SHELLHARBOUR CITY COUNCIL

DRAFT

Resourcing Strategy

2013 - 2023

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ABOUT THIS PLAN

What is the Resourcing Strategy?

The ten year Resourcing Strategy informs the development of the Community Strategic Plan (CSP) and describes the resources we are going to utilise to achieve the Objectives and Strategies. It ensures there is an appropriate mix and delivery of infrastructure services combined with sufficient financial and human resources available. It is made up of three key components - the **Long Term Financial Plan**, **Asset Management Plan** and **Workforce Management Plan.**

Sustainable Financial Strategy (SFS)

Council's key objective when managing its financial resources is to remain financially sustainable. Council's Long Term Financial Plan needs to ensure financial sustainability for Council and demonstrate our long term capacity to deliver the strategic Objectives in the CSP, Delivery Program and Operational Plan.

It is essential the Long Term Financial Plan adopted by Council provides a level of certainty to the community that it is not only a sustainable financial model, but also represents an acceptable balance in the context of meeting community expectations, sound financial management, and the achievement of strategic objectives within supported rate increases, outcomes that are clear and measurable, and have community and Council support.

Long term financial sustainability is important if Council is to deliver the services and programs expected by the community. It is also important that community assets are maintained so that the cost does not become a burden for future rate payers. Financial sustainability is achieved when service and infrastructure levels are delivered according to a long term plan without the need to significantly increase rates or significantly reduce services.

The Strategy included outlines five key Strategies, corresponding Actions and financial indicators for future operational and capital expenditure.

Long Term Financial Plan (LTFP)

The LTFP helps us to better understand our long term financial position. It draws information from all of the Integrated Planning and Reporting documents to forecast Council's capacity to provide financial resources to meet the Objectives of the CSP.

Three scenario models **Sustainable SRV Increase, Small SRV Increase** and **No Rate Increase above Rate Peg** were developed using four main foundations: planning assumptions, revenue forecasts, expenditure forecasts and sensitivity analysis. For more information on the three scenarios see page 35.

Asset Management Planning (AMP)

The AMP sets a framework for the sustainable management of current and future assets so that Council can continue to deliver services to the community in a financially sustainable manner.

It provides information about our assets, provides evidence of responsible asset management and compliance with regulatory requirements and summarises information with regard to funding aimed at bringing assets to a desirable level of service.

Council is the custodian of infrastructure assets valued at over $443 million dollars (as at 30 June 2012). These assets have been acquired by purchase, contract, construction by staff or assets constructed and contributed by developers. Council's primary objectives in managing these are:

- to be sustainable
- to provide a desirable level of service for the assets under its stewardship for the existing and future community

The Asset Management Framework is made up of 3 components: The **Asset Management Policy,** an **Asset Management Strategy,** and a number of **Asset Management Plans** for each of Council's asset classes.

Asset Management Policy - sets the framework for undertaking asset management.

Asset Management Strategy – outlines a structured set of actions aimed at enabling improved asset management. The Asset Management Strategy enables Council to show how its asset portfolio support the delivery service needs for the community in the future.

Asset Management Plans – are tactical plans outlining particular actions and resources required to provide defined levels of service for each class of assets under Council's control.

Our asset categories include:

- Roads & Transport
- Stormwater & Drainage
- Buildings
- Recreational Facilities
- Aquatic Facilities

Significant progress has been made over the last two years to improve information on Recreational Facilities and Aquatic Facilities Asset Management Plans. Work also is being undertaken to update the Roads & Transport, Stormwater & Drainage and Building Asset Management Plans. As further information becomes available on the condition of our assets the Plans will continue to be developed.

Workforce Management Plan (WMP)

In order to meet the priorities and needs of the community identified in the CSP Council must ensure that it has the right mix of people, skills and resources to use when and where they are needed. The WMP considers both the medium and long term needs of the organisation and provides a framework for dealing with immediate challenges in a consistent way.

Key priorities for Council over the life of the plan include:

- Recruitment and retention of staff;
- Performance improvement;
- Career planning and professional development;
- Rewards recognition;
- Employee engagement and
- Leadership and development.

The Plan endeavours to build an organisational culture which continues to attract and retain the best staff possible.

Moving towards a more financially sustainable future

Council faces a significant challenge in meeting community expectations in the adequate maintenance of assets. Our existing rate revenue is no longer sufficient to cover the funding required to maintain them to a level expected by the community. Currently our building infrastructure renewal ratio forecast in last years LTFP for 2013/14 was 0.15 which is far below the state average of 0.80.

Council is proposing to apply for a Sustainable rate increase of 9.3% (including rate peg), on average each year over four years. This increase will improve infrastructure and maintain services provided to the community with a total estimated expenditure of approximately $18.8 million over four years.

These additional funds will be allocated for the renewal of the following infrastructure:

- Roads and footpaths
- Stormwater and drainage; and
- Community buildings and amenities (including sporting and other recreational facilities)

To progress this proposal Council will need to seek permission from the New South Wales State Government to increase rates beyond the prescribed rate peg. If granted the Special Rate Variation (SRV) would be implemented on 1 July 2013.

Sustainable Financial Strategy

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Sustainable Financial Strategy

Introduction

Council's key objective when managing its financial resources is to remain financially sustainable. Council's LTFP needs to ensure financial sustainability for Council and demonstrate our long term capacity to deliver the strategic Objectives in the CSP, Delivery Program and Operational Plan.

It is essential that the LTFP provides a level of certainty to the community that it is not only a sustainable financial model, but also represents an acceptable balance in the context of meeting community expectations, sound financial management, and the achievement of strategic objectives within supported rate increases, outcomes that are clear and measurable, and have community and council support.

Long term financial sustainability is important if Council is to deliver the services and programs expected by the community. It is also important that community assets are maintained so that the cost does not become a burden for future rate payers. Financial sustainability is achieved when service and infrastructure levels are delivered according to a long term plan without the need to significantly increase rates or significantly reduce services.

The purpose of this document is to provide direction for prioritising and allocating financial resources at a high level. This Strategy guides Council in the development of the LTFP and provides a decision making and problem solving tool for deciding how best to achieve Council's objectives while addressing its long term challenges. The Strategy is not intended to indicate what services should be allocated funds, but rather Council's ability to fund its services and capital works. This Strategy outlines five Key strategies, associated Key actions, and financial indicators for future operational and capital expenditure.

Current financial situation - Where we are today

The LTFP is a planning tool used to express, in financial terms, the activities that the Council proposes to undertake over the medium to longer term to achieve its stated objectives. It calculates the future intended outlays and anticipated revenues identifying the accumulating overall financial implications and, if warranted, proposed future activities to be revised. Each year, Council's LTFP is revised to outline how Council is progressing.

Whilst the Council at present is in a sound financial position, the 2012-2022 LTFP reveals that if we continue to operate on current practices, the financial future of the Council is not sustainable.

Of most concern are the forecasted ongoing deficits. Each year, Council's net operating result (before capital grants and contributions) has forecast a deficit, impacting on the ability to maintain and renew assets, as well as maintaining the services and programs currently provided.

Like many Councils, Shellharbour City Council is facing the challenge of reducing the infrastructure backlog. Council's infrastructure backlog is trending higher and Council needs to ensure that adequate resources are allocated to asset maintenance and renewal to prevent the backlog from continuing to grow.

In 2012, Council's Infrastructure backlog is estimated at 10.2%, up from 7% in 2009. Asset revaluations carried out over the last 4 years has seen values increase substantially which has in turn has resulted in a higher annual depreciation expense. The valuation of the backlog has also increased. As typical of many rural Councils, the largest backlog relates to the Roads and Transport infrastructure assets.

Council's asset base has continued to expanded, with a significant amount of money being spent on new assets rather than on the renewal of existing assets. If this level of capital expenditure is to continue the future maintenance burden will also increase.

These issues have been identified and strategies implemented to turn Council's financial position around. Five Key strategies and Key actions are outlined below to ensure Council is sustainable in the long term.

Future Direction - Where we want to be

Key Strategy 1 - Recurring income must exceed recurring expenditure

Key Actions

1. Ensure that budgets and monitoring reports are able to identify the degree to which recurring income meets and exceeds recurring expenses.
2. Council aims to reduce annual operating statement deficits before capital, to within 1% of annual operating expenditure by 2015/16, with continual improvement on an ongoing basis. The achievement of this aim will be incorporated into future Long Term Financial Plans, particularly commencing 2013/14.
3. Any surpluses of unrestricted income over unrestricted expenditure to be applied to (in order of priority) One-off or extraordinary costs, and Unrestricted reserves

How are we planning on achieving this?

The Key actions undertaken to achieve the other key strategies will also play a major role in achieving this strategy, for example SRV, Commercial Operations review etc.

Procurement initiatives
Council have participated in the NSW Local Government Procurement Roadmap program to assess and benchmark current practices to ensure that all procurement activities result in the best possible outcomes for the community. The objective of the Roadmap is a more effective and accountable procurement practice, generating cash and productivity savings through improved procurement conduct, measurement and management.

Budgeting for outcomes
Council is currently in the process of moving into a 'Budgeting for Outcomes' model. This model will ensure that we are able to efficiently and effectively deliver the Objectives of the CSP by providing the organisation with a compatible budgeting method. It is important that the budget reflects the CSP and enables its priorities to be delivered. As a result all Actions within the Operational Plan will have a corresponding budget that enables Council to monitor the cost of delivering the Actions and provides the ability to examine the true cost of achieving the community's Objectives.

Service reviews across our infrastructure assets
Council is in the process of undertaking a number of service level reviews with the aim of achieving effective and efficient service provision. This process will provide an opportunity to examine whether services are being delivered in a manner that best meets the community's needs and provides "value for money". The reviews will cover a range of services currently delivered by Council to achieve an overall understanding on what we deliver.

Key Strategy 2 - Each of Council's service delivery activities is to be cost and quality competitive

This Strategy establishes a comparative approach to benchmark the appropriate levels of cost and quality for each of Council's service delivery activities. For services that are uniquely provided by Local Government, we will review how our resident's rate these services and also how they compare with the services provided by other Councils.

This will generate further assessment of ways to improve quality and cost of service levels for both uniquely provided Local Government services and services that Council provides that are also commercially available in the marketplace.

Key Actions

1. Corporate Policy to catalogue and specify the services to be delivered by Shellharbour Enterprises to the community.
2. Service Level Agreements are to be negotiated between Corporate Policy and Shellharbour Enterprises, which will reflect the quantum and quality of services to be delivered and the ‘price’ to be paid for them.

The term “price” is of critical importance. This will either be at the market median (where this can be reasonably established), or by negotiation and agreement. Care must be taken to avoid the easy option of simply converting current cost to price.

3. Overhead costs are to be determined on a similar basis to Key Action 2 above, i.e. with reference to median indicators and by negotiation and agreement.

How are we planning on achieving this?

Service planning

Council exists to provide services to its community. Council has to be able to demonstrate that the cost and value of its services is comparable to what can be obtained by the private sector. So while Council is not a business, service delivery should be in a businesslike way.

Council adopted a new Organisational structure in July 2011 which included the creation of three separate directorates; City Outcomes, Corporate Policy and Shellharbour Enterprises.

The Corporate Policy directorate is responsible for the resource allocation for service delivery. Shellharbour Enterprises is responsible for the delivery of the operational services provided by Council, along with the management and control of Council’s business type activities. The setup of the Corporate Policy and Shellharbour Enterprises directorates will allow Council to ensure that its service delivery activities are cost competitive and value for service.

Key Strategy 3 - Asset renewal must have a higher priority than the creation of new assets, all things being equal

Asset renewal will in future receive a higher priority than capital investment. Application of this Strategy will in time, lead Council to be able to better maintain and sustain its existing assets.

Key Actions

1. Ensure the appropriate classification of asset renewal expenditure and asset maintenance expenditure
2. Establish annual investment targets in renewal or refurbishment of existing assets, to progressively increase the asset renewal ratio, over the next 10 years
3. Asset renewal programs are to be prioritised on the basis of condition rating

How are we planning on achieving this?

Special Rate Variation (SRV)

Council faces a significant challenge in meeting community expectations in the adequate maintenance and renewal of community assets. Our existing rate revenue is no longer sufficient to cover the funding required to maintain them to a level expected by the community. Council's building and infrastructure renewal ratio forecast in last years LTFP for 2013/14, was 0.15 which is far below the state average of 0.80.

As part of the four year Delivery Program and related budget, Council is proposing to apply for a Sustainable rate increase of 9.3% (including rate peg), on average each year for 4 years. This increase will improve infrastructure and maintain services provided to the community with a total estimated expenditure of approximately $18.8 million over 4 years.

These additional funds will be allocated for the renewal of the following infrastructure:

- Roads and footpaths
- Stormwater and drainage; and
- Community buildings and amenities (including sporting and other recreational facilities).

To progress this proposal Council will need to seek permission from the New South Wales State Government to increase rates beyond the prescribed rate peg.

Key Strategy 4 - Capital investment (expenditure) must be financed from a mix of reserves, grants, contributions and loans, but not operational income.

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

Key Actions

1. All capital works in excess of $5000 to be funded as above
2. Council to Establish a Debt Service Ratio
3. Council to establish a scheduled approach to acquiring and retiring such debt

How are we planning on achieving this?

Debt Management Strategy

Council recognises that loan borrowings for capital works are an important funding source for Local Government and that the full cost of infrastructure should not be borne entirely by present day ratepayers, but be contributed to by future rate payers who will also benefit.

Therefore Council will utilise loan funds to undertake capital works only when the asset is of a long term nature. The term of the Loan will not exceed the useful life of the asset. Council will raise all external borrowings at the most competitive rates available and from sources available as defined by legislation. Loan draw downs will be timed to optimise cash flow and minimise interest expenses.

Council has considered an appropriate debt service ratio as the key indicator of Council's ability to sustain its level of debt. Council considers that a target of 2% is appropriate considering the current growth phase of Shellharbour.

Key Strategy 5 - Optimise returns from Council's commercial property holdings

Council has a number of commercially valuable assets, such as Shell Cove, the Illawarra Regional Airport and The Links Golf Course. The management of these assets will be conducted in a more commercial manner and optimisation of business returns will be a priority.

How are we planning on achieving this?

The Links Hotel

Council intends to outsource the management of the Links hotel facility, but to retain control of the golf business, which is to continue to operate from the premises or from a new golf cart storage and club room facility, to be constructed by the preferred developer in conjunction with the lease of the hotel property.

It is intended that future revenues received by Council from the tenant(s), will be generally directed to the funding of golf course operations.

Illawarra Regional Airport

Illawarra Regional Airport is a profitable Council asset that generates income from leases and other fees and charges on the airfield. Council will work towards understanding the full operating cost of the airport and monitor the income and expenditure as a stand-alone business.

Council will investigate opportunities to allow the airport to be developed to its full potential as a profitable enterprise. Council will work towards adoption of the Draft Airport Master Plan, which provides a long term view of the potential for land use and development in and around the airport. Council intends to review options for the governance structure of the Illawarra Regional Airport in light of the Master Plan.

Other Council Business operations

Council is responsible for the management of a number of commercial business enterprises including a Wholesale Nursery, Shellharbour Tourist Caravan Park and the Sandmine. Council will continue to investigate opportunities to maximise Council's return on investment.

Measuring financial sustainability

An acceptable target has been set for each of the key financial indicators below, which will need to be achieved in order for this Council to be financially sustainable.

1) Unrestricted Current Ratio

This ratio is used to assess Council's ability to satisfy its short term obligations for the unrestricted activities of Council.

A ratio greater than 2.0 means Council is financially secure in the short term. This can be calculated by taking the current assets less externally restricted current assets and divide by current liabilities less specific purpose current liabilities.

If the ratio is less than 2.0 then it has a short term funding issue.

Target = between 2.0 and 3.5

TARGET RESULTS FOR EACH YEAR:

2013/14	2014/15	2015/16	2016/17
2.0 < 3.5	2.0 < 3.5	2.0 < 3.5	2.0 < 3.5

2) Operating Balance Ratio

This indicator measures Council's ability to fund operations including asset renewal.

Operating Balance Ratio is the net operating result (excluding capital items) as a percentage of operating revenue (excluding capital items)

A ratio above zero indicates that Council is generating an underlying surplus (after adjustments for items such as capital revenue and revaluations) which means that positive revenue is being generated to provide for operating expenses including the depreciation of assets.

Target = -1%

TARGET RESULTS FOR EACH YEAR:

2013/14	2014/15	2015/16	2016/17
-5%	-2.5%	-1%	-1%

3) Rates and Annual Charges Coverage Ratio

The Rates and Annual Charges Coverage Ratio is the Rates and Annual Charges as a percentage of Operating Revenue.

This ratio is used to assess the degree of Council's dependence upon revenue from rates and annual charges and to assess the security of Council's income.

Target = between 50% and 60%

TARGET RESULTS FOR EACH YEAR:

2013/14	2014/15	2015/16	2016/17
< 50% < 60%	< 50% < 60%	< 50% < 60%	< 50% < 60%

4) Rates and Annual Charges outstanding percentage

This ratio is used to assess the impact of uncollected rates and annual charges on liquidity and adequacy of recovery efforts. A ratio less than 4.5% indicates the effectiveness of Council in recovering debts legally owed to it.

Target = less than 4.5%

TARGET RESULTS FOR EACH YEAR:

2013/14	2014/15	2015/16	2016/17
<4.5%	<4.5%	<4.5%	<4.5%

5) Debt Service Ratio

This ratio is used to assess the impact of loan (principal and interest) repayments on the discretionary revenue of Council. It can be calculated by taking the loan principle and interest divided by operating revenue (after capital grants and contributions, and specific purpose operating grants).

A ratio of 3.5% (in 2013 real dollar values) is considered to be the maximum level Council could afford.

Target = 1.5% - 2.5% (calculated in Real dollar terms, net of inflation)

TARGET RESULTS FOR EACH YEAR:

2013/14	2014/15	2015/16	2016/17
2%	2%	2%	2%

6) Building and Infrastructure Renewal Ratio

This ratio measures the extent to which assets are being renewed compared to the amount of consumption (depreciation). A ratio of greater than 1.00 (or 100%) means that Council is investing in renewal of its assets to a degree that offsets the current consumption of its assets.

Target = 0.80 or 80%

TARGET RESULTS FOR EACH YEAR:

2013/14	2014/15	2015/16	2016/17
0.20	0.35	0.55	0.80

Long Term Financial Plan

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Introduction

The Long Term Financial Plan (LTFP) is an important part of Council's Strategic Planning process. It is used as a decision making and problem solving tool to model different scenarios. It is also used to inform and guide future action and to allow Council to identify financial issues at an earlier stage. The LTFP provides a means to forecast Shellharbour City Council's capacity to provide financial resources to meet the objectives of the CSP. It "tests" the community's aspirations outlined in the CSP against financial reality.

The LTFP is developed in conjunction with the Asset Management Plan and the Workforce Management Plan and is built on four foundations as per the Division of Local Government (DLG) Integrated Planning and Reporting (IP&R) Guidelines (2010). These foundations are:

- Planning Assumptions
- Revenue Forecasts
- Expenditure Forecasts
- Sensitivity Analysis

An initial model was developed and this was then converted into the three Scenario Models. Two of the scenario models have incorporated increases in rates revenue and reductions in expenditure have been incorporated into all scenarios.

Financial Sustainability

Council's key objective is financial sustainability in both the short and longer term, to demonstrate a capacity to deliver the objectives in the CSP, Delivery Program and Operational Plan. This approach will allow Council to plan for a sustainable organisation structure, schedule affordable and realistic annual budgets and program capital works for new, replacement and renewal of assets that are prudent in a short and longer term framework.

Council adopted the report "A Financial Strategy for the Council" at its meeting on 28 February, 2012. This report introduced strategies and associated actions to help ensure Council's longer term financial sustainability. Many of these have been further developed in the last year and a summary of the directions and actions taken since the adoption of the Strategy includes:

Recurring income must exceed recurring expenditure

The aim of this Strategy was for Council to achieve by 2015/16, an annual operating statement deficit before captial, to within -1% of annual operating expenditure, known as an Operating Balance Ratio. Many initiatives to increase income, reduce costs and increase productivity over the short and longer terms have commenced in the last 12 months. These initiatives are discussed in further detail later. A graphical representation of how Council is projected to achieve the Operating Balance Ratio under each LTFP Scenario, is contained in the Measuring Financial Sustainability section.

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

To help achieve this strategy, an audit of the costs of providing Council's external services was undertaken in 2012. Also, a service review into Road Maintenance and Renewal was commenced and has recently been completed. The recommendations flowing from this review are extensive and will be incorporated into future iterations of the LTFP.

Asset renewal must have a higher priority than the creation of new assets

To enable Council to be able to better maintain and sustain its existing assets, Council resolved on 27 November 2012 to submit an application to the Independent Pricing and Regulatory Tribunal (IPART) for a Special Variation to Rates to commence in the 2013/14 financial year. Should the application be successful, Council's building and infrastructure renewal ratio will move closer to the suggested industry benchmark and state average for this key financial indicator.

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

This strategy has been applied since the 2011/12 financial year and has had the effect of limiting capital expenditure for new items, while making additional resources available for recurrent operating expenditure, including asset maintenance.

An application for subsidy of interest on loan funding for road renewal was successful in the first round of the Division of Local Government's Local Infrastructure Renewal Scheme (LIRS). $3m of road renewal works is being completed in the 2012/13 financial year, fully funded by loan monies, with the interest costs being partially subsidised by the LIRS.

Optimise returns from Council's commercial property holdings

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

Moving towards a more Financially Sustainable Future

In preparing a Long Term Financial Plan based on financial sustainability, Council has sought to answer the questions posed in the DLG IP&R Guidelines (2010).

Can we survive the pressures of the future?

Revenue from Rates and Charges makes up between 40 to 50% of Council's total operational revenue each year. Council however can only increase rates by the rate peg advised each financial year by IPART, unless a decision is made to go down the extensive path of submitting a SRV. To meet community expectations for levels of service that incorporate an acceptable condition of assets, Council has determined that additional rate income is required via a "Sustainable" SRV.

Cost shifting is another significant issue continually being faced by Local Government. Results from the survey recently conducted by the Local Government Shire's Association on cost shifting for 2010/11, have confirmed that cost shifting continues to place a significant burden on NSW Council finances.

Funding the life cycle of assets is a major issue for Council. The Percy Allan Report (released 2006) identified that NSW Councils had an infrastructure renewal backlog of $6.3 billion and an annual renewal gap of $500 million. Shellharbour City Council's infrastructure backlog was approximately $45 million as at 2011/12 financial year. The SRV proposal has an objective of reducing Council's current infrastructure backlog, while other financial sustainability actions are taking place which will help make funds available to close Council's annual maintenance gap.

What are the opportunities for future income and economic growth?

Council is applying to IPART for a Special Variation to Rates to commence in the 2013/14 financial year. The proposed increase to rates would continue to apply in the following three financial years and will allow Council to achieve, over a four year period, a Buildings and Infrastructure Renewal Ratio of approximately 0.80.

Many other initiatives to increase future income have also commenced following the adoption of Council's Sustainable Financial Strategy. These initiatives will continue to be implemented and refined in the future and have been incorporated into the LTFP modelling where applicable and when able to be quantified.

A major initiative was a Fees and Charges Review undertaken in 2012 that had cost recovery as a focus. Many Council fees and charges have been increased to move closer to achieving cost recovery or to reflect comparable market prices. Further refinements of this review are planned in the future.

As discussed above, changes to the structure of Council's commercial holdings have commenced, with the aim of maximising revenue (and eliminating losses). In addition, a major review of Council's Section 94 Plan is coming to fruition and adoption of a Reviewed Section 94 Plan is expected by 30 June 2013. As well as a reduced Section 94 capital program, another outcome of this review will be projected increases to Section 94 developer contributions, especially in the last five years of the LTFP, due to the inclusion of up-to-date costings for many capital items.

The Shell Cove Project is a tourism infrastructure development being delivered via a financial and legal agreement between Council and Australand. It is anticipated that Council will receive 50% of the net profits, with the profit distributions not expected before 2023.

Economic growth for the region was considered in the Department of Planning's Illawarra Regional Strategy 2006-2031. The Strategy notes that: 'Shellharbour has taken the major responsibility for regional greenfield land releases over the last 30 years at Albion Park, Blackbutt, Flinders and Shell Cove. As the current estates reach completion, the focus for Shellharbour will shift towards urban renewal opportunities around towns and centres such as Oak Flats'. As a result, it is unlikely that population growth will be as high as in the past and this will impact on future Council rates revenue.

In addition, the Strategy also notes that Shellharbour has a shortfall of vacant employment land which will impact on the ability of small business to grow and diversify. This will also impact on future Council revenues, as well as possibly increasing costs associated with the development of appropriate lands to address this issue.

Can we afford what the community wants?

Continuing constraints on Council's ability to raise general revenue, combined with pressures on expenditure, have led to a widening gap between the amount of funding needed and amounts actually spent on renewal and maintenance of assets.

Most of Council's services are asset based, such as libraries, pools, roads, waste depot and other infrastructure. Council is responsible for providing many services and relative to the annual income received, the asset base is very large and very long-lived. As assets age they require additional maintenance to allow minimum service levels to be maintained. When the required maintenance is no longer cost effective, assets need to be replaced or renewed.

Council's most important objective from the adopted Sustainable Financial Strategy paper is for recurring income to exceed recurring expenditure. It is very important that Council balances its budgets (operating result before capital), at the same time as providing the service levels the community want, through their input into the CSP.

Through the community engagement process undertaken as part of the CSP development, one of the main messages was that the community wants service levels either to be maintained or enhanced. When using the conceptual Budget Allocator Tool, 62.37% of users chose to increase Council's budget. The community engagement process also revealed that the community places a high priority on the maintenance of Council assets.

These desired levels of service need to be considered in conjunction with Council eventually achieving and then maintaining a balanced budget. Council can't continue to spend more than it is able to collect.

It is also important that community assets are maintained so that the cost does not become a burden for future rate payers. Financial sustainability is achieved when service levels are delivered without significant increases to rates or significant reductions in service levels.

Should Council be granted a "Sustainable" SRV, the additional revenue will provide the resources to fund the Capital Renewal programs outlined in the Delivery Program and Asset Management Plan.

How can we go about achieving these outcomes?

Council has two main levers at its disposal to achieve the Objectives of the CSP. The first lever is to increase revenue. The second is to adjust service levels.

In addition to the "Sustainable" SRV discussed above, cost saving initiatives have been introduced to achieve productivity gains over the short and longer terms. One of these initiatives, was the introduction in 2012 of a Procurement Roadmap process. The main objective aligned with this initiative was the streamlining of Council's procurement processes which is expected to produce significant productivity savings over the longer term. The process has a record of success with previous participant Councils achieving significant savings.

Other initiatives include business model and service restructures to increase the revenue from Council's commercial holdings. A program of service reviews has commenced and will continue in 2013. Reviews will be conducted across many areas of Council services.

Another initiative introduced in 2012 was Service Level Agreements to ensure Council operations are priced competitively and provided in a businesslike manner. Under this model, the provision of Council services, such as road maintenance, must be delivered at rates which are comparable to the private sector.

The rationalisation of assets that are not required to deliver Council services is also planned. These asset sales are part of a program to fund other projects that have been identified in Council's long term planning. These projects include the provision of a City Library, a Civic Auditorium and a replacement Council Administration Building (due to its age and condition). This will create a City Hub for Shellharbour residents and developer contributions, through the Section 94 Contributions Plan, have been levied for many years to contribute to the funding of this major project.

Up until January 2013, Council had no debt liabilities. At that time a loan for $3 million was drawn down as part of the State Government's Local Infrastructure Renewal Scheme (LIRS) for loan interest subsidisation. An application for interest subsidy for the City Hub project has been made under Round 2 of the LIRS, but this subsidisation has not been included in the LTFP modelling, due to no final approvals being issued at this stage.

Further work to increase financial sustainability will continue to be undertaken in future years. As part of the CSP process, planning will ensure that the assets Council owns provide ongoing benefits to meet the community expectations outlined in the CSP.

Timeframe

Council's LTFP has been prepared on a 10 year basis. Year 0 incorporates 2011/12 Actuals, Year 1 reflects the adopted 2012/13 Budget and Years 2 to 10 contain projected data and include the remaining 9 financial years from 2013/14 to 2021/22.

Planning Assumptions

Long term financial plans contain assumptions that are inherently uncertain. Council's LTFP contains a wide range of assumptions including interest rates and major expenditures outside the control of Council, such as State Government Waste levies. Planning assumptions included are in accordance with Council's legislative requirements and in reference to Council's CSP, especially in regard to service priorities.

The forecast financial statements must be read with caution and with reference to the following assumptions used. The financial years 2013/14 to 2016/17 have been prepared with the information and assumptions included in the preparation of Council's Delivery Program. For the financial years 2017/18 to 2021/22, a more generic approach has been taken, although in broad terms the business of Council should continue as forecast in the CSP. Uncontrollable external events could significantly affect the forecasts contained in the LTFP.

Inflation (CPI) & Dollar Values

For expenditure that is anticipated to increase above forecast inflation rates, a rate of inflation of 2.5% for 2013/14 and beyond is assumed as per Reserve Bank forecasts.

Real dollar (2013) values have been used for all values included in the Plan (net of inflation). The use of real dollars is recommended by the Institute of Public Works Engineering Australia (IPWEA) as it allows meaningful comparisons to be made between each year of the LTFP. Any changes in amounts reflect growth or increases that are estimated to exceed forecast inflation. The other advantage of using real dollars is that AMP's and Capital Works Programs are prepared in real dollars and this enables the links between the LTFP and these other Plans and Programs to be more relevant and practical.

Rate Peg

Rate peg increases to rates have not been included in the LTFP modelling. For planning purposes, a rate peg increase of 3.4% has been assumed for the 2013/14 year and 3% for the remainder of the LTFP.

Interest Rates

The Interest rate for the LIRS loan is based on the actual market rate received. Based on this recent market rate, the interest rates for future loan borrowings have been included at a conservatively factored rate of 6%, This has then been discounted for 2.5% CPI pa for conversion into 2013 "real" dollars.

Service Priorities

It is assumed that the community will continue to expect the existing range of services that Council currently provides. Extensive consultation was conducted as part of the development of the CSP to determine the range and priority of services desired by the community.

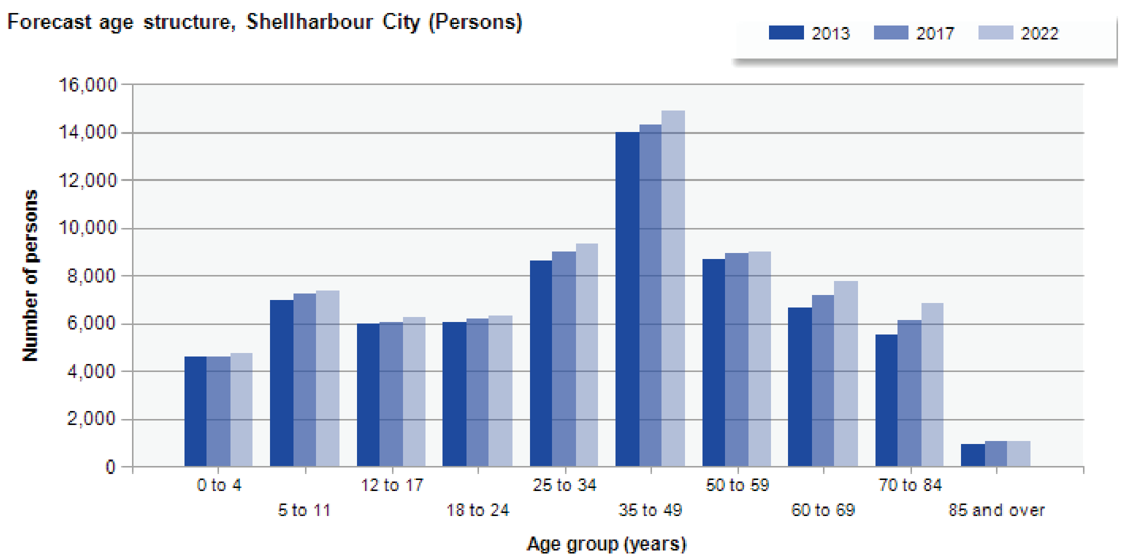
Growth

Average increases in rateable properties between the years 2004 and 2012 have been used to determine future growth. The following percentages have been used for Council's three rating categories; Residential Rates at 1.16%, Farmland Rates at 0.80% and Business Rates at 2.91%.

Population increases

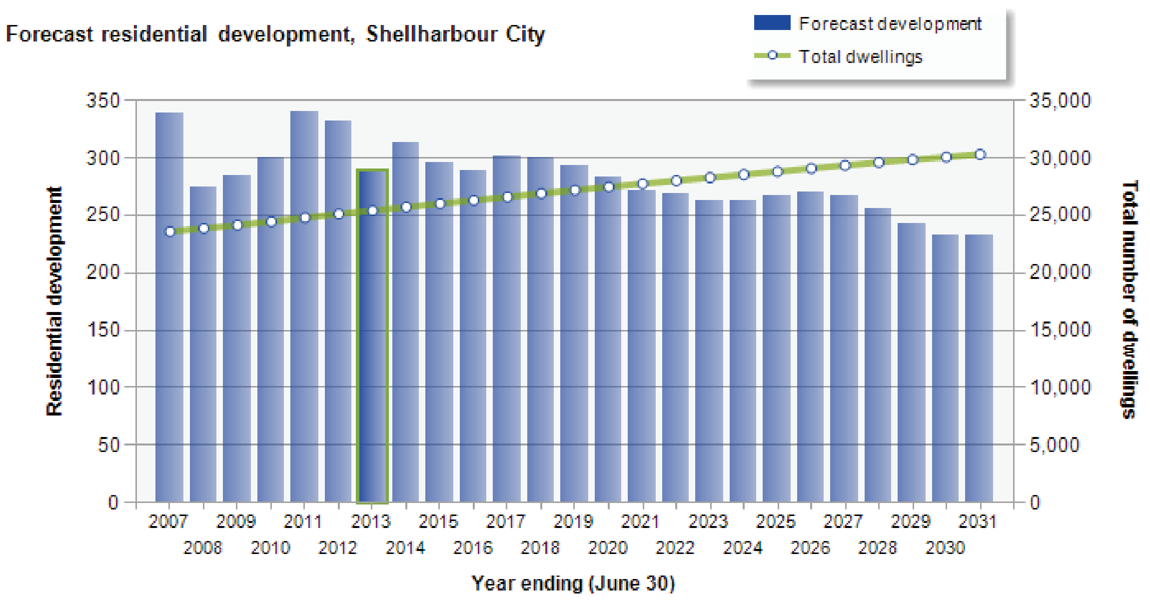
Demographic profiling was conducted for Shellharbour City Council by demographic specialists Informed Decisions, (known as .ID) in December 2011. Their results forecast population increases for Shellharbour of approximately 8.22% between 2013 and 2022 translating to population numbers for 2013 of 67,925 to 2022 of 73,512.

TABLE 1. FORECAST AGE STRUCTURE AND NUMBERS FOR SHELLHARBOUR RESIDENTS BETWEEN THE YEARS OF 2013 AND 2022



Residential development is forecast by .ID to increase from 2013 levels of 25,415 households to 2022 forecast of 28,029 as shown on the graph below. This equates to an increase over the 10 years to over 10% and supports the annual growth rates in residential rateable properties of 1.16% pa discussed above.

TABLE 2. FORECAST RESIDENTIAL DEVELOPMENT AND TOTAL NUMBER OF DWELLINGS BETWEEN THE YEARS OF 2007 AND 2030



Revenue Forecasts

The proportions to total revenue of the various sources of funds that Council receives are expected to remain stable over the life of the LTFP. Historical analysis, forecating based on current knowledge and consultation with staff were undertaken to determine projected revenue over the 10 year period.

Rates & Annual Charges

Rating is a major component of Council's revenue base. The LTFP includes an assessment of the community's capacity and willingness to pay rates and for a "Sustainable" increase to rates to be made. This has occurred at the many community engagement opportunities provided to the Shellharbour community, especially regarding service levels and their financial implications.

User charges and fees

Many of the services provided by Council are offered on a "cost recovery" basis to allow for a "user pays" principle to be applied. Other considerations when determining user charges and fees include:

- Regulated charges
- Market price
- Community service requirements
- Section 94 Plan (discussed separately)

Grants

Council receives Financial Assistance Grants from the Commonwealth Government and anticipates the continuation of this grant at a rate of 1% above inflation, based on the amount budgeted to be received for 2013. Other budgeted grants are generally for specific purposes and projects, with the grants monies assumed to be expended in the year it is provided.

Contributions (Section 94) and donations

Section 94 contributions account for a significant proportion of total contributions received each year by Council. As previously discussed, a major review of Council's Section 94 Plan is nearing completion and increased revenue from developer contributions is expected in the last five years of the LTFP due to the inclusion of up-to-date capital costings. A reduced Section 94 capital works program has also been included in the LTFP, based on the latest available Draft Capital Works plan.

Interest & Investments

Based on existing term deposits held and taking into consideration the 10 year Australian Government Bond rate of 3.5%, interest rates have been included at 4.0% for 2013/14, 3.75% for 2014/15 and 3.5% thereafter. This has then been discounted for 2.5% CPI pa for conversion into 2013 "real" dollars.

The balance of funds available for investment has been calculated after taking into account cashflow forecasts.

Expenditure Forecasts

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

Employee Costs
Wages for 2013/14 are based on an award increase of 3.25% before being reduced for inflation. (an effective increase in 2013 "real" dollars of 0.75%). A vacancy factor of 3% is built into the initial 2012/13 budget and this is included in all later year projections. Staffing levels have been assumed as being stable, with increases in new positions being those primarily funded from other sources besides General Revenue. The information for these large expenditure items is also informed by the Workforce Management Plan, as well as legislative requirements for increases to superannuation and changes to workers compensation legislation.

Materials & Contracts
Historical averaging and forecasting was applied in determining the amounts to be included in this major expenditure category.

Capital Expenditure
The Capital expenditure items included in the LTFP, are primarily for the renewal of existing assets. These costs have been included in "real" 2013 dollars, and are informed by the information contained in Council's Asset Management Plan.

Depreciation & Amortisation
Council is required to revalue different asset classes in line with the DLG's scheduled program of revaluations. This revaluation program has a significant impact on amounts included in depreciation expense.

Borrowing Costs
Loan borrowings have been included for the first time in many years in the 2012/13 Budget. These borrowings were drawn down under the LIRS for expenditure on renewal of Council's road infrastructure. The term of this loan is 10 years. Further loans have been included with 20 year terms to support the completion of the City Hub Project. These borrowing amounts are $4.3m in the 2014/15 financial year, $7.1m in 2015/16 and a further $250k is scheduled for draw down in the 2016/17 financial year.

Major Projects

Shell Cove Project

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

At January 2013, there were 1,660 housing lots already developed and sold. Standard residential lots will continue to be produced and sold until 2016. Community facilities include a public school, interim community centre, extensive public open space, sporting facilities and a corner store. A par 71 quality golf course and associated clubhouse facilities - "The Links Shell Cove" - opened in 2004.

The centre piece of Shell Cove is the Boat Harbour precinct. A 20 hectare harbour, 300 berth marina, associated support facilities and a public boat ramp will be surrounded by a 1.5km public promenade/ boardwalk and a vibrant people place with many varied facilities. These include a hotel, supermarket, shops, restaurants and cafes, residential accommodation, boat storage and maintenance facilities, car parking and public parks.

Construction work on the Boat Harbour commenced in January 2013 and is expected to take 7 years. The precinct works and sales are expected to start in 2016 and complete in 2026.

Shell Cove is being delivered via a financial and legal agreement between Council and Australand (as the project manager and financial partner). It is anticipated that Council will receive 50% of the net profits; with the profit distributions not expected before 2023.

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

Calderwood

The NSW Government has approved a concept plan for the development of 4,200 dwellings in Calderwood. While no development consent has been issued as yet for subdivision or dwelling construction, the overall proposal will have long term financial impacts on Council. The development is currently the subject of legal action in the Land and Environment Court and so no further comments can be added at this time.

The City Hub

Approval for the City Hub Project was given by Council at its meeting of 18 September, 2012. It is scheduled to commence in the 2014/15 financial year with completion in the 2016/17 financial year. The Project has a vision to create a sense of place, a civic and cultural heart with buildings and features that reflect community's identity and its commitment to sustainability. The civic square will create a sense of place, where all people in the community can be comfortable gathering and interacting with others, or enjoy quiet and solitude. The City Hub will also complement the retail and commercial development of the City Centre. Once developed, it will also provide the main community and cultural precinct in the city and will provide a number of city-wide civic and community facilities, including a City Library, Museum, New council chambers, civic auditorium and meeting rooms.

Warilla Child Care Centre

Council operates a Child Care Centre at Warilla from premises leased from the NSW Department of Housing. The lease still has 18 months to run and expires in 2014. Bearing in mind the age of the building (it will be almost 39 years old by 2014) and licensing matters, Council will need to consider its future options. A preliminary estimate to construct a new child care centre would be $1.5 million. This has been included in the LTFP as being funded by a government grant which Council would pursue to fund the building. Council could continue to fund the service as a business activity.

Risk Management

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

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

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

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

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

E Extreme Risk	Immediate action required (SWMS required)
H High Risk	Senior management attention needed (SWMS required)
M Moderate Risk	Management responsibility must be specified (SWMS required)
L Low Risk	Manage by routine procedures and monitoring
I Insignificant Risk	Continue current controls and procedures

10 Year Forward Financial Plan Risk Assessment

Inaccurate Projected Estimates of Expenditure Capital & Operational	Severity	Frequency	Risk	Risk Treatments / Mitigation Strategies
1 Employee Wages	Major	Possible	High	• Forecast adjustments • Approval from Management Executive required for all replacement and new positions.
2 Wages Liabilities • Super % increase to 12% by 2019 • Retirement/Exit Liabilities/Entitlements	 Insignificant Moderate	 Possible Likely	 Low High	 • Forecast adjustments • Forecast adjustments • Manage leave entitlements in accordance with the award
3 Workers Compensation	Minor	Possible	Moderate	• Proactive management of workers comp claims and return to work programs • Amendments to the Workers Compensation Act • Forecast adjustments
4 Sick Leave	Moderate	Likely	High	• Forecast adjustments • Restricted cash to cover provision for leave entitlements
5 Unfunded maintenance and depreciation costs - Asset backlog	Major	Certain	Extreme	• Apply for SRV • Rationalise assets • Establish Service Level Agreements • Service reviews • Enhanced processes and procedures for asset management. • Forecast adjustments
6. Waste Levy Costs NB: Council proportion of costs considered in Item 5	Minor	Likely	Moderate	• Waste management and recycling initiatives

Inaccurate Projected Estimates of Expenditure Capital & Operational	Severity	Frequency	Risk	Risk Treatments / Mitigation Strategies
7 Carbon Pricing/Taxing Energy (Utilities) Waste emissions control Capital projects Fleet Change-over	Moderate	Likely	High	• Install Gas Extraction System at Dunmore Recycling Centre • Increase charges • Forecast adjustments • New Motor vehicle Policy
8 Climate Change Adaptation Infrastructure Land Use Planning	Major	Possible	High	• Redirection of Capital and maintenance budgets • Asset rationalisations • Climate Change Risk assessment • Monitor contemporary legal decisions
9 Purchasing of equipment and supplies for day to day operations	Major	Possible	High	• Implementation of The Procurement Road Map • Establishment of service level agreements and service reviews

Income	Severity	Frequency	Risk	Action
Rate pegging lower than 3%	Minor	Possible	Moderate	• Cut to services • Cost recovery • Apply for SRV
Inaccurate Financial Assistance Grant Estimate	Insignificant	Likely	Moderate	• Forecast adjustments
Negative effects of global issues on investment markets	Moderate	Possible	Moderate	• LG investment order • SCC investment policy • Engagement of financial advisors • Forecast adjustments

Key Capital Projects	Severity	Frequency	Risk	Action
Calderwood Legal Challenge	Moderate	Possible	Moderate	• Monitor legal decisions • Forecast adjustments
Calderwood Development *Proceeds resulting in infrastructure shortfall that requires major capital expenditure from Council*	Major	Likely	Extreme	• Forecast adjustments • New loans
City Hub - Sources of funding	Catastrophic	Possible	Extreme	• Maintain adequate project contingency • Gateway review • Project management plan and associated sub plans • Project risk assessments • Procurement efficiencies • Adjust project scope if required

Scenario Development

As part of the DLG Integrated Planning and Reporting Guidelines, three separate LTFP scenarios have been developed. Two different levels of increases in Rates Revenue have been incorporated into two of the scenarios. Reductions in expenditure have been incorporated into all scenarios, to reflect the productivity initiatives, such as procurement, business restructure and service review processes.

A base model was developed initially and this was then converted into the three Scenario Models as follows:

- **Scenario 1** – Sustainable SRV Increase (Council's Recommended & Planned Scenario)
- **Scenario 2** – Small SRV Increase
- **Scenario 3** – No Rate Increase above Rate Peg (and reduced services)

The variables assumed for each Scenario are summarised in the table below:

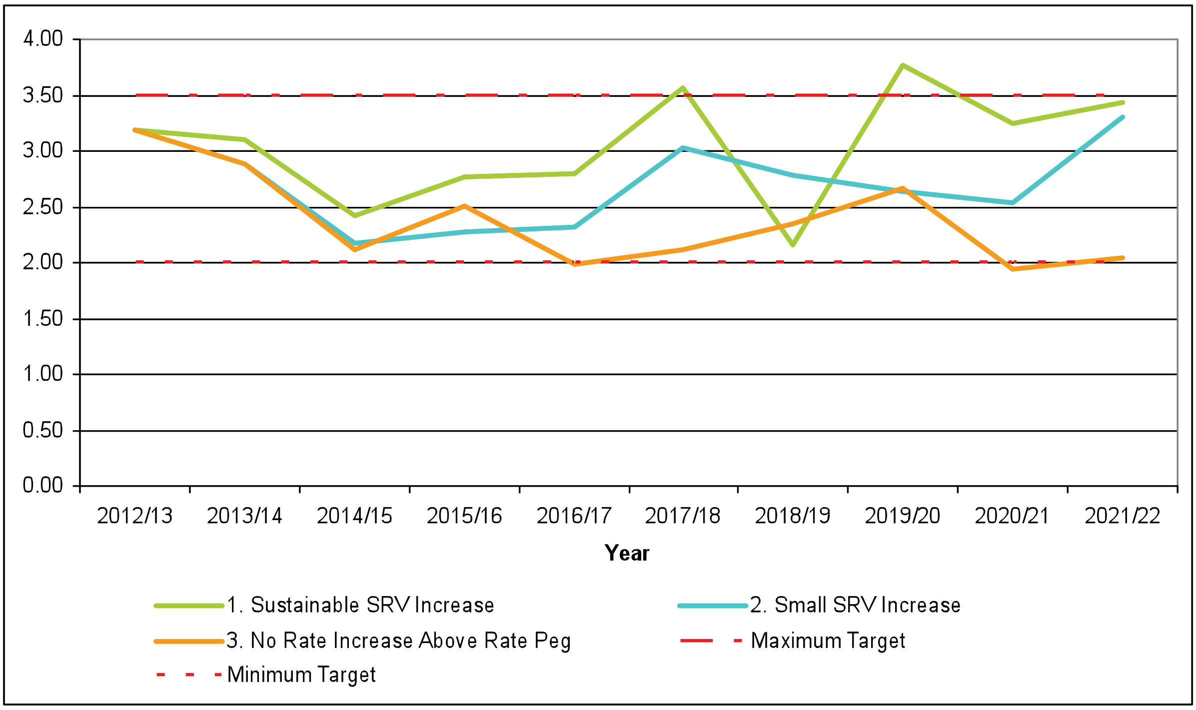
Scenario Variables	Scenario 1 - Sustainable SRV Increase	Scenario 2. - Small SRV Increase	Scenario 3 - No Rate Increase Above Rate Peg
Scenario Description	• Sustainable Rate increase from SRV for asset renewal • Residential Rates will increase by an average of 9.3% (including rate peg) each year for the years 2013/14 to 2016/17 • Services maintained	• Small Rate increase from SRV for asset renewal • Residential Rates will increase by an average of 6.7% (including rate peg) each year for the years 2013/14 to 2016/17 • Services largely maintained	• No Rate increase above rate peg • Average residential rates increase by 3.0% rate peg • Maintenance program reduced • Services reduced to fund infrastructure renewal
Budgeted Revenue (excluding the rate peg)	• Additional revenue from SRV of $18.82 million between the years 2013/14 to 2016/17. Increased revenue of approximately $8 million to remain in budgeted rate revenue each year to 2021/22	• Additional revenue from SRV of $10.4 million between the years 2013/14 to 2016/17. Increased revenue of approximately $4.5 million to remain in budgeted rate revenue each year to 2021/22	
Projected Capital Expenditure	• Capital program for Renewal funded by additional rates income from SRV	• Capital program for Renewal funded by additional rates income from SRV	• Capital program for Renewal funded by reduction in services and maintenance. $10.4 million to be spent between the years 2013/14 and 2016/17
Asset Condition	• Average condition of assets will move from fair to satisfactory	• Average condition of assets will be maintained at current rates of decline (fair condition)	• Average condition of Assets will decline from fair to poor

Measuring Financial Sustainability

Several ratios to measure Council's financial sustainability have been recommended in Council's Sustainable Financial Strategy. These include:

Unrestricted Current Ratio

This ratio is used to assess the adequacy of current assets and the ability of Council to satisfy short term obligations for the unrestricted activities undertaken by Council. If the results are too close to the maximum target, it means that the short term funds Council is holding are too high and conversely if the results are too close to the minimum target, it means that the short term funds Council is holding are at too low a level to fund short term operations.



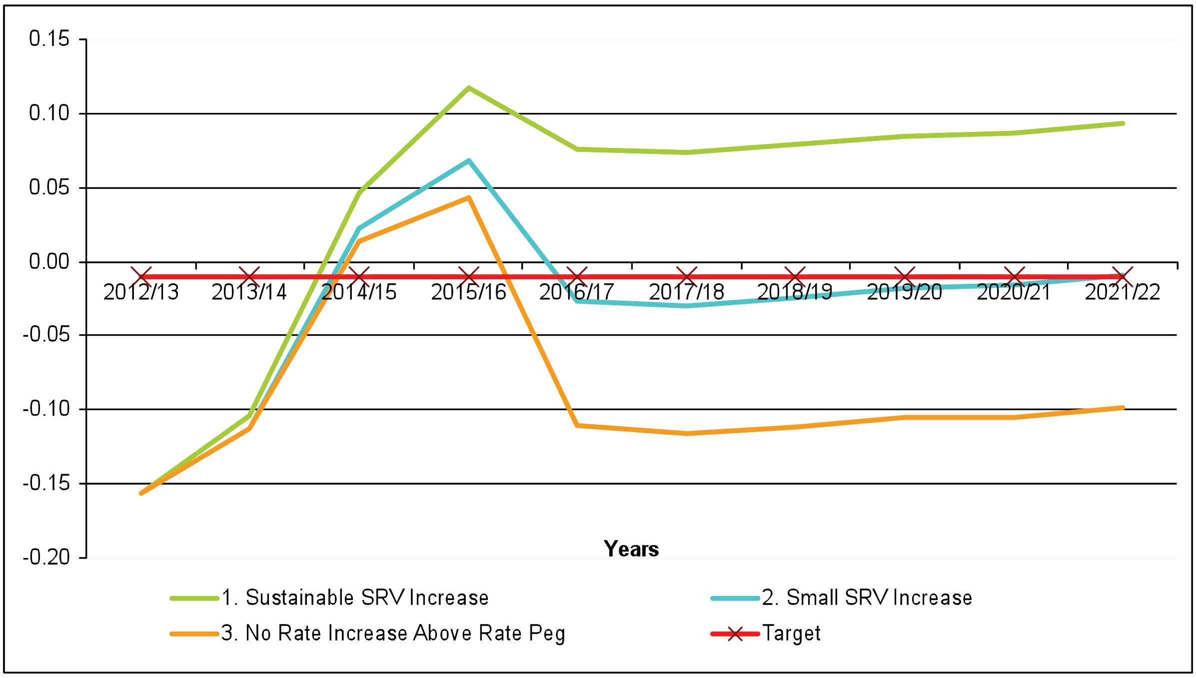
The results show that under the Sustainable SRV Increase Scenario 1, Council's rating income remains at a healthy level for the life of the LTFP and is primarily placed in the mid range of Council's minimum and maximum targets for the majority of 10 year period.

Operating Balance Ratio

This ratio is the net operating result (excluding capital items) as a percentage of operating revenue (excluding capital items) and is an indicator of Council's ability to fund operations including asset renewal.

A substantial negative result is shown for this ratio until income from asset sales to fund the major City Hub project is included in the 2014/15 and 2015/16 years. Also, the impact of increased rates income from the proposed Scenario 1 Sustainable SRV Increase and the Small SRV Increase, Scenario 2, can be seen in these years.

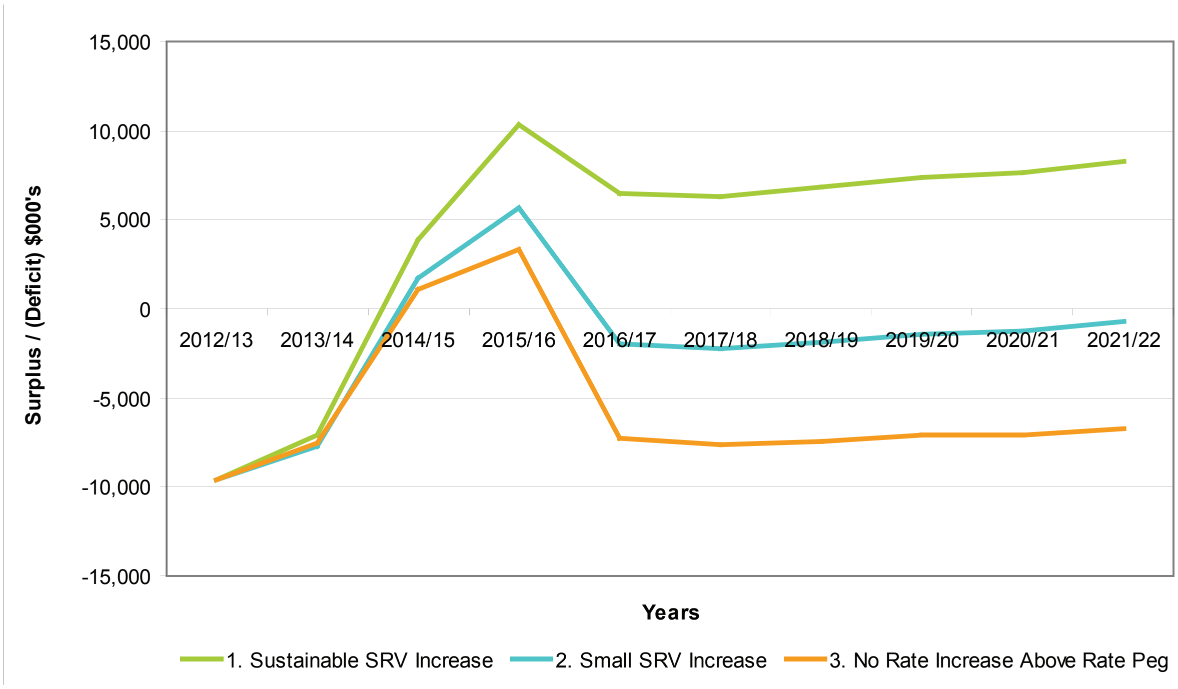
The results then show a gradual increase in the operating result until the 2021/22 year.



The surpluses demonstrated in this ratio from the Sustainable SRV increase scenario, reflect the substantial amounts that will be included in capital asset renewal, to fund depreciation and therefore reduce the asset backlog. The ongoing deficits shown in Scenario 3 No Rate Increase above Rate Peg, demonstrate that without additional funding from increased rate revenue, Council will not be able to achieve both asset renewal and maintain the current level of service for program provision.

Net Operating Result for the Year before Grants before Capital Grants & Contributions provided for Capital Purposes

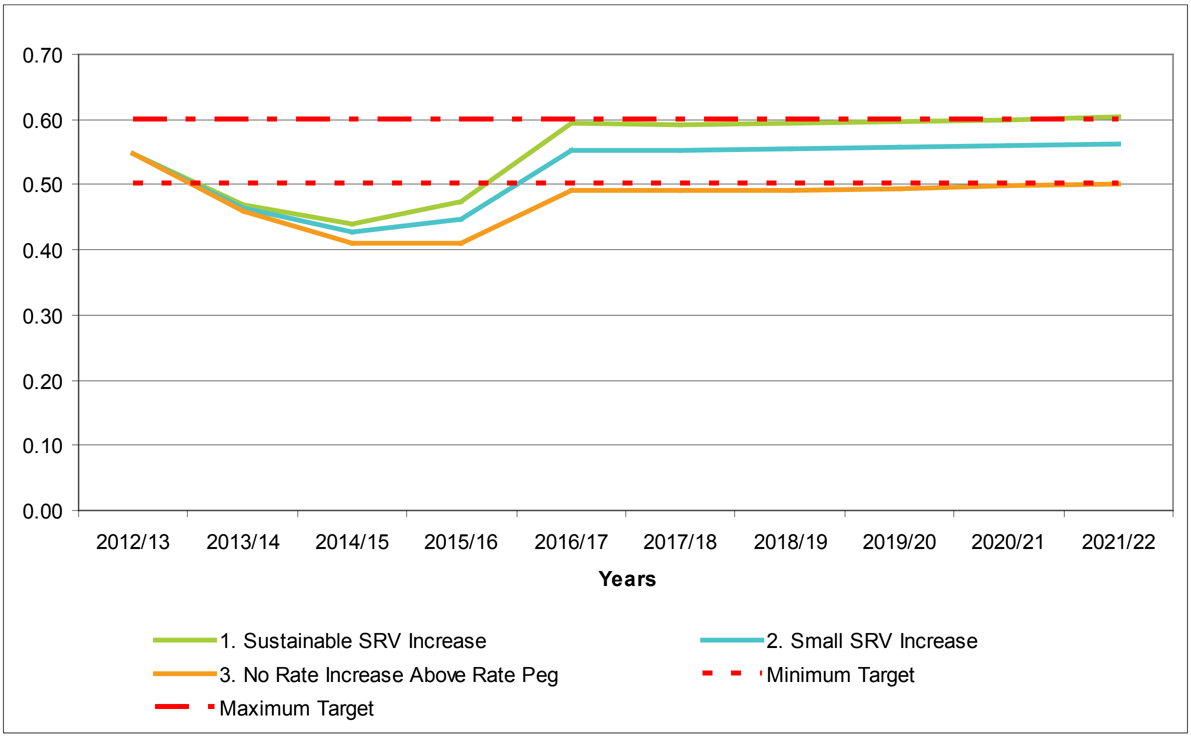
The Net Operating Result for each year (before Capital Grants) has been displayed in dollar values and demonstrates in a similar manner to the Operating Balance Ratio, that Council is not able to achieve surpluses on a long term basis without a Sustainable SRV. This is apart from the early years of the LTFP when income is increased due to asset sales for the City Hub project.



The amounts available for capital expenditure on asset renewal are reflected in the surpluses shown particularly in the Sustainable SRV Increase Scenario 1.

Rates and Annual Charges Coverage Ratio

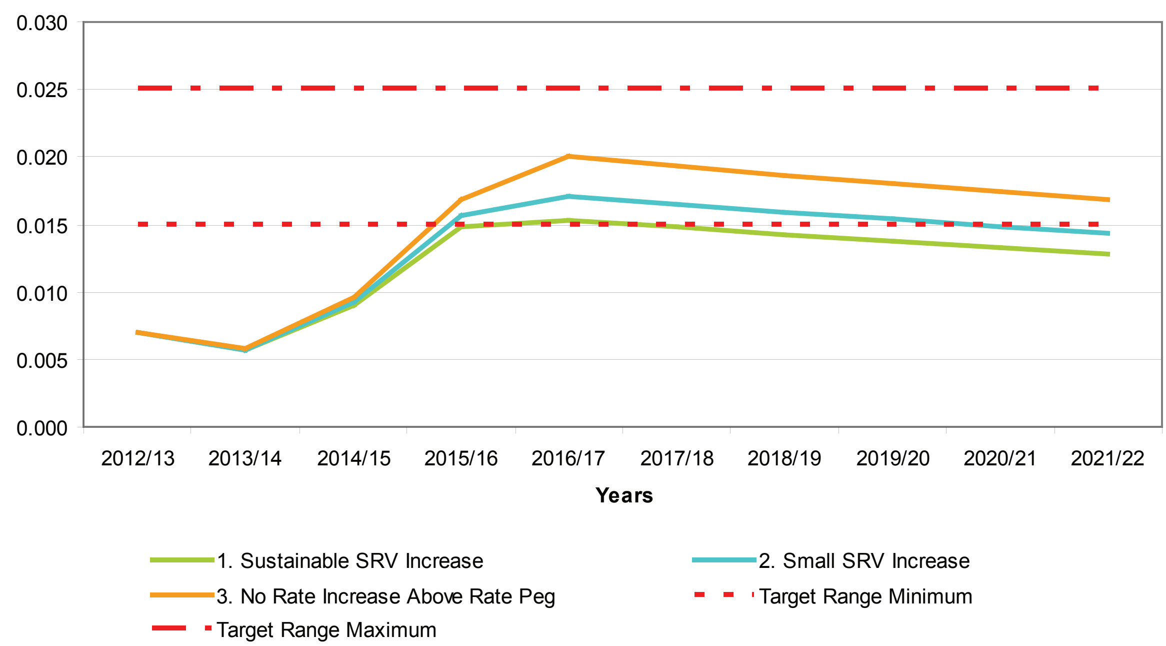
This ratio shows Council's rates and annual charges as a percentage of Operating Revenue and is used to assess the degree of Council's dependence upon revenue from rates and charges and also to assess the security of Council's income.



The lower ratio in the early years is the result of the one off asset sales that occur in those years. After that time, larger percentage of rates in operating revenue will be used to fund Council's asset backlog.

Debt Service Ratio

The Debt Service Ratio is used to assess the impact of loan principal and interest repayments on the discretionary revenue of Council. It is calculated by taking the loan principle and interest divided by operating revenue (after capital grants and contributions, and specific purpose operating grants).

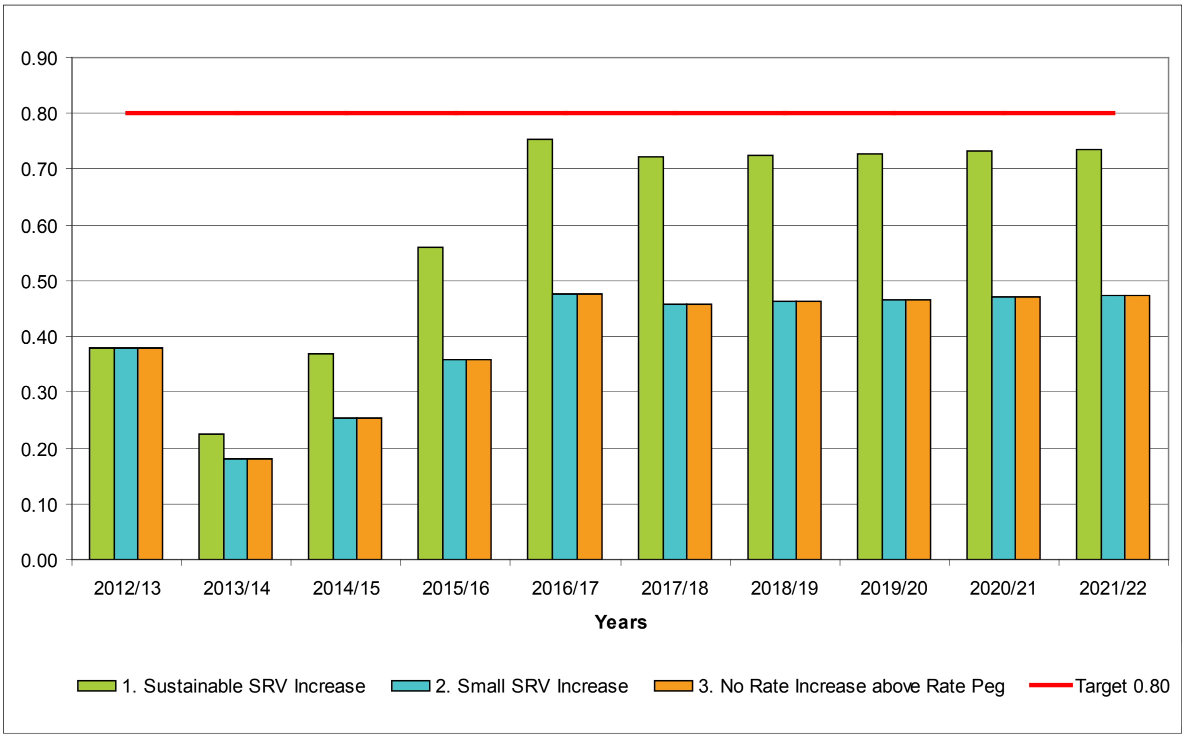


Council is able to remain in the target range in each of the three scenarios. Towards the final years of the LTFP, there is additional borrowing capacity shown under the Sustainable SRV Increase Scenario 1.

Please note the financial assets (including loans) incorporated in the LTFP data have been discounted.

Building and Infrastructure Renewal Ratio

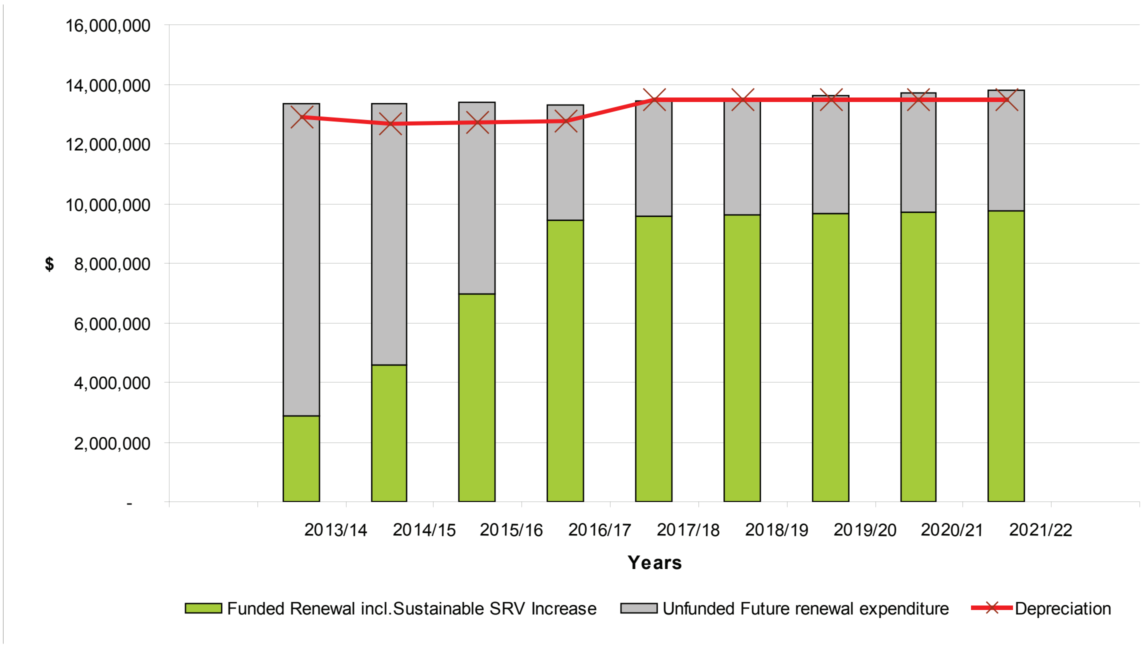
This ratio measures the extent to which assets are being renewed compared to the amount of consumption (depreciation). A ratio greater than 1.00 (or 100%) means that Council is investing in renewal of its assets to a degree that offsets the current consumption of its assets.



The results of this ratio demonstrate that Council's Building and Infrastructure Renewals ratio will move closer to the suggested industry benchmark and state average of 0.80 only under the Sustainable SRV Increase Scenario 1, for this key financial indicator. This scenario will allow renewal of Council's assets and significantly reduce Council's asset backlog.

Projected Building & Infrastructure Asset Renewals

This is another way to graphically demonstrate the impact in dollar terms, of the Building & Infrastructure Renewal Ratio for the Sustainable SRV Increase Scenario 1. The green area displays the additional capital renewal expenditure under the Sustainable SRV Increase and the grey shading shows the renewal expenditure that remains unfunded and not planned at present. Depreciation is shown as the red line along the top of the graph.



The graph shows that with the additional funding from a Sustainable SRV Increase, Council will be close to achieving the funding required for renewal of assets, in line the 0.80 target set for this ratio in the Sustainable Financial Strategy. Reaching a renewal of assets that is closer to 100% is not considered necessary for Council in the management of long life assets.

Recommendations

To achieve the priorities of the Long Term Financial Plan the following Actions from the Operational Plan 2013/14 will be undertaken:

1. Implement Council's Sustainable Financial Strategy (4.2.3.6)
2. Carry out a formal service review process for Council operations (4.2.2.2)

The Three Scenarios in further detail:

For each scenario, further information regarding proposed changes to revenue, expenditure and asset renewal are detailed, as well as the forecast impact on the Building and Infrastructure Renewal Ratio.

After that a Sensitivity Analysis, Consolidated Income Statement, Balance Sheet, Statement of Cash Flow and Projected Capital Program, are included for each scenario.

Sustainable SRV Increase - Scenario 1

In the Sustainable SRV Increase Scenario, a program of infrastructure renewal has been included in the LTFP but this is dependent upon Council adjusting one of its main levers - increased rates income.

The proposed increases to rates until 2016/17 under this scenario are as follows: 8.4% in 2013/14, 9% in 2014/15, 10% in 2015/16 & in 2016/17 an increase of 10%. This is Council's planned scenario. These percentages incorporate rate peg increases projected at 3%, however in the LTFP model, increases do not include the rate peg and are included in "real" 2013 dollars. The increases in the model for Scenario 1 (excluding the rate peg) are therefore 5.4% in 2013/14, 6% in 2014/15, 7% in 2015/16 and 7% in 2016/17.

The proposed increase to rates will enable Council to achieve, over a four year period, a Buildings and Infrastructure Asset Renewal Ratio of approximately 0.80. The additional income raised over the four year period would remain in the rate base on a permanent basis and be separately quarantined each year for funding of infrastructure asset renewal purposes.

Sensitivity Analysis

Sustainable SRV Increase - Scenario 1

Sensitivity Analysis - Sustainable Increase SRV	2012/13 *($000)*	2013/14 *($000)*	2014/15 *($000)*	2015/16 *($000)*	2016/17 *($000)*
Revenue Item					
A 1% decrease in Rates and Annual charges	351	371	410	474	564
A 1% decrease in User Charges and Fees	136	154	187	156	157
A 1% decrease in Interest and Investment Revenue	29	22	20	19	18
A 1% decrease in Other Revenues	17	18	20	19	19
Expense Item					
A 1% increase in Employee Benefits and On Costs	275	298	296	296	302
A 1% increase in Materials and Contracts	130	136	152	139	131
A 1% increase in future Loan Interest (interest rate in model plus 1%)	0	0	41	105	104

Sensitivity Analysis - Sustainable Increase SRV	2017/18 *($000)*	2018/19 *($000)*	2019/20 *($000)*	2020/21 *($000)*	2021/22 *($000)*
Revenue Item					
A 1% decrease in Rates and Annual charges	571	579	587	594	602
A 1% decrease in User Charges and Fees	158	158	159	160	161
A 1% decrease in Interest and Investment Revenue	18	17	17	17	16
A 1% decrease in Other Revenues	19	21	22	21	20

Expense Item					
A 1% increase in Employee Benefits and On Costs	303	305	306	307	308
A 1% increase in Materials and Contracts	129	129	129	129	129
A 1% increase in future Loan Interest (interest rate in model plus 1%)	100	96	92	88	84

Consolidated Income Statement

Sustainable SRV Increase - Scenario 1

	Actual 2012 $ '000	Budget 2013 $ '000	Projected 2014 $ '000	Projected 2015 $ '000	Projected 2016 $ '000	Projected 2017 $ '000	Projected 2018 $ '000	Projected 2019 $ '000	Projected 2020 $ '000	Projected 2021 $ '000	Projected 2022 $ '000
Operating Revenue											
Rates & Annual Charges	33,486	35,134	37,147	40,984	47,416	56,365	57,099	57,875	58,663	59,415	60,180
User Charges & Fees	16,495	13,592	15,378	18,706	15,613	15,684	15,756	15,829	15,902	15,977	16,052
Grants & Contributions provided for Operating Purposes	10,014	8,197	8,332	8,369	8,406	8,444	8,482	8,521	8,561	8,601	8,641
Grants & Contributions provided for Capital Purposes	12,361	2,633	10,626	11,206	12,126	10,626	11,126	11,126	11,126	11,126	11,126
Interest and Investment Revenue	3,474	2,880	2,207	2,031	1,862	1,820	1,779	1,739	1,700	1,662	1,624
Other Revenue	2,549	1,742	1,824	1,987	1,864	1,897	1,911	2,118	2,191	2,068	2,002
Net gains for the disposal of assets	283	-	3,693	9,698	12,865	164	164	164	164	164	164
Total Operating Revenue	**78,661**	**64,177**	**79,207**	**92,981**	**100,152**	**95,000**	**96,317**	**97,372**	**98,307**	**99,013**	**99,789**
Operating Expenses											
Employee Benefits and On-Costs	27,881	27,470	29,773	29,605	29,629	30,201	30,251	30,451	30,627	30,677	30,752
Materials and Contracts	15,671	12,968	13,571	15,164	13,906	13,092	12,850	12,858	12,866	12,874	12,882
Depreciation	16,720	16,206	17,033	16,735	16,795	16,864	17,858	17,858	17,858	17,858	17,858
Borrowing Costs	493	718	671	916	1,296	1,282	1,255	1,229	1,203	1,179	1,155
Other Expenses	11,955	13,789	14,665	15,532	16,052	16,504	16,678	17,058	17,243	17,633	17,727
Total Operating Expenses	**72,721**	**71,151**	**75,713**	**77,952**	**77,678**	**77,944**	**78,892**	**79,454**	**79,797**	**80,221**	**80,374**
Operating Surplus / (Deficit)	**5,940**	**(6,973)**	**3,494**	**15,029**	**22,474**	**17,056**	**17,425**	**17,918**	**18,510**	**18,792**	**19,415**
Physical Resources Free of Charge											
Amounts specifically for new or upgraded assets											
Asset disposal & fair value adjustments											
Net Surplus / (Deficit)	**5,940**	**(6,973)**	**3,494**	**15,029**	**22,474**	**17,056**	**17,425**	**17,918**	**18,510**	**18,792**	**19,415**
Other Comprehensive Income											
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	**(6,421)**	**(9,606)**	**(7,133)**	**3,823**	**10,348**	**6,430**	**6,299**	**6,792**	**7,384**	**7,665**	**8,289**

Balance Sheet

Sustainable SRV Increase - Scenario 1

	Actual 2012 $ '000	Budget 2013 $ '000	Projected 2014 $ '000	Projected 2015 $ '000	Projected 2016 $ '000	Projected 2017 $ '000	Projected 2018 $ '000	Projected 2019 $ '000	Projected 2020 $ '000	Projected 2021 $ '000	Projected 2022 $ '000
ASSETS											
Current Assets											
Cash & Cash equivalents	10,638	6,241	7,899	8,157	8,171	8,114	7,796	7,980	8,243	8,056	7,837
Investments	25,368	26,874	23,650	20,832	20,407	21,403	25,738	13,568	27,903	27,486	25,320
Receivables	4,987	5,984	5,939	5,890	5,833	5,766	5,697	5,631	5,560	5,489	5,419
Inventories	2,015	2,001	2,002	1,989	482	482	482	482	482	482	482
Other	512	508	512	512	512	512	512	512	512	512	512
Non-current assets classified as held for sale	359	359	350	-	-	-	-	-	-	-	-
Total Current Assets	**43,879**	**41,967**	**40,352**	**37,380**	**35,405**	**36,277**	**40,225**	**28,173**	**42,700**	**42,025**	**39,570**
Non Current Assets											
Investments	20,950	20,000	20,000	20,000	15,000	20,000	25,000	50,000	50,000	60,000	65,000
Receivables	667	667	667	667	667	677	677	677	677	677	677
Inventories	-	-	-	-	-	-	-	-	-	-	-
Infrastructure, Property, Plant & Equipment	683,088	668,537	673,842	695,143	730,482	741,862	750,375	755,385	759,411	768,924	785,845
Investments accounted for using equity method	-	-	-	-	-	-	-	-	-	-	-
Investment Property	20,164	20,114	19,252	19,252	18,460	18,460	18,460	18,460	18,460	18,460	18,460
Intangible assets	82	83	82	82	82	82	82	82	82	82	82
Other	-	-	-	-	-	-	-	-	-	-	-
Total Non Current Assets	**724,951**	**709,402**	**713,843**	**735,144**	**764,691**	**781,081**	**794,594**	**824,604**	**828,630**	**848,143**	**870,064**
Total Assets	**768,830**	**751,368**	**754,195**	**772,524**	**800,096**	**817,358**	**834,819**	**852,777**	**871,330**	**890,168**	**909,634**
LIABILITIES											
Current Liabilities											
Payables	4,592	4,100	4,592	4,592	4,592	4,592	4,592	4,592	4,592	4,592	4,592
Borrowings	-	233	249	368	560	584	602	621	641	661	375
Provisions	11,611	12,006	11,611	11,611	11,611	11,611	11,611	11,611	11,611	11,611	11,611
Total Current Liabilities	**16,203**	**16,339**	**16,452**	**16,571**	**16,763**	**16,787**	**16,805**	**16,824**	**16,844**	**16,864**	**16,578**
Non Current Liabilities											
Payables	-	-	-	-	-	-	-	-	-	-	-
Borrowings	-	2,550	1,936	4,558	8,885	8,467	7,865	7,244	6,603	5,942	5,567
Provisions	9,128	9,716	9,550	10,109	10,688	11,287	11,907	12,549	13,213	13,900	14,612
Total Non Current Liabilities	**9,128**	**12,266**	**11,486**	**14,667**	**19,573**	**19,754**	**19,772**	**19,793**	**19,816**	**19,842**	**20,179**
Total Liabilities	**25,331**	**28,605**	**27,938**	**31,238**	**36,336**	**36,541**	**36,577**	**36,617**	**36,660**	**36,706**	**36,757**
Net Assets	**743,499**	**722,763**	**726,257**	**741,286**	**763,760**	**780,817**	**798,242**	**816,160**	**834,670**	**853,462**	**872,877**
EQUITY											
Retained earnings	355,812	335,076	338,570	353,599	376,073	393,130	410,555	428,473	446,983	465,775	485,190
Revaluation reserves	387,687	387,687	387,687	387,687	387,687	387,687	387,687	387,687	387,687	387,687	387,687
Council equity interest	743,499	722,763	726,257	741,286	763,760	780,817	798,242	816,160	834,670	853,462	872,877
Minority equity interest	-	-	-	-	-	-	-	-	-	-	-
Total Equity	**743,499**	**722,763**	**726,257**	**741,286**	**763,760**	**780,817**	**798,242**	**816,160**	**834,670**	**853,462**	**872,877**

Statement of Cashflow

Sustainable SRV Increase - Scenario 1

	Actual 2012 $ '000	Budget 2013 $ '000	Projected 2014 $ '000	Projected 2015 $ '000	Projected 2016 $ '000	Projected 2017 $ '000	Projected 2018 $ '000	Projected 2019 $ '000	Projected 2020 $ '000	Projected 2021 $ '000	Projected 2022 $ '000
Cash Flows From Operating Activities											
Receipts											
Rates & annual charges	33,419	35,096	37,104	40,934	47,360	56,297	57,031	57,808	58,593	59,344	60,110
User charges & fees	18,634	13,592	15,378	18,706	15,613	15,684	15,756	15,829	15,902	15,977	16,052
Investment revenue & interest	3,501	2,880	2,207	2,031	1,862	1,820	1,779	1,739	1,700	1,662	1,624
Grants and contributions	12,278	9,830	9,958	10,575	11,532	10,070	10,608	10,647	10,687	10,727	10,767
Other	3,002	1,642	1,824	1,987	1,864	1,897	1,911	2,118	2,191	2,068	2,002
Payments											
Employee benefits & on-costs	(28,778)	(26,719)	(29,314)	(29,149)	(29,173)	(29,736)	(29,785)	(29,983)	(30,156)	(30,205)	(30,279)
Materials & contracts	(17,167)	(13,187)	(13,571)	(15,164)	(13,906)	(13,092)	(12,850)	(12,858)	(12,866)	(12,874)	(12,882)
Borrowing costs		(196)	(131)	(357)	(718)	(683)	(635)	(587)	(539)	(491)	(444)
Other	(12,131)	(13,528)	(14,665)	(15,532)	(16,052)	(16,504)	(16,678)	(17,058)	(17,243)	(17,633)	(17,727)
Net cash provided by (or used in) operating activities	**12,758**	**9,410**	**8,790**	**14,031**	**18,382**	**25,753**	**27,137**	**27,655**	**28,269**	**28,575**	**29,223**
Cash Flows From Investing Activities											
Receipts											
Sale of investments	20,848	14,575	18,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000
Sale of investment property	-	-	4,000	-	2,000	-	-	-	-	-	-
Sale of real estate assets	-	-	450	650	13,000	-	-	-	-	-	-
Sale of infrastructure, property, plant and equipment	732	816	988	15,899	912	931	807	729	897	1,151	689
Payments											
Purchase of investments	(19,649)	(17,000)	(16,000)	(14,500)	(12,750)	(22,250)	(25,500)	(29,000)	(30,500)	(25,750)	(19,000)
Purchase of infrastructure, property, plant and equipment	(10,346)	(10,431)	(14,327)	(35,743)	(44,045)	(20,175)	(18,178)	(14,598)	(13,782)	(19,521)	(26,468)
Other	(11)	-	-	-	-	-	-	-	-	-	-
Net cash provided by (or used in) investing activities	**(8,426)**	**(12,040)**	**(6,889)**	**(17,694)**	**(24,883)**	**(25,494)**	**(26,871)**	**(26,869)**	**(27,385)**	**(28,121)**	**(28,780)**
Cash Flows From Financing Activities											
Receipts											
Borrowings & advances	-	3,000	-	4,279	7,058	250	-	-	-	-	-
Payments											
Borrowing & advances	-	(217)	(243)	(358)	(543)	(566)	(584)	(602)	(621)	(641)	(661)
Lease Liabilities											
Net cash provided by (or used in) financing activities	**-**	**2,783**	**(243)**	**3,921**	**6,515**	**(316)**	**(584)**	**(602)**	**(621)**	**(641)**	**(661)**
Net increase / (decrease) in cash & cash equivalents	**4,332**	**153**	**1,658**	**258**	**14**	**(57)**	**(318)**	**184**	**263**	**(187)**	**(218)**
Cash & cash equivalents at beginning of reporting period	**6,306**	**6,088**	**6,241**	**7,899**	**8,157**	**8,171**	**8,114**	**7,796**	**7,980**	**8,243**	**8,056**
Cash & cash equivalents at end of reporting period	**10,638**	**6,241**	**7,899**	**8,157**	**8,171**	**8,114**	**7,796**	**7,980**	**8,243**	**8,056**	**7,837**

Capital Works Program 2012/13 to 2021/22 for Renewal and New Assets

Sustainable SRV Increase - Scenario 1

Asset Name *(& Planned Renewal Year)*	Cost	Council - General Revenue	Council - SRV (from 06/07)	Council - SRV Proposed 13/14 (Sustainable)	Stormwater Levy	Other Grants	Restricted Assets	Waste Depot Restriction	Domestic Waste Restriction	S94 - Internal Restriction	S94 - External Restriction	Loan (S94 Internal Restriction)	Total
NEW / UPGRADE ASSETS - 2012 / 13													
Waste	2,404,183	480,000					948,342		975,841				2,404,183
Buildings	279,900	179,900								100,000			279,900
Stormwater & Drainage	389,000				374,000		15,000						389,000
Plant & Assets	2,636,000	2,291,000				45,000	150,000		150,000				2,636,000
TOTAL NEW / UPGRADE	**5,709,083**	**2,950,900**			**374,000**	**45,000**	**1,113,342**		**1,125,841**	**100,000**			**5,709,083**
RENEWAL - 2012 / 13													
Waste													
Buildings	229,257		229,257										229,257
Stormwater & Drainage													
Sports & Recreation Facilities	40,000		40,000										40,000
Roads & Footpaths	4,302,645		835,486			467,160						3,000,000	4,302,645
Airport	30,000		30,000										30,000
TOTAL RENEWAL	**4,601,902**		**1,134,743**			**467,160**						**3,000,000**	**4,601,902**
TOTAL	**10,310,985**	**2,950,900**	**1,134,743**		**374,000**	**512,160**	**1,113,342**		**1,125,841**	**100,000**		**3,000,000**	**10,310,985**
NEW / UPGRADE ASSETS - 2013 / 14													
Waste	2,669,408							1,601,645	1,067,763				2,669,408
Buildings	3,565,500	3,565,500											3,565,500
Stormwater & Drainage	649,023				649,023								649,023
Sports & Recreation Facilities	838,177										838,177		838,177
Roads & Footpaths	182,500										182,500		182,500
Airport													
Plant & Assets	3,417,000	3,072,000				45,000	150,000		150,000				3,417,000
TOTAL NEW / UPGRADE	**11,321,608**	**6,637,500**			**649,023**	**45,000**	**150,000**	**1,601,645**	**1,217,763**		**1,020,677**		**11,321,608**
RENEWAL - 2013 / 14													
Waste													
Buildings	409,447		239,518	169,929									409,447
Stormwater & Drainage	733,948		227,306	506,642									733,948
Sports & Recreation Facilities	153,800		121,807	31,993									153,800
Roads & Footpaths	1,707,747		554,456	719,131		434,160							1,707,747
Airport													
TOTAL RENEWAL	**3,004,942**		**1,143,088**	**1,427,694**		**434,160**							**3,004,942**
TOTAL	**14,326,550**	**6,637,500**	**1,143,088**	**1,427,694**	**649,023**	**479,160**	**150,000**	**1,601,645**	**1,217,763**		**1,020,677**		**14,326,550**
NEW / UPGRADE ASSETS - 2014 / 15													
Waste	1,825,000	25,000				580,000		780,000	440,000				1,825,000
Buildings	24,013,000	15,534,500								1,200,000	3,000,000	4,278,500	24,013,000
Stormwater & Drainage	531,023				531,023								531,023
Sports & Recreation Facilities													
Roads & Footpaths	350,000										350,000		350,000
Plant & Assets	4,186,000	3,691,000				45,000	300,000		150,000				4,186,000
TOTAL NEW / UPGRADE	**30,905,023**	**19,250,500**			**531,023**	**625,000**	**300,000**	**780,000**	**590,000**	**1,200,000**	**3,350,000**	**4,278,500**	**30,905,023**

RENEWAL - 2014 / 15													
Waste													
Buildings	728,882		228,655	500,228									728,882
Stormwater & Drainage	1,240,796		431,199	809,597									1,240,796
Sports & Recreation Facilities	247,957		64,327	183,630									247,957
Roads & Footpaths	2,619,905		442,394	1,754,351		423,160							2,619,905
Airport													
TOTAL RENEWAL	**4,837,540**		**1,166,575**	**3,247,805**		**423,160**							**4,837,540**
TOTAL	**35,742,563**	**19,250,500**	**1,166,575**	**3,247,805**	**531,023**	**1,048,160**	**300,000**	**780,000**	**590,000**	**1,200,000**	**3,350,000**	**4,278,500**	**35,742,563**
NEW / UPGRADE ASSETS - 2015 / 16													
Waste	1,093,400							656,040	437,360				1,093,400
Buildings	25,558,000	14,000,000				1,500,000					3,000,000	7,058,000	25,558,000
Stormwater & Drainage	536,023				536,023								536,023
Sports & Recreation Facilities	2,453,230										2,453,230		2,453,230
Roads & Footpaths	300,000										300,000		300,000
Plant & Assets	6,788,261	5,124,000				45,000	150,000		1,469,261				6,788,261
TOTAL NEW / UPGRADE	**36,728,914**	**19,124,000**			**536,023**	**1,545,000**	**150,000**	**656,040**	**1,906,621**		**5,753,230**	**7,058,000**	**36,728,914**
RENEWAL - 2015 / 16													
Waste													
Buildings	1,102,700		241,164	861,536									1,102,700
Stormwater & Drainage	1,816,982		440,598	1,376,385									1,816,982
Sports & Recreation Facilities	307,989		67,004	240,985									307,989
Roads & Footpaths	4,049,380		516,626	3,103,094		429,660							4,049,380
Airport													
TOTAL RENEWAL	**7,277,051**		**1,265,392**	**5,581,999**		**429,660**							**7,277,051**
TOTAL	**44,005,965**	**19,124,000**	**1,265,392**	**5,581,999**	**536,023**	**1,974,660**	**150,000**	**656,040**	**1,906,621**		**5,753,230**	**7,058,000**	**44,005,965**
NEW / UPGRADE ASSETS - 2016 / 17													
Waste	2,010,318							1,206,191	804,127				2,010,318
Buildings	1,722,601									610,949	861,651	250,000	1,722,601
Stormwater & Drainage	536,023				536,023								536,023
Sports & Recreation Facilities	2,450,116									746,454	1,703,662		2,450,116
Roads & Footpaths	300,000										300,000		300,000
Plant & Assets	3,240,000	2,945,000				45,000	150,000		100,000				3,240,000
TOTAL NEW / UPGRADE	**10,259,058**	**2,945,000**			**536,023**	**45,000**	**150,000**	**1,206,191**	**904,127**	**1,357,404**	**2,865,313**	**250,000**	**10,259,058**
RENEWAL - 2016 / 17													
Waste													
Buildings	1,483,993		247,186	1,236,808									1,483,993
Stormwater & Drainage	2,495,033		524,083	1,970,950									2,495,033
Sports & Recreation Facilities	480,089		72,588	407,501									480,089
Roads & Footpaths	5,456,905		466,002	4,561,243		429,660							5,456,905
Airport													
TOTAL RENEWAL	**9,916,021**		**1,309,859**	**8,176,502**		**429,660**							**9,916,021**
TOTAL	**20,175,079**	**2,945,000**	**1,309,859**	**8,176,502**	**536,023**	**474,660**	**150,000**	**1,206,191**	**904,127**	**1,357,404**	**2,865,313**	**250,000**	**20,175,079**
NEW / UPGRADE ASSETS - 2017 / 18													
Waste													
Buildings	2,069,203									598,995	1,470,208		2,069,203
Stormwater & Drainage	533,023				533,023								533,023
Sports & Recreation Facilities	1,449,116										1,449,116		1,449,116
Roads & Footpaths	573,579									28,543	545,036		573,579
Plant & Assets	3,539,000	3,194,000				45,000	150,000		150,000				3,539,000
TOTAL NEW / UPGRADE	**8,163,921**	**3,194,000**			**533,023**	**45,000**	**150,000**		**150,000**	**627,537**	**3,464,361**		**8,163,921**

RENEWAL - 2017 / 18													
Waste													
Buildings	1,436,829		242,355	1,194,474									1,436,829
Stormwater & Drainage	2,817,298		476,966	2,340,333									2,817,298
Sports & Recreation Facilities	452,467		79,326	373,142									452,467
Roads & Footpaths	5,307,482		529,931	4,348,551		429,000							5,307,482
Airport													
TOTAL RENEWAL	**10,014,077**		**1,328,577**	**8,256,500**		**429,000**							**10,014,077**
TOTAL	**18,177,998**	**3,194,000**	**1,328,577**	**8,256,500**	**533,023**	**474,000**	**150,000**		**150,000**	**627,537**	**3,464,361**		**18,177,998**
NEW / UPGRADE ASSETS - 2018 / 19													
Waste													
Buildings													
Stormwater & Drainage	531,023				531,023								531,023
Sports & Recreation Facilities													
Roads & Footpaths													
Plant & Assets	4,004,000	3,659,000				45,000	150,000		150,000				4,004,000
TOTAL NEW / UPGRADE	**4,535,023**	**3,659,000**			**531,023**	**45,000**	**150,000**		**150,000**				**4,535,023**
RENEWAL - 2018 / 19													
Waste													
Buildings	1,443,418		249,295	1,194,123									1,443,418
Stormwater & Drainage	2,831,785		491,067	2,340,718									2,831,785
Sports & Recreation Facilities	454,550		81,430	373,121									454,550
Roads & Footpaths	5,333,029		555,492	4,348,538		429,000							5,333,029
Airport													
TOTAL RENEWAL	**10,062,783**		**1,377,283**	**8,256,500**		**429,000**							**10,062,783**
TOTAL	**14,597,806**	**3,659,000**	**1,377,283**	**8,256,500**	**531,023**	**474,000**	**150,000**		**150,000**				**14,597,806**
NEW / UPGRADE ASSETS - 2019 / 20													
Waste													
Buildings													
Stormwater & Drainage	530,023				530,023								530,023
Sports & Recreation Facilities													
Roads & Footpaths													
Plant & Assets	3,139,000	2,794,000				45,000	150,000		150,000				3,139,000
TOTAL NEW / UPGRADE	**3,669,023**	**2,794,000**			**530,023**	**45,000**	**150,000**		**150,000**				**3,669,023**
RENEWAL - 2019 / 20													
Waste													
Buildings	1,450,633		256,474	1,194,159									1,450,633
Stormwater & Drainage	2,846,380		505,618	2,340,762									2,846,380
Sports & Recreation Facilities	456,707		83,581	373,126									456,707
Roads & Footpaths	5,359,471		582,019	4,348,453		429,000							5,359,471
Airport													
TOTAL RENEWAL	**10,113,192**		**1,427,692**	**8,256,500**		**429,000**							**10,113,192**
TOTAL	**13,782,215**	**2,794,000**	**1,427,692**	**8,256,500**	**530,023**	**474,000**	**150,000**		**150,000**				**13,782,215**
NEW / UPGRADE ASSETS - 2020 / 21													
Waste	914,000							548,400	365,600				914,000
Buildings													
Stormwater & Drainage	530,023				530,023								530,023
Sports & Recreation Facilities													
Roads & Footpaths	2,667,000									2,517,000	150,000		2,667,000
Plant & Assets	5,245,000	4,900,000				45,000	150,000		150,000				5,245,000
TOTAL NEW / UPGRADE	**9,356,023**	**4,900,000**			**530,023**	**45,000**	**150,000**	**548,400**	**515,600**	**2,517,000**	**150,000**		**9,356,023**

RENEWAL - 2020 / 21													
Waste													
Buildings	1,458,101		263,944	1,194,157									1,458,101
Stormwater & Drainage	2,861,487		520,695	2,340,792									2,861,487
Sports & Recreation Facilities	458,940		85,822	373,118									458,940
Roads & Footpaths	5,386,839		609,405	4,348,433		429,000							5,386,839
Airport													
TOTAL RENEWAL	**10,165,367**		**1,479,867**	**8,256,500**		**429,000**							**10,165,367**
TOTAL	**19,521,390**	**4,900,000**	**1,479,867**	**8,256,500**	**530,023**	**474,000**	**150,000**	**548,400**	**515,600**	**2,517,000**	**150,000**		**19,521,390**
NEW / UPGRADE ASSETS - 2021 / 22													
Waste	1,782,216							1,069,330	712,886				1,782,216
Buildings	4,629,792									1,749,633	2,880,159		4,629,792
Stormwater & Drainage	531,023				531,023								531,023
Sports & Recreation Facilities	1,642,979										1,642,979		1,642,979
Roads & Footpaths	2,667,000									2,517,000	150,000		2,667,000
Plant & Assets	4,996,000	4,651,000				45,000	150,000		150,000				4,996,000
TOTAL NEW / UPGRADE	**16,249,010**	**4,651,000**			**531,023**	**45,000**	**150,000**	**1,069,330**	**862,886**	**4,266,633**	**4,673,138**		**16,249,010**
RENEWAL - 2021 / 2022													
Waste													
Buildings	1,465,830		271,674	1,194,156									1,465,830
Stormwater & Drainage	2,877,121		536,299	2,340,822									2,877,121
Sports & Recreation Facilities	461,251		87,961	373,290									461,251
Roads & Footpaths	5,415,165		637,932	4,348,233		429,000							5,415,165
Airport													
TOTAL RENEWAL	**10,219,367**		**1,533,867**	**8,256,500**		**429,000**							**10,219,367**
TOTAL	**26,468,377**	**4,651,000**	**1,533,867**	**8,256,500**	**531,023**	**474,000**	**150,000**	**1,069,330**	**862,886**	**4,266,633**	**4,673,138**		**26,468,377**

Small SRV Increase - Scenario 2

Scenario 2 in Council's LTFP incorporates rate revenue from a Small SRV. In this scenario additional rate revenue from a SRV, less than the Sustainable SRV, will enable Council to work towards an improved Buildings and Infrastructure Asset Renewal Ratio, with the aim of achieving a 0.50 Ratio by the 2016/17 financial year.

The proposed increases to rates until 2016/17 under this scenario are as follows: 6.4% in 2013/14, 6% in 2014/15, 7% in 2015/16 & in 2016/17 an increase of 7.5%. These percentages incorporate rate peg increases projected at 3%, however in the LTFP model, increases do not include the rate peg and are included in "real" 2013 dollars. The increases in the model for Scenario 2 (excluding the rate peg) are therefore 3.4% in 2013/14, 3.0% in 2014/15, 4% in 2015/16 and 4.5% in 2016/17.

The additional income raised over the four year period would remain in the rate base on a permanent basis and be separately quarantined each year for funding of infrastructure asset renewal purposes.

Sensitivity Analysis

Small SRV Increase - Scenario 2

Sensitivity Analysis - Small Increase SRV	2012/13 ($000)	2013/14 ($000)	2014/15 ($000)	2015/16 ($000)	2016/17 ($000)
Revenue Item					
A 1% decrease in Rates and Annual charges	351	366	389	426	478
A 1% decrease in User Charges and Fees	136	154	187	156	157
A 1% decrease in Interest and Investment Revenue	29	22	20	19	18
A 1% decrease in Other Revenues	17	18	20	19	19
Expense Item					
A 1% increase in Employee Benefits and On Costs	275	298	296	296	302
A 1% increase in Materials and Contracts	130	136	152	139	131
A 1% increase in future Loan Interest (interest rate in model plus 1%)	0	0	41	105	104

Sensitivity Analysis - Small Increase SRV	*2017/18 ($000)*	*2018/19 ($000)*	*2019/20 ($000)*	*2020/21 ($000)*	*2021/22 ($000)*
Revenue Item					
A 1% decrease in Rates and Annual charges	485	491	498	504	510
A 1% decrease in User Charges and Fees	158	158	159	160	161
A 1% decrease in Interest and Investment Revenue	18	17	17	17	16
A 1% decrease in Other Revenues	19	21	22	21	20
Expense Item					
A 1% increase in Employee Benefits and On Costs	303	305	306	307	308
A 1% increase in Materials and Contracts	129	129	129	129	129
A 1% increase in future Loan Interest (interest rate in model plus 1%)	100	96	92	88	84

Consolidated Income Statement

Small SRV Increase - Scenario 2

	Actual 2012 $ '000	Budget 2013 $ '000	Projected 2014 $ '000	Projected 2015 $ '000	Projected 2016 $ '000	Projected 2017 $ '000	Projected 2018 $ '000	Projected 2019 $ '000	Projected 2020 $ '000	Projected 2021 $ '000	Projected 2022 $ '000
Operating Revenue											
Rates & Annual Charges	33,486	35,134	36,576	38,865	42,648	47,839	48,455	49,110	49,774	50,401	51,040
User Charges & Fees	16,495	13,592	15,378	18,706	15,613	15,684	15,756	15,829	15,902	15,977	16,052
Grants & Contributions provided for Operating Purposes	10,014	8,197	8,332	8,369	8,406	8,444	8,482	8,521	8,561	8,601	8,641
Grants & Contributions provided for Capital Purposes	12,361	2,633	10,626	11,206	12,126	10,626	11,126	11,126	11,126	11,126	11,126
Interest and Investment Revenue	3,474	2,880	2,207	2,031	1,862	1,820	1,779	1,739	1,700	1,662	1,624
Other Revenue	2,549	1,742	1,824	1,987	1,864	1,897	1,911	2,119	2,192	2,068	2,001
Net gains for the disposal of assets	283	-	3,693	9,698	12,865	164	164	164	164	164	164
Total Operating Revenue	**78,661**	**64,178**	**78,636**	**90,862**	**95,384**	**86,474**	**87,673**	**88,608**	**89,419**	**89,999**	**90,648**
Operating Expenses											
Employee Benefits and On-Costs	27,881	27,470	29,773	29,605	29,629	30,201	30,251	30,451	30,627	30,678	30,752
Materials and Contracts	15,671	12,968	13,571	15,164	13,906	13,092	12,850	12,858	12,866	12,874	12,882
Depreciation	16,720	16,206	17,020	16,695	16,732	16,769	17,766	17,766	17,766	17,766	17,766
Borrowing Costs	493	718	671	916	1,296	1,282	1,255	1,229	1,203	1,179	1,155
Other Expenses	11,955	13,789	14,665	15,532	16,052	16,503	16,678	17,058	17,243	17,632	17,726
Total Operating Expenses	**72,721**	**71,151**	**75,700**	**77,912**	**77,615**	**77,847**	**78,800**	**79,362**	**79,705**	**80,129**	**80,281**
Operating Surplus / (Deficit)	**5,940**	**(6,973)**	**2,936**	**12,950**	**17,769**	**8,627**	**8,873**	**9,246**	**9,714**	**9,870**	**10,367**
Physical Resources Free of Charge											
Amounts specifically for new or upgraded assets											
Asset disposal & fair value adjustments											
Net Surplus / (Deficit)	**5,940**	**(6,973)**	**2,936**	**12,950**	**17,769**	**8,627**	**8,873**	**9,246**	**9,714**	**9,870**	**10,367**
Other Comprehensive Income											
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	**(6,421)**	**(9,606)**	**(7,690)**	**1,744**	**5,643**	**(1,999)**	**(2,253)**	**(1,881)**	**(1,412)**	**(1,256)**	**(759)**

Balance Sheet

Small SRV Increase - Scenario 2

	Actual 2012 $ '000	Budget 2013 $ '000	Projected 2014 $ '000	Projected 2015 $ '000	Projected 2016 $ '000	Projected 2017 $ '000	Projected 2018 $ '000	Projected 2019 $ '000	Projected 2020 $ '000	Projected 2021 $ '000	Projected 2022 $ '000
ASSETS											
Current Assets											
Cash & Cash equivalents	10,638	6,241	7,898	8,070	7,968	8,321	8,043	8,146	8,206	7,941	8,267
Investments	25,368	26,874	23,648	20,326	17,889	18,615	22,931	20,743	20,055	24,367	26,181
Receivables	4,987	5,984	5,940	5,893	5,842	5,784	5,725	5,668	5,608	5,547	5,486
Inventories	2,015	2,001	2,002	1,989	482	482	482	482	482	482	482
Other	512	508	512	512	512	512	512	512	512	512	512
Non-current assets classified as held for sale	359	359	350	-	-	-	-	-	-	-	-
Total Current Assets	**43,879**	**41,967**	**40,350**	**36,790**	**32,693**	**33,714**	**37,693**	**35,551**	**34,863**	**38,849**	**40,928**
Non Current Assets											
Investments	20,950	20,000	20,000	20,000	15,000	15,000	15,000	25,000	35,000	35,000	30,000
Receivables	667	667	667	667	667	677	677	677	677	677	677
Inventories	-	-	-	-	-	-	-	-	-	-	-
Infrastructure, Property, Plant & Equipment	683,088	668,537	673,286	693,097	725,852	733,653	738,583	740,011	740,456	746,386	759,725
Investments accounted for using equity method	-	-	-	-	-	-	-	-	-	-	-
Investment Property	20,164	20,114	19,252	19,252	18,460	18,460	18,460	18,460	18,460	18,460	18,460
Intangible assets	82	83	82	82	82	82	82	82	82	82	82
Other	-	-	-	-	-	-	-	-	-	-	-
Total Non Current Assets	**724,951**	**709,402**	**713,287**	**733,098**	**760,061**	**767,872**	**772,802**	**784,230**	**794,675**	**800,605**	**808,944**
Total Assets	**768,830**	**751,368**	**753,637**	**769,888**	**792,754**	**801,586**	**810,495**	**819,781**	**829,538**	**839,454**	**849,872**
LIABILITIES											
Current Liabilities											
Payables	4,592	4,100	4,592	4,592	4,592	4,592	4,592	4,592	4,592	4,592	4,592
Borrowings	-	233	249	368	560	584	602	621	641	661	375
Provisions	11,611	12,006	11,611	11,611	11,611	11,611	11,611	11,611	11,611	11,611	11,611
Total Current Liabilities	**16,203**	**16,339**	**16,452**	**16,571**	**16,763**	**16,787**	**16,805**	**16,824**	**16,844**	**16,864**	**16,578**
Non Current Liabilities											
Payables	-	-	-	-	-	-	-	-	-	-	-
Borrowings	-	2,550	1,936	4,558	8,885	8,467	7,865	7,244	6,603	5,942	5,567
Provisions	9,128	9,716	9,550	10,109	10,688	11,287	11,907	12,549	13,213	13,900	14,612
Total Non Current Liabilities	**9,128**	**12,266**	**11,486**	**14,668**	**19,573**	**19,754**	**19,772**	**19,793**	**19,816**	**19,842**	**20,179**
Total Liabilities	**25,331**	**28,605**	**27,938**	**31,239**	**36,336**	**36,541**	**36,577**	**36,617**	**36,660**	**36,706**	**36,757**
Net Assets	**743,499**	**722,763**	**725,699**	**738,649**	**756,418**	**765,045**	**773,918**	**783,164**	**792,878**	**802,748**	**813,115**
EQUITY											
Retained earnings	355,812	335,076	338,012	350,962	368,731	377,358	386,231	395,477	405,191	415,061	425,428
Revaluation reserves	387,687	387,687	387,687	387,687	387,687	387,687	387,687	387,687	387,687	387,687	387,687
Council equity interest	743,499	722,763	725,699	738,649	756,418	765,045	773,918	783,164	792,878	802,748	813,115
Minority equity interest	-	-	-	-	-	-	-	-	-	-	-
Total Equity	**743,499**	**722,763**	**725,699**	**738,649**	**756,418**	**765,045**	**773,918**	**783,164**	**792,878**	**802,748**	**813,115**

Statement of Cashflow

Small SRV Increase - Scenario 2

	Actual 2012 $ '000	Budget 2013 $ '000	Projected 2014 $ '000	Projected 2015 $ '000	Projected 2016 $ '000	Projected 2017 $ '000	Projected 2018 $ '000	Projected 2019 $ '000	Projected 2020 $ '000	Projected 2021 $ '000	Projected 2022 $ '000
Cash Flows From Operating Activities											
Receipts											
Rates & annual charges	33,419	35,096	36,533	38,818	42,596	47,782	48,397	49,051	49,715	50,340	50,979
User charges & fees	18,634	13,592	15,378	18,706	15,613	15,684	15,756	15,829	15,902	15,977	16,052
Investment revenue & interest	3,501	2,880	2,207	2,031	1,862	1,820	1,779	1,739	1,700	1,662	1,624
Grants and contributions	12,278	9,830	9,958	10,575	11,532	10,070	10,608	10,647	10,687	10,727	10,767
Other	3,002	1,642	1,824	1,987	1,864	1,897	1,911	2,119	2,192	2,068	2,001
Payments											
Employee benefits & on-costs	(28,778)	(26,719)	(29,314)	(29,149)	(29,173)	(29,736)	(29,785)	(29,983)	(30,156)	(30,205)	(30,279)
Materials & contracts	(17,167)	(13,187)	(13,571)	(15,164)	(13,906)	(13,092)	(12,850)	(12,858)	(12,866)	(12,874)	(12,882)
Borrowing costs		(196)	(131)	(357)	(718)	(683)	(635)	(587)	(539)	(491)	(444)
Other	(12,131)	(13,528)	(14,665)	(15,532)	(16,052)	(16,503)	(16,678)	(17,058)	(17,243)	(17,632)	(17,726)
Net cash provided by (or used in) operating activities	**12,758**	**9,410**	**8,219**	**11,915**	**13,619**	**17,239**	**18,503**	**18,899**	**19,392**	**19,572**	**20,092**
Cash Flows From Investing Activities											
Receipts											
Sale of investments	20,848	14,575	18,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000
Sale of investment property	-	-	4,000	-	2,000	-	-	-	-	-	-
Sale of real estate assets	-	-	450	650	13,000	-	-	-	-	-	-
Sale of infrastructure, property, plant and equipment	732	816	988	15,899	912	931	807	729	897	1,151	689
Payments											
Purchase of investments	(19,649)	(17,000)	(16,000)	(14,000)	(10,750)	(17,000)	(20,500)	(24,000)	(25,500)	(20,500)	(13,000)
Purchase of infrastructure, property, plant and equipment	(10,346)	(10,431)	(13,757)	(34,213)	(41,398)	(16,501)	(14,503)	(10,923)	(10,108)	(15,847)	(22,794)
Other	(11)	-	-	-	-	-	-	-	-	-	-
Net cash provided by (or used in) investing activities	**(8,426)**	**(12,040)**	**(6,319)**	**(15,664)**	**(20,236)**	**(16,570)**	**(18,196)**	**(18,194)**	**(18,711)**	**(19,196)**	**(19,105)**
Cash Flows From Financing Activities											
Receipts											
Borrowings & advances	-	3,000	-	4,279	7,058	250	-	-	-	-	-
Payments											
Borrowing & advances	-	(217)	(243)	(358)	(543)	(566)	(584)	(602)	(621)	(641)	(661)
Lease Liabilities											
Net cash provided by (or used in) financing activities	**-**	**2,783**	**(243)**	**3,921**	**6,515**	**(316)**	**(584)**	**(602)**	**(621)**	**(641)**	**(661)**
Net increase / (decrease) in cash & cash equivalents	**4,332**	**153**	**1,657**	**172**	**(102)**	**353**	**(277)**	**103**	**60**	**(265)**	**326**
Cash & cash equivalents at beginning of reporting period	**6,306**	**6,088**	**6,241**	**7,898**	**8,070**	**7,968**	**8,321**	**8,043**	**8,146**	**8,206**	**7,941**
Cash & cash equivalents at end of reporting period	**10,638**	**6,241**	**7,898**	**8,070**	**7,968**	**8,321**	**8,043**	**8,146**	**8,206**	**7,941**	**8,267**

Capital Works Program 2012/13 to 2021/22 for Renewal and New Assets

Small SRV Increase - Scenario 2

Asset Name (& Planned Renewal Year)	Cost	Council - General Revenue	Council - SRV (from 06/07)	Council - SRV Proposed 13/14 (Small)	Stormwater Levy	Other Grants	Restricted Assets	Waste Depot Restriction	Domestic Waste Restriction	S94 - Internal Restriction	S94 - External Restriction	Loan (S94 Internal Restrictions)	Total
New / Upgrade Assets - 2012 / 13													
Waste	2,404,183	480,000					948,342		975,841				2,404,183
Buildings	279,900	179,900								100,000			279,900
Stormwater & Drainage	389,000				374,000		15,000						389,000
Plant & Assets	2,636,000	2,291,000				45,000	150,000		150,000				2,636,000
Total New / Upgrade	**5,709,083**	**2,950,900**			**374,000**	**45,000**	**1,113,342**		**1,125,841**	**100,000**			**5,709,083**
Renewal - 2012 / 13													
Waste													
Buildings	229,257		229,257										229,257
Stormwater & Drainage													
Sports & Recreation Facilities	40,000		40,000										40,000
Roads & Footpaths	4,302,645		835,486			467,160						3,000,000	4,302,645
Airport	30,000		30,000										30,000
Total Renewal	**4,601,902**		**1,134,743**			**467,160**						**3,000,000**	**4,601,902**
Total	**10,310,985**	**2,950,900**	**1,134,743**		**374,000**	**512,160**	**1,113,342**		**1,125,841**	**100,000**		**3,000,000**	**10,310,985**
New / Upgrade Assets - 2013 / 14													
Waste	2,669,408							1,601,645	1,067,763				2,669,408
Buildings	3,565,500	3,565,500											3,565,500
Stormwater & Drainage	649,023				649,023								649,023
Sports & Recreation Facilities	838,177										838,177		838,177
Roads & Footpaths	182,500										182,500		182,500
Airport													
Plant & Assets	3,417,000	3,072,000				45,000	150,000		150,000				3,417,000
Total New / Upgrade	**11,321,608**	**6,637,500**			**649,023**	**45,000**	**150,000**	**1,601,645**	**1,217,763**		**1,020,677**		**11,321,608**
Renewal - 2013 / 14													
Waste													
Buildings	367,085		243,280	123,805									367,085
Stormwater & Drainage	517,962		219,098	298,864									517,962
Sports & Recreation Facilities	149,235		124,432	24,803									149,235
Roads & Footpaths	1,401,160		556,278	410,722		434,160							1,401,160
Airport													
Total Renewal	**2,435,442**		**1,143,088**	**858,194**		**434,160**							**2,435,442**
Total	**13,757,050**	**6,637,500**	**1,143,088**	**58,194**	**649,023**	**479,160**	**150,000**	**1,601,645**	**1,217,763**		**1,020,677**		**13,757,050**
New / Upgrade Assets - 2014 / 15													
Waste	1,825,000	25,000				580,000		780,000	440,000				1,825,000
Buildings	24,013,000	15,534,500								1,200,000	3,000,000	4,278,500	24,013,000
Stormwater & Drainage	531,023				531,023								531,023
Sports & Recreation Facilities													
Roads & Footpaths	350,000										350,000		350,000
Plant & Assets	4,186,000	3,691,000				45,000	300,000		150,000				4,186,000
Total New / Upgrade	**30,905,023**	**19,250,500**			**531,023**	**625,000**	**300,000**	**780,000**	**590,000**	**1,200,000**	**3,350,000**	**4,278,500**	**30,905,023**

Renewal - 2014 / 15													
Waste													
Buildings	489,857		227,981	261,876									489,857
Stormwater & Drainage	875,967		433,359	442,608									875,967
Sports & Recreation Facilities	168,252		64,224	104,028									168,252
Roads & Footpaths	1,773,966		441,011	909,795		423,160							1,773,966
Airport													
Total Renewal	**3,308,041**		**1,166,575**	**1,718,306**		**423,160**							**3,308,041**
Total	**34,213,064**	**19,250,500**	**1,166,575**	**1,718,306**	**531,023**	**1,048,160**	**300,000**	**780,000**	**590,000**	**1,200,000**	**3,350,000**	**4,278,500**	**34,213,064**
New / Upgrade Assets - 2015 / 16													
Waste	1,093,400							656,040	437,360				1,093,400
Buildings	25,558,000	14,000,000				1,500,000					3,000,000	7,058,000	25,558,000
Stormwater & Drainage	536,023				536,023								536,023
Sports & Recreation Facilities	2,453,230										2,453,230		2,453,230
Roads & Footpaths	300,000										300,000		300,000
Plant & Assets	6,788,261	5,124,000				45,000	150,000		1,469,261				6,788,261
Total New / Upgrade	**36,728,914**	**19,124,000**			**536,023**	**1,545,000**	**150,000**	**656,040**	**1,906,621**		**5,753,230**	**7,058,000**	**36,728,914**
Renewal - 2015 / 16													
Waste													
Buildings	695,624		240,502	455,122									695,624
Stormwater & Drainage	958,446		429,051	529,395									958,446
Sports & Recreation Facilities	222,087		68,367	153,720									222,087
Roads & Footpaths	2,792,894		527,472	1,835,762		429,660							2,792,894
Airport													
Total Renewal	**4,669,051**		**1,265,392**	**2,973,999**		**429,660**							**4,669,051**
Total	**41,397,965**	**19,124,000**	**1,265,392**	**2,973,999**	**536,023**	**1,974,660**	**150,000**	**656,040**	**1,906,621**		**5,753,230**	**7,058,000**	**41,397,965**
New / Upgrade Assets - 2016 / 17													
Waste	2,010,318							1,206,191	804,127				2,010,318
Buildings	1,722,601									610,949	861,651	250,000	1,722,601
Stormwater & Drainage	536,023				536,023								536,023
Sports & Recreation Facilities	2,450,116									746,454	1,703,662		2,450,116
Roads & Footpaths	300,000										300,000		300,000
Plant & Assets	3,240,000	2,945,000				45,000	150,000		100,000				3,240,000
Total New / Upgrade	**10,259,058**	**2,945,000**			**536,023**	**45,000**	**150,000**	**1,206,191**	**904,127**	**1,357,404**	**2,865,313**	**250,000**	**10,259,058**
Renewal - 2016 / 17													
Waste													
Buildings	925,012		246,808	678,204									925,012
Stormwater & Drainage	1,574,161		524,237	1,049,924									1,574,161
Sports & Recreation Facilities	297,633		72,398	225,235									297,633
Roads & Footpaths	3,444,713		466,416	2,548,638		429,660							3,444,713
Airport													
Total Renewal	**6,241,520**		**1,309,859**	**4,502,001**		**429,660**							**6,241,520**
Total	**16,500,578**	**2,945,000**	**1,309,859**	**4,502,001**	**536,023**	**474,660**	**150,000**	**1,206,191**	**904,127**	**1,357,404**	**2,865,313**	**250,000**	**16,500,578**
New / Upgrade Assets - 2017 / 18													
Waste													
Buildings	2,069,203									598,995	1,470,208		2,069,203
Stormwater & Drainage	533,023				533,023								533,023
Sports & Recreation Facilities	1,449,116										1,449,116		1,449,116
Roads & Footpaths	573,579									28,543	545,036		573,579
Plant & Assets	3,539,000	3,194,000				45,000	150,000		150,000				3,539,000
Total New / Upgrade	**8,163,921**	**3,194,000**			**533,023**	**45,000**	**150,000**		**150,000**	**627,537**	**3,464,361**		**8,163,921**

Renewal - 2017 / 18													
Waste													
Buildings	908,195		242,297	665,898									908,195
Stormwater & Drainage	1,759,117		475,964	1,283,153									1,759,117
Sports & Recreation Facilities	285,948		79,305	206,642									285,948
Roads & Footpaths	3,386,317		531,010	2,426,307		429,000							3,386,317
Airport													
Total Renewal	**6,339,577**		**1,328,577**	**4,582,000**		**429,000**							**6,339,577**
Total	**14,503,498**	**3,194,000**	**1,328,577**	**4,582,000**	**533,023**	**474,000**	**150,000**		**150,000**	**627,537**	**3,464,361**		**14,503,498**
New / Upgrade Assets - 2018 / 19													
Waste													
Buildings													
Stormwater & Drainage	531,023				531,023								531,023
Sports & Recreation Facilities													
Roads & Footpaths													
Plant & Assets	4,004,000	3,659,000				45,000	150,000		150,000				4,004,000
Total New / Upgrade	**4,535,023**	**3,659,000**			**531,023**	**45,000**	**150,000**		**150,000**				**4,535,023**
Renewal - 2018 / 19													
Waste													
Buildings	914,924		249,237	665,687									914,924
Stormwater & Drainage	1,773,483		490,080	1,283,403									1,773,483
Sports & Recreation Facilities	288,031		81,408	206,624									288,031
Roads & Footpaths	3,411,845		556,558	2,426,287		429,000							3,411,845
Airport													
Total Renewal	**6,388,283**		**1,377,283**	**4,582,000**		**429,000**							**6,388,283**
Total	**10,923,306**	**3,659,000**	**1,377,283**	**4,582,000**	**531,023**	**474,000**	**150,000**		**150,000**				**10,923,306**
New / Upgrade Assets - 2019 / 20													
Waste													
Buildings													
Stormwater & Drainage	530,023				530,023								530,023
Sports & Recreation Facilities													
Roads & Footpaths													
Plant & Assets	3,139,000	2,794,000				45,000	150,000		150,000				3,139,000
Total New / Upgrade	**3,669,023**	**2,794,000**			**530,023**	**45,000**	**150,000**		**150,000**				**3,669,023**
Renewal - 2019 / 20													
Waste													
Buildings	922,140		256,417	665,724									922,140
Stormwater & Drainage	1,788,096		504,645	1,283,451									1,788,096
Sports & Recreation Facilities	290,189		83,558	206,631									290,189
Roads & Footpaths	3,438,267		583,072	2,426,195		429,000							3,438,267
Airport													
Total Renewal	**6,438,692**		**1,427,692**	**4,582,000**		**429,000**							**6,438,692**
Total	**10,107,715**	**2,794,000**	**1,427,692**	**4,582,000**	**530,023**	**474,000**	**150,000**		**150,000**				**10,107,715**
New / Upgrade Assets - 2020 / 21													
Waste	914,000							548,400	365,600				914,000
Buildings													
Stormwater & Drainage	530,023				530,023								530,023
Sports & Recreation Facilities													
Roads & Footpaths	2,667,000									2,517,000	150,000		2,667,000
Plant & Assets	5,245,000	4,900,000				45,000	150,000		150,000				5,245,000
Total New / Upgrade	**9,356,023**	**4,900,000**			**530,023**	**45,000**	**150,000**	**548,400**	**515,600**	**2,517,000**	**150,000**		**9,356,023**

Renewal - 2020 / 21													
Waste													
Buildings	929,609		263,887	665,722									929,609
Stormwater & Drainage	1,803,222		519,737	1,283,484									1,803,222
Sports & Recreation Facilities	292,422		85,797	206,625									292,422
Roads & Footpaths	3,465,614		610,446	2,426,168		429,000							3,465,614
Airport													
Total Renewal	**6,490,867**		**1,479,867**	**4,582,000**		**429,000**							**6,490,867**
Total	**15,846,890**	**4,900,000**	**1,479,867**	**4,582,000**	**530,023**	**474,000**	**150,000**	**548,400**	**515,600**	**2,517,000**	**150,000**		**15,846,890**
New / Upgrade Assets - 2021 / 22													
Waste	1,782,216							1,069,330	712,886				1,782,216
Buildings	4,629,792									1,749,633	2,880,159		4,629,792
Stormwater & Drainage	531,023				531,023								531,023
Sports & Recreation Facilities	1,642,979										1,642,979		1,642,979
Roads & Footpaths	2,667,000									2,517,000	150,000		2,667,000
Plant & Assets	4,996,000	4,651,000				45,000	150,000		150,000				4,996,000
Total New / Upgrade	**16,249,010**	**4,651,000**			**531,023**	**45,000**	**150,000**	**1,069,330**	**862,886**	**4,266,633**	**4,673,138**		**16,249,010**
Renewal - 2021 / 2022													
Waste													
Buildings	937,340		271,618	665,722									937,340
Stormwater & Drainage	1,818,874		535,356	1,283,518									1,818,874
Sports & Recreation Facilities	294,734		87,935	206,799									294,734
Roads & Footpaths	3,493,919		638,959	2,425,961		429,000							3,493,919
Airport													
Total Renewal	**6,544,867**		**1,533,867**	**4,582,000**		**429,000**							**6,544,867**
Total	**22,793,877**	**4,651,000**	**1,533,867**	**4,582,000**	**531,023**	**474,000**	**150,000**	**1,069,330**	**862,886**	**4,266,633**	**4,673,138**		**22,793,877**

No Rate Increase above Rate Peg (& Reduced Services) - Scenario 3

The third Scenario in Council's LTFP is the Rate peg only increase Scenario. This Scenario has incorporated an increased capital renewal program that is the same dollar value as the increased capital renewal program presented under the Small SRV Increase Scenario (Scenario 2). However, rather than being funded by increased revenue from rates, the additional expenditure would be funded from increasingly larger reductions in Operational Expenses that would therefore necessitate reductions to many other Council services and programs. The specific services or programs that would be reduced under Scenario 3 have not been determined and the reductions have been included in the LTFP as generic reductions to the two largest expense categories.

In the development of this scenario, the aim was to fund the renewal of Council's assets in order to achieve a Buildings and Infrastructure Asset Renewal Ratio of 0.50 by the 2016/17 financial year. Rate peg increases are not included in the LTFP Model for Scenario 3 as "real" 2013 dollars (net of inflation) are included for all values,

Council does not have the resources to fund the current level of services for both program provision and infrastructure renewal at the same time. Without additional rates revenue, Council cannot afford what the community has indicated it wants through the CSP engagement process.

Sensitivity Analysis

No Rate Increase above Rate Peg (& Reduced Services) - Scenario 3

Sensitivity Analysis - No Rate Increase above Rate Peg	2012/13 ($000)	2013/14 ($000)	2014/15 ($000)	2015/16 ($000)	2016/17 ($000)
Revenue Item					
A 1% decrease in Rates and Annual charges	351	357	362	368	373
A 1% decrease in User Charges and Fees	136	154	187	156	157
A 1% decrease in Interest and Investment Revenue	29	22	20	19	18
A 1% decrease in Other Revenues	17	18	20	19	19

Expense Item					
A 1% increase in Employee Benefits and On Costs	275	293	287	280	277
A 1% increase in Materials and Contracts	130	130	141	121	103
A 1% increase in future Loan Interest (interest rate in model plus 1%)	0	0	41	105	104

Sensitivity Analysis - No Rate Increase above Rate Peg	2017/18 ($000)	2018/19 ($000)	2019/20 ($000)	2020/21 ($000)	2021/22 ($000)
Revenue Item					
A 1% decrease in Rates and Annual charges	378	383	388	393	397
A 1% decrease in User Charges and Fees	158	158	159	160	161
A 1% decrease in Interest and Investment Revenue	18	17	17	17	16
A 1% decrease in Other Revenues	19	21	22	21	20
Expense Item					
A 1% increase in Employee Benefits and On Costs	278	280	281	282	282
A 1% increase in Materials and Contracts	101	101	101	101	101
A 1% increase in future Loan Interest (interest rate in model plus 1%)	100	96	92	88	84

Consolidated Income Statement

No Rate Increase above Rate Peg (& Reduced Services) - Scenario 3

	Actual 2012 $ '000	Budget 2013 $ '000	Projected 2014 $ '000	Projected 2015 $ '000	Projected 2016 $ '000	Projected 2017 $ '000	Projected 2018 $ '000	Projected 2019 $ '000	Projected 2020 $ '000	Projected 2021 $ '000	Projected 2022 $ '000
Operating Revenue											
Rates & Annual Charges	33,486	35,134	35,706	36,194	36,849	37,310	37,778	38,284	38,796	39,268	39,750
User Charges & Fees	16,494	13,592	15,378	18,706	15,613	15,684	15,756	15,829	15,902	15,977	16,052
Grants & Contributions provided for Operating Purposes	10,014	8,197	8,332	8,369	8,406	8,444	8,482	8,521	8,561	8,601	8,641
Grants & Contributions provided for Capital Purposes	12,361	2,633	10,626	11,206	12,126	10,626	11,126	11,126	11,126	11,126	11,126
Interest and Investment Revenue	3,474	2,880	2,207	2,031	1,862	1,820	1,779	1,739	1,700	1,662	1,624
Other Revenue	2,549	1,742	1,824	1,987	1,864	1,897	1,911	2,119	2,192	2,068	2,001
Net gains for the disposal of assets	283	-	3,693	9,698	12,865	164	164	164	164	164	164
Total Operating Revenue	**78,661**	**64,178**	**77,766**	**88,191**	**89,585**	**75,945**	**76,997**	**77,782**	**78,441**	**78,866**	**79,358**
Operating Expenses											
Employee Benefits and On-Costs	27,881	27,470	29,314	28,657	27,985	27,717	27,767	27,956	28,121	28,171	28,246
Materials and Contracts	15,671	12,968	13,049	14,090	12,052	10,302	10,060	10,068	10,076	10,084	10,092
Depreciation	16,720	16,206	17,020	16,695	16,732	16,769	17,766	17,766	17,766	17,766	17,766
Borrowing Costs	493	718	671	916	1,296	1,282	1,255	1,229	1,203	1,179	1,155
Other Expenses	11,955	13,789	14,665	15,532	16,052	16,503	16,678	17,058	17,243	17,632	17,726
Total Operating Expenses	**72,721**	**71,151**	**74,719**	**75,890**	**74,117**	**72,573**	**73,526**	**74,077**	**74,409**	**74,832**	**74,985**
Operating Surplus / (Deficit)	**5,940**	**(6,972)**	**3,047**	**12,300**	**15,468**	**3,372**	**3,471**	**3,705**	**4,032**	**4,034**	**4,373**
Physical Resources Free of Charge											
Amounts specifically for new or upgraded assets											
Asset disposal & fair value adjustments											
Net Surplus / (Deficit)	**5,940**	**(6,972)**	**3,047**	**12,300**	**15,468**	**3,372**	**3,471**	**3,705**	**4,032**	**4,034**	**4,373**
Other Comprehensive Income											
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	**(6,421)**	**(9,605)**	**(7,579)**	**1,094**	**3,342**	**(7,254)**	**(7,655)**	**(7,421)**	**(7,094)**	**(7,092)**	**(6,753)**

Balance Sheet

No Rate Increase above Rate Peg (& Reduced Services) - Scenario 3

	Actual 2012 $ '000	Budget 2013 $ '000	Projected 2014 $ '000	Projected 2015 $ '000	Projected 2016 $ '000	Projected 2017 $ '000	Projected 2018 $ '000	Projected 2019 $ '000	Projected 2020 $ '000	Projected 2021 $ '000	Projected 2022 $ '000
ASSETS											
Current Assets											
Cash & Cash equivalents	10,638	6,241	8,003	8,015	8,094	8,166	7,960	7,998	8,101	7,974	8,031
Investments	25,368	26,874	23,653	19,839	19,914	15,653	14,481	16,805	20,379	18,703	14,779
Receivables	4,987	5,984	5,941	5,898	5,853	5,809	5,763	5,717	5,671	5,624	5,576
Inventories	2,015	2,001	2,002	1,989	482	482	482	482	482	482	482
Other	512	508	512	512	512	512	512	512	512	512	512
Non-current assets classified as held for sale	359	359	350	-	-	-	-	-	-	-	-
Total Current Assets	**43,879**	**41,967**	**40,461**	**36,251**	**34,855**	**30,622**	**29,198**	**31,514**	**35,145**	**33,295**	**29,380**
Non Current Assets											
Investments	20,950	20,000	20,000	20,000	10,000	10,000	10,000	10,000	10,000	10,000	5,000
Receivables	667	667	667	667	667	677	677	677	677	677	677
Inventories	-	-	-	-	-	-	-	-	-	-	-
Infrastructure, Property, Plant & Equipment	683,088	668,537	673,286	693,097	725,850	733,652	738,583	740,011	740,456	746,386	759,725
Investments accounted for using equity method	-	-	-	-	-	-	-	-	-	-	-
Investment Property	20,164	20,113	19,252	19,252	18,460	18,460	18,460	18,460	18,460	18,460	18,460
Intangible assets	82	83	82	82	82	82	82	82	82	82	82
Other	-	-	-	-	-	-	-	-	-	-	-
Total Non Current Assets	**724,951**	**709,401**	**713,287**	**733,098**	**755,059**	**762,871**	**767,802**	**769,230**	**769,675**	**775,605**	**783,944**
Total Assets	**768,830**	**751,368**	**753,748**	**769,349**	**789,914**	**793,493**	**797,000**	**800,744**	**804,820**	**808,900**	**813,324**
LIABILITIES											
Current Liabilities											
Payables	4,592	4,100	4,592	4,592	4,592	4,592	4,592	4,592	4,592	4,592	4,592
Borrowings	-	233	249	368	560	584	602	621	641	661	375
Provisions	11,611	12,006	11,611	11,611	11,611	11,611	11,611	11,611	11,611	11,611	11,611
Total Current Liabilities	**16,203**	**16,339**	**16,452**	**16,571**	**16,763**	**16,787**	**16,805**	**16,824**	**16,844**	**16,864**	**16,578**
Non Current Liabilities											
Payables	-	-	-	-	-	-	-	-	-	-	-
Borrowings	-	2,550	1,936	4,558	8,885	8,469	7,867	7,245	6,605	5,944	5,568
Provisions	9,128	9,716	9,550	10,109	10,688	11,287	11,907	12,549	13,213	13,900	14,612
Total Non Current Liabilities	**9,128**	**12,266**	**11,486**	**14,668**	**19,573**	**19,756**	**19,774**	**19,794**	**19,818**	**19,844**	**20,180**
Total Liabilities	**25,331**	**28,605**	**27,938**	**31,239**	**36,336**	**36,543**	**36,579**	**36,618**	**36,662**	**36,708**	**36,758**
Net Assets	**743,499**	**722,763**	**725,810**	**738,110**	**753,578**	**756,950**	**760,421**	**764,126**	**768,158**	**772,192**	**776,566**
EQUITY											
Retained earnings	355,812	335,076	338,123	350,423	365,891	369,263	372,734	376,439	380,471	384,505	388,879
Revaluation reserves	387,687	387,687	387,687	387,687	387,687	387,687	387,687	387,687	387,687	387,687	387,687
Council equity interest	743,499	722,763	725,810	738,110	753,578	756,950	760,421	764,126	768,158	772,192	776,566
Minority equity interest	-	-	-	-	-	-	-	-	-	-	-
Total Equity	**743,499**	**722,763**	**725,810**	**738,110**	**753,578**	**756,950**	**760,421**	**764,126**	**768,158**	**772,192**	**776,566**

Statement of Cashflow

No Rate Increase above Rate Peg (& Reduced Services) - Scenario 3

	Actual 2012 $ '000	Budget 2013 $ '000	Projected 2014 $ '000	Projected 2015 $ '000	Projected 2016 $ '000	Projected 2017 $ '000	Projected 2018 $ '000	Projected 2019 $ '000	Projected 2020 $ '000	Projected 2021 $ '000	Projected 2022 $ '000
Cash Flows From Operating Activities											
Receipts											
Rates & annual charges	33,419	35,096	35,664	36,150	36,806	37,264	37,732	38,239	38,750	39,220	39,702
User charges & fees	18,634	13,592	15,378	18,706	15,613	15,684	15,756	15,829	15,902	15,977	16,052
Investment revenue & interest	3,501	2,880	2,207	2,031	1,862	1,820	1,779	1,739	1,700	1,662	1,624
Grants and contributions	12,278	9,830	9,958	10,575	11,532	10,070	10,608	10,647	10,687	10,727	10,767
Other	3,002	1,642	1,824	1,987	1,864	1,897	1,911	2,119	2,192	2,068	2,001
Payments											
Employee benefits & on-costs	(28,778)	(26,719)	(28,862)	(28,215)	(27,555)	(27,290)	(27,340)	(27,526)	(27,688)	(27,737)	(27,811)
Materials & contracts	(17,167)	(13,187)	(13,049)	(14,090)	(12,052)	(10,302)	(10,060)	(10,068)	(10,076)	(10,084)	(10,092)
Borrowing costs		(196)	(131)	(357)	(718)	(683)	(635)	(587)	(539)	(491)	(444)
Other	(12,131)	(13,528)	(14,665)	(15,532)	(16,052)	(16,503)	(16,678)	(17,058)	(17,243)	(17,632)	(17,726)
Net cash provided by (or used in) operating activities	**12,758**	**9,410**	**8,324**	**11,255**	**11,300**	**11,957**	**13,073**	**13,334**	**13,685**	**13,710**	**14,073**
Cash Flows From Investing Activities											
Receipts											
Sale of investments	20,848	14,575	18,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000
Sale of investment property	-	-	4,000	-	2,000	-	-	-	-	-	-
Sale of real estate assets	-	-	450	650	13,000	-	-	-	-	-	-
Sale of infrastructure, property, plant and equipment	732	816	988	15,899	912	931	807	729	897	1,151	689
Payments											
Purchase of investments	(19,649)	(17,000)	(16,000)	(13,500)	(8,250)	(12,000)	(15,000)	(18,500)	(19,750)	(14,500)	(7,250)
Purchase of infrastructure, property, plant and equipment	(10,346)	(10,431)	(13,757)	(34,213)	(41,398)	(16,501)	(14,503)	(10,923)	(10,108)	(15,847)	(22,794)
Other	(11)	-	-	-	-	-	-	-	-	-	-
Net cash provided by (or used in) investing activities	**(8,426)**	**(12,040)**	**(6,319)**	**(15,164)**	**(17,736)**	**(11,570)**	**(12,696)**	**(12,694)**	**(12,961)**	**(13,196)**	**(13,355)**
Cash Flows From Financing Activities											
Receipts											
Borrowings & advances	-	3,000	-	4,279	7,058	250	-	-	-	-	-
Payments											
Borrowing & advances	-	(217)	(243)	(358)	(543)	(566)	(584)	(602)	(621)	(641)	(661)
Lease Liabilities											
Net cash provided by (or used in) financing activities	**-**	**2,783**	**(243)**	**3,921**	**6,515**	**(316)**	**(584)**	**(602)**	**(621)**	**(641)**	**(661)**
Net increase / (decrease) in cash & cash equivalents	**4,332**	**153**	**1,762**	**12**	**79**	**72**	**(206)**	**38**	**103**	**(127)**	**57**
Cash & cash equivalents at beginning of reporting period	**6,306**	**6,088**	**6,241**	**8,003**	**8,015**	**8,094**	**8,166**	**7,960**	**7,998**	**8,101**	**7,974**
Cash & cash equivalents at end of reporting period	**10,638**	**6,241**	**8,003**	**8,015**	**8,094**	**8,166**	**7,960**	**7,998**	**8,101**	**7,974**	**8,031**

Capital Works Program 2012/13 to 2021/22 for Renewal and New Assets

No Rate Increase above Rate Peg (& Reduced Services) - Scenario 3

Asset Name (*& Planned Renewal Year*)	Cost	Council - General Revenue	Council - SRV(from 06/07)	Stormwater Levy	Other Grants	Restricted assets	Waste Depot Restriction	Domestic Waste Restriction	Resident contributions	S94 - Internal Restriction	S94 - External Restriction	Loan - S94 Internal Restriction	Total
New / Upgrade Assets - 2012 / 13													
Waste/Recycling Depot Cell Construction	800,000	480,000						320,000					800,000
Civic Centre	100,000									100,000			100,000
Warilla Library GPT Stage 2 (part allocation)	89,000			74,000		15,000							89,000
Plant & Assets	2,636,000	2,291,000			45,000	150,000		150,000					2,636,000
Total New / Upgrade	**5,709,083**	**2,950,900**		**374,000**	**45,000**	**1,113,342**		**1,125,841**		**100,000**			**5,709,083**
Renewal - 2012 / 13													
Waste													
Buildings	229,257		229,257										229,257
Stormwater & Drainage													
Sports & Recreation Facilities	40,000		40,000										40,000
Roads & Footpaths	4,302,645		835,486		467,160							3,000,000	4,302,645
Airport	30,000		30,000									-	30,000
Total Renewal	**4,601,902**		**1,134,743**		**467,160**							**3,000,000**	**4,601,902**
Total	**10,310,985**	**2,950,900**	**1,134,743**	**374,000**	**512,160**	**1,113,342**		**1,125,841**		**100,000**		**3,000,000**	**10,310,985**
New / Upgrade Assets - 2013 / 14													
Waste	2,669,408						1,601,645	1,067,763					2,669,408
Buildings	3,565,500	3,565,500											3,565,500
Stormwater & Drainage	649,023			649,023									649,023
Sports & Recreation Facilities	838,177										838,177		838,177
Roads & Footpaths	182,500										182,500		182,500
Airport													-
Plant & Assets	3,417,000	3,072,000			45,000	150,000		150,000					3,417,000
Total New / Upgrade	**11,321,608**	**6,637,500**		**649,023**	**45,000**	**150,000**	**1,601,645**	**1,217,763**			**1,020,677**		**11,321,608**
Renewal - 2013 / 14													
Waste													-
Buildings	367,085	123,805	243,280										367,085
Stormwater & Drainage	517,962	298,864	219,098										517,962
Sports & Recreation Facilities	149,235	24,803	124,432										149,235
Roads & Footpaths	1,401,160	410,722	556,278		434,160								1,401,160
Airport	-	-											-
Total Renewal	**2,435,442**	**858,194**	**1,143,088**		**434,160**								**2,435,442**
Total	**13,757,050**	**7,495,694**	**1,143,088**	**649,023**	**479,160**	**150,000**	**1,601,645**	**1,217,763**			**1,020,677**		**13,757,050**
New / Upgrade Assets - 2014 / 15													-
Waste	1,825,000	25,000			580,000		780,000	440,000					1,825,000
Buildings	24,013,000	15,534,500								1,200,000	3,000,000	4,278,500	24,013,000
Stormwater & Drainage	531,023			531,023									531,023
Sports & Recreation Facilities													-
Roads & Footpaths	350,000										350,000		350,000
Plant & Assets	4,186,000	3,691,000			45,000	300,000		150,000					4,186,000
Total New / Upgrade	**30,905,023**	**19,250,500**		**531,023**	**625,000**	**300,000**	**780,000**	**590,000**		**1,200,000**	**3,350,000**	**4,278,500**	**30,905,023**

Renewal - 2014 / 15													
Waste													
Buildings	489,857	261,876	227,981										489,857
Stormwater & Drainage	875,967	442,608	433,359										875,967
Sports & Recreation Facilities	168,252	104,028	64,224										168,252
Roads & Footpaths	1,773,966	909,795	441,011		423,160								1,773,966
Airport													
Total Renewal	**3,308,041**	**1,718,306**	**1,166,575**		**423,160**								**3,308,041**
Total	**34,213,064**	**20,968,806**	**1,166,575**	**531,023**	**1,048,160**	**300,000**	**780,000**	**590,000**		**1,200,000**	**3,350,000**	**4,278,500**	**34,213,064**
New / Upgrade Assets - 2015 / 16													
Waste	1,093,400						656,040	437,360					1,093,400
Buildings	25,558,000	14,000,000			1,500,000						3,000,000	7,058,000	25,558,000
Stormwater & Drainage	536,023			536,023									536,023
Sports & Recreation Facilities	2,453,230										2,453,230		2,453,230
Roads & Footpaths	300,000										300,000		300,000
Plant & Assets	6,788,261	5,124,000			45,000	150,000		1,469,261					6,788,261
Total New / Upgrade	**36,728,914**	**19,124,000**		**536,023**	**1,545,000**	**150,000**	**656,040**	**1,906,621**			**5,753,230**	**7,058,000**	**36,728,914**
Renewal - 2015 / 16													
Waste													
Buildings	695,624	455,122	240,502										695,624
Stormwater & Drainage	958,446	529,395	429,051										958,446
Sports & Recreation Facilities	222,087	153,720	68,367										222,087
Roads & Footpaths	2,792,894	1,835,762	527,472		429,660								2,792,894
Airport													
Total Renewal	**4,669,051**	**2,973,999**	**1,265,392**		**429,660**								**4,669,051**
Total	**41,397,965**	**22,097,999**	**1,265,392**	**536,023**	**1,974,660**	**150,000**	**656,040**	**1,906,621**			**5,753,230**	**7,058,000**	**41,397,965**
New / Upgrade Assets - 2016 / 17													
Waste	2,010,318						1,206,191	804,127					2,010,318
Buildings	1,722,601									610,949	861,651	250,000	1,722,601
Stormwater & Drainage	536,023			536,023									536,023
Sports & Recreation Facilities	2,450,116									746,454	1,703,662		2,450,116
Roads & Footpaths	300,000										300,000		300,000
Plant & Assets	3,240,000	2,945,000			45,000	150,000		100,000					3,240,000
Total New / Upgrade	**10,259,058**	**2,945,000**		**536,023**	**45,000**	**150,000**	**1,206,191**	**904,127**		**1,357,404**	**2,865,313**	**250,000**	**10,259,058**
Renewal - 2016 / 17													
Waste													
Buildings	925,012	678,204	246,808										925,012
Stormwater & Drainage	1,574,161	1,049,924	524,237										1,574,161
Sports & Recreation Facilities	297,633	225,235	72,398										297,633
Roads & Footpaths	3,444,713	2,548,638	466,416		429,660								3,444,713
Airport													
Total Renewal	**6,241,520**	**4,502,001**	**1,309,859**		**429,660**								**6,241,520**
Total	**16,500,578**	**7,447,001**	**1,309,859**	**536,023**	**474,660**	**150,000**	**1,206,191**	**904,127**		**1,357,404**	**2,865,313**	**250,000**	**16,500,578**
New / Upgrade Assets - 2017 / 18													
Waste													
Buildings	2,069,203									598,995	1,470,208		2,069,203
Stormwater & Drainage	533,023			533,023									533,023
Sports & Recreation Facilities	1,449,116										1,449,116		1,449,116
Roads & Footpaths	573,579									28,543	545,036		573,579
Plant & Assets	3,539,000	3,194,000			45,000	150,000		150,000					3,539,000
Total New / Upgrade	**8,163,921**	**3,194,000**		**533,023**	**45,000**	**150,000**		**150,000**		**627,537**	**3,464,361**		**8,163,921**

Renewal - 2017 / 18													
Waste													
Buildings	908,195	665,898	242,297										908,195
Stormwater & Drainage	1,759,117	1,283,153	475,964										1,759,117
Sports & Recreation Facilities	285,948	206,642	79,305										285,948
Roads & Footpaths	3,386,317	2,426,307	531,010		429,000								3,386,317
Airport													
Total Renewal	**6,339,577**	**4,582,000**	**1,328,577**		**429,000**								**6,339,577**
Total	**14,503,498**	**7,776,000**	**1,328,577**	**533,023**	**474,000**	**150,000**		**150,000**		**627,537**	**3,464,361**		**14,503,498**
New / Upgrade Assets - 2018 / 19									627,537				
Waste													
Buildings													
Stormwater & Drainage	531,023			531,023									531,023
Sports & Recreation Facilities													
Roads & Footpaths													
Plant & Assets	4,004,000	3,659,000			45,000	150,000		150,000					4,004,000
Total New / Upgrade	**4,535,023**	**3,659,000**		**531,023**	**45,000**	**150,000**		**150,000**					**4,535,023**
Renewal - 2018 / 19													
Waste													
Buildings	914,924	665,687	249,237										914,924
Stormwater & Drainage	1,773,483	1,283,403	490,080										1,773,483
Sports & Recreation Facilities	288,031	206,624	81,408										288,031
Roads & Footpaths	3,411,845	2,426,287	556,558		429,000								3,411,845
Airport													
Total Renewal	**6,388,283**	**4,582,000**	**1,377,283**		**429,000**								**6,388,283**
Total	**10,923,306**	**8,241,000**	**1,377,283**	**531,023**	**474,000**	**150,000**		**150,000**					**10,923,306**
New / Upgrade Assets - 2019 / 20													
Waste													
Buildings													
Stormwater & Drainage	530,023			530,023									530,023
Sports & Recreation Facilities													
Roads & Footpaths													
Plant & Assets	3,139,000	2,794,000			45,000	150,000		150,000					3,139,000
Total New / Upgrade	**3,669,023**	**2,794,000**		**530,023**	**45,000**	**150,000**		**150,000**					**3,669,023**
Renewal - 2019 / 20													
Waste													
Buildings	922,140	665,724	256,417										922,140
Stormwater & Drainage	1,788,096	1,283,451	504,645										1,788,096
Sports & Recreation Facilities	290,189	206,631	83,558										290,189
Roads & Footpaths	3,438,267	2,426,195	583,072		429,000								3,438,267
Airport													
Total Renewal	**6,438,692**	**4,582,000**	**1,427,692**		**429,000**								**6,438,692**
Total	**10,107,715**	**7,376,000**	**1,427,692**	**530,023**	**474,000**	**150,000**		**150,000**					**10,107,715**
New / Upgrade Assets - 2020 / 21													
Waste	914,000						548,400	365,600					914,000
Buildings													
Stormwater & Drainage	530,023			530,023									530,023
Sports & Recreation Facilities													
Roads & Footpaths	2,667,000									2,517,000	150,000		2,667,000
Plant & Assets	5,245,000	4,900,000			45,000	150,000		150,000					5,245,000
Total New / Upgrade	**9,356,023**	**4,900,000**		**530,023**	**45,000**	**150,000**	**548,400**	**515,600**		**2,517,000**	**150,000**		**9,356,023**

Renewal - 2020 / 21													
Waste													
Buildings	929,609	665,722	263,887										929,609
Stormwater & Drainage	1,803,222	1,283,484	519,737										1,803,222
Sports & Recreation Facilities	292,422	206,625	85,797										292,422
Roads & Footpaths	3,465,614	2,426,168	610,446		429,000								3,465,614
Airport													
Total Renewal	**6,490,867**	**4,582,000**	**1,479,867**		**429,000**								**6,490,867**
Total	**15,846,890**	**9,482,000**	**1,479,867**	**530,023**	**474,000**	**150,000**	**548,400**	**515,600**		**2,517,000**	**150,000**		**15,846,890**
New / Upgrade Assets - 2021 / 22													
Waste	1,782,216						1,069,330	712,886					1,782,216
Buildings	4,629,792									1,749,633	2,880,159		4,629,792
Stormwater & Drainage	531,023			531,023									531,023
Sports & Recreation Facilities	1,642,979										1,642,979		1,642,979
Roads & Footpaths	2,667,000									2,517,000	150,000		2,667,000
Plant & Assets	4,996,000	4,651,000			45,000	150,000		150,000					4,996,000
Total New / Upgrade	**16,249,010**	**4,651,000**		**531,023**	**45,000**	**150,000**	**1,069,330**	**862,886**		**4,266,633**	**4,673,138**		**16,249,010**
Renewal - 2021 / 2022													
Waste													
Buildings	937,340	665,722	271,618										937,340
Stormwater & Drainage	1,818,874	1,283,518	535,356										1,818,874
Sports & Recreation Facilities	294,734	206,799	87,935										294,734
Roads & Footpaths	3,493,919	2,425,961	638,959		429,000								3,493,919
Airport													
Total Renewal	**6,544,867**	**4,582,000**	**1,533,867**		**429,000**								**6,544,867**

Asset Management Planning

Contents

Asset Management Planning (AMP)

Council exists to provide services to the Shellharbour community and many of these services are provided by infrastructure assets. Council is the custodian of infrastructure assets valued at over $443 million dollars. These assets have been acquired by purchase, contract, constructed by staff, or have been constructed and donated by developers. Shellharbour City Council's primary objectives in managing these are:

- to be sustainable in the management all assets
- to provide a desirable level of service for the assets under its stewardship for the existing and future community

The Asset Management Framework is made up of 3 components:

1. Asset Management Policy - sets the framework for undertaking asset management.
2. Asset Management Strategy – outlines a structured set of actions aimed at enabling improved asset management. The Asset Management Strategy enables Shellharbour City Council to show how its asset portfolio support the delivery service needs for the community now and into the future.
3. Asset Management Plans – are tactical plans outlining particular actions and the resources required to provide desired levels of service for each class of assets under Council's control

The Asset Management Policy

Councils Asset Management Policy, along with the Strategy, sets the framework for undertaking asset management. The policy aims to ensure Council has information, knowledge and understanding about the long term and cumulative consequences of being the custodian of community assets. This will be achieved by ensuring systems, processes and people are able to make informed decisions on the most efficient option for the delivery of services.

Council is committed to implementing a systematic asset methodology in order to apply appropriate asset management practices across all areas of Council. Asset Management practices impact directly on the core business of Council and appropriate asset management is required to achieve the strategic objectives as outlined in the Shellharbour CSP and LTFP.

The Asset Management Strategy

The Asset Management Strategy forms a part of the Resourcing Strategy and is a structured set of actions aimed at improving Council's asset management capability and projected resource requirements for the coming 10 years. The purpose of the Strategy is to provide clear direction for the ongoing management and development of infrastructure assets.

The primary objectives of Council's asset management system are:

- to sustainably manage all of Shellharbour City Council's assets and achieve an asset renewal ratio of 0.8 by 2016-17.
- Council's aim is to provide the desired level of service for the assets under its stewardship for existing and future customers.

Key Strategies of the Asset Management Strategy are:

Key Strategy 1	Integrate the financial and maintenance aspects of asset management
Key Strategy 2	Facilitate management of the total asset lifecycle for all assets and any new assets be supported by a 'whole of life' cost analysis.
Key Strategy 3	Establish levels of service and develop consistent work management processes that achieve these levels of service and ensure operational efficiencies
Key Strategy 4	Optimise the life of assets through better forecasting of required maintenance for the total lifecycle of the asset (ie from planning through to disposal)
Key Strategy 5	Provide information to support replacement versus rehabilitation decisions
Key Strategy 6	Enable the business to evolve from reactive to programmed maintenance where possible
Key Strategy 7	Facilitate reporting on asset condition, value and performance
Key Strategy 8	Comply with regulatory requirements
Key Strategy 9	Ensure that all of Council's Assets are identified and have in place Asset Management Plans that are consistent with Council's Assets Management Policy, contemporary asset management practice and the Shellharbour CSP.
Key Strategy 10	Asset Management section of Council to be resourced to reflect the service and operational needs of Council. This may take the form of separate planning, budgetary, data collection and asset management system functions within this role.

Key Strategy 11	Increase the appropriate usage and implementation of Council's Asset Management System to enable it to become a 'corporate' tool supporting the Council's Asset Management Plans.
Key Strategy 12	Continue to evaluate the condition of Council's assets so that the useful life of these assets can be more accurately estimated. This may take the form of geotechnical assessments of Council's road pavements or remote video footage of Council's drainage pipelines.
Key Strategy 13	Align the level of services when maintaining Council's asset inventory with the community Objectives contained in the CSP. This will ensure that the assets Council has stewardship of are well maintained and appropriate to the community's needs.
Key Strategy 14	That the consideration of any new assets be supported by a 'whole of life' cost analysis.
Key Strategy 15	That Asset Management Plans identify critical assets and associated risk management strategies.
Key Strategy 16	Identify additional sources of funding which can be used to narrow the life cycle 'gap' for Council's key assets. This may be in the form of grants or loan funds for specific renewal works.

The Asset Management Plans

The objective of an Asset Management Plan is to outline the particular actions and resources required to provide a defined level of service in the most cost effective manner.

In preparing the Asset Management Plans, Council has used the templates produced by NAMS.PLUS. Plans will continue to evolve and become more comprehensive through a process of continual improvement.

The Asset Management Plans will take a long term snapshot, linking the first 10 years into the LTFP. Council has completed core Asset Management Plans for the following asset classes:

- Roads & Transport
- Drainage
- Buildings
- Recreational Facilities
- Aquatic Facilities

It is anticipated Council's Asset Management Plans will help to determine the levels of service needed by the community and document the levels of service we currently provide, and enable Council to allocate funding in accordance with community priorities and willingness to pay.

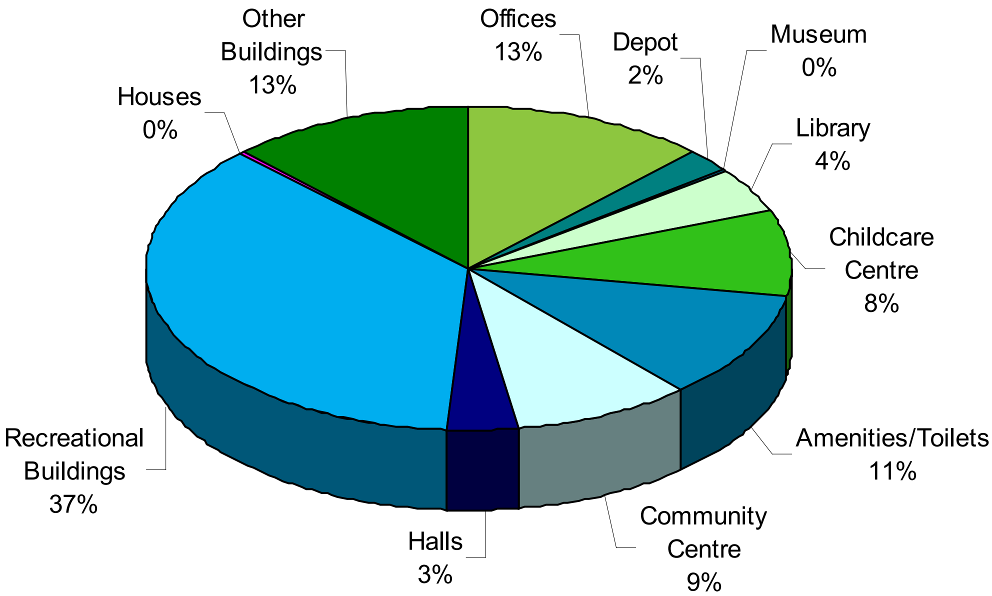
Currents Assets

Asset Class	Valuation (as at 30 June 12)	Written Down Value (as at 30 June 12)	Annual Depreciation Expense (as at 30 June 12)
Buildings	$ 90,092,386	$ 52,264,332	$ 2,576,915
Drainage	$ 256,893,916	$ 162,952,471	$ 3,704,739
Recreational Facilities including Pools	$ 10,819,414	$ 6,087,715	$ 334,344
Roads & Transport	$ 328,328,005	$ 221,667,607	$ 6,116,177
Total	**$ 686,133,721**	**$ 442,972,126**	**$ 12,732,175**

Asset class	Council Assets (owns, manages, is custodian of)	Services provided
Buildings	1 Council Offices 8 Works Depot 6 Halls 2 Houses 1 Museum 4 Libraries 7 Childcare Centre(s) 85 Amenities/toilets 15 Community Centres 31 Recreational Buildings 33 Investment Buildings 44 Council Buildings	• Direct service provision for the general community, and including specific services to target groups such as older people, people with a disability, children, young people, people from disadvantaged socio-economic background • Provision of sporting amenities and canteen facilities to local clubs and sporting associations • Provision of Tourist Information Centres
Drainage	Pits Pipes & Headwalls 137 Pollution Control Devices Kerb & Guttering	• Control localised flooding • Improve road safety • Protect local environment from stormwater run off • Protect the environment from Pollution
Recreational facilities	Sport and Recreation Parks, Gardens and Reserves 4 Pools	• Provide sport & recreation choices • Provide passive recreational opportunities
Roads	Road Pavement Roadside Furniture (including Bench Seats, Bike Racks & Bus Shelters) 26 Bridges Car Park Spaces Footpath, Cycleways, & Shared Use paths Guardrails Signs Traffic measures	• Provide a transport network of roads and pathways

Buidlings

Councils building category is made up libraries, community and child care centres, toilets and amenities and recreational buildings just to name a few.



Council is the custodian of community buildings valued at over $52 million dollars. The investment into many of these assets occurred over 40 years ago when some of the area's original subdivisions were established, with a significant portion added to Council's portfolio in the last 20 years. Consequently, some of the older assets are starting to require increased levels of maintenance and this trend is only going to continue.

The required cost to bring Council's public buildings to a satisfactory standard as detailed in the 2009/10 Financial Statements is over $1.5 million. Council apportions its Asset Improvement Program in accordance with the backlog amounts reported in Special Schedule 7 of the Financial Statements. The extent of the backlog for buildings equates to approximately 15% of the Councils overall asset backlog.

The financial challenges facing Council with maintaining it's infrastructure has resulted in the renewal of buildings to be of a reactive nature. While Council has a reasonable understanding of the condition of these asset based on the appearance, it is currently not aware of any structural issues. A consultant has been engaged to provide Council with a full report on the condition of a number of buildings assets deemed to be a high priority. In particular, buildings identified for the City Hub project and buildings provided at our sportsfields are currently under review. As more information becomes available a building renewal program will be refined.

As a part of the asset management planning process, the Tongarra Museum has been identified as a valuable service to the community and provides important links to our local heritage. However the current location does lend itself to exposure to vandalism and other acts of malicious damage. Whilst the service the museum provides is not in question, it must be recognised that the maintenance costs of this service, due to its location, can be problematic. Therefore opportunities to relocate have been considered.

The Delivery Program has also identified a number of new assets to be constructed in the coming 4 years. These include the City Hub project and new child care centre.

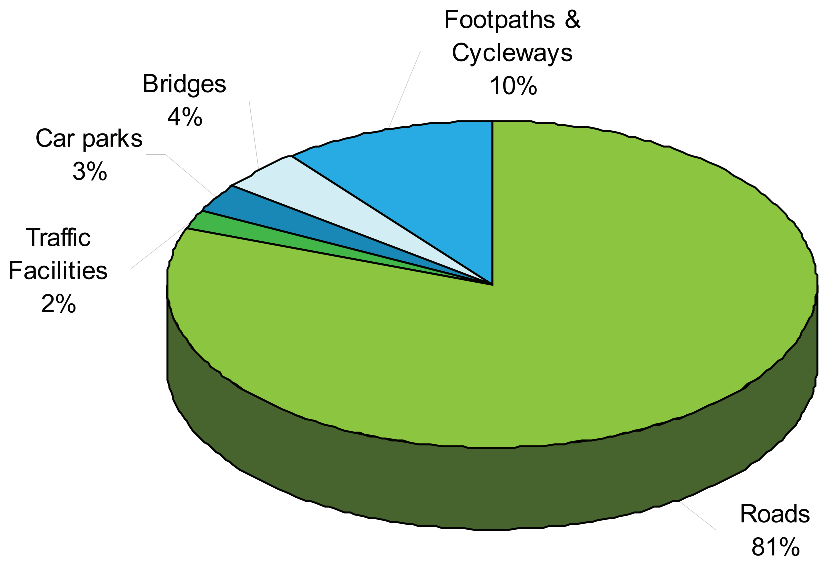
Shellharbour City Hub Stage 1
The Shellharbour City Hub Stage 1 is a major project identified in the Delivery Program and the long-term financial plan. The project will include a new City Library incorporating a City Museum, a Civic Auditorium, community meeting rooms and rooms for sessional services, new administration offices and new Council chambers. The City Library, auditorium, community meeting rooms and rooms for sessional services are all new facilities. The Council chambers and administration offices will be relocated from Lamerton House and the museum will be relocated from Albion Park.

As part of the funding strategy a number of council properties and buildings are proposed for disposal. These buildings include the former Council administration building at Warilla and Lamerton House. The forecast income is included in the long-term financial plan.

Warilla Child Care Centre
The existing Warilla Child Care Centre is located in premises leased from the NSW Department of Housing. The lease on these premises expires in 2014 and options for its future are being considered. An estimate of $1.5 million for the construction of a new facility has been included in the long-term financial plan.

Roads and Transport

Council's Roads and Transport asset category is made up of roads, bridges, footpaths and share use paths, signs, and traffic measures as indicated in the graph below.



Council's roads network is considered to be one of its critical assets and due to the size and age of the infrastructure has the largest asset backlog. A significant portion of Council's Asset Improvement Program funding is allocated to Roads and Transport assets in an effort to reduce Council's infrastructure backlog.

Council apportions funding from its Asset Improvement Program in accordance with the existing backlog amounts reported in Special Schedule 7 of the Financial Statements. The extent of the backlog for roads equates to approximately 55% of the Councils overall asset backlog. Council has included details of the Asset Improvement Program in the Long Term Financial Plan and the Delivery Program.

Many of Council's Roads and Transport assets are in 'Satisfactory' condition to 'As New' condition. However, Council has a number of road assets nearing the end of their expected life. Careful monitoring of those assets with low remaining life at a detailed component level is necessary to manage appropriate service provision and risk.

The required cost to bring these assets to a satisfactory standard (as detailed in the 2011/12 Financial Statements) is approximately $20 million and accounts for half of Council's asset backlog.

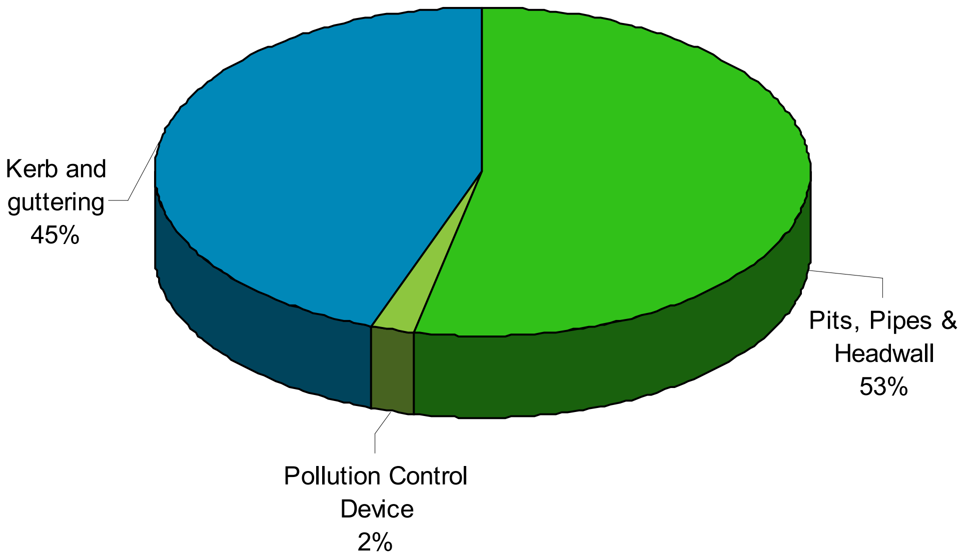
Council regularly undertakes condition assessments of its road and transport infrastructure with a view to improve the data held in Councils Asset Management system. These ongoing reviews will inform future renewal programs

Council has identified the road pavement in poor and very poor condition to enable a program of renewal work to be delivered in the short term. Over the last three years, Council has sought funding in addition to the regular revenue stream in an effort to reduce the asset backlog. In 2011/12, just under $2 million in proceeds from the part sale of Lamerton Crescent, Shellharbour City Centre were reinvested into Councils roads assets. In 2012/13 Council has undergone a further $3 million worth of renewal works funded by a State government subsidised low interest loan. Both of these initiatives are in addition to the existing Asset Improvement Program Council currently delivers.

Council will continue to seek various methods of funding to reduce the asset backlog. Intervention works have been identified to extend the useful life of all road and transport assets, with road pavement the main focus for renewal.

Drainage

Council's drainage network includes various stormwater drainage assets, including pits, pipes, and open drains, pollution control devices and kerb and guttering.



Historically Council has inspected its drainage and stormwater network to identify defects, particularly in known problem locations where minor flooding has occurred due to blockages, misalignments and damage to existing drainage. The level of inspection undertaken has informed priority work to rectify faults with the drainage network. In order to improve the quality of condition data, Council is undertaking a program of camera (CCTV) inspections across the drainage network. The selection of the locations for these inspections is based on the drainage assets' criticality, age, salt water impact and known surrounding ground condition.

Further prioritisation of renewal work will be undertaken based on the condition of the drainage assets determined as a result of the camera inspection. It is proposed that funding from future Asset Improvement Programs be utilised toward improving and collecting additional asset condition data to better inform decisions on stormwater renewal expenditure.

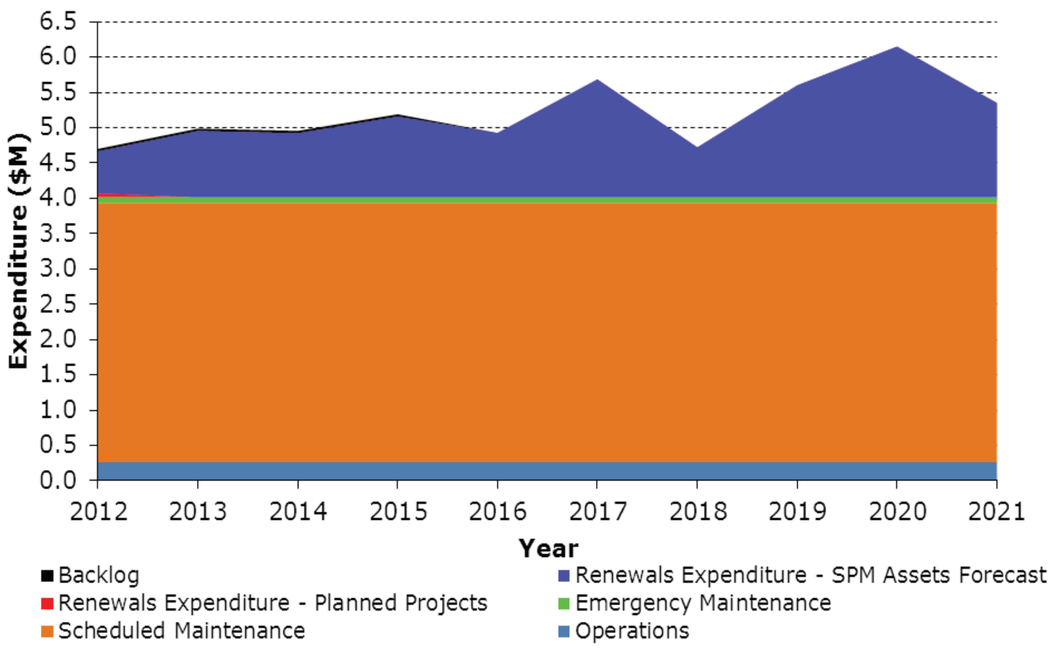
In addition to the condition assessment, Council is progressing its Floodplain Management Program and developing Floodplain Risk Management Strategies and Plans for the Horsley Creek and Elliott Lake catchment areas. A Flood Study is also being prepared for the Macquarie Rivulet catchment area. The Floodplain Risk Management Plans will identify flood mitigation measures including the replacement and amplification of existing stormwater assets. Council's Stormwater and Asset Improvement Programs are compiled to reflect the priorities listed in these Plans.

Recreational Facilities

Council provides parks and reserves to enable a diverse range of quality passive and active recreation and leisure opportunities. Council owns and or manages in excess of 300 recreational facilities, all of which require a level of maintenance. A detailed condition survey of a 20% sample of Recreational Facilities was recently completed which contained assets with a total replacement value of approximately $9.69 million.

The life cycle cost to provide the recreational facilities service is estimated at $1.18 million per annum while the total asset related operational and capital expenditure over the next 10 years equates to $5.23 million per annum.

The figure below illustrates the planned expenditure over the next 10 years associated with the current asset base.



The total maintenance and capital renewal expenditure required to provide the recreational facilities service in the next 10 years for the current asset base is estimated at $52.28 million. This is an average of $5.23 million per annum.

In summary, future proposed budgets require consideration of maintaining all recreational facilities to an agreed quality standard and addressing the backlog associated with aging critical assets that are in a poor to very poor condition.

Funding Recommendation

As the current available funding is $4.07 in year 1 or $40.2 million over the next 10 years across all maintenance categories, the shortfall based on these funding levels and asset condition is $12.07 million over 10 years (or $1.21 million per year), and produces a 10 year sustainability index of 0.77.

Effectively this means that current levels of funding for managing Council's recreational facilities assets is in the order of 77% of the required funding.

Aquatic Facilities

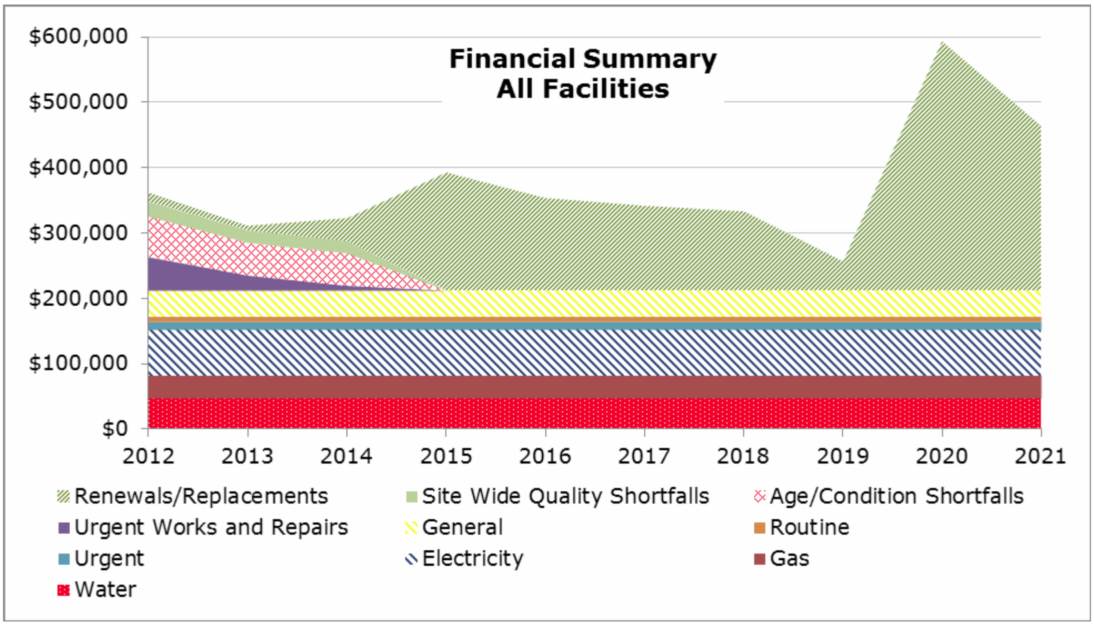
Council owns and operates 4 aquatic facilities that have a Capital Replacement Value (CRV) of $8 million. The four facilities were built about 40 years ago and have been well maintained.

Although the facilities are generally in a good condition (as at June/July 2011), there are a number of performance issues that may need to be addressed to achieve a desired Quality Standard or level of service.

The pool structures were assessed to be in a good condition and based on the deterioration model applied they have about half of their lives remaining. Although this could be unexpected due to their age, there is little evidence of cracking or movement which would downgrade the condition. Water leakage can also be used to indicate the structural integrity of the pools, however the volume of pool water leakage has yet to be measured - if leakage is significant, this would be an indicator to a potential poorer condition. Although the pool filtration and treatment equipment meet statutory requirements, many components are old and have become unreliable.

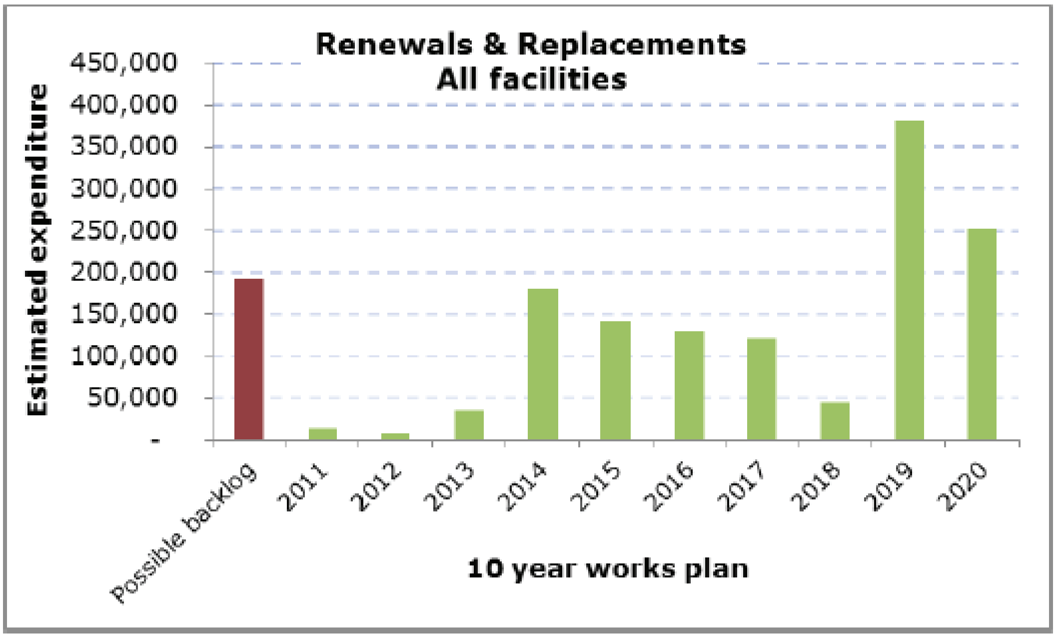
Where the facilities can continue to be maintained to achieve a reasonable condition standard, the key issue could be more associated with the declining demand for the facilities based on the increasing expectations from the community that have other options available to them such as beaches and other nearby modern aquatic facilities.

The 10 year Asset Plan provides a summary of the operational maintenance expenditure that could be required over the next 10 years to address current backlog, to renewal and replace assets and to maintain the facility.



All Facilities		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Operations	Water	46,954	46,954	46,954	46,954	46,954	46,954	46,954	46,954	46,954	46,954
	Gas	34,639	34,639	34,639	34,639	34,639	34,639	34,639	34,639	34,639	34,639
	Electricity	70,290	70,290	70,290	70,290	70,290	70,290	70,290	70,290	70,290	70,290
Maintenance	Urgent	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000
	Routine	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000
	General	40,001	40,001	40,001	40,001	40,001	40,001	40,001	40,001	40,001	40,001
Urgent Works and Repairs		51,000	23,500	7,500	-	-	-	-	-	-	-
Age/Condition Shortfalls		62,050	49,500	49,500	-	-	-	-	-	-	-
Site Wide Quality Shortfalls		23,100	19,000	19,000	-	-	-	-	-	-	-
Renewals/Replacements		13,569	7,277	34,849	180,234	141,736	129,362	121,023	44,825	381,391	252,583
	Total	**$361,603**	**$311,161**	**$322,733**	**$392,118**	**$353,620**	**$341,246**	**$332,907**	**$256,709**	**$593,275**	**$464,467**

The renewal and replacement analysis considers the deterioration and age of all assessed components. The analysis is based on modern like for like replacements and excludes upgrading pool plant with additional capacity or additional functionality. The annual average expenditure over 10 years (including backlog) is about 1.0% of CRV, which is aligned with expectations for these types of facilities.



Lifecycle Costs

Lifecycle costing expresses the cost of providing the service as an annual amount. Lifecycle cost refers to the total cost of ownership over the life of an asset including; planning, design, construction/acquisition, operations and maintenance, renewal/rehabilitation, the cost of consumption measured by depreciation expense, finance and disposal costs.

Asset class	Operations Expense $,000	Maintenance Expense $,000	Depreciation Expense $,000	Lifecycle Cost (per annum) $,000
Buildings	4,650	1,650	2,500	8,800
Drainage	100	350	3,596	4,046
Recreational Facilities	3,400	3,800	334	7,534
Roads	350	2,900	6,158	9,408
TOTAL	**8,375**	**8,585**	**12,588**	**29,788**

This can be compared to lifecycle expenditure to give an indicator of sustainability in service provision. Lifecycle expenditure is current expenditure required to provide the service includng annual operations and maintenance expenditure, plus the cost of renewal/replacement of assets. The lifecycle expenditure will vary depending on the timing of assets renewals.

This does not mean that the level of funding needs to be provided now to match the lifecycle cost. The actual level of funding required depends on desired service levels and the age and renewal needs of the asset. The table below outlines the life cycle expenditure from 2011/12.

Asset class	Previous Year Operations Expense $,000	Previous Year Maintenance Expense $,000	Capital Renewal $,000	Lifecycle Expenditure $,000
Buildings	4,562	1,629	809	7,000
Drainage	95	306	1,144	1,545
Recreational Facilities*	3,344	3,776	283	7,403
Roads	318	2,876	6,329	9,523
TOTAL	**8,319**	**8,585**	**8,565**	**25,471**

*Recreational facilities includes pools

The lifecycle costs and lifecycle expenditure comparison highlights any difference between present outlays and the average cost of providing the service over the long term. If the lifecycle expenditure is less than lifecycle cost, it is most likely that outlays will need to be increased or cuts in services made in the future.

A shortfall between lifecycle cost and lifecycle expenditure gives an indication of the lifecycle gap to be addressed in the asset management and long term financial plan's.

The lifecycle gap for Council's asset based services is summarised below.

Asset class	Lifecycle Cost $,000	Lifecycle Expenditure $,000	Lifecycle Gap $,000
Buildings	8,800	7,000	1,800
Drainage	4,046	1,545	2,501
Recreational Facilities*	7,534	7,403	131
Roads	9,408	9,523	- 115
TOTAL	**29,788**	**25,471**	**4,317**

The sustainability indicators are significantly influenced by the levels of expenditure on capital renewal. In 2011/12, additional funding was put toward road renewal which has resulted in a negative 'gap' above. This should be considered along with Council's asset backlog.

The 'gap' between life cycle costs and life cycle expenditure gives an indication as to whether present consumers are paying their share of assets they consume.

Council's Asset Management Planning process has identified that there is a gap between what is required to be spent on maintaining Council's existing assets and what is actually being spent. This gap is approximately $4.3 million per annum. The 'gap' applies to all asset categories.

Continuing this way is not sustainable and in order to prevent the condition of assets from declining further, Council has engaged with the Shellharbour community to seek their feedback on what they see as a priority and understand their expectations with regard to level of service needs and acceptable condition of assets.

Linking service levels and cost of service delivery

The linking of service levels and the cost of service delivery is an essential component of strategic asset management. It is essential that the Council knows the true cost of service delivery, priorities placed by the community on infrastructure, the service levels that are desired by the community and what level they are willing to pay for.

Council's asset management plans are based upon the recommended 'core' Asset Management structure contained in the International Infrastructure Management Manual. These plans have been prepared at a network level and aim to document the costs incurred to maintain current service levels of existing infrastructure. Periodical review and continuous improvement will be carried out as more information is gathered. The core asset management plans were prepared with minimal community consultation; they did provide an excellent basis to start the conversation with the community.

More recently, 'Continuing the Conversation' was a series of community engagement initiates undertaken around existing services and infrastructure Council currently provides to the community. Feedback collected will be used to further develop service levels in asset management plans and will also provide a base for reporting and linking service levels to budgets.

Following the community engagement, Council applied to NSW's Independent Pricing and Regulatory Tribunal (IPART) for a Special Variation of 9.3% (including rate peg) on average for 4 years to address Council's asset backlog. If successful, the special variation will yield an additional $18.8 million of income from ordinary rates and over 4 years. This additional revenue will be used to renew existing infrastructure and maintain services provided to the community identified as a priority in the CSP and asset management planning process.

Where do we want to be?

The Resourcing Strategy outlines Council's contribution to achieving the Objectives and Strategies from the Community Strategic Plan 2013-2023 and the Delivery Program 2013 - 2017. In the table below are the Objectives and Strategies that this Asset Management Strategy will contribute to achieving:

Objectives		Strategies	
1.1	Vibrant, safe and inclusive City	1.1.4	Have accessible community and cultural facilities available for current and future community members
1.2	Active and healthy community	1.2.1	Provide residents access to a range of services and facilities that are relevant and responsive to health and wellbeing
1.2	Active and healthy community	1.2.2	Provide diverse opportunities for recreation and enjoyment in the city's parks and open spaces
2.1	Protects and promotes its natural environment	2.1.1	Manage catchments effectively to improve the cleanliness, health and biodiversity of creeks, waterways and oceans
2.3	A liveable city that is connected through places and spaces	2.3.6	Deliver sustainable management of the community's assets for current and future generations
3.1	Infrastructure is planned and managed in a way that meets the community's needs	3.1.1	Provide the community with a broad range of quality infrastructure, assets and facilities delivered in a cost-effective and sustainable manner
3.1	Infrastructure is planned and managed in a way that meets the community's needs	3.1.2	Improve the city's ageing assets, infrastructure and facilities to meet the needs of the community now and into the future

How will we get there?

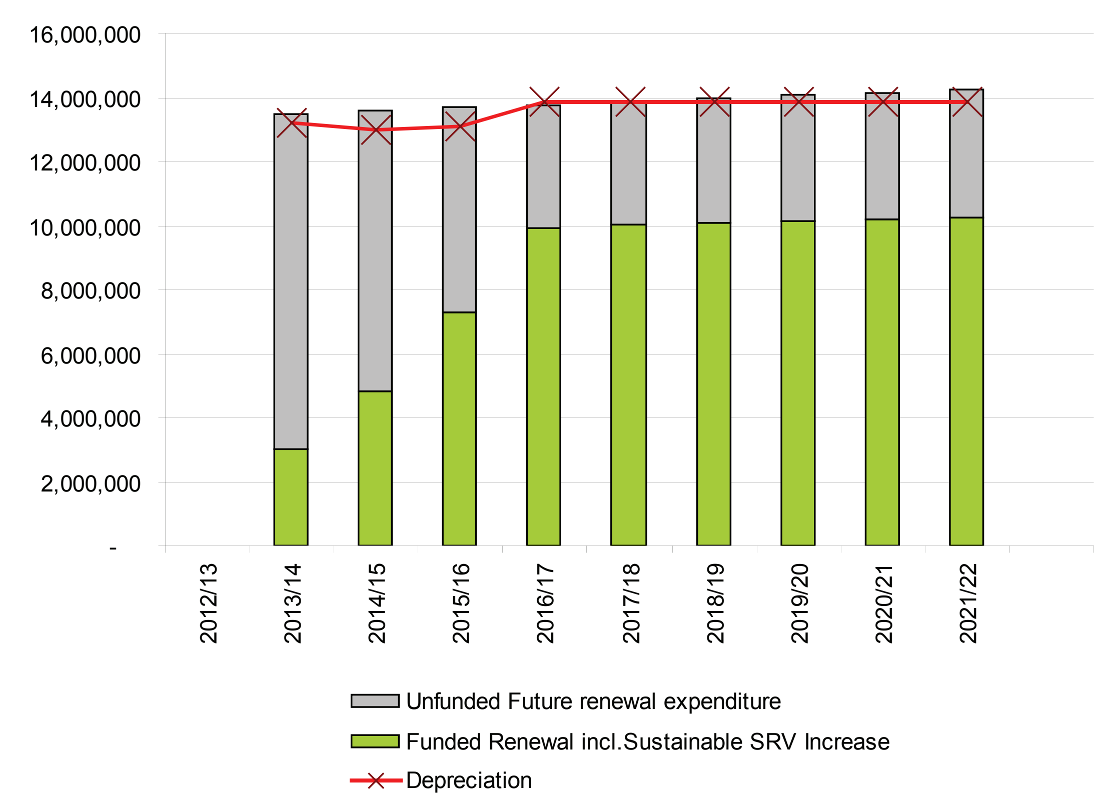
Maintaining and operating assets within acceptable levels of service balanced against available funding has presented a challenge to Council over recent years. The existing rate revenue is no longer sufficient to cover the funding required to maintain assets to a level expected by the community.

Continuing this way is not sustainable and in order to prevent the condition of assets from declining further, Council has engaged with the Shellharbour community to seek their feedback on what they see as a priority and understand their expectations with regard to level of service and acceptable condition of assets.

To enable Council to be able to better maintain and sustain its existing assets, Council resolved on 27 November 2012 to submit an application to IPART for a Special Variation to Rates to commence in the 2013/14 financial year. If successful, the Sustainable Special Variation will yield and additional $18.8 million from ordinary rates between 2013/14 to 2016/17, being the period of the four year Delivery Program. This increase will be retained permanently in Councils income base. This additional revenue will be used to renew and maintain Councils existing infrastructure identified as a part of the CSP and Asset Management Planning processes.

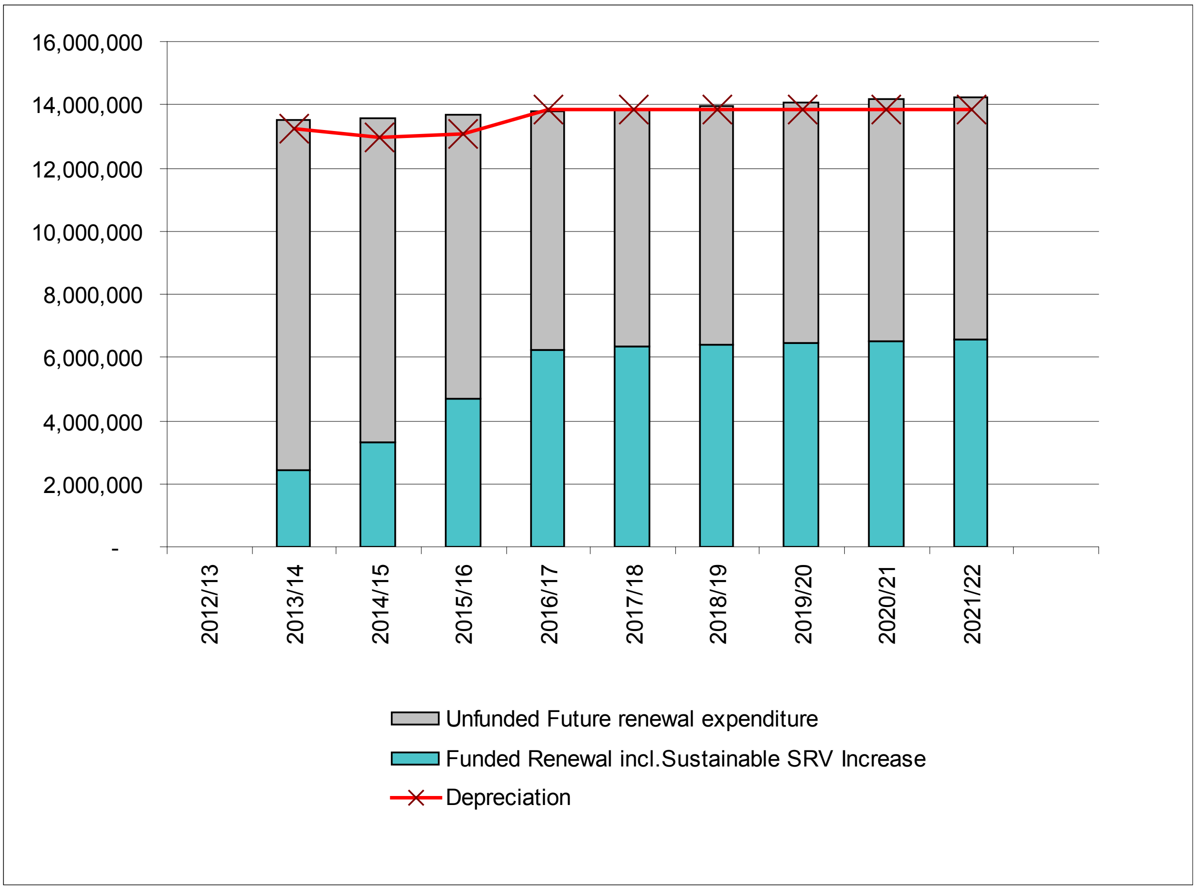
Scenario 1 – Sustainable Rate Increase

The graph below demonstrates the impact of the Building & Infrastructure *(including Recreation Facilities)* Renewal Ratio for the Sustainable rate increase incorporated in the Long Term Financial Plan. The green area displays the additional capital renewal expenditure under the Sustainable rate increase and the grey shading shows the renewal expenditure that remains unfunded and not planned at present. Depreciation is shown as the blue line along the top of the graph. The graph shows that with the additional funding from a Sustainable rate increase, Council will be close to achieving the funding required for renewal of assets. Reaching a renewal of assets that is closer to 100% is not considered necessary for Council in the management of long life assets.



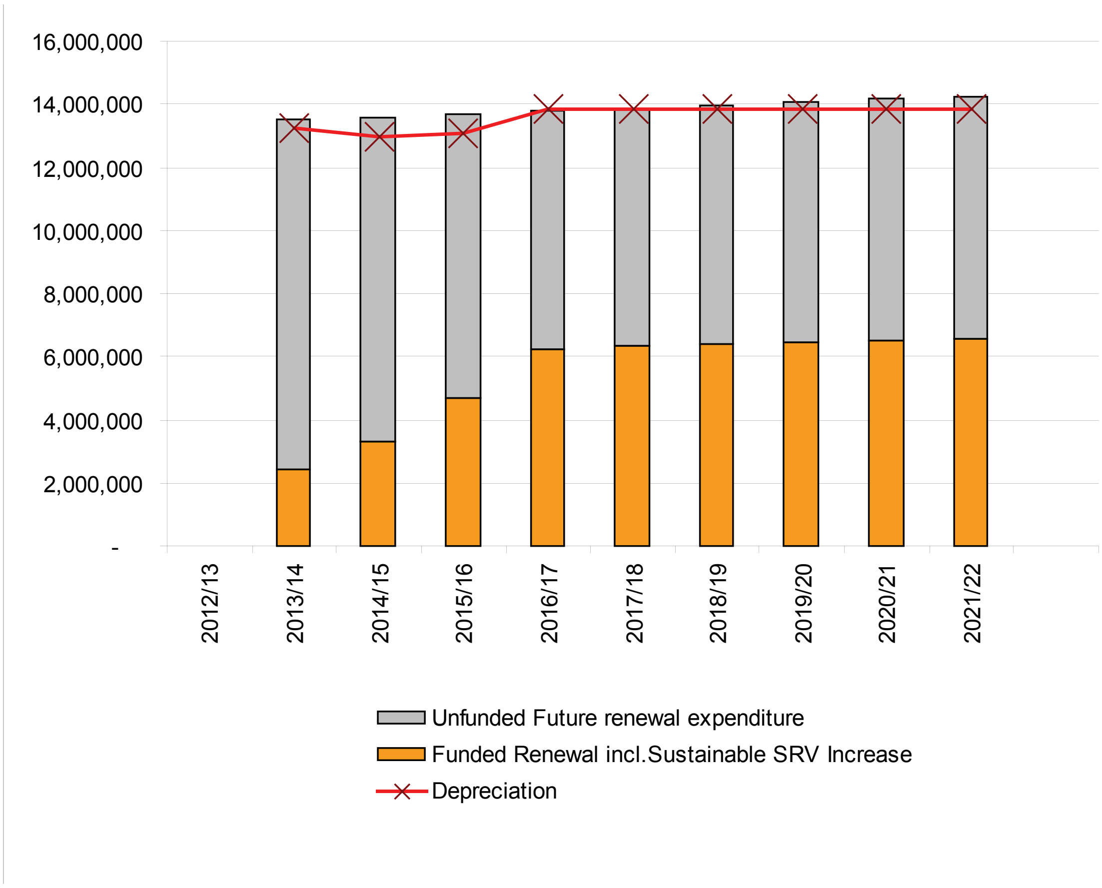
Scenario 2 – Small Rate Increase

The graph below demonstrates the impact of the Building & Infrastructure *(including Recreation Facilities)* Renewal Ratio for the Small rate increase also incorporated in the Long Term Financial Plan. The blue area displays the additional capital renewal expenditure under the Small rate increase and the grey shading shows the renewal expenditure that remains unfunded and not planned at present. Depreciation is shown as the blue line along the top of the graph. The graph shows that with the additional funding from a Small rate increase, Council will not achieve the funding required for asset renewal.



Scenario 3 – No rate increase above Rate Peg

The graph below demonstrates the impact of the Building & Infrastructure *(including Recreation Facilities)* Renewal Ratio with no rate increase. The orange area displays the capital renewal expenditure. This graph shows that capital expenditure to be at the same spending levels as in Scenario 2, however what it doesn't show is for Council to be able to afford to deliver this further cuts to the budget will need to be made.



Recommendations:

To achieve the priorities of the Asset Management Strategy the following Actions from the Delivery Program including the Operational Plan will be undertaken:

1. Coordinate the provision of local halls and buildings for community use (1.1.4.3)
2. Explore opportunities to increase the variety of recreational facilities available within the city (1.2.1.2)
3. Ensure that our local pools and beaches are kept safe, clean and well maintained throughout the year (1.2.1.3)
4. Manage and improve sportsgrounds, parks, reserves, picnic facilities and playgrounds throughout the city (1.2.2.1)
5. Maintain all parklands, wetlands, open spaces and recreational facilities to agreed levels of service (1.2.2.2)
6. Maintain all sportsfields to agreed levels of service (1.2.2.3)
7. Manage and implement the Stormwater Management Program (2.1.1.3)
8. Indentify and plan future maintenance, renewal and upgrades for Councils buildings and facilities (2.3.6.3)
9. Implement the Community Infrastructure Plan for the city's open space, recreation, community and cultural facilities (3.1.1.1)
10. Manage the Asset Improvement Program including grant income for road renewal (3.1.2.4)
11. Maintain all roads and associated assets to agreed levels of services (3.1.2.6)
12. Update and implement Asset Management Plans (3.1.2.7)

Asset Management Policy

Policy Name: Asset Management	Policy Number: POL-0037-V02
Date Adopted: TBA	Review Date: June 2013
Policy Owner: Group Manager Infrastructure Services	

Contents:

1. Policy Statement

The objective of this policy is to:

- Ensure that Asset Management and the importance of managing Council's infrastructure assets for present and future generations is clearly understood and recognised by Council and its Community
- Provide a broad framework and rationale for best practice asset management decision making and inform the organisation on how it will maintain its assets to deliver a level of service that meets community expectations and value for money.

2. Scope

This Policy applies to all infrastructure and assets under the care and control of Shellharbour City Council.

3. References

NSW Local Government Act 1993 (as amended)
International Infrastructure Management Manual
Civil Liability Act 2002
Australian Accounting Standards
WHS Act 2011 and Regulations
Shellharbour City Council Procurement Policy

4. Definitions

Asset Management Plan – A plan developed for the management of one or more infrastructure assets that combines multi-disciplinary management techniques (including technical and financial) over the lifecycle of the asset in the most cost effective manner to provide a specified levels of service. A significant component of the plan is a long-term cash flow projection for the activities.

Disposal – Activities necessary to dispose of decommissioned assets.

Fair Value – The amount for which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction.

Infrastructure Assets – Physical assets that contribute to meeting the needs of organisations or need for access to major economic and social facilities and services. e.g. roads (Including bridges and footpaths), drainage, buildings. These are typically large, interconnected networks or portfolios of composite assets. The components of these assets may be separately maintained, renewed or replaced individually so that the required level and standard of service from the network of assets is continuously sustained. Generally the components and hence the assets have long lives. They are fixed in place and are often have no separate market value.

Level of service – The defined service quality for a particular activity (eg roads) or service area (eg mowing) against which service performance may be measured. Service levels usually relate to quality, quantity, reliability, responsiveness, environmental impact, acceptability and cost.

Lifecycle cost – The total cost of an asset throughout its life including planning, design, construction, acquisition, operation, maintenance, rehabilitation, depreciation and disposal costs. Otherwise call "whole of life cost".

Rehabilitation – Works to rebuild or replace parts or components of an asset, to restore it to a required functional condition and extend its life, which may incorporate some modification. General involves repairing the asset to deliver its original level of services without resorting to significant upgrading or renewal, using available techniques and standards.

Renewal – Works to upgrade, refurbish or replace existing facilities with facilities of equivalent capacity or performance capability.

Replacement – The complete replacement of an asset that has reached the end of its useful life, so as to provide a similar, or agreed alternative, level of service.

Useful life – May be expressed as either:

- The period over which an asset is expected to be available for use by an entity, or
- The number of production or similar units (eg intervals, cycles) expected to be obtained from the asset by the entity.

5. Variation and Review

This policy will be reviewed every two years by the relevant employees.

Review History

Date Policy first adopted – Version 1	1 July 2008
Date amended adopted - Version 2	June 2011
Date amended adopted - Version 3	

6. Policy

Council recognises its obligation to act as custodian of public assets and infrastructure in accordance with Section 8 of the Local Government Act. This includes ensuring that assets are planned, created, operated, maintained, renewed and disposed of in accordance with Council's service delivery. It also recognises all relevant legislative requirements together with political, social and economic environments that are to be taken into account in the management of assets.

Council is committed to implementing a systematic asset management methodology in order to apply appropriate asset management practices across all areas of Council. Asset management practices impact directly on the core business of Council and appropriate asset management is required to achieve our strategic delivery objectives and is linked directly to Councils Strategic Plan and Long Term Financial Plan.

A strategic approach to asset management ensures that the Council delivers the highest appropriate level of service through its assets. This provides positive impact on:

- Members of the public and staff;
- Council's financial position;
- The ability of Council to deliver the expected level of service and infrastructure;
- The political environment in which Council operates; and
- The legal obligations and liabilities of Council.

In order to achieve the objectives of this policy, Council will fulfil its obligation to manage its assets in accordance with recognised best practice.

6.1 Understanding Customer expectations

- An inspection regime will be used as part of asset management to ensure agreed service levels are maintained and to identify asset renewal priorities.
- Level of service for Infrastructure assets will be regularly reviewed to ascertain the Community's expectations. Service levels can relate to fit for purpose, aesthetics, environmental acceptability, safety, utilisation and cost.
- Council will employ a range of community engagement techniques to capture the views, opinions and expectations of the community in relation to asset quality, maintenance and renewal priorities and standards.

6.2 Asset Planning and Financing

- Asset management principles will be integrated within existing planning and operational processes.
- Council will adopt life cycle cost analysis for the management of infrastructure assets.
- Council will consider using various funding sources that address the principles of intergenerational equity to improve the condition of its asset and extend their useful life.
- Capital Works projects and Asset Maintenance shall be subjected to technical and financial evaluation and prioritised using pre-determined criteria and the principles outlined in Council's Asset Management Plans.
- Council will regularly review its asset inventory and identify opportunities for asset rationalisation.
- Whenever possible, predictive modelling will be used to develop and implement preventative maintenance programs to ensure that lowest net lifecycle cost is achieved and asset potential is optimised.

6. 3 Asset Operations and Management

- A consistent Asset Management Strategy must exist for implementing systematic asset management and appropriate asset management best practice throughout all Departs in Council.
- Maintenance plans shall be developed using asset condition data and shall incorporate a cost-benefit analysis.
- All services shall be regularly benchmarked to ensure Council is meeting best practice standards.
- All outsourced services to be procured through a competitive process.

6.4 Management of Risk

- Council will maintain a program of regular inspection of assets under its control to minimise risks to people, the assets, finances and the environment.
- Council will implement the principles contained in ISO 31000:2009 when identifying, analysing,

evaluating and treating risks presented by Council assets and infrastructure.

- Council will maintain a Workplace Health and Safety Management System which will address safety of its employees and contractors working on Council assets.
- Council shall consider all the environmental, social, operational and financial risks when developing sustainable design options for new assets and asset renewals.

6.5 Asset Accounting and Costing

- Systematic and cyclic reviews will be applied to all asset classes and are to ensure that the assets are managed, valued and depreciated in accordance with appropriate best practice Australian Standards.
- Council will maintain a detailed asset management system of all owned assets.
- Useful lives will be given to each of these asset with the written down value determined in accordance with the current applicable accounting regulations.
- Depreciation charges will be calculated using a method that reflects the true consumption of the asset, or is an indication of the future cash flows necessary to sustain asset condition and maintain the required service level. Wherever possible, condition based depreciation method will be used to determine written down value.
- Council will value all these current assets at Fair Value.

6.6 Asset Management Plans

- Council will develop Asset Management Plans for each asset Caetgory.
- Asset Management Plans will establish Levels of service, Future Demand, Life Cycle Management Plans, Financial Projections, Asset Management Practices, Performance Monitoring and Improvement.
- Asset renewal plans will be prioritised and implemented progressively based on agreed service levels and the effectiveness of the current assets to provide that level of service.
- Asset Management Plans will be linked to the Strategic Plan and Long Term Financial Plan.
- The Asset Management Plan ill be subject to continuous improvement.

6.7 Developer Contributions, Dedications and Works in Kind

- Council receives land dedications and assets through works-in-kind and Council's Section 94 Plan. Acceptance of land and assets will be in adherence to the standards and typology requirements as outlined in the Section 94 Plan.

6.8 Asset Management Working Group

- A multi-disciplinary and cross-functional Asset Management Working Group will be established to assist with the strategic asset management planning. This group will include input from various interested sections within the Operations & Services and Community Planning & Strategies Department of Council.
- Staff responsibilities for asset management activities shall be included in the Asset Management Plans, and also reflected in individual position descriptions.

Responsibilities:

The Council

- Councillors are responsible for adopting the policy and ensuring that sufficient resources are applied to manage the assets.

The General Manager

- The General Manager has the overall responsibility for developing an asset management strategy, plans and procedures and reporting on the status and effectiveness of asset management within Council.

Directors and Managers

- Are responsible for the implementation and regular review of the Asset Management Policy and Procedures.
- Must fulfil responsibilities under the Civil Liabilities Act and relevant Accounting Standards.
- Must ensure consultation occurs within the various Council Divisions involved in Asset Management.
- Are required to set appropriate levels of service and manage risk and cost standards.
- Are to provide linkage between the community, key stakeholders and the Council on the management of Councils assets.
- Must monitor the performance of the staff in implementing asset management.

Staff

- Are to conduct any work in accordance with relevant standard and direction of their supervisor.
- Are to provide all relevant information on the usage and condition of Council's assets for inclusion in the Corporate Asset Management System.

Policy Authorised by:

Name:

Date:

Workforce Management Plan

Contents

Introduction

Workforce planning is an important element of the Integrated Planning and Reporting framework being implemented across Local Government in NSW. In order to meet the priorities and needs of the community Council must have a workforce plan (the plan) to ensure that it has the right mix of people, skills and resources to use when and where they are needed. This will enable Council to plan its future workforce needs to place Council in the best position to deliver on the objectives outlined in the CSP. This document considers both the medium- and long-term needs of the organisation and provides a framework for dealing with immediate challenges in a consistent way.

Councils Workforce Plan will endeavour to build an organisational culture which continues to attract and retain the best staff possible. By developing a high performing culture we will work with staff the community and other partners to deliver service efficiency to a high standard. Nonetheless, Council will need to adapt to the projected financial constraints and meet the challenges the organisation will face in the coming years which may impact on the success of the delivery plan and the services provided to the community.

Reshaping the Organisation

Following the appointment of a new General Manager, in November 2010, Shellharbour City Council underwent a reshaping exercise to better align the organisations structure to meet the needs of the community. This was achieved by following three key principles,

Outcome driven* → *Policy led* → *Services: businesslike

So what do each of these phrases mean?

Outcome driven

This means to have a very clear understanding of what we want to achieve. This is achieved by engaging with our community to understand it's aspirations, needs and expectations. The results of this engagement are articulated in the CSP, the Delivery Program and the Operational Plan.

Policy led

This means pursuing our objectives in a consistent rather than an ad-hoc manner and using policy, practice and continuous improvement to deliver the elements of the CSP.

This enables the whole organsiation to make decisions based on sound strategy and policy. It also assists in making confident decisions that reflect the community's views. We must therefore have clear organisational policies, and ensure we follow them.

Services: businesslike

Increasingly in recent years, there has been a common perception that public services, including Council operations, will be more cost effective if they are tendered and out-sourced. The challenge is not to determine whether to tender or not that is a means to an end but not an end in and of itself. Rather, the challenge is to ensure we are able to demonstrate that the cost and value of our services is the very best it can be for our community. The Community are the sponsors of the work council undertakes and so has a right to value and service.

Translating the Organisational Principles into an Organisational Structure

The challenge was then to apply those drivers to shape a new organisational structure. To help focus that approach, three key ideas have been applied:

Group 'like with like'

Similar activities should be managed together. Those similarities may be based on a number of things such as: community outcomes; mode of operation; professional discipline; and so on. We should avoid the temptation to group 'like with unlike'.

One function: one boss

While various parts of the same activity may be delivered from different sections of the organisation, it's important that various roles are clarified and there is a central source of authority: that for each function there's only one boss.

Specialisation, not duplication

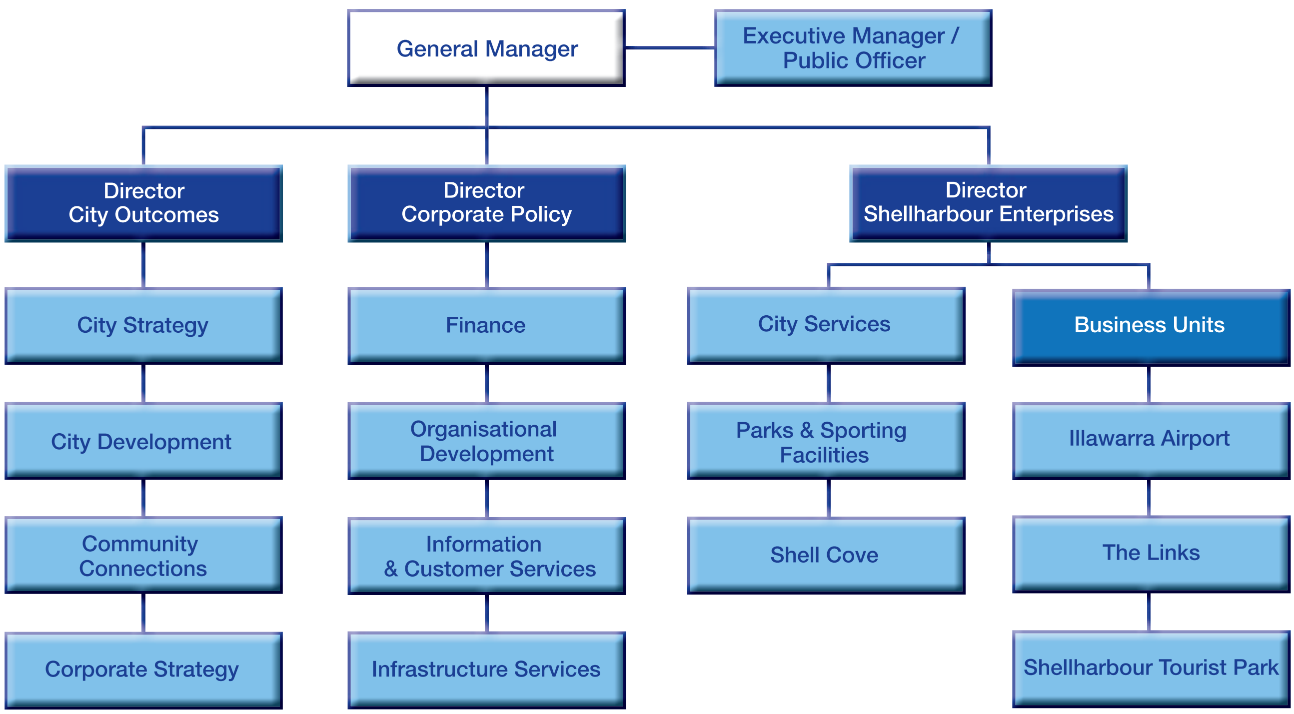
This is similar to the group 'like with like' idea. When it comes to communications, corporate design and advertising, it is all done through one place: Media and Communication. By doing this it results to a consistent message being delivered. This is a result of 'specialisation, not duplication'.

When the principle-driven framework is applied, the organising principle

Outcome driven → Policy led → Services: businesslike

clearly lends itself to a three Directorate structure i.e. one Director that is focused on outcomes and strategy; one on corporate policies, and one on operational delivery.

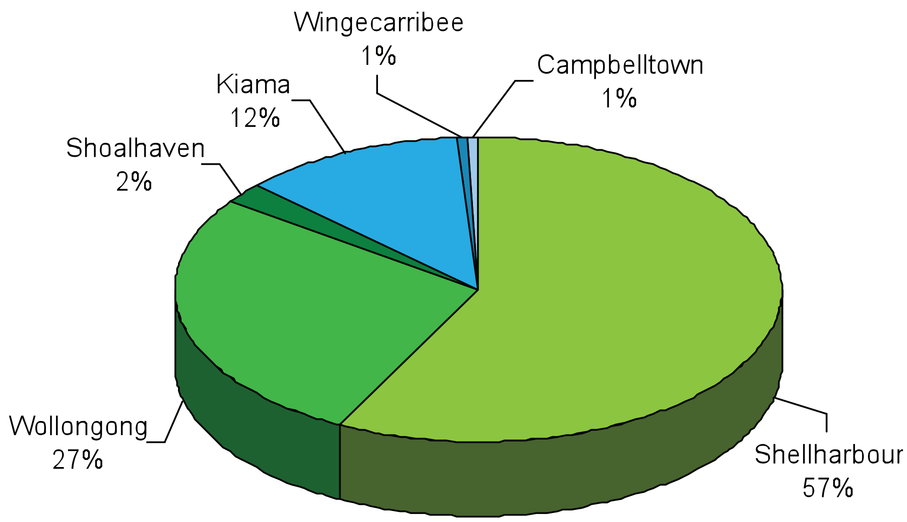
OUR ORGANISATIONAL STRUCTURE



Workforce Profile

Council's permanent workforce comprises 295.77 FTE employees. Council also provides temporary and casual employment. Council's temporary workforce comprises 50.19 FTE employees. Council has a large casual pool of staff who work in areas such as pools, beaches and bush regeneration as well as supplementing operations for the libraries, customer service, parks and gardens, and youth work.

DISTRIBUTION OF EMPLOYEES LIVING IN LOCAL GOVERNMENT AREA'S - INCLUDES ALL EMPLOYEES (INCLUDING CASUALS)

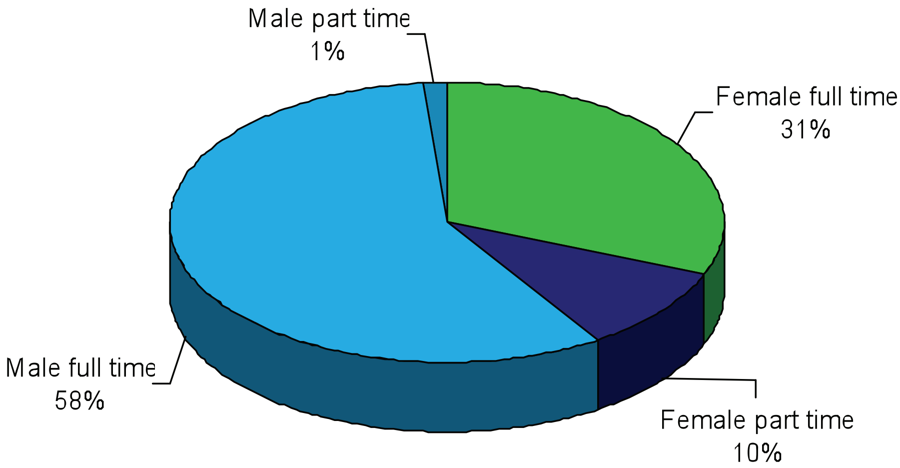


Over 57% of employees live in Shellharbour Local Government Area.

Gender Distribution

Of Council's permanent staff the gender distribution is 59% male and 41% female, this is consistent with the NSW average. NSW Council's on average have a distribution of 59.9% males and 40.1% females. Of Council's permanent/temporary staff 43% work outdoors. Of these 84% are male, while indoor staff are mainly female (64%).

Of Council's temporary employees 55% are females. Of the casual staff 57% are female.

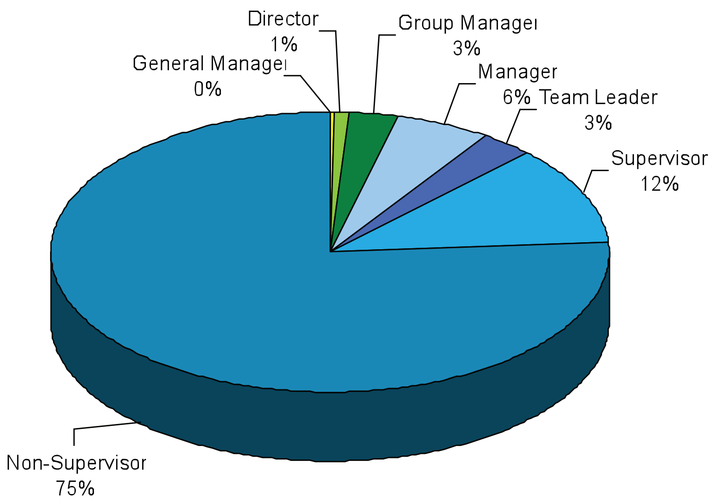


Similarly the majority of Council's casual employees are employed outdoors (76%) of these 58% are male. Of the casuals employed indoor 89% are female.

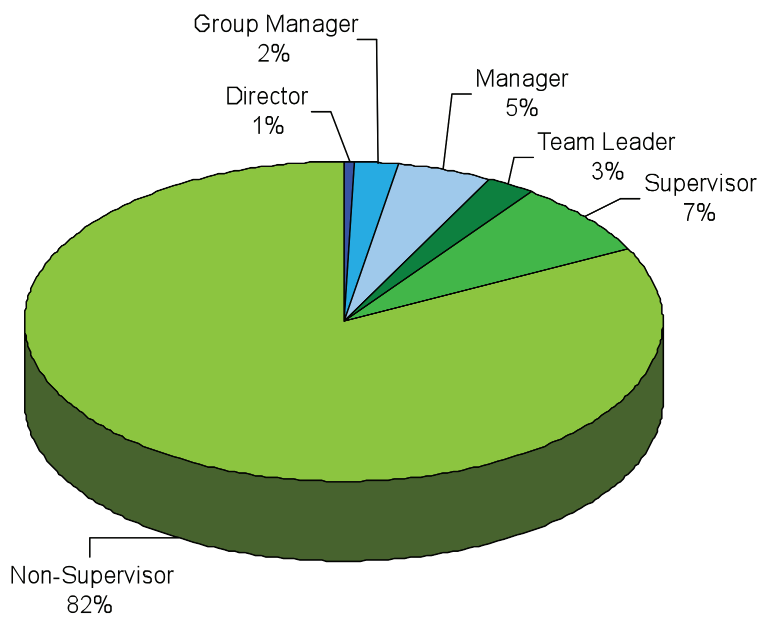
Gender and Management

Of Council's permanent and temporary employees 23.98% are employed in management or supervisory roles. Of Council's senior managers 33% are female. However 82.51% of female staff are in non-supervisory positions compared to 71.14% of male staff.

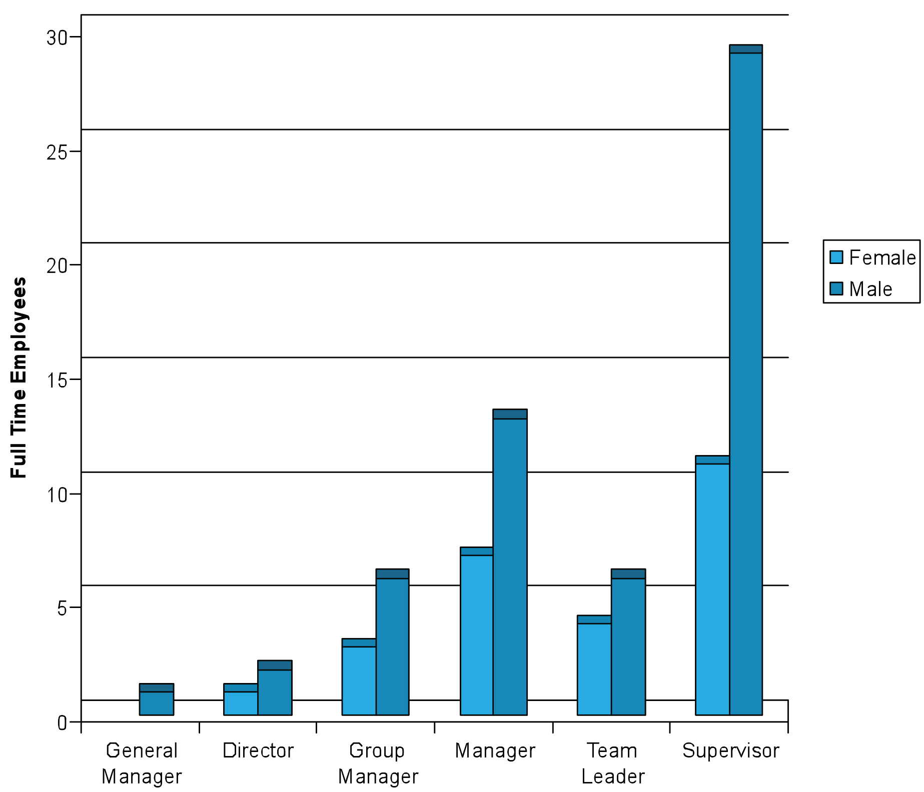
PERCENTAGE OF EMPLOYEES IN MANAGEMENT ROLES - TOTAL



PERCENTAGE OF FEMALE EMPLOYEES IN MANAGEMENT ROLES



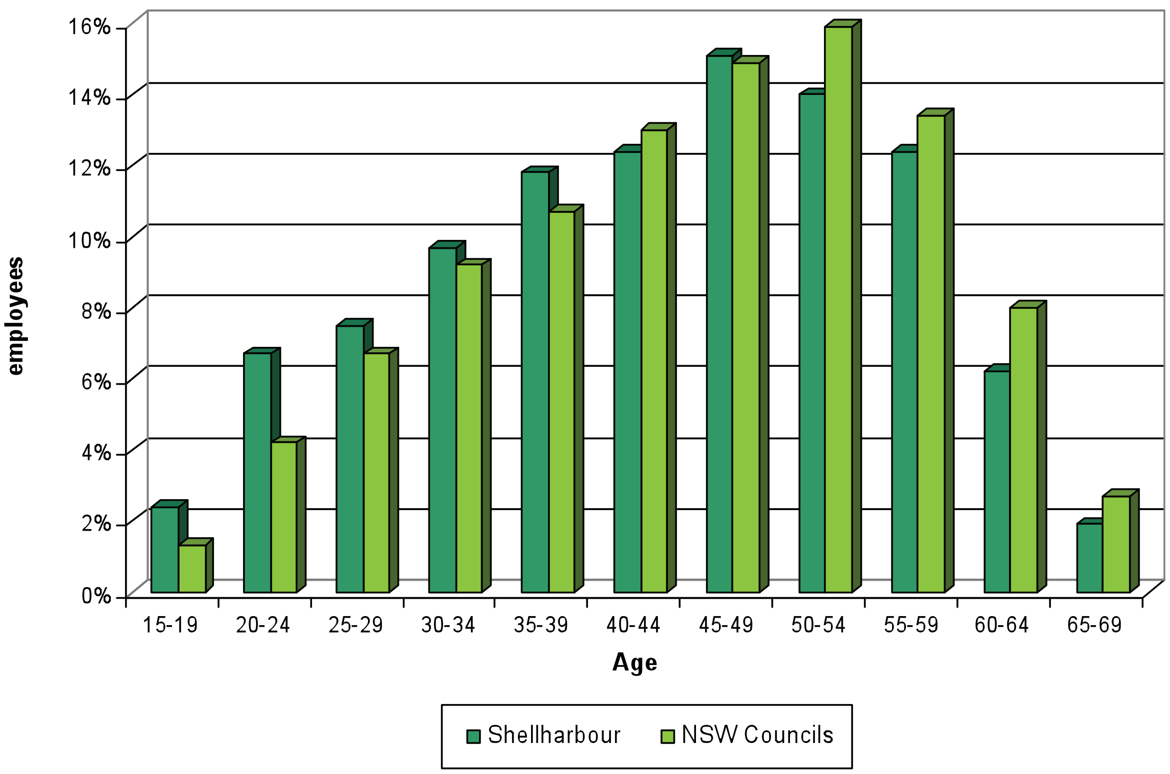
DISTRIBUTION BY PROFESSION AND GENDER



Age Profile

The average age of staff members as at 30 September 2012 was 42.72 yrs the (median age was 44 years). The average age for males was 43.87 yrs and for females 41.42 yrs. Of Council staff 8.58% are over 60 yrs of age. On average 10.7% of staff are over 60 yrs of age in NSW Councils.

WORKFORCE COMPARISON SHELLHARBOUR CITY COUNCIL V NSW COUNCIL'S



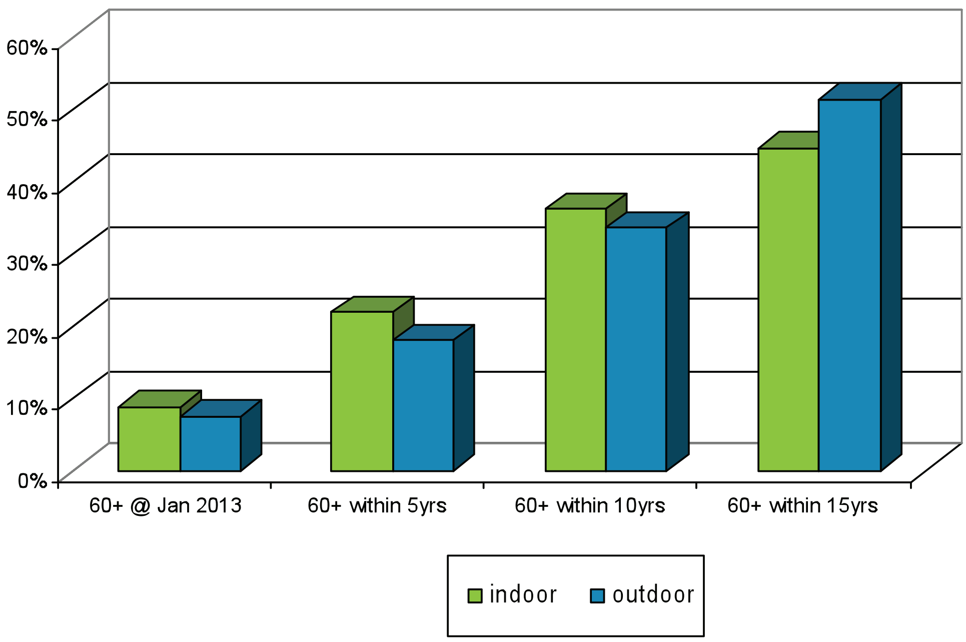
Ageing workforce projections indicate that 20.35% of staff will reach 60+ within the next 5 yrs, 35.11% within 10 years and 47.53% within 15 years. Council's turnover rate for 2012 was 8.88% of which 2.18% were identified as retiring. The ageing workforce will have a significant impact on turnover rates.

An analysis of the age profile of Council shows that apart from Executive Services there is no significant difference across the Directorates or between the indoor and outdoor workforces.

COUNCIL'S AGEING WORKFORCE BY DIRECTORATE

	60+ @ 1/2013	within 5+ yrs	within 10+ yrs	within 15+ yrs
Council	9%	20%	35%	48%
City Outcomes	5%	20%	37%	45%
Corporate Policy	10%	22%	36%	47%
Executive Services	26%	26%	26%	26%
Shellharbour Enterprises	9%	19%	35%	52%

AGING WORKFORCE - INDOOR V OUTDOOR



Age and Key Areas

Of Council's 13 senior managers 5 will be over 60 years of age within 5 years. This should not present Council with any significant problems. Similarly 8 out of 20 managers will be over 60 years of age within 5 years. Of Council's 50 team leaders/supervisors 14 will be 60 years or older within 5 years. Of these 8 are in Works and Services and Council has identified key trades such as mechanics as an area where succession planning is required.

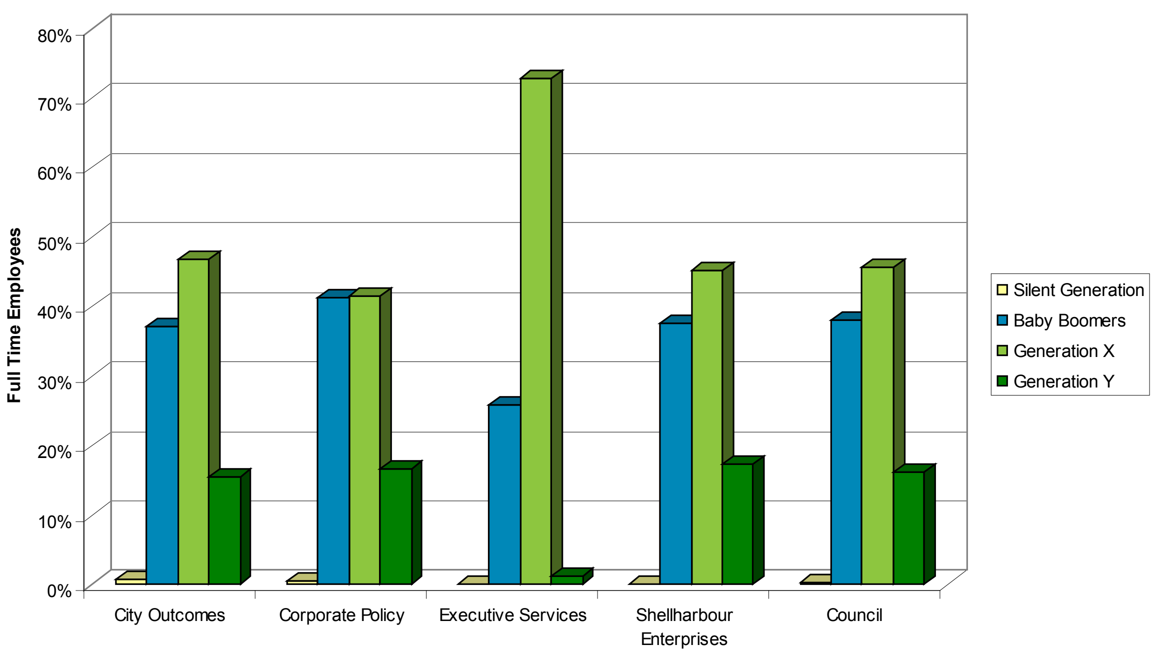
Professions such as engineering, planning, development and environment are traditionally difficult for Councils to engage or attract. Over the last 2 years Council has restructured the City Development section and successfully recruited for a number of roles. The age profile of this section shows a good spread of ages, however, a number of employees will retire in the next 10 years and will Council need to implement strategies to address this.

In Infrastructure Services there are a number of technical positions where employees are already over 60 years of age or will be within 5 years. Council will need to plan on how these positions will be filled. The majority of staff in environment and planning are under 50 years of age.

Generation breakdown

Council's workforce is changing from a majority of baby boomers to a majority of Generation X. This will impact turnover rates as the patterns of the younger generations are leaning more towards a variety of employers rather than a job for life. Council will need policies and practices that support generations X, Y and Z.

GENERATION DISTRIBUTION BY DIRECTORATE - PERMANENT/TEMPORARY STAFF

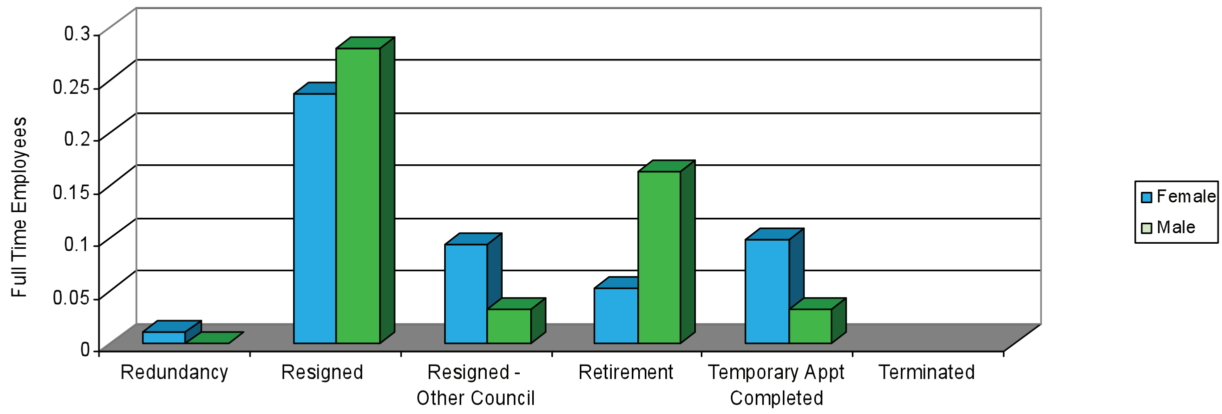


Staff Turnover

Total staff turnover during 2011 - 2012 was low at 8.8%. While this figure may be impacted upon by employees choosing to remain in the workforce longer due to the global financial downturn it is below the local government benchmark of 11.0%. Voluntary turnover was 6.6% compared to the local government benchmark of 9.7%. The retirement rate was 2.2% which is greater than the local government benchmark of 1.3%. As mentioned earlier the ageing staff population will increase retirement rates and this will impact Council's turnover in the next 5 to 10 years.

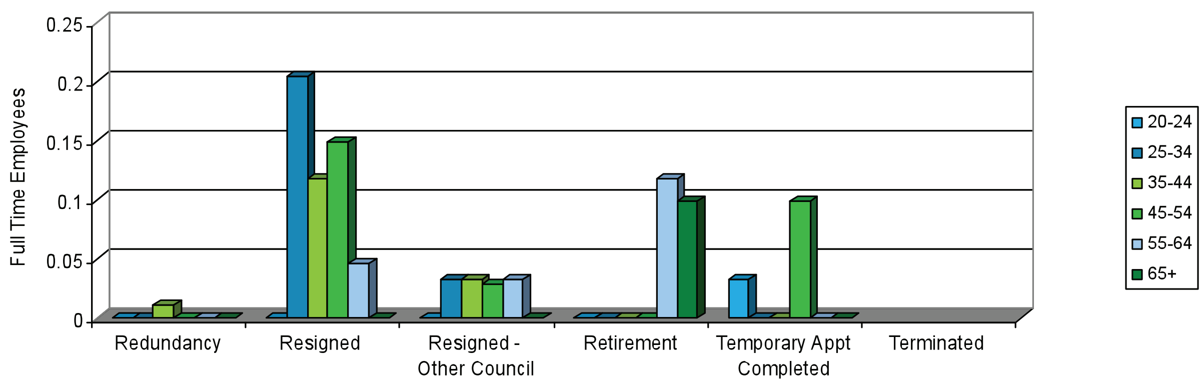
There is little significant difference in turnover rates between males and females.

TURNOVER - BY GENDER
PERIOD: 1 JANUARY 2012 TO 31 DECEMBER 2012



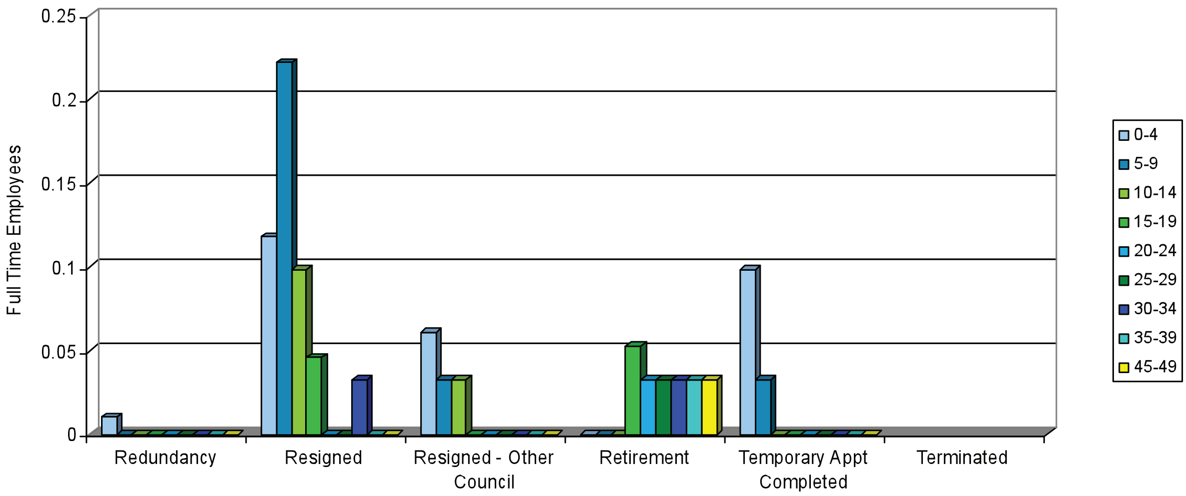
Employees between the ages of 25 and 34 are the largest group of employees who resign. This is consistent with the difference between generations and also with careers where during this age range people often take a step up in their career which may involve a move to another employer.

TURNOVER - BY AGE
PERIOD: 1 JANUARY 2012 TO 31 DECEMBER 2012



Similarly the main length of service where people resign is between 5 and 9 years which corresponds to age and career move.

TURNOVER - BY LENGTH OF SERVICE
PERIOD: 1 JANUARY 2012 TO 31 DECEMBER 2012



Exit interviews indicate that the level of remuneration and career opportunities are the main reasons for people resigning from Council. Council has implemented a Market Rate Allowance in order to recruit staff in areas where current remuneration levels were not market competitive.

Internal Complaints and Grievances

The volume of internal complaints and grievances remains low within Council with the majority of complaint and grievances being received from our outdoor workforce.

Organisational Performance

The expectations of the Community are outlined in the CSP and flow through to departmental business plans and individual performance agreements and work plans. This is referred to as "line of sight", it is the direct link between council's goals and the work we do.

In 2012 Council instigated a program that provides clear performance targets for the Senior Management Team. The program utilises a number of sources to measure both interpersonal skills and business performance including biannual performance discussions, 360 degree feedback surveys, and an annual employee survey. The program is designed to capture a holistic perspective of the individual's abilities both as a leader and manager.

This was undertaken in concert with establishing performance standards for senior management.

In this way we establish what senior management need to do (the CSP), how well they do it (performance standards) and what their colleagues believe is the level of their performance (360 degree survey).

Council recognises the need to remain current and informed in order to meet the challenges set for us by the Community. Our Senior Management Team (SMT) meet quarterly to discuss topical issues and participate in executive development exercises. These events encourage collaboration, learning and a sense of common purpose.

Staff Survey

Council undertakes yearly staff surveys to measure employee engagement. The survey measures fourteen key areas of engagement:

- Culture and values
- Common purpose
- Leadership
- Communication and Cooperation
- The person I report to
- My team
- My job
- Learning and development
- Performance and feedback
- Reward and recognition
- Safety
- Working here
- CSP
- Engagement

What are we doing well?

- People are happy within their team and confident in the abilities of co workers
- People are confident in our managers
- Intend to stay at Council
- Safety

Areas that require improvement:

- Reward and Recognition
- Learning and Development
- Leadership

Continuous improvement requires that we measure key functions to support development or change. The annual employee engagement survey is an important tool in organisational development. The survey responses help to identify areas for improvement and focus groups are used to clarify issues. Finally the process culminates in local level Action Plans tailored to the specific group or team. The Action Plans are monitored and progress is reported to the Management Executive quarterly.

At the Corporate level we focus on three key areas for improvement which are identified through their low satisfaction ratings.

In response to the 2012 results Council undertook a range of activities, in summary:

- A Corporate Training Needs Analysis was undertaken
- A review was undertaken of training within council and how funds are allocated
- The Rewards and Recognition committee reviewed the program
- A leadership and development program will be implemented during 2013 to instill leadership skills at all levels from supervisors, young professional, management and senior management.

Performance Management

Financial Sustainability

Council's objective remains to carry out our CSP, Delivery Program and Operational Plan actions. In order to achieve this objective on a sustainable level, over at least the next ten years, Council needed to make some changes now.

In response to the trend towards reduced surpluses and the return of deficits in annual financial reporting, Council has moved to review strategic thinking around financial management, starting with a three tiered philosophy which will rule Council activity in the foreseeable future. Council activity will from this time be defined as follows:

- Outcome driven
- Policy led
- Businesslike - able to be tested against relevant markets.

The imperatives which have caused council to take a more strategic view of long term financial planning, have been as follow:

- Council cannot sustain continual operating losses.
- It is unrealistic to exclude debt funding, from capital financing options.
- There is inadequate financial capacity to renew existing assets.

Council's new corporate structure has been designed to bring out the best in the organisation's capacity to provide cost effective services.

The new Organisation Structure is designed to work as follows:

- A Corporate Policy Division specifies services to be delivered.
- Service Level Agreements will be set by 'price' not cost and are to be based on market medians, to ultimately be compared to market alternatives.
- Overhead costs will be determined on a similar basis.
- Appropriate classification of asset renewal and asset maintenance expenditure will be ensured.
- Progressively increasing annual targets for asset renewals will be established.
- Asset renewals will be monitored by condition ratings.
- A City Outcomes Division reviews and implements Strategic land use, social and infrastructure planning, as well as development control, environment and waste control and other regulatory services. This Division also manages community engagement, Council's libraries, tourism and integrated, strategic planning.
- The Shellharbour Enterprise Division is responsible for Council's Works and Services department, as well as Shell Cove, The Links and the Illawarra Regional airport.

The new structure allows for the infusion of better performance indicators, via the appropriate use of alternatives to historic methods of service delivery. Service quality will be better measured and improved, leading to a Council which is more prepared and enthusiastic for the coming economic challenges.

Workforce Capacity and Capability in light of our financial situation

Council is applying for a SRV as a major plank in its drive for financial sustainability. Over a four year period, Council will quadruple its asset renewal/capital works budget. This will raise Council's asset renewal ratio to approximately 80%. Council can not deliver the works associated with the SRV with the existing staffing resource and associated Asset Management Systems.

As a result, Council has begun planning the workforce necessary to undertake the planning and delivery to asset renewal work. If the SRV application is successful then Council will require an extra 8 engineers/asset officers in the Infrastructure Services area.

Flowing on from this will be the need for extra staff in the corporate area particularly in IT such as a business analyst to work with Infrastructure Services and City Works to implement efficient asset management systems. There will also be a need for extra financial assistance in the area of budgeting, project financial management and Human Resources.

What if the Special Rate Variation (SRV) application is not successful?

If Council's SRV application is not successful then there will not be the need for extra staff. However Councils financial sustainability strategy signals a move towards more asset renewal and there is likely to be a transition of staff towards Infrastructure Services within the existing staff complement.

Regardless of the SRV there will be a greater focus on the use of technology to drive efficiency in all areas of council.

Capacity

Council faces a number of challenges during the course of this planning period including:

City Hub Development

The City Hub is a proposed civic and community precinct. It's one of the most significant projects to be developed in the Shellharbour local government area and will provide a number of new civic, community and administrative facilities, including a City Library which incorporates the City Museum, a civic auditorium, new Council Chambers, community meeting rooms, facilities for sessional services and new administration offices.

The new facility will introduce significant change to the way we work together with open plan offices spaces replacing the current structured office fit out. Change management activities will include the establishment of a staff reference group and further work on establishing a common understanding of workplace etiquette in the open plan environment.

Summary of activities to be undertaken:

- Convene a staff reference group to facilitate consultation
- Create terms of reference and scope for the staff reference group
- Develop a change management and communication strategy for the project

Focus on Asset Renewal

Asset renewal will become a critical focus for Shellharbour Council in the coming years. Should Council be successful in its application for a SRV, the next four years will see its asset renewal/capital works budget quadruple. This will raise Council's asset renewal ratio to approximately 80% representing a significant increase in works. The impact on of the SRV will be seen on staffing in the asset management and technology.

Activities associated with this program will include:

- Development of a recruitment strategy to attract specialist staff in asset management, engineering and technology
- Continue to participate in Career Expo's
- Monitor recruitment trends in these fields to ensure recruitment is appropriately targeted

An aging workforce

Australia's workforce is aging, this is a national issue and one which presents a challenge for all employers. This is reflected on Council's staffing demographics with the average age of staff being 43 years. Our turnover data indicates that employees 25-35 are the most likely to leave the organisation

- Market Councils Phased Retirement program
- Monitor flexible work practices

National skills shortages

Councils face strong competition for skills (planning, engineering, technology) in the market place and it is often difficult to compete on benefits and remuneration with the private sector. Shellharbour Council also faces competition from larger Councils within the region who are themselves competing with the Sydney market, strategies include:

Added to this situation is the fact that some universities are no longer offering courses in areas such as planning, environment and health due to low numbers. This will create flow on effects in the industry in the years to come.

- Improve attraction and retention of career starters
- Review cadet program and expand upon the existing rotation program
- Develop training programs in conjunction with Universities which provide training opportunities for
  undergraduate and postgraduate students
- Develop a plan to reduce the level of turnover of staff who have been employed between one and four years.
- Review and improve exit interview process
- Capitalise on Shellharbour as a desirable location for lifestyle
- Market the benefits or working for local govern-ment

Ongoing affects of the global economic crises

The global economic crises has resulted in fewer people changing jobs, with job security becoming a priority and others have decided to stay in the workforce longer to recoup losses in superannuation. However, as the economy stabilises and strengthens, the pressure to attract and retain staff will ultimately return.

A summary of activities to address this include:

- Undertake an annual staff survey

- Monitor the effectiveness and utilisation of policies such as Phased Retirement, Purchased Leave, Market Rate Allowances and Exit Interviews.

Generational differences

Generational attitudes also play a large role in shaping the workplace profile. It is recognised that Generation Y are not driven by long-term careers, corporate loyalty or job status and whilst they may be easy to recruit, they are hard to retain. Generation Y will have up to five careers and more than 20 employers during their working lives. Salary is not of central concern to Generation Y. Generation Y do want opportunities for learning, advancement and work flexibility. They also have a greater need for recognition and feedback than Generation X or the Baby Boomers.

Managing up to 4 generations in the workforce at one time can present challenges in the workplace. Strategies to address this including:

- Ensure that change programs are relevant to all age groups
- Policy development must consider generational differences and needs
- Develop recruitment and retention strategies that appeal to the needs and aspirations of different groups
- Monitor staff responses to flexible work policies and practices in the annual staff survey

Technology

Advances in technology will provide Council with opportunities to improve processes and efficiency. The development of the new City Hub will allow us to implement technology to not only improve the way we do things (processes) but also the way we work in general (social media, text messaging information, office based work).

By taking advantage of technology we can create greater flexibility in the we interact with each other and even work from other locations. In 2012 Council implemented stage one of a new time and attendance system, this is the first step towards greater employee self service and more streamlined management of off site employees. In the future Council will work with its employees and the community to improve the way we work, provide services and interact with each other.

A summary of activities in this area include:

- Development of the City Hub
- Asset management systems
- Customer services
- Development of a working from home framework
- Develop interactive, multi functional systems for outdoor staff

Our Culture

Reward and Recognition

Councils Reward and Recognition program aims to promote a culture of working together to improve upon the services we provide to Council and the community. The program encourages innovation and outstanding achievements which reflect Councils values and commitment to the community. Quarterly awards are given at the departmental level throughout the year culminating in an annual Council-wide awards function to celebrate special achievement across six categories.

While this program provides recognition and reward for staff further work is needed in the area of reward and recognition of high-performing staff who have reached the top of their salary range and who have skills and knowledge that are critical to the overall performance of the organisation.

Our Community Engagement

The Shellharbour Council Community Survey which was conducted in 2012 shows that the community view Council's staff in high regard with a 73.4% satisfaction rating, 58.0% of residents who had no contact with council within the preceding 12 months also rated their satisfaction as high. Four in five residents (80.9%) provided a high response to the statement 'They were courteous and helpful', resulting in a mean score of 4.35 out of 5.

This data indicates that most residents continue to be satisfied with the level of customer service received from Council staff with all service attributes achieving a high scores.

Our Staff Engagement

Shellharbour Council is dedicated to building a workforce where staff feel valued and involved and ultimately wish to remain with Council to develop a career. Our goal is to increase alignment between values and workplace behaviors by strengthening relationships between management and staff, supporting greater collaboration across the organisation, ensuring transparency, creating a culture of two way communication and increasing individual accountability and responsibility.

The General Manager publishes a weekly blog on Council's intranet site. The blog covers topical issues for Council, it staff and the Community as well as giving employees some insight into the General Managers thinking and personality. Staff are able to provide feedback directly to the General Manager or use an electronic staff forum to do so anonymously.

The staff forum has proven to be a useful tool for staff wanting to provide comment on how the organisation is being managed (good and bad). Answers to questions are also posted on the forum to further encourage openness and transparency. This has proven an effective way for staff to give and receive feedback on issues of interest or concern.

The General Manager does a road show to all offsite locations at least once a year to inform staff about current issues. This gives them an opportunity to meet the General Manager and ask any questions that they may have.

Below are a summary of activities which Council will undertake to support this program:

- Annual staff survey
- Incorporate tailored communication strategies into all change programs
- Monitor changes in technology to indentify opportunities for improving communication with employees.

Recruitment and Retention

Council needs to keep up to date with trends in recruitment such as social media and other forms of online recruitment as we strive to remain competitive in today's job market. Although Council is constrained by a structured salary system Shellharbour Council has implemented a suite of excellent working conditions and family friendly policies that benefit all staff. These policies, programs and procedures will need to be monitored and maintained during the current Workforce Planning period.

The **Relocation Expenses Policy** was developed as a result of the growing need to remain competitive in the employment market recognising that the employment pool is often outside of our region.

Relocation costs can be an issue for some applicants and Council recognises that this is not an area traditionally addressed in local government recruitment practices. The policy outlines the conditions under which reimbursement of relocation costs may be considered to ensure that Council remains competitive in the recruitment market.

We have recently introduced **market rate allowances** which provide Council with a legitimate means of addressing market pressures for critical positions which our current salary system does not take into consideration.

The benefits of having this policy is that it allows Council to attract and retain staff where the impact of not filling the position would detrimentally and significantly impact on the achievement of key strategic outcomes. It also ensures consistency and transparency in the rationale behind offering a staff member above award salaries.

In managing the market rate allowance policy, Council conducts regular reviews of the relevant market pressures to understand and ensure that the allowance payment is justified and the employee is made aware of these reviews when they are offered the position.

Councils phased retirement program is to our knowledge a retention strategy and provides employees nearing retirement with a range of options for transitioning from full-time work to retirement. This allows Council to retain the skills and knowledge of our mature age employees for longer. This procedure also supports knowledge and skill retention through succession planning, mentoring and contributing to greater flexibility to encourage the retention of mature aged employers.

Purchased Leave is growing in popularity as employee's recognise the flexibility it allows when juggling work and family commitments, study or seeking a more satisfactory life balance. The policy gives staff the opportunity to purchase up to four weeks additional leave each year.

Council's **flexible work** practices provide employees with the flexibility to manage working arrangements with family, social and leisure time. This ensures maximum productivity whilst addressing family and social impacts on employees.

Council recently introduced a **Young Engineers** program. The program focuses on the rotation of cadet engineers across Council to increase knowledge in all areas within Council so that they have a broad understanding of engineering principles.

A new **Working from Home Policy** is being developed which not only allows current employees to work from home but provides a real alternative to office based work. Like many councils Shellharbour Council wants to employ the best people for our organisation and the community, we see working from home as a competitive advantage in a difficult market place.

This will initially be run as a trial group with existing employees performing roles appropriate to home based work. Managers/supervisors and employees will be trained in managing remote and virtual workers as well as how to undertake an OHS assessments of the home work environment.

This project may benefit employees returning from maternity leave, those with carers responsibilities or those that see working from home as an attractive alternative to travelling long distances to the office each day.

The advantages for Council are that we get to retain valued staff, support employees with family responsibilities and access a broader and more diverse pool of potential employees.

Council is committed to providing a range of opportunities to promote greater flexibility in employment arrangements. The working from home policy provides for a degree of flexibility and choice to employees and their managers concerning working arrangements that will better balance the demands of the workplace and personal circumstances.

Four Year Recruitment Strategy

Council has undertaken a review of its staffing needs over the next four years, taking into consideration the new City Hub refinements and asset renewal. This process allowed us to identify a number of positions that will be required to achieve the outcomes in the Delivery Program.

- The average cost for recruitment and advertising for each position is $10,000.
- Positions identified in green are associated with the development of the new city hub and library services.
- Positions identified in orange are a result of the restructure of Shellharbour Enterprises and the new Council structure.
- Positions identified in blue represent additional positions needed for asset renewal
- Council is currently applying for a special variation to rates to address issues with asset renewal. In the absence of a special variation to rates there will be an issue in funding any and all of the positions above associated with assets and infrastructure as well as maintaining all current services and staff establishment positions. To help meet our projected staffing requirements and to retain existing staff levels Council has identified key activities that it will need to undertake in the next four years. These activities are represented in the Delivery Plan.

Summary of projected staffing needs for the next four years

PROJECTED STAFF	2013/14	2014/15	2015/16	2016/17	2017/18
Corporate Policy Directorate					
Design Engineer	↑				
Team Leader Civil Design		→			
Subdivision & Development Officer			→		
Asset Officer					→
Asset Systems Officer			→		
Projects/Delivery Engineer	↑	↑	↑		
Assets Officer	↑	↑	↑		
Senior Property Officer	↑				
Systems Accountant			→		
Senior Accounting Officer				→	
Group Manager Finance					→
Payroll Coordinator					→
Customer Services Officer		→			
Senior Customer Services Officer			→		
Network Administrator				→	
Debtors Officer			→		
Corporate Outcomes Directorate					
Library Officers			↑↑↑↑		
Asst Museum Curator			↑		
Shellharbour Enterprises Directorate					
Cleaner	→			→	→
Carpenter/Handyman	→				
Tar Truck	→				
Driver	→		→		
Mower operator/Tractor			→	→	→→
Cost Planner	↑				
Project Engineer	↑				
Gardening Supervisor	↑				
Commercial Manager Shell Cove				→	
General Managers Office					
Commissionaire	→				

↑ Increase → Replace (Retirement)

Equity and Diversity in the workplace

In 2012 Council participated in the 50:50 Vision Equity Program which is the first national accreditation and awards program. This program encourages councils across Australia to address gender equity issues within the organisation and among their elected representatives.
Council recognises the strength that diversity brings to Council and the Community. As staff, managers and elected representatives of Shellharbour City Council work together to promote gender equity and diversity at all levels within our organisation.

Challenging ourselves and others to seek innovative solutions to overcoming inequity, breaking down barriers and creating a better, fairer and more equitable future is something that Council strives towards for current and future members of our organisation.

Our Organisation, Our Future is composed of a number of smaller projects, each designed to a specific issue or target group. The individual projects aim to remove barriers in gender equity, opportunities for women and other disadvantaged groups within council.

The program started in **2010** with a number of activities for the Year of Women in Local Government. Council ran training programs in the areas of **Networking for Career Development, a breakfast for International Women's Day, and the Springboard Women's Development program.**

In **2011** our focused shifted towards **increasing the number of women in Senior Management** positions and removing any hidden barriers to employment for women and/or disadvantaged groups more generally. This involved a complete review of our recruitment and selection procedures, rethinking how we write, present and place job advertisements in the media and analysing recruitment outcomes for specific positions.

This project has helped us to identify ways to improve our recruitment processes and we are already reaping the rewards with a new female Director appointed in October 2011 and two female Group Managers appointed in our City Outcomes Directorate in 2012. In 2010 all three Directors were males and only two Group Managers were females.

In 2012 Council ran "Spring Ahead" for the graduates of the Springboard Women's Development program in 2010. Spring Ahead was designed to reinvigorate women who completed the Springboard Women's Development Program. The women reviewed their journey since completing the program as well as learning new skills to help them in the future. A number of these women have since moved into new positions.

Council also supported three senior women in applying for the Illawarra Leadership Program with the Sydney Business School at the University of Wollongong. This program is designed to develop future leaders for the Illawarra region.

In 2013 Council will undertake another women's development program for "Aspiring Women" for those wishing to move into supervisory and management level positions.

Aboriginal Employment Strategy

In 2012, Shellharbour City Council developed and implemented an Aboriginal Employment Strategy (AES) to provide the necessary direction and framework to achieve employment outcomes for Aboriginal and Torres Strait Islander people within Shellharbour City Council Local Government Area (LGA) and help address the Aboriginal employment gap.

In developing the AES the Aboriginal Community has been consulted through the Aboriginal Advisory Committee (AAC) and Aboriginal Employment Strategy Review Steering Committee made up of AAC Members and members of the Aboriginal community who have expertise in Aboriginal Employment.

Shellharbour Council has employed an Aboriginal School Based Trainee and has approval to employ two more. As part of the recruitment campaign for apprentices Council held a seminar for local Aboriginal employment services providers. The seminars provided information on how to apply for an apprenticeship; the criteria Council uses to select apprentices; and general information on working at Council.

Training and Development

Council recognises that training and development is extremely important in todays business environment. Not only is it a means of ensuring staff are able to safety and efficiently perform there jobs, it is also a crucial factor for attracting and retaining employees. Training and development was identified in Councils 2012 employee survey as an area of low satisfaction.

In response Organisational Development undertook an organisational wide training needs analysis, reviewed the allocation of training funds and developed a training program to meet the statutory, governance, safety and development needs of employees. In addition Council aims to increase the level of funding (currently 1.75%) for training and development to 2% of payroll over the next four years.

Leadership development

In the 2012 staff survey Leadership was identified as a significant issue being one of the lowest scoring items in terms of staff satisfaction. The issue was further explored in focus groups which teased out the underlying concerns.

Traditionally Council's leadership development has focused on the identification of specific skill gaps and the development of courses aimed at the specific area of knowledge/skill. While this approach has some usefulness it does not necessarily translate to long term behavioural change or skill development.

Council has introduced a "Leader Skills Program" which focuses on three levels of development; front line (entry level supervisors and manager), future leaders (young professionals) and Leaders and Influencers (senior managers).

The Leader Skills Program

There are three levels of training provided throughout the organisation.

The first tier of training will focus on developing leadership and management skills for outdoor staff. At this level the training will emphasis competency in leadership and supervision and the ability to plan and manage works and projects in a business environment.

The second tier of training will be for future leaders and will be an internally run program which provides young professionals with the skills necessary to be a good leader and manager. The program will also give the participants access to a variety of mentors and leadership styles within Council.

The third tier of training is targeted at senior managers. In 2012 Council will support three senior managers in the Leadership Illawarra Program, which is a two year experimental program for the region's emerging leaders, developed for Regional Development Australia. Participation was determined through a formal application process with the University of Wollongong's Innovation Campus.

The program is aimed at individuals from a wide range of business and community backgrounds to expand their knowledge of the issues, challenges and opportunities facing the region. Over a two year period participants will interact with and learn from today's leaders and gain practical leadership experience working on team-based community projects. It will also provide staff with an opportunity to network with organisation's within the region.

Activities which support this program include:

- Develop framework for Leader Skills program
- Implement Leader Skills Program
- Review ongoing involvement in Leadership Illawarra Program
- Monitor and report on Leadership Program
- Annual staff survey

Recommendations:

To achieve the priorities of the Workforce Management Plan the following Actions from the Operational Plan 2013/14 will be undertaken:

1. Provide opportunities for young people to gain valuable work experience opportunities (3.2.4.1)
2. Develop ties with local schools, TAFEs and the University of Wollongong to explore partnership opportunities for succession planning and for critical position skills development (3.2.4.2)
3. Implement Council's Aboriginal Employment Strategy to increase employment opportunities for the Aboriginal community (3.2.4.3)
4. Monitor trends in recruitment and retention to ensure that Council remains competitive in the market place and able to deliver planned outcomes for the community (4.2.1.4)
5. Create a culture that promotes Council's values (4.2.2.6)
6. Provide training and professional development for staff through the annual training needs analysis (4.2.2.8)
7. Implement and introduce programs that contribute towards a motivated, harmonious and engaged workforce to make Shellharbour City Council an employer of choice (4.2.2.9)
8. Reinforce throughout the Council organisation the adopted workplace values of integrity, respect, service, adaptability, collaboration and safety (4.2.2.10)