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Draft Supplementary Resourcing Strategy 2017-2027 incorporating Draft Supplementary Delivery Program 2017-2021

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H a w k e s b u r y C i t y C o u n c i l

HAWKESBURY CITY COUNCIL

DRAFT SUPPLEMENTARY RESOURCING STRATEGY 2017-2027

Incorporating

DRAFT SUPPLEMENTARY DELIVERY PROGRAM 2017-2021

The Hawkesbury 2036...It's Our Future

Including three possible options for Investing in Your Future

Hawkesbury City Council

HAWKESBURY CITY COUNCIL

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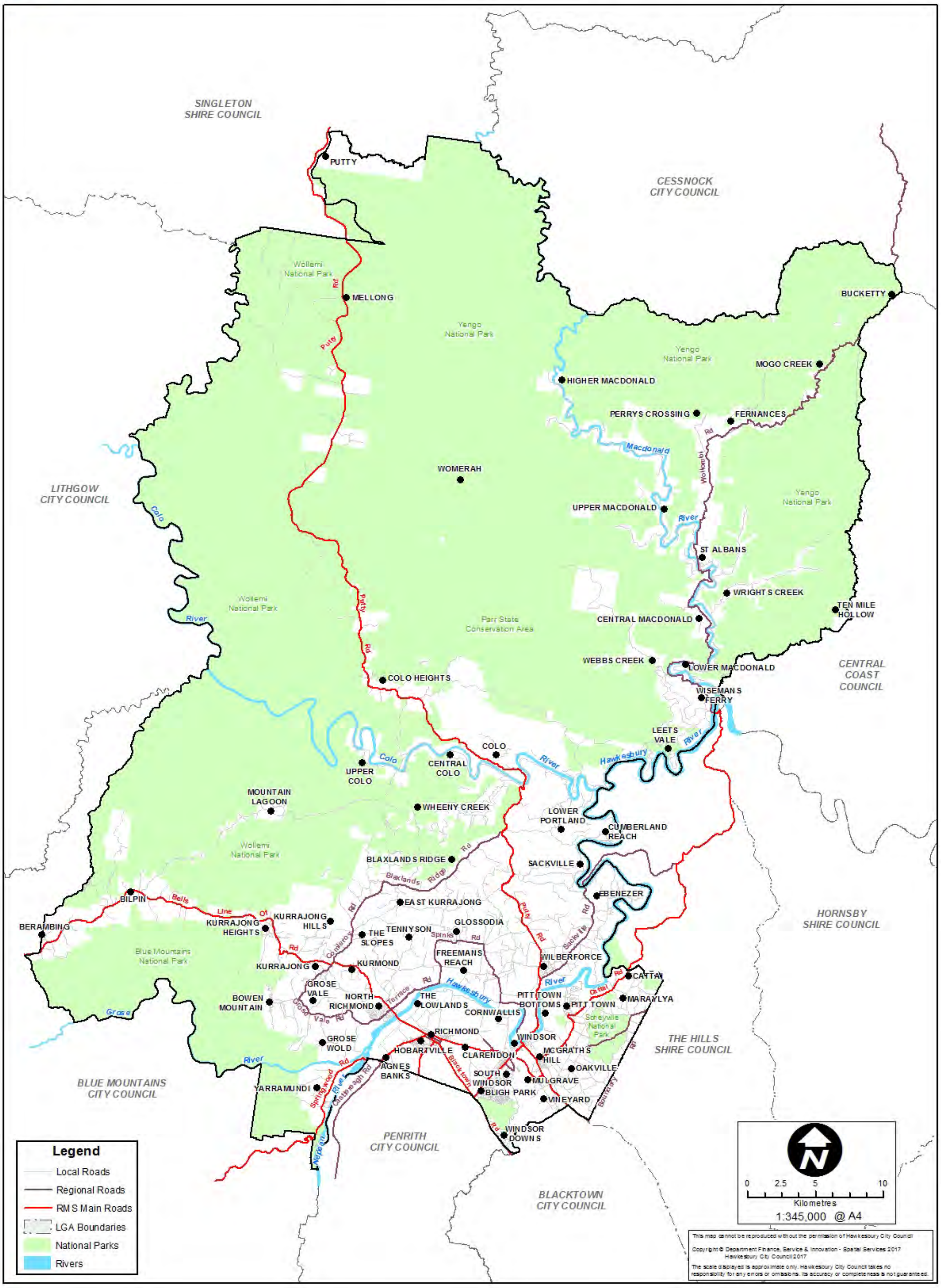

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Supplementary
Resourcing Strategy 2017-2027

Introduction

This supplementary ten year Resourcing Strategy has been developed for public exhibition and community consultation in accordance with Council's Fit For The Future Community Engagement Strategy.

The Supplementary Resourcing Strategy 2017-2027 highlights the outcomes of Council's ongoing conversation with residents about the future of the Hawkesbury.

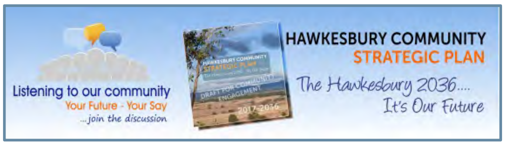
These conversations began in August 2016 and were conducted over three stages:

Stage 1 - 'Listening to Our Community'

Consultations where Council went out to hear what residents had to say about their satisfaction and expectations for Council's services and facilities and their priorities for future investment.

These consultations took place between 22 July and 24 August 2016.

Stage 2 - 'The Hawkesbury 2036…It's Our Future'



Consultations where Council spoke with residents on the things they valued about living in the Hawkesbury and steps to deliver the future that residents wanted to see - a vibrant city, with a rural feel.

These consultations took place between 23 January and 12 March 2017.

Stage 3 - 'Investing in Your Future'

Consultations where Council briefed residents on its financial position and presented three investment options for residents to consider and asked them to identify their preferred option for investing in the future.

These consultations took place between 10 July and 12 August 2017.

This comprehensive consultation program included the following engagement activities:

- 26 town meetings attended by over 923 residents
- 25 information kiosks and stalls at shopping centres, markets and council events
- two statistically valid telephone surveys run on Council's behalf by Micromex Research
- a mail out of information brochures and postal ballots to all ratepayers
- public exhibition of key documents and calls for submissions
- online surveys and information up-dates on Council's online engagement portal.

The Supplementary Resourcing Strategy 2017-2027 represents a further component of this community consultation and engagement program. It presents three financial scenarios which balance the provision of services against the available revenue provided under each investment option. It also outlines the impact that each option will have on Council services and facilities.

The three investment options

The three investment options presented in this in the Supplementary Resourcing Strategy 2017-2027 include:

Option 1: Reduce

Where Council's rating income would be aligned with the assumed 'rate peg' amounts over the next three year period. The rate peg increases will not provide sufficient funding to maintain the condition of assets and current service levels.

No additional funding from a Special Rate Variation would be available resulting in a reduction in service levels and the deterioration in the condition of Council's $1 billion portfolio of community assets.

Under this option Council will not have the capacity to fund required levels of asset management unless some difficult decisions are taken to reduce community, cultural and recreation services or close unsafe facilities so that funds can be redirected to keep essential infrastructure safe and functioning. This option provides no capacity to fund new programs or community investment priorities within the Hawkesbury Community Strategic Plan.

Option 2: Stabilise

Where Council would apply for a Special Rate Variation for additional funding to stabilise the condition of community assets.

The primary focus of this option will be to maintain the condition of Council's $1 billion portfolio of community assets rather than providing funds to upgrade these assets.

This option will allow Council to shift towards a more preventative asset management approach rather than waiting for assets to deteriorate to the point where repairs are required. It will also provide some scope to reconfigure resources to fund new programs and community investment priorities within the Hawkesbury Community Strategic Plan.

Option 3: Improve

Where Council would apply for a Special Rate Variation (more than Option 2) for additional funding to stabilise and then gradually improve the condition of community assets over time.

While the primary focus of this option will be to maintain the condition of community assets, it will provide funds for an ongoing program of asset upgrades and new works.

This option will allow Council to work towards best practice asset management to fully fund the maintenance, replacement and upgrade of community assets over the long term. It will also enable Council to direct additional resources to fund new programs and community investment priorities within the Hawkesbury Community Strategic Plan.

Council has identified Option 3 as its preferred investment option.

What did residents tell us about the investment options?

The outcomes of Council's Fit For The Future Community Engagement found that there was majority community support for the two options proposing a special variation to rates. The key community message was that two-thirds of residents (66%) did not want service levels to reduce and were willing to pay additional rates to improve or maintain service levels.

Figure 1 summarises the outcomes of the Investing In Your Future Consultations.

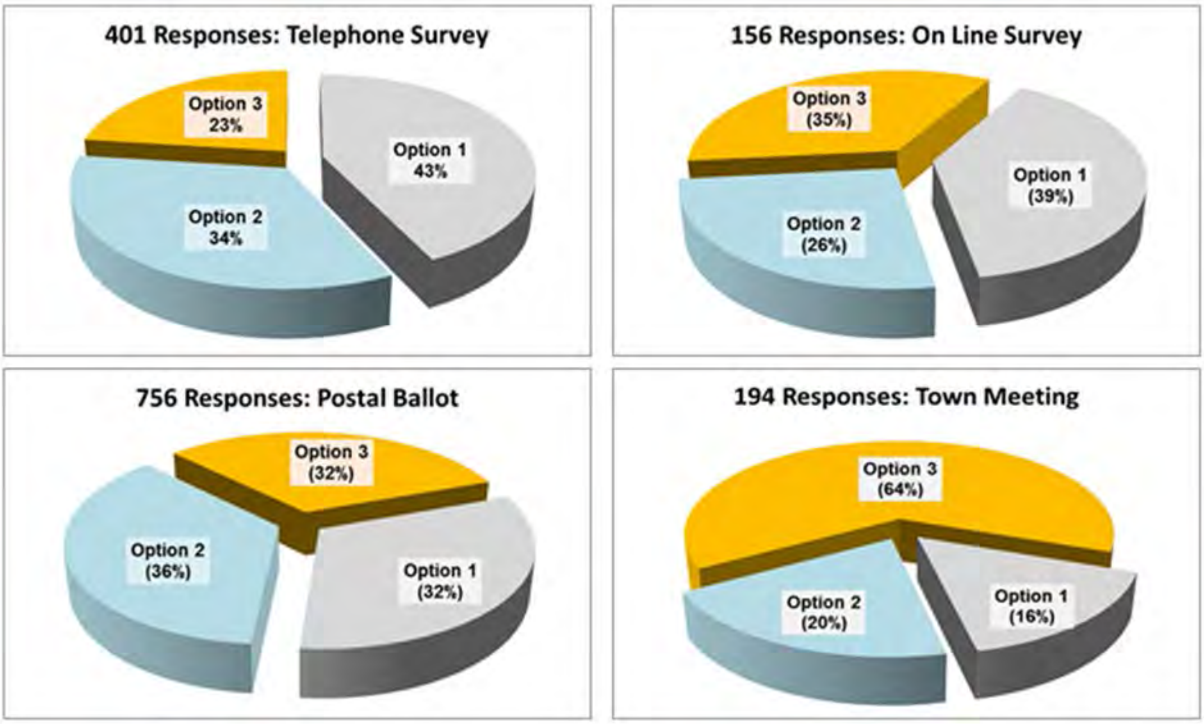


Figure 1: Summary of Preferred Investment Option by Engagement Activity

- 57% of the 401 telephone survey respondents supported a special rate option.
- 61% of the 156 on-line survey respondents supported a special rate option.
- 68% of the 756 postal ballots received from residents supported a special rate option.
- 84% of the 194 residents who voted at town meetings supported a special rate option.

Overall the level of support for the two special rate options were roughly equal with slightly more support for Option 3, although responses varied according to the engagement activity:

- 34% of telephone survey respondents supported Option 2, 23% supported Option 3
- 26% of on-line survey respondents supported Option 2, 35% supported Option 3
- 36% of postal ballots supported Option 2, 32% supported Option 3
- 20% of the town meeting ballots supported Option 2, 64% supported Option 3.

The outcomes of the community engagement activities indicated that the more informed residents were about Council's financial position and the purpose of the proposed special rate increase, the greater their level of support for Option 3.

Council's preferred investment option

After considering the outcomes of the Fit For The Future Community Engagement, Council resolved on the 12 September 2017 that:

1. *Council receive and acknowledge the substantial community responses to the community engagement and public exhibition on options for Investing In Your Future and notes the results of this engagement.*

2. *Council confirm ongoing commitment to building a successful future for the Hawkesbury, and delivering, within available funding, the best possible service outcomes including the continuous review of service provision in line with Council's Fit For The Future Improvement Plan.*

3. *Based on the outcomes of the 'Investing in Your Future' consultations, and the information presented in this report, Council confirm Option 3 as its preferred 'Investing in Your Future' investment option.*

4. *Council staff prepare a Draft Supplementary Resourcing Strategy 2017-2027 and a Draft Supplementary Delivery Program 2017-2021 to advise the community of the outcomes of the 'Investing in Your Future' consultations and Council's preferred investment option for further community engagement. These documents to provide further details to residents on the impact of the three investment options on long-term service provision, the capacity to maintain, renew and upgrade community assets, and the resourcing of the key activity areas in the Delivery Program including an assessment of the affordability and rating impacts of its preferred resourcing option.*

5. *The Draft Supplementary Resourcing Strategy 2017-2037 and a Draft Supplementary Delivery Program 2017-2021 be reported to Council prior to their public exhibition.*

At its meeting on 26 September 2017 Council considered an independent report prepared by Morrison Low Consultants Pty Ltd (Morrison Low) who reviewed Council's Fit For The Future Improvement Plan, including the proposal for special rate increases, as part of a broader assessment of Council's long term financial sustainability. In considering this report Council resolved to include a number of asset management matters highlighted by Morrison Low within the Supplementary Resourcing Strategy 2017-2027. These matters are highlighted in the Long Term Financial Plan in section 3.6 of this Supplementary Resourcing Strategy 2017-2027. The Morrison Low report is attached as Appendix 2.

What is a Resourcing Strategy?

The Hawkesbury Community Strategic Plan 2017-2036 sets out the priorities and aspirations of the community for the City of Hawkesbury. The development of the Community Strategic Plan was supported by an extensive program of community consultation in July and August 2017. It identifies what residents want the Hawkesbury to be by 2036 and the steps that we need to take to get there. These priorities cannot be achieved without sufficient resources – revenue, people and assets.

In June 2017, Council adopted a Resourcing Strategy 2017-2027 to set out a ten year plan for translating the Community Strategic Plan into actions. This document outlined three financial scenarios which would determine Council's capacity to implement the directions and strategies within the Community Strategic Plan. Council advised that it would be consulting with residents about the investment options that shaped these financial scenarios.

This Supplementary Resourcing Strategy 2017-2027 has been prepared to advise residents of the outcomes of those consultations and to provide further details to residents on the impact of the three investment options on long-term service provision and the capacity to maintain, renew and upgrade community assets.

At this time, Council has identified Option 3 as its preferred investment vehicle for resourcing the implementation of the Hawkesbury Community Strategic Plan. It has prepared the Supplementary Resourcing Strategy 2017-2027 to seek further community comment on this option.

Council's preferred option will involve applying to the Independent Pricing and Regulatory Tribunal (IPART) to seek approval for a Special Rate Variation for three annual rating increases of 9.5% (including the assumed rate peg) commencing in 2018/2019.

Accordingly, the Supplementary Resourcing Strategy 2017-2027 contains information required by IPART to be included within the document. This information is intended to speak to the key issues that Council would be required to address as part of any prospective Special Rate Variation application to IPART, including Council's assessment of the rating impact and affordability of its preferred resourcing option.

This Supplementary Resourcing Strategy 2017-2027 is comprised of five sections. Three of these elements (highlighted with an asterisk*) are the integrated planning components required under the Local Government Act.

Table 1: Summary of Supplementary Resourcing Strategy 2017-2027

Section	Title	What the Section Contains
Part 1	Overview	A summary of key information drawn from the integrated planning components (Parts 3 to 5).
Part 2	Context	Background information about the Hawkesbury local government area and some of the factors which informed the three 'Investing in Your Future' resourcing options.
Part 3*	Long Term Financial Plan	A summary of the financial impacts on long-term service provision of each of the three Investing in Your Future resourcing options. Outline of the income and expenditure measures within Council's Fit For The Future Improvement Plan and how they are being implemented.
Part 4*	Strategic Asset Management Plan	A summary of the workforce investment requirements of each of the three Investing in Your Future resourcing options.
Part 5*	Workforce Management Plan	A summary of the impact on the condition of community assets of each of the three Investing in Your Future resourcing options.

The Supplementary Resourcing Strategy 2017-2027 sets out the available resources to support the implementation of the Community Strategic Plan under each of the three 'Investing in Your Future' resourcing options.

Council has also prepared a separate companion document, the Supplementary Delivery Program 2017-2021, which is incorporated in this document, but separately titled. This document sets out in greater detail the activities to be undertaken by Council over the next four years to begin the staged implementation of the key directions and strategies within the Community Strategic Plan. The Supplementary Delivery Program 2017-2027 also highlights how the three different 'Investing in Your Future' resourcing options will impact on Council's capacity to execute the activities within the Delivery Program.

The Supplementary Resourcing Strategy 2017-2027 and Supplementary Delivery Program 2017-2021 will be finalised following their public exhibition and Council's consideration of community submissions. Council will then determine its final position on which of the three 'Investing in Your Future' resourcing options to proceed with.

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Overview

Supplementary
Resourcing Strategy 2017-2027

An overview of the key information and issues
on the options for resourcing the future of the Hawkesbury

The Hawkesbury Local Government Area is a special place to live

Prior to European settlement the Hawkesbury River (known as 'Deerubbin' by the Darug people) was a focus for human communities for thousands of years. The Hawkesbury River, it tributaries and floodplains provided abundant natural resources and were places of strong social and spiritual significance for the First Australians.

Dominated by the Hawkesbury-Nepean River System and the escarpments of the Blue Mountains to its west, the Hawkesbury contains significant areas of environmentally important world heritage, riparian and wetland communities. It is the site of the third oldest European settlement site in Australia and its agricultural lands represent the oldest rural land holdings under continuous cultivation within Australia. Some of the earliest recorded interactions between indigenous peoples and the first explorers and settlers occurred in the Hawkesbury.

This unique blend of urban, rural, natural and ancient landscapes, with a deep sense of history and place, gives rise to some particular opportunities and challenges for the City of Hawkesbury.

To achieve the community's long term vision of a vibrant city with a rural feel, Hawkesbury City Council will need to provide contemporary services and maintain assets for the more than 66,000 residents who live in 65 different town, villages and rural localities spread across 2,800 square kilometres, as well as balancing the future growth and prosperity of the area without sacrificing its rural, heritage and environmental values.

1.1 Integrated Resource Planning

The NSW Government's Integrated Planning and Reporting Framework requires all councils to engage with their communities and prepare a plan for the future: a Community Strategic Plan. In undertaking this task, councils are required to prepare a suite of documents and show how these documents interact with each other and with State and regional plans.

This Supplementary Resourcing Strategy 2017-2027 is one of those documents and includes three integrated and interrelated resourcing plans; the Long-term Financial Plan, the Strategic Asset Management Plan and the Workforce Management Plan.

The Long Term Financial Plan is central to the integration of the Community Strategic Plan as it provides ten year projected revenues to inform the financial extent to which infrastructure projects, operational expenditure and workforce resources can be provided to achieve the objectives within the Community Strategic Plan.

The following diagram, adapted from the Integrated Planning and Report Manual published by the Office of Local Government, shows the structure of the Integrated Planning and Reporting framework and how the linkages within this framework operate.

Figure 2: Integrated Planning and reporting Framework

Council is working with all levels of government and community to implement the Hawkesbury Community Strategic Plan 2017-2036. This Supplementary Resourcing Strategy 2017-2027 presents three different financial scenarios and rating options for resourcing this implementation.

The following sections provide a summary of the key components of this Supplementary Resourcing Strategy and how the Council is addressing its financial challenge over the next 10 years to achieve the future that residents want for the Hawkesbury.

1.2 Financial performance

Council's external auditors determined that as a June 2016, Council was in a sound and stable financial position.

Council has operated within its means and has consistently ensured that its annual cash budget is balanced against available revenue. Council's balance sheet as at 30 June 2016 showed total equity of $967M.

Council has maintained strong liquidity. Its ability to cover its operating costs (Cash Expense Cover Ratio) remains well above the industry benchmark as is its capacity to cover its current liabilities with its current assets (Unrestricted Current Ratio).

Council also maintains adequate cash reserves with which to meet future obligations. It has limited borrowings and its Debt Service Cover Ratio (the proportion of operating revenue required to service its debt) is also well below the industry benchmark.

While Council does achieve a balanced cash budget to fund its day-to-day operations, it achieves this result at the expense of not funding the true cost of maintaining and renewing community assets. The gap between Council's available funding and the investment required to maintain and renew assets has contributed to an asset renewal backlog, which without positive intervention, will continue to grow.

As a result, while a balanced cash budget is delivered each year for operational activities, Council's annual operating result is in deficit. This result highlights the financial challenge that Council faces in generating sufficient revenue, to fund on an annual basis, the required level of maintenance and renewal and replacement of the assets it manages on behalf of the community. The graph below (Figure 3) shows Council's estimated asset funding shortfall over the next ten years. Without intervention Council will face a cumulative infrastructure funding gap of $69M.

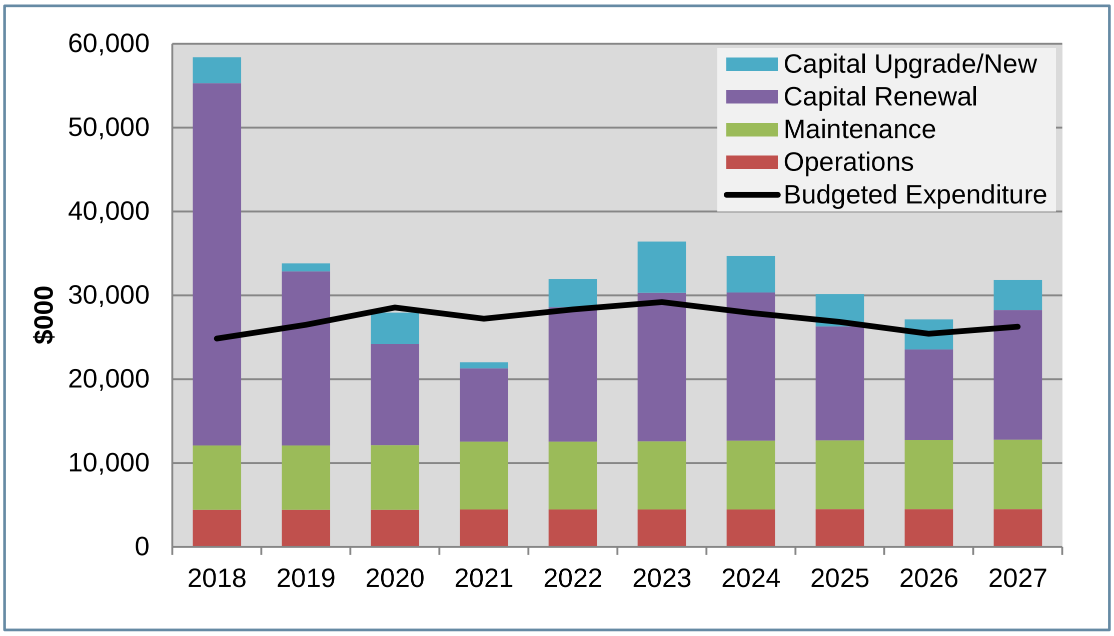


Figure 3: Projected Infrastructure Expenditure requirement 2017/2018 to 2026/2027

The black line on the graph shows projected available revenue based on Council's current financial trajectory. The columns for each year show the estimated requirement for expenditure on operations and the maintenance, renewal and upgrade of community assets. Over the next 10 years, the chart reveals a funding shortfall between expenditure requirements and expected revenue. In other words, the Council does not have the ability to keep pace with the funding requirements of its $1 billion worth of community assets.

The asset renewal requirement is disproportionately large in 2018, which demonstrates the backlog of previous under-expenditure in capital renewal, due to lack of available funding. As a result of the continuation of funding shortfalls, Council will not be able to improve on this backlog and over time this will backlog will continue to be pushed into future years and increase by any future under-expenditure.

For the Council to be sustainable into the future, its operating revenues must cover operating costs including the full cost of maintaining and renewing community assets. Council's Operating Result should be balanced when infrastructure spending is taken into account. The challenge for Council is to tackle the projected infrastructure funding shortfall.

When assets are not maintained to the level required they deteriorate, particularly for major assets such as roads. Investment to restore these assets can often be far more costly than the annual cost of preventative and regular asset maintenance and renewal program.

In summary, while Council's current financial position is sound, it faces significant challenges each year in managing costs that are generally rising faster than available revenue, and in finding the funds it requires to adequately maintain and renew community assets.

1.3 Ability to maintain financial sustainability

As is the case for many councils in NSW, Council's ability to achieve and maintain long-term financial sustainability is impacted by a number of factors over which it has limited control. Despite these constraints Council has, over a number of years, implemented measures to contain costs and generate additional non-rating revenue to improve its financial position.

1.3.1 Rate peg and cost shifting

'Rate pegging' was introduced by the NSW Government nearly 40 years ago. The rate peg limits the amount by which councils can increase the revenue they generate from rates from year to year. The calculation of rates is primarily based on land values as determined by the NSW Valuer-General. While individual property rates may vary across a council area, either above or below the rate peg amount due to differences in assessed land values, the overall total amount collected from ratepayers cannot exceed the rate peg amount.

Rate pegging was intended as a measure to improve the efficiency of local government and to keep councils from unreasonably increasing rates. In practice, while rate pegging has achieved these outcomes, its major impact has been to constrain council rate revenues (when compared with other state jurisdictions). This has limited the capacity of councils in NSW to fund the increasing costs of providing services to residents and to maintain and renew community assets. This has been the situation in the Hawkesbury.

Figure 4 highlights the impact of rate pegging on Council's operations. It show that the average annual increase in the rate peg amount, as set by the NSW government through the Independent Pricing and Regulatory Tribunal (IPART) and compares this with the costs impacting on Council's operation over the last five years.

It shows that the percentage increase in the rate peg is well below the percentage increases in the key cost indices impacting on Council's operations, particularly the road construction index which accounts for a substantial proportion of Council's costs.

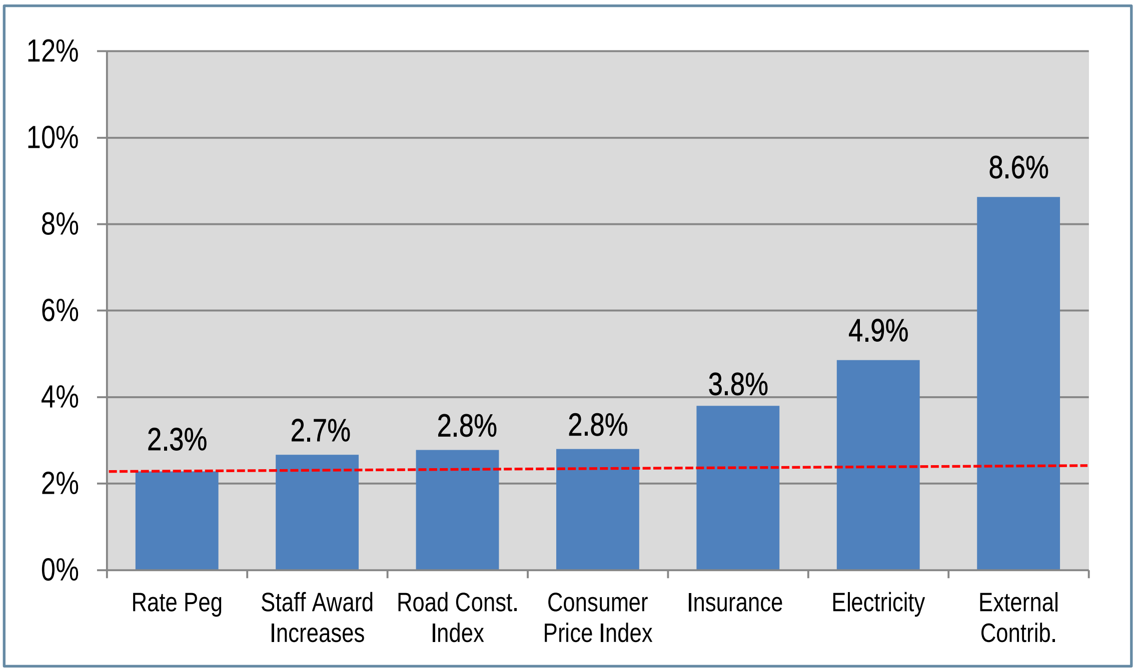


Figure 4: Annualised industry cost indices compared with rate peg (2013-2017)

The other element highlighted by Figure 4 is the external contributions that Council is required to make to the NSW Government (represented by the last column in the table). These contributions include a waste levy (currently at $138.30 per tonne) levied on every tonne of material deposited at Council's landfill operation and paid to the Environmental Planning Authority; emergency service contributions paid to the Rural Fire Service (RFS), Fire and Rescue NSW, and the State Emergency Services (SES); and a levy on development applications which is collected and forwarded to the Department of Planning.

Apart from these external contributions, Council is also required to meet the cost of implementing legislation and functions devolved to local government by the federal and state governments. The transfer of responsibilities from other levels of government to local councils, without adequate funding, is generally known as 'cost shifting'. In 2015/2016, cost shifting accounted for $7.1M of Council's expenditures. Over the seven years to 2015/2016, the impact of cost shifting was estimated to total $34.7M (an average of $4.96M each year)

1.3.2 State and Federal Government budget decision and policy impacts

Local Government has to continually adapt to changes in Australian and NSW budgetary and fiscal policies. For example in 2014, the Australian Government imposed an indexation freeze for three years on Local Government Financial Assistance Grants while in 2017 the NSW Government advised Council that it would be ceasing the payment of an annual Bushfire Fighting Grant. At the same time, in projecting their future revenue and costs as part of the NSW Government's Fit For The Future Reform Program, councils were advised to assume an annual rate peg of 2.5%, for 2017/2018 the actual rate peg amount determined by IPART was 1.5%.

The financial impact of these external policy and budget decisions saw Council's projected revenues reduced by $750,000 a year, and will represent a $7.5M cumulative loss in revenue over the next 10 years for the City of Hawkesbury.

1.3.3 The revaluation of community assets

Council manages a substantial portfolio of assets worth more than $1 billion – the roads, buildings, pathways, parks, stormwater drains and playing fields that residents use every day.

The cost of maintaining, renewing and replacing community assets consumes a substantial portion of Council's revenue. Almost two-thirds of its annual expenditures are asset related. As a result, Council's operating result is principally driven by the cost of maintaining, renewing and replacing these assets (i.e. the cost of asset consumption) – a cost which is based on the value of these assets.

Prior to 2006, the Local Government Accounting Code (the Code) required councils to make the necessary funding provision for the cost of maintaining and renewing community assets based on their historical cost – how much the asset cost to construct when it was first built.

In 2006, the Code changed and required councils to determine the necessary expenditure to maintain, renew and replace community assets based on the actual replacement cost of each asset i.e. their 'market' cost in today's dollar terms. This was a sensible amendment as it captured the true cost of asset consumption in council balance sheets and enabled councils to accurately plan for the ongoing cost of maintaining and replacing assets.

While, the revaluation of the community assets managed by Council, resulted in a significant increase in their value, it also increased the asset management funding requirement. Unfortunately, this increase in costs was not matched by a corresponding increase in revenue. Figure 5 highlights the impact that the revaluation of community assets had on Council's operating result. It shows that when the real cost of asset consumption was accounted for, Council's operating result went into the 'red' and has remained there.

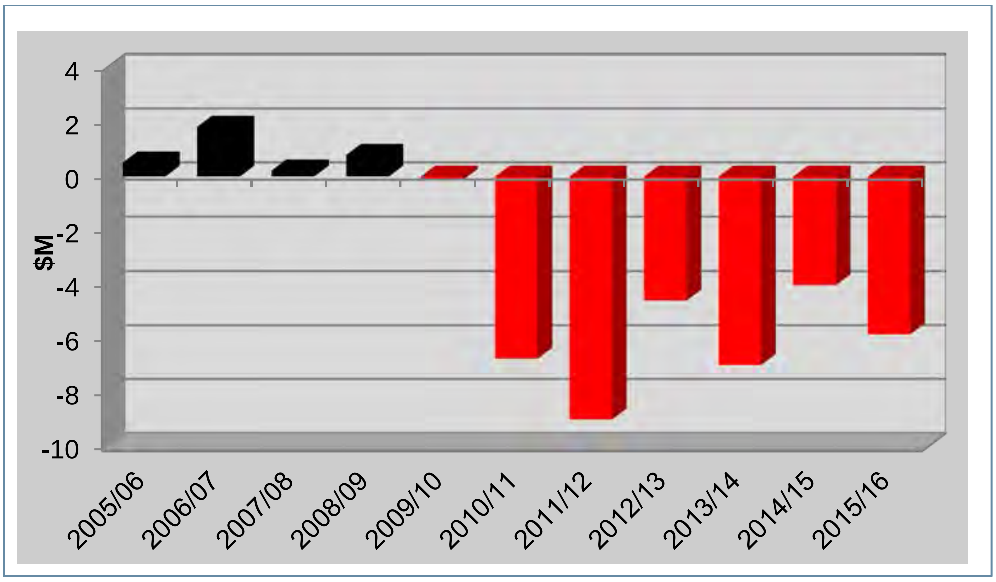


Figure 5: Hawkesbury City Council Operating Result 2006-2016

The operating result from 2010/2011 onwards reflects the fact that Council, for many years, had not been spending as much as it should on maintaining, renewing and replacing community assets. As highlighted previously, addressing this funding gap is the primary financial sustainability challenge that Council faces.

1.3.4 Share of taxation revenue and funding transfers

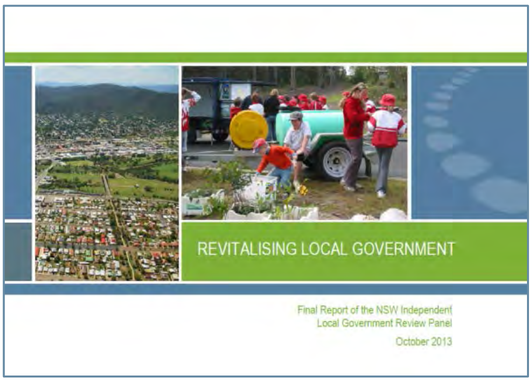
The overwhelming share of taxation revenue in Australia (almost 80%) is raised by the Commonwealth Government. State governments account for 17% of taxation revenue and local government raises the balance of just over 3% from rates. At the same time local governments are responsible for 33% of public infrastructure across Australia.

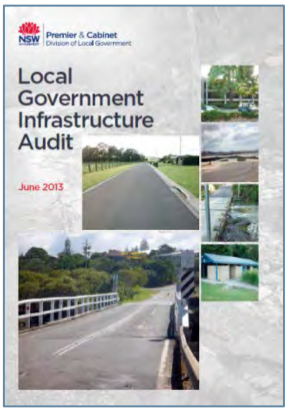
There is an inherent fiscal imbalance in these arrangements which are partially offset by funding transfers from federal and state governments to local government. However, these transfers account for less than 1% of the taxation revenue raised by the commonwealth and state governments. At the same time the proportion of federal/state tax revenues transferred to local government has been declining while the proportion of local government rating revenues transferred to other levels of government has been increasing.

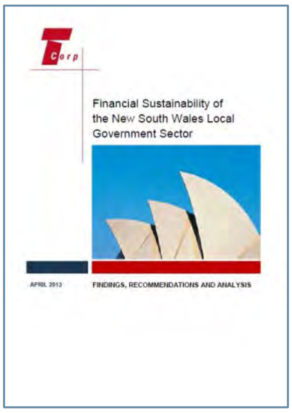
1.4 Independent Reviews of Local Government Sustainability

1.4.1 Reviews and audits of local government finances

There have been a number of reports commissioned into the sustainability of local government.







These include:

- *Revitalising Local Government: The Final Report of the NSW Independent Local Government Review Panel* (ILGRP) released in October 2013
- *Local Government Infrastructure Audit* released by the NSW Division of Local Government in June 2013.
- *Financial Sustainability of the New South Wales Local Government Sector* released by NSW Treasury Corporation (TCorp) in April 2013.

These reports have generally concluded that based on current trajectories, the financial sustainability of local government has deteriorated due to a structural funding shortfall associated with asset maintenance and renewal and that the majority of councils in NSW were under-spending in the area of asset management.

They recommended that councils consult with their communities on the most appropriate mix of revenue increases, expenditure reductions and service level reviews to address this shortfall. They also pointed to the need for councils to raise additional revenue from rates to meet the underlying costs of the services and facilities provided to residents.

1.4.2 Treasury Corporation independent assessment

As part of its review of the financial sustainability of NSW councils, the NSW Treasury Corporation (T-Corp) assessed the current and projected financial position of each council in NSW and assigned a Financial Sustainability Rating (FSR) and Outlook to each council.

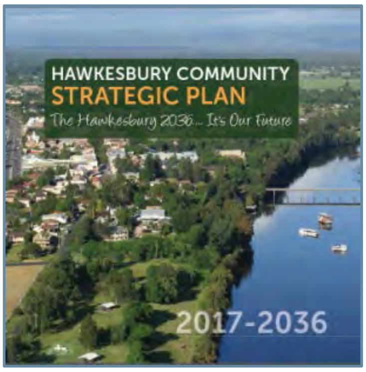
Council's FSR was assessed as 'Moderate' (on a seven point scale from 'Very Strong' to 'Distressed') meaning that it had *'adequate capacity to meet its financial commitments in the short to medium term and an acceptable capacity in the long term and was likely to address its operating deficits with moderate revenue and/or expense adjustments'*.

Council's Outlook was assessed as 'Negative' (on a three point scale from 'Positive' to 'Neutral' to 'Negative') meaning that its FSR had the potential to deteriorate. The most significant risk which T-Corp identified as contributing to this outlook, when compared with other councils, was that Council did not have a pending Special Rate Variation application to increase its rating revenues.

In March 2013, T-Corp completed a more specific assessment of Council's financial position which concluded that Council was being reasonably managed and that Council was in a satisfactory financial position. T-Corp noted that Council's underlying operating performance has remained consistent over the past five years and that it had a stable and sound stream of own source revenue. T-Corp also observed that Council was underspending on asset renewal and asset maintenance and as a result could face longer-term sustainability issues.

1.5 Planning to become 'Fit For The Future'

1.5.1 Hawkesbury Community Strategic Plan



The financial challenges and service needs of Hawkesbury residents will be addressed through the strategies within the Hawkesbury Community Strategic Plan - 2017-2036 (Community Strategic Plan). This document will guide Council's investment and decision making over the next 20 years.

The primary strategies which will apply to this Supplementary Resourcing Strategy 2017-2027 are listed in the 'Our Leadership' focus area under *Key Direction 1.3: Financial Sustainability*. They are:

- 1.3.1 In all of Council's strategies, plans and decision making there will be a strong focus on financial sustainability
- 1.3.2 Meet the needs of the community now and into the future by managing Council's assets with a long term focus
- 1.3.3 Decisions relating to determining priorities will be made in the long term interests of the community.

The Community Strategic Plan 2017-2036 also includes a number of enabling strategies to achieve the objective of financial sustainability. These strategies commit Council to increasing community participation in planning and policy development (CSP 5.1.4), the continuous review of service provision to deliver the best possible outcomes for the community (5.1.3), building strong partnerships with other levels of government (1.4.1); accountability and good governance (1.5.2) and a high performance workforce which supports optimal service delivery (1.6.2).

1.5.2 Delivery Program objectives

On 13 June 2017, Council adopted its Delivery Program 2017-2021 for the next four year period, which placed particular emphasis on achieving the following key activity areas:

- town centre revitalisation
- community building
- financial sustainability
- connecting with the community
- building strong and collaborative relationships
- protecting Hawkesbury's unique environment
- establishing identity
- moving towards becoming a carbon neutral local government area
- reducing our ecological footprint
- improving transport connections
- planning for and developing better places and spaces
- placemaking
- recognition of heritage and action to reflect that recognition.

Council has prepared a separate companion document, which builds on the Adopted Delivery Program 2017-2021, to this Supplementary Resourcing Strategy 2017-2027 which builds on the Delivery Program. The Supplementary Delivery Program sets out in greater detail how the three different 'Investing in Your Future' resourcing options will impact on Council's capacity to execute these activities. The key vehicle driving the success of this project will be the implementation of Council's Fit For The Future Improvement Plan.

1.5.3 Fit For The Future Improvement Plan

To respond to the financial sustainability challenge, Council has adopted a Fit For The Future Plan which outlines the following mix of expenditure and revenue measures.

Table 2: Fit For The Future Improvement Plan

Criteria	Objective	Strategy
Sustainability	1 Increased Operating Efficiencies	1.1 Review of Road Operations
		1.2 Review of Service Delivery Models
		1.3 Review of Plant/Fleet Management
		1.4 Property and Asset Review
		1.5 Review of Insurance Coverage
	2. Increase Operating Revenues	2.1 Resourcing Strategy (Special Rate Variation)
		2.2 Stormwater Management Charge
		2.3 Special Levy for New Development
		2.4 Review of Waste and Sewer Business Units
		2.5 Review of Pricing Structure for Business Units
		2.6 Lobbying for increased regional roads funding
Infrastructure and Service Management	3. Platform for Asset Planning	3.1 Completion of Asset Management Plans
		3.2 Service Level Review
	4. Increased Spending on Infrastructure Renewal and Maintenance	4.1 Integrated Capital Works Program
		4.2 Sinking Fund for Community Facilities
		4.3a Infrastructure Borrowings Program
		4.3b Energy Efficiency Borrowing Program
Efficiency	5. Reduce per unit Cost of Operations	5.1 OPEX Expenditure Reduction
		5.2 Regional Strategic Alliance
		5.3 Sustainable Population Growth

The Fit For The Future Improvement Plan sets out five broad objectives for achieving financial sustainability. These strategies are detailed in Part 3, Section 3.6.

1.5.4 Framework for a sustainable Council

Council recognised back in 2006 that it was facing a substantial asset funding shortfall and set about addressing this funding gap. As outlined in Figure 6, Council is implementing a three stage strategy to secure its long-term financial sustainability.

Figure 6: Framework for a Sustainable Council

Stage 1 of this strategy commenced in 2007 with Council implementing cost containment, efficiency and revenue measures to arrest the rate of decline of community assets. Over the period 2007 to 2014 Council:

- reviewed its programs and services to reduce its operating costs by $1.6M a year
- raised $9.2M through the sale of non-performing or underutilised properties
- increased non-rating revenue by $800,000 by implementing fairer service charging so that people not using fee-paying services were not subsidising people who were
- applied to increase rates with the NSW Government approving increased rating revenue of $1.2M a year to fund an Infrastructure Renewal Program.

These Stage 1 measures enabled Council to direct an average of an additional $7.4M a year to the task of asset renewal and maintenance.

Stage 2 of the strategy commenced in 2015 with the adoption of Council's Fit For The Future Improvement Plan which was aimed at stabilising service levels, By 2021 this plan will:

- generate a further round of efficiency savings of $2.4M a year
- raise a further $1.5M from the sale of properties
- achieve a further $700,000 from the continued application of fairer service charging
- raise an additional $1.7M a year from other non-rating revenue sources.

Council's Fit For The Future Improvement Plan includes provision for Council to apply to IPART for a Special Rate Variation to raise the balance of the revenue necessary to fully fund Council's asset management requirement.

This Supplementary Resourcing Strategy 2017-2027 puts forward three financial scenarios which outline options for rate increases or service level reductions which should see Council achieve financial sustainability by 2021. Each of the three options will have a different impact on community assets and the quality of the services that Council can deliver into the future under Stage 3 of Council's framework for a sustainable Council.

1.6 Building a better future

This Supplementary Resourcing Strategy presents the three financial scenarios outlined in the introductory pages of this document. While each option aims to improve the financial sustainability of Council they achieve this objective in different ways.

Options 2 and 3 contain revenue assumptions involving proposed additional rate increases to address the infrastructure funding shortfall and to either maintain (Option 2) or improve (Option 3) service levels. The third financial scenario (Option 1) contains no provision for additional rating revenue and will depend on a program of service level reductions to raise the additional investment required to reach financial sustainability targets.

1.6.1 Why is there a need to increase rates or reduce service levels?

The primary purpose of the proposed options for additional rate increase or service level reductions is to enable Council to sustainably manage community assets and fund the asset renewal backlog. Achieving this outcome will stabilise Council's financial position. Without this intervention the condition of community assets will deteriorate. Figure 7 highlights this point. It shows that currently, based on Council's Asset Management System, 3% of community assets are in an unsatisfactory (poor or very poor) condition. Without further additional financial intervention, the condition of assets will deteriorate so that by 2027 13% of these assets are projected to be in an unsatisfactory condition.

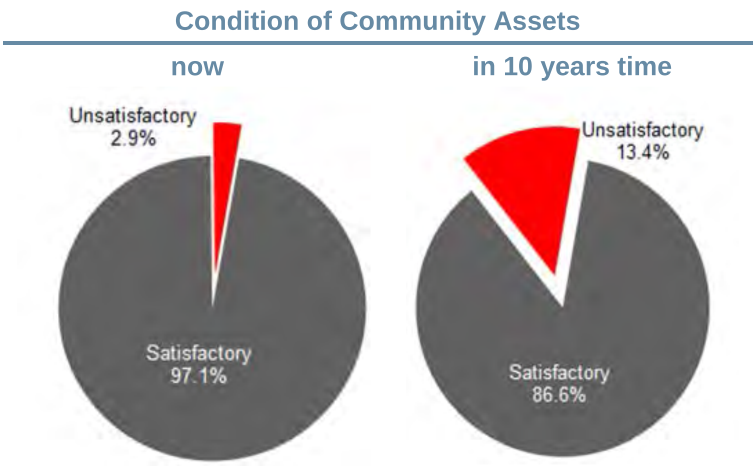


Figure 7: Condition of community asset portfolio current (2017 and ten-year forecast (2027)

1.6.2 Benefits of Council's preferred investment option

While both Option 2 and Option 3 will enable Council to stabilise its financial position by funding its long term asset management requirement, Council has identified Option 3 as its preferred investment option. The benefit of Option 3 is that it will enable Council to:

- maintain and improve service levels to meet community expectations
- direct resources to the community investment priorities identified by residents
- be in the best financial position to maintain, renew and replace community assets
- increase capacity to achieve the Delivery Program objectives outlined in Section 1.5.2
- realise the community's long term vision for the Hawkesbury.

The additional investment in community assets and programs will not only directly benefit local communities, but also the tourism and other industry sectors with flow-on multiplier effects for our town centres, villages and the local economy.

1.6.3 Other options for future sustainability

Council understands that rate rises are never welcome. For this reason, the proposal for a rating increase was not Council's first response. As outlined in Section 1.5.4, Council has been continuously reviewing its operations to contain costs and optimise its non-rating revenues to maintain services. To date, this has resulted in annual savings of $1.6M. This work will continue and it is only after all of this work that Council has judged that a rating increase is necessary to meet the needs of the community

Council's Fit For The Future Plan follows the same template as most other NSW councils have adopted in achieving financial sustainability and is based on the recommendations of the independent reviews into the local government finances referred to in Section 1.4.1. Council has considered other options to achieve long term financial sustainability including:

- **Amalgamation** - in 2016, Council was the subject of a proposed merger with part of The Hills Shire Council. The independent public enquiry held into the merger proposal concluded that the merger should not proceed as it would not address the asset renewal funding gap and would have a substantial negative impact on the local economy.

- **Substantial service reductions** – the option of embarking on a round of substantial service reductions to free up resources for asset renewal has been canvassed with residents as part of a review of service levels. This option had limited support with few residents (less than 2%) favouring reduced Council investment in assets or services.

- **Large-scale residential development** – in consulting with residents about Hawkesbury's future the community indicated that they had little appetite for large scale residential development. Their preference was for sensitive and small-scale residential development to preserve the rural and heritage values of the Hawkesbury.

- **Operating efficiencies and revenue generation** - residents have suggested a number of strategies that Council should pursue to achieve financial sustainability. Most if not all of these proposed strategies are currently being pursued by Council or are included in Council's Fit For The Future Plan.

1.6.4 Affordability and impact on ratepayers

Council is conscious of the financial impact of the three investment options on ratepayers, including its preferred investment option. Council has carefully considered the question of affordability and its assessment is outlined in Section 2.4.

In 2017, in consideration of the possible impact of future rating increases, Council reviewed and amended its rating structure. The revised rating structure which took effect from 1 July 2017 delivered a reduction in rates for residential properties with an average land valuation of less than $350,000 (i.e. generally properties with relatively lower levels of household income) as well as small business owners and small farmland properties. These rating changes resulted in an overall decrease in rates for 75% of all rateable properties in the Hawkesbury.

Council's preferred investment option will see an increase in rates from 2017/2018 onwards. However, the rating reductions which took effect from 1 July 2017 has substantially lessened the impact of these rating increases for lower income households.

1.6.5 The three rating options

Council delivered an information brochure to every rate payer outlining the impacts of each of the three Investing in Your Future investment options and how each option would affect rates. Figure 8 is an extract from the information brochure which summarised this information.

Option	WHAT THIS OPTION MEANS	IMPACT ON EXISTING FACILITIES & ASSETS	NEW FACILITIES TO BE BUILT	IMPACT ON COMMUNITY PROGRAMS
1 REDUCE	Under this option rates would increase in-line with the rate peg* amount only. Your rates would increase by 7.69% over 3 years. By 2020 the average residential rate would have increased by $1.66 a week or $86.22 a year. This increase would be permanent.	We will not have enough revenue to repair and renew our roads, buildings and parklands to keep them in a good condition. The condition of these assets will continue to deteriorate and access to them may need to be restricted. Some assets may need to be closed to the public. Service levels will be reduced and we may need to redirect resources from other Council services to keep assets safe and functional.	There would be very limited to no capacity to fund new works such as pathways, community facilities or the sealing of gravel roads. Council would have to rely on government grants or developer contributions (linked to major residential developments) to fund new works, but may not have the revenue needed to repair these new works in future years.	There would be no capacity to fund new programs or services. We may need to review current service levels in our community, cultural, civic, and recreation programs and make some difficult decisions about their future if we are to find the funds we need to keep our key assets safe and functioning.
2 STABILISE	Under this option Council would apply to IPART increase your rates by 14.5% above the allowable rate peg* amount. Your rates would increase by 22.9% over 3 years. By 2020 the average residential rate would have increased by $4.94 a week or $256.78 a year. This increase would be permanent.	We will be able to invest (on average) an additional $4.9 million a year on repairing and renewing our roads, community buildings parks and public spaces. Over time, this increased spending will stabilise the condition of our roads, community buildings, parks and public spaces and keep them in a fair to good condition. Current levels of service will be able to be maintained.	This option will fund a limited program of new capital works to 2027 with a focus on the sealing of gravel roads and upgrades to community buildings. This option would also provide Council with the funds it would need to maintain these new facilities into the future.	Under this option there may be some limited capacity to fund new programs or services. This option may provide the opportunity to reconfigure some existing resources to begin to respond to community priorities.
3 IMPROVE	Under this option Council would apply to IPART increase your rates by 22.5% above the allowable rate peg* amount.Your rates would increase by 31.3% over 3 years. By 2020 the average residential rate would have increased by $6.75 a week or $350.89 a year. This increase would be permanent.	We will be able to invest (on average) an additional $7.7 million a year on repairing and renewing our roads, community buildings parks and public spaces. Over time, this increased spending will stabilise and then improve the condition of our roads, community buildings parks and public spaces and keep them in a good to very good condition. Current levels of service will be able to be increased.	This option will fund a rolling program of new capital works including an ongoing program of gravel road sealing, kerb and gutter construction, a pathway linking both sides of the Hawkesbury River; improvements to parks public spaces and river foreshores and upgrades to community buildings. This option would also provide Council with the funds it would need to maintain these new facilities into the future.	Under this option Council could fund new programs including increased support for volunteers and community organisations, water quality monitoring of waterways, a dynamic program of community events, an accessible heritage program, and programs to revitalise our town centres and villages.

Figure 8: Outline of three rating options

1.6.6 Impact of the three investment options on rates

The information brochure distributed to residents included detailed information on the annual and cumulative impact of each rating option on residential, business and farmland rating categories as summarised in Figure 9.

1 REDUCE

Annual Rate Increase	2018/2019	2019/2020	2020/2021
Assumed Rate Peg	2.50%	2.50%	2.50%
Additional Rate Increase	0%	0%	0%
Total Annual Increase	2.50%	2.50%	2.50%
Total Cumulative Increase	2.50%	5.06%	7.69%
Cumulative Increase Above Rate Peg	0%	0%	0%

Business ratepayers	Current	2018/2019	2019/2020	2020/2021
Average annual rate	$2,243.79	$2,299.89	$2,357.39	$2,416.32
Annual increase		$36.09	$57.50	$58.93
Total cumulative increase				$172.53
Cumulative increase above rate peg				$0.00

Residential Ratepayers	Current	2018/2019	2019/2020	2020/2021
Average Annual Rate	$1,121.30	$1,149.33	$1,178.07	$1,207.52
Annual Increase		$28.03	$28.73	$29.45
Total Cumulative Increase				$86.22
Cumulative Increase Above Rate Peg				$0.00

Farmland Ratepayers	Current	2018/2019	2019/2020	2020/2021
Average Annual Rate	$2,348.49	$2,407.20	$2,467.38	$2,529.07
Annual Increase		$58.71	$60.18	$61.68
Total Cumulative Increase				$180.58
Cumulative Increase Above Rate Peg				$0.00

2 STABILISE

Annual Rate Increase	2018/2019	2019/2020	2020/2021
Assumed Rate Peg	2.50%	2.50%	2.50%
Additional Rate Increase	7.00%	7.00%	0.00%
Total Annual Increase	9.50%	9.50%	2.50%
Total Cumulative Increase	9.50%	19.90%	22.90%
Cumulative Increase Above Rate Peg	7.00%	14.50%	14.50%

Business Ratepayers	Current	2018/2019	2019/2020	2020/2021
Average Annual Rate	$2,243.79	$2,299.89	$2,357.39	$2,416.32
Annual Increase		$213.16	$233.41	$67.26
Total Cumulative Increase				$513.83
Cumulative Increase Above Rate Peg				$341.30

Residential Ratepayers	Current	2018/19	2019/20	2020/21
Average Annual Rate	$1,121.30	$1,149.33	$1,178.07	$1,207.52
Annual Increase		$106.52	$116.64	$33.61
Total Cumulative Increase				$256.78
Cumulative Increase Above Rate Peg				$170.56

Farmland Ratepayers	Current	2018/2019	2019/2020	2020/2021
Average Annual Rate	$2,348.49	$2,407.20	$2,467.38	$2,529.07
Annual Increase		$223.11	$244.30	$70.40
Total Cumulative Increase				$537.81
Cumulative Increase Above Rate Peg				$357.23

3 IMPROVE

Annual Rate Increase	2018/19	2019/20	2020/21
Assumed Rate Peg	2.50%	2.50%	2.50%
Additional Rate Increase	7.00%	7.00%	7.00%
Total Annual Increase	9.50%	9.50%	9.00%
Total Cumulative Increase	9.50%	19.90%	31.29%
Cumulative Increase Above Rate Peg	7.00%	14.50%	22.50%

Business Ratepayers	Current	2018/2019	2019/2020	2020/2021
Average Annual Rate	$2,243.79	$2,299.89	$2,357.39	$2,416.32
Annual Increase		$213.16	$233.41	$255.58
Total Cumulative Increase				$702.16
Cumulative Increase Above Rate Peg				$529.63

Residential Ratepayers	Current	2018/19	2019/20	2020/21
Average Annual Rate	$1,121.30	$1,149.33	$1,178.07	$1,207.52
Annual Increase		$106.52	$116.64	$127.72
Total Cumulative Increase				$350.89
Cumulative Increase Above Rate Peg				$264.67

Farmland Ratepayers	Current	2018/2019	2019/2020	2020/2021
Average Annual Rate	$2,348.49	$2,407.20	$2,467.38	$2,529.07
Annual Increase		$223.11	$244.30	$267.51
Total Cumulative Increase				$734.92
Cumulative Increase Above Rate Peg				$554.34

Figure 9: Impact of the three investment options on average rates

1.6.7 Where the additional income will be spent under Option 2 and 3

The information brochure distributed to residents also included information of where the revenue under each option, including additional revenue from a proposed special rate variation, would be invested. In broad terms the additional revenue raised under the Special Rate Variation options will be targeted towards expenditure which:

- reverses the decline in the condition of the City's $1 billion worth of community assets
- addresses the infrastructure backlog
- improves financial sustainability
- maintains existing services and improves service levels for key assets
- delivers on the community priorities (key activity areas) within the Delivery Program.

Council's ongoing conversation with residents together with the outcomes of Community Surveys, has identified the following community investment priorities which have shaped the investment program outlined in this Supplementary Resourcing Strategy:

- improving the condition of the sealed road network, particularly in rural areas
- the sealing of gravel roads
- improving the look of town centres, villages and public spaces
- extending and improving the shared pathway network
- activating and rehabilitating river foreshores and waterways
- upgrading community buildings
- enhancing community programs (volunteers, community events, heritage).

The priorities for asset funding will focus on the renewal and improved maintenance of critical assets where intervention is required to mitigate risk or where a community need has been identified through Council's community engagement process. Table 3 summarises the expenditure priorities and funding allocation towards these priorities under the proposed rate increase Options 2 and 3.

Table 3: Proposed additional investment, community priorities Options 2 and 3, 2018 to 2027

Community Investment Priorities		Additional Investment	
		Option 2	Option 3
Roads	Road Maintenance	$4.1M	$5.2M
	Road Rehabilitation - Sealed Roads	$21.3M	$18.6M
	Sealing Gravel Roads	$12.6M	$16.5M
Town Centres, Villages and Public Spaces	Park and Public Space Maintenance	$2.2M	$4.4M
	Public Space Revitalisation	$2.2M	$13M
	Activating River and Waterway Foreshores	$0.6M	$1.1M
	Sporting and Recreation Facilities	$0	$3.5M
Shared Pathways	Building New Pathways	$1.9M	$4.2M
Community Buildings	Community and Cultural Facilities	$3.8M	$6.5M
	Emergency Services (RFS, SES)	$0.2M	$0.5M
Community Programs	Community Programs	$0	$8.5M

Council has prepared five district work programs which outline the capital works (new and renewal) which can be delivered under each investment option. The work programs are targeted at the community investment priorities identified by residents (as outlined in Section 1.7.5). The scope of works for each option is based on the revenue that each option raises. As highlighted in Figure 10, each of the work programs includes a map of major projects and a list of individual works by location and projected year of completion for each district. These district work program were made available at town meetings and information kiosks. Additional information about the five district work plans is outlined in the Asset Management section of this Supplementary Resourcing Strategy 2017-2027 and can be accessed from Council's web site.

Figure 10: 'Investing In Your Future' district work plans

1.7 Fit For The Future Community Engagement Strategy

As outlined in the Introduction to this Supplementary Resourcing Strategy2017-2027, Council has implemented a three-stage community engagement strategy to identify community investment priorities and inform its development of resourcing options to respond to these priorities in a financially sustainable way.

The community engagement program commenced in July 2016 and is ongoing; this Supplementary Resourcing Strategy2017-2027 represents a further component of this program. Over this period, a range of activities have been used to engage with residents including:

- a mail out information package and reply paid survey
- community newsletter
- facts sheets
- media releases
- online surveys
- telephone surveys
- information in Mayoral Columns
- Facebook posts on the 'Hawkesbury Events' Facebook page
- town meetings
- listening and information kiosks at shopping centres and markets
- targeted engagement with particular community groups
- website updates on Council's online engagement portal
- information in Council Rates Notice.

Council has also conducted regular community surveys (every two years since 2007) and has held focus groups with residents to collect information and knowledge from the community about their understanding of service levels and key assets, suggested options for increasing the funding of services and assets, and current performance gaps. This information has been used to inform the preparation of community engagement materials.

Since July 2016, Council staff have presented information to residents at 26 town meetings held across the Hawkesbury Local Government Area (LGA). A question and answer and community feedback session has been an integral part of these town meetings.

The issues raised and feedback received from residents at the most recent round of 10 town meetings held during July and August 2017, have been summarised in Appendix 1 together with Councils response to these matters.

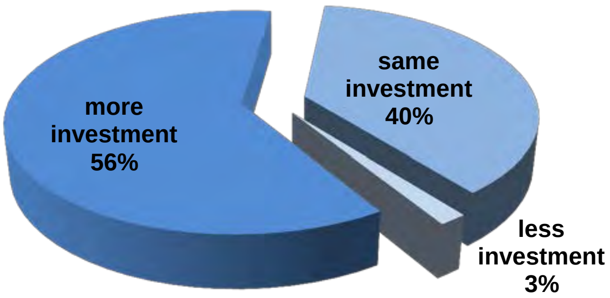
1.7.1 'Listening to our community' - Stage 1 - August 2016

Listening to our community
...let's talk about COUNCIL SERVICES

In Stage 1 (July 2016), Council presented information to residents about the different assets that Council managed on behalf of the community and the challenges that Council was facing in maintaining and renewing these assets.

During these consultations Council spoke with over 200 people at seven town meetings and conducted telephone and on-line surveys to ask residents about their expectations and levels of satisfaction with Council's services and facilities and their priorities for further investment. Figure 11 summarises the outcomes of these consultations.

Community Investment Preferences



Community Investment Priorities

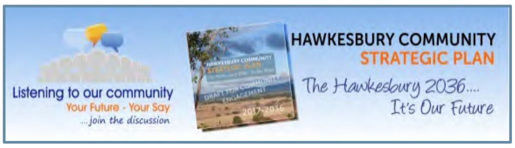
- Sealed roads
- Public toilets
- Unsealed roads
- Stormwater drains
- Town centres and public spaces
- Parks
- Footpaths

Figure 11: Listening to our Community consultation outcomes

Figure 11 shows that very few residents indicated that Council should reduce its investment in community assets, with the majority favouring an increase in investment.

When asked what their priorities for future investment were, residents indicated that Council should increase its investment in roads, both sealed and unsealed, stormwater drains, and town centres and public spaces including public toilets, connecting pathways and parks.

1.7.2 'Hawkesbury 2036: It's Our Future' - Stage 2 - February 2017



In Stage 2 (January 2017), Council went out to talk with residents about the future of the Hawkesbury – the things that residents valued about living in the Hawkesbury and the steps that Council needed to take deliver the future that residents wanted to see.

During these consultations Council spoke with over 350 people at nine town meetings and with many more residents at listening kiosks and through Council's on-line engagement portal. Table 4 summarises the priority issues that residents wanted Council to work towards over the next 20 years to achieve the objectives and directions across the five focus area within the Hawkesbury Community Strategic Plan.

Table 4: 'Hawkesbury 2036: It's Our Future' consultation outcomes

Our Leadership	Our Community	Our Environment	Our Assets	Our Future
Strengthen communication and engagement with residents	Support volunteerism	Improve the health of our waterways	Upgrade roads, bridges, drainage, parks and buildings	Plan for sustainable and balanced development
Advocate strongly for improved infrastructure	Increase employment, housing, health and transport options	Minimise ecological impacts of development	Revitalise our town centres and villages	Build on our areas heritage to promote tourism

Table 4 indicates that residents wanted Council to partner and work with the community to build a well-serviced, vibrant city with a rural feel that values its heritage, its waterways and landscapes and its community spirit. They wanted Council to achieve this outcome without sacrificing the values that make the Hawkesbury a special place to live.

1.7.3 'Investing in Your Future' - Stage 3 - August 2017

In Stage 3 (August 2017), Council provided information to residents to enable them to come to an informed decision about investing in the future of their communities. As part of this process three investment options were presented to residents.

During these consultations Council spoke with over 350 people at ten town meetings and many more at information kiosks. It also conducted telephone and on-line surveys to ask residents about their preferred investment option. The outcomes of those discussions have been previously summarised in section (ii) of the Introduction.

1.7.4 Summary of Outcomes: Fit For The Future Community Engagement

Over the last 12 months Council has been engaged in an ongoing conversation with residents about the future of the Hawkesbury as part of the Fit For The Future journey that began in 2014. Figure 12 outlines the steps in this journey.

Figure 12: 'Fit For The Future' consultation time line

As part of this timetable Council has conducted three rounds of community consultation:

- the *'Listening to our Community'* service level consultations indicated that residents did not want service levels to be reduced and favoured increasing investment in assets
- the '*Hawkesbury: Its Our Future'* strategic planning consultations identified the key activities required to resource the delivery of the Community Strategic Plan objectives
- the *'Investing in Your Future'* community consultations have confirmed that the majority of residents are willing to pay additional rates to fund this increased investment.

Council has identified Option 3 at its preferred investment vehicle to enable it to respond to community expectations and deliver the future that residents want to see. As highlighted in Figure 12, Council is now seeking comment from residents about its preferred option before determining its final position in November 2017 about the best way forward.

1.7.5 Community Satisfaction and Investment Priorities

In addition to the more recent conversations with residents that have taken place over the last 12 months, every two years Council surveys residents about their satisfaction with Council and the services and facilities that council and other levels of government provide. These community surveys are undertaken by an independent research company, Micromex Research, on Council's behalf.

Table 5 summarises the outcomes of the five surveys that have been conducted since 2007. It aggregates the data from the surveys to identify and rank those services, facilities and activities where Council has been consistently unable to meet community expectations.

Table 5: Summary of services, facilities and activities identified by residents as requiring increased investment to improve service levels and community satisfaction

Rank	Service, Facility or Activity
1	Road maintenance
2	Long term planning for the future
3	Improving services and infrastructure
4	Providing transparent and respected leadership
5	Engaging the community in making decisions
6	Lobbying government for funding and services
7	Public toilets
8	Healthy Hawkesbury River and waterways
9	Helping to create thriving town centres
10	Stormwater management and reuse
11	Promoting local employment

Rank	Service, Facility or Activity
12	Building partnerships with community
13	Supporting business development
14	Footpaths and cycleways
15	Supporting rural based activities
16	Supporting tourism facilities and industry
17	Car parks
18	Crime prevention
19	Supporting training and career opportunities
20	Supporting community organisations
21	Valuing and protecting heritage
22	Parks, playgrounds and reserves

Table 5 highlights those services, facilities and activities (out of a total list of 44 Council services, facilities and activities) where the current level of service as assessed by residents has not been satisfactory and where Council will need to increase its investment to improve service levels to better meet community expectations.

The services, facilities and activities highlighted in orange are primarily about community assets and they mirror the priorities identified by residents in the 'Listening to our Community' consultations outlined in Figure 11 under Section 1.7.1.

The remaining entries relate to activities where the investment required is not primarily about building and maintaining assets but providing additional human and financial resources to promote and advocate for the Hawkesbury or to support the community and volunteer groups to look after the Hawkesbury's heritage, waterways, its future and its residents. These activities mirror the issues identified by residents in the 'Hawkesbury: It's Our Future' consultations previously outlined in Table 4 under Section 1.7.2.

The 'Investing In Your Future' district works programs referred to in Section 1.6.7 together with the community and corporate programs highlighted above are targeted at the community investment priorities identified in Table 5.

Hawkesbury Snapshot

A snapshot of the key geographic and demographic facts about the City of Hawkesbury and their implications for service provision

1.8 Profile of the Hawkesbury

1.8.1 Regional Context

The Hawkesbury LGA is a peri-urban area on the north-western periphery of the Sydney Metropolitan Region. It covers an area of 2,793 square kilometres and is the largest council area within Sydney. The Hawkesbury LGA straddles the divide between the urban metropolitan councils to its east and the rural councils to its west. While it is classified as part of Metropolitan Sydney, its unique blend of urban and rural settlements is uncharacteristic of the metropolitan area.

Its population of 66,000 live in townships, villages and rural localities divided by flood plains, rural lands and national parks. The population is dispersed with no one town or village containing more than 11% of the total population.

Figure 13: Hawkesbury Local Government Area

1.8.2 History and Sense of Place - A Vibrant City with a Rural Feel

The City of Hawkesbury and its townships, rural villages and landscapes share a rich and enduring indigenous and European cultural heritage. Prior to European settlement the Hawkesbury River (known as 'Deerubbin' by the Darug people) was a focus for human communities for thousands of years. The Hawkesbury River, it tributaries and floodplains provided abundant natural resources and were places of strong social and spiritual significance for the First Australians.

The Hawkesbury contains the 3rd oldest European settlement in Australia - Windsor (originally The Green Hills) which was established in 1794, and it is one of five 'Macquarie Towns', four of which are located within the Hawkesbury. Governor Macquarie had a profound influence on the development and landscapes of the Hawkesbury, which included naming the townships of Windsor, Richmond, Wilberforce and Pitt Town and the layout of their streetscapes, cemeteries and town squares.

The agricultural lands that surround these townships represent the oldest rural land holdings under continuous cultivation within Australia. The Hawkesbury also contains the oldest church, hotel and public square which have retained their original function and form.

These historical and cultural assets are actively being used to support cultural expression, tourism and economic activity. They remain integral to the future identity and prosperity of the Hawkesbury.

To achieve the community's long term vision of a vibrant city with a rural feel, Council will need to provide contemporary services and maintain assets for the more than 66,000 residents who live in 65 different town, villages and rural localities spread across 2,800 square kilometres, as well as balancing the future growth and prosperity of the area without sacrificing its rural, heritage and environmental values.

1.8.3 Population

In 2016, the Hawkesbury had an estimated resident population of 66,136 people. Table 6 highlights selected population characteristics for the Hawkesbury LGA compared with averages for Greater Metropolitan Sydney and NSW.

Table 6: Selected Population Indicators: Hawkesbury LGA

Population Indicators	Hawkesbury	Greater Sydney	New South Wales
Median age	38	36	38
Average household size	2.8 persons	2.8 persons	2.6 persons
Median weekly household income	$1,668	$1,750	$1,486
Median monthly mortgage repayment	$2,080	$2,167	$1,986
Median weekly rent	$360	$440	$380
Average motor vehicles per dwelling	2.2	1.7	1.7
Average annual population growth since 2006	0.67%	1.71%	1.42%

Table 6 shows that while the population of the Hawkesbury has been growing over the last 10 years (2006 to 2016), the annual rate of growth has been significantly less than the averages across Sydney and the state as a whole.

The differences in these rates of growth has had an impact on the respective population profile of the Hawkesbury when compared with Sydney and NSW. In contrast to the picture across Sydney, the population of children and young people in the Hawkesbury has been falling, both in absolute numbers and in proportional terms, while the population of residents over the age of 65 has been increasing at a faster rate than the NSW and Sydney averages.

A growing population is required to maintain a balanced demographic profile. The population of areas like the Hawkesbury, with relatively low rates of growth, are ageing at a faster rate compared with statewide trends. This will have implications on the demand for services and facilities and the housing, employment, training and lifestyle opportunities available to residents. Achieving the right balance of population growth will be an important aspect of the future growth and prosperity of the Hawkesbury.

1.8.4 Workforce and Economy

The most recent available census data and data from the National Institute of Economic and Industry Research shows that:

- the net wealth generated by the local economy in 2016 was $3.3 billion
- there were 6,530 local business operating in the Hawkesbury LGA
- the local economy generated 28,138 jobs
- the unemployment rate was 6.26% (compared with 5.2% for NSW)
- there were 35,163 employed residents
- 44% of the resident workforce were employed in the Hawkesbury, and a further 25% were employed in neighbouring areas of Penrith, Blacktown, The Hills, and Blue Mountains
- 56% of the resident workforce held a post-school qualification
- the most numerous occupations were Technicians and Trade Workers (18.8% of the resident workforce);, Clerical and Administration Workers (15.4%), Professionals (15.2%); Managers (12.6%) and Community and Personal Services Workers (9.6%)
- the most numerous employment sectors for the resident workforce were Construction (12.6% of the resident workforce), Manufacturing (10.8%), Retail Trade (10.4%), Health Care and Social Assistance (9.2%) and Public Administration and Safety (8.4%).

Table 7 highlights selected economic and workforce indicators for the Hawkesbury, and tracks changes to these indicators for the five year period 2011 to 2016.

Table 7: Selected Economic and Workforce Indicators- Hawkesbury LGA

Economic and Workforce Indicators	2011	2016	Change
Gross regional product	$3.071 billion	$3.297 billion	↑ $226M
Number of local businesses	6,677	6,530	↓ 147
Number of dwelling unit approvals	128	231	↑ 103
Total value of building approvals	$69.6M	$146.5M	↑ $76.9M
Number of local jobs	27,118	28,138	↑ 1,029
Number of employed residents	34,324	35,163	↑ 839
Number of unemployed residents	2,390	2,285	↓ 105
Unemployment rate	6.6%	6.3%	↓ 0.3%

1.8.5 A Blend of Urban and Rural

As a local government area made up of a blend of urban and rural settlements, the socio-economic characteristics of the different localities within the Hawkesbury reflect this diversity. The Hawkesbury local government area is made up of small villages and rural localities in addition to the main urban centres of Windsor, Richmond and North Richmond.

Just under half of the population (47%) live in the town centres and adjoining suburbs, while 48% of the population live in rural villages and hamlets which roughly lie in a 10 to 15 kilometre arc surrounding the urban centre. The rest of the population (5%) live in small and relatively isolated rural villages and localities which are between 25 and 50 kilometres from the urban centre. These three distinct settlement zones are mapped in Figure 14.

Figure 14: Settlement zones within the Hawkesbury Local Government Area

As would be expected, there are some significant differences in the socio-economic characteristics of these different settlement zones. The urban centre is marked by higher population densities and a relatively younger population. Moving out from the urban centre the population density decreases from 331 persons per square kilometre to two persons per square kilometre in the rural fringe, while the median age of the population increases from 36 in the urban centre to 45 in the rural fringe.

There is a distinct socio-economic pattern where the middle ring localities have higher levels of household income and higher land values then the urban centre and rural fringe. The size of households is also larger in the 'middle ring' and these localities have a higher proportion of family households and relatively fewer lone person households then the urban centre and rural fringe. Housing costs (mortgage payments and rents) are also higher in the 'middle ring' than the other settlement zones, but they are relatively more affordable due to higher median household incomes in the 'middle ring' localities. Differences in key population and household characteristics across the three settlement zones are highlighted in Table 8.

Table 8: Socio-economic comparisons of Hawkesbury to Greater Sydney and NSW

Demographic Indicator	NSW	Greater Sydney	Hawkesbury			
			Whole LGA	Urban Centre	Rural Villages	Rural Fringe
Population, household composition and income						
Population density (persons per km^2)	9.3	389.9	23.3	330.8	79.4	1.6
Median Age	38	36	38	36	39	45
Average Household Size	2.6	2.8	2.8	2.8	3.1	2.3
Average Motor Vehicles Per Dwelling	1.7	1.7	2.2	2.1	2.7	1.9
Median Weekly Household Income	$1,486	$1,750	$1,668	$1,435	$1,995	$1,364
Average Residential Land Value	$572,118	$897,792	$443,604	$321,939	$614,454	$297,016
% Lone Person Households	23.8%	21.6%	20.6%	23.8%	13.5%	21.7%
% Family Households	72%	73.6%	77%	65%	81%	66%
Housing						
% Rental Households	31.8%	34.1%	24.3%	33%	11%	14%
% households owned with a Mortgage	32.3%	33.2%	41.8%	32%	47%	41%
Median Monthly Mortgage	$1,986	$2,167	$2,080	$1,939	$2,267	$1,912
Mortgage as % of Median Income	30.1%	28.5%	28.7%	31.1%	26.2%	32.8%
Median Weekly Rent	$380	$440	$360	$356	$384	$203
Rent as % of Median Income	25.6%	25.1%	21.6%	24.8%	19.2%	14.9%

1.8.6 Community Well-Being

The Australian Bureau of Statistics (ABS) has developed Socio-Economic Indexes for Areas (SEIFA) to assess the relative welfare and well-being of communities across Australia. SEIFA is used to rank areas according to socio-economic advantage and disadvantage based on census variables across a number of domains including household income, education, employment, occupation, housing and other indicators of community well- being.

Based on the SEIFA indexes, 80% of council areas across Australia have higher incidence of disadvantage than the Hawkesbury meaning that the Hawkesbury is one of the more advantaged areas in Australia. The Hawkesbury is ranked 116 out of the 564 councils in Australia, and 35 of the 153 councils in NSW in terms of its overall community well-being as measured by the SEIFA indexes.

Some caution should be applied to the use of SEIFA indexes as an overall measure of community well-being. Within the Hawkesbury, SEIFA scores vary considerably with some localities significantly more disadvantaged than others. There are some suburbs in the Hawkesbury with SEIFA scores that would place them in the top 2% of Australian suburbs for community well-being, while other suburbs fall into the bottom 15% of the same measure of community well-being. Taken as a whole however and based on its SEIFA scores the Hawkesbury is a relatively advantaged local government area.

1.9 Settlement and Growth

1.9.1 Geography and Topography

The Hawkesbury Local Government Area (LGA) extends from the Cumberland Plain in the south and east to the foothills and escarpments of the Blue Mountains to the west and north. The Hawkesbury is divided by five rivers including the Hawkesbury/Nepean, Grose, Colo and Macdonald River valleys. Close to 70% of the Hawkesbury is National Park.

The topography of the area ranges from fertile flood plains and wetlands, to undulating hills and timbered ridges through to inaccessible mountainous regions dissected by steep gorges and towering escarpments. As a result of these features, the Hawkesbury experiences regular flooding and bushfire events. These features have also exerted a powerful influence on the development of the Hawkesbury and will have implications for future development.

1.9.2 Urban Density

The geography of the Hawkesbury has placed limits on the land available for living. As a result, the population density of the Hawkesbury at 24 persons per km^2 is second only to Wollondilly as having the lowest population density within the Sydney Metropolitan Region (which has an average population density of 390 persons per km^2). Figure 15 plots the population density of the Hawkesbury based on the results of the 2016 census.

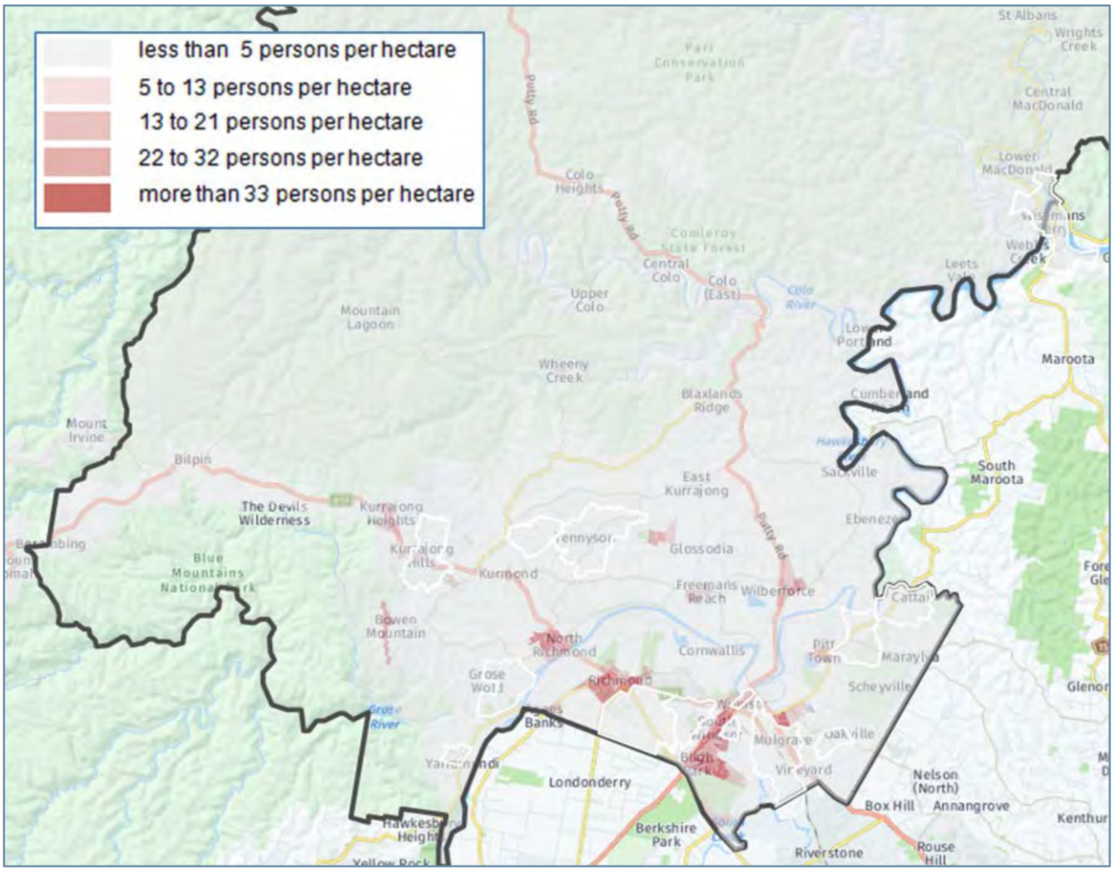


Figure 15: Population Density, Hawkesbury LGA

1.9.3 Future Residential Development

In 2011, Council adopted a *Residential Land Strategy* which assessed the future residential needs of the Hawkesbury LGA and identified localities for further investigation for residential development. As part of this assessment, a range of factors were mapped to build a picture of development constraints and opportunities across the Hawkesbury.

These factors included exposure to flooding and bushfire risks; the impact of topography (land contours); the natural environment including the distribution of conservation areas (national parks), agricultural lands and wetlands; the availability of infrastructure and existing services and facilities; noise exposure (from Richmond RAAF operations); and heritage considerations. As highlighted in Figure 16, these factors have combined to make the majority of the Hawkesbury 'highly constrained' for future urban development with only the south-eastern part of the LGA having some potential for residential development.

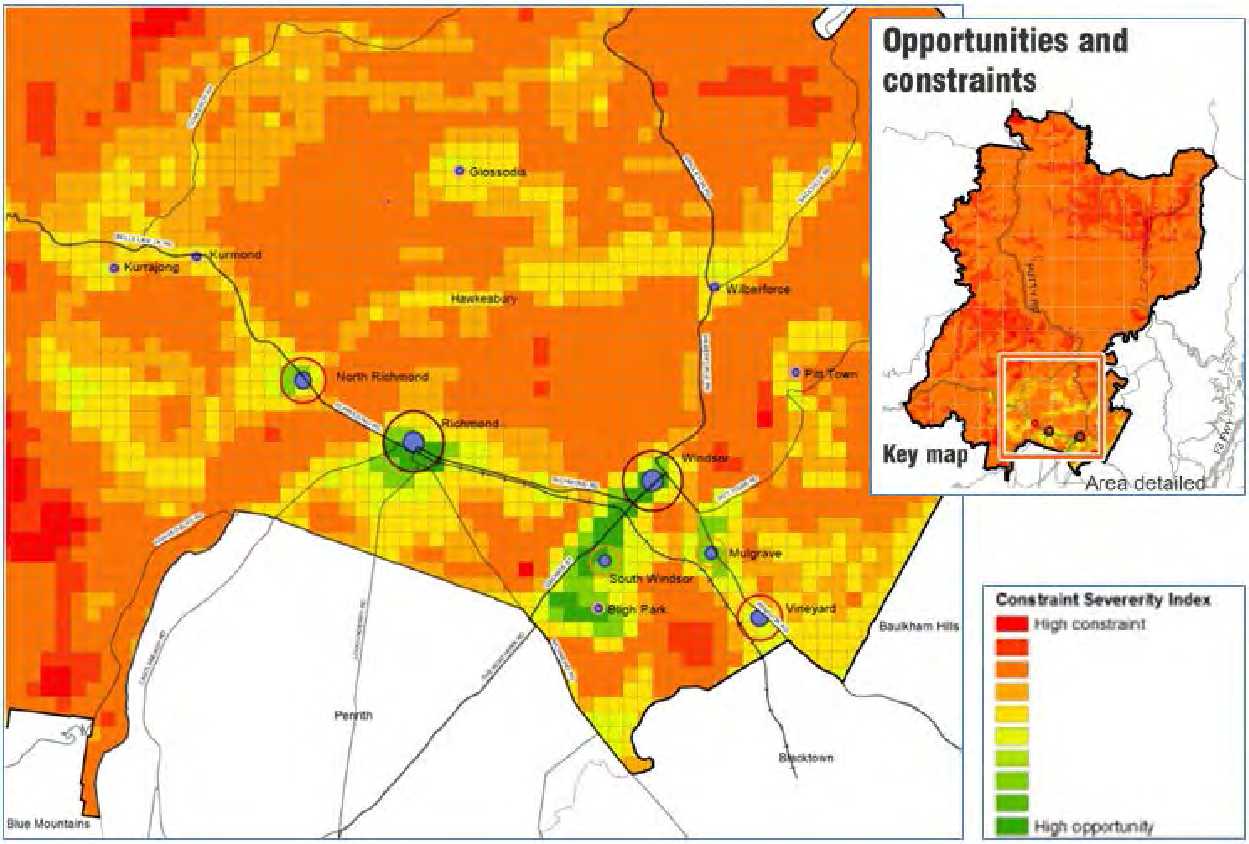


Figure 16: Residential Development Opportunity and Constraint Analysis, Hawkesbury LGA

The potential for urban development ranged from 'highly constrained' in those localities shaded red and orange, to 'neutral' areas shaded gold and yellow which had fewer physical constraints but were lacking in transport and sewer infrastructure to support future urban development, to areas in green which had more potential for future urban development.

These green areas were clustered around the existing town centres of Richmond, North Richmond and Windsor and along the Windsor to Bligh Park corridor with the important proviso that the capacity of these areas to support additional growth would be subject to the resolution of flood and flood evacuation constraints.

Based on the analysis of development constraints and opportunities, the Residential Land Strategy concluded that future residential development should be primarily based on urban infill or the greenfield expansion of existing urban and village areas, with some secondary development in non-urban localities to maintain the viability of existing rural villages.

The Hawkesbury Residential Land Strategy has however highlighted that much of the existing urban areas of the Hawkesbury are currently severely constrained by flooding and flood evacuation and by aircraft noise. At the same time, non-urban residential development on the periphery of rural villages are also constrained by the need to minimise the impact of these developments on agricultural land and natural areas, and the requirement to service these developments with appropriate infrastructure.

1.9.4 A Plan for Growing Sydney – Housing Targets

These constraints have been identified in the Greater Sydney Region Plan, *A Plan for Growing Sydney,* released in December 2104, and more particularly in the *Draft West District Plan* prepared by the Greater Sydney Commission in 2017 which aims to connect local district planning with the longer-term metropolitan planning for Greater Sydney. The *Draft West District Plan* covers the Blue Mountains, Penrith and Hawkesbury.

Based on projections of population and household growth, the Department of Planning and Environment has estimated that Greater Sydney will need a minimum of 725,000 additional dwellings over the next 20 years. To achieve this overall dwelling target, the *Draft West District Plan* includes short and long term housing targets for the West District.

Over the short term (to 2021) the District Plan has set a five year housing target of 8,400 additional dwellings for the West District with 1,150 of these dwellings located in the Hawkesbury. Over the longer term (to 2036) the *Draft West District Plan* has set a 20 year global target of 41,500 additional dwellings for the West District – a more specific housing target for each local government area will be included in the *District Plan* when it is finalised at the end of 2017. While a final housing target is yet to be identified, based on Departmental population projections the *Draft West District Plan* estimates that Hawkesbury's population will grow by 17,350 people by 2036 (as shown in Table 9).

Table 9: West District projected aggregate population growth (2016-2036)

West District	Aggregate Population Growth 2016-2036						
	<1	1-4	5-19	20-64	65-84	85+	Total
Blue Mountains	-20	-80	950	-1,450	6,700	2,350	8,450
Hawkesbury	140	560	3,050	5,500	6,100	2,000	17,350
Penrith	540	2,160	12,800	25,800	18,650	5,750	65,700
West District Total	660	2,640	16,800	29,850	31,450	10,100	91,500
Greater Sydney	17,080	68,320	333,450	824,100	386,800	110,650	1,740,000

Source: Department of Planning and Environment, 2016

The projected growth in the population equates to an average annual growth rate of about 1.3% or 870 people a year, which is well above the 0.67% annual population growth or 360 people a year that has been achieved over the last 10 years. It has been historically the case that population forecasts issued by the Department of Planning and Environment have tended to over-estimate projected rates of population growth for the Hawkesbury.

1.9.5 Growth Potential

Based on the current average household size, the projected increase of 17,350 people equates to between 5,000 to 6,000 additional dwellings by 2036, an annual average of 250 to 300 new dwellings. By comparison, over the last five years, annual dwelling unit approvals in the Hawkesbury have averaged 205 dwellings, which suggests that the potential for significant additional residential growth in the Hawkesbury above current levels may be marginal at best, even if the housing targets within the final *District Plan* are achieved.

This limited growth potential reflects the development constraints highlighted in the Hawkesbury Residential Land Strategy and echoed in the *Draft West District Plan* which notes that in determining future housing capacity, Council will need to consider both the risk to people and property posed by bushfires and flooding, as well as reinforcing the existing rural character of the Hawkesbury and the qualities of its town and village centres.

Taking these factors into account, the potential for substantial residential development in the Hawkesbury is likely to be limited outside of the Vineyard Precinct of the North West Growth Sector. Future residential development will continue the current pattern of smaller scale expansion of rural villages and town centres rather than the wholesale resumption and subdivision of large tracts of rural lands to create higher density residential precincts as is occurring in adjoining council areas.

1.9.6 Implications for Asset Provision

The constraints impacting on the potential for future residential development suggests that population growth in the Hawkesbury will continue to be modest. There may be some further intensification around existing town and village areas, but overall population density will remain low by urban standards. There are a number of implications that flow from this.

- **Size of asset portfolio.** Council will be required to continue to maintain a sizeable asset portfolio serving a dispersed population. Figure 17 provides a snapshot of these assets.

Community Facilities	
Cemeteries	14
Community Centres and Halls	29
Child Care Centres	16

Cultural Development	
Libraries	2
Band Room	1
Galleries and Museums	4
Memorials and Scuptures	19

Economic Development	
Neighbourhood Shopping Centres	3
Function Centre	1
Shops And Offices	19

Emergency Services and Safety	
Rural Fire Sheds	25
SES Building	1
Transmission Towers	2
CCTV Systems	9

Transport and Public Access	
Vehicular Ferry	1
Sealed Roads	751km
Unsealed Roads	292km
Bus Shelters	41
Kerb and Guttering	358km
Footpaths and Cycleways	87km
Bridges	64
Car Parks	100,000m^2
Roundabouts	26
Pedestrian Crossings	43
Signs	7,721
Pavement Line Marking	422km

Sports and Recreation Facilities	
Parks And Reserves	216
Aquatic And Leisure Centres	3
Grandstands	3
Playgrounds	63
Playing Courts	60
Skate Parks	3
Floodlights	235
Sports Fields	61
Irrigation Systems	15

Visitor and Tourism Facilities	
Public Toilets And Kiosks	74
Viewing Platforms	2
Wharf/Pontoon/Boat Ramps	7
Visitor Information Centre	1
Walking Trails	4km
Camping Ground	1
Alfresco Dining Areas	22
Pedestrian Mall	1

Waste Management	
Sewers and Rising Mains	184km
Manholes	3368
SEWER PUMP STATIONS	24
Sewer Treatment Works	2
Waste Management Facility	1
Wastewater Reuse Scheme	1

Water Resource Management	
Pipes	173km
Box Culverts	3038m
Pits and Headwalls	7016
Detention Basins	71,252m^2
Gross Pollutant Traps	26

Figure 17: Hawkesbury Council asset portfolio snapshot

As at 30 June 2017, Council's asset portfolio was valued at $1.1 billion. Maintaining and replacing these assets will play an important role in supporting the future growth and liveability of the Hawkesbury and the vitality of the local economy, as well as Council's capacity to deliver contemporary service standards to meet community expectations.

- **High infrastructure to resident ratio.** In comparison with many of its neighbouring councils with larger population and more compact urban areas, the Hawkesbury has a large land area but a relatively smaller and decentralised rating base. More than half of its residents live in semi-rural and rural areas and Council is required to provide core services and local facilities to outlying areas with small population catchments. As a result, the Hawkesbury has a very high ratio of infrastructure per resident (i.e. the total value of council assets divided by the resident population) as highlighted in Figure 2.10.

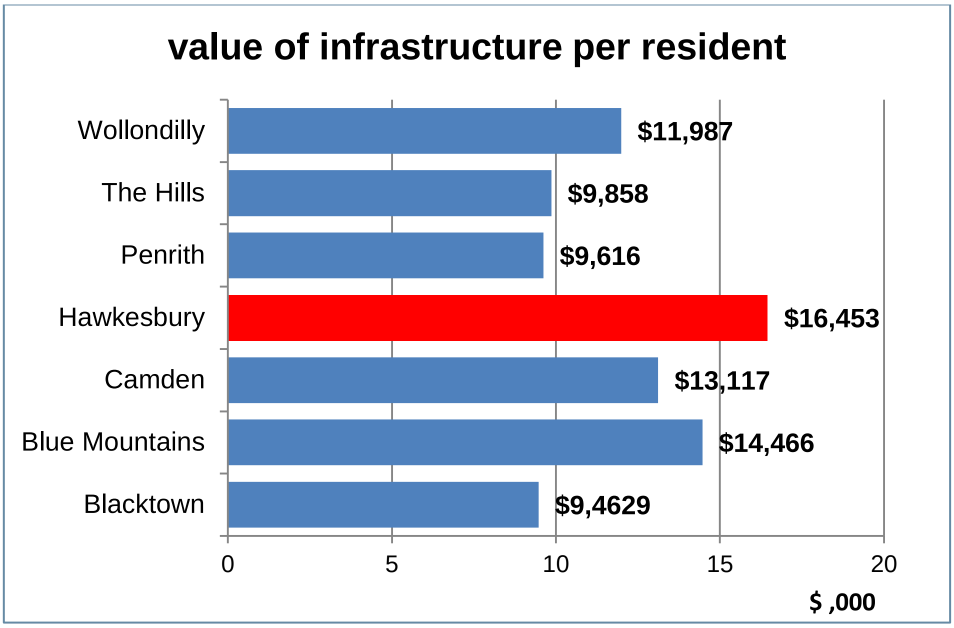


Figure 18: Value of council assets per resident (infrastructure/resident ratio)

What Figure 18 shows is that on a per capita basis, each resident in the Hawkesbury has to support a greater amount of infrastructure assets then residents in adjoining councils. For example, Council is required to maintain 16 metres of road length per Hawkesbury resident in comparison to comparable figures of between three and nine metres in adjoining council areas.

- **Cost of service delivery.** Population density is an important driver of sustainability. The per unit cost of service provision to rural areas is higher than the per unit cost of service provision to urban areas. There is a strong correlation between population density and the ability of council's to generate revenue to fund services and maintain assets.

- **Community expectations and satisfaction.** The proximity of the Hawkesbury to the adjoining urban areas of metropolitan Sydney has perhaps given rise to community expectations for urban levels of service and infrastructure which cannot be realistically met from a semi-rural and urban fringe rating base. The overlap of urban expectations and a peri-urban income base has contributed to the challenge that Council faces in funding improved service levels to better meet community expectations as outlined in Section 1.7.5.

- **Financial sustainability.** Managing community assets is a core business function of Council, and Council spends just over 60% of its revenue on this task. Given the size and geographic coverage of Council's asset portfolio, Council is facing a financial challenge in funding the cost of maintaining, renewing and replacing these assets to keep them safe and functioning. While overall these assets are in a fair to good condition, they are ageing and approaching the threshold at which they will need significant investment to be renewed. If this investment is not made they will deteriorate and become unsafe and no longer fit for purpose. Meeting the costs associated with the management of assets is the critical determinant impacting on Council's future financial sustainability. Council's Fit For The Future Improvement Plan is aimed at substantially increasing spending on the upkeep and renewal of community assets, town centres and critical transport infrastructure. These issues are explored further in the next section of this Supplementary Resourcing Strategy 2017-2027.

- **Management of natural hazards and a changing climate.** The Hawkesbury has a very high exposure to natural disasters. Dominated by the Hawkesbury-Nepean River System and the escarpment of the Blue Mountains to its west, it has one of the most significant flood risk exposures within Australia, while at the same time the substantial areas of bushland within the Hawkesbury creates a high vulnerability to bushfire events. As shown in Figure 19 almost all of the Hawkesbury is vulnerable to flooding or bushfire risks, a vulnerability which a changing climate is likely to intensify.

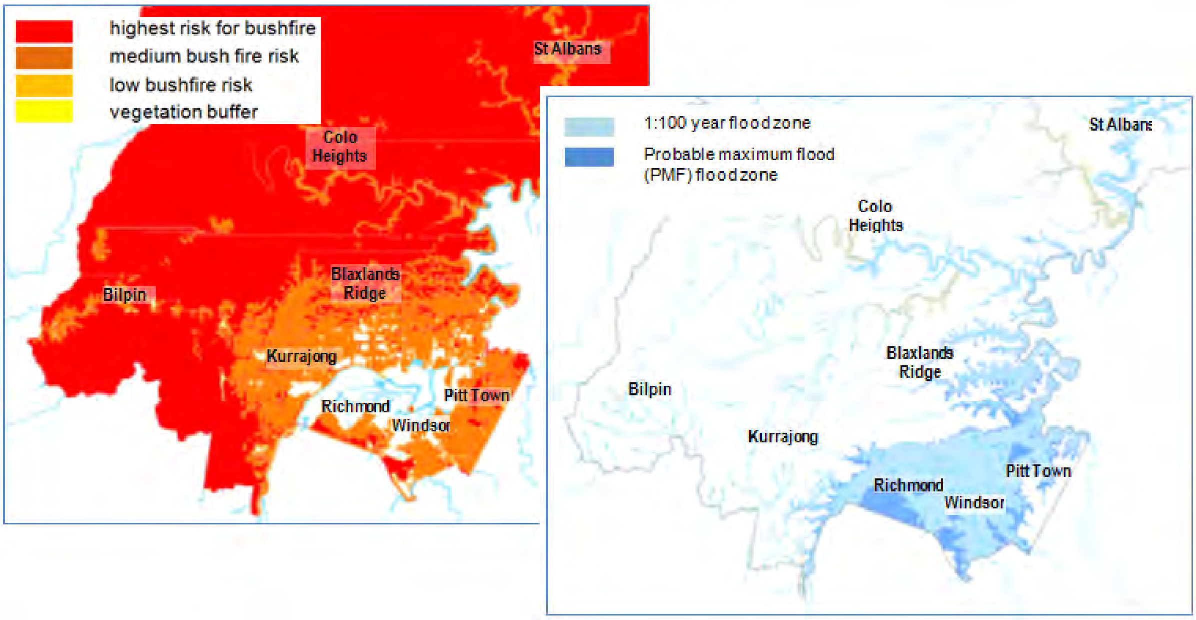


Figure 19: Bushfire and Flood Risk Zones: Hawkesbury Local Government Area

Apart from the impact this vulnerability will have on capacity for future development, it will also carry significant implications for the funding of emergency and disaster management services as well as the repair, management and maintenance of public assets.

Council will need to invest in actions to support residents in high risk areas to prepare for and manage natural disaster threats as well upgrading key infrastructure to mitigate risks to its own built assets. Council will also need to implement controls to maintain eco-system health particularly where a changing climate will pose threats to water quality, recreational waterways, and other natural assets.

- **Transport infrastructure burden.** The Hawkesbury is marked by those transport and land use factors, (higher per-capita motor vehicle ownership and low land use density), associated with high car-dependency and reduced transport alternatives. Car-travel remains the preferred method for travel to work and this dependency appears to have increased over the last decade.

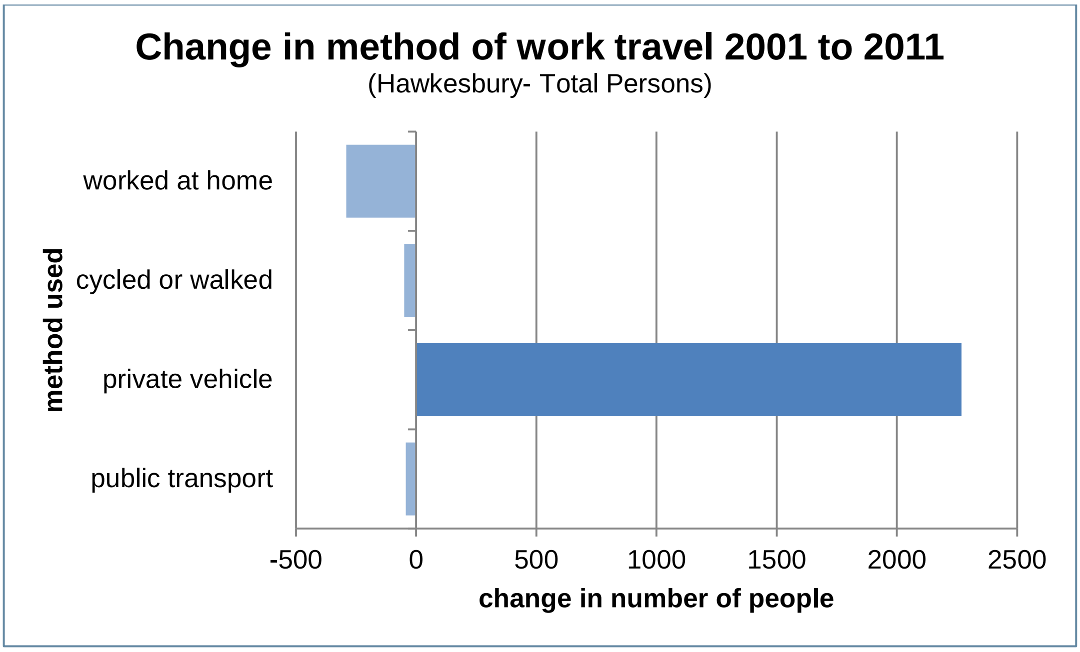


Figure 20: Change in method of travel to work 2001 to 2011

Figure 20 shows that in the ten year period of 2001 to 2011, the number employed persons travelling to work by private motor vehicle increased, while the number of people using public transport or other non-vehicle methods decreased. In the five years between 2011 and 2016 there was a 13 % increase in the number of registered motor vehicles in the Hawkesbury (an additional 2,579 vehicles). The increased levels of car-dependency, coupled with an ageing road network, has been placing an increasing burden on road maintenance and renewal and traffic management solutions.

1.10 Rating Comparisons

1.10.1 Limitations of rating comparisons to other councils

The Office of Local Government classifies local councils based on the degree of urbanisation and population size. Hawkesbury City Council, along with Camden and Wollondilly Councils are currently classified as Group 6 councils - urban fringe areas with populations of between 30,000 and 70,000 people. This pool of three 'like' councils provides a small and not very robust sample for comparative purposes and accordingly, the adjoining councils of The Hills, Penrith and Blue Mountains are usually included when Council 'benchmarks' its performance against other councils.

While these three adjoining councils are classified as metropolitan fringe councils , they are more urbanised and have larger populations than the Hawkesbury, and some caution should be applied when comparing these councils with the Hawkesbury (and the two other Group 6 councils). As has been previously noted, while the Hawkesbury is classified as part of Metropolitan Sydney, its unique blend of urban and rural settlements is uncharacteristic of the metropolitan area.

1.10.2 Council rating comparisons

Each year the Office of Local Government releases a report into the performance of local councils in NSW based on information submitted to the NSW Government by each council. The information presented below has been largely compiled from the annual Comparative Information on NSW Local Government reports issued by the Office of Local Government. These reports can be accessed from the Office of Local Government website.

- **Average rates.** Table 10 compares average rates for 2016/2017 across the three main rating categories – residential, farmland and business (the fourth category of mining has not been included as only Wollondilly Council collects mining rates).

Table 10: Average residential, farmland and business rates 2016/2017

Average Residential Rates 2016/2017		Average Farmland Rates 2016/2017		Average Business Rates 2016/2017	
Council	**Average Rate**	**Council**	**Average Rate**	**Council**	**Average Rate**
The Hills	$1,049.83	The Hills	$1,530.81	The Hills	$1,999.60
Hawkesbury	$1,108.23	Blue Mountains	$2,257.51	Hawkesbury	$2,019.21
Penrith	$1,225.52	Hawkesbury	$2,617.68	Wollondilly	$2,455.14
Camden	$1,322.61	Wollondilly	$2,714.45	Blue Mountains	$3,411.05
Blue Mountains	$1,436.43	Camden	$2,719.77	Camden	$4,795.19
Wollondilly	$1,524.23	Penrith	$3,432.83	Penrith	$6,080.04
6 council average	**$1,231.32**	**6 council average**	**$2,595.59**	**6 council average**	**$3,672.60**

Under each rating category the average rates are ranked from lowest to the highest to show the comparative position of Hawkesbury in relation to the other councils as well as the aggregated average across the six councils. Table 10 shows that:

  - for residential rates, Hawkesbury residents pay the second lowest average residential rates and the average residential rate in the Hawkesbury is 10%, or $123.02 lower than the average across the six councils

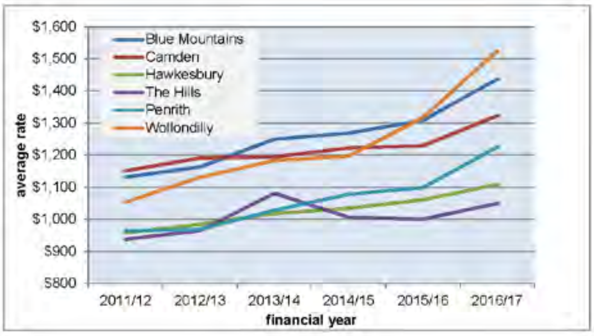
  - farmland rates in the Hawkesbury are slightly above the average across the six councils at $22.09 or just under 1% higher than the average. However the two councils with lower average farmland rates are predominantly urban in character and when compared with the three 'like' councils in the same Office of Local Government classification (Wollondilly and Camden) Hawkesbury has the lowest average farmland rates

  - for business rates, Hawkesbury businesses pay the second lowest average business rates and the average business rate in the Hawkesbury is 45%, or $1,653.29 lower than the average across the six councils.

- **Rating trends.** Figure 21 on the following page tracks changes to average rates for three main rating categories – residential, farmland and business over the five year period from 2011/2012 to 2016/2017. It also charts the relative trends in the trajectory of rating increases over this period for each council.

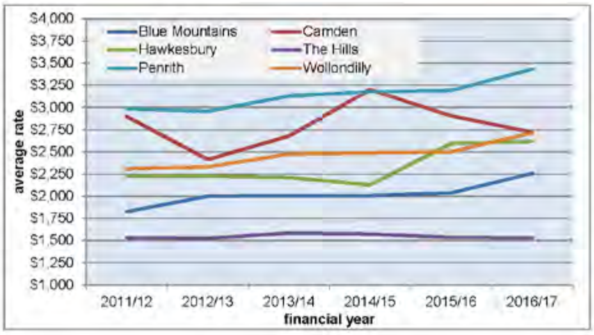
Average Residential Rates
2011/2012 to 2016/2017

Council	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017
Blue Mountains	$1,131	$1,164	$1,249	$1,269	$1,308	$1,436
Camden	$1,151	$1,191	$1,194	$1,222	$1,229	$1,323
Hawkesbury	$959	$985	$1,018	$1,035	$1,061	$1,108
The Hills	$938	$965	$1,081	$1,007	$1,000	$1,050
Penrith	$963	$969	$1,028	$1,078	$1,099	$1,226
Wollondilly	$1,053	$1,131	$1,183	$1,197	$1,317	$1,524
Average	**$1,007**	**$1,034**	**$1,105**	**$1,108**	**$1,131**	**$1,231**



Average Farmland rates
2011/2012 to 2016/2017

Council	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017
Blue Mountains	$1,826	$2,000	$2,007	$2,007	$2,036	$2,258
Camden	$2,899	$2,414	$2,677	$3,202	$2,906	$2,720
Hawkesbury	$2,227	$2,227	$2,211	$2,127	$2,595	$2,618
The Hills	$1,532	$1,524	$1,584	$1,573	$1,537	$1,531
Penrith	$2,987	$2,956	$3,129	$3,176	$3,193	$3,433
Wollondilly	$2,309	$2,332	$2,475	$2,489	$2,500	$2,714
Average	**$2,303**	**$2,246**	**$2,343**	**$2,386**	**$2,513**	**$2,596**



Average Business Rates
2011/2012 to 2016/2017

Council	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017
Blue Mountains	$2,468	$2,615	$2,866	$3,035	$3,085	$3,411
Camden	$4,572	$4,490	$4,706	$4,454	$4,655	$4,795
Hawkesbury	$1,650	$1,698	$1,796	$1,865	$1,928	$2,019
The Hills	$1,769	$1,850	$1,827	$1,923	$1,946	$2,000
Penrith	$5,886	$5,993	$6,257	$6,490	$6,502	$6,080
Wollondilly	$1,545	$1,621	$1,888	$1,852	$2,093	$2,455
Average	**$3,301**	**$3,379**	**$3,514**	**$3,616**	**$3,691**	**$3,673**

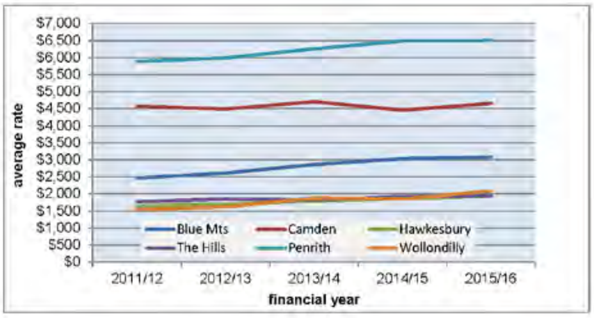


Figure 21: Average residential, Farmland and Business Rate Increases 2011/2012 to 2016/2017

Figure 21 shows that:

- From a relatively lower starting point, the average residential rate in the Hawkesbury has increased by 13% over the past five years, which is an annual increase of 2.6% compared with the average increase for all six councils of 3.8% a year. Over the last five years the average residential rate has increased by $123 or $24.60 a year.

- At 18% over the last five years or 3.6% a year, the average farmland rate in the Hawkesbury has increased at a faster rate than the average annual increase for all 6 councils at 2.6% a year. The major component of this increase can be attributed to a 22% spike in the average farmland rate which occurred in 2014/2015 following changes to Council's rating structure in 2013/2014. The adverse impact on farmland rates was an unintended consequence of the rating changes and have since been remedied following further adjustments to the rating structure which took effect from 2017/2018. Information about these rating changes is covered in the following section of this report.

- From one of the lowest starting point of the six councils, the average business rate in the Hawkesbury has increased by 22% which is an annual increase of 4.4% compared with the average increase for all six councils of 2.2% a year. Over the last five years the average business rate has increased by $369 or $73.80 a year but still remains more than $1,600 lower that the average across the six councils.

1.10.3 Rating changes - addressing equity and fairness

From time to time, councils review their rating structures to address issues of equity and capacity to pay, particularly in response to the periodic re-assessment of land valuations undertaken by the NSW Valuer General. The calculation of annual rates is based on the provisions of the *NSW Local Government Act 1993*. In simple terms, in the Hawkesbury Council area, rates are made up of a *base amount* which is applied equally across all rateable properties combined with an *ad-valorem* amount which is based on land-values determined by the NSW Valuer-General.

In December 2016, Council reviewed its rating structure to address rating anomalies which had arisen following prior changes to the rating structure which had taken effect from 1 July 2013.

These changes created some unintended rating inconsistencies where properties in the one location, with the same notional access to Council services and facilities, were rated differently. As a result, residential rates for smaller properties (less than two hectares), mostly in rural areas, increased, while the rates for larger properties (between two and 40 hectares in size) in the same locations decreased.

The rating changes which came into effect on 1 July 2013 resulted in an increase in rates for 83% of residential properties within the Hawkesbury (19,454 properties) and a decrease in rates for just over 4,000 residential properties.

When overlayed with data based on the Index of Relative Social Disadvantage, the 2013/2014 rating changes generally resulted in an increase in rates for those localities and suburbs with higher levels of socio-economic disadvantage. Figure 22 on the following page, maps the Hawkesbury based on the Index of Relative Socio-Economic Disadvantage - the darker the shading the greater the level of relative socio-economic disadvantage.

The Index of Relative Socio-Economic Disadvantage is one of the four SEIFA Indexes (Social and Economic Index for Areas) outlined in Section 2.1.6. An area will have a low score if there are (among other things) many households with low income, many people with no qualifications, or many people in low skill occupations. While most areas in the Hawkesbury have a SEIFA score above the average SEIFA score across NSW, the suburbs of Hobartville, Windsor, South Windsor and Richmond have SEIFA scores which are lower that the NSW average. In these suburbs, the 2013/2014 rating changes resulted in rating increases of more than 28%, or $190 a year.

In relative terms, the bottom half of suburbs and localities based on their SEIFA scores experienced an average rating increase of 23% as a result of the 2013/2014 rating changes, while the increase in the top half of suburbs and localities was a much more modest 3%. Geographically, the average rate for the majority of properties in urban areas and rural villages (the darker shaded areas on the map) increased, while the majority of properties in the lighter shaded area decreased.

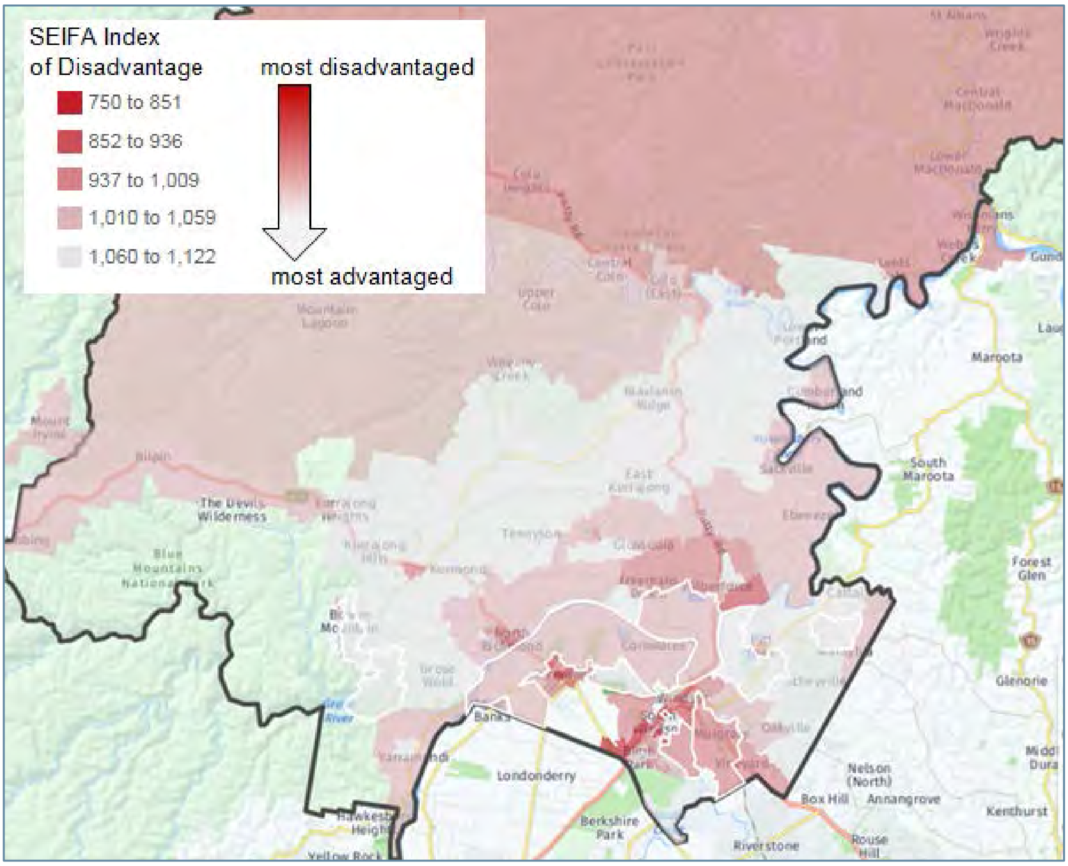


Figure 22: Index of Relative Socio-Economic Disadvantage 2011 – Hawkesbury

Council changed the rating structure in 2017/2018 to reverse the unintended impacts that flowed from the 2013/2014 rating changes. Council determined that realigning the rating structure back to the pre 2013/2014 situation would deliver a more equitable rating outcome for the majority of ratepayers, and particularly for households in socio-economically disadvantaged areas with the highest proportions of low-income households. Overall, the revised rating structure which took effect from 1 July 2017 resulted in a rates reduction to 19,045 properties (75% of rateable properties), with 11,245 properties experiencing a reduction in rates of more than $100.

In those suburbs with the lowest SEIFA scores (Hobartville, Windsor, South Windsor and Richmond), the average reduction in annual residential rates was just over 10% or $97. The size of the rate reductions across these suburbs ranged from $30 to $155 due to the impact of land value increases which in some suburbs were above the average increase in land values across the Hawkesbury and therefore increased the *ad valorem* component of the 2017/2018 rating charges and the overall annual rating charges for these suburbs, relative to other areas.

1.10.4 The impact of land revaluations

The rating structure which took effect from 1 July 2017 also resulted in a corresponding rating increase for 5,695 residential properties, with 1,388 properties (5% of residential properties) experiencing an annual increase of more than $500. As highlighted in Table 11 on the next page, the majority of these properties were in localities bordering the North West Growth Sector.

Table 11: Localities with highest average 2017/2018 rating increases

Locality	No. of Properties	2014 average land value	2016 average land value	Average increase in land value	% Increase in land value	Average Rate 2016/2017	Average Rate 2017/2018	Average Rate Increase	Average % Rate Increase
Cattai	153	$562,902	$927,072	$364,170	65%	$1,443.56	$1,937.69	$494.13	34%
Vineyard	359	$34,478	$780,955	$406,478	109%	$1,172.48	$1,685.88	$513.40	44%
Maraylya	243	$560,584	$956,741	$396,156	71%	$1,438.84	$1,988.82	$549.98	38%
Richmond Lowlands	21	$1,223,067	$1,724,914	$501,848	41%	$2,647.69	$3,312.67	$664.98	25%
Scheyville	1	$632,000	$1,070,000	$438,000	69%	$1,516.98	$2,184.01	$667.03	44%
Oakville	552	$601,712	$1,604,898	$1,006,186	167%	$1,489.81	$3,111.00	$1,621.19	109%
Total/Average	**1329**	**$538,183**	**$1,188,522**	**$650,339**	**121%**	**$1,407.76**	**$2,388.26**	**$980.50**	**70%**

The rating changes which took effect from 1 July 2017 generally accounted for 15% of the increase in annual rates. In Oakville for example, the rating change accounted for an average of up to $350 of the rate increase. The large rating increases in these localities were the result of the significant escalation in land values, based on values determined by the NSW Valuer-General, which were much higher than the average 40% increase across the Hawkesbury. For the affected properties, this resulted in the *ad valorem* component of the annual rating charge, which is based on land value, increasing substantially relative to most other properties in the Hawkesbury.

In response to the impact of the land valuations, Council arranged for representatives of the NSW Valuer General to address concerned local residents at a public meeting held on 30 August 2017. At this meeting the NSW Valuer General representatives outlined the land valuation process and their impact on rates and provided residents with the opportunity to ask questions and make specific enquires about their properties.

1.11 Affordability and Capacity to Pay

1.11.1 What are residents being asked to consider paying?

Each of the three Investing in Your Future options will require ratepayers to pay increased annual rates over the next three financial years. Two of options, (the *Stabilise* Option) and Council's preferred investment option (the *Improve* Option) will involve Council making an application for a Special Rate Variation to collect additional rates above the amount to be collected under the Option 1 rate peg amount.

Figure 23 calculates the annual and weekly equivalent rating increases under each of the three options over the next three years, together with the cumulative total of these increases. The boxes outlined in red, are those years under Options 2 and 3 where a special rating increase would apply.

The figures in Figure 23 are modelled on average residential rates which account for 92% of ratepayers. They show that:

- under **Option 1**, average residential rates would increase by between $28 and $29 a year for a total annual increase of $86 by 2021 which is equivalent to $1.65 a week
- under **Option 2**, there would be two increases above the rate peg amount for a total average annual increase of $257 by 2021 which is equivalent to $4.92 a week
- under **Option 3**, there would be three increases above the rate peg amount for a total average annual increase of $351 by 2021 which is equivalent to $6.73 a week.

1 REDUCE				2 STABILISE				3 IMPROVE			
18/19	19/20	20/21	Total	18/19	19/20	20/21	Total	18/19	19/20	20/21	Total
Annual Increase				Annual Increase				Annual Increase			
$28	$29	$29	$86	$107	$117	$34	$257	$107	$117	$128	$351
Weekly Increase				Weekly Increase				Weekly Increase			
$0.54	$0.55	$0.56	$1.56	$2.04	$2.24	$0.64	$4.92	$2.04	$2.24	$2.45	$6.73
Annual Increase above Option 1 (rate peg)											
$0	$0	$0	$0	$78	$88	$4.16	$171	$78	$88	$98	$265
								Increase above Option 2			
								$0	$0	$94	$94

Figure 23: Increase in average residential rates under three investment options 2018/2019 to 2020/2021

Under Options 2 and 3, the average residential ratepayer is being asked to pay additional annual amounts above the annual increases under the Option 1 rate peg amount as follows:

- under **Option 2**, by 2021 the average residential ratepayer would be paying $170.56 in additional rating charges above the rate peg amount

- under **Option 3** (Council's preferred investment option), the average residential ratepayer would be paying $264.47 in additional rating charges above the rate peg amount by 2021, which is $94 more than under Option 2.

This section of the Supplementary Resourcing Strategy 2017-2027, provides information to assess the capacity of ratepayers to meet the additional annual costs of the proposed special rate increases.

1.11.2 Will the rating increases be permanent?

Under all the investment option, the rating increases will be permanent, they would be built into the rate base after 2021 – what this means is highlighted in Figure 24 on the following page.

The current average residential rate in 2017/2018 is $1,121. Figure 24 calculates what the average residential rate will be in 2020/2021 based on rating increases under the three investment options.

Based on these increase, by 2021 the average residential rate will be $1,208 under Option 1, $1,378 under Option 2 and $1,472 under Option 3.

After 2020/2021, rates would be indexed by the same assumed rate peg amount of 2.5% under each option which would maintain the $171 additional rate increase under Option 2, and the $265 additional rating increase under Option 3 as shown on the graph.

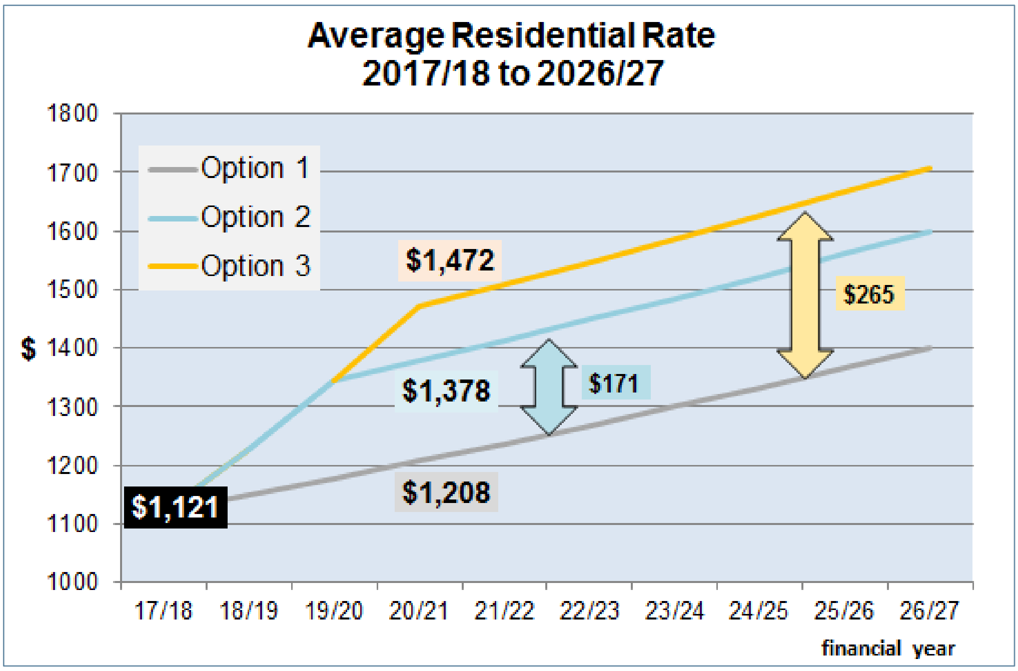


Figure 24: Projected increase and indexation of three investment option rating increases

1.11.3 Assessment of affordability and capacity to pay

This preliminary assessment of the capacity of ratepayers to pay additional annual rating charges of $171 under Option 2 and $265 under Option 3 supplements the data presented in previous sections which highlighted the following points:

- average residential, farmland and business rates in the Hawkesbury are the lowest within its cohort of 'like' councils within the relevant Office of Local Government council classification category
- average residential rates and average business rates, which represent 98% of rateable properties in the Hawkesbury are below the average residential rate across the six comparison councils against which Council generally benchmarks itself
- rating increases over the last five years have also been well below the aggregated average increases recorded across the six comparison councils
- rating changes which came into effect on 1 July 2017, resulted in a rates reduction to 75% of rateable properties in the Hawkesbury, with the majority of these properties recording a rate reduction of more than $100
- rating changes which came into effect on 1 July 2017, were targeted at socio-economically disadvantaged areas with the highest proportions of low-income households.

Further information is provided in this section to add to the assessment of whether there is capacity for ratepayers to pay additional rates.

1.11.4 Rates as a proportion of average household income

One way of assessing the affordability of council rates is to calculate the proportion of weekly household income that is required to pay the average residential rate and track this proportion over time. Table 12 calculates 'rating burdens' across the six comparison councils used previously. It also tracks the change in these 'rating burdens' over the past five years.

Table 12: Average residential rate as % of average household income

Council Area	2011/2012			2016/2017			% Change in Rates	% Change Household Income	% Change in Rating Burden
	Avg Residential Rate	Median Annual Household Income	% of Income Spent on Rates	Avg Residential Rate	Median Annual Household Income	% of Income Spent on Rates			
Blue Mountains	$1,131.13	$66,218	1.71%	$1,436.43	$76,542	1.88%	26.99%	15.59%	0.17%
Camden	$1,151.02	$90,046	1.28%	$1,322.63	$106,731	1.24%	14.91%	18.53%	-0.04%
Hawkesbury	$958.63	$72,214	1.33%	$1,108.23	$86,970	1.27%	15.61%	20.43%	-0.05%
Penrith	$963.33	$72,892	1.32%	$1,225.51	$86,448	1.42%	27.22%	18.60%	0.10%
The Hills	$937.88	$106,574	0.88%	$1,049.84	$123,207	0.85%	11.94%	15.61%	-0.03%
Wollondilly	$1,053.25	$77,063	1.37%	$1,524.23	$97,554	1.56%	44.72%	26.59%	0.20%

Table 12 shows that:

- in 2016/2017, annual rate charges were the equivalent of 1.27% of the median annual household income in the Hawkesbury, which was below the average of 1.56% recorded across the six comparison councils
- in proportional terms, over the last five years, the rating burden has decreased in the Hawkesbury from 1.33% to 1.27% of median annual household, the largest decrease across the six comparison councils
- median household incomes in the Hawkesbury have increased at a faster rate relative to rating increases.

1.11.5 Assessment of impacts on low income households

In assessing proposals for special rate increases from councils, the Independent Pricing and Regulatory Tribunal (IPART) requires councils to assess the community's capacity to pay the proposed rate increases. In undertaking this assessment, IPART recommends that councils consider a range of socio-economic indicators.

Many of these measures are highly aggregated, in that they measure socio-economic attributes at a local government area level. In this section, Council has applied key socio-economic attributes at a local area level to identify and rank areas by their relative levels of wealth and income. This analysis has been undertaken to make sure that the proposed special rate increases will not cause undue hardship to the more socio-economically disadvantaged areas in the Hawkesbury

Table 13 on the following page, outlines some key socio-economic attributes (income and wealth, housing costs and household characteristics) for local areas in the Hawkesbury. Where an attribute is above the Hawkesbury average it is shaded in green, and where it is below the average it is shaded in light red. The greater the number of boxes that are shaded light red, the greater the relative level of socio-economic disadvantage.

Table 13: Socio-economic attributes by area – Hawkesbury

Suburb/locality	Wealth and income			Housing costs	Households		
	Average Land Value	Median Weekly Household Income	% Low Income Households	% Households with Housing Costs Greater than 30% of Household Income	% Rented Households	% Lone Person Households	% Households With Internet
Agnes Banks	$402,306	$1,910	11.9%	16.0%	17.3%	14.2%	89.0%
Bilpin	$406,104	$1,455	19.6%	15.7%	17.3%	22.3%	84.8%
Blaxlands Ridge	$499,796	$2,134	12.5%	16.3%	8.1%	12.1%	89.3%
Bligh Park	$290,559	$1,763	12.6%	22.5%	35.8%	18.8%	87.5%
Bowen Mountain	$253,497	$1,724	11.8%	20.2%	10.2%	16.1%	90.5%
Colo Heights	$270,344	$1,421	22.7%	13.2%	8.8%	27.5%	78.2%
Cumberland Reach	$271,507	$1,937	6.5%	15.7%	6.2%	15.5%	78.7%
East Kurrajong	$592,516	$2,187	9.1%	16.6%	6.7%	9.2%	89.5%
Ebenezer	$603,483	$1,886	12.1%	17.9%	12.1%	16.7%	84.8%
Freemans Reach	$472,105	$1,885	12.7%	15.6%	14.8%	14.8%	84.5%
Glossodia	$397,984	$1,910	9.3%	18.9%	17.5%	11.7%	88.6%
Grose Vale	$631,114	$2,128	10.3%	13.5%	8.4%	11.3%	92.7%
Grose Wold	$702,828	$2,239	8.3%	16.2%	12.4%	11.0%	92.9%
Hobartville	$371,936	$1,411	17.5%	20.7%	29.6%	22.7%	83.8%
Kurmond	$564,645	$1,723	11.0%	16.4%	14.7%	17.7%	90.8%
Kurrajong	$533,641	$2,005	12.3%	12.7%	9.1%	14.9%	90.8%
Kurrajong Heights	$320,189	$2,042	13.3%	11.1%	6.3%	17.8%	91.8%
Kurrajong Hills	$616,811	$2,277	10.5%	19.0%	4.3%	14.8%	88.9%
Lower Macdonald	$183,329	$1,187	19.0%	22.1%	18.5%	31.6%	83.3%
Lower Portland	$395,305	$1,569	14.1%	17.2%	14.6%	18.0%	81.9%
Maraylya	$956,741	$2,133	12.1%	17.4%	15.2%	13.3%	88.2%
McGraths Hill	$368,559	$1,925	9.9%	17.6%	19.7%	15.4%	87.2%
North Richmond	$347,137	$1,426	18.0%	19.2%	29.7%	23.3%	82.5%
Oakville	$1,607,898	$2,095	8.7%	15.0%	13.8%	8.9%	86.7%
Pitt Town	$687,731	$2,316	8.3%	19.0%	9.5%	10.0%	90.9%
Richmond	$286,203	$1,146	27.2%	26.3%	43.6%	39.5%	73.3%
Sackville	$402,133	$1,786	10.8%	25.9%	11.6%	22.4%	85.2%
South Windsor	$295,409	$1,283	22.9%	29.6%	45.3%	28.3%	78.1%
St Albans	$213,708	$914	26.0%	5.8%	10.3%	35,1%	83.0%
Tennyson	$803,685	$1,963	13.6%	14.0%	16.4%	17.7%	79.2%
The Slopes	$599,577	$2,113	5.1%	16.5%	3.9%	10.8%	86.3%
Vineyard	$780,955	$1,197	34.1%	13.5%	19.6%	36.3%	68.2%
Wilberforce	$508,562	$1,867	14.8%	17.6%	17.4%	16.4%	84.9%
Windsor	$338,628	$1,422	21.4%	21.7%	39.0%	27.1%	79.3%
Windsor Downs	$862,969	$2,458	6.5%	13.2%	3.3%	6.8%	92.6%
Wisemans Ferry	$174,675	$954	26.8%	21.4%	28.7%	39.8%	75.5%
Yarramundi	$610,339	$2,228	8.9%	12.9%	5.4%	11.4%	92.4%
Hawkesbury	**$452,734**	**$1,668**	**15.9%**	**19.7%**	**24.3%**	**20.6%**	**84.2%**

Those areas with five or more attributes below the Hawkesbury average include Colo Heights, Hobartville, Lower Macdonald, North Richmond, Richmond, South Windsor, St Albans, Windsor and Wisemans Ferry. The localities have the highest proportions of low income households, the lowest levels of median household income, and some of the highest housing costs as a proportion of household income.

Council has undertaken preliminary modelling to gauge the impact of the proposed special rate increases on these areas. This modelling shows that:

- the average residential rate for these areas in 2017/2018 was $876.11 which is 22% lower than the average residential rate across the Hawkesbury

- the recent change to the rating structure which took effect from 1 July 2017, delivered an average reduction in rates of $117 (a proportional decrease of 11.7%)

- by 2021, the projected additional increase in rates under Option 2 for these areas will be $133.27, 22% less that the average additional increase of $170.56 across the Hawkesbury

- by 2021, the projected additional increase in rates under Option 3 for these areas will be $206.80, 22% less that the average additional increase of $264.67 across the Hawkesbury.

The rating changes that took effect from 1 July 2017 have substantially lessened the impact of the proposed special rating increases. In 2016/2017 the average residential rate in these areas was $978. Taking into account the average residential rating reduction of $117 that occurred in 2017/2018, and factoring in the additional special rate increases over the next three years, the average residential ratepayer under Option 2 will be paying an additional $16 above what they were paying in 2016/2017. Under Option 3, this amount will be $90.

Overall, Council's modelling indicates that as a result of the July 2107 rating changes, the relative impact of a special rate increase will be significantly smaller for low income households in those localities with the highest proportion of these households

1.11.6 Non-rating revenue - a diversified revenue base

Figure 25 compares rating income as a proportion of total revenue, averaged out over the three financial years ending in 2016.

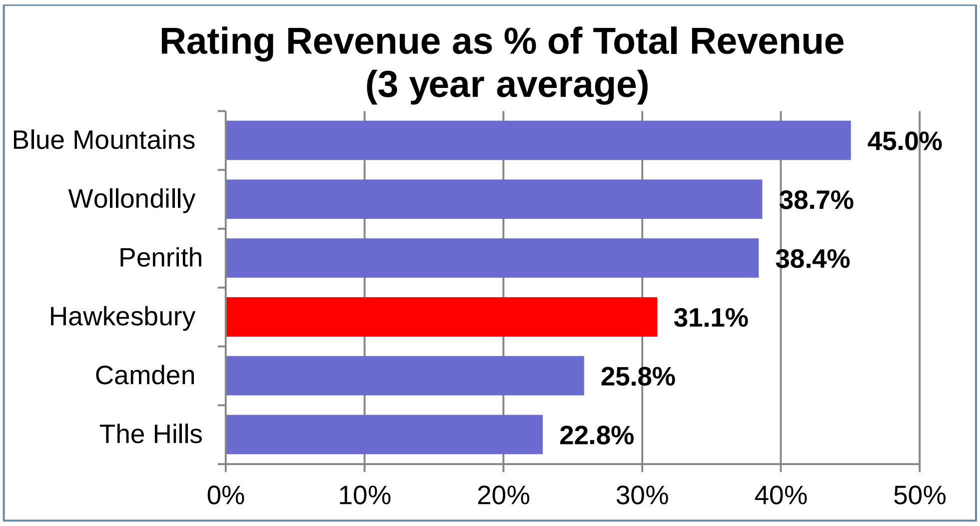


Figure 25: Rating revenue as proportion of total revenue

Figure 25 shows that in comparison with the average across the six comparison councils used previously, Hawkesbury Council has a more diversified income base and is less reliant on rating revenue to fund its operations. The two councils (The Hills and Camden) with a lower proportion of rating revenues than the Hawkesbury, are located within the NSW Government's identified North West and South West Growth Sectors and their revenues are being temporarily swelled through increased developer contributions to fund new infrastructure linked to the substantial residential development occurring within their boundaries.

1.11.7 Improved recovery of outstanding rates

The levels of outstanding rates as a proportion of all rates provides an indication of the capacity of residents to pay their rates on time. Figure 26 charts Councils outstanding rates recovery ratio over the past seven years. It shows that the ratio trend has been falling and that Council is on track to achieve the industry benchmark. Council's performance demonstrates good financial management.

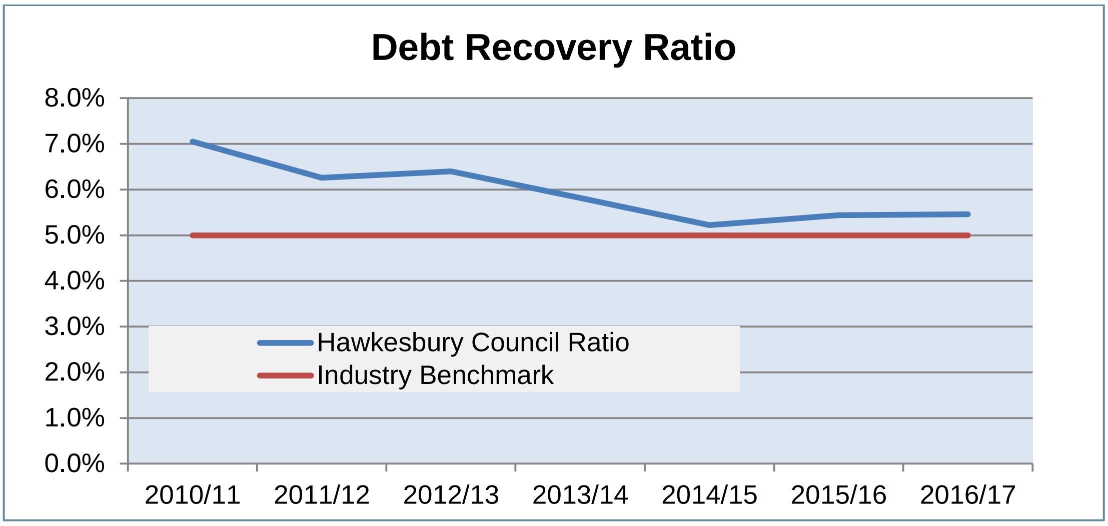


Figure 26: Outstanding rates recovery ratio – Hawkesbury City Council 20010 to 2017

1.11.8 Summary

The comparative analysis demonstrates that Hawkesbury ratepayers will generally have the capacity to pay increased annual rates based on the following factors.

The Hawkesbury is near the top 20% of most advantaged local government areas according to its SEIFA ranking	Median weekly household income is $1,668 which is above the NSW average of $1,486	Lower housing stress of 19.7% compared to the NSW average of 20.3%
Lower proportion of household income (1.27%) spent on rates than the average across comparison councils	Average residential and business rates are less than the average across the six comparison councils	Average farmland rates are less than 'like' councils that share the same council classification
Rating changes which reduced rates for low-income households and which will lessen the impact of the proposed special rate increases	Average annual rating increases which are below the average increases across comparison councils	Improving rates recovery ratio and falling levels of outstanding rates

Supplementary Long Term Financial Plan 2017-2027

A summary of the financial impacts on long-term service provision of each of the three Investing in Your Future resourcing options

Outline of the income and expenditure measures within Council's Fit For The Future Improvement Plan and how they are being implemented

1.12 Introduction

As its name suggests this Supplementary Long Term Financial Plan 2017-2027 is an addendum to the Resourcing Strategy 2017-2027 adopted by Council in June 2017. It provides additional information covering:

- the financial impacts on long-term service provision of each of the three Investing in Your Future resourcing options
- the additional investment delivered by the three resourcing options to achieve community investment priorities and the objectives of the Hawkesbury Community Strategic Plan 2017-2036
- the extent of the additional service level reductions that may be required, in the absence of special rate increase, to direct additional resources to the critical task of asset renewal
- the income and expenditure measures within Council's Fit For The Future Improvement Plan and how they are being implemented.

Detailed information on Council's financial position and performance can be sourced from the *Resourcing Strategy 2017-2027,* which is available on Council's website at:

http://www.hawkesbury.nsw.gov.au/__data/assets/pdf_file/0011/95654/Resourcing-Strategy-2017-2027-ADOPTED-Extraordinary-Meeting-13-June-2017.pdf.

1.13 Overview of financial challenges

In September 2014, The NSW Government released details of its Fit For The Future Reform Program. Under this program, all councils in NSW were required to validate their future sustainability. Councils were given a number of financial benchmarks to measure their financial sustainability. At the core of this sustainability challenge lay a primary requirement to show that councils had the financial capacity to fund the cost of the assets that they manage on behalf of the community.

As outlined in Section 1.4.1 (which summarised the outcomes of reports into the sustainability of local government) this challenge is not new and it is a challenge faced by all levels of government, not just local councils, and not just the Hawkesbury.

Since 2007 Council has been implementing cost containment, efficiency and revenue measures to direct additional funding to the task of maintaining and renewing its portfolio of community assets to arrest the decline in the condition of these assets.

Figure 27 on the following page, charts the level of increased investment in assets that Council has been able to achieve as a result of the measures it began implementing from 2007 onwards. It shows that Council has more than doubled its spending on asset renewal and maintenance from an average of $9.4M between 2004 and 2010 to an average of $16.8M every year between 2011 and 2016.

Council has been able to direct an average of an additional $7.4M a year to the task of asset renewal and maintenance.

While Council was already heading in the right direction, the Fit For The Future Reform Program put a tighter time frame on the date by which council had to resource its operating and asset funding shortfall.

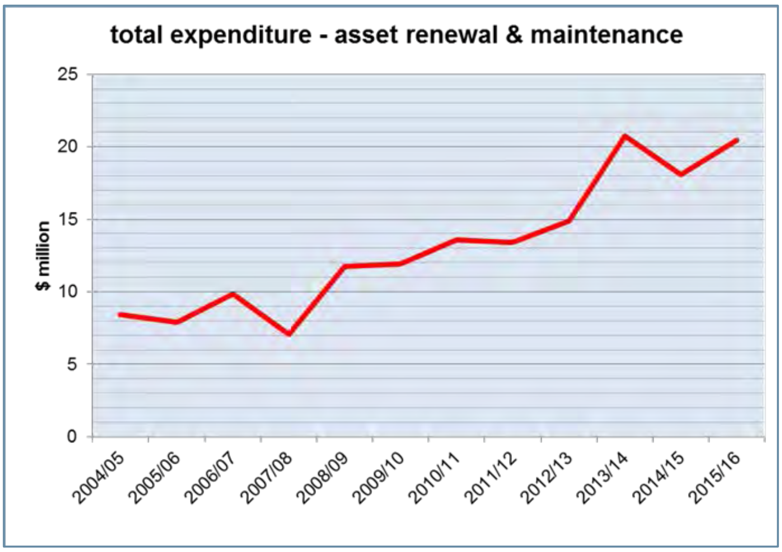


Figure 27: Additional investment in asset renewal and maintenance 2005 to 2016

To respond to this challenge, Council has adopted a 20 point Fit For The Future Improvement Plan which incorporates a mix of expenditure and revenue measures which will satisfy the sustainability measures under the Fit For The Future Reform Program by the required time frame of 2021.

More importantly the Fit For The Future Improvement Plan will enable Council to fully fund the cost of the upkeep of community assets to meet community expectations as well as directing additional resources to the community investment priorities identified by residents.

The details of the Fit For The Future Improvement Plan are outlined in Section 3.6. Council commenced implementing the Plan in July 2015.

One of the 20 measures in the Fit For The Future Improvement Plan is a proposal to submit an application to the Independent Pricing and Regulatory Tribunal (IPART) for a special rate increase to generate the balance of the revenue that is required to keep assets safe and functional into the future and to maintain services. Two of the three *Investing in Your Future* resourcing options, Option 2 and Option 3, include proposals for special rate increases. Option 1 is the 'status quo' option which would see rates maintained in line with the NSW Government rate peg amount.

The three investment options will have a different impact on:

- long term financial sustainability
- the assets that Council manages on the community's behalf
- the quality of the services that can be delivered into the future
- the requirement for additional service level reductions.

The information on the following pages quantifies and explains these differences.

1.14 Impact of three investment options on long term financial sustainability

Table 14 plots the relative impact of the three investment options on Council's long term financial sustainability. It quantifies the value of the expenditure and revenue measures within Council's Fit For The Future Improvement Plan over the next ten years, including the additional rating income above the rate peg amount that the proposed special rate increases will generate under Options 2 and 3 to supplement the other measures in the Fit For The Future Improvement Plan. The table quantifies the annual operating shortfall (the cost of funding day-to-day service provision and asset maintenance) under each Option and achievement against the relevant Fit For The Future financial benchmark (Operating Performance Ratio).

Table 14: Relative impact of the three investment options on Council's long term financial sustainability

	Financial Measures	Options	201720/18	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027
Income and Expenditure Measures in Fit for the Future Improvement Plan	Cost Containment Initiatives	Option 1 - Reduce	$0.6M	$1.1M	$1.2M	$1.4M	$1.6M	$1.7M	$1.7M	$1.8M	$1.8M	$1.8M
		Option 2 - Stabilise	$0.6M	$1.1M	$1.2M	$1.4M	$1.6M	$1.7M	$1.7M	$1.8M	$1.8M	$1.8M
		Option 3 - Improve	$0.6M	$1.1M	$1.2M	$1.4M	$1.6M	$1.7M	$1.7M	$1.8M	$1.8M	$1.8M
	Revenue Generation Measures	Option 1 - Reduce	$3.5M	$6.4M	$6.3M	$7.9M	$8.1M	$6.5M	$6.5M	$5.9M	$5.9M	$6.0M
		Option 2 - Stabilise	$3.5M	$6.4M	$6.3M	$7.9M	$8.1M	$6.5M	$6.5M	$5.9M	$5.9M	$6.0M
		Option 3 - Improve	$3.5M	$6.4M	$6.3M	$7.9M	$8.1M	$6.5M	$6.5M	$5.9M	$5.9M	$6.0M
	Special Rate Additional Revenue	Option 1 - Reduce	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
		Option 2 - Stabilise	$0	$2.2M	$4.6M	$4.7M	$4.8M	$5.0M	$5.1M	$5.2M	$5.3M	$5.5M
		Option 3 - Improve	$0	$2.2M	$4.6M	$7.3M	$7.5M	$7.7M	$7.9M	$8.1M	$8.3M	$8.5M
Impact on Financial Sustainability - Operating Result	Operating Shortfall	Option 1 - Reduce	-$4.3M	-$5.1M	-$4.0M	-$3.8M	-$4.0M	-$3.9M	-$3.6M	-$3.6M	-$3.5M	-$3.1M
		Option 2 - Stabilise	-$4.3M	-$3.5M	$0	$0	$0	$0	$0	$0	$0	$0
		Option 3 - Improve	-$4.3M	-$3.9M	-$0.5M	$0	$0	$0	$0	$0	$0	$0
	Meets Financial Benchmark	Option 1 - Reduce	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗
		Option 2 - Stabilise	✗	✗	✓	✓	✓	✓	✓	✓	✓	✓
		Option 3 - Improve	✗	✗	✗	✓	✓	✓	✓	✓	✓	✓

Table 14 shows that Options 2 and 3 will achieve the Fit For The Future operating result benchmark by 2021 (the required time frame). Under Option 1, Council will continue to generate operating shortfalls (which means that it will not have the revenue to meet the day-to-day cost of providing services and maintaining assets). The average annual shortfall under Option 1 is projected to be is $3.9M, a cumulative total of $38.9M over ten years. To fund this shortfall, Council would be required to identify additional service level reductions in the order of $4M a year which will likely affect the future provision of community, cultural, civic, recreational and other 'discretionary' services if it is to maintain core services (those services which it is required to provide by legislation) and critical infrastructure.

1.15 Impact of three investment options on community assets

Table 15 plots the relative impact of the three investment options on community assets. It quantifies asset related annual expenditures (asset maintenance, asset renewal, and construction of new assets).

Table 15: Relative impact of the three investment options on community assets

Asset Measures	Options	201720/18	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027	10 yr total
Asset Maintenance Investment	Option 1 - Reduce	$12.1M	$12.4M	$12.7M	$13.4M	$13.9M	$14.3M	$14.6M	$15.0M	$15.4M	$15.7M	$139.5M
	Option 2 - Stabilise	$12.1M	$12.8M	$13.1M	$13.9M	$14.4M	$14.7M	$15.3M	$16.0M	$16.5M	$16.9M	$145.7M
	Option 3 - Improve	$12.1M	$12.6M	$13.0M	$14.5M	$15.0M	$15.4M	$15.7M	$16.1M	$16.8M	$17.4M	$148.6M
Asset Renewal Investment	Option 1 - Reduce	$9.7M	$13.6M	$13.2M	$14.6M	$13.4M	$12.0M	$12.5M	$12.2M	$11.3M	$12.4M	$124.9M
	Option 2 - Stabilise	$9.7M	$13.4M	$15.3M	$16.7M	$18.5M	$15.8M	$14.6M	$15.1M	$15.0M	$15.3M	$149.4M
	Option 3 - Improve	$9.7M	$13.0M	$16.8M	$17.0M	$20.8M	$18.6M	$18.0M	$15.4M	$15.7M	$16.0M	$161.0M
Investment In New Assets	Option 1 - Reduce	$3.1M	$1.0M	$3.7M	$0.7M	$3.4M	$6.1M	$4.4M	$3.9M	$3.6M	$3.6M	$33.5M
	Option 2 - Stabilise	$3.1M	$2.1M	$6.4M	$3.7M	$6.4M	$10.1M	$5.4M	$4.9M	$4.6M	$4.6M	$51.3M
	Option 3 - Improve	$3.1M	$2.1M	$6.5M	$5.1M	$7.4M	$11.5M	$7.4M	$7.3M	$5.5M	$5.5M	$61.4M
Asset Renewal Shortfall	Option 1 - Reduce	-$3.7M	$0	-$0.3M	$0	-$0.1M	-$1.7M	-$1.1M	-$1.4M	-$2.3M	-$1.2M	
	Option 2 - Stabilise	-$3.7M	$0	$0	$0	$0	$0	$0	$0	$0	$0	
	Option 3 - Improve	-$3.7M	$0	$0	$0	$0	$0	$0	$0	$0	$0	
Projected Infrastructure Backlog	Option 1 - Reduce	$10.0M	$8.9M	$8.2M	$9.0M	$10.3M	$12.0M	$13.6M	$15.1M	$16.4M	$17.3M	
	Option 2 - Stabilise	$10.0M	$9.1M	$7.6M	$7.7M	$8.1M	$8.4M	$7.8M	$7.8M	$8.1M	$8.5M	
	Option 3 - Improve	$10.0M	$9.1M	$7.4M	$7.6M	$7.0M	$6.5M	$5.3M	$4.9M	$5.0M	$5.5M	
Meets Benchmarks - Asset Maintenance	Option 1 - Reduce	✗	✓	✗	✓	✓	✓	✓	✓	✓	✓	
	Option 2 - Stabilise	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓	
	Option 3 - Improve	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Meets Benchmarks - Asset Renewal	Option 1 - Reduce	✗	✓	✗	✓	✗	✗	✗	✗	✗	✗	
	Option 2 - Stabilise	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓	
	Option 3 - Improve	✗	✗	✓	✓	✓	✓	✓	✓	✓	✓	
Meets Benchmarks - Infrastructure Backlog	Option 1 - Reduce	✓	✓	✓	✓	✓	✓	✗	✗	✗	✗	
	Option 2 - Stabilise	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
	Option 3 - Improve	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	

The table shows that Options 2 and 3 will achieve and maintain the asset related Fit For The Future benchmarks. Under Option 1, there is an average asset renewal funding shortfall of $1.07M ($10.7M over ten years). This under investment in asset renewal will mean that under Option 1 Council will not be able to maintain the required level of asset expenditure so that from 2020/2021 performance against the benchmarks starts to progressively deteriorate and the infrastructure backlog grows.

1.16 Resourcing Community Investment Priorities

The service level consultations undertaken by Council in July 2016 clearly indicated that residents did not want service levels to be reduced with a substantial majority favouring increased investment in services and facilities. The recently completed *Investing in Your Future* consultations confirmed that the majority of residents are willing to pay additional rates to fund this increased investment.

In considering its preferred investment option, Council noted that Option 1 (the rate peg option) would require a substantial round of additional service level reductions in addition to the cost containment and efficiency savings already built into Council's Fit For The Future Plan. In contrast, the two rate increase options did not call for a reduction in service levels and provided the additional revenue required to increase investment in services and facilities.

While Option 2 provides the minimum additional revenue required to stabilise the condition of assets over the medium term, Option 3 provides for a longer-term revenue solution which would enable Council to respond in a meaningful way to the objectives of the Community Strategic Plan and the community investment priorities identified by residents. For these reasons Council identified Option 3 as its preferred investment option.

Table 16 provides a high level overview of the additional investment under the three investment options which can be directed to the Community Strategic Plan priority issues identified by residents, as well as the community investment priorities outlined in Section 1.7.5.

Table 16: Proposed additional investment for community priorities under three resourcing options over 10 years

Community Strategic Plan Investment Priorities - Works and Facilities			Option 1	Option 2	Option 3
Our Assets	Upgrading Roads, Bridges, Drainage, Parks And Buildings	Rehabilitating Sealed Roads	$0	$21.3M	$18.1M
		Sealing Gravel Roads	$0	$12.6M	$16.5M
		Road Maintenance	$0	$4.1M	$5.2M
		Kerb and Gutter	$0	$0	$0.5M
		Pathways	$0	$1.9M	$4.2M
		Recreation and Sport Facilities	$0	$0	$3.5M
		Community and Cultural Facilities	$0	$3.8M	$6.5M
		Emergency Services	$0	$0.2M	$0.5M
		Park Maintenance	$0	$2.2M	$4.4M
	Revitalising Our Town Centres And Villages	Town Centre Revitalisation	$0	$2.2M	$13.0M
	Improving The Health Of Our Waterways	Waterways and Foreshores	$0	$0.6M	$1.1M
		Total Works and Facilities	**$0**	**$48.9M**	**$73.5M**

Community Strategic Plan Investment Priorities - Programs and Services		Option 1	Option 2	Option 3
Our Leadership	• Strengthening engagement with residents • Advocating for improved infrastructure	$0	$0	$2.4M
Our Community	• Increasing employment housing health and transport options • Supporting volunteerism	$0	$0	$1.2M
Our Environment	• Minimising ecological impacts of development • Improve the health of our waterways	$0	$0	$0.5M
Our Future	• Building on our areas heritage to promote tourism • Planning for sustainable and balanced development	$0	$0	$4.4M
	Total Program and Services	**$0**	**$0**	**$8.5M**

1.17 Fit For The Future Improvement Plan

Councils Fit For The Future Improvement Plan outlines 20 expenditure and revenue measures which will generate $77.7M in cost savings and increased non-rating revenues over the next ten years. The implementation of the Fit For The Future Improvement Plan will be a critical component in achieving financial sustainability. There are five broad objectives within the Plan:

- Increasing Operating Efficiencies
- Increasing Operating Revenues
- Building a Sound Platform for Asset Management
- Increasing Investment on Infrastructure Renewal and Maintenance
- Reducing the Unit Cost of Operations.

Council commenced the implementation of Fit For The Future Improvement Plan in July 2015. The table below provides an overview of the projected financial targets of each of the 20 measures and the progress to date in achieving those targets.

'Fit For The Future' Strategies - Summary and Provisional Timetable			Cumulative four year target	Achieved to 30/06/2017	Included in 2017/2018 budget
1.1	Review of Road Operations	An annual 1% efficiency target applied to Councils yearly $14M spend on road works operating costs (excluding ordinary wages and overheads). Reinvested in capital renewal roadworks.	$600,000	$19,984	$150,000
1.2	Review of Service Delivery Models	An annual 1% to 2.5% efficiency target applied to Corporate Support and Discretionary Services (excluding employee costs and overheads).	$820,179	$172,836	$356,386
1.3	Review of Plant and Fleet Management	Review of plant/fleet vehicles and accessories, ownership and maintenance models to achieve annual saving on net cost of operating plant/fleet.	$1,356,574	$160,150	$0
1.4	Property and Asset Review	Rate of return review to identify non-performing and surplus properties for sale or disposal.	$1,500,000	$683,773	$0
1.5	Review of Insurance Coverage and Self- Insurer Model	Review self-insurer model to enable comparison with alternate funding and provisioning arrangements for workers compensation and other insurances. Review to include assessment of impact of self-insurer requirements on procurement costs and staff productivity.	$155,665	$0	$37,487
2.1	Special Rate Variation	Notional Special Rate Variation of 14.49% (excluding rate peg) over two years commencing in 2018/2019 to generate additional rating revenue to meet loan repayments for $25M infrastructure borrowings program, with balance of revenue directed to asset renewal and maintenance and budget repair.	$11,570,542	$0	$0

'Fit For The Future' Strategies - Summary and Provisional Timetable			Cumulative four year target	Achieved to 30/06/2017	Included in 2017/2018 budget
2.2	Stormwater Management Charge	$25 annual levy for stormwater management services against properties connected to the stormwater drainage network - commencing in 2017/2018.	$2,091,006	$0	$518,925
2.3	Special Rate for New Residential Development	Special Rate applied from 2019/2020 to developments at Redbank and Jacaranda Ponds Glossodia to generate additional revenue to fund asset maintenance requirements which will not be covered by ordinary rating revenue due to the particular characteristics of the environmental and heritage assets within these developments.	$832,000	$0	$0
2.4	Waste Management and Sewer Dividend	A 12% rate of return on the value of assets within Waste Management Facility and Sewerage Schemes.	$2,708,703	$930,104	$621,000
2.5	Review of Pricing Structures	Review operations of income generating 'non-core' business units – Cemeteries, Companion Animal Shelter, Richmond Pool, Upper Colo Reserve so that pricing structures can be geared to achieve break-even operating position over medium term.	$506,291	$118,262	$30,815
2.6	Lobbying for increased regional road funding	Council receives RMS funding as a contribution to the costs of maintaining regional roads. It is proposed that Council lobby government to have additional roads placed on the regional roads network and seek contribution to costs of maintaining these roads.	$8,841,672	$2,838,086	$1,462,587
3.1	Completion of Asset Management Plans	Completion of asset management plans to provide a sound platform for long-term financial forecasting.	NIL	$0	$0
3.2	Service Level Review	Community engagement strategy to determine safe, affordable and agreed levels of service for all asset classes. Intended to establish BTS asset standard for asset classes to reflect community priorities	NIL	$0	$0
3.3	Integrated Capital Works Program	Establish parameters for capital works investment with a clear priority on asset renewal to address infrastructure backlogs and upgrade of existing assets. Based on S94/94 and VPA work programs capital funding of $8.8M will be directed to asset renewal works between 2016/2017 and 2020/2021.	$7,446,835	$3,035,687	$686,130

'Fit For The Future' Strategies - Summary and Provisional Timetable			Cumulative four year target	Achieved to 30/06/2017	Included in 2017/2018 budget
4.2	Sinking Fund for Community Facilities	Building maintenance and renewal levy applied to community facilities used to deliver fee-paying and/or funded child care services based on 50% of the annual depreciation charges for these facilities as a contribution to the maintenance and renewal of these assets.	$192,285	$0	$0
4.3a	Infrastructure Borrowings Program	$25M loan facility to fund accelerated 5 year works program focused on road upgrades and renewals, renewal of park assets and community buildings, in response to documented community priorities.	$7,746,670	$0	$0
4.3b	Energy Efficiency Borrowings Program.	Loan facility to invest in energy efficiency infrastructure. Costs recovered through energy savings would be used to fund loan borrowings	$33,590	$0	$0
5.1	OPEX Expenditure Reduction	Projected savings to be achieved through the adoption of new technology, on-line service delivery platforms, and a review of opening hours.	$505,931	$28,537	$44,587
5.2	Regional Strategic Alliance	Formal partnership with Blue Mountains and Penrith City Councils to implement regional joint projects to increase operating efficiencies through the aggregation of service contracts and the sharing of resources and corporate costs across the three councils .	$810,502	$0	$16,558
5.3	Sustainable Population Growth	Continued implementation of Hawkesbury Residential Land Strategy (HRLS) to concentrate new residential development around existing urban centres and villages.	$631,149	$148,603	$133,596
TOTAL CUMULATIVE IMPACT			**$48,349,594**	**$8,136,022**	**$4,058,071**

1.18 Outline of Fit For The Future Strategies

1.18.1 Increasing Operating Efficiencies

Council is continually seeking cost savings and efficiencies through on-going process improvements, increased used of technology, best value for money procurement processes, resource sharing and partnerships. The efficiency measures in the Fit For The Future Improvement Plan include:

- **Review of Roads Operations.** A review of current service models and resourcing of roads operational and capital works will identify areas to be investigated for potential efficiencies so as to reduce the cost per unit of works and consequently be able to deliver more works with available funding. It is estimated that efficiency savings in the vicinity of $150,000 per year, over four years, could potentially be achieved, with these savings being re-invested in asset maintenance and renewal.

- **Review of Service Delivery Models.** This strategy is targeted at reducing the costs of funding corporate support activities and discretionary services. Service delivery models and opportunities that could be pursued through the Regional Strategic Alliance are expected to provide opportunities for these services to operate at a lower cost. This strategy could generate in the vicinity of $820,000over the next four years.

- **Review of Plant/Fleet Management.** This strategy is aimed at reviewing Council's plant and fleet ownership and maintenance models with a view to reducing the variability of capital outlay, resulting in a projected increase of $1.4 million being available for asset renewal.
- **Property and Asset Review.** This strategy is aimed at undertaking a comprehensive review of Council's property and asset holdings with a view to rationalising under-utilised and/or under – performing assets. This strategy would be expected to generate in the vicinity of $1.5 million over a period of four years.

- **Review of Insurance Coverage.** Council is currently self-insured, which consumes a significant portion of staff time and resources. This strategy is based on reviewing and determining the optimal model for insurance that balances out the costs of each model while still ensuring sound safety outcomes. This review has the potential to generate in the vicinity of $383,000 over the Long Term Financial Plan period.

1.18.2 Increasing Operating Revenues

The Fit For The Future Improvement Plan includes measures to raise revenues to direct additional funding to the renewal of community assets and to maintain and improve service levels to meet community expectations. These revenue measures include:

- **Resourcing Strategy (Special Rate Variation).** The additional revenue generated through this strategy would predominantly be directed towards servicing a proposed Infrastructure Borrowings Program. As the loans are progressively repaid, the additional rating revenue will be directed towards increasing Councils capacity to implement best practice asset management and the ongoing funding of community investment priorities. The proposed special rate increase is subject to Council endorsement and approval by the Independent Pricing and Regulatory Tribunal.

- **Stormwater Management Charge.** The introduction of a Stormwater Management Charge of $25 per property generates funding to enable maintenance and renewal works relating to new stormwater infrastructure. This strategy would generate $519,000 per annum to be invested in the management of stormwater assets.

- **Special Levy for New Development.** The introduction of a special rate for residential developments at Redbank, North Richmond and Jacaranda Ponds, Glossodia to raise additional annual revenue of $416,000 to fund the additional asset maintenance costs associated with enhanced open space and riparian corridors within these developments which will not be covered by ordinary rating revenue. The proposed special levy is subject to Council endorsement and approval by the Independent Pricing and Regulatory Tribunal.

- **Review of Waste and Sewer Business Units.** This strategy is aimed at ensuring that Council receives a return on assets invested in Council's Waste Management Facility and Sewer Business Units. An annual dividend payment based on a 12% rate of return on the value of the Waste Management Facility assets has been implemented. This strategy generates $621,000 each year.

- **Review of Pricing Structures for Business Units.** This strategy is based on reviewing the pricing structures and service models of some selected non-core business units to ensure that as a minimum these units operate at breakeven result. This review has the potential to generate in the vicinity of $506,000 over the next four years.

- **Lobbying for Increased Regional Road Funding.** Council will continue to lobby the NSW Government to ensure that current grant funding for the renewal and maintenance of regional roads is maintained on an ongoing basis into the future. It is vital that this source of funding does not deteriorate over time, as Council depends on this allocation of grants to cover the costs of regional traffic on roads within the Hawkesbury area.

1.18.3 Building a Sound Platform for Asset Planning

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

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

- **Service Level Review.** Several rounds of community consultation has been undertaken in order to determine safe, affordable, and agreed service levels for all asset classes. The community engagement program also explored the community's appetite and preferences for adjusting current operations to redirect resources to asset renewal and maintenance. From this consultation it was determined that the community expected higher service levels for the majority of assets and were willing to contribute more towards increased investment in these assets, via collection of additional rates raised through an Special Rate Variation.

1.18.4 Increasing Investment in Infrastructure Renewal and Maintenance

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

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

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

- **Sinking Fund for Community Facilities.** Council owns and maintains a number of community buildings including child care centres and community halls. Council is reviewing options in relation to licenses that would transition the responsibility of asset maintenance and renewal to the users of these facilities.

- **Infrastructure Borrowings Program.** A borrowings program has been incorporated to be undertaken over a period of time with the primary aim of targeting road renewal and the delivery of an enhanced program of asset maintenance and renewal. The availability of loan funds will enable works to be brought forward, therefore bringing assets to satisfactory standard sooner resulting in increased community satisfaction and facilitating optimal asset intervention methods.
- **Energy Efficiency Borrowing Program.** Council is conscientiously striving to become a 'carbon-neutral' operation and consistently reviews opportunities either through grant funding or reduced interest rate loans that are able to provide Council with energy efficiencies, in a financially sustainable manner.

1.18.5 Reduce per Unit Cost of Operations

- **OPEX Expenditure.** Reduction. Council has limited the expenditure budgets for services that are not directly involved in the maintenance of infrastructure assets. This has been enacted through the freezing of indexation from 2017/2018 to 2021/2022 for expenditure that is not determined by an award for employee costs, or a contract already in place for materials and contracts. Council has established a target saving of $506K over the four years until 2020/2021.

- **Regional Strategic Alliance (RSA).** Council has established a Regional Strategic Alliance Cooperation and Management Agreement with Blue Mountains City Council and Penrith City Council. The Agreement ostensibly provides for the three councils to act in concert to investigate a regional entity and governance framework that could initiate projects and programs aimed at optimising state and regional planning, strengthening regional advocacy, and maximising opportunities for organisational effectiveness, shared services and innovation.

- **Sustainable Population Growth.** Built into the Long Term Financial Plan are assumptions in relation to additional rates income that is generated due to development. While there is increased income above the additional required expenditure over the short term, over time the additional asset maintenance and renewal expenditure requirement consumes this short term surplus. Based on the projected timings of known specific developments and current general trend in additional housing, an estimated increase in net income of $631,000 over four years is expected.

1.19 Independent Review of Fit For The Future Strategies and Options

Council commissioned an independent review of its financial position and planning documents, including its Fit For The Future Improvement Plan, to investigate if there were other strategies or options that Council could pursue to improve its long term financial sustainability.

Morrison Low were engaged to undertake the review. Their report on the *Review of Council Strategies for Financial Sustainability* is attached in Appendix 2. As part of their assessment Morrison Low:

- reviewed Council's current and projected financial position
- reviewed within the context of delivering on Council's Community Strategic Plan 2017-2036
- reviewed the strategies included in Council's Fit For The Future Plan
- benchmarked Hawkesbury City Council with other NSW councils.

The main findings within the Morrison Low report include:

- the Fit For The Future Strategies are generally consistent with other councils
- the Fit For The Future Strategies were found to be appropriate to address Council's financial sustainability
- the estimates associated with the strategies were found to be prudent and reasonable
- the challenges associated with the strategies are recognised
- Council did not clearly mention its asset capitalisation practices in its Fit For The Future Plan
- there is an apparent inconsistency between Council's current backlog and the narrative supporting the requirement for a Special Rate Variation
- Council needs a substantial Special Rate Variation.

The independent review highlighted two matters:

1. **Asset Capitalisation.** The consultant noted that a common strategy included in a number of councils' Fit For The Future strategies is the review of asset capitalisation policies and processes. The appropriate capitalisation of asset related expenditure is critical, as it directly impacts on the Operating Performance Ratio. Under-capitalisation of expenditure results in inflated operational expenditure, which is in turn, has a negative impact on the Operating Performance Ratio, one of the main indicators of financial sustainability.

   The review identified that whilst Council has an Asset Capitalisation Procedure in place and the appropriate practices are in place, the matter is not clearly documented in its Fit For The Future Plan.

   Council's Response It is agreed that Council's Fit For The Future Plan does not clearly document Council's policies and practices in regard to Asset Capitalisation. Council's capitalisation practices are transparent and do ensure that the appropriate accounting treatment is undertaken in regards to all expenditure. Over the last several years, over $1.7 million has been transferred from operating expenditure to capital expenditure. This was implemented with a review of the most appropriate treatment of the road reseals program ($1.5 million), and recognition of consistent levels of reactive capital works for buildings ($200 thousand).

2. **Communication in regard to Council's Infrastructure Backlog.** The review identified that there is an apparent inconsistency between Council's reported backlog ratio and the narrative supporting the requirement for the Special Rate Variation.

The review highlights that Council's reported backlog, based on an external consultant's methodology, has reduced over recent years. The consultant notes that this appears to be inconsistent with Council's message to its community in regard to one of the requirements for a Special Rate Variation, being to arrest of declining infrastructure.

Council's Response It is agreed that there is an apparent inconsistency between Council's reported improvement of the backlog ratio and the narrative supporting the requirement for the Special Rate Variation. A number of points are relevant:

1. Calculation of Backlog Ratio – Timing and Asset Condition:

    a) the calculation of the backlog ratio is undertaken as at a point in time, based on the conditions of assets, from a technical point of view (30 June 2015)
    b) a number of assets at the time were on the verge of deteriorating to a lower condition rating
    c) since that time, this deterioration has occurred

2. Methodology of Backlog Ratio Calculation – Assumptions:

    a) there are a number acceptable methodologies
    b) Council's backlog was determined by an external consultant
    c) the methodology used by the consultant is based on a 'risk assessment' of critical assets
    d) risk assessment involves examination of only those assets considered to be high risk, not all assets

3. Backlog Ratio versus Total Asset Renewal:

    a) the reported asset backlog ratio does not reflect the total assets renewal funding gap
    b) total asset renewal requirement incorporates the total investment required to improve asset condition in line with community expectations over the 10 Year Long Term Financial Plan Period
    c) thus, the external consultant has correctly identified the differing approaches (Risk Based for the Asset Backlog ratio versus Total Asset Renewal for the community) and the differing results. Community consultation clearly highlighted that the reported backlog ratio does not reflect community expectations of the assumed acceptable asset condition, based on technical criteria.

Whilst the current position reflects a maturity in Council's (and the broader industry's) understanding of asset management and its financial impacts, it does present as a disconnected message.

The increased revenue from the Special Rate Variation is aimed at addressing the total asset renewal shortfall rather than just the high risk infrastructure backlog of critical assets only.

Over time, the assumed satisfactory condition of assets will increasingly take into account the community's expectations, to be built on top of the assumptions in relation to the risk associated with asset conditions and the technical asset methodologies.

The Special Rate Variation will address the community feedback received during the three rounds of consultation undertaken from August 2016 to July 2017, which all clearly demonstrated that the community wants increased investments in infrastructure to improve the current asset conditions. This is from both a reduction in backlog, enhanced maintenance routines and asset renewal.

Appendix 1: Summary of Resident Questions and Feedback

Council's Financial Position and Fit For The Future Plan

Question/Comment	Response
Why does Council need a rate rise if the 2017/2018 budget is balanced?	While Council achieves a balanced cash budget to fund its day-to-day operations, it attains this result at the expense of not funding the true cost of maintaining and renewing community assets. The gap between Council's available funding and the investment required to maintain and renew assets has contributed to an infrastructure backlog, which without positive intervention, will continue to grow. As a result, while a balanced cash budget is delivered each year for operational activities, Council's annual operating result is in deficit. The operating result for 2015/2016 (which includes depreciation and excludes capital grants and contributions) was a deficit of -$10.9 million. This result highlights the financial challenge that Council faces in generating sufficient revenue, to fund on an annual basis, the required level of maintenance, renewal and replacement of assets it manages on behalf of the community.
Why did it take five years for this trend to occur or be recognised?	It is assumed this question refers to the deterioration of Council's Operating Result from 2010/2011 as a result of changes to the valuation of assets under the local government accounting code in 2006. The impact of the changes to the accounting treatment of assets were recognised by Council when they took effect. From 2007, Council began implementing a program of cost containment and non-rating revenue measures to address the asset renewal funding shortfall. In 2007 Council applied to the NSW Government for a Special Rate Variation, which in conjunction with these measures, would have substantially funded its asset renewal shortfall and improved its Operating Result. The NSW Government approved a smaller rating increase than that proposed by Council which was insufficient to cover the projected shortfall with the result that Council's Operating Result deteriorated.
Is the Special Rate Variation one of the strategies in the 20 point 'Fit For The Future' Plan?	Yes, Council's 'Fit For The Future' Plan included a community engagement strategy to present three resourcing options to residents to raise the balance of the revenue required to increase investment in asset maintenance, renewal and replacement, and address the infrastructure backlog. Two of the three options would involve Council applying to the Independent Pricing and Regulatory Tribunal (IPART) for a Special Rate Variation.
Will Council be 'Fit For The Future' if we don't get an Special Rate Variation?	Council is confident that it can meet the criteria set down by IPART for a successful Special Rate Variation application should this be the resourcing option that Council chooses to proceed with following consultation with the community. In the event that IPART does not approve an Special Rate Variation, or approves a lesser Special Rate Variation, Council would need to review it services to identify options for possible service level reductions to redirect resources to fund the asset renewal shortfall and meet the 'Fit For The Future' financial benchmarks.
What happens if Council doesn't meet the 'Fit For The Future' strategies?	Should Council not achieve the implementation of the strategies within its Fit For The Future Plan to meet the 'Fit For The Future' financial benchmarks it may be subject to intervention by the Office of Local Government.

Question/Comment	Response
Is the projection of interest the best guess?	It is assumed that this question/comment refers to the proposed $25M to $40M loan which will be taken out to deliver an accelerated infrastructure renewal program with principal and interest payments funded by additional Special Rate Variation revenue. The projected interest rate for the proposed loan is based on discussions with NSW Treasury Corporation.
Is the loan borrowed from the state government?	A low interest loan arrangement will be entered into with NSW Treasury Corporation.
How much revenue does Council need to meet basic financial commitments? How much more revenue does Council need? Is revenue greater than expenses?	In 2006, Council calculated that its average annual operating and asset funding shortfall stood at $12.5M. The expenditure and revenue measures implemented by Council since 2007, together with the measures identified in Council's 'Fit For The Future' Plan (excluding any special rate variation) will have reduced the average annual funding shortfall to $5.1M. This amount represents the remainder of the revenue that Council needs to achieve a balanced operating result – where it can fully fund the required level of maintenance, renewal, and replacement of the assets it manages on behalf of the community.
Who is Hawkesbury City Council's Auditor?	Council's auditors were previously Price, Waterhouse and Coopers. Recent changes to the NSW Local Government Act haves seen this function transferred to the NSW Auditor General.

Cost Containment and Revenue Measures

Question/Comment	Response
What are developer contributions? Is there a feasible option which would include property developers helping offset the expenditure?	Developer contributions are monetary payments made to Council to upgrade infrastructure and facilities to cater for demand generated by development. Larger scale developments may also need to dedicate land to Council for the provision of open space and/or other facilities. Council currently collects contributions from developers under Section 94 and 94A Developer Contribution Plans, or enters into Voluntary Planning Agreements with developers, to fund or provide the infrastructure required to support new residential development. These funds are earmarked for specific capital works and cannot be used for other operational purposes.
Have you factored in population growth over the next 10 years into the calculations? As there is increased development in the Hawkesbury and therefore more rateable properties, why isn't this solving the problem?	Yes, Council has projected the likely rating revenue and additional expenses arising from population growth for both new and infill residential development within its 'Fit For The Future'Plan and long term financial scenarios. Residential development in the Hawkesbury is limited by a combination of topography, flooding, evacuation constraints, bushfire risk, airport noise, agricultural land and environmental values. Some increased development is occurring in Pitt Town and North Richmond and is planned to occur in Glossodia and in the Vineyard Precinct of the North West Growth Sector.

Question/Comment	Response
With more development and more land opened up does that affect me as a ratepayer?	While residential development does generate additional rating revenue it will also generate additional costs, particularly over the longer term when the new infrastructure provided as part of these developments progressively requires increased maintenance, renewal and replacement. As noted above the net revenue from residential development over the next ten years has been factored into Council's financial scenarios.
Rates are going up by 30% under Option 3, will grants increase by 30%?	The proposed Special Rate Variation options are not tied to other revenue sources. Council does vigorously pursue grant opportunities but the success of grant applications are competitively determined by funding bodies based on the applicable assessment criteria rather than changes to Councils rating income. The increase in revenue and works program which can be delivered under Option 3 may provide Council with the additional capacity to apply for grants where 'matching funding' is required.
How much does the Federal and State Government give Hawkesbury City Council in grants each year?	Grant contributions vary from year to year. In the year ending 30 June 2016 Council received $6.32M in operating grants and subsidies and $3.96M in capital grants – a total of $10.28M. The figure for the 2014/2015 financial year was $8.23M.
31% of Council's revenue is from rates, will other fees and charges be increased or just rates.	Since 2007 Council has been implementing fairer service charging so that people not using fee paying Council services were not subsidising the people who were. Council has increased its revenue from service charges by $800,000 since 2007, and by 2021 will achieve a further $700,000 from the continued application of fairer service charging.
Are there profitable assets? How is Council increasing their profit?	Council has a commercial property portfolio which generates close to $2M in investment income which Council uses to fund its operations. In managing this portfolio, Council undertakes regular independent market appraisals to ensure that it is receiving a market rate of return for these properties. This process ensures that revenue from the portfolio is increased in line with market trends to maintain the profitability of the portfolio.
How are decisions made on which properties/assets are sold? Are the community notified?	Council's property sales have mostly involved properties within its commercial portfolio. These properties are classified as 'Operational' under the Local Government Act and Council is not required to notify or consult with the community on their proposed sale. The decision to sell these properties is one made by Council based on commercial considerations or where a property has been identified as surplus to requirements.
What process do Council use to sell off their properties?	For the proposed sale of properties on 'Community' land, Council is required to undertake a public enquiry to reclassify the land to 'Operational' prior to any proposed sale. The public enquiry process that Council is required to follow is set down in the Local Government Act and involves public notification and community consultation. The majority of Council's properties – community centres, parks and reserves are classified as Community Land and cannot be sold unless they are reclassified as Operational Land following a public enquiry process. Council's disposes of its properties by auction and seeks quotations from real estate agents before appointing an agent to conduct the auction. This process is in line with Council's adopted policy for the sale of properties.

Question/Comment	Response
Will you be selling off $1.5M in assets annually to stay afloat?	Council's 'Fit For The Future' Plan includes provision for the sale of under-utilised community assets and/or under-performing commercial assets to raise projected revenue of $1.5M over the next three years. The net revenue from these sales will be used to establish a strategic investment fund to enable Council invest in income producing assets or activities.
Which shopping centres does Council own? Are there plans to sell off Council shopping centres?	Council owns shopping centres in Wilberforce, Glossodia and McGraths Hill. There are currently no plans to sell of these centres but as outlined in a response to a previous question, the rental returns of these properties is monitored and subject to regular review to assess their profitability.
Are there a number of assets that Council is aiming to sell off in the next five years or so?	A number of 'Operational' properties have been identified by Council for sale and negotiations with prospective buyers are currently underway. Council staff are also reviewing Council's property portfolio to identify additional properties for possible sale where rate of returns of return are low, where no income is being received, or where properties are not required for community purposes. The sale of these properties will be subject to Council approval and a public enquiry process where the property is required to be reclassified from Community to Operational land
Which assets did Council sell in the past?	Council has realised $9.2M from the sale of 29 properties – major property sales included the Hobartville Shopping Centre; 1A Greenway Crescent, Windsor; 20-22 Fitzgerald St., Windsor; 24-38 Stewarts Lane Wilberforce; Toxana House Richmond; and Loder House, Windsor.
Where did the $9.2M go from the selling off of assets?	The majority of the funds raised from the sale of properties were used to contribute to the cost of constructing the Hawkesbury Cultural Precinct.
What investments does Council have?	As at 31 July 2017, Council held $43.4M in investments in term deposits and on call accounts. Most of these funds are made up of externally and internally restricted reserves which are either subject to legislative restrictions, kept aside for specific purposes or to meet future known expenses and cannot be used for other purposes. The balance of cash investments are required to fund operational and capital expenditure in line wih Council's adopted Operational Plan.
Have Council investigated other avenues for additional income? Are there ways that Council can charge additional income? What are some examples of the different incomes Council receives? What are Council's other sources of income besides rates?	Over the last three financial years ending in June 2016, an average of 69% of Council's revenues were derived from non-rating income sources – annual charges, user fees, interest on investments, rental income from investment properties, dividends, developer contributions, and grants. In the financial year ending June 2016, Council's total operating and capital revenues from these sources amounted to $56.6M. The figure for the 2014/2015 financial year was $78.6M Council reviews its fees and charges on an annual basis and wherever possible adjusts them to cover the full cost of services or to increase commercial revenues, some fees are determined by legislation and cannot be increased, while other fees are subsidised for the public good. There are also limitations in the kinds of business enterprises and private/public partnerships which Council can enter into to generate additional income. Council does invest in energy-savings and other technologies which generates a return on this investment through reduced operating costs and utility savings.

Question/Comment	Response
During the period when costs were decreased were they a result of forced redundancies?	The cost containment measures implemented since 2007 included voluntary redundancies.
Could the community lobby the state government for more money?	Representations from the residents to state and federal parliamentarians can be a very powerful advocacy tool.
Is it legal for community members to raise funds for Council?	Council has adopted a Sponsorship Policy which sets out the criteria and process for Council receiving sponsorship from third parties to support its operations.
Do HCC conduct efficiency and financial audits? Have your efficiency audits identified opportunities to reduce costs?	Council does resource an internal audit function and conducts programmed audits of its processes and operations. Council has recently reviewed this function and has established an audit partnership with Blue Mountains Council to strengthen and broaden corporate capacity to identify and achieve operational efficiencies and business improvements.

Council Operations

Question/Comment	Response
Will there be increase in staffing costs as part of Option 3?	Should Council proceed with Option3, and subject to IPART approval, Council will have to invest in additional staffing resources to deliver an expanded works program funded through any approved Special Rate Variation increase. Option 3 also provides for enhancements to community programs to enable Council to deliver on the key activity areas within its Delivery Program, these key activity areas were identified as priorities by residents during community consultations held in February 2017.
What services does council provide to the community?	Council's primary responsibilities involve the management of community assets and facilities (roads, community buildings, parks, stormwater), waste management services, town planning, public order, health and safety, emergency services, and the provision of cultural, recreation, civic and community programs. These functions require the provision of a diverse range of services to the community which are documented in Council's annual Operational Plan.
How much does Council spend on employment costs?	Councils 2017/2018 budget includes provision for $25.2M in employee related costs In the 2015/2016 financial year, employee costs accounted for 33.2% of Councils operating expenses.
What costs are included in the 4% administration costs identified in the Community Snapshot?	Administration and governance costs include employee, material and contract costs across the following Council functions: Information Services, Records, Risk Management and Insurance, Rating Services, Administration Services, Word Processing, Procurement, Fleet Management, Finance and Accounting, Internal Audit, Legal Services, City Planning, Printing, Personnel, Executive Management, Elected Members and Customer Services

Question/Comment	Response
Does Council have any systems in place to stop wastage by staff of Council resources?	Council has comprehensive procurement, tendering and contractor procedures and systems in place as well as rigorous financial reporting and monitoring systems to ensure best value provision of services and the optimal use of resources.
How frequently does Council reassess the tender process?	Tenders for the provision of services and material are awarded for varying periods generally between 1 and 3 years. Council regularly tests the market to ensure best value procurement. Council is required to call for tenders for any proposed purchase of over $150,000 in value.
What functions have been transferred to local government from the state government?	Council is required to meet the cost of implementing legislation, functions and responsibilities devolved to local government by the federal and state governments. The transfer of responsibilities from other levels of government to local councils, without adequate funding, is generally known as 'cost shifting'. In 2015/16, cost shifting accounted for $7.1M of Council's expenditures. Over the seven years to 2015/16, the impact of cost shifting was estimated to total $34.7M (an average of $4.96M each year)
What are some examples of the State Government charges that Council pays?	Other examples of cost shifting include licence fees paid to the State Government; remittance of revenue from Council managed crown land, shortfalls in the subsidies provided to Council for public library operations; mandatory pensioner rebates; and the withdrawal of funding for community services which were established by state governments. NSW Government contributions include a waste levy (currently at $138.30 per tonne) levied on every tonne of material deposited at Council's landfill operation and paid to the Environmental Planning Authority; emergency service contributions paid to the Rural Fire Service (RFS), Fire and Rescue NSW, and the State Emergency Services (SES) which have increased substantially in recent years; and a levy on development applications which is collected and forwarded to the Department of Planning.
Does income collected from the Emergency Service Levy go to the State Government or Council?	All income collected by Council through the Fire and Emergency Services Levy (FESL) was to be remitted to the NSW Government.

Special Rate Variation: Process and Timetable for Special Rate Variation application

Question/Comment	Response
What is the IPART process for assessing Council's submission? What is the timeframe for this process? Will it be implemented gradually?	Should Council determine to proceed with an Special Rate Variation application, this would need to be submitted to IPART by February 2018, with IPART advising Council of its determination in May 2018. If approved any Special Rate Variation would take effect from 1 July 2018. In its application, Council would be required to address the five part assessment criteria set down by IPART. The criteria requires Council to: • demonstrate the need for the Special Rate Variation • provide evidence that the community was aware of the need for, and the extent of, the proposed Special Rate Variation • demonstrate that it has assessed and considered the affordability and impact of the proposed Special Rate Variation on ratepayers • have adopted the relevant Integrated Planning and Reporting (IPR) documents required by Local Government Act and Regulation • provide details of the productivity and cost containment strategies that it has implemented and which are proposed to be implemented.
What happens if IPART rejects Council's Special Rate Variation Application?	Council is confident that it can meet the criteria set down by IPART for a successful Special Rate Variation application. In the event that IPART does not approve Council's application, Council would carefully consider the reasons for IPART's decision to determine if it should lodge a further application in a subsequent year which would address IPART's concerns. If the event of an unsuccessful Special Rate Variation application Council would need to review services to identify options for possible service level reductions to redirect resources to fund its asset renewal shortfall and meet 'Fit For The Future' financial benchmarks.
At the end of the process will we be back in this position again? Are rates going to continue to rise or will this request for additional rates be enough?	While Council's finances can be impacted by external factors beyond its control, it has calibrated the two Special Rate Variation options presented to residents to address the asset renewal funding shortfall and achieve the 'Fit For The Future' benchmarks. The difference between Options 2 and 3 relate to the capacity for Council to fund improvements to services and the investment priorities identified by residents. Option 2 provides the minimum additional revenue required to stabilise the condition of assets over the medium term. Option 3 provides for a longer-term revenue solution which would also enable Council to better resource the objectives of the Community Strategic Plan and the priorities identified by residents.
After three years what will happen to rates? Do they come back to current levels? Are the rate increases for 3 years or 10 years?	There are two resourcing options which propose Special Rate Variation increases. Option 2 proposes to Special Rate Variation increase of 7% above the rate peg for 2018/19 and 2019/20. The resulting increases in rates would be permanent and in subsequent years indexed by the rate peg amount (meaning that they would be increased in line with the rate peg). Option 3 proposes Special Rate Variation increase of 7% above the rate peg for 2018/2019, 2019/2020 and 2020/2021. Similar to Option 2 the resulting increases in rates would be permanent and in subsequent years indexed by the rate peg amount.
Is the 27% rate rise on the total or just the rate section?	Any proposed Special Rate Variation rating increase would only apply to ordinary rates as identified on rates notice issued to ratepayers. It would not apply to waste management or other non-rating charges or levies listed on the rates notice.

Investing in Your Future: Provisional Works Program

Question/Comment	Response
How did Council work out the costings in the work programs.	The costings in the 'Investing in Your Future' work programs were based on the scope of the works which Council's Asset Management System has projected are required to be undertaken over the next ten years to maintain assets in a satisfactory condition. Current unit costs were applied by Council's Asset Managers to derive an estimate for the cost of these works.
How much Control do Councillors have over the dollars that are spent?	The (elected) Council considers and approves Council's annual budget and Long Term Financial Plan. As part of this process Councillors take into account identified community priorities, the financial and human resources required to maintain current service levels, and the funds required to undertake asset maintenance and renewal based on the technical condition data within Council's Asset Management System. These core requirements generally account for a substantial proportion of Council's expenditures.
Could Council re-elections change priorities and the way money is spent?	In relation to the 'Investing in Your Future' work programs which have been presented to residents (which it is assumed is what this question refers to), should an Special Rate Variation increase be approved by IPART, Council is required as part of its annual budget and reporting cycle, to demonstrate that Special Rate Variation funds have been expended in accordance with their intended purpose. This Special Rate Variation expenditure is required to be separately accounted for in Council's works program with outcomes publicly reported in Council's Annual Report. Council's budget processes do however provide the opportunity to review work programs to take into account changing circumstances and other factors which may necessitate adjustments to programmed works.
Will residents have the opportunity to contribute to priorities for spending in the area if they vote for Option 3?	Council has prepared a provisional works program to outline the scope of works to be delivered over the next ten years under the three 'Investing in Your Future' resourcing options. The works program reflect Council's understanding of the community investment priorities identified by residents during community consultations held in July 2016 and February 2017 as well as the outcomes of the community surveys undertaken by Council every two years since 2007. This information has been used to inform the preparation of the 'Investing in Your Future' district work programs and Council is confident that they have captured the spending priorities identified by residents. As identified in the response to the previous question, Council's budget processes enable the ongoing review of work programs to respond to changing circumstances and other factors where adjustments to programmed works are required.
Is Council confident that the dollars made available will be used?	Council has prepared ten years work programs to identify how any additional revenue from a Special Rate Variation rating increase will be expended. As part of its future workforce planning, Council has recognised that it will have to invest in additional project management resources to scale up its existing capacity to ensure that it is in the position to deliver an expanded works program funded through any approved Special Rate Variation increase.
Does the spending in the works program increase the backlog?	The provisional works program under each option has been primarily targeted at undertaking asset renewal works to address the infrastructure backlog. The revenue raised under each option will have a different impact on Council's capacity to maintain, renew and upgrade community assets, and address the infrastructure backlog.

Question/Comment	Response
If the community secures funding from the state government for road sealing would Council be able to fund the maintenance costs for the sealed roads?	Without service level reductions to redirect resources to asset renewal, Option 1 is likely to see the continued deterioration in the condition of community assets, and where new assets are constructed Council may not have the revenue required to maintain these assets into the future which will grow the asset renewal shortfall (infrastructure backlog). Options 2 and 3 will stabilise the condition of assets and gradually address the infrastructure backlog over time and provide the additional revenue required to meet the maintenance and renewal costs of new assets.
Will the new plan allow for roads to be properly fixed up for the long term?	The primary focus of Option 2 will be to maintain the condition of community rather than providing funds to upgrade these assets while Option 3 provides funds for an ongoing program of asset upgrades and new works.
What is the current infrastructure backlog?	As at 30 June 2016 the estimated cost of bringing all assets to a satisfactory standard was $15.2M.
Why did the backlog go from $68M to $17.6M?	In 2015 Council engaged an external consultant to undertake an infrastructure assessment report. The purpose of the report was to review Council's methodology for assessing its asset maintenance and asset renewal requirements, and its infrastructure backlog calculations. The consultant recommended that Council adopt a risk based asset management approach to more accurately assess and verify infrastructure backlog values. As a result of this revised approach, the high risk infrastructure backlog component within the total required asset renewal works was identified. Consequently, while the quantum of asset renewal requirement has remained the same, the high risk infrastructure backlog value component of this requirement was revised downwards.
Why is the majority of the Special Rate Variation income being used for roadworks?	Council's consultation with the community indicated that residents identified roads as the priority for future investment. Roads also make up more than half of the value of council assets and represent the bulk of the current infrastructure backlog.

Community Consultation

Question/Comment	Response
How does Council decide which will be their preferred option? Will every resident be given an opportunity to vote? If the community says it doesn't want an Special Rate Variation will that make a difference and will Council still go ahead with an Special Rate Variation?	The purpose of Council's community engagement program is to consult with residents about resourcing options for the future and to collect information from residents about their preferred resourcing option. Information is being gathered in a variety of ways (postal ballot, online and telephone surveys, 'straw polls' at town meetings) to collect and record the views of residents about their preferred resourcing option. Every resident has been given the opportunity to vote through a postal ballot sent to all ratepayers and the option of participating on an online survey. This information will be collated and reported to Council to inform its deliberations. It will be one of the factors considered by Council in coming to a decision about which resourcing option to proceed with.

Question/Comment	Response
How many people were consulted at the town meetings?	Since July 2016 Council has held 26 town meetings attended by over 923 residents
What telephone numbers are used for the telephone surveys?	The telephone survey is conducted on Council's behalf by Micromex Research who have advised that 367 of the 401 of respondents were selected by means of a computer based random selection process using the electronic White Pages. 34 respondents were recruited face-to-face - this was conducted at a number of locations including Richmond Market Place, Riverview Shopping Centre, Windsor and Richmond Train Stations.
What methods have you used to consult with the community? Can you think of better ways to consult with the community?	Council's community engagement program commenced in July 2016 and is ongoing. Over this period, a range of activities have been used to engage with residents including: • a mail out information brochure and reply paid survey • facts sheets • community newsletters • media releases • online surveys • telephone surveys • town meetings • listening and information kiosks • targeted engagement with particular community groups • web-site updates on Council's online engagement portal. Council has also conducted regular community surveys (every two years since 2007) and has held focus groups with residents to collect information and knowledge from the community about their understanding of service levels and key assets, suggested options for increasing the funding of services and assets, and current performance gaps. This information has been used to inform the preparation of community engagement materials. Council is currently investigating and will be rolling out an enhanced digital communication strategy including the establishment of a Facebook presence to provide for real time commentary and response to issues raised by residents. Council also undertakes population-specific consultation through a variety of mechanisms. For example, since 2009 Council staff have worked with young people to plan and stage a Youth Summit every two years to capture and record the views of young people and their recommendations for what Council could do to improve quality of life outcomes for young people. Council has adopted a Community Engagement Policy, based on good practice guidelines developed by the International Association for Public Participation. The policy identifies a range of consultation tools and techniques, which can be applied to different circumstances as required.
How do we make sure people are aware of the proposed Special Rate Variation?	As outlined in the response to a previous question, Council has implemented a comprehensive community engagement strategy using a variety of engagement activities to inform residents of the proposed resourcing options. This has included a mail out to all ratepayers.

Question/Comment	Response
How does Council decide which will be their preferred option? Will every resident be given an opportunity to vote?	As outlined in the response to a previous question, information is being gathered in a variety of ways (postal ballot, on-line and telephone surveys, 'straw polls' at town meetings) to collect and record the views of residents about their preferred resourcing option. This information will be collated and reported to Council to inform its deliberations and will be one of the factors considered by Council in coming to a decision about which resourcing option to proceed with. Every ratepayer has been given the opportunity to vote through a postal ballot sent to all ratepayers and the option of participating on an on-line survey.

Impact on Ratepayers

Question/Comment	Response
Is there a provision in this plan for pensioners and low income groups? What can pensioners do about the increase in rates? Rates are due on 31 August, what do residents do if they cannot pay?	Council's Debt Recovery Policy includes provisions for payment arrangements where ratepayers are experiencing financial difficulties. The Policy also includes specific provisions for eligible pensioners. Council staff are currently preparing a draft Hardship Policy to further address issues of hardship.
Have you considered that the Special Rate Variation may not be affordable to low income earners? Did any properties receive a decrease in rates in 2017/2018?	As part of any Special Rate Variation application to IPART Council is required to consider the affordability of proposed rating increases and their impact on ratepayers. In 2017, in consideration of the possible impact of future rating increases, Council reviewed and amended its rating structure. The revised rating structure which took effect from 1 July 2017 delivered a reduction in rates for residential properties with an median land valuation of less than $324,000 (i.e. generally properties with relatively lower levels of household income) as well as small business owners and farmland properties. These rating changes resulted in an overall decrease in rates for 19,045 properties (75% of all rateable properties) in the Hawkesbury. These rating reductions will substantially lessen the impact of any proposed rating increases for lower income households.

The Calculation of Rates, Rating Classifications and Rating Structure

Question/Comment	Response
How are rates calculated? Why can't the rates be a user pays system? What percentage of the rates is based on the valuation by the VG? Who sets the rate peg? Is the rate peg adjusted to take into account the large land area and the small number of residents?	Council calculates annual rate charges based on the relevant provisions of the *NSW Local Government Act 1993*. In simple terms rates are made up of a base amount which is applied equally across all rateable properties and an ad-valorem amount which is based on land-values as determined by the NSW Valuer-General. The rate peg amount set by the NSW Government determines the total amount of rates that can be collected by Council which in 2017/2018 was $30.5M. In 2017/2018 the base amount was set at $340 for every rateable property which when applied to the 25,667 rateable properties accounted for $8.7M of the $30.5M. The balance of rating income ($21.8M or roughly 70%) is then divided by the total land value of all properties in the Hawkesbury to derive a 'rate in the dollar' amount which is then applied to the assessed land value of each property to calculate an ad-valorem component for each property. The rate in the dollar may vary across rating categories – residential, farmland, mining and business. The rate peg is based on the Local Government Cost Index (LGCI) which measures price changes over the previous year for the goods and labour an average council will use and may include a productivity component. It is applied to equally to all councils.
Are granny flats paying rates?	No. Council can only levy a single rating charge on each rateable property.
Do strata properties pay rates as well as residents?	Yes.
Does the rate in the dollar differ depending on land classification?	The rate in the dollar may vary across rating categories.
How does the rating structure impact on rates?	The rating structure determines both the base amount and the rate in the dollar (ad-valorem) amount to be applied to each of the three rating categories - residential, farmland, mining and business. In general terms councils align the rating yield to be derived from each rating category based on the proportional land value of each category – for example if residential properties account for 70% of the total land value of properties in a local government area, then a council would seek to raise 70% of rating income from residential properties. Council may determine to collect a proportionally lesser amount from a particular rating category to support a strategic objective – for example to support agriculture by reducing the proportional rating yield to be collected from the farmland category.

Question/Comment	Response
What properties can be categorised as Rural Residential? Why did properties previously categorised as Rural Residential become Residential? Why was the Rural Residential category removed?	Rural Residential is a sub-category of the Residential rating category. The criteria for a rural residential property is set down in the *NSW Local Government Act 1993*. The key definitional criteria relate to the size of a property (between 2 and 40 hectares) and the presence of a dwelling. The previous rural residential sub-category is not defined by the location of a property i.e. whether it is urban or rural – for example there are rural residential properties in Windsor and South Windsor and residential properties in St. Albans, Bilpin and Bowen Mountain. Residential and rural residential properties can exist side-by-side in the one location. Residential and rural residential properties fall under the same rating category and are treated the same for rating purposes (as was the case prior to 2013/2014)
What qualifies you for Farmland rates? Are Farmland rates cheaper than Residential rates? Can I have my property changed back to Farmland?	The categorisation of land as farmland is defined by the *NSW Local Government Act 1993*. The dominant use of the land must be for farming (the Act defines the types of enterprises that constitute farming), that has a 'significant and substantial commercial purpose and is engaged in for the purpose of profit on a continuous basis' The rate in the dollar which is used to calculate the ad-valorem component of annual rates is set at 90% of the residential rate in the dollar. However farmland properties generally have a higher land valuation than residential properties (due to their relative size) and as a result the average farmland rate is substantially higher than the average residential rate. Ratepayers can apply to have their properties categorised as farmland, and their application will be assessed against the criteria set out in the *NSW Local Government Act 1993*.
Why did Council change the rating structure? Why did the change to rural residential rates happen?	It is assumed that this question relates to the changes to the rating structure which commenced in 2017/2018. The current Council changed the rating structure to reverse the changes to the rating structure that took place in 2013/2014 which saw the base amount increased and rural residential properties rated at a different rate in the dollar amount to residential properties. Prior to 2013/2014 residential and rural residential properties were treated the same for rating purposes. The 2013/2014 rating changes had the unintended effect of creating some rating anomalies where properties in the one location, with the same notional access to Council services and facilities, were rated differently. As a result, the rates for residential properties in Bilpin, Kurrajong, St Albans, Bowen Mountain and other outlying areas increased, while the rates for rural residential properties in the same locations decreased. The 2013/2014 rating changes resulted in increased rates for the majority of properties within the Hawkesbury. These rating increases primarily affected properties with relatively lower land valuations and rating decreases primarily benefited properties with higher land valuations. As a result of these impacts Council determined that realigning the rating structure back to the pre 2013/2014 situation would deliver a more equitable rating outcome.

Question/Comment	Response
Who voted for the rating restructure? Why can't Council go back and change the rates. Can Council change the base amount to make it fairer for everyone?	The majority of Councillors voted to change the rating structure. Council can review its rating structure including the base rate and has resolved to do so in the coming months. However, for the reasons outlined in the response to the previous question, the current Council has determined that the recent changes to the rating structure deliver a more equitable rating outcome and simply returns the rating structure to situation that existed prior to 2013/2014.
Why were properties impacted by the change to Rural Residential rates?	The changes to the rating structure as outlined in the previous question (which saw residential and rural residential properties treated the same for rating purposes as had been the case prior to 2013/2014), did result in rates increasing for properties in the rural residential sub-category. These increase partly, but not entirely, cancelled out the rating decreases that occurred for these properties in 2013/2014 and the following three years. However, the 2017/2018 changes to the rating structure only accounted for a small proportion of the rating increases experienced by some rural residential properties, the major impact on rates occurred as a result of the increase in land valuations for these properties.
Why do we pay the same rates as people in Bligh Park or Windsor and not get the same services? Are rural areas like St Albans and Colo Heights subsidising other parts of the LGA. Why don't the residents of Oakville get any services but they have to pay new higher rates? If the categorisation has changed to Residential why don't these properties receive the same services as the residential areas?	As outlined in a response to a previous question, the rating sub-category of rural residential is not determined by location, or distance from town centres or proximity to Council services and facilities. Many residential properties are located in rural areas and rural residential properties adjoin urban areas. While Council services are available to all residents irrespective of where they live, distances from these services can impact on the day to day access that residents enjoy to these services. Council provides the same network of services and facilities to all areas within the Hawkesbury – it maintains local roads, bridges, local parks, and community facilities across the Hawkesbury, it provides town planning, compliance and enforcement, companion animal services, community services, event sponsorship, graffiti removal, stormwater management and other services to all areas in the Hawkesbury, though the frequency of service provision may vary between areas. Some facilities, such as the Library, Gallery and Museum, Regional Parks and District Sporting Fields are centrally located in town centres as their catchment populations are regional rather than local, however they are used by all residents which is reflected in the membership of these services and the sporting organisations that use these facilities (for example 43% of library members live in rural localities). Some civic infrastructure such as street lighting, kerb and guttering and footpaths are generally associated with urban areas, while other essential services such as sewer, are provided on a fee for service basis and are not funded through ordinary rates. Other infrastructure such as rural fire service sheds, standpipes, vehicular ferries (Lower Portland) are predominantly located in rural areas. It is generally the case that the per unit cost of service provision to rural areas is higher than the cost of service provision to urban areas. The per-capita cross subsidisation of service provision from urban areas to regional areas (where revenue collected from people in urban areas is used to subsidise the cost of providing basic universal services to rural areas) is a characteristic of most public service provision.

Question/Comment	Response
Is the state government responsible for setting the land value of property through the Valuer General?	Yes.
What has made property values increase so much?	The NSW Valuer General has advised that "the rise in valuations were as a result of nearby land sales and that those areas experiencing some of the strongest increase in land values are a result of the demand for land with potential for future residential development and well located lifestyle properties".
Do land revaluations increase the income for Council? Why doesn't Council get more revenue from the property revaluation by the Valuer General? Where is the additional money from rates going? Last year Council received $30M from rates and this year $31M, why has there been an increase?	Increases to land values do not by themselves generate any additional rating revenue for Council. The total revenue collected from ratepayers from year to year is determined by a rate peg amount set by the NSW Government (through IPART). The rate peg limits the amount by which councils can increase the revenue they generate from rates from year to year. While individual property rates may vary across a council area, either above or below the rate peg amount due to differences in assessed land values, the overall total amount collected from ratepayers cannot exceed the rate peg amount. In 20017/2018 the rate peg amount was set at 1.5% which generated approximately $460,000 in additional rating income. This revenue will be used to offset Council's increased operating costs.
What is the process if residents don't agree with their land valuations.	Residents can request a review of the valuation of their property. The NSW Valuer General website outlines the process and time frames for lodging an objection.
What month/year was the rating structure endorsed by council, no notification was provided?	It is assumed that this question relates to the recent change to rating structure which took effect from 1 July 2017. The amended rating structure was approved by Council in June 2017, and was preceded by the required consultation and public exhibition period as set down in the *NSW Local Government Act 1993*.
Why have the averages used in Council's calculations been based on the average Residential category and not the Rural Residential category.	The Residential category incorporates the previous Rural Residential sub-category. As noted in a response to a previous question, Residential and rural residential properties fall under the same rating category and are treated the same for rating purposes (as was the case prior to 2013/2014).

Assets

Question/Comment	Response
Do you assess the use of Council's assets?	Council does have mechanisms in place to assess the use of community assets. These include traffic counts on roads, bookings and utilisation of playing fields and parks, visitation to cultural facilities and camping grounds, an annual survey on community hall utilisation, and the regular condition assessment of assets.
Are roads inspected regularly? Can someone supervise roads and assess them regularly?	A physical assessment of the condition of Council's entire sealed road network is conducted at regular interval (2002, 2008, 2013 and 2015). The condition of roads is also monitored informally on an ongoing basis by staff supplemented by customer request and report trends.
Are some of our roads run by the State Government?	Roads and Maritime Services (RMS) are responsible for the management and repair of main roads within the Hawkesbury that fall within the state road network e.g. Windsor Rd, Bells Line of Road, Wisemans Ferry Rd, Castlereagh Rd., Richmond Rd, as well as the streets that connect these roads such as Macquarie Street, George St., March St.
When traffic is diverted from State to Local or Regional roads does Hawkesbury City Council receive any money?	State Roads are managed and financed by Roads and Maritime Services (RMS) and Regional and Local Roads are managed and financed by councils. Due to the network significance of Regional Roads, RMS provides financial assistance to councils for their management. In practice, while Council does receive financial assistance from RMS for the maintenance of regional roads in the Hawkesbury, this amount provided does not cover the cost to Council of maintaining these roads.

Planning Controls and Subdivision

Question/Comment	Response
Can our land be subdivided if it is categorised as Residential?	Whether or not a residential property can be subdivided is primarily determined by the minimum allotment size pertaining to that property as contained within the Hawkesbury Local Environmental Plan. Any proposed subdivision must also satisfy the development controls within the Hawkesbury Development Control Plan.
Do Council want to kick out the little landowners by increasing the rates?	Council calculates annual rate charges based on the relevant provisions of the *NSW Local Government Act 1993*. As noted in response to a previous question, council rates are made up of a base amount which is applied equally across all rateable properties and an add-valorem amount which is based on land-values as determined by the NSW Valuer-General. The rating increases experienced by some property owners in areas bordering the North West Growth Sector were primarily the result of the increase in land valuations for these properties as assessed by the NSW Valuer General.

Question/Comment	Response
What can you tell us about the potential for redevelopment of residential areas in the future? Could we redevelop like other areas? Why don't you release some more land for redevelopment?	Council has adopted a Residential Land Strategy which identifies locations in the Hawkesbury which are most suitable for additional residential development. However, residential development in the Hawkesbury is limited by a combination of topography, flooding, evacuation constraints, bushfire risk, airport noise, agricultural land and environmental values. Residential development is currently is occurring in Pitt Town and North Richmond and is planned to occur in Glossodia and in the Vineyard Precinct of the North West Growth Sector.
Why is the development of rural land not permitted in the Hawkesbury? Why does Blacktown Council redevelop their agricultural land and Hawkesbury doesn't?	Rural lands are being developed in the Hawkesbury in accordance with the provisions of the Hawkesbury Local Environment Plan and in particular minimum lot sizes. Due to the urban expansions of the Sydney Metropolitan Region, recent residential expansion in areas like Blacktown and The Hills have involved the wholesale resumption and subdivision of large tracts of rural lands to create small lot housing as well as medium and high density residential precincts. By contrast development within the Hawkesbury has been marked by the limited and smaller scale expansion of rural villages and town centres into predominantly large lot and rural residential developments
Why can't properties have a second dwelling?	Council has prepared and submitted planning proposals to the NSW Department of Planning and Environment (DPE) on two occasions to amend the Hawkesbury Local Environment Plan (HLEP) to permit detached dual occupancy in rural zones. The proposed amendments were not supported by the DPE due to flood evacuation concerns. The DPE indicated that further consideration of the proposed HLEP amendments would be deferred until the release of the Hawkesbury-Nepean Flood Risk Management Study. Council is seeking to expedite the release of the Study by the NSW Government.

Council Amalgamations

Question/Comment	Response
What did the attempted amalgamation cost the Council?	The major cost involved in responding to the proposed merger of Hawkesbury with part of The Hills Shire was in the staff hours required to assess the merger proposal, prepare Council's submission in response to the merger proposal, prepare information for the delegate appointed by the NSW Government to conduct the public inquiry into the merger proposal and staff participation in merger discussions with The Hills Shire. Some legal costs were also incurred.
Who was the independent delegate for the Council? Did Garry West adjudicate for other councils	The NSW Government appointed Mr Garry West to conduct the public inquiry into the proposed merger of Hawkesbury with part of The Hills Shire.as well as the proposed merger of Hornsby and Kuringai Councils.

Question/Comment	Response
What was the reason for Council objecting to amalgamating with The Hills?	Council's objection to the proposed merger was outlined in Council's submission to the independent delegate. Council's assessment was that while there were some financial benefits which may have flowed from the merger proposal, these benefits were outweighed by the adverse impacts to the local economy and the community. The relatively modest merger savings projected by the merger proposal could be achieved more effectively and efficiently through the implementation of Council existing 'Fit For The Future' proposal and in particular through its Regional Strategic Alliance with the Blue Mountains and Penrith Councils. Council argued that the merger proposal was an inferior alternative to Council remaining as is and pursuing its 'Fit For The Future' Plan which would deliver a more advantageous outcome for residents without the adverse impacts of a forced amalgamation.
After the amalgamation debate it was inferred that Hawkesbury City Council would be financially secure but you are now telling us that this is not the case. Why is Hawkesbury City Council not financially secure?	In 2016, Council adopted a Fit For The Future Plan which set out a mix of expenditure and revenue measures to enable Council to meet the required 'Fit For The Future' financial sustainability benchmarks by 2021. In December 2016, the NSW Government proposed a merger of the Hawkesbury and part of The Hills Shire. Council deferred the implementation of its 'Fit For The Future' Plan pending the outcome of the merger proposal. The information provided to residents both pre and post the public inquiry into the merger proposal was the same, residents were advised that Council's financial sustainability was contingent on implementing the 'Fit For The Future' Plan.

Appendix 2: Morrison Low Report on Review of Council's Strategies for Long Term Financial Sustainability

MorrisonLow

Hawkesbury City Council

Review of Council’s Strategies for Financial Sustainability

September 2017

Document status

Ref	Approving director	Date
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Introduction

During the 2015 Fit for the Future process Hawkesbury City Council was assessed by IPART as 'Unfit' on the basis that it failed to meet the sustainability criteria. Specifically, that it did not meet the Operating Performance Ratio *"based on its forecast for a negative operating performance ratio by 2019-20"*.

In December 2015, Council was the subject of a merger proposal with part of the Hills Shire Council. In March 2016, the delegate recommended that the proposal not be implemented and in May 2016 the Government announced that the proposal would not proceed.

Council was provided an opportunity to submit a reassessment proposal in late 2016. Council advises that it has recently been assessed by the Office of Local Government as 'Fit' based on a series of strategies which included increases in revenue and decreasing costs, and a focus on renewal expenditure on assets over maintenance.

Throughout the Fit for the Future reform period Council was working to determine its path to long term financial sustainability. This has included reviewing expenditure and revenue as well as working with the community to determine desired levels of service and community expectations. Council has now developed a plan that is encapsulated within the Community Strategic Plan and the 2017 – 2027 Resourcing Strategy. The Resourcing Strategy has three scenarios.

- Deteriorate
- Stabilise
- Improve

Implementing measures to reduce costs and increase revenue is built into all three scenarios. The Stabilise and Improve scenarios then have additional increases in rates revenue through Special Rate Variations and borrowing programs to fund renewal and new capital works.

In October 2016 Council resolved that

> *"Council engage a suitably qualified consultant to review Council's current financial position, Delivery Program and Operational Plan with the objective of finding new solutions and strategies not already explored.*
>
> *The consultant to have access to all information held by Council that they feel they require from Council.*
>
> *The process for selecting the consultant to be completed in consultation with the Mayor and Deputy Mayor and reported to Council for a final decision."*[1]

Morrison Low was appointed to undertake take this review and in carrying out the review we have drawn on our experience from

- Our work with over 40 councils during the Fit for the Future process
- The assistance we provided to many of the councils with their Fit for the Future submissions to IPART and subsequently to the OLG for reassessment

[1] Council Resolution on 11 October 2016

- Our understanding of what creates financial sustainability (strategies and operational initiatives)
- Our knowledge of driving performance against the Fit for the Future benchmarks; and
- Our experience of good practice and ideas that we have observed across the State.

Approach to the Review

Morrison Low conducted a desktop review of key Council information, had discussions and correspondence with Council staff to query a number of points, and we compared Council's strategies to those developed in other Fit for the Future Improvement Plans and reassessment proposals that we have worked on across NSW.

Key documents that we have been provided with or sourced copies ourselves include Council's:

- Resourcing Strategy 2017-2027
- Long Term Financial Plan and various spreadsheets supporting the calculations of the Fit for the Future Ratios
- October 2016 Council report on outcome of Service Level Review
- Presentation used during the community engagement process in July/August 2017
- Hawkesbury City Council Fit for the Future Proposal and IPART determination 2015
- Hawkesbury City Council Fit for the Future Draft Reassessment Proposal dated November 2016 and supporting information
- Council's Draft Resourcing Strategy 2015-2025
- Infrastructure Assessment Report by JRA dated June 2015
- Hawkesbury Residential Land Strategy 2011
- Delegates Report on the Merger Proposal of Hawkesbury City and the Hills Shire (part) Councils, March 2016
- In addition, we were able to discuss the 2016/17 Draft Financial Statements which had just been prepared

Council officers provided us with all the information we requested and assisted us with promptly answering all questions and enquiries.

It was also necessary to review and where practical and possible test the financial and asset related information and assumptions that underpin Council's current position and forecast performance against the Fit for the Future benchmarks in order to review Council's strategies to reduce costs and increase revenue.

The review team included an accountant and engineer and drew on our collective experiences of working with over 40 councils during the Fit for the Future process. In accordance with Council's resolution we have;

- Reviewed Council's Fit for the Future re-assessment proposal and supporting documentation
- Checked forecast performance against the benchmarks in the re-assessment proposal and 2017-2027 Resourcing Strategy
- Checked the validity of the supporting data e.g. required asset expenditure, depreciation and methodology of calculating the benchmarks

Current Position

Financial sustainability

The Council failed four of the seven Fit for the Future benchmarks for 2015/16 including key benchmarks around Operating Performance and Asset Renewal. We note that this reflects a trend whereby Council has not met these important ratios for some time.

The 2017-2027 Resourcing Strategy describes a requirement to address an infrastructure backlog by increasing expenditure on asset renewal and asset maintenance, meeting an upcoming short to medium term wave of asset renewal, and satisfying rising community expectations of service levels. At the same time Council seeks to operate more and more efficiently year on year, meaning a requirement to deliver increased service levels with fewer resources. We understand that the community feedback during the recent Special Rate consultation process has been in favour of increasing expenditure rather than reducing services to meet the current funding. This contrasts with some other local government areas where constraining or even reducing services and service levels was the preferred approach to reach financial sustainability.
The Resourcing Strategy sets out three scenarios for the future of the Council and its communities.

- **Deteriorate**

  This scenario requires Council to implement a range of initiatives to reduce costs and increase revenue[2]. Efficiencies will be directed to increased renewal and maintenance of existing assets.

  Asset condition is forecast to deteriorate and Council will not meet the Fit for the Future benchmarks at 2027.

- **Stabilise**

  This scenario requires Council to implement a range of initiatives to reduce costs and increase revenue. Additionally, revenue is increased through a permanent Special Rate Variation where rates rise 7% over the rate peg each year for two years (14% cumulative) and Council initiates a borrowing program of $25 million over five years.

  Efficiencies and funds will be directed to increased renewal and maintenance of existing assets with some expenditure on new assets.

  Asset condition is forecast to stabilise and Council will meet all Fit for the Future benchmarks at 2027.

- **Improve**

  This scenario requires Council to implement a range of initiatives to reduce costs and increase revenue. Additionally, revenue is increased through a permanent Special Rate Variation where rates rise 7% over the rate peg each year for three years (21% cumulative) and Council initiates a borrowing program of $40 million over seven years.

  Efficiencies and funds will be directed to increased renewal and maintenance of existing assets as well as expenditure on new assets and new services.

  Asset condition is forecast to improve and Council will meet all Fit for the Future benchmarks at 2027.

[2] These are attached as Appendix A

Figure 1 Explanation of Council's scenarios (Source: 2017 - 2027 Delivery Program)

Rate option (impact on service levels)	Rating Increase*	Funding Impact	Asset Condition	New Assets	FFTF Benchmarks
1 Deteriorate	Increase of 7.5% over three years in line with rate peg amount. Cumulative increase of 7.69% over three years.	Generate $7.8M over 10 years which will not be sufficient to fund the increasing cost of Council operations.	Decline in condition of assets with a focus on managing risk, including the possible closure and removal of unsafe assets.	No capacity for new capital works apart from those funded by grants and developer contributions.	Will not meet benchmarks unless substantial service reductions are implemented.
2 Stabilise	Increase of 14% over the rate peg amount. Cumulative increase of 22.9% over three years (including the rate peg amount).	Generate $42.7M over 10 years which together with a borrowings program would allow an additional spend of: • $40.2M on roads • $2.6M on public domain • $1.1M on buildings.	Condition of assets would stabilise and increase capacity to fund preventative maintenance and renewal.	Limited program of asset upgrades to augment works funded from by grants and developer contributions.	Will meet Fit For The Future benchmarks.
3 Improve	Increase of 21% over the rate peg amount. Cumulative increase of 31.29% over three years (including the rate peg amount)	Generate $62.5M over 10 years which together with a borrowings program would allow an additional spend of: • $46.7M on roads • $21.4M on public domain • $7.2M on buildings.	Condition of assets would stabilise and improve over time.	Able to fund new infrastructure & increase gravel road sealing, road rehabilitation and public domain programs.	Will meet Fit For The Future benchmarks.

Performance against the benchmarks

Table 1 Current and forecast performance[3]

Indicator[4]	Current[5]	Deteriorate	Stabilise	Improve
Operating Performance	✗	✗	✓	✓
Own Source Revenue	✓	✓	✓	✓
Debt Service	✓	✓	✓	✓
Asset Maintenance	✗	✓	✓	✓
Asset Renewal	✗	✗	✓	✓
Infrastructure Backlog	✗	✗	✓	✓
Real Operating Expenditure	✓	✓	✓	✓

3 Refer to Figure 1 for the implications of each scenario
4 Performance is assessed as at the end of the LTFP period rather than 2020/21 as in the Fit for the Future reassessment
5 Report 2015/16 performance against the benchmarks

Comments about specific strategies

The disposal of under-utilised assets, particularly parks and open space assets, is generally problematic. There are community and political issues that will need to be addressed, and the community perception of the sale of assets is usually negative. We are also aware of other councils whose Fit for the Future strategies were predicated on sales of land and assets who have encountered difficulties in re-classifying land as operational. Council should be careful not to overstate the value of this initiative. Council advises that it has already undertaken significant work in identifying possible surplus or underutilised assets, some of which have now been sold. Our enquiries indicate that Council has taken a prudent and practical approach to estimating the further value of this initiative. For example, that pocket parks are not included within the expected $1.5M and that Council has already realised $350,000 this year which exceeds the budgeted amount. We note that the timeframe for disposing of the assets is reasonable (2021) and that minor implementation costs have been allowed for as the majority of the work will be done inhouse.

The review of road operations is estimated to create efficiencies of $150K per annum for four years to create a total ongoing annual savings of $600K that will be reinvested into asset renewal. We are advised that 'road operations' covers the depot, workshop, stores, plant, materials, contractors and staff and we would expect that Council should be able to achieve the savings targets. We understand that Council is considering a 'spend to save' approach to implementing the savings and will use part of the total efficiencies generated to employ a resource to drive the change. We would support that approach.

Many councils have used the Fit for the Future process to embed a program of ongoing service reviews into their organisation. Council appears to have adopted a similar approach with the service delivery model review strategy. This is estimated to achieve annual savings of $860K over five years as opportunities are investigated and implemented.

The Regional Strategic Alliance is estimated to deliver modest savings for Council of $146K per annum by 2020/21. In our view, this timeframe provides sufficient time to investigate, agree and then begin to deliver shared services efficiencies. The estimated savings should easily be achievable if aggregation of contracts and resources is taken into account. We note that savings in this order will mean Council's internal resource or contracts dealing directly with Hawkesbury are reduced in favour of a shared resource or joint contract.

Review of approach to capitalisation

One area we identified that was not set out in the strategies but is common for councils is a review of capitalisation policies and processes. We were advised that processes had been reviewed and changed within the last three years to ensure that reseal work was being capitalised (estimated $1.5M per annum) and a more recent process had been put in place around building renewal (estimated $200K per annum).

While there is no impact on the asset itself, the different accounting treatment of capital and operational expenditure means a change from classification of maintenance work to capital

- has a positive impact on the operating performance ratio
- has a positive impact on the renewal ratio
- should lead to a positive impact on the infrastructure backlog ratio.

Given one of Council's strategies is to identify savings for reinvesting in asset renewal, it will be important that Council's processes support its implementation.

were predicated on sales of land and assets who have encountered difficulties in re-classifying land as operational. Council should be careful not to overstate the value of this initiative. Council advises that it has previously sold over $9M of excess property which demonstrates a track record of being able to achieve this strategy. It has also already undertaken significant work in identifying possible surplus or underutilised assets, some of which have now been sold. Our enquiries indicate that Council has taken a prudent and practical approach to estimating the further value of this initiative. For example, that pocket parks are not included within the expected $1.5M and that Council has already realised $350,000 this year which exceeds the budgeted amount for the year. We note that the timeframe for disposing of the assets is reasonable (2021) and that minor implementation costs have been allowed for as the majority of the work will be done inhouse.

The review of road operations is estimated to create efficiencies of $150K per annum for four years to create a total ongoing annual savings of $600K that will be reinvested into asset renewal. We are advised that 'road operations' covers the depot, workshop, stores, plant, materials, contractors and staff and we would expect that Council should be able to achieve the savings targets. We understand that Council is considering a 'spend to save' approach to implementing the savings and will use part of the total efficiencies generated to employ a resource to drive the change. We would support that approach.

Many councils have used the Fit for the Future process to embed a program of ongoing service reviews into their organisation. Council appears to have adopted a similar approach with the service delivery model review strategy. This is estimated to achieve annual savings of $860K over five years as opportunities are investigated and implemented.

The Regional Strategic Alliance is estimated to deliver modest savings for Council of $146K per annum by 2020/21. In our view, this timeframe provides sufficient time to investigate, agree and then begin to deliver shared services efficiencies. The estimated savings should easily be achievable if aggregation of contracts and resources is taken into account. We note that savings in this order will mean Council's internal resource or contracts dealing directly with Hawkesbury are reduced in favour of a shared resource or joint contract. The expected savings in comparison to what other councils expect to achieve from shared services are conservative but we note that the savings are expect to be realised in a reduction of corporate costs where other strategies already apply. A conservative approach is therefore prudent.

Review of approach to capitalisation

One area we identified that was not set out in the strategies but is common for councils is a review of capitalisation policies and processes. We were advised that processes had been reviewed and changed within the last three years to ensure that reseal work was being capitalised (estimated $1.5M per annum) and a more recent process had been put in place around building renewal (estimated $200K per annum).

While there is no impact on the asset itself, the different accounting treatment of capital and operational expenditure means a change from classification of maintenance work to capital

- has a positive impact on the operating performance ratio
- has a positive impact on the renewal ratio
- should lead to a positive impact on the infrastructure backlog ratio.

Given one of Council's strategies is to identify savings for reinvesting in asset renewal, Council should document that as part of meeting the Fit for the Future plan compliance with its Asset Capitalisation Policy is adhered to and it ensures it has processes in place that support that.

Benefits realisation

Implementing efficiency programs requires relentless discipline and oversight. Our advice is always that councils should take a formal project management approach to implementation. There should be a designated group or senior officer responsible for ensuring the projected savings are achieved (project governance) who should get regular updates from the individuals responsible for implementing each strategy (project management).

We understand that Council has put in place such a structure through the 'Fit for the Future Strategies Implementation Team' which is made up of:

- Executive Manager Community Partnerships
- Chief Financial Officer
- Deputy Chief Financial Officer
- Manager Design and mapping
- Manager Strategic Planning
- Manager Corporate Communications
- Manager Human Resources
- Administration Support

We are advised that the initial focus of the Fit for the Future Strategies Implementation Team has been on the SRV and once a decision on the SRV has been made attention will turn to implementing all the strategies. Each strategy has a Responsible Officer allocated with progress reporting quarterly (MANEX) and six monthly (Council).

Generate additional revenue

- Stormwater management charge
- Special rate for new residential development
- Review of waste management and sewer business units
- Review of pricing structures for business units
- Lobbying for increased regional road funding
- Integrated Capital Works Program
- Sinking fund for community facilities
- Energy Efficiency Borrowings Program
- Sustainable population growth

General comments

These are the typical strategies we would expect to see. Targeting increased revenue from assets and services where particular users or groups of users get the majority of the benefit has been used in most Fit for the Future improvement plans we have worked on.

Many councils' Fit for the Future improvement plans forecast an increase in parking revenue (e.g. fines and payment for parking). Discussions with Council staff indicate that there is little prospect for an increase in parking revenue for Hawkesbury.

Reviewing the overhead allocation from the waste, water and/or sewer funds is another typical area councils have included in their plans. However, we are advised that a review of the allocation of overheads was undertaken and the changes implemented in 2016/17 prior to the development of these strategies. This resulted in an estimated additional $500K per annum being calculated as the true overhead cost which is now accounted for.

The most significant revenue increase relates to the Special Rate Variation.

Comments about specific strategies

The description of the pricing structures for business unit's strategy indicates a desire to achieve a break-even result for these assets/services. In our experience of working with other councils, it is unlikely that some of these facilities will achieve that given the nature of the services provided, especially the pool. The estimated benefits of the strategy are modest ($160K per annum) and failing to achieve breakeven across all the assets is unlikely to significantly affect Council's performance. We also understand that setting the target is an important signal of Council's expectations.

We note that the strategy around increasing the contribution to building renewal and maintenance from childcare providers is now based on seeking to achieving recovery of up to 50% of depreciation. We would caution over-estimating the value of the increased revenue as achieving increases in charges for childcare providers can be problematic.

The costs and revenue associated with growth have a major impact on Council's financial sustainability. It is vitally important that Council continues to plan for, monitor and allow for growth. We are advised that the timing of the Special Rates for Redbank North Richmond and Jacaranda Ponds Glossodia remain on track as forecast. Reviewing expected timeframes for particular developments and growth forecasts will need to be an ongoing process.

We note the progress that has been made towards obtaining a dividend from the Waste Management Fund and the Sewerage Fund. While the future dividend is estimated to increase, no provision is yet made for the Sewerage Fund dividend (2020/21) as there is a need to comply with the relevant requirements first including making a surplus for 3 years in a row. It is important to note that the performance of the Sewer fund itself is not part of a Fit for the Future assessment of financial sustainability or included in the calculation of the Fit for the Future benchmarks. Payment of a dividend from the Sewer fund to the General fund will however make a positive contribute to council's financial sustainability.

Council's Integrated Capital Works Program strategy of using the funds from VPAs and section 94 contributions is sensible.

In our view, it is clear that Council needs a substantial Special Rate Variation. Hawkesbury has consistently reported operating deficits and under investment in renewals. Fit for the Future has created a change in NSW local government and it is no longer acceptable for councils to run ongoing operating deficits.

We understand that the community has clearly indicated a desire for improvements to existing assets and services and the provision of new assets and services. Council's costs and revenue strategies, as forecast in the Deteriorate scenario, are unable to satisfy the Fit for the Future benchmarks let alone deliver new assets and services.

There are always ways for an organisation to become more efficient or for a council to seek to increase its non-rates revenue. However, having considered Council's various strategies and initiatives and the planned expenditure within scenarios 2 and 3 of the Resourcing Strategy, we do not believe there are alternative strategies and initiatives that would provide anywhere near the level of revenue/savings that the SRV provides.

Table 2 below highlights the typical high-level strategies that in our experience NSW councils have used to meet the Fit for the Future benchmarks and indicates those that our review has determined council has used.

Table 2 - Typical Financial Sustainability Strategies

Strategy	Hawkesbury City Council
Efficiency programs	✓
Service Reviews	✓
Review of financial and asset management practices	✓
Increased fees, charges & cost recovery	✓
Special Rate Variations	✓
Reduce services & service levels	✓

Financial and Asset Issues

Debt

Borrowing to fund assets is a well-established approach to create intergenerational equity for councils who invest in long lived community assets.

Prudent financial management should mean that overtime Council's depreciation cost and renewal expenditure balance out. However, Council advises that such is the need to renew assets that in this case debt funding of renewals will bring forward the renewal program and deliver on the community expectations for improvements in assets and services. Council's intention is to ensure that the community can see immediate benefits from any increases in rates.

Council advises that, in respect of each borrowing program, the $25M and $40M respectively will be borrowed over a period of 15 years

- Scenario 2: 49% will be used for Renewal and 51% for New Capital
- Scenario 3: 46% will be used for Renewal and 54% for New Capital

In our view, based on the information contained within the Long-Term Financial Plan, Council could fund the asset works within scenario 2 without resorting to borrowing. Council has sufficient net operating cashflows to cover both the renewal and new capital over the ten years of the LTFP. While Council may not be able to schedule the works in the way currently programmed the same work should be able to be delivered within the 10-year period.

Depreciation

Depreciation is a complex issue involving many calculations, multiple inputs and data sets from across difference asset categories. In this regard, we have not undertaken a detailed review of depreciation. However, we note that Council's overall rate of depreciation is within the range we would expect when compared to other similar councils. The only area that raised questions was Council's specialised buildings, and Council advises that this category includes sewerage and waste management facility assets. These are no t typical assets and could explain the variation.

We would expect depreciation to be indexed or cost escalations allowed for over the ten years of the LTFP. We found that this was not Council's practice but we understand that following our advice this has now been included and updated forecasts made. As well as needing to be being accurate in the forecast depreciation costs, depreciation is the denominator in the Asset Renewal Ratio. If the forecast cost for depreciation is not accurate then the Renewal Ratio will also be inaccurate.

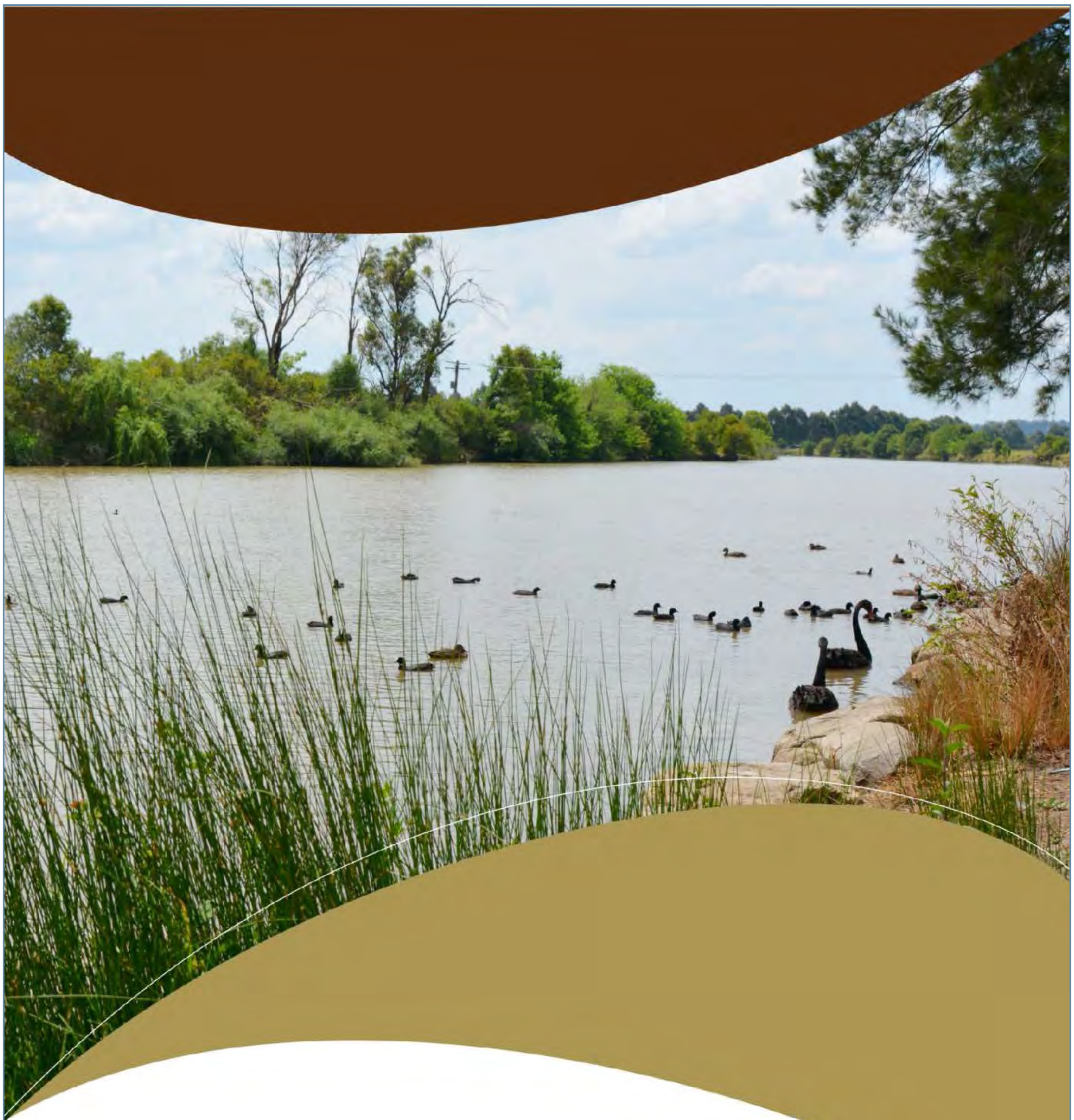
Infrastructure backlog ratio

Morison Low has a different, condition based, approach to calculating the estimated cost to satisfactory from JRA. There are many interpretations and methodologies to calculating the estimated cost to satisfactory and an absence of clear guidelines and it is open to Council to select an appropriate methodology.

We have not enquired as to the validity of the data which the methodology uses or the calculation itself. What is key in our view is that Council adopts a methodology that is consistent across asset classes and is repeatable from year to year.

We do note that, in our view, it is important that Council's reporting is consistent as the community can become confused when there are mixed messages. Council's infrastructure backlog ratio has reduced in recent years and is forecast to be less than 3%, even under the Deteriorate scenario. While we are advised that the JRA methodology is based on only including high-risk assets in the calculation, the current infrastructure backlog ratio does not seem consistent with the narrative that a substantial SRV and borrowing program are required to arrest declining infrastructure.

Appendix A Council Improvement Strategies



Summary of Fit For The Future Strategies

Delivery Program 2017-2021

Fit For The Future Proposal - Summary of Strategies		
1.1	Review of Road Operations	An annual 1% efficiency target applied to Councils yearly $14 million spend on road works operating costs (excluding ordinary wages and overheads).
1.2	Review of Service Delivery Models	An annual 1% to 2.5% efficiency target applied to Corporate Support and Discretionary Services (excluding employee costs and overheads).
1.3	Review of Plant and Fleet Management	Review of plant/fleet vehicles and accessories, ownership and maintenance models to achieve annual saving on net cost of operating leaseback fleet.
1.4	Property and Asset Review	Rate of return review to identify non-performing and surplus properties for sale or disposal.
1.5	Review of Insurance Coverage and Self-Insurer Model	Review self-insurer model to enable comparison with alternate funding and provisioning arrangements for workers compensation and other insurances. Review to include assessment of impact of self-insurer requirements on procurement costs and staff productivity.
2.1	Special Rate Variation	Notional SRV of 14.49% (excluding rate peg) over two years commencing in 2018/2019 to generate additional rating revenue to meet loan repayments for $25 million infrastructure borrowings program, with balance of revenue directed to asset renewal and maintenance and budget repair.
2.2	Stormwater Management Charge	$25 annual levy for stormwater management services against properties connected to the stormwater drainage network - commencing in 2017/2018.
2.3	Special Rate for New Residential Development	Special Rate applied from 2019/2020 to developments at Redbank, North Richmond and Jacaranda Ponds, Glossodia to generate additional revenue to fund asset maintenance requirements which will not covered by ordinary rating revenue due to the particular characteristics of the environmental and heritage assets within these developments.
2.4	Waste Management and Sewer Dividend	A 12% rate of return on the value of assets within Waste Management Facility and Sewerage Schemes.
2.5	Review of Pricing Structures	Review operations of income generating 'non-core' business units – Cemeteries, Companion Animal Shelter, Richmond Pool, Upper Colo Reserve so that pricing structures can be geared to achieve break-even operating position over medium term.
2.6	Lobbying for increased regional road funding	Council receives RMS funding as a contribution to the costs of maintaining regional roads. It is proposed that Council lobby government to have additional roads placed on the regional roads network and seek contribution to costs of maintaining these roads.

Delivery Program 2017-2021

Fit For The Future Proposal - Summary of Strategies		
3.1	Completion of Asset Management Plans	Completion of asset management plans to provide a sound platform for long-term financial forecasting and the validation of infrastructure backlog values. To be undertaken in conjunction with the review and consolidation of Council's asset management planning framework.
3.2	Service Level Review	Community engagement strategy to determine safe, affordable and agreed levels of service for all asset classes.
3.3	Integrated Capital Works Program	Establish parameters for capital works investment with a clear priority on asset renewal to address infrastructure backlogs and upgrading existing assets. Strategy is intended to minimise future exposure to increased asset maintenance costs and annual depreciation charges.
4.2	Sinking Fund for Community Facilities	Building Maintenance and Renewal Levy applied to community facilities used to deliver fee-paying and/or funded child care services based on 50% of the annual depreciation charges for these facilities as a contribution to the maintenance and renewal of these assets.
4.3a	Infrastructure Borrowings Program	$25 million loan facility to fund accelerated five year works program focused on road upgrades and renewals, renewal of park assets and community buildings, in response to documented community priorities.
4.3b	Energy Efficiency Borrowings Program	Loan facility to invest in energy efficiency infrastructure. Costs recovered through energy savings would be used to fund loan borrowings.
5.1	OPEX Expenditure Reduction	Projected savings to be achieved through the adoption of new technology, online service delivery platforms and a review of opening hours.
5.2	Regional Strategic Alliance	Formal partnership with Blue Mountains and Penrith City Councils to implement regional joint projects to increase operating efficiencies through the aggregation of service contracts and the sharing of resources and corporate costs across the three councils.
5.3	Sustainable Population Growth	Continued implementation of Hawkesbury Residential Land Strategy to concentrate new residential development around existing urban centres and villages.

Supplementary Resourcing Strategy 2017-2027

Workforce Management Plan

A summary of the the workforce investment requirements of each of the three Investing in Your Future resourcing options

1.20 Introduction

This Supplementary Workforce Management Plan is an addendum to the Workforce Management Plan adopted by Council in June 2017 as part of the Hawkesbury City Council Resourcing Strategy 2017-2027. It provides additional information covering:

- the workforce investment requirements under each of the three Investing in Your Future resourcing options aligned to community investment priorities and the objectives of the *Hawkesbury Community Strategic Plan 2017-2036*
- the possible extent of workforce restructuring that may be required, in the absence of special rate increase, to direct additional resources to the critical task of asset renewal.

Detailed information on Council's workforce planning challenges, workforce profile and workforce focus areas and actions can be sourced from the *Resourcing Strategy 2017-2027,* which is available on Council's website at:

http://www.hawkesbury.nsw.gov.au/__data/assets/pdf_file/0011/95654/Resourcing-Strategy-2017-2027-ADOPTED-Extraordinary-Meeting-13-June-2017.pdf.

1.21 A lean workforce

Since 2007, Council has been implementing measures to increase its operating efficiencies and non-rating income to address its operating and asset renewal funding shortfall. Council has been progressively reviewing its operation to reduce its costs and improve services, and workforce productivity improvements have been part of this ongoing process. As a result, as Figure 28 shows, in comparison with other councils, Council has a very lean staffing establishment.

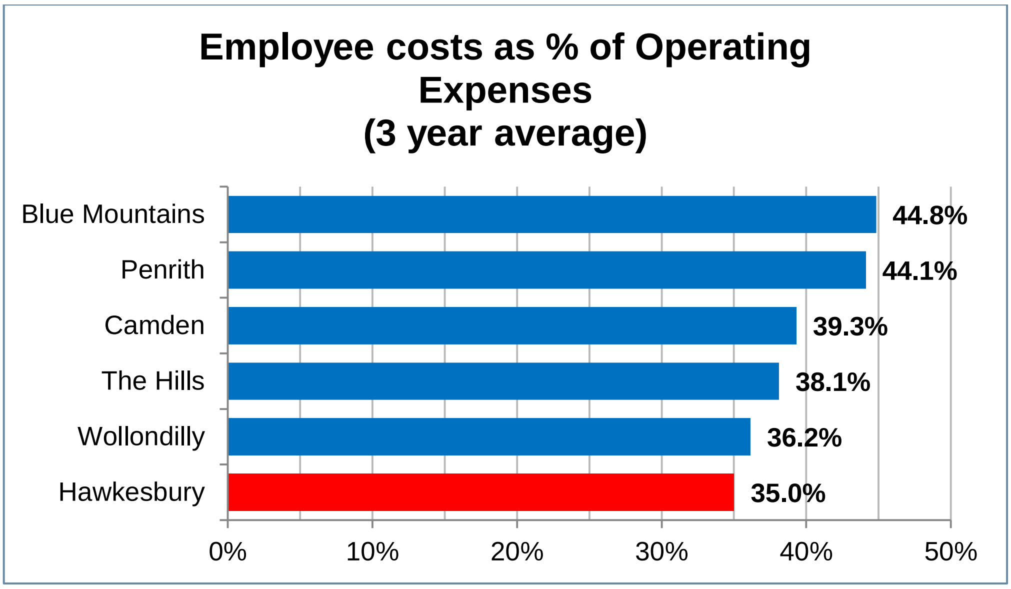


Figure 28: Employee costs as a proportion of total expenditure

Figure 28 plots employee costs as a proportion of total expenditures averaged out of the three financial years ending in 2016. It indicates that Council's staffing costs are proportionally lower than comparison councils. This result is event more telling as of the councils listed, the Hawkesbury is the only one that operates sewer and landfill services which account for almost 9% of Councils workforce.

While a lean staffing operation is a positive measure, it means that Council may currently have a limited capacity to adequately resource an expanded works program or the enhanced resident services that could be funded from the additional special rate revenues under Options 2 and 3. Conversely, without this increased special rate revenue, Council may have to review its staffing levels to realign them with available resources given the projected operating shortfalls under Option 1.

1.22 Workforce investment priorities

Based on the outcomes of the February 2017 consultations which canvassed the view of residents about planning for a sustainable future for the Hawkesbury, Council's adopted Workforce Management Plan highlighted the following community expectations that Council would be required to meet over the next 10 years to achieve the community's vision for the Hawkesbury;

Our Community told us that they would like Council to:

- strengthen its communication and engagement with the community
- secure its financial sustainability
- support volunteerism and advocate for better public transport and health services
- improve the health of waterways and minimise the ecological impacts of urban development
- promote more recycling and resource re-use and reduce illegal dumping
- upgrade roads, bridges, drainage, public toilets, parks and buildings
- advocate strongly to the NSW Government for improved infrastructure
- plan for more sustainable and balanced development
- build on our areas heritage to promote tourism
- collaborate to increase local employment, affordable housing and community safety.

On the basis of these longer-term expectations, Council has identified a number of areas which may require additional workforce investment over the next four years.

Workforce investment priorities over the next four years:

- strategic asset management – consolidating Council's capability to effectively manage and prioritise infrastructure spending to deliver optimum service levels
- digital media and community engagement – increasing Council's capacity to communicate with and maintain relationships with the community and other stakeholders
- place making – resourcing a more integrated approach to creating liveable town and village precincts that are valued by residents and attractive to visitors
- land use planning – completing the critical preparatory work that will inform Council's long term planning for sustainable and sympathetic development
- effective local compliance – initiating programs to increase community awareness of the regulations that keep our community safe and conserve our shared environment
- business improvement – building Council's capacity to achieve the operating efficiencies expected by our community and deliver responsive customer services.

Council has commenced taking steps to reconfigure existing staffing and financial resources to deliver on these priorities, including the allocation of some additional resources in the 2017/2018 budget.

These additional resources, which were funded through the reallocation of existing budgets and through efficiency savings and cost reductions across Council, included:

- Digital Media and Community Engagement ($128K)
- Additional resources to augment land use planning functions ($128K)
- Additional resources to augment local compliance functions ($50K)
- Strategic Asset Management Resources ($50K)
- Traffic Studies ($100K)
- Heritage Conservation Studies ($95K).

Council has also re-aligned existing staffing resources to strengthen its place-making capability.

1.23 Workforce Impact of the three investment priorities

Based on the financial scenarios presented in the Supplementary Long term Financial Plan, the three different investment options will have the following workforce implications:

Option 1: Reduce

Under Option 1, Council is projected to generate an average annual operating and asset renewal shortfall of $4.96M.

To fund this shortfall Council will be required to reduce service levels across its 'discretionary' services. These are services which Council is not mandated by legislation to provide, or do not involve the management of critical assets.

These services mainly fall within the community, cultural, civic and recreational service portfolio areas and are provided due to historical precedents, or to meet a community service obligation, or more generally to respond to community need or gaps in service coverage by other levels of government.

In staffing terms, a funding shortfall of $4.9M is equivalent to up to 52 full time positions, but may be less than this should Council close or decommission some assets.

Option 2: Stabilise

Under Option 2, Council would be required to implement an expanded $49M works program over ten years – a 16% increase in total asset related expenditures.

Most of this expenditure is targeted at new capital works (gravel road sealing and sealed road rehabilitation). To coordinate and deliver these works Council will be required to invest in additional project management resources for its roadworks program. Under Option 2, Council would also be required to employ an additional parks maintenance crew.

Option 2 does not provide additional revenue for new programs or services. However, in stabilising the condition of community assets, there may be scope to reconfigure and supplement existing resources to enable Council to invest in community programs.

The priority community programs identified by residents include, strengthening community engagement with residents, a stronger volunteer platform, water quality monitoring of waterways, dynamic program of community events and a greater focus on heritage and the design of public spaces.

Option 3: Improve

Under Option 3 Council would be required to implement an expanded $73M works program over ten years – a 25% increase in total asset related expenditures.

As with Option 2, the major proportion of this expenditure is targeted at new capital works (gravel road sealing and sealed road rehabilitation). Option 3 also includes substantial additional expenditure on the renewal and upgrade of parks, public spaces and town centres as well as pathways. To co-ordinate and deliver these works Council will be required to invest in additional project management resources for its roadworks and parks programs. Under Option 3, Council would also be required to employ an additional parks maintenance crew.

Option 3 also includes additional revenue of $8.5M over ten years for new programs and services targeting the priority community programs identified by residents including , strengthening community engagement with residents, a stronger volunteer platform, water quality monitoring of waterways, dynamic program of community events and a greater focus on heritage and the design of public spaces.

The table below summarises the additional workforce requirements under the three investment options.

Table 17: Workforce requirements under the three investment options

	Option 1	Option 2	Option 3
Capital Works	Nil	Additional Project Management Resources • Roadworks x 1 • Parks Maintenance Crew	Additional Project Management Resources • Roadworks x 2 • Parks & Public Spaces X1 • Parks Maintenance Crew
Programs and Services	A probable reduction in staffing levels due to service reductions affecting community, cultural, civic and recreational services	No new position required but some capacity to increase resources in priority program areas	Additional positions required to implement program enhancements under Our Community, Our Environment, Our Leadership and Our Future focus areas under the Community Strategic Plan 2017-2036

Asset Management Strategy

A summary of the impact on the condition of community assets of each of the three Investing in Your Future resourcing options

1.24 Introduction

Council has care and control of a large portfolio of community assets, including roads, stormwater drainage, sewerage systems, buildings, community facilities, sporting fields, playgrounds, recreation facilities, parks and nature reserves. These asset have a gross replacement value of more than $1.1 billion.

As custodian of these assets, under the *NSW Local Government Act 1993,* Council has the responsibility to effectively account for and manage community assets in the most cost effective manner and ensure the provision of efficient, safe and reliable services for current and future users.

To meet these responsibilities, Council has prepared a suite of asset management documents.

Asset Management Policy. This is the principal guiding document governing the activities and actions necessary to maintain the assets that Council manages on behalf of the community. Council has recently reviewed an updated its Asset Management Policy to align it with the objectives and directions within the Hawkesbury Community Strategic Plan 2017-2036. The revised Draft Asset Management Policy has been placed on public exhibition and is attached to this report in Appendix 3.

Asset Management Strategy. This is an operational document which sets out in detail the actions to be undertaken by Council to improve its asset management capability. The strategy covers the development and implementation of plans and programs for asset creation, operation, maintenance, rehabilitation/replacement, disposal and performance monitoring to ensure that desired levels of service and operational objectives are achieved at optimum cost. Council has recently updated the Asset Planning component of the *Hawkesbury City Council Resourcing Strategy 2017-2027* adopted by Council in June 2017. The updated *Asset Management Strategy* is attached to this report in Appendix 4.

Asset Management Plans. A more detailed description and plan for the life-cycle management of specific classes of assets. These plans detail information about different infrastructure assets and include the actions that will be required to provide agreed level of services in the most cost effective manner while outlining associated risks. These plan define the services to be provided, how they will be provided and what funds are required to provide the services over a 20-year planning period. These documents can be accessed from Councils web site and include:

- Asset Management Plan: Roads and Associated Infrastructure
- Asset Management Plan: Buildings
- Asset Management Plan: Parks and Recreation
- Asset Management Plan: Wastewater (Sewerage)
- Asset Management Plan: Storm Water Drainage.

This component of the Draft Supplementary Resourcing Strategy 2017-2027 is an addendum to these documents. The information on the following pages highlight the impact of the three Investing in Your Future resourcing options on the condition of community assets, and Council's capacity to fund the required levels of asset management to keep these assets safe and fit-for-purpose.

1.25 Forecast Asset Expenditure Requirement

As previously highlighted in Figure 29, the forecast expenditure to operate, maintain, replace, upgrade and add new infrastructure over the next ten years is estimated at $394M.

The funding allocated within the Long Term Financial Plan based on the 'status quo' Option 1 financial scenario is $325M, which results in a funding shortfall of $69M.

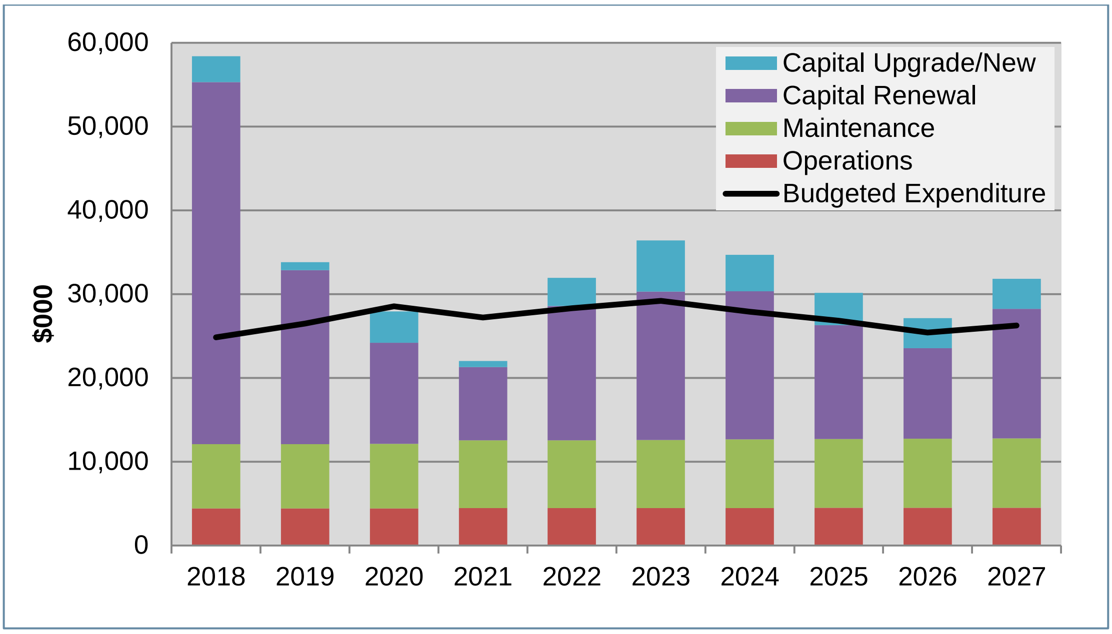


Figure 29: Projected Infrastructure Expenditure requirement 2017/2018 to 2026/2027

Council's asset management modelling indicates that maintaining the current funding trajectory under Option 1 will result in the continued deterioration of assets with Council unable to meet current and future infrastructure life cycle costs.

Options 2 and 3 contain revenue assumptions involving proposed additional rate increases to address this infrastructure funding shortfall and to either maintain (Option 2) or improve (Option 3) service levels. The differences between Option 2 and Option 3 (Councils preferred investment) are highlighted below.

Best Practice Asset Management. Option 2 will allow Council to shift towards a more preventative asset management approach rather than waiting for asset to deteriorate to the point where reactive maintenance is required. Option 3 (Council's preferred investment option) provides for a longer-term revenue solution which will underpin best practice asset management to enable Council to maintain and renew assets in the most cost-effective way and within the optimal time frame.

Improved Service Levels. Option 2 will enable Council to stabilise the condition of community assets and to maintain this condition going forward, while under Option 3, the condition of community assets will continue to improve beyond 2027.

Ongoing Program of Investment in Community Priorities. Option 2 will enable Council to fund a $43M 10 year program of new and upgraded works. Option 3 will fund a $64M program, but more importantly will provide for an rolling program of new works beyond 2027 to address the community's investment priorities.

1.26 Impact of three investment options on the condition of community assets

The figure below plots the relative impact of the three investment options on the condition of community assets. It quantifies the proportion of assets in an unsatisfactory position currently and in 10 years time under the three scenarios.

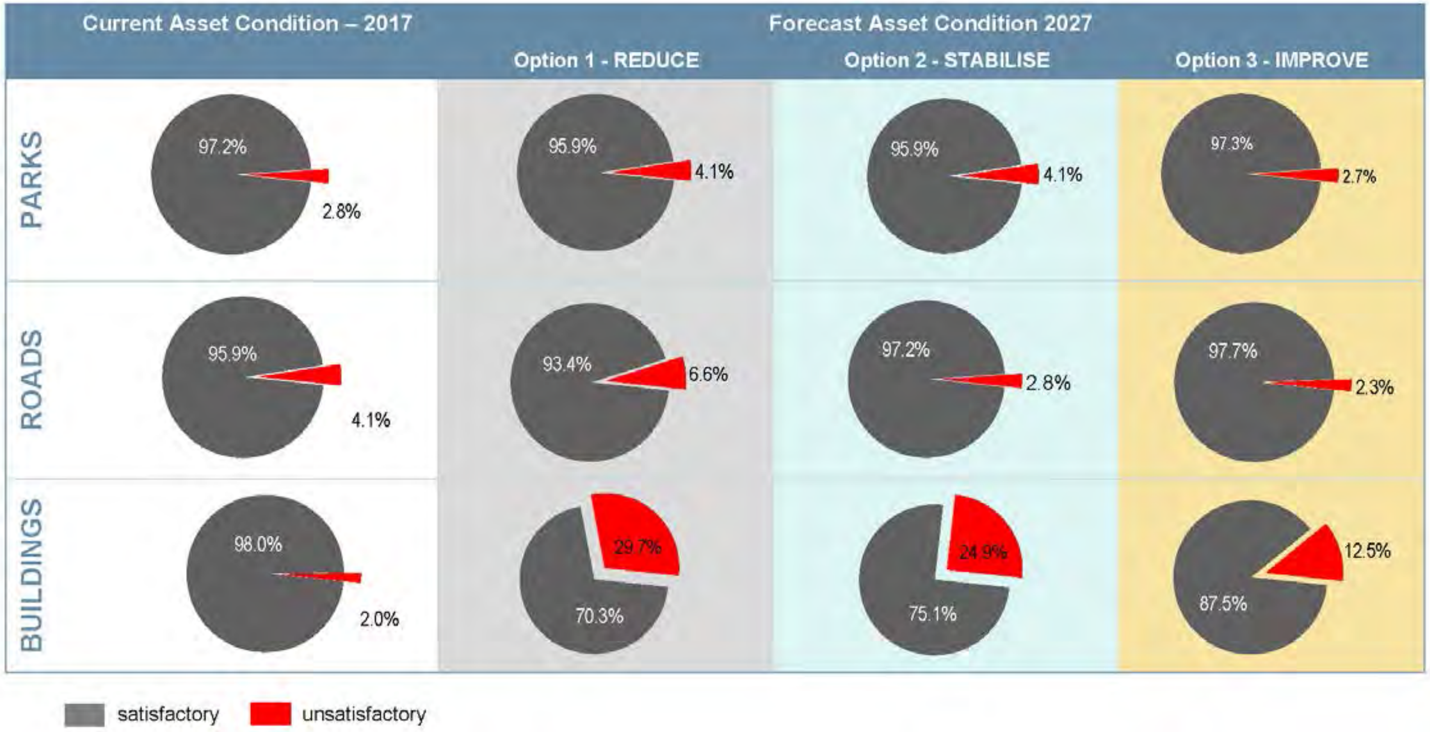


Figure 30: Relative impact of the three investment options on the condition of community assets

1.27 Asset Work Programs

As part of its Investing in Your Future consultation, Council prepared detailed works program to assist residents to assess the benefits of each of the investment options.

The works programs were targeted at the community investment priorities identified by residents and Councils technical assessment of the condition of assets. They included a map of major projects together with a list of individual works for each asset category by location and proposed year of completion. Works programs were prepared covering five districts as listed below and were distributed at town meetings. They can be accessed from the hyperlinks below.

Figure 31: Hawkesbury LGA districts

District	Localities
Central	Richmond, Richmond Lowlands, Cornwallis, Clarendon, Hobartville, Agnes Banks
Eastern	McGraths Hill, Cattai, Oakville, Pitt Town, Maraylya, Scheyville Vineyard, Mulgrave
South Eastern	Bligh Park, South Windsor, Windsor, Windsor Downs
Northern	Blaxlands Ridge, Colo Heights, East Kurrajong, Ebenezer, Freemans Reach, Glossodia, Lower Portland, Sackville, St Albans, Wilberforce, Colo and Macdonald Valleys
Western	Berambing, Bilpin, Bowen Mountain, Grose Vale, Grose Wold, Kurmond, Kurrajong, Kurrajong Heights, Kurrajong Hills, Mountain Lagoon, Tennyson, The Slopes, Wheeney Creek, Yarramundi

The works programs also provide an easy to read summary of the value of renewal and new works for each district and for the total across the Hawkesbury. The tables from the works programs are reproduced in Figure 32.

Central District	Option 1	Option 2	Option 3
Road Improvements	10,530,332	12,999,082	13,384,478
Kerb and Gutter	895,152	895,152	895,152
Pathways	1,341,600	1,735,600	2,905,550
Buildings	2,031,007	2,480,106	2,785,136
Parks & Open Spaces	4,387,088	4,585,588	7,928,282
Total	**19,185,179**	**22,695,528**	**27,898,598**

Eastern District	Option 1	Option 2	Option 3
Road Improvements	24,174,156	28,491,635	29,668,694
Kerb and Gutter	209,896	209,896	209,896
Pathways	99,561	314,061	619,561
Buildings	3,883,672	4,069,035	4,337,759
Parks & Open Spaces	6,239,542	6,239,542	7,398,502
Total	**34,606,827**	**39,324,169**	**42,234,412**

South Eastern District	Option 1	Option 2	Option 3
Road Improvements	10,226,112	13,065,705	13,220,948
Kerb and Gutter	536,714	536,714	536,714
Pathways	1,849,515	2,912,686	4,764,019
Buildings	3,647,360	5,228,630	7,679,476
Parks & Open Spaces	5,588,327	5,788,327	10,002,601
Total	**21,848,028**	**27,532,062**	**36,203,758**

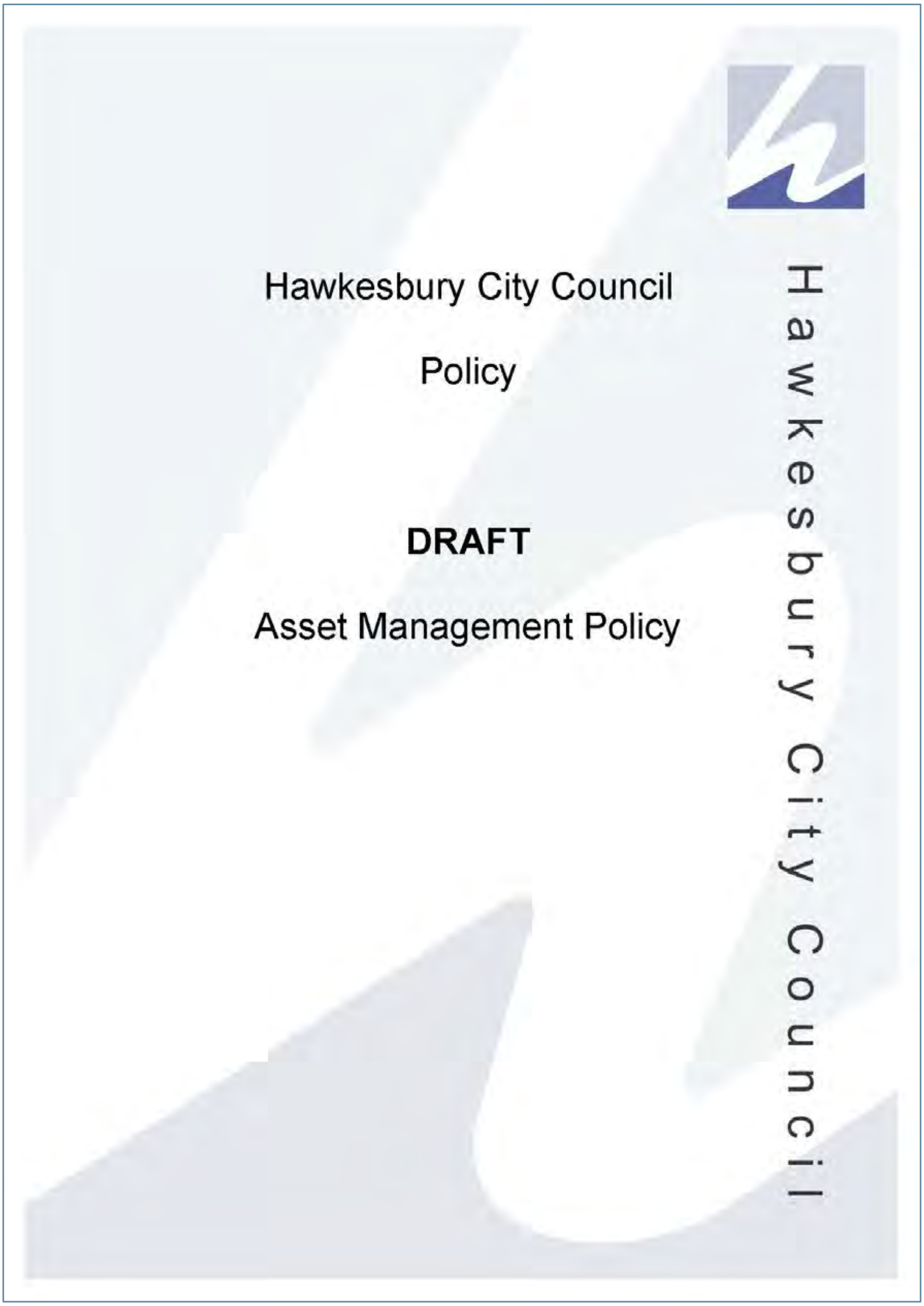
Western District	Option 1	Option 2	Option 3
Road Improvements	32,476,149	42,063,261	43,682,049
Kerb and Gutter	486,275	486,275	486,275
Pathways	1,214,330	1,401,330	1,934,663
Buildings	3,939,862	4,407,923	4,600,268
Parks & Open Spaces	3,579,254	3,579,254	4,681,826
Total	**41,695,870**	**51,938,043**	**55,385,081**

Northern District	Option 1	Option 2	Option 3
Road Improvements	38,789,094	56,220,045	57,460,686
Kerb and Gutter	179,652	179,652	179,652
Pathways	396,572	462,718	1,125,718
Buildings	4,306,818	5,201,809	5,584,864
Parks & Open Spaces	6,129,776	6,131,276	8,260,898
Total	**49,801,912**	**68,195,500**	**72,611,818**

All Districts	Option 1	Option 2	Option 3
Road Improvements	119,935,628	156,579,513	161,156,640
Kerb and Gutter	2,607,689	2,607,689	3,157,689
Pathways	4,901,578	6,826,395	11,349,511
Buildings	17,808,719	21,387,503	24,987,503
Parks & Open Spaces	25,923,987	26,323,987	38,272,109
Total	**171,177,601**	**213,725,087**	**238,923,452**

Figure 32: Summary of renewal and new works by district

Appendix 3 Asset Management Policy


Hawkesbury City Council

Policy

DRAFT

Asset Management Policy

Hawkesbury City Council

Policy Name: Asset Management					
Document Control		Hawkesbury City Council			
Rev No.	Review Date	Revision Details	Author	Reviewer	Approver
1.0	March 2015	Revision	P Pradhan		
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1. PURPOSE

The purpose of this policy is to provide a clear direction for the sustainable delivery of services of Council controlled assets to realise the vision and aspirations of the Hawkesbury Community.

Sustainable asset management involves managing the performance, risk and expenditure on infrastructure assets in an optimal and sustainable manner throughout their lifecycle covering planning design, development, operation, maintenance and disposal. Through sustainable asset management, Council will ensure that its infrastructure assets are safe, reliable sustainable and remain available for the benefit of current and future generations.

2. OBJECTIVE

The objective is to ensure adequate provision is made for the sustainable service delivery and long-term replacement of community assets by:

- ensuring that Council's services and infrastructure are provided in a sustainable manner, with the appropriate and affordable levels of service to residents and other stakeholders
- safeguarding Council physical assets by implementing appropriate asset management strategies and financial treatment of those assets
- creating an environment where all Council employees take an integral part in the overall management of Council assets by creating and sustaining an asset management awareness throughout the organisation
- meeting legislative requirements for asset management
- ensuring risk management is considered
- ensuring resources and operational capabilities are identified and responsibility for asset management is clearly defined and allocated
- demonstrating transparent and responsible asset management processes, and setting levels of service that is appropriate and match the community's capacity to pay.

3. SCOPE

This policy applies to all assets under Council's care and control including:

- roads, transport and associated assets
- drainage and environmental stormwater assets
- buildings and facilities
- parks, reserves, foreshore and recreational assets
- wastewater facilities
- landfill and solid waste facilities
- office equipment (information technology, communication, fixtures and fittings)
- fleet and plant
- cultural assets (artworks, library stock, artefacts and ceremonial items).

4. PRINCIPLES/POLICY

Hawkesbury City Council will adhere to the following core principles in the planning and decision- making relating to the selection, creation/acquisition, operation, maintenance and renewal/disposal of all assets.

Council is committed to implementing a strategic asset management planning framework and will:

- promote appropriate asset management practices across all areas of Council's operations, with implementation priority accorded to infrastructure asset classes such as roads, drainage, buildings, parks, waste management and wastewater treatment facility
- apply consistent Asset Management Strategy for implementing systematic asset management that is most appropriate throughout Council

- take into account all relevant legislative requirements together with political, social, economic environments in asset management planning
- integrate asset management principles within existing planning and operational processes
- use an appropriate asset inspection regime as part of asset management to ensure agreed service levels are maintained and to identify renewal priorities
- will aim to fully fund the required asset renewals to meet the service levels, as identified in the asset management plans and long term financial plans
- apply systematic and cyclic reviews to all asset classes to ensure that the assets are managed, valued and depreciated in accordance with appropriate best practice and applicable Australian Standards
- report and consider future life cycle costs in all decisions relating to new services and assets and upgrading of existing services and assets
- determine future service levels in consultation with the community
- prepare an Asset Management Strategy and Asset Management Plan/s that support the Hawkesbury Community Strategic Plan and Delivery Program
- ensure that the goals set in its Hawkesbury Community Strategic Plan take into account council's asset management realities and are within council's resource capacity
- develop and implement a framework for the evaluation and prioritisation of major capital projects
- allocate appropriate resources to implement asset management processes
- engage the community and stakeholders on determining appropriate service standards.

Council will adopt and embed these principles and recognise most appropriate asset management practices in developing and maintaining consistent asset management practices within the organisation.

Council will develop an asset management strategy and objectives which are aligned with this Policy and is consistent with the Community Strategic Plan.

Council will establish suitable performance indicators to measure and monitor achievement of the asset management policy and objectives. Engage the Hawkesbury community in deciding the appropriate levels of service and will monitor customer satisfaction with the service provided.

The policy applies to all activities undertaken by Hawkesbury City Council, including, but not limited to stormwater, sewerage, transportation (road, bridges and associated assets), buildings, community facilities, parks and recreation assets.

This policy addresses legislative requirements under the *Local Government Amendment (Planning and Reporting) Act 2009* and will be revised in accordance with any future changes.

The long-term Resourcing Strategy in the legislation requires Council to prepare an Asset Management Policy/Strategy/Plan(s) in support of the Community Strategic Plan and Delivery program.

5. RESPONSIBILITIES

Councillors are responsible for providing the policy direction which, together with the Community Strategic Plan, will enable an asset management strategy and specific asset management objectives, targets and plans to be produced. Councillors are also responsible for ensuring sufficient resources are approved to ensure the efficient and effective management of community assets under council's control.

The General Manager will have overall responsibility for the development of a corporate strategy to align Council's asset management directions with the Asset Management Policy. The General Manager will deploy staff and allocate the resources required to implement the asset management improvement program required to achieve Council's asset management objectives and to satisfy legislative requirements.

Council will apply the asset management framework outlined in the integrated planning and reporting legislation having due regard to Council's financial and operational circumstances and given the data, systems and processes available to Council. Council will implement a continuous cycle of review and improvement to enhance its asset management capability.

6. IMPLEMENTATION AND REVIEW

This policy will be reviewed every 4 years in conjunction with the Community Strategic Plan review and Delivery Program or based on Legislative/Regulatory changes.

7. ASSOCIATED DOCUMENTS

- Hawkesbury Community Strategic Plan 2017-2036
- Council's Asset Management Strategy and associated Asset Management Plans
- *Local Government Act 1993*
- Integrated Planning and Reporting Guidelines for Local Government in NSW 2013
- Integrated Planning and Reporting Manual for Local Government in NSW 2013
- International Infrastructure Management Manual

8 ATTACHMENTS

Attachment 1 Definitions

HAWKESBURY CITY COUNCIL POLICY

DRAFT Asset Management Policy

Attachment 1 Definitions

Asset	Within this policy asset is used in its broadest sense to refer to a physical component of a facility which has value, enables services to be provided and has an economic life of greater than 12 months. In the context of this policy an asset may be described as an individual and/or network of assets or components owned by Council that serve a community and are required to be maintained at a particular service level by the continuing replacement and refurbishment of components.
Asset Management	The process by which councils manage physical assets to meet current and future levels of service through a systematic and co-ordinated approach using management, financial, engineering and other practices to control the performance, risks and costs of assets over their lifecycle.
Asset Management Plan	A plan which outlines actions, resources and multi-disciplinary techniques required for the life cycle management of assets to support the long-term and cost-effective delivery at specified service levels.
Asset Management Strategy	A corporate framework which specifies the actions to be undertaken by an organisation in relation to asset management capability. The strategy will cover the development and implementation of plans and programs for asset creation, operation, maintenance, rehabilitation/replacement, disposal and performance monitoring to ensure that desired levels of service and operational objectives are achieved at optimum cost.
Asset Management Information Systems (AMIS)	An Asset Management Information System is the base of all Asset Management practices. It is a combination of Data, Software/Programs, hardware and processes applied to provide the essential outputs for effective asset management such as minimal risk, optimised decision making. It is supposed to be integrated with other systems within Council.
Life Cycle Costing	The sum of all the costs associated with an asset including acquisition, installation, operation, maintenance, refurbishment and disposal.
Maintenance	Actions performed to keep an asset operating. Maintenance can be corrective (to rectify a failure); planned (to maintain reliability); or routine (day-to-day activities to keep an asset operating).
Renewal	Works to upgrade or refurbish existing assets with assets of equivalent capacity and performance capability.
Replacement	The complete replacement of an asset that has reached the end of its life so as to provide a similar or agreed alternative level of service.
Level of Service	The defined service quality for a particular activity or service area against which service performance may be measured. Service levels usually relate to defining and meeting community expectation in relation to the quality, quantity and reliability of assets and services delivered by Council.
Rehabilitation	Works to rebuild or replace parts or components of an asset to restore it to the required functional condition and extend its life.
Facilities	Include all equipment, as well as physical and environmental assets.

Appendix 4 Asset Management Strategy

HAWKESBURY CITY COUNCIL

Asset Management Strategy

Version 1

August 2017

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NAMS.PLUS Asset Management

The Institute of Public Works Engineering Australasia.

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1. EXECUTIVE SUMMARY

1.1 Background

This asset management strategy is prepared to assist council in improving the way it delivers services from infrastructure using the following Asset Management Plans:

- Buildings Assets
- Parks and Recreation Assets
- Stormwater Drainage Assets
- Roads and Associated Infrastructure Assets
- Sewerage Assets.

These infrastructure assets have a combined replacement value of approximately $1,177M1

The asset management strategy is to enable Council to show:

- How its asset portfolio will meet the service delivery needs of its community into the future,
- Enable Council's asset management policies to be achieved, and
- Ensure the integration of Council's asset management with its long term strategic plan.[2]

Adopting this asset management strategy will assist council in meeting the requirements of the national sustainability frameworks and the Integrated Planning and Reporting guidelines for NSW (IP&R). Local councils in NSW are required to undertake their planning and reporting activities in accordance with the Local Government Act 1993 and the Local Government (General) Regulation 2005, and provide the services needed by the community in a financially sustainable manner.

The asset management strategy is prepared following a review of the council's service delivery practices, financial sustainability indicators, asset management maturity and its 'Fit For the Future' vision outlined in the Community Strategic Plan.

The strategy outlines an asset management improvement plan detailing a program of tasks to be completed and resources required to bring council to and maintain a minimum 'core' level of asset maturity and competence.

1.2 Forecast expenditure

The forecast expenditure to operate, maintain, replace, upgrade and add new infrastructure over the next ten years is estimated at $394.113M3. The funding allocated within the Long Term Financial Plan (LTFP), based on the Business As Usual Scenario is $325.100M, which results in a funding shortfall of $69.013M. The LTFP has two alternative funding models, both of which will provide sufficient funding, based on the affordable service delivery model identified in each of the Asset Management Plans.

In summary, based on current funding levels, assets are funded at 76% of the life cycle cost and 6% by value are in a poor to very poor condition with an overall 60% of capital left in assets based on audited statements – that is assets in a satisfactory condition of Fair to Very Good (asset consumption ratio). Based on this understanding, it is fair to say maintaining present funding levels in the short-term will result in assets deteriorating with existing services and levels of service not provided to a satisfactory level, from the community's perspective.

[1] Sourced from the 2016 Annual Financial Statements (Note 9a).
[2] LGPMC, 2009, Framework 2 *Asset Planning and Management*, p 4.
[3] In real terms net of inflation.

The replacement of existing assets when they are due may not be achievable which will require risks to be managed and controlled appropriately, and will result in additional costs over the long term.

The long-term (>10-year) outlook suggests a diminishing capacity if funding levels remain the same, particularly if additional assets are acquired, suggesting closer scrutiny and management of data and investment proposals.

1.3 Risks Critical to Council's Operations

Under current conditions:

1. Council is not able to fund current infrastructure life cycle costs at current levels of service under existing financial operating conditions over the long-term.
2. Reducing capital grants and contributions will make it difficult to maintain existing service levels.
3. Asset management capability (planning and service level reporting) remains below core level however improvements have been made.
4. Asset condition and performance data for some infrastructure classes needs improvement.

1.4 Asset Management Capability

This Asset Management Strategy includes specific actions required to improve Council's asset management capability and projected resource requirements and timeframes. Appendix A of this strategy details the status of asset management maturity at an organisational level and outlines observations, implications and recommendations for improvement planning. A summary of the key findings is outlined as follows:

1. Council's asset management capability in 2010 was below core level in most areas. Improvements have been made in the past 7 years as evidenced by a follow up capacity review undertaken in August 2017.
2. With continued improvements in asset planning, governance, level of service monitoring and reporting and data & systems core level maturity can be achieved by the end of the 2019/2020 financial year.
3. Current service levels cannot be maintained for most services with current budget allocations for the next 10 years except for stormwater drainage and sewerage assets. For the services showing a funding shortfall, additional modelling scenarios are needed with higher confidence to provide a balanced outlook between budget, risk and costs for the next 10 years.
4. Any new assets will increase future costs for maintenance, operating and future renewal and will need corresponding additional funding.
5. Residual asset and service risks that are managed below acceptable levels will need to be reported to an Asset Steering Committee or equivalent. These risks have been identified in risk management plans for the respective asset categories.

1.5 Strategy Outlook

The organisation is not in a reasonable position to maintain services over the short to medium term (next 5 to 10 years) as the current level of funding is inadequate for the long-term sustainability of current service levels.

1. Increased confidence of the long-term service level sustainability is required, and this strategy discusses the organisational asset management maturity improvements required to attain a higher level of confidence in assessing the long-term position.
2. By increasing operating revenue and considering loan borrowings to fund capital works combined with realising future efficiency gains Council will be well positioned to maintain an operating surplus position within and beyond the next ten years.

3. Council's current asset management maturity is expected to reach 'core' level maturity by the end of 2019/2020 and continued investment is needed particularly in asset planning, governance, level of service monitoring and reporting and data & systems to ensure information, lifecycle and service management is maintained at the appropriate levels.

1.6 Improvement Plan

This Strategy proposes short term actions to enable the objectives of the Community Strategic Plan and Asset Management Policy to be achieved. This includes a program of tasks and resources required to achieve a minimum 'core' asset management maturity which was developed during the most recent Maturity Assessment in August 2017. The priority actions may need to be funded from existing operational budget allocations and are summarised as follows:

1. Implement an Asset Management Steering Committee, with cross functional representation and clearly defined and documented terms of reference, focused on coordinating the linkages between service delivery and asset management requirements.
2. Improve and monitor state of the assets reporting included as part of the annual report.
3. Implement a continuous improvement strategy to assess and report on the performance of controlled assets.
4. Assess the Remaining Life of assets on a priority basis and align with up to date performance data and knowledge.
5. Review and update data for the year of acquisition or date of last renewal and replacement cost in the asset register.
6. Ensure asset inventory, valuation and performance data is kept up to date.
7. Continue consultation with the community to ensure desired customer/community and technical levels of service are kept current and report the sustainable service delivery model.
8. Continue and review state of the assets reporting throughout all strategic planning and reporting documents that show service level trends and targets.
9. Ensure service levels show what is achievable with available funding in the LTFP and be included in the CSP update
10. Assess the skills and knowledge required to perform asset data management activities, conduct financial reporting valuations and maintain and review Asset Management Plans.
11. Develop and adopt an asset management responsibility matrix.
12. Identify staff training needs and training scheduled.
13. Implement a knowledge management strategy via an Asset Management Governance Group ensuring data, information and knowledge updates are reported on an annual basis via the State of the Assets Report.
14. Monitor and report community and technical levels of service performance.
15. Include in the next update of the Strategic Plan commentary on the important role infrastructure plays in achieving strategic objectives and the outlook for this infrastructure including any challenges/risks.

2. INTRODUCTION

Assets deliver important services to communities. A key issue facing local governments throughout Australia is the management of ageing assets in need of renewal and replacement.

Infrastructure assets such as roads, drains, bridges, sewerage and public buildings present challenges. Their condition and longevity can be difficult to determine. Financing needs can be large, requiring planning for large peaks and troughs in expenditure for renewing and replacing such assets. The demand for new and improved services adds to the planning and financing complexity.4

The creation of new assets also presents challenges in funding the ongoing operating and replacement costs necessary to provide the needed service over the assets' full life cycle.5

The asset management strategy is to enable Council to show:

- how its asset portfolio will meet the service delivery needs of its community into the future,
- to enable Council's asset management policies to be achieved, and
- to ensure the integration of Council's asset management with its long term strategic plan.6

The goal of asset management is to ensure that services are provided:

- in the most cost effective manner,
- through the creation, acquisition, maintenance, operation, rehabilitation and disposal of assets,
- for present and future consumers.

The objective of the Asset Management Strategy is to establish a framework to guide the planning, construction, maintenance and operation of the infrastructure essential for council to provide services to the community.

2.1 Legislative reform

NSW Integrated Planning and Reporting (IP&R)

Local councils in NSW are required to undertake their planning and reporting activities in accordance with the Local Government Act 1993 and the Local Government (General) Regulation 2005. The Act requires that the Deputy Director General (Local Government), Department of Premier and Cabinet must provide guidelines that are to be followed by local councils when undertaking their planning and reporting activities.

The Integrated Planning and Reporting Guidelines7 has been developed to provide councils with information and guidance to assist their transition to the new planning and reporting framework.

In particular, local governments will effectively plan for future sustainability through longer-term planning by developing 10 year plans, publishing these and reviewing progress annually. The community and the State then have the best information available to judge progress against the plan, and local governments can make necessary adjustments.

[4] LGPMC, 2009, Framework 2 Asset Planning and Management, p 2.
[5] LGPMC, 2009, Framework 3 Financial Planning and Reporting, pp 2-3.
[6] LGPMC, 2009, Framework 2 *Asset Planning and Management*, p 4.
[7] DPC, 2013, Integrated Planning and Reporting Guidelines.

As at 30 June 2012, all councils in NSW were required to be working within the Integrated Planning and Reporting framework as show below.

Figure 1: NSW Local Government Integrated Planning and Reporting Framework

An outline of the three key planning elements of the framework are described below.

Community Strategic Plan

The Community Strategic Plan is the highest level plan that a council will prepare. The purpose of the plan is to identify the community's main priorities and aspirations for the future and to plan strategies for achieving these goals.

Resourcing Strategy

The Community Strategic Plan provides a vehicle for expressing long-term community aspirations. However, these will not be achieved without sufficient resources – time, money, assets and people – to carry them out.

The Resourcing Strategy consists of three components:

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

This Asset Management Strategy is a requirement of the Asset Management Planning component.

Delivery Program and Operational Plan

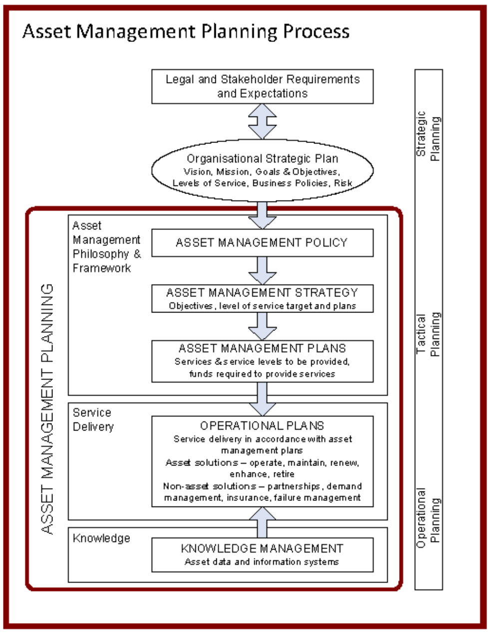
This is the point where the community's strategic goals are systematically translated into actions. These are the principal activities to be undertaken by the council to implement the strategies established by the Community Strategic Plan within the resources available under the Resourcing Strategy.

2.2 Asset Management Planning Process

Asset management planning is a comprehensive process to ensure that assets are managed and maintained in a way that enables affordable services from infrastructure to be provided in an economically optimal way. In turn, affordable service levels can only be determined by assessing Council's financially sustainability under scenarios with different proposed service levels.

Asset management planning commences with defining stakeholder and legal requirements and needs, incorporating these needs into the organisation's strategic plan, developing an asset management policy, strategy, asset management plan and operational plans, linked to a long-term financial plan with a funding plan.[8]

Figure 2: Asset Management Planning Process



[8] IPWEA, 2009, AIFMG, Quick Guide, Sec 4, p 5.

2.3 What assets do we have?

Council uses infrastructure assets to provide services to the community. The range of infrastructure assets and the services provided from the assets is shown in Table 1.

Table 1: Assets used for providing Services

Asset Class	Description	Services Provided
Buildings	• Council Offices • Council Works Depot • Council Halls • Council Houses • Museum • Libraries • Childcare Centres • Art Gallery • Amenities/Toilets • Leisure Facilities • Emergency Services • Other Structures • Investment properties • CCTV networks within townships	The buildings provided by Council are used to support the administration, operational and social services for the community.
Roads	• Sealed Roads • Unsealed Roads • Sealed Roads Structure • Bridges • Footpaths • Cycleways • Kerb and Gutter • Road Furniture • Car Parks • Ferry	The road assets provided by Council are used primarily to support the development and ongoing use of an integrated transport network that meets the needs of the transport industry, pedestrian and domestic users.
Parks and Recreation	• Playgrounds • Playing Courts (Tennis, Netball, Basketball, Multi) • Skate Parks • Swimming Pools • Wharf • Floodlighting • Boat Ramp • Pontoon • Kayak Facility • Irrigation system • Sports Fields • Grand Stands	Parks and recreation assets are provided by Council for the purposes of promoting community recreation, sport, and healthy lifestyles.

Asset Class	Description	Services Provided
Stormwater Drainage	• sub-surface piped drainage network in urban areas • grassed open channels, and swales • junction pits and headwalls • retention/detention and sedimentation ponds • gross pollutant traps • flood mitigation • pipes and structures • other water quality improvement devices	Council provides stormwater drainage and flood mitigation services across the local government area.
Sewerage	• Reticulation • Manholes • Pump Stations • Rising Mains • South-Windsor Wastewater Treatment Plant • McGraths Hill Wastewater Treatment Plant • Wastewater Reuse Scheme	Council provides sewerage services to communities within the areas of Windsor Downs, Bligh Park, South Windsor, Windsor, Clarendon, McGraths Hill, Mulgrave and Pitt Town, NSW.

3. COUNCIL'S ASSETS AND THEIR MANAGEMENT

3.1 State of the Assets

Financial Status

The financial status of Council's assets is shown in Table 2. As at the end of June 2016, the total replacement value of council controlled assets is calculated at $1,177.4M with a Depreciated Replacement Cost of $718.6M and an Annual Depreciation Expense currently at $16.2M.

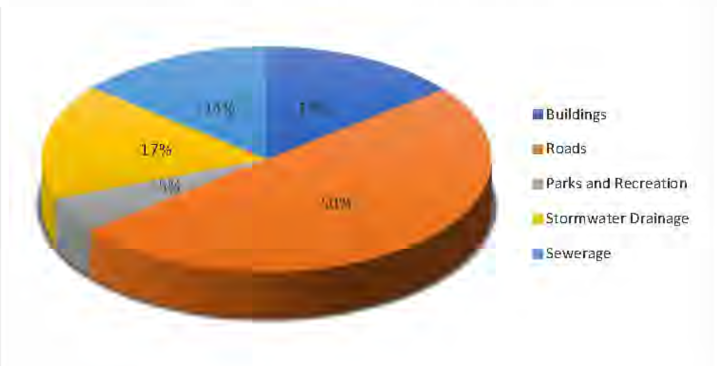
Table 2: Financial Status of the Assets

Asset Class	Replacement Cost ($'000)	Depreciated Replacement Cost ($'000)	Depreciation Expense ($'000)
Buildings	$168,580	$88,107	$4,767
Roads	$587,176	$390,368	$6,370
Parks and Recreation	$59,775	$25,592	$1,149
Stormwater Drainage	$196,941	$135,180	$1,839
Sewerage	$164,969	$79,358	$2,093
TOTAL	**$1,177,441**	**$718,605**	**$16,218**

Source: Financial statements Note 9a for the period ending 30 June 2016

Figure 3 shows the proportion of Council's asset class by asset replacement cost.

Figure 3: Asset Replacement by Asset Class



The details provided in Table 2 and Figure 3 are from the latest audited Financial Statements, from Note 9a for the period ending June 2016.

Remaining Life of Assets

Asset condition can be understood by reviewing asset consumption ratios. This is the average proportion of assets in a satisfactory condition (Fair to Very Good). It is calculated as the ratio of the value of asset depreciated replacement cost to its replacement value (Current Replacement Cost).

These ratios highlight the aged condition of assets with the lower the percentage, the greater the aged condition. Those assets with a lower life remaining 'on average' would be experiencing lower levels of service

The asset consumption ratios of Council's assets are shown in Figure 4.

Figure 4: Asset Consumption Ratio

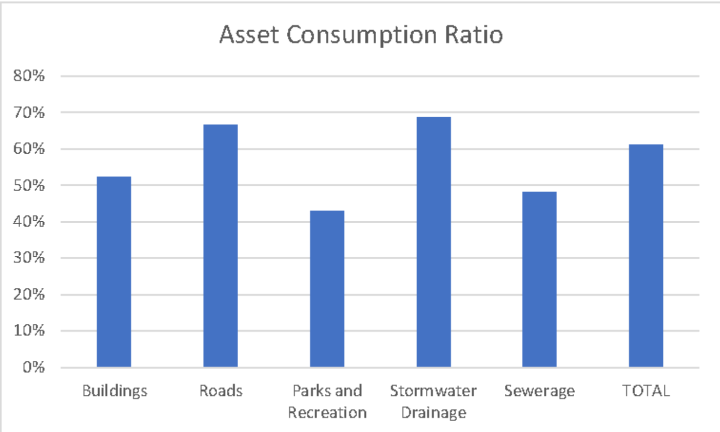


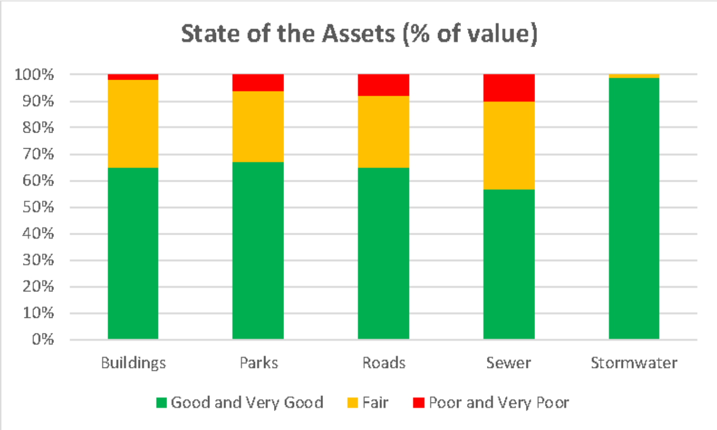
Figure 4 shows all asset classes have more than 40% of life remaining with the greatest proportion of assets in dollar terms being Stormwater and Road assets, with a relatively new 'on average' performance. Where the consumption ratio is greater than 65%, it is assumed these assets should be providing an overall high level of service. This is contrary to the feedback provided from the community during three rounds of consultation, commencing in August 2016. There was a strong indication that, in particular, Road Assets are not meeting expectations and required urgent increased funding.

Council is custodian of a large portfolio of ageing assets, a proportion of which have been insufficiently renewed over a long period of time. Like most NSW Councils, this means that in the future, Council may struggle to afford the backlog of renewals required.

Condition of assets

The known condition of council's assets overall is in a fair to good condition, from a purely technical standpoint, and is reported with a medium level of confidence as shown in Figures 5 and 6.

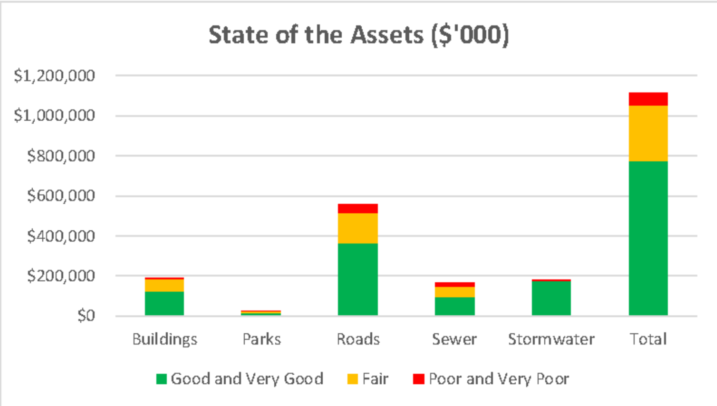
Figure 5: State of the Assets – Condition by Percentage of Value for each Asset Category



Source: Asset Register

According to the condition data contained in the asset register 6% of the asset stock (by replacement value) are in a poor to very poor condition and will need close monitoring and due assessment of risk for replacement in the short to medium term.

Figure 6: State of the Assets – Condition by Value for each Asset Category



Source: Asset Register

10 Year Forecast Expenditure

The forecast operations, maintenance, renewal and upgrade/new expenditure per asset category over the next 10 years is estimated to cost in the order of $394.113M9. The funding allocated within the Long Term Financial Plan (LTFP), based on the Business As Usual Scenario is $325.10M, which results in a funding shortfall of $69.013M. The LTFP has two alternative funding models, both of which will provide sufficient funding, based on the affordable service delivery model identified in each of the Asset Management Plans. The 10-year expenditure forecast for each asset category is shown in Table 3 below.

Table 3: 10 Year Forecast Expenditure by Asset Category

Service	Operations ($'000)	Maintenance ($'000)	Capital Renewal Expenditure ($'000)	Capital Upgrade/New Expenditure ($'000)	TOTAL ($'000)
Buildings	$10,454	$24,381	$25,556	$7,162	$67,553
Roads	$2,356	$44,758	$131,724	$17,610	$196,448
Parks and Recreation	$33,340	$3,404	$15,768	$3,668	$56,180
Stormwater Drainage	$420	$7,989	$3,000	$4,920	$16,329
Sewerage	$29,410	$13,100	$13,924	$1,169	$57,603
TOTAL	**$75,980**	**$93,632**	**$189,972**	**$34,529**	**$394,113**

[9] In real terms net of inflation.

3.2 Life Cycle Cost

Life cycle costs (or whole of life costs) are the average costs that are required to sustain service levels over the longest asset life. Life cycle costs include annual operating and maintenance expenditure and asset consumption (depreciation expense). The life cycle cost for the services covered in this asset management plan is shown in Table 4.

Table 4: Life Cycle Cost for Council Services

Service	Annual Average 10-year Expenditure ($'000)		Depreciation ($'000)	Life Cycle Cost ($'000/yr)
	Operations	Maintenance		
Buildings	$1,030	$2,402	$4,211	$7,643
Roads	$233	$4,425	*$13,065	$17,723
Parks and Recreation	$3,124	$320	$1,157	$4,601
Stormwater Drainage	$42	$789	$1,807	$2,638
Sewerage	$2,941	$653	$2,020	$5,614
TOTAL	**$7,370**	**$8,589**	**$22,260**	**$38,219**

* The depreciation has been modelled based on keeping maintenance expenditure at the current funding levels. Where depreciation has increased significantly from Table 2, this indicates that the current maintenance funding requires an increased level of funding for renewal.

Life cycle costs can be compared to life cycle expenditure to give an indicator of sustainability in service provision. Life cycle expenditure includes the forecast annual average operating, maintenance and capital renewal expenditure over the forward 10-year planning period. Life cycle expenditure will vary each year depending on the timing of asset renewals. The life cycle expenditure for council assets is shown in Table 5.

Table 5: Life Cycle Expenditure for Council Services

Service	Annual Average 10 year Expenditure ($'000)			Life Cycle Expenditure ($'000)
	Operations	Maintenance	Cap Renewal	
Buildings	$1,030	$2,402	$1,151	$4,583
Roads	$233	$4,425	$8,805	$13,463
Parks and Recreation	$3,124	$320	$1,130	$4,574
Stormwater Drainage	$42	$789	$299	$1,130
Sewerage	$2,941	$653	$1,712	$5,306
TOTAL	**$7,370**	**$8,589**	**$13,097**	**$29,057**

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

Knowing the extent and timing of any required increase in outlays and the service consequences if funding is not available will assist council in providing services to their communities in a financially sustainable manner. This is the purpose of the AM Plans and long term financial plan.

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

The life cycle gap and life cycle indicator for services covered by this asset management plan is summarised in Table 6.

Table 6: Life Cycle Indicators

Service	Life Cycle Cost ($'000/yr)	Life Cycle Expenditure ($'000/yr)	Life Cycle Gap * ($'000/yr)	Life Cycle Indicator
Buildings	$7,643	$4,583	-$3,060	60%
Roads	$17,723	$13,463	-$4,260	76%
Parks and Recreation	$4,601	$4,574	-$27	99%
Stormwater Drainage	$2,638	$1,130	-$1,508	43%
Sewerage	$5,614	$5,306	-$307	94%
TOTAL	**$38,219**	**$29,057**	**-$9,162**	**76%**

* A life cycle gap is reported as a negative value.

The sustainability indicators are significantly influenced by depreciation and the forecast of capital renewal expenditures on assets.

Renewal expenditure is major work which does not increase the asset's design capacity but restores, rehabilitates, replaces or renews an existing asset to its original service potential. Work over and above restoring an asset to original service potential is regarded as upgrade/expansion or new works expenditure.

At Hawkesbury City Council assets are funded at 76% of the life cycle cost. Even though currently 6% of the infrastructure is in a poor to very poor condition and there is 61% of the life remaining in the asset stock it is fair to say maintaining present funding levels will result in asset stocks deteriorating and the overall stock shifting towards poor to very poor over the next 10 years. The replacement of existing assets when they are due may not be achievable which will require risks to be managed and controlled appropriately.

Funding shortfalls for the various asset categories based on the projected expenditure required to provide the appropriate levels of service (ensuring asset integrity) in the AMPs compared with the planned expenditure currently included in the LTFP are summarised in the information below:

- Buildings = $1.456M on average per year
- Parks and Recreation = $0.677M on average per year
- Roads and Associated Infrastucture = $4.420M on average per year
- Stormwater Drainage = $0.011M (based on sample condition only)
- Wastewater (Sewerage) = $0.337M on average per year
- Total Shortfall = $6.901M on average per year.

3.3 The Asset Management Team and Structure

A 'whole of organisation' approach to asset management should be developed with a corporate asset management team. The benefits of a corporate asset management team include:

- demonstrate corporate support for sustainable asset management,
- encourage corporate buy-in and responsibility,
- coordinate strategic planning, information technology and asset management activities,
- promote uniform asset management practices across the organisation,
- information sharing across IT platforms,
- pooling of corporate expertise

- championing of asset management process,
- wider accountability for achieving and reviewing sustainable asset management practices.

The role of the asset management team will evolve as the organisation matures over time with consideration of three phases.

Phase 1

- strategy development and implementation of the asset management improvement program,

Phase 2

- asset management plan development and implementation,
- reviews of data accuracy, levels of service and systems plan development,

Phase 3

- asset management plan operation
- evaluation and monitoring of asset management plan outputs
- ongoing asset management plans review and continuous improvement.

Council's asset management team is chaired by the General Manager and comprises Directors and technical officer(s).

The role of the team includes formulating an appropriate program of:

- Asset management governance,
- Service level monitoring and reporting
- Risk management reporting
- Statutory compliance to achieve target outcomes under the asset management improvement program (AMIP) identified in the asset management strategy
- Reviewing processes and providing direction on the development and implementation of an asset knowledge management strategy to ensure optimum benefit / cost / risk for technology systems, information management, business processes and reporting.
- Developing, implementing and monitoring key performance indicators that link the Resourcing Strategy to the Community Strategic Plan (CSP)
- Developing appropriate policies to ensure effective Asset Management across the organisation that demonstrate value for money whilst controlling risk and consequences.
- Informing Council of progress; and
- Recommending organisational change as required.

3.4 Financial and Asset Management Core Competencies

The combined National Frameworks on Financial and Asset Planning, Management and Reporting define core competencies for each of the eleven elements. The eleven elements are categorised by the respective framework as follows:

Financial Planning and Reporting

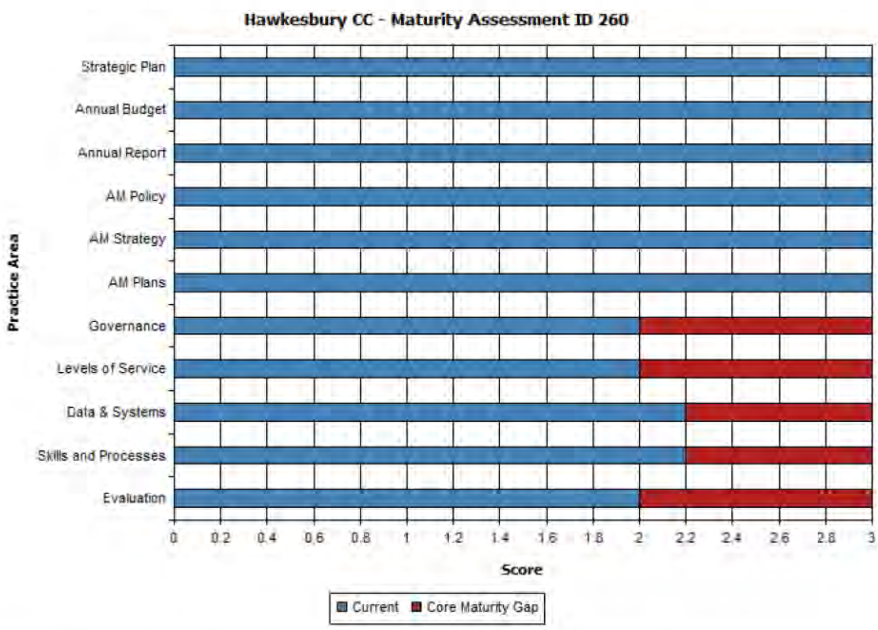
1. Strategic Longer Term Plan
2. Annual Budget
3. Annual report

Asset Planning and Management

4. Asset Management Policy
5. Asset Management Strategy
6. Asset Management Plan
7. Governance and Management
8. Levels of Service
9. Data and Systems
10. Skills and processes
11. Evaluation

Council's current core competency for each of the eleven elements is detailed in the 2017 Asset Management Maturity Audit and summarised in Figure 7 below. Current maturity or core competency is shown by the blue bars. The maturity gap to be overcome for Council to achieve a core financial and asset management competency is shown by the red bars.

Figure 7: Core Asset Management Maturity – August 2017



An improvement plan is now in place for the areas of practice requiring core competency combined ensuring ongoing management of existing core competencies is maintained.

3.5 Strategy Outlook

The general strategy outlook is that assets can be sustained at current service levels in the short-term, and the asset register indicates several council infrastructure assets are well through their useful lives. Careful monitoring and planning will be critical if longer term service levels are to be maintained.

1. By increasing operating revenue and considering loan borrowings to fund capital works combined with realising future efficiency gains Council is well positioned to maintain an operating surplus position within and beyond the next ten years
2. Increased confidence of the long-term service level sustainability is required, and this strategy discusses the organisational asset management maturity improvements required to attain a high level of confidence in assessing the long-term position.
3. Council's current asset management maturity is expected to reach 'core' level maturity by the end of 2019/2020 and continued investment is needed particularly in asset planning, governance, level of service monitoring and reporting and data & systems to ensure information, lifecycle and service management is maintained at the appropriate levels.

4. WHERE DO WE WANT TO BE?

4.1 Council's Vision, Mission, Goals and Objectives

Council has adopted a Vision for the future in the Community Strategic Plan.

'We see the Hawkesbury as a vibrant and collaborative community living in harmony with our history and environment, whilst valuing our diversity, striving for innovation, a strong economy and retaining our lifestyle and identity.'

Council's purpose or reason for existence is set out in the adopted mission statement,

"Hawkesbury City Council leading and working with our community to create a healthy and resilient future."

The Community Strategic Plan sets goals and objectives to be achieved in the planning period. The goals set out where the organisation wants to be. The objectives are the steps needed to get there. Goals and objectives relating to the delivery of services from infrastructure are shown in Table 7.

Table 7: Goals and Objectives for Infrastructure Services

Goals	Objectives
1.3 **Build strong financial sustainability for now and future generations**	In all of Council's strategies, plans and decision making there will be a strong focus on financial sustainability.
	Meet the needs of the community now and into the future by managing Council's assets with a long-term focus.
	Decisions relating to determining priorities will be made in the long-term interests of the community.
4.1 **Creating an integrated and well maintained transport system is an important local priority**	Our roads and other transport infrastructure will be planned and provided to ensure connected, efficient and safe movement for all modes of transport.
	Have a comprehensive transport system of well-maintained local and regional linkages that are financially and environmentally sustainable and respond to community safety, priorities and expectations.
	Provide mobility links throughout the City to connect our centres, parks and facilities

Goals	Objectives
4.2 Facilitate the delivery of infrastructure through relevant agencies and Council's own works	Our community's current and future utility infrastructure needs (water, sewer, waste, stormwater, gas, electricity and telecommunications) are identified and delivered.
	New development and infrastructure provision is aligned and meets community needs
4.3 Provide the right places and spaces to serve our community	Provide a variety of quality passive recreation spaces including river foreshores, parks, bushland reserves and civic spaces to enhance our community's health and lifestyle
	Provide a variety of quality active recreation spaces including playgrounds, sporting fields, pool, stadium and multipurpose centres to enhance our community's health and lifestyle.
	Provide a variety of quality shared spaces including meeting spaces accommodating public art, cultural and environmental amenity to enhance our community's health and lifestyle.
	Manage commercial spaces available for business and investment across the Hawkesbury's local centres.
	Provision by Council of the administrative and civic spaces on behalf of the community including the Council's Administrative Buildings, Local Libraries, Gallery, Museum and heritage buildings.
5.1 Encourage informed planning, balanced growth and community engagement	Council's Planning is integrated and long term.
	Council's decision making on all matters is transparent, accessible and accountable.
	Council will continually review its service provision to ensure best possible outcomes for the community.
	Encourage increased community participation in planning and policy development.
	The needs of our community will be reflected in Local, State and Regional Plans.
5.3 Respond proactively to planning and the development of the right local infrastructure	Growth and change in the Hawkesbury will be identified, planned for and valued by the community.
	The diverse housing needs of our community will be met through research, active partnerships and planned development.
5.8 Increase the range of local industry opportunities and provide effective support to continued growth	Plan for a range of industries that build on the strengths of the Hawkesbury to stimulate investment and employment in the region.

Council's Asset Management Policy defines the council's vision and service delivery objectives for asset management in accordance with legislative requirements, community needs and affordability.

Goals	Objectives
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Council's Asset Management Policy defines the council's vision and service delivery objectives for asset management in accordance with legislative requirements, community needs and affordability.

4.2 Asset Management Policy

Council's Asset Management Policy defines the council's vision and service delivery objectives for asset management in accordance with the Strategic Plan and applicable legislation.

The asset management strategy is developed to support the asset management policy and is to enable council to show:

- how its asset portfolio will meet the affordable service delivery needs of the community into the future,
- enable Council's asset management policies to be achieved, and
- ensure the integration of Council's asset management with its long term strategic plans.

4.3 Asset Management Vision

To ensure the long-term financial sustainability of Council, it is essential to balance the community's expectations for services with their ability to pay for the infrastructure assets used to provide the services. Maintenance of service levels for infrastructure services requires appropriate investment over the whole of the asset life cycle. To assist in achieving this balance, Council aspires to:

Develop and maintain asset management governance, skills, process, systems and data to provide the level of service the community need at present and in the futures, in the most cost-effective and fit for purpose manner.

In line with the vision, the objectives of the asset management strategy are to:

- ensure that the Council's infrastructure services are provided in an economically optimal way, with the appropriate level of service to residents, visitors and the environment determined by reference to Council's financial sustainability,
- safeguard Council's assets including physical assets and employees by implementing appropriate asset management strategies and appropriate financial resources for those assets,
- adopt the long term financial plan as the basis for all service and budget funding decisions,
- meet legislative requirements for all Council's operations,
- ensure resources and operational capabilities are identified and responsibility for asset management is allocated,
- provide high level oversight of financial and asset management responsibilities through Audit Committee/GM reporting to council on development and implementation of Asset Management Strategy, Asset Management Plan and Long Term Financial Plan.

Strategies to achieve this position are outlined in Section 5.

5. HOW WILL WE GET THERE?

The Asset Management Strategy proposes strategies to enable the objectives of the Community Strategic Plan, Asset Management Policy and Vision to be achieved. The following table is an outline of the asset management strategies a Council should achieve. Council has already achieved a number of these Strategies to date, which include numbers 1, 3, 4, 6 and 5 in part.

Table 8: Asset Management Strategies

No	Strategy	Desired Outcome
1	Move from Annual Budgeting to Long Term Financial Planning	The long-term implications of Council services are considered in annual budget deliberations.
2	Develop and annually review Asset Management Plans covering at least 10 years for all major asset classes (>80% of asset value).	Identification of services needed by the community and required funding to optimise 'whole of life' costs.
3	Develop a Long Term Financial Plan covering 10-years incorporating asset management plan expenditure projections with a sustainable funding position outcome.	Sustainable funding model to provide Council services.
4	Incorporate Year 1 of Long Term Financial Plan revenue and expenditure projections into annual budgets.	Long term financial planning drives budget deliberations.
5	Review and update asset management plans and long term financial plans after adoption of annual budgets. Communicate any consequence of funding decisions on service levels and service risks.	Council and the community are aware of changes to service levels and costs arising from budget decisions.
6	Report Council's financial position at Fair Value in accordance with Australian Accounting Standards, financial sustainability and performance against strategic objectives in Annual Reports.	Financial sustainability information is available for Council and the community.
7	Ensure Council's decisions are made from accurate and current information in asset registers, on service level performance and costs and 'whole of life' costs.	Improved decision making and greater value for money.
8	Report on Council's resources and operational capability to deliver the services needed by the community in the Annual Report.	Services delivery is matched to available resources and operational capabilities.
9	Ensure responsibilities for asset management are identified and incorporated into staff position descriptions.	Responsibility for asset management is defined.
10	Implement an Improvement Plan to realise 'core' maturity for the financial and asset management competencies within 2 years.	Improved financial and asset management capacity within Council.
11	Report six monthly to Council by Audit Committee/GM on development and implementation of Asset Management Strategy, AM Plans and Long Term Financial Plans.	Oversight of resource allocation and performance.

6. ASSET MANAGEMENT IMPROVEMENT PLAN

The priority tasks required to achieve 'core' financial and asset management maturity have been drawn from the 2017 Asset Management Maturity Audit summarised in Appendix A. The priority short term tasks listed by Practice Area are shown in Table 9 below and should be achieved within the next 12 months with little to no impact on operational resources whilst the medium and long term tasks to enhance future capability can be found in the Maturity Audit Report.

The overall improvement plan is the sum of Table 9 below, along with the improvements in the asset management plans (AMPs). These are listed in each AM Plan. There will also be improvements listed in risk management plans as these continue to develop.

Table 9: Asset Management Improvement Plan

Practice Area	Task	Responsibility	Target Date	Resources
Governance and Management	Implement an Asset Management Steering Committee, with cross functional representation and clearly defined and documented terms of reference, focused on coordinating the linkages between service delivery and asset management requirements. Improve and monitor state of the assets reporting included as part of the annual report. Implement a continuous improvement strategy to assess and report on the performance of controlled assets.	Corporate (Technical & Financial)	Jun 2018 Jun 2018 Jun 2018	Staff time & operational budget
Data & Systems	Assess the Remaining Life of assets on a priority basis and align with up to date performance data and knowledge. Prepare and implement a consistent condition rating assessment process in line with the IIMM. Review and update data for the year of acquisition or date of last renewal and replacement cost in the asset register. Ensure asset inventory, valuation and performance data is kept up to date.	Corporate (Technical & Financial)	Jun 2018 Jun 2018 Jun 2018 Ongoing	Staff time & operational budget

Practice Area	Task	Responsibility	Target Date	Resources
Levels of Service	Continue consultation with the community to ensure desired customer/community and technical levels of service are kept current and report on the sustainable service delivery model. Continue and review state of the assets reporting throughout all strategic planning and reporting documents that show service level trends and targets. Ensure service levels show what is achievable with available funding in the LTFP and be included in the CSP update.	Corporate (Technical & Financial)	Ongoing Ongoing Ongoing	Staff time & operational budget
Skills & Processes	Assess the skills and knowledge required to perform asset data management activities, conduct financial reporting valuations and maintain and review Asset Management Plans. Develop and adopt an asset management responsibility matrix. Identify staff training needs and training scheduled.	Corporate (Technical & Financial)	Jun 2018 Jun 2018 Jun 2018	Staff time & operational budget
Evaluation	Implement a knowledge management strategy via an Asset Management Governance Group ensuring data, information and knowledge updates are reported on an annual basis via the State of the Assets Report. Monitor and report community and technical levels of service performance.	Corporate (Technical & Financial)	Jun 2018 Jun 2018	Staff time & operational budget

Appendix A Asset Management Maturity Assessment

The result of an assessment carried out during August 2017 by a cross functional panel recommends the adoption and implementation of delegated improvement tasks in the Asset Management Improvement Program.

The assessment found that Council is well placed to satisfy the qualifications for core maturity and is making good progress however improvements are required in the following practice areas:

- Governance;
- Data & Systems;
- Levels of Service monitoring and reporting;
- Skills and Processes; and
- Evaluation.

Next Steps

It is recommended that as part of the consideration of this report, Council's Asset Management Steering Committee (or equivalent) review and adopt the Asset Management Improvement Plan.

The key improvement task is the development (and ongoing maintenance) of Asset Management Plans (AM Plans) and Service Levels for key asset categories demonstrating alignment with the long-term financial plan (LTFP) and communicate risk consequences for aspirational and affordable service levels.

In addition, review, update and report on an annual basis the effectiveness of the following to the Executive Management Team via the State of the Assets Report:

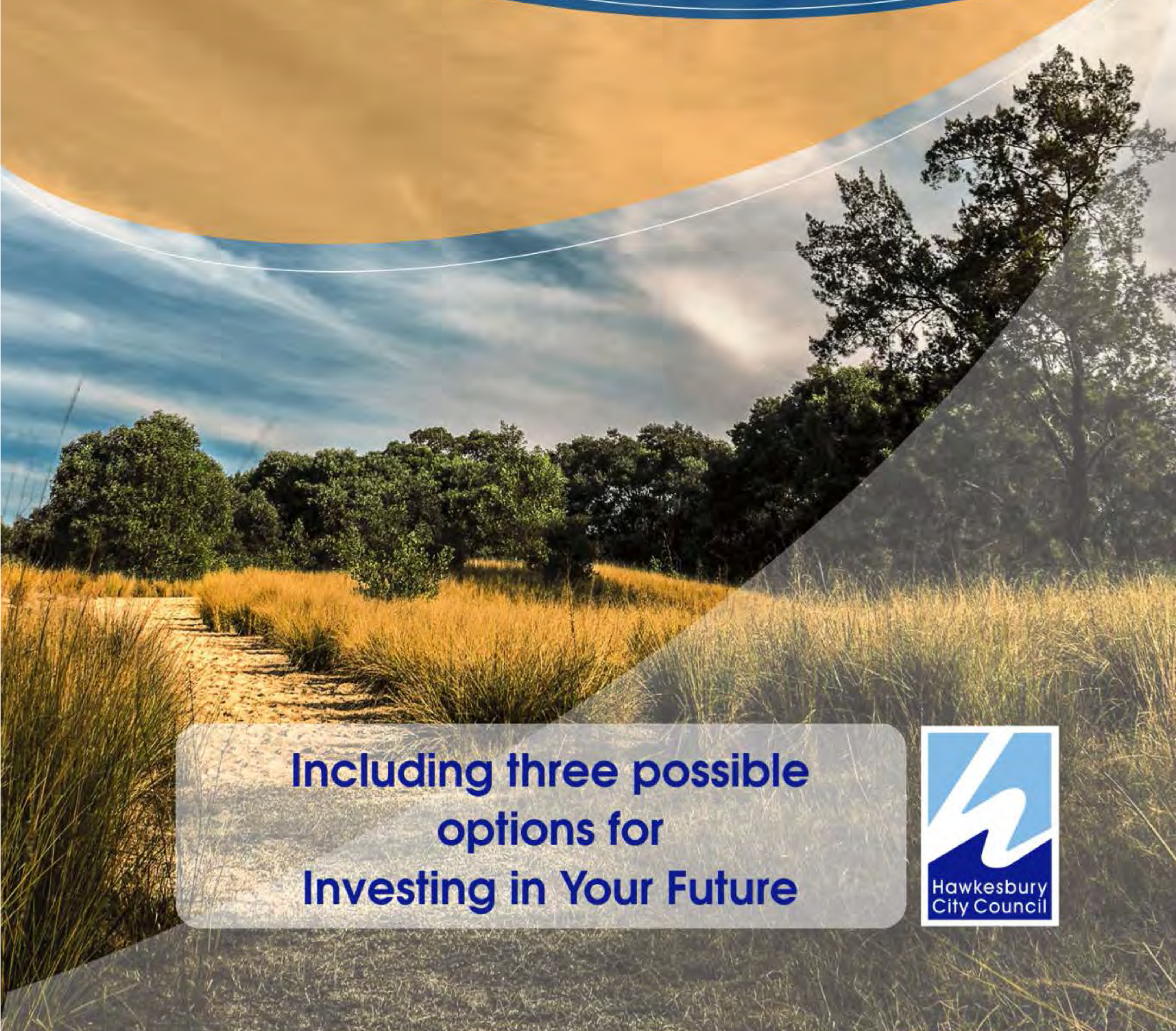
1. Asset Management Improvement Plan
2. Service level trends
3. High to Very High infrastructure risks (via the Risk Management process).

HAWKESBURY CITY COUNCIL

DRAFT SUPPLEMENTARY DELIVERY PROGRAM

2017-2021

The Hawkesbury 2036...It's Our Future



Including three possible options for Investing in Your Future

Hawkesbury City Council

HAWKESBURY CITY COUNCIL

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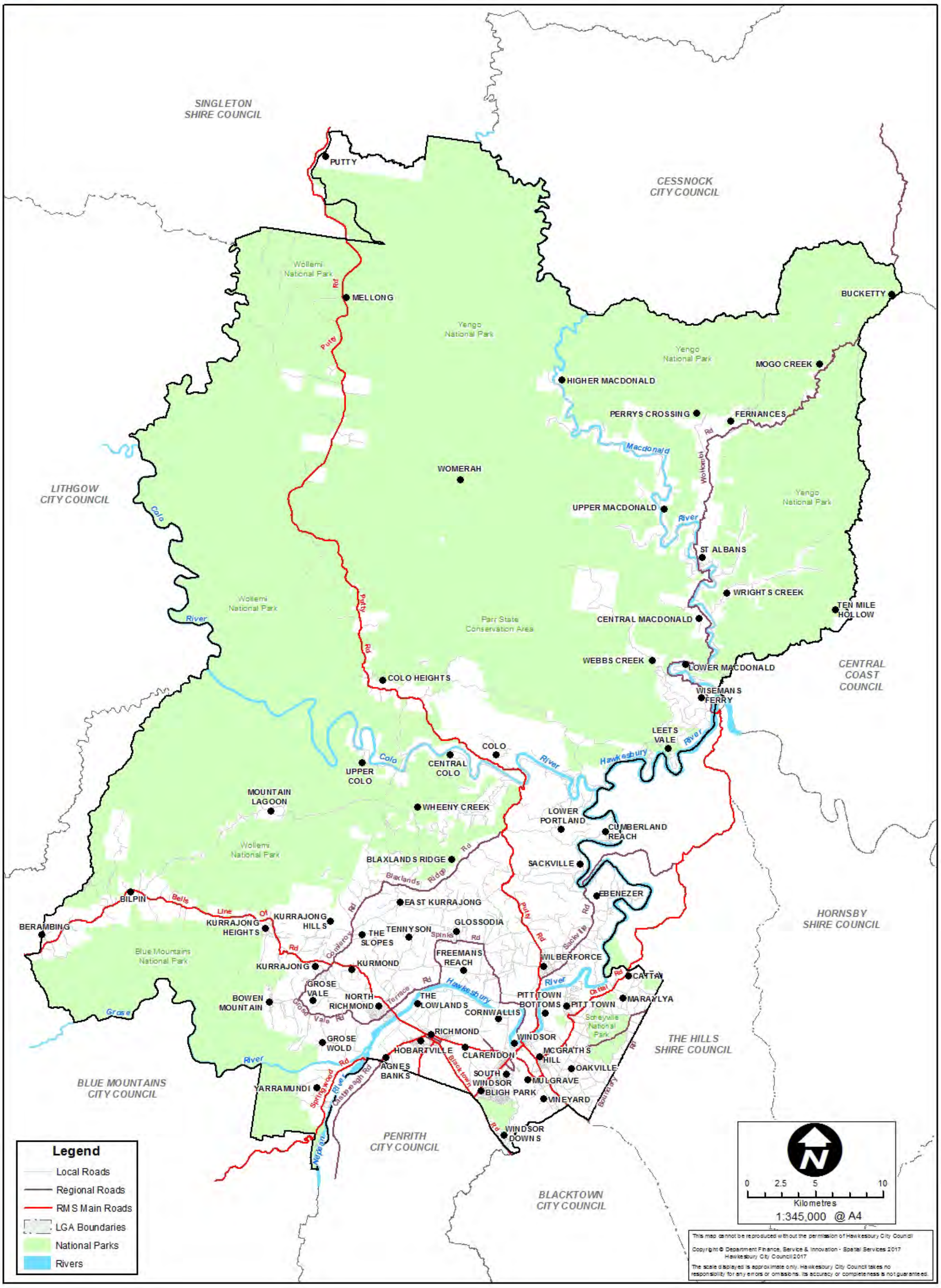

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6 Supplementary Delivery Program 2017-2027

6.1 About this Supplementary Delivery Program

This Draft Supplementary Delivery Program 2017-2021 has been prepared as an addendum to the Delivery Program 2017-2021 adopted by Council in June 2017. It highlights how the three different 'Investing in Your Future' resourcing options will impact on Council's capacity to execute the activities within the Delivery Program adopted by Council in June 2017.

The Draft Supplementary Delivery Program is a companion document to the Draft Supplementary Resourcing Strategy 2017-2027 which highlights the outcomes of Council's ongoing conversation with residents about the future of the Hawkesbury.

The Supplementary Resourcing Strategy advises residents of the outcomes of those consultations and provide details on the impact of the three investment options on long-term service provision and Councils capacity to maintain, renew and upgrade community assets.

The Supplementary Resourcing Strategy 2017-2027 also sets out the available resources to support the implementation of the Hawkesbury Community Strategic Plan under each of the three 'Investing in Your Future' resourcing options. This Supplementary Delivery Program outlines how these resources will be deployed over the coming four years.

The Supplementary Resourcing Strategy 2017-2027 and Supplementary Delivery Program 2017-2021 will be finalised following their public exhibition and Council's consideration of community submissions. Council will then determine its final position on which of the three 'Investing in Your Future' resourcing options to proceed with.

6.2 What is a Delivery Program?

A Delivery Program is the point where the community's strategic goals expressed in the Community Strategic Plan are translated into actions. The Delivery Program details the principal activities to be undertaken by Council over the next four years to implement the strategies within the Community Strategic Plan.

Council's plans, projects, activities and resource allocation decisions must be linked to the Delivery Program. The Delivery Program is where Council takes ownership of the Community Strategic Plan objectives established by the community, and sets out how Council will organise its financial, human and assets to progressively deliver on these objectives over the next four years.

As a community, residents have told us that they want Council to:

- strengthen communication and engagement with the community
- secure financial sustainability
- support volunteerism and advocate for public transport and health services
- improve the health of waterways and minimise the ecological impact of development
- promote recycling and resource reuse and reduce illegal dumping
- upgrade roads, bridges, town centres, drainage, public toilets, parks and buildings
- advocate strongly to other levels of government for improved infrastructure
- plan for more sustainable and balanced development
- build on the Hawkesbury's heritage to promote tourism, and
- collaborate to increase local employment, affordable housing and community safety.

6.3 What are the Key Activity Areas in the Delivery Program?

To drill down into the broad, long term objectives within the Community Strategic Plan, Council undertakes a Community Survey every two years to canvass resident attitudes and opinions about the services and facilities provided by Council.

The information in these surveys provides vital feedback about how Council is meeting the expectations of the local community and to monitor its performance. In 2016, Council also carried out extensive consultation with the community to establish the levels of service that residents expect Council to provide. The key results from the Community Survey and Levels of Service consultation are summarised in Figure 33, below.

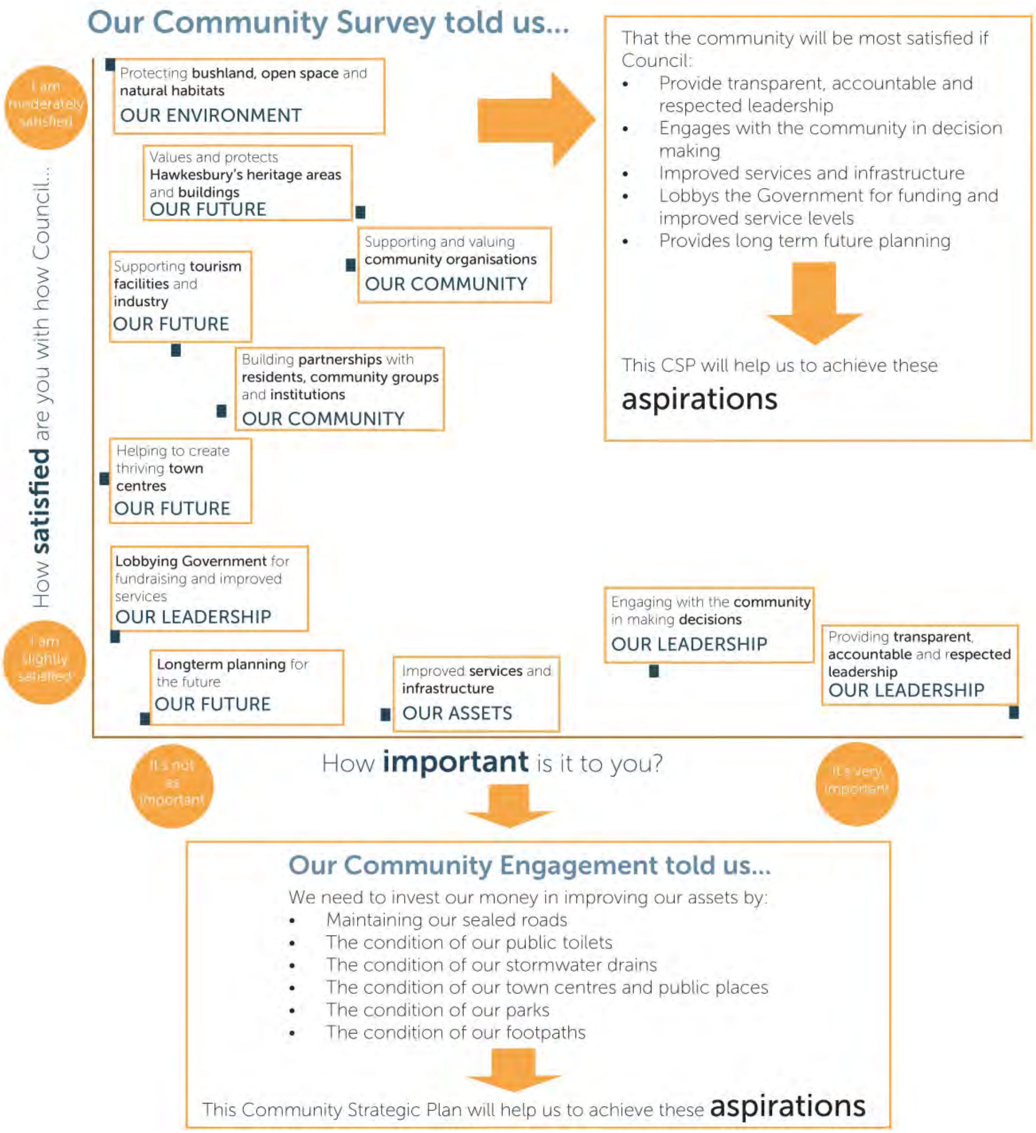

Figure 33: Key results from Community Survey and Levels of Service consultation

Supplementary
Delivery Program 2017-2021

In response to the priority issues in the Hawkesbury Community Strategic Plan and the outcomes of consultations, Council's Delivery Program 2017-2021 has placed particular focus on the following key activity areas:

- Town Centres Revitalisation
- community building
- financial sustainability
- connecting with the community
- building strong and collaborative relationships
- protection of our unique environment
- establishing identity
- moving towards becoming a carbon neutral local government area
- reducing our ecological footprint
- improving transport connections
- planning for and delivering better places and spaces
- placemaking
- recognition of heritage and actions to reflect that recognition.

This Draft Supplementary Delivery Program 2017-2021 outlines in broad terms the resources available under each of the three 'Investing in Your Future' resourcing options to deliver on these key activity areas across the five focus areas within the Hawkesbury Community Strategic Plan 2017-2036.

Figure 34: Hawkesbury CSP Focus Areas

Detailed information on the Delivery Program Activities and Measures can be sourced from the Delivery Program 2017-2021, which is available on Council's website at:

http://www.hawkesbury.nsw.gov.au/__data/assets/pdf_file/0009/95652/Delivery-Program-2017-2021-ADOPTED-Extraordinary-Meeting-13-June-2017.pdf

6.4 Impact of three investment options on Delivery Program 2017-2021

Table 1 plots the relative impact of the three investment options over the four financial years 2017/2018 to 2020/2021. This time frame coincides with the life of Delivery Program as well as the time frame by which Council is required to achieve the Fit For The Future sustainability benchmarks.

Table 18: Financial Performance against Fit For The Future Benchmarks 2017-2021

Option and Impact	2017/2018	2018/2019	2019/2020	2020/2021	Cumulative Total
Option One – Fit For The Future Not Achieved					
Cost Saving Initiatives	$0.6M	$1.1M	$1.2M	$1.4M	$4.3M
Income Generation Initiatives	$3.5M	$6.4M	$6.3M	$7.9M	$24.1M
Special Rates Income	$0	$0	$0	$0	$0
Asset Maintenance	$12.1M	$12.4M	$12.7M	$13.4M	$50.6M
Asset Renewal	$9.7M	$13.6M	$13.2M	$14.6M	$51.1M
New Assets	$3.1M	$1.0M	$3.7M	$0.7M	$8.5M
Shortfall in Operating Performance	-$4.3M	-$5.1M	-$4.0M	-$3.8M	-$17.2M
Shortfall in Asset Renewal	-$3.7M	$0.3	-$0.3M	$1.2M	-$2.5M
Projected Infrastructure Backlog	$10.0M	$8.9M	$8.2M	$9.0M	$9.0M
Option Two – Fit For The Future Achieved					
Cost Saving Initiatives	$0.6M	$1.1M	$1.2M	$1.4M	$4.3M
Income Generation Initiatives	$3.5M	$6.4M	$6.3M	$7.9M	$24.1M
Special Rates Income	$0	$2.2M	$4.6M	$4.7M	$11.5M
Asset Maintenance	$12.1M	$12.8M	$13.1M	$13.9M	$51.9M
Asset Renewal	$9.7M	$13.4M	$15.3M	$16.7M	$55.1M
New Assets	$3.1M	$2.1M	$6.4M	$3.7M	$15.3M
Shortfall in Operating Performance	-$4.3M	-$3.5M	-$0	$0	-$7.8M
Shortfall in Asset Renewal	-$3.7M	$0	$1.8M	$3.1M	$1.2M
Projected Infrastructure Backlog	$10.0M	$9.1M	$7.6M	$7.7M	$7.7M
Option Three – Fit For The Future and Community Strategic Plan Functions Achieved					
Cost Saving Initiatives	$0.6M	$1.1M	$1.2M	$1.4M	$4.3M
Income Generation Initiatives	$3.5M	$6.4M	$6.3M	$7.9M	$24.1M
Special Rates Income	$0	$2.2M	$4.6M	$7.3M	$14.1M
Asset Maintenance	$12.1M	$12.6M	$13.0M	$14.5M	$52.2M
Asset Renewal	$9.7M	$13.0M	$16.8M	$17.0M	$56.5M
New Assets	$3.1M	$2.1M	$6.5M	$5.1M	$16.8M
Enhancement of Services in line with CSP	$0	$0.4M	$0.4M	$1.0M	$1.8M
Shortfall in Operating Performance	-$4.3M	-$3.9M	-$0.5M	$1.0	$7.7M
Shortfall in Asset Renewal	-$3.7M	-$0.4M	$3.3M	$3.4M	$2.6M
Projected Infrastructure Backlog	$10.0M	$9.1M	$7.4M	$7.6M	$7.6M

Table 18 quantifies the value of the expenditure and revenue measures within Council's Fit For the Future Improvement Plan over the next four years, including the additional rating income above the rate peg amount that the proposed special rate increases will generate under Options 2 and 3 to supplement the other measures in the Fit For the Future Improvement Plan. The table also quantifies the annual operating shortfall (the cost of funding day-to-day service provision and asset maintenance) under each Option.

Increased investment in asset maintenance, asset renewal, new infrastructure and enhanced community programs is constrained by the available funding in each option. The increased funding through the Special Rates Variation does not occur until year 2 of the 4 year Delivery Program timeframe, which limits the amount of works and programs that can be delivered within this timeframe. The main difference between Options 2 and 3 is the increased funding achieved through the Special Rates Variation that occurs in the final year of the Delivery Program, this timing of funds also limits the additional works and programs that can be delivered between these two options. The impact of the Special Rates Variation and associated loan borrowing program is more evident over the 10 year Long Term Financial Plan timeframe, which can be seen within the Supplementary Resourcing Strategy.

Table 18 also plots the relative impact of the three investment options on community assets and quantifies asset related annual expenditures (asset maintenance, asset renewal, and construction of new assets).

Table 18 shows that under Options 2 and 3 the current operating shortfall will be will progressively reduced to achieve a balanced operating result by 2021. This is the required time frame to meet the Fit For The Future operating result benchmark.

Under Option 1, Council will continue to generate operating shortfalls (which means that it will not have the revenue to meet the day-to-day cost of providing services and maintaining assets). The average annual shortfall under Option 1 is projected to be is $4.3M, a cumulative total of $17.2M over four years.

To fund this shortfall, Council would be required to identify additional service level reductions in the order of $4.3M a year commencing in 2018/2019 which will impact on the provision of community, cultural, civic, recreational and other 'discretionary' services if Council is to maintain core services (those services which it is required to provide by legislation) and critical infrastructure.

Table 18 also shows that under all Options Council will achieve the asset related Fit For The Future benchmarks by the required time frame of 2020/2021. Under Option 1 however, this performance will not be sustained going forward so that in the following financial year 2021/2022, performance against the benchmarks deteriorates and progressively worsens.

This under-investment is asset renewal means that under Option1 from 2023/2024 onwards the infrastructure backlog will grow to the point where it exceeds the Fit For The Future benchmark.

6.5 Resourcing Community Investment Priorities

The service level consultations undertaken by Council in July 2016 clearly indicated that residents did not want service levels to be reduced with a substantial majority favouring increased investment in services and facilities. The recently completed *Investing in Your Future* consultations confirmed that the majority of residents are willing to pay additional rates to fund this increased investment.

In considering its preferred investment option, Council noted that Option 1 (the rate peg option) would require a substantial round of additional service level reductions in addition to the cost containment and efficiency savings already built into Council's Fit for the Future Plan. In contrast, the two special rate options did not call for a reduction in service levels and provided the additional revenue required to increase investment in services and facilities.

While Option 2 provides the minimum additional revenue required to stabilise the condition of assets over the medium term, Option 3 provides for a longer-term and ongoing revenue solution which would enable Council to respond in a meaningful way to the objectives of the Community Strategic Plan 2017-2036, and current and future Delivery Program objectives consistent with the community investment priorities identified by residents. For these reasons Council identified Option 3 as its preferred investment option.

6.6 Where the special rate increase income will be spent over the next four years

Council has distributed information to residents outlining where the additional revenue from a proposed special rate variation, would be invested. In broad terms the additional revenue raised under the special rate options will be targeted towards expenditure which:

- reverses the decline in the condition of the City's $1 billion worth of community assets
- addresses the infrastructure backlog
- improves financial sustainability
- maintains existing services and improves service levels for key assets
- delivers on the community priorities (key activity areas) within the Delivery Program.

Council's ongoing conversation with residents together with the outcomes of Community Surveys, has identified the following community investment priorities which have shaped the investment program outlined in this Supplementary Delivery Program:

- improving the condition of the sealed road network, particularly in rural areas
- the sealing of gravel roads
- improving the look of town centres, villages and public spaces
- extending and improving the shared pathway network
- activating and rehabilitating river foreshores and waterways
- upgrading community buildings
- enhancing community programs (volunteers, community events, heritage).

Table 19 summarises the Delivery Program expenditure priorities and funding allocation towards the asset related priorities under the proposed rate increase Options 2 and 3.

Table 19: Proposed additional asset investment, community priorities Options 2 and 3 2018 to 2021

Community Strategic Plan	Investment Priorities	- Works and Facilities	Option 1	Option 2	Option 3
Our Assets	Upgrading Roads, Bridges, Drainage, Parks and Buildings	Rehabilitating Sealed Roads	$0	$9,300,000	$9,700,000
		Sealing Gravel Roads	$0	$6,600,000	$6,100,000
		Road Maintenance	$0	$1,400,000	$1,400,000
		Pathways	$0	$0	$300,000
		Recreation and Sport Facilities	$0	$0	$500,000
		Community and Cultural Facilities	$0	$900,000	$1,100,000
		Emergency Services	$0	$200,000	$200,000
		Park Maintenance	$0	$0	$600,000
	Revitalising Our Town Centres And Villages	Town Centre Revitalisation	$0	$200,000	$1,100,000
	Improving The Health Of Our Waterways	Waterways and Foreshores	$0	$200,000	$1,100,000
		Total Works and Facilities	**$0**	**$18,800,000**	**$22,100,000**

6.7 Resourcing of Community Programs

As highlighted in Section 6.3 Council regularly surveys residents about their satisfaction with Council and the services and facilities that council and other levels of government provide. Table 20 summarises the outcomes of the five surveys that have been conducted since 2007. It aggregates the data from the surveys to identify and rank those services, facilities and activities where Council has been consistently unable to meet community expectations.

Table 20: Summary of services, facilities and activities identified by residents as requiring increased investment to improve service levels and community satisfaction

Rank	Service, Facility or Activity
1	Road maintenance
2	Long term planning for the future
3	Improving services and infrastructure
4	Providing transparent and respected leadership
5	Engaging the community in making decisions
6	Lobbying government for funding and services
7	Public toilets
8	Healthy Hawkesbury River and waterways
9	Helping to create thriving town centres
10	Stormwater management and reuse
11	Promoting local employment

Rank	Service, Facility or Activity
12	Building partnerships with community
13	Supporting business development
14	Footpaths and cycleways
15	Supporting rural based activities
16	Supporting tourism facilities and industry
17	Car parks
18	Crime prevention
19	Supporting training and career opportunities
20	Supporting community organisations
21	Valuing and protecting heritage
22	Parks, playgrounds and reserves

Table 20 highlights those services, facilities and activities (out of a total list of 44 Council services, facilities and activities) where the current level of service as assessed by residents has not been satisfactory and where Council will need to increase its investment to improve service levels to better meet community expectations.

The services, facilities and activities numbered in red are primarily about community assets and they mirror the priorities identified by residents outlined above in Section 6.6. The remaining entries relate to activities where the investment required is not primarily about building and maintaining assets but providing additional human and financial resources to promote and advocate for the Hawkesbury or to support the community and volunteer groups to look after the Hawkesbury's heritage, waterways, its future and its residents.

Council has commenced taking steps to reconfigure existing staffing and financial resources to deliver on these priorities, including the allocation of some additional resources in the 2017/18 budget. These additional resources, which were funded through the reallocation of existing budgets and through efficiency savings and cost reductions across Council, included:

- Digital Media and Community Engagement ($128K)
- Additional resources to augment land use planning functions ($128K)
- Additional resources to augment local compliance functions ($50K)
- Strategic Asset Management Resources ($50K)
- Traffic Studies ($100k)
- Heritage Conservation Studies ($95K).

Council has also re-aligned existing staffing resources to strengthen its place-making capability
As outlined in the Workforce Management Plan within the Supplementary Resourcing Strategy 2017-2021, the three different investment options will have the workforce implications over the next four years and under Options 2 and 3 may require additional workforce investment to resource Delivery Program activities.

Option 1: Reduce

Under Option 1, Council is projected to generate an average annual operating and asset renewal shortfall of $4.3M.

To fund this shortfall Council will be required to reduce service levels across its 'discretionary' services. These are services which Council is not mandated by legislation to provide, or do not involve the management of critical assets.

These services mainly fall within the community, cultural, civic and recreational service portfolio areas and are provided due to historical precedents, or to meet a community service obligation, or more generally to respond to community need or gaps in service coverage by other levels of government.

Option 2: Stabilise

Under Option 2 Council would be required to implement an expanded $18.8M works program commencing in 2018/2019.

Most of this expenditure is targeted at new capital works (gravel road sealing and sealed road rehabilitation). To coordinate and deliver these works Council will be required to invest in additional project management resources for its roadworks program.

Option 2 does not provide additional revenue for new programs or services.

Option 3: Improve

Under Option 3 Council would be required to implement an expanded $22.1M works program commencing in 2018/2019.

As with Option 2, the major proportion of this expenditure is targeted at new capital works (gravel road sealing and sealed road rehabilitation). To co-ordinate and deliver these works Council will be required to invest in additional project management resources for its roadworks program.

Option 3 also includes additional expenditure on the renewal and upgrade of parks, public spaces and town centres. This may require Council to invest in additional project management resources for its parks program particularly when expenditure in these programs increase in later years.

Option 3 also includes additional revenue commencing in 2020/2021 for new programs and services targeting the priority community programs identified by residents.

The additional revenue generated under Option 3, will provide some capacity for Council to commence the implementation of these programs and services from 2018/2019. This can be achieved as a result of the known increases in available revenue in the future years, which can support the additional recurrent expenditure that these programs generate. Under Option 2, the future income stream is not sufficient to continue funding additional programs, due to the recurrent nature of this expenditure and subsequent impact on the Operating Performance Result.

Table 21 summarises the Delivery Program expenditure priorities and funding allocation towards the community program related priorities which can be funded under Option 3 from 2020/2021.

Table 21: Proposed additional community program investment, Options 3, 2018 to 2021

Community Strategic Plan	Investment Priorities - Programs and Services	Option 1	Option 2	Option 3
Our Leadership	• Strengthening engagement with residents • Advocating for improved infrastructure	$210,000	$215,000	$260,000
Our Community	• Increasing employment housing health and transport options • Supporting volunteerism	$15,000	$20,000	$157,000
Our Environment	• Minimising ecological impacts of development • Improve the health of our waterways	$50,000	$51,250	$52,500
Our Future	• Building on our areas heritage to promote tourism • Planning for sustainable and balanced development	$295,000	$298,000	$515,000
	Total Program and Services	**$570,000**	**$584,250**	**$984,500**