in nursing homes, seniors groups and seniors in retirement homes, as well as sight impaired, low literacy skills, English as a Second Language (ESL). Currently one PT Librarian manages all these specialist areas.
		Community History Library Assistant	Community History is an important part of the collection and for the community. It requires assistance in making it more accessible – both online and in resource kits, classes and programs.

Division	Branch	Resource Requirements	Comments
		Visitor Information Centre	Full time Coordinator (dependent on what VIC model is adopted).
		Community History Librarian	Critical position identified for succession planning.
	Community Services	Seniors Leisure and Learning Centre Coordinator (to be implemented 2015/2016)	Additional resource to coordinate delivery of programs and activities at expanded Centre (response to needs of ageing population).
		Community Programs Coordinator	Additional resource to resource community programs and partnerships.
		Community Engagement and Planning Coordinator	Additional resource to coordinate ‘people planning’ within Strategic Planning section and to support community engagement activities across Council.
		Community Safety Officer	Need to maintain position if RMS funding ceases.
	Corporate Services and Governance	Governance Officer	To cover increased workload of GIPA processing.
	Customer Services	Nil	
Infrastructure Services	**Design and Mapping Services**	Traffic Engineer	Additional resource to meet requirements of CSP – Environmental reviews and to assist with special events application process.
	Waste Management	2 x Wastewater Operator	Additional resource for dedicated maintenance crew for the facilities including reuse scheme, dewatering facility and pump stations
		Electrician	Additional resource for general operations at the facilities including reuse scheme, dewatering facility and pump stations
	Parks and Recreation	Additional Intermediate Plant Operators x 2	Additional resources to service parks and maintenance for Pitt Town and also to form crews to better service our other parks.
		Arborist/Tree Preservation Officer	Additional dedicated resource to allow for a more pro-active rather than reactive response to community.
		Recreation Planner	Additional resource for Strategic Planning. This position will help with Plans of Management, development applications and VPA’s.

Division	Branch	Resource Requirements	Comments
		Nursery Trainee	Additional resource to expand and enhance Community Nursery facility.
	Building and Mechanical Services	Sustainability Officer	Full time position.
		Project Management Officer	Additional resource to achieve goals.
		Electrician	Augment service.
		Administration Officer	Transition casual staff member to full time to augment the Asbestos and other inspections data.
		Asset Management Officer	Implementation of asset Management.
	Construction and Maintenance	Mechanic	Additional resource to replace position previously given up.
		Project Manager	Critical position identified for succession planning to cope with additional projects.
City Planning	**Development Services**	Town Planner	Additional resource to assist with the processing of DA's associated with the four Greenfield development sites.
		Building Surveyor	Additional resource to assist with the processing of DA's and certification for the four Greenfield development sites. (5780 proposed additional dwellings). An additional resource will provide opportunity to increase income and allow the swimming pool and fire safety programs to progress.
		Development Engineer	Additional resource (to increase to three positions) to assist with the DA referrals, issuing of subdivision certificates and design compliance/compliance certificates for the four Greenfield development sites. An additional resource will provide opportunity to increase income.
		Subdivision Engineer	Critical position identified for succession planning.
	Environment and Regulatory Services	Parking Officer	Additional resource provides opportunity to increase revenue.
		SMF Technical Officer	Additional resource provides opportunity to increase revenue and to cope with additional workloads due to increased plumbing and drainage inspection requirements.

Division	Branch	Resource Requirements	Comments
		Compliance & Enforcement Officer	To cope with increased demands for inspection and action on non-compliant development and illegal dumping
		Senior Companion Animal Officer	To assist with the operational efficiency of the facility and supervision of staff at the animal shelter. Possible need for additional kennel assistant staff if legislation requires certain number of staff per animal numbers, to meet possible legislative changes.
	Strategic Planning	Heritage Planner	Additional resource to assist with demand and would reduce cost of using Consultants.
		Urban Designer/Architect	Additional resource to assist with demand and would reduce cost of using Consultants.
		Release Area Planner/ Development Contributions Planner	Additional resource to assist with demand arising from new release area contribution plans and implementation of policy for Pitt Town, Redbank North Richmond and Jacaranda Ponds, Glossodia and Vineyard Growth Centre. This would reduce cost of using Consultants. A Development Contributions Planner would also enable appropriate and timely monitoring and implementation of the increasing number of Contribution plans and Voluntary Planning Agreements (VPA) to meet compliance and accounting for those documents.
		Subdivision Engineer	Critical position identified for succession planning.
General Manager	**Corporate Communication**	Digital Communication Officer	The Digital Communication Officer would be responsible for: Website and intranet content development and management. Managing Council's current social media platforms and developing policy and procedure around social media use as well as developing Council's involvement in other platforms of Social Media. Online community engagement. Digital collateral i.e. newsletters, video, photo library.

Division	Branch	Resource Requirements	Comments
		Marketing and Branding Coordinator	Responsible for implementing and promoting Council's city wide branding strategy and corporate branding to encourage economic/ tourism development.
		Corporate Communication Manager	Critical position identified for succession planning.
	Human Resources	Part IT resource	Dedicated time to HR systems to automate staff information enabling better access to information for Managers.
	Risk Management	WHS Trainer	Much of the WHS Training is compliance based and delivered by External organisation or Trainers at an average cost of $2,800 per day. A suitably qualified trainer could develop and deliver in-house System training and some of the lower order training currently being delivered by external providers for a cost of around $1,800 per week.
		WHS Auditor	Currently we have two management persons with Auditing qualifications and two Safety Officers with Auditor qualifications. Unfortunately due to current engagement and workloads of the Works Safety Officer has been unable to undertake WHS audits as programmed.

13.2 Additional skills or knowledge gaps identified over the next four years

Table 28: Additional skills or knowledge gaps identified over the next four years

Division	Branch	Skills or Knowledge Gap	Comments
Support Services	**Financial Services**	Nil	
	Information Services	Advanced workflow, CRM and Asset Management systems skills	Training needed to support systems and on-line services as well as training for corporate applications.
		Enhanced Web Development skills	Training needed for current staff.
		Network Infrastructure / security skills	Training required to maintain understanding of new technology when implementing systems, firewalls, Microsoft upgrades etc.
	Cultural Services	Library: Online and digital resources and ability to promote their use by patrons	Library resources are increasingly digital rather than print media. Staff need to increase skills and knowledge of these, as well as how to assist patrons to access them using various devices.
		Library, Gallery, Museum: Skills and knowledge in front-end, formative and summative evaluation	Continue to improve our ability to provide services which are engaging and audience focussed: Identify exhibition content, library resources, and public programs that really interest the audience.
		Customer Service	Ongoing improvement / awareness of customer service skills; dealing with people with differing abilities, being able to recognise different needs and communicating appropriately. Also dealing assertively and confidently with difficult customers
		Visitor Information Centre: Skills in maintaining and updating the new tourism website (once it is developed)	The credibility of, and attraction to use the new tourism website, will be dependent upon the currency and accuracy of its information. Immediate updates will be required as new information is gathered or received.
		Merchandising	If we are to make our shop sales an effective revenue stream, enhanced merchandising skills are required
		Grant writing and sponsorship	Better developed skills in grant writing and seeking sponsorship in order to boost external revenue streams. This is also a time factor as well as a skills factor.

Division	Branch	Skills or Knowledge Gap	Comments
		Public speaking and training skills	Increase skills in presenting to the public and providing training to the public, e.g. Computer classes, public programs.
	Community Services	Maintain currency of knowledge as to changes to Government funding programs	Rollout of client centred funding will have significant implications for community service operations.
	Corporate Services and Governance	Nil	
	Customer Services	New software programs – as more requests and issues come on-line Training for Customer Service Staff in managing difficult customers Training for Customer Service Staff for legislative changes as they occur.	Need to continue reviewing and updating of current procedures as well as development of procedures not yet documented.
		Succession plan for position of Customer Service Manager	Need to identify and train staff as appropriate.
Infrastructure Services	**Design and Mapping Services**	Outsourcing of some survey functions	Fill skill gap when existing staff retire.
		Energy Management Systems training	All Technical staff.
		Asset Management system training	All Professional, Technical and Supervisor staff.
	Waste Management	PLC Programming Skills	Six month course for Wastewater Project Engineer position to handle SCATA failures and fine tine program for optimal operations – reduce use of Contractors.
		Computer literacy training	All Operational staff for mobility devices, daily checklists and e-timesheets.
		Asset Management system training	All Professional, Technical and Supervisor staff.
	Parks and Recreation	Computer literacy skills training	All Operational staff for mobility devices, daily checklists and e-timesheets
		Asset Management system training	All Professional, Technical and Supervisory staff
	Building and Mechanical Services	New systems in all service	Arrange training and knowledge share events.
		Energy Management Systems training	All Technical staff.
		Asset Management system training	All Professional, Technical and Supervisor staff.

Division	Branch	Skills or Knowledge Gap	Comments
	Construction and Maintenance	Computer literacy skills training	All Operational staff for mobility devices, daily checklists and e-timesheets.
		Asset Management system training	All Professional, Technical and Supervisory staff.
		Tendering and contract management	All Professional, Technical and Supervisory staff.
City Planning	**Development Services**	Building Certification	Certification will increase to higher level. Need for more A1 Certifiers.
		Engineering Certification	Certification will increase to higher level.
		Environmental knowledge	Increase in knowledge for bushfire; flooding; stormwater drainage; fauna; flora and sustainability.
		Design knowledge	Increase in knowledge of architecture; urban design; traffic and heritage.
		Appeal knowledge	Increase in knowledge of L & E Court procedures and management of the various classes of appeals.
	Environment and Regulatory Services	Industrial Auditing skills	Training for existing staff.
	Strategic Planning	Urban Design /Placemaking skills	Training for existing staff.
		Community Engagement /Event Management- social media, survey techniques,	Training for existing staff e.g. IAP Accreditation.
		Project Management general	Training and increase in knowledge for existing staff project management for major projects.
		Release area structure planning and handover/implementation project management	Increase in knowledge about coordination of release area planning implementation and asset handover arrangements for major projects.
		Economic investment	Increase in knowledge about forward planning and the impact that the planning has on economic returns.
General Manager	**Corporate Communication**	Social media	Content development, policy and management
		Online community engagement	Content development, policy and management
		Production of digital collateral	E newsletters, website content, video, appropriate photography, graphic design, apps

Division	Branch	Skills or Knowledge Gap	Comments
		Marketing and Branding	To implement branding strategy
	Human Resources	Nil	
	Risk Management	Certificate IV Training	Currently we have only 2 staff with current Cert IV Training Qualifications and with 1 close to retirement I foresee a need for some position review and regrading to accommodate this need.

14 Action Plan

14.1 Focus Areas

Retaining and Attracting a Diverse Workforce

Council's most valuable asset is its staff and Council needs to develop and implement programs to address the skill gaps to ensure a workforce capable of meeting the current and future needs of the Delivery Program. Additionally, programs aligned to leadership development and the introduction of a succession planning will minimise the loss of corporate knowledge and allow development of staff into the future.

Organisational Development

In order for the organisation to meet the Community's expectations and deliver optimal service, the need to continually review and develop Council's organisational structure will be critical to Council's success.

The needs of the community and financial pressures demand that we continually review and seek efficiencies in our work practices. With this in mind, Council will continue to conduct audits and reviews to assist in streamlining practices, creating efficiencies. Providing best practice, governance and service for improved business excellence.

Workplace Relations

Maintaining a commitment to open, transparent and productive working relationships, two way communication, valuing all contributions and recognising individual differences will be critical to a harmonious work environment.

14.2 Workforce Planning Strategies

Table 29: Workforce Planning Strategies

Key Focus Area	Strategy	Objectives	Specific Actions/Outcomes	Key Performance Indicators
Retaining and Attracting a Diverse Workforce.	Growing our own talent.	Recognise the value of entry level development of positions within Council.	Identify opportunities for trainee/apprentice positions. Explore traineeship opportunities for job roles that are in short supply. Foster a mentoring relationship between Supervisors and employees.	Number of opportunities for trainee positions identified and filled.
	Providing learning and development opportunities.	Employee development opportunities are provided equally to all employees.	Training is identified to allow employees to develop within their current role. Career development is encouraged and supported where suitability exists.	Corporate and individual training programs developed and implemented. Number of staff undertaking further tertiary or professional development studies.
	Implement a succession planning and management program.	Critical roles have succession plans in place.	Critical roles identified across organisation. Likely successors are identified and provided with tailored development opportunities. High potential employees are valued, encouraged, mentored and promoted.	Succession plans in place for critical roles as identified. Formal succession plans mapped out and opportunities identified.
Organisational Development	Review and develop Council's organisational structure.	Flexible organisational structure with appropriate staffing levels.	Explore opportunities as they arise to review positions in terms of qualifications, skills and knowledge required. Consider redesign/restructure of position in terms of corporate needs. Align position descriptions with identified future qualifications, skills and experience required.	Number of position descriptions amended and updated prior to advertising vacancy. Number of positions redesigned or restructured in line with corporate needs. Position descriptions reviewed as a part of the regular EPPR reviews.
Workplace Relations	Employee Engagement.	A workforce that is engaged and empowered.	Two way communication and feedback occurs with all employees. Consultation and inclusive decision making opportunities are encouraged.	Number of regular staff meetings for each Division/Branch. EPPR system – used to identify performance and career development and training needs

Key Focus Area	Strategy	Objectives	Specific Actions/Outcomes	Key Performance Indicators
	Work/life balance.	Support varied work arrangements where there are mutual benefits.	Ensure flexible work requests are fit for purpose, are merit based and align with service delivery requirements.	Number of flexible work arrangements approved and in place.
	Harmonious work environment maintained.	A consistent, productive and positive work environment.	Code of Conduct and other policies are understood and demonstrated. Policies and procedures are applied consistently. Managers/Supervisors address poor behaviour and performance both promptly and objectively.	Number of regular and refresher sessions conducted each year as identified in the corporate training plan. Policies and procedures reviewed and in place. Employee Performance Planning and Review system administered fairly and consistently.

14.3 Monitoring and Review

This WMP will shall be reviewed and updated annually to reflect changes within Council's business environment and the capacity of the workforce.

The strategies detailed in this Plan will be monitored annually in accordance with the current workforce requirements and in consideration of the shifting internal and external influences.

To ensure the effectiveness, efficiency and appropriateness of our workforce planning strategies a review will need to be conducted on an annual basis.

Performance information will be considered in determining the impact of the current strategies on the overall achievement of the organisation's objectives.

Things to consider:

- Assess what is working and what is not working.
- Have organisation strategies changed?
- Adjust the plan and strategies as necessary.
- Address new workforce and organisational issues that occur.

Asset Management Planning

Infrastructure Assessment Report

Hawkesbury City Council

Infrastructure Depreciation Review

And

Fit For the Future Summary

Version 4
24 June 2015

First Published 2015

Disclaimer

This report has been prepared by JRA based on information provided by Council. JRA has relied on this information and has not verified or audited the accuracy, reliability or currency of the information provided to it for the purpose of preparation of the report.

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This report focuses on whether the Council has reasonable capacity, based on the information provided to JRA, to manage infrastructure risks

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Abbreviations used in this report in the order they appear

Abbreviation	**Full Term**
FFF	"Fit for the Future" NSW Office Local Government
OLG	NSW Office of Local Government
BTS	Bring to Satisfactory – see report section 3.
IPART	Independent Pricing and Regulatory Tribunal
ILGRP Report	Final Report of the NSW Independent Local Government Review Panel October 2013
IIMM	International Infrastructure Management Manual, IPWEA
IPART Guide	IPART Local Government — Assessment Methodology, Methodology for Assessment of Council Fit for the Future Proposals, June 2015
IPWEA	Institute of Public Works Engineering Australasia
IPR	NSW Integrated Planning and Reporting
IPR Manual	Integrated Planning and Reporting Manual for local government in NSW, March 2013, NSW Office of Local Government
Code Update 23	Local Government Code of Accounting Practice and Financial Reporting (Guidelines). Update 23 March 2015, NSW Office of Local Government.
CSP	Community Strategic Plan as described in IPR Manual
AMP	Asset Management Plan as described in IPR Manual. Includes RMP summary.
RMP	Risk Management Plan – should be included in AMP.
AASB	Australian Accounting Standards Board
AIFMG	Australian Infrastructure Financial Management Guidelines IPWEA

1. Executive Summary

Hawkesbury City Council's infrastructure backlog presents a manageable financial risk and the infrastructure sustainability FFF targets are achievable in 5 years. Asset Management Plans will be updated annually to ensure optimised infrastructure expenditure with reporting on service level and risk.

Previous backlog reporting included assets that didn't need renewal yet as well as upgrade items. This has been re aligned to reflect actual current renewal need and high risk assets aligned with community consultation as set out in section 3 of the report.

1.1 Infrastructure Backlog

Table 1: Infrastructure Sustainability Measures

Infrastructure Sustainability Measures	2014 Annual Report	2015 FFF Estimates
Infrastructure WDV (For SS7 Backlog Ratio)	$454,358	$480,844
AASB116 Infrastructure Current Replacement Cost	$881,060	$887,125
Population	62,353	62,353
Annual Revenue (excluding Sewerage)	$77,229	$56,593
Depreciation	$9,768	$9,633
Annual Depreciation % of Current Replacement Cost	1.11%	1.09%
Infrastructure BTS Backlog Value #	$63,849	$20,405
BTS Backlog / Total Infrastructure Value	0.07	0.02
Renewal Expenditure (SS7)	$8,331	$8,384
Actual Maintenance Expenditure (SS7)	$12,439	$12,339
Required Maintenance Expenditure (SS7)	$23,484	$12,725
Total Capital Expenditure	$13,304	$13,304
Annual Maintenance % of Value	0.01	0.01
1. Building & Infrastructure Renewals Ratio	0.85	0.86
2. Infrastructure Backlog Ratio	0.14	0.04
3. Asset Maintenance Ratio	0.53	0.98
4. Capital Expenditure Ratio	1.36	1.38
5. Infrastructure Population/Ratio	$14	$14
6. Expansion/Upgrade Expenditure *	$4,973	$4,973
7. Expansion/Upgrade Ratio **	0.60	0.60
8. Maintenance and Operating Increase ***	$187.69	$125.33
9. Infrastructure Growth per Population	0.08	0.08
Residual Values Applied	No	No

** Capital Expenditure on new or upgraded infrastructure. Represents increasing service levels and operating costs (maintenance and operations)*
*** Expansion/Upgrade Expenditure divided by Renewal Expenditure. A measure of how much is being spent on upgrade new compared with renewal of existing.*
**** Addition depreciation and maintenance resulting from upgrade expansion*

Observations and Trends

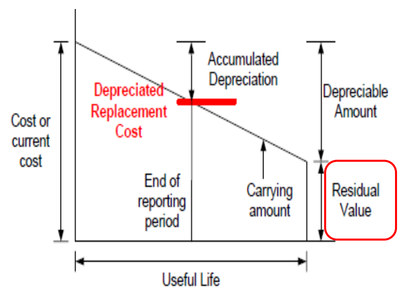
1. Depreciation for 30 June 2015 is an estimate and will be updated following the finalisation of revaluation of civil infrastructure (transport and drainage).
2. Asset management plans will be updated to provide a 10 year forward projection of operating, maintenance, renewal and expansion balanced to the Long Term Financial Plan.
3. The target renewal needed will be reviewed annually to align with the asset management plan projections for optimum renewal levels to ensure value for money to the community.
4. Hawkesbury, Blue Mountains and Penrith Councils are in a strategic alliance to share resources and expertise to improve efficiency, asset management capability and cost effective service delivery.

Table 2: Asset Values '000's

Hawkesbury LGA - Note 9a	As at 30/6/2014			As at 30/6/2015 Estimated **		
$'000	At Fair Value (current replacement cost) *	Carrying Value (WDV)	Depreciation Expense	At Fair Value (current replacement cost)	Carrying Value (WDV)	Depreciation Expense
Land Improvements - depreciable	5,389	748	130	4,870	438	98
Buildings - Non Specialised	36,384	21,668	751	23,726	11,303	609
Buildings - Specialised	74,303	42,391	3,420	87,640	79,800	2,739
Other Structures	26,779	10,487	670	27,458	10,602	572
Infrastructure						
- Roads	476,225	235,619	3,113	478,610	235,175	3,087
- Bridges	35,827	21,004	315	37,383	22,260	327
- Footpaths	15,859	7,134	182	16,192	7,297	184
- Stormwater Drainage	174,156	94,174	1,187	174,330	93,248	1,201
- Swimming Pools	3,313	1,222	$	3,314	1,168	59
- Open Space	32,825	19,911	$	33,602	19,553	756
TOTAL	**$ 881,060**	**$ 454,358**	**$ 9,768**	**$ 887,125**	**$ 480,844**	**$ 9,633**

** Note 9a incorrectly labels AASB 116 Current Replacement Cost as "Fair Value". Fair value is "is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction."[1] Depreciated replacement cost should be shown as fair value where there is no active market (non-specialised buildings and infrastructure). Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.*
*** Civil infrastructure (roads and drains) are currently being revalued and this is an interim estimate.*

Figure 1: Australian Accounting Standards Terminology



[1] AASB116

Table 3: Asset Backlog Results

Table 3 shows the detail of the backlog results. Working papers for each group have reviewed asset condition and risk to determine backlog in accordance with the methodology set out in this report.

SS7 Category	Subcategory	Description	**BTS Backlog '000's**
Buildings	All buildings	From Building SS7 - Unfunded building rectification cost identified in the risk register	$ 11,758
Other Structures		No high risk items	$ -
Roads	Sealed Roads Surface	Road Surface in Condition 4 and 5	$ 3161
Roads	Sealed Roads Structure	Road Structure in Condition 4 and 5. Full renewal in condition 5 and partial renewal in Cond 4 depending on traffic levels	$ 2,421
Roads	Unsealed Roads	No high risk assets. No Gravel roads in condition 4 or 5. However, shortfall in annual maintenance funding required to replace inadequate gravel cover material.	$-
Roads	Bridges	2014 SS7 used until bridge data and asset management plan is reviewed	$ 2,830
Roads	Footpaths and Cycleways	There are no high risk condition 4 or 5 paths	$ -
Roads	Kerb and Gutter	There are no high risk condition 4 or 5 kerb	$ -
Roads	Other Road Assets	No high risk items	$ -
Roads	Car Parks	Included in sealed roads	$ -
Stormwater Drainage	Pipes and Pits	No pipes with structural condition of 5. Minor Pit / Inlet renewal required	$ 6
Open Space Recreation	Parks and recreation	High Risk Parks Assets - Condition 5	$ 229
	V4 21 June 2015 JRA		**$20,405**

Scenario 1 on the following page shows the forward projection for the long term financial plan. Backlog increases because asset renewal is underfunded.

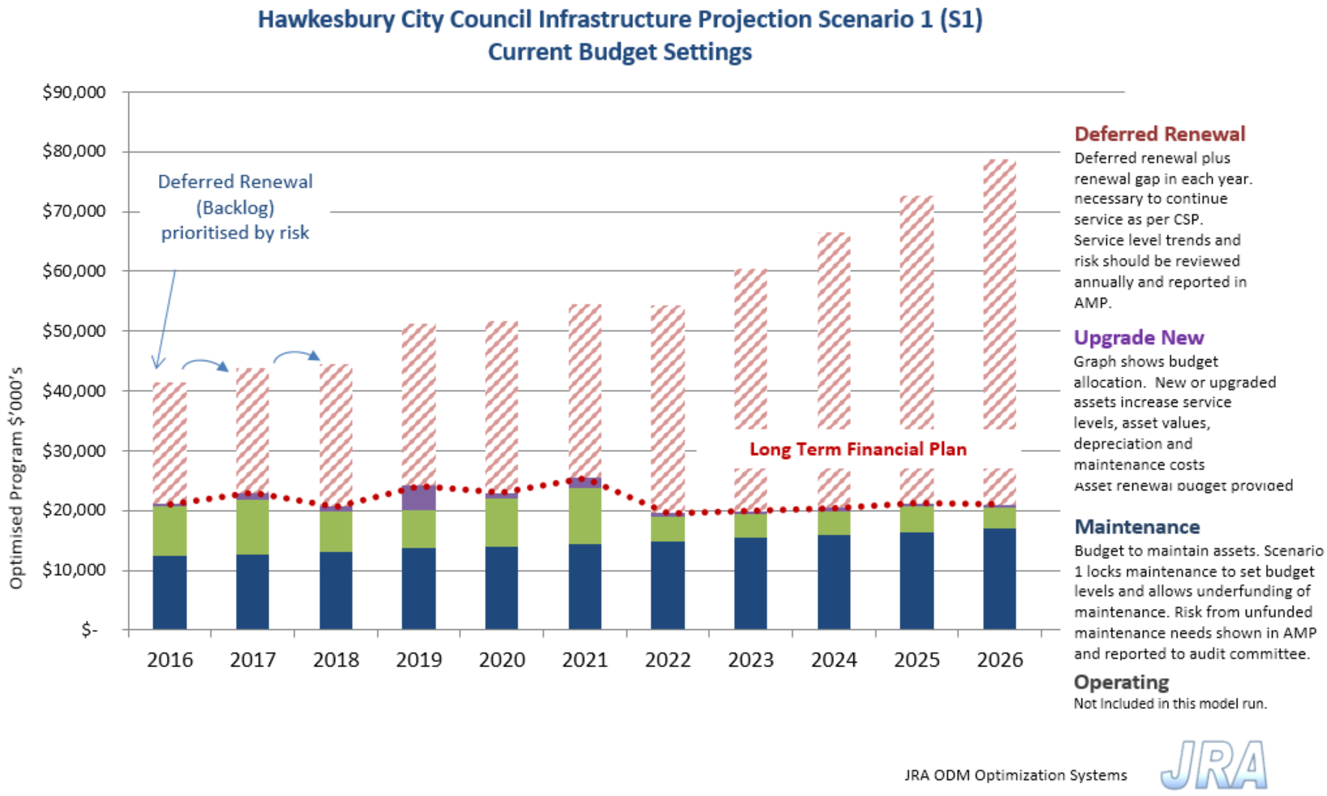
These models are optimisation models that predict depreciation, renewal need and backlog that are not intended to balance to the OLG FFF template. FFF targets are not achieved under this scenario. Maintenance and renewal optimum targets are estimates based on best available data and will be updated to align with asset management plans when the AMP update is completed. Maintenance required increases as the deferred renewal amount increases. The budget allocation for maintenance is sufficient to manage risk in the short term, however this scenario results in high financial risk from underfunded renewal.

Table 4: Infrastructure Sustainability Model – Scenario 1 – Current LTFP Settings

All amounts in ‘000s.

Scenario 1 - Current LTFP	Hawkesbury LGA		Forward Projections in LTFP			Asset Fully Depreciated at Renewal			Upgrade Expansion Budget $ 11,739		
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Renewal Budget	$ 8,384	$ 9,208	$ 6,731	$ 6,363	$ 8,129	$ 9,444	$ 4,100	$ 3,916	$ 4,085	$ 4,336	$ 3,564
Expansion Upgrade Budget	$ 369	$ 1,087	$ 936	$ 4,114	$ 939	$ 1,692	$ 693	$ 475	$ 477	$ 478	$ 480
Maintenance Budget	$ 12,339	$ 12,602	$ 13,010	$ 13,629	$ 13,875	$ 14,334	$ 14,812	$ 15,525	$ 15,829	$ 16,370	$ 16,934
Total Capital Budget	$ 19,770	$ 13,304	$ 12,469	$ 14,297	$ 12,628	$ 14,917	$ 9,328	$ 8,818	$ 9,427	$ 8,794	$ 9,471
Current Replacement Cost	$ 887,125	$ 888,212	$ 889,148	$ 893,262	$ 894,201	$ 895,893	$ 896,585	$ 897,061	$ 897,538	$ 898,016	$ 898,495
AMP Renewal Need (excluding backlog)	$ 9,633	$ 9,741	$ 9,849	$ 9,994	$ 10,104	$ 10,224	$ 10,335	$ 10,444	$ 10,554	$ 10,665	$ 10,777
AMP Renewal Plus Backlog	$ 30,038	$ 30,583	$ 33,615	$ 37,096	$ 38,787	$ 39,192	$ 44,938	$ 50,872	$ 56,643	$ 62,169	$ 68,474
Required Maintenance Expenditure	$ 12,725	$ 12,579	$ 12,718	$ 12,905	$ 13,047	$ 13,203	$ 13,345	$ 13,486	$ 13,628	$ 13,771	$ 13,917
Depreciation	$ 9,633	$ 9,645	$ 9,655	$ 9,700	$ 9,710	$ 9,728	$ 9,736	$ 9,741	$ 9,746	$ 9,751	$ 9,756
BTS Backlog (Deferred Renewal)	$ 20,405	$ 20,842	$ 23,766	$ 27,103	$ 28,683	$ 28,968	$ 34,604	$ 40,429	$ 46,090	$ 51,504	$ 57,697
Infrastructure WDV (For SS7 Backlog Ratio)	$ 480,844	$ 481,494	$ 479,506	$ 480,284	$ 479,642	$ 481,049	$ 476,106	$ 470,756	$ 465,572	$ 460,635	$ 454,923
1. Building & Infrastructure Renewals Ratio	0.87	0.95	0.70	0.66	0.84	0.97	0.42	0.40	0.42	0.44	0.37
2. Infrastructure Backlog Ratio	0.04	0.04	0.05	0.06	0.06	0.06	0.07	0.09	0.10	0.11	0.13
3. Asset Maintenance Ratio	0.97	1.00	1.02	1.06	1.06	1.09	1.11	1.15	1.16	1.19	1.22
4. Capital Expenditure Ratio	2.05	1.07	0.79	1.08	0.93	1.14	0.49	0.45	0.47	0.49	0.41

Figure 2: Optimisation Model Scenario 1 – Current Budget Settings

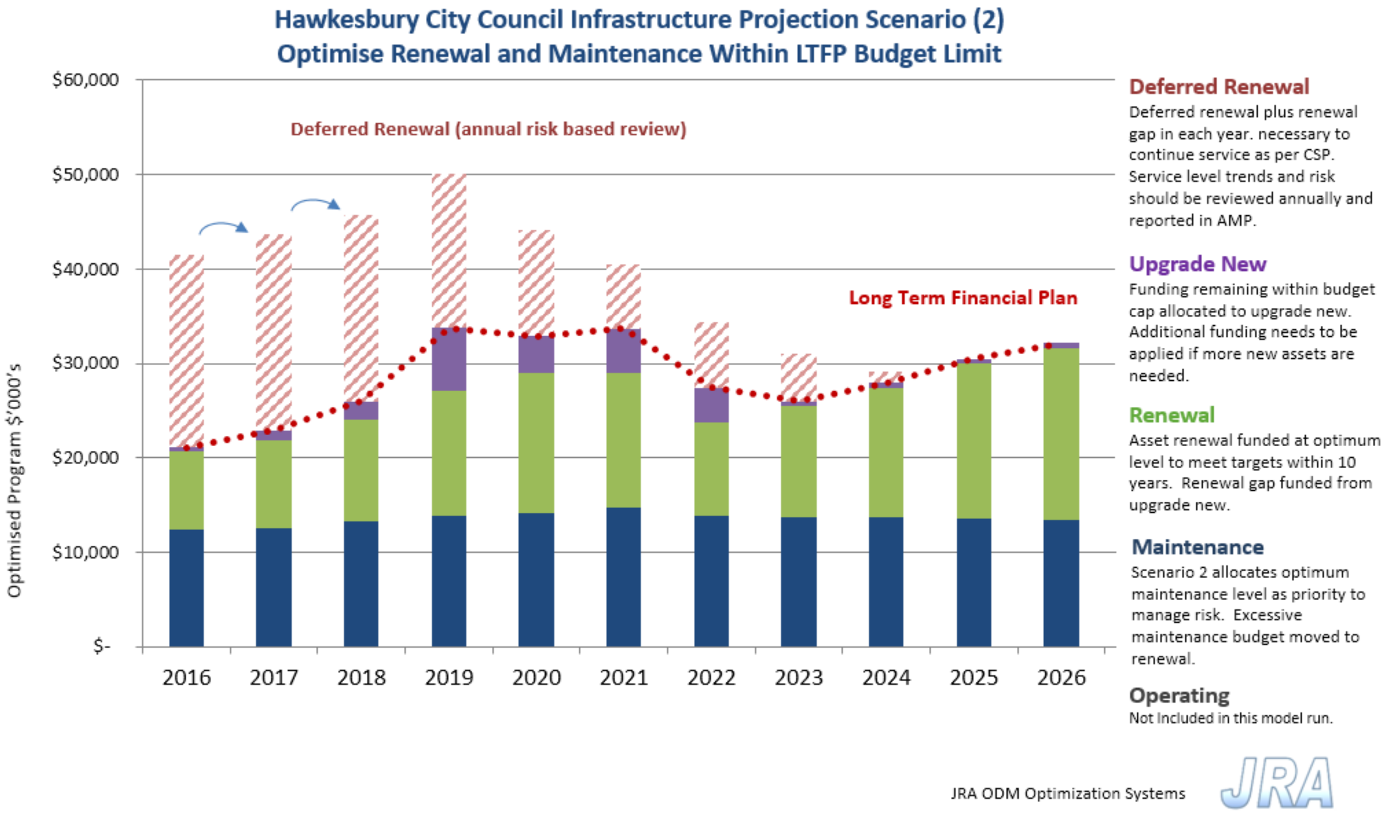


Scenario 2 shows the forward projection for the additional funding scenario in the long term financial plan. OLG infrastructure targets are met within 5 years and backlog is fully funded in 2025. In years 2021 to 2023 surplus maintenance is transferred to renewal to provide an optimum result. The savings from optimisation makes additional funds available for higher service levels from 2024.

Table 4: Additional Funding Scenario 2 with Asset Expenditure Optimisation

Scenario 2	Hawkesbury LG Meet FFF Targets in 5 years			Asset Fully Depreciated at Renewal			$ 23,033	Maintenance Transferred to Renewal to Meet Target			
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Renewal Budget	$ 8,384	$ 9,208	$ 10,756	$ 13,155	$ 14,804	$ 14,318	$ 9,816	$ 11,701	$ 13,794	$ 16,453	$ 18,269
Expansion Upgrade Budget	$ 369	$ 1,087	$ 1,936	$ 6,714	$ 3,939	$ 4,692	$ 3,693	$ 475	$ 477	$ 478	$ 480
Maintenance Budget	$ 12,339	$ 12,602	$ 13,260	$ 13,879	$ 14,125	$ 14,684	$ 13,912	$ 13,781	$ 13,652	$ 13,524	$ 13,397
Current Replacement Cost	887,125	888,212	890,148	896,862	900,801	905,493	909,185	909,661	910,138	910,616	911,095
AMP Renewal Need (Optimised)	9,633	9,645	9,666	9,739	9,782	9,832	9,873	9,878	9,883	9,888	9,893
AMP Renewal Need Including Backlog	30,038	30,487	29,418	26,075	21,095	16,661	16,758	14,939	11,033	9,888	9,893
Initial Maintenance Budget for S2	12,339	12,602	13,260	13,879	14,125	14,684	15,978	18,191	18,495	19,036	19,600
Amount Transferred Maintenance to Renewal	0	0	0	0	0	0	2,066	4,409	4,843	5,512	6,203
Required Maintenance Expenditure	13,307	13,456	13,621	13,861	14,061	13,994	13,912	13,781	13,652	13,524	13,397
Depreciation	9,633	9,645	9,666	9,739	9,782	9,832	9,873	9,878	9,883	9,888	9,893
BTS Backlog (Deferred Renewal)	20,405	20,842	19,752	16,336	11,313	6,828	6,885	5,062	1,151	0	0
Infrastructure WDV (For SS7 Backlog Ratio)	480,844	$ 481,494	$ 484,520	$ 494,650	$ 503,612	$ 512,789	$ 516,425	$ 518,723	$ 523,111	$ 530,154	$ 539,010
1. Building & Infrastructure Renewals Ratio	0.87	0.95	1.11	1.35	1.51	1.46	0.99	1.18	1.40	1.66	1.85
2. Infrastructure Backlog Ratio	0.04	0.04	0.04	0.03	0.02	0.01	0.01	0.01	0.00	0.00	0.00
3. Asset Maintenance Ratio	0.93	0.94	0.97	1.00	1.00	1.05	1.00	1.00	1.00	1.00	1.00
4. Capital Expenditure Ratio	0.91	1.07	1.31	2.04	1.92	1.93	1.37	1.23	1.44	1.71	1.90
LTFP Budget Renewal for S2	$ 8,384	$ 9,208	$ 10,756	$ 13,155	$ 14,804	$ 14,318	$ 7,750	$ 7,292	$ 8,951	$ 10,941	$ 12,066
Renewal Funding Needed Incl Backlog	$ 30,038	$ 30,487	$ 29,418	$ 26,075	$ 21,095	$ 16,661	$ 16,758	$ 14,939	$ 11,033	$ 9,888	$ 9,893
Available for higher service levels										$ 6,565	$ 8,376

Figure 3: Additional Funding Scenario 2 with Asset Expenditure Optimisation



2. Introduction

This report provides an independent assessment of Hawkesbury City Council's capacity to sustainably deliver infrastructure based services to its community. This report has reviewed two of the primary indicators of financial sustainability of interest to IPART, depreciation compared with renewal expenditure and "infrastructure backlog."

The NSW Government has asked IPART to perform the role of the Expert Advisory Panel to assess how council proposals meet the Fit for the Future criteria. Councils are to prepare proposals as to how they will meet the criteria for submission to IPART by 30 June 2015.

This report is Part 1 of a 2 Part Report and provides the assessment of depreciation and backlog necessary for the "fit for the future" (FFF) application to IPART.

Part 1 provides a forward estimate of the 3 asset management inputs to FFF criteria and measures set out in the IPART Guide Table 1.1.

Building and Asset Renewal Ratio

Building and Asset Renewal Ratio	$\frac{\text{Asset renewals (building and infrastructure)}}{\text{Depreciation, amortisation and impairment (building and infrastructure)}}$	Greater than 100% average over 3 years

Infrastructure Backlog Ratio

Infrastructure Backlog Ratio	$\frac{\text{Estimated cost to bring assets to satisfactory condition}}{\text{Total (WDV)}^{a}\text{ of infrastructure, buildings, other structures, depreciable land, and improvement assets}}$	Less than 2%

Asset Maintenance Ratio

Asset Maintenance Ratio	$\frac{\text{Actual asset maintenance}}{\text{Required asset maintenance}}$	Greater than 100% average over 3 years

Finance, asset management and corporate will work closely together to ensure:

- Condition assessment is based on "up to date asset condition assessments rather than an engineering estimates."[2]
- Asset Management Plans aligns with the requirements set out the ILGRP Report and IPR Manual.

[2] Code update 23 pC21

3. Infrastructure Backlog

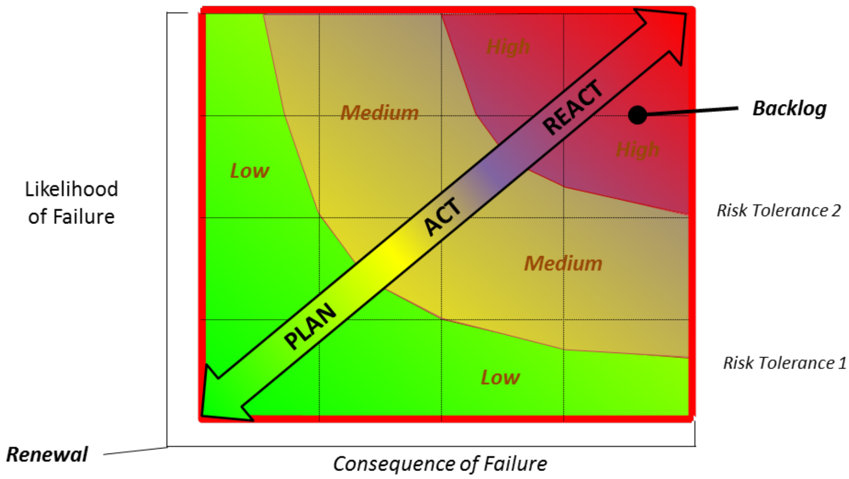
Infrastructure backlog needs to be defined in asset management terms to ensure auditable and evidence based approach to measurement and reporting and avoid theoretical and aspirational goals the community does not want to pay for. The International Infrastructure Management Manual (IIMM) does not focus on "backlog". It concentrates on minimising asset lifecycle cost for service levels essential to strategic objectives while managing risk. The NSW Integrated Planning and Reporting Manual (IPR) also focuses on managing infrastructure services and risk does not mention "backlog".

Engagement with communities on appropriate and affordable service levels while managing risk is also a foundational principle of IPR, encouraging councils to *"engage the community in identifying the acceptable level of service for each asset type in Asset Management Plans."*

Asset Management Plans balanced to Long Term Financial Plans, annually reviewed in accordance with the IPR manual are the key instrument to enable organisations to be fit for the future and accordingly this report will also review the state of asset management plans.

For the purpose of this report "infrastructure backlog" will be defined as *"unfunded high residual risk associated with assets essential to achieving Council's Community Strategic Plan (CSP). High risk assets not essential to Councils CSP should be disposed, closed or reclassified and do not represent a financial sustainability risk."* This is shown in figure 1 and ensures backlog is aligned with Council's asset management plan in accordance with Code Update 23, IPR manual and the IPART Assessment Methodology released 5th June 2015.

Figure 4: Infrastructure Backlog Definition



4. Calculation of Bring to Satisfactory / Backlog

4.1 Existing Policy Framework

- The existing policy framework to determine satisfactory service levels and risks based on IP&R is robust and effective and provide the basis for a transparent, accountable and evidence based methodology. JRA observation is that this policy framework has not been applied consistently to “Bring to Satisfactory” BTS or “backlog” across NSW local government primarily due to it being seen as a lower priority. The realisation of importance has changed, the guidance needed to implement this awareness is needed urgently and the following guide provides a summary of policy and practice.
- The Annual Report is one of the key accountability mechanisms between a Council and its community. As such, it should be written and presented in a way that is appropriate for each council’s community.[3]
- Councils are required to report on the condition of the public works (including public buildings, public roads, as well as water, sewerage and drainage works) under the control of the Council as at the end of that year, together with:
- An estimate (at current values) of the amount of money required to bring the works up to a satisfactory standard;
- An estimate (at current values) of the annual expense of maintaining the works at that standard;
- The council’s program of maintenance for that year in respect of the works; and
- The report on the condition of public works is also included in the financial reports and is known as Special Schedule 7. Councils must complete this Schedule each year.[4]
- The Asset Management Strategy must identify assets that are critical to the council’s operations and outline the risk management strategies for these assets.[5]
- The Asset Management Plan/s must identify asset service standards and should incorporate an assessment of the risks associated with the assets involved and the identification of strategies for the management of those risks. The strategies should be consistent with the overall risk policy of Council. The International and Australian Standard AS/NZS/ISO/31000:2009 – Risk management – Principles and guideline provides a useful guide. [6]
- For water supply and sewerage a 30-year total asset management plan (TAMP, which is a key element of the Strategic Business Plan (SBP) and Integrated Water Cycle Management (IWCM) Strategy) and a 30 year financial plan are required. A council’s peak planning document is the later of its IWCM Strategy and SBP, which are required every 8 years on a rotation of every 4 years (www.water.nsw.gov.au). The key outputs of the IWCM Strategy or SBP are a 30-year TAMP, a 30-year financial plan and an affordable Typical Residential Bill

[3] IP&R Manual March 2013. Section 6.1.
[4] Ibid Section 6.4
[5] Ibid Section 3.4.1
[6] Ibid Section 3.4.2

(TRB) on the basis of the agreed levels of service and the projected demographic growth. The annual Action Plan to Council, which is the key water and sewerage working document provided to the council each year, enables the council to effectively and efficiently manage its risks and highlights any corrective actions needed to address emerging issues, areas of underperformance, or to implement Best Practice Management (BPM) requirements.

- The report on the condition of public works (Special Schedule 7) should flow directly from the Delivery Program (Note 1) which should define performance indicators for both existing and proposed levels of service. These performance measures can be used to quantify the upgrade costs (or degree of over-servicing) between existing and target service levels (Note 2).
- The determination of satisfactory target service levels (Note 3) involves an informed trade-off using the Long Term Financial Plan and Asset Management Plan 10 year scenarios for revenues, risks and service levels. This approach is consistently identified in the IP&R Manual and expanded in complementary resources such the IPWEA Level of Service and Community Engagement Practice Note 8.
- The Final Report of the NSW Independent Local Government Review Panel October 2013 noted that "Collaborative approaches are also needed to ensure that all councils have access to high quality technical assistance in fields such as setting realistic condition standards for infrastructure, including undertaking community engagement to determine what levels of service are acceptable. It needs to be more widely understood that at any given time a significant percentage of a council's infrastructure assets will be at a less than desirable standard: it is simply financially impossible (and irresponsible) to aim for every road, bridge, drain, building etc. to be 'satisfactory' or better."[7] The report notes that some councils have already done excellent work in this regard and that the Institute of Public Works Engineering and the Australian Centre of Excellence for Local Government have prepared a 'practice note' on levels of service which should provide a sound basis for training programs.
- Cost to bring to assets to satisfactory (BTS) should be determined by asset and risk management plans. This guide recommends that the cost to bring to satisfactory should be the total unfunded cost to renew all high residual risk assets in the current risk register. Residual risk includes all types of risk shown in table 1 on the following page.
- Special Schedule 7 is auditable by checking for alignment between SS7 and asset and risk management plans. The risk register establishes a consistent and evidence based cost to bring to satisfactory and connects to good governance practice of transparent reporting of risk through appropriate governance processes such as an audit committee.
- Asset Risks include operational, technical, financial, legal, social and environmental risks using the ISO 31000 framework. Supporting resources are available and this methodology is consistently applied internationally. (Note 4)

Note 1 *– For water supply and sewerage, this is the first 4 years of a water and sewerage council's 30-year total asset management plan (TAMP) in accordance with the Strategic Business Planning Check*

[7] Revitalising Local Government Final Report of the NSW Independent Local Government Review Panel October 2013, p52

List (http://www.water.nsw.gov.au/ArticleDocuments/36/town_planning_strategy_checklist.pdf.aspx). The TAMP involves a cost -effective 30-year capital works program showing each of works for growth, improved standards and a renewals plan, together with an operation plan, which includes non-build solutions, and a maintenance plan.
Note 2 *– NSW Office of Local Government, IP&R Manual Section 6.4 P133*
Note 3 *– Levels of service for water supply and sewerage need to be determined and reported in accordance with Item 4 on page 5 of the Strategic Business Planning Check List.*
Note 4 *– IPWEA NAMSPLUS – Asset and Risk Management Plan Templates*

The input of the NSW Office of Water to the draft of this guide is gratefully acknowledged. Also the peer review by Dr Penny Burns and John Comrie (JAC).

4.2 Application for Hawkesbury City Council

The following principles have been applied to implement the existing policy framework. This methodology focuses limited council resources to areas of highest risk.

- "Bring to satisfactory" is the sum of Modern Equivalent Renewal Cost (MERC) of high residual risk assets not financed in the current annual reporting period. This is based on assets due for renewal or partial renewal but not funded[i]*.* Cost to bring to satisfactory is the most efficient modern equivalent capital treatment to keep the asset to service at a satisfactory level. (Note 5) This aligns with Code update 23 when read together with the IPR manual. Satisfactory level of service is not bringing an asset to "as new" condition but to a level where "only minor maintenance is required".
- "Maintain at satisfactory" (MAS) is the unfunded maintenance treatments recommended by the risk management plan to manage BTS risks but not financed in the current annual reporting period.
- BTS is audited by examining the Asset Management Plan and Risk Register that act as "working papers" for BTS and MAS in the annual report.
- Deferring renewal may result in the modern equivalent renewal cost increasing and will impact future BTS reporting.
- BTS analysis must be carried out for each material asset component. Network averages are not likely to provide reliable or consistent BTS reporting.
- The connection to risk registers reinforces the importance of independent Audit Committees to report service risks associated with "unsatisfactory service levels" to Council. This enables the essential separation of aspirational but unaffordable service levels from target service levels identified in the delivery program.

Table 5: Types of Risk
(NAMSPLUS Risk Management Plan Template, ISO 31000)

Criterion	Risk Evaluation Notes
Operational	Risks that have the potential to reduce services for a period of time unacceptable to the community and/or adversely affect the council's public image.
Technical	Risks that cannot be treated by council's existing and/or readily available technical resources.
Financial	Risks that cannot be treated within council's normal maintenance budgets or by reallocation of an annual capital works program.
Legal	Risks that have the potential to generate unacceptable exposure to litigation.
Social	Risks that have the potential to: - cause personal injury or death and/or - cause significant social/political disruption in the community.
Environmental	Risks that have the potential to cause environmental harm.

Note 5 *– This application is consistent with code update 23 where Satisfactory is defined as "satisfying expectations or needs, leaving no room for complaint, causing satisfaction, adequate". High levels of complaint. The estimated cost to bring assets to a satisfactory standard is the amount of money that is required to be spent on an asset to ensure that it is in a satisfactory standard. Where an asset is in condition 3, 4 or 5 AND has low risk AND acceptable levels of community complaint (operational risk) then the cost or renewing these assets would represent an unaffordable cost to the community and should not be included in reported backlog. It may be included in aspirational service levels for consultation in the Community Strategic Plan (CSP).*

5. References

References

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- TMR 2015, Cost vs. Valuation' Differential – A Gap Analysis, Jasmina Nuhovic
- Queensland Treasury and Trade, Financial Management Framework December 2014, Non-Current Asset Policies for the Queensland Public Sector

HCC Asset Modelling

Business as Usual Model

$'000	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025
Renewal Budget	8,384	9,208	6,731	6,363	8,129	9,444	4,100	3,916	4,085	4,336	3,564
Expansion Upgrade Budget	369	1,087	936	4,114	939	1,692	693	475	477	478	480
Maintenance Budget	12,339	12,602	13,010	13,629	13,875	14,334	14,812	15,525	15,829	16,370	16,934
Current Replacement Cost	887,125	888,212	889,148	893,262	894,201	895,893	896,585	897,061	897,538	898,016	898,495
AMP Renewal Need	9,633	9,741	9,849	9,994	10,104	10,224	10,335	10,444	10,554	10,665	10,777
Required Maintenance Expenditure	12,725	12,579	12,718	12,905	13,047	13,203	13,345	13,486	13,628	13,771	13,917
Depreciation	9,633	9,645	9,655	9,700	9,710	9,728	9,736	9,741	9,746	9,751	9,756
BTS Backlog	20,405	20,842	23,766	27,103	28,683	28,968	34,604	40,429	46,090	51,504	57,697
Infrastructure WDV	480,844	481,494	479,506	480,284	479,642	481,049	476,106	470,756	465,572	460,635	454,923

***Note:** Figures as per table 4, within the Infrastructure Assessment Report, Jeff Roorda and Associates, June 2015.*

Fit for the Future Model

$'000	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025
Renewal Budget	8,384	9,208	8,116	9,860	14,561	15,821	8,939	9,755	11,261	13,153	13,247
Expansion Upgrade Budget	369	1,087	936	5,114	3,539	4,692	3,693	3,475	477	478	480
Maintenance Budget	12,339	12,602	12,860	13,879	14,125	14,684	13,912	13,782	13,653	13,525	13,398
Current Replacement Cost	887,125	888,212	889,148	894,262	897,801	902,493	906,186	909,661	910,138	910,616	911,095
AMP Renewal Need	9,633	9,645	9,655	9,710	9,749	9,800	9,840	9,878	9,883	9,888	9,893
Required Maintenance Expenditure	13,307	13,456	13,605	13,820	14,014	13,948	13,866	13,781	13,652	13,524	13,397
Depreciation	9,633	9,645	9,655	9,710	9,749	9,800	9,840	9,878	9,883	9,888	9,893
BTS Backlog	20,405	20,842	22,381	22,231	17,419	11,398	12,299	12,422	11,044	7,779	-
Infrastructure WDV	480,844	481,494	480,891	486,155	494,506	505,219	508,011	511,363	513,218	516,961	520,794

***Note:** Figures as derived from methodology outlined in the Infrastructure Assessment Report, Jeff Roorda and Associates, June 2015.*

Strategic Model

$'000	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025
Renewal Budget	8,384	9,208	10,180	12,907	14,223	14,286	9,900	10,409	12,412	12,511	12,502
Expansion Upgrade Budget	369	1,087	1,936	6,714	3,939	4,692	3,693	475	477	478	480
Maintenance Budget	12,339	12,602	12,860	13,879	14,125	14,684	13,912	13,782	13,653	13,525	13,398
Current Replacement Cost	887,125	888,212	890,148	896,862	900,801	905,493	909,186	909,661	910,137	910,615	911,095
AMP Renewal Need	9,633	9,645	9,666	9,739	9,781	9,832	9,873	9,878	9,883	9,888	9,893
Required Maintenance Expenditure	13,307	13,456	13,621	13,861	14,061	13,994	13,912	13,781	13,652	13,524	13,397
Depreciation	9,633	9,645	9,666	9,739	9,781	9,832	9,873	9,878	9,883	9,888	9,893
BTS Backlog	20,405	20,842	20,328	17,159	12,718	8,264	8,237	7,706	5,176	2,554	(55)
Infrastructure WDV	480,844	481,494	483,944	493,826	502,207	511,352	515,073	516,079	519,085	522,186	525,274

Note: *Figures as derived from methodology outlined in the Infrastructure Assessment Report, Jeff Roorda and Associates, June 2015.*