attachment 1

to

item 68

Draft Resourcing Strategy 2017-2027

date of meeting: 10 April 2017

location: council chambers

time: 6:30 p.m.

Hawkesbury City Council

HAWKESBURY CITY COUNCIL
RESOURCING STRATEGY
2017-2027

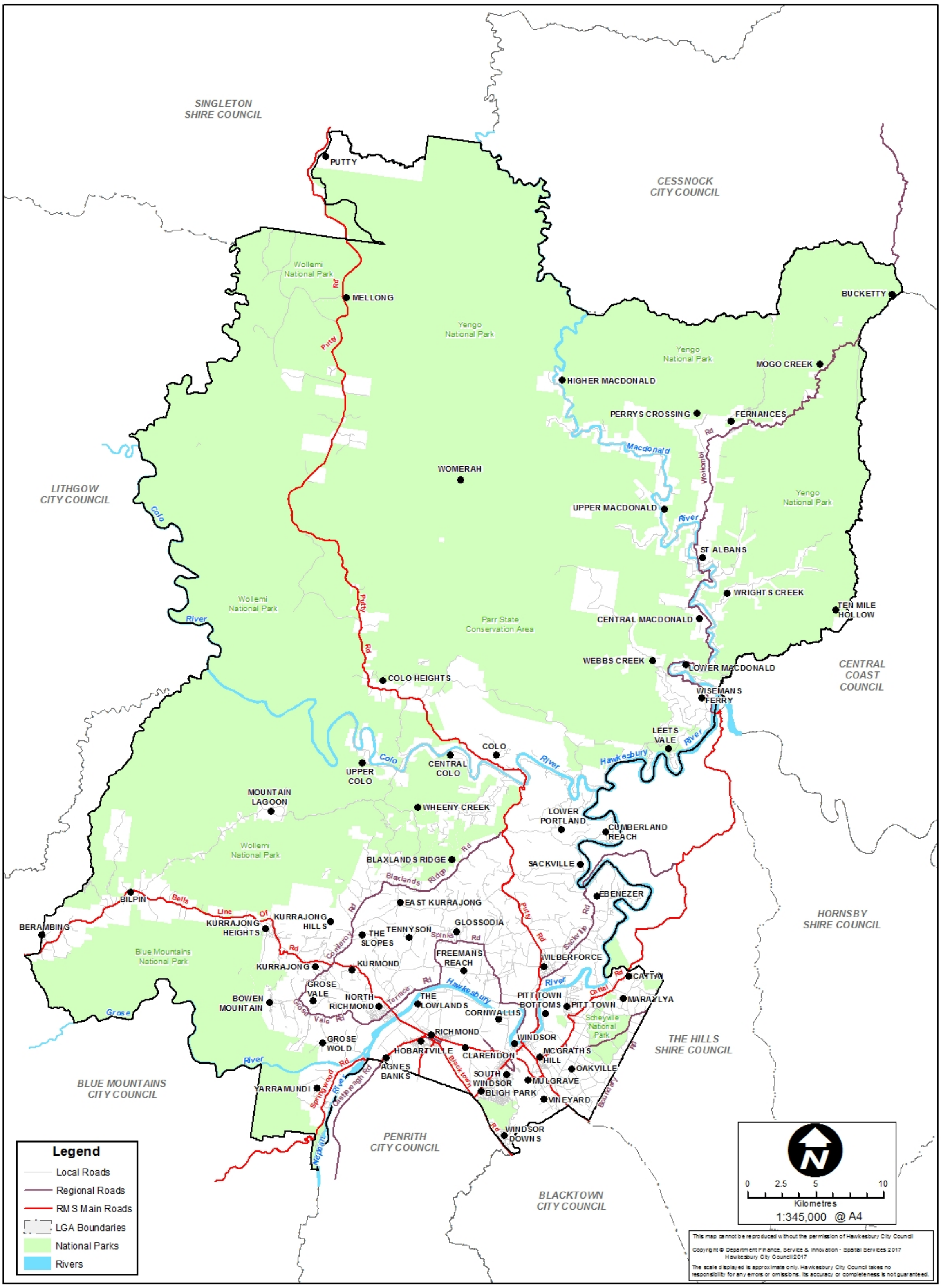
The Hawkesbury 2036...It's Our Future

DRAFT

Hawkesbury City Council

HAWKESBURY CITY COUNCIL

PO Box 146, Windsor NSW 2756
Website: www.hawkesbury.nsw.gov.au
Email: council@hawkesbury.nsw.gov.au
Hours: Monday to Friday 8.30am - 5pm
Phone: (02) 4560 4444



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Hawkesbury City Council

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

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About this Resourcing Strategy

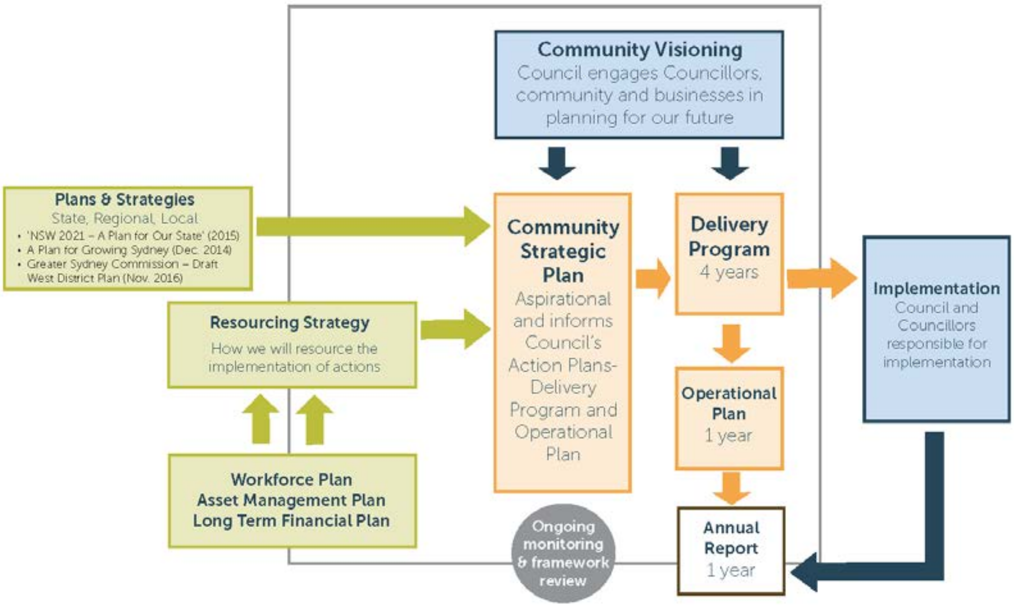
The Hawkesbury Community Strategic Plan 2017-2036 (CSP) provides a vehicle for expressing long-term community aspirations. However, these will not be achieved without sufficient resources (i.e. time, money, assets and people) to actually carry them out. The Resourcing Strategy is a critical link when it comes to translating objectives of the CSP into actions.

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

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

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

The Resourcing Strategy supporting the Delivery Plan is informed by the Asset Management Strategy (AMS), Workforce Management Plan (WMP) and Long Term Financial Plan (LTFP) which are intrinsically linked to the CSP. Below is a visual representation of this process.



Long Term Financial Planning

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

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

Workforce Management Planning

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

Asset Management Planning

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

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

HAWKESBURY CITY COUNCIL

LONG TERM FINANCIAL PLANNING

The Hawkesbury 2036...It's Our Future

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Introduction

The development of a Long Term Financial plan (LTFP) is a requirement under the Integrated Planning and Reporting Framework (IP&R) and forms part of the Resourcing Strategy, also including the Workforce Management Plan (WMP) and the Asset Management Plan (AMP).

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

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

The need to undertake a comprehensive review of NSW Local Government was acknowledged some years ago and a Local Government Review Panel was established in 2012, tasked with looking at ways to strengthen the effectiveness of Local Government in NSW.

The Panel issued its final report in October 2013, which included recommendations for each council area. The Fit for the Future Reform Package was subsequently announced in late 2014, which included requirements for councils to demonstrate that they will be Fit for the Future by 2019/2020, as assessed on a set criteria. This criteria, consisting of benchmarks focused on financial sustainability, asset management and efficient and effective service delivery, should underpin the development of a council's LTFP.

The LTFP is an important part of Council's strategic planning process. This is the point where long-term community aspirations and goals, outlined within the CSP, are tested against financial realities. The CSP is divided into five focus areas, which are supported with key directions and strategies to assist Council and the community to achieve its objectives.

1. **Our Leadership**
2. **Our Community**
3. **Our Environment**
4. **Our Assets**
5. **Our Future.**

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

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

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

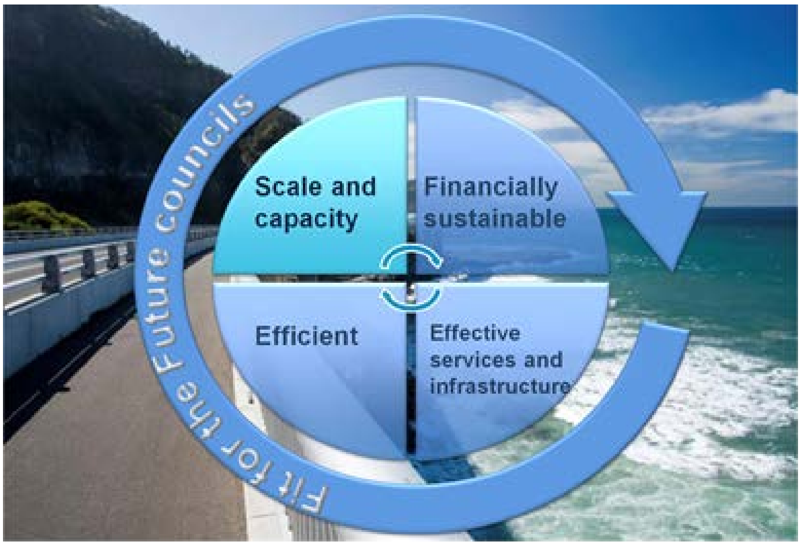
- background
- the current financial position of Council
- the financial sustainability outlook for Council
- an outline of financial objectives and strategies for financial sustainability
- the planning assumptions used to develop the Plan
- revenue and expenditure forecasts, including risk assessment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

Background

The Hawkesbury LGA is a peri-urban area on the north-western periphery of the Sydney Metropolitan Region. It covers an area of 2,776km^2 and is the largest local government area within Sydney. Its population of 66,134 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.

Fit For The Future Framework

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



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

These ratios are based on the following main principles.

Scale and Capacity

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

Sustainability

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

Effective Infrastructure and Service Management

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

Efficiency

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

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

Council's Fit For The Future Position

As part of the Fit for the Future Review, Council was required to make a submission to the Independent Pricing and Regulatory Tribunal (IPART). The submission made by Council highlighted that all FFTF Benchmarks were met by 2019/2020, excluding the Operating Performance Ratio (OPR), which was met in 2021/2022.

Rural Councils were given until 2024/2025 to meet the OPR, due to ten identified characteristics that inhibited earlier achievement of this benchmark. In its submission, Council identified that due to its peri-urban status, eight of the ten characteristics of a Rural Council were encountered, and thus further time should be given to meet the OPR.

IPART conducted an assessment on Council's submission and determined that while Council had Scale and Capacity, it was not financially sustainable and deemed that Council was not "Fit". IPART did recommend that Council should continue in its current form, with consideration of a long-term merge with The Hills Council.

A merger between Hawkesbury Council and part of The Hills Council was proposed by the NSW Government in December 2015. A delegate, Mr Gary West, was appointed to review this proposal, taking into consideration submissions by the Councils and communities involved. Based on the recommendations of Mr West, the NSW Government announced on 12 May 2016 that the merger would not proceed.

In line with directions from the Office of Local Government (OLG), Council revised its FFTF Submission, based on updated strategies and amended Benchmark requirements, and submitted a proposal, as adopted by Council, to the OLG on 15 November 2016.

To ensure Hawkesbury remains in its current form, is financial sustainable, appropriately manages its infrastructure and delivers the services its community expect, the LTFP identifies strategies to become FFTF by 2020/2021.

Challenges

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

Geography and Demography

Council is a peri-urban council on the north-western periphery of the Metropolitan Region and is the largest local government area within Sydney. It straddles the divide between urban metropolitan councils to its east and rural councils to its west. While the south east corner of the LGA is predominantly urban, the remainder of LGA forms a much larger rural hinterland. In comparison with adjoining metropolitan councils, Council has a relatively smaller, but growing, population of 66,134 persons spread over an area of 2,776km^2. As a result, it is required to maintain a large asset holding serving a dispersed population.

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

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

Revenue Constraints

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

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

Magnitude of Area

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

Current Financial Position of Council

Operating Performance

Council was considered to be in a sound and stable financial position as at June 2016, as stated by Council's external auditors. This short term position was maintained during the 2016/2017 financial year with Budget Review Statements for the September 2016 and December 2016 quarters reporting a balanced budget position being maintained after a number of budgetary adjustments to accommodate changes in trend, changed priorities and unforseen events.

The auditors' comments apply to Council's financial position as at 30 June 2016. However, to truly assess Council's ability to continue to be financially sustainable to deliver the CSP and continue to meet community's expectations on an on-going basis, it is critical to take into account financial and other relevant projections.

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

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

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

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

The below tables show Council's audited financial results for the 2015/2016 financial year and budgeted amounts for the 2016/2017 financial year.

Statement of Financial Performance	2015/2016 Actual $'000	2016/2017 Original Budget $'000
Income from Continuing Operations	79,149	64,612
Expenses from Continuing Operations	72,213	66,910
Net Operating Result for the Year	6,936	(2,298)
Less Capital Grants & Contributions	17,835*	3,588
Net Operating Result before Capital Grants & Contributions	**(10,899)**	**(5,886)**

*2015/2016 Actuals includes $10.6 million relating to unbudgeted non-cash capital contributions.

Council's operating result excluding capital grants and contributions, as at 30 June 2016 was a deficit of $10.9 million. For the year ending 30 June 2017, the Original Budget is a deficit of $5.9 million. Due to the uncertainty of availability and approval of grant funding, the Original Budget allows for this type of funding, on a limited basis.

Income from Continuing Operations	2015/2016 Actual $'000	2016/2017 Original Budget $'000
Rates and Annual Charges	42,488	43,707
User Charges and Fees	5,623	5,643
Interest	1,503	1,146
Other Operating Revenue	4,424	4,040
Grants & Contributions – Operating	6,992	6,487
Grants & Contributions – Capital	17,835	3,588
Net Gains from the disposal of assets	0	0
Profit from Disposal of Assets & Joint Venture Equity	284	0
Total Income from Continuing Operations	**79,149**	**64,612**

Expenses from Continuing Operations	2015/2016 Actual $'000	2016/2017 Original Budget $'000
Employee Costs	25,048	24,556
Borrowing Costs	290	318
Materials and Contracts	15,346	14,571
Depreciation & Amortisation	16,253	16,426
Other Expenses	15,050	11,040
Net Loss from the disposal of assets	226	-
Total Expenses from Continuing Operations	**72,213**	**66,910**

Capital Expenditure

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

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

Balance Sheet

The Balance Sheet discloses the assets, liabilities and equity of Council. The table below displays Council's reported Balance Sheet as at 30 June 2016.

Statement of Financial Position	2015/2016 Actual $'000
Current Assets	48,954
Non-Current Assets	941,498
Total Assets	**990,452**
Current Liabilities	17,233
Non-Current Liabilities	6,100
Total Liabilities	**23,333**
Net Assets	967,119
Equity	**967,119**

Performance Indicators

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

The table below shows the FFTF ratios, associated benchmarks and Council's current performance against each ratio based on the 2015/2016 audited financial results.

Ratio	Benchmark	2015/2016 Actual	Benchmark met
Operating Performance Ratio (OPR)	**0**	-0.095	**No**
Own Source Revenue Ratio	**60%**	68.5%	**Yes**
Asset Renewal Ratio	**100%**	79.9%	**No**
Infrastructure Backlog Ratio	**2%**	2.13%	**No**
Asset Maintenance Ratio	**100%**	80.7%	**No**
Debt Service Ratio	**>0%<20%**	1.15%	**Yes**
Real Operating Expenditure per Capita	**Decreasing**	Decreasing	**Yes**

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

The LTFP provides strategies Council could use to address the results in Table 5 and therefore remain financially sustainable in the future in its current form.

Cash and Reserves

As the year ended June 2016, Council has maintained strong liquidity. The Cash Expense Cover Ratio was 8.74 months, well above the industry benchmark of 3 months. This means Council could continue to cover its operating costs for over 8 months should cash inflows cease.

The Unrestricted Current Ratio, measuring Council's ability to cover its current liabilities with its current assets, of 423% is also above the benchmark of 150%.

During the year ended June 2016, Council maintained adequate cash reserves to meet future obligations and unforeseen circumstances. Council's reserve balances as at the end of June 2016 was $33.1 million. This balance was made up of $23.1 million in internally restricted reserves and $10.0 million in externally restricted reserves.

Borrowings

Council is currently servicing one loan via General Funds.

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

Council's ability to service debt, measured by the Debt Service Cover Ratio, of 12.89 is greater than the benchmark of 2.00. This indicates that Council available operating cash is sufficient to service a greater level of debt.

Borrowings are an ideal strategy to undertake works now at lower cost and spread the repayment burden over a number of years, addressing intergenerational equity. Council has minimal capacity to undertake further debt based on current revenue levels, due to the impact on the aforementioned OPR, but has incorporated a combination of borrowings and revenue generation strategies, as options with the LTFP.

Financial Sustainability Outlook

Projected Performance

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

This strategy is not sustainable in the long-term as Council's assets are deteriorating at an increasing rate. This results in higher maintenance costs being incurred than would have been if optimal asset management intervention had occurred. Council's projected operating performance, asset condition and efficiency for the next five years on the basis of the implementation of all strategies with Council's FFTF proposal, excluding any Special Rate Variation (SRV) is summarised in the below table.

Ratio	Benchmark	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	Benchmark met
Operating Performance Ratio (OPR)	**0**	**-0.126**	**-0.069**	**-0.080**	**-0.061**	**-0.057**	**-0.059**	**No**
Own Source Revenue Ratio	**60%**	67.7%	85.2%	82.4%	79.9%	81.9%	80.5%	**Yes**
Asset Renewal Ratio	**100%**	126.6%	**72.4%**	101.9%	**98.1%**	108.8%	**99.2%**	**No**
Infrastructure Backlog Ratio	**2%**	1.5%	1.6%	1.4%	1.3%	1.4%	1.6%	**Yes**
Asset Maintenance Ratio	**100%**	100.6%	**97.8%**	100.2%	**99.9%**	104.6%	107.3%	**Yes**
Debt Service Ratio	**>0%<20%**	1.1%	1.1%	1.9%	1.9%	1.8%	1.8%	**Yes**
Real Operating Expenditure per Capita	**Decreasing**	**Increasing**	Decreasing	Decreasing	Decreasing	Decreasing	Decreasing	**Yes**

Projected Performance Explained

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

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

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

This ratio is a main indicator of Council's sustainability into the future and it is therefore critical that strategies are implemented to improve the projected performance.

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

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

Infrastructure Backlog Ratio – Council's Infrastructure Backlog Ratio is projected to improve due to funding and work received for renewal from development, but then continue to deteriorate due to the lack of general funding available for asset renewal. This will result in an increase in infrastructure assets not meeting a satisfactory standard, are not compliant with relevant legislation or industry requirements, carry an unacceptable level of risk, and ultimately do not meet the community's expectations and needs.

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

Debt Service Ratio – Council's Debt Service Ratio is projected to continue to be met. Based on current revenue levels Council has limited capacity to undertake additional borrowings. Borrowings can only be used if the associated costs are outweighed by either increased revenue or the realisation of operating expenditure savings.

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

Achieving Financial Sustainability

Council's aim is to remain financially sustainable in the long term, whilst achieving the objectives of the CSP 2017-2037 through the Delivery Program 2017-2021. Council also aims to maintain service levels in line with the community's expectations and address its infrastructure requirements.

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

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

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

Additional Revenue

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

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

Borrowings Program – A borrowings program 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. The use of debt financing results in costs being spread over a number of years, therefore achieving inter-generational equity. A Borrowings Program of any magnitude is dependent on the availability of additional funding to service the debt.

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

Stormwater Management Charge - The introduction of a Stormwater Management Charge of $25 per property would generate funding to enable maintenance and renewal works relating to stormwater infrastructure. This strategy would generate $518K per annum that would be invested in the management of stormwater asset management.

Special Rates – The introduction of a Special Rate for new residential development for developments attracting specific additional maintenance requirements due to specific infrastructure and/ or characteristic attributable only to that development, is aimed at ensuring that these additional requirements are funded by the residents of that development, or, in other words those directly benefiting from those characteristics. Special Rates that could be considered within this LTFP are Special Rates for the Redbank, North Richmond and the Jacaranda Ponds, Glossodia developments. This strategy would raise additional annual revenue in the vicinity of $416,000 to meet the estimated asset maintenance costs associated with enhanced open space and riparian corridors within these developments.

Return on Businesses - This strategy is aimed at ensuring that Council receives a return on assets invested in non-core services operating as a business. Council operates a Waste Management Facility and a Sewerage Program. An annual dividend payment based on a 12% rate of return on the value of those assets has been implemented. This strategy generates $612,000 each year.

Property and Asset Review – This strategy is aimed at undertaking a comprehensive review of Council's property and asset holdings with a view to rationalising under-utilised and/or under – performing assets. This strategy would be expected to generate in the vicinity of $1.5 million over a period of four years.

Containment of Costs and Efficiency Improvements

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

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

Review of Pricing Structures – This strategy is based on reviewing the pricing structures and service models of some selected non-core business units to ensure that as a minimum these units operate at breakeven result. This review has the potential to generate in the vicinity of $664,000 over the next five years.

Review of Roads Operations – A review of current service models and resourcing of roads operational and capital works will identify areas to be investigated for potential efficiencies so as to reduce the cost per unit of works and consequently be able to deliver more works with available funding. It is estimated that efficiency savings in the vicinity of $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 $859,000 over the next five 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 $1.8 million being available for asset renewal.

Asset Management Plans and Long-Term Financial Plans

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

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

Asset Renewal and Capital Expenditure

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

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

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

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

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

Maintenance and Renewal Costs of 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 licences that would transition the responsibility of asset maintenance an renewal to the users of these facilities.

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

Capacity Building

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

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

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

Elements of the Plan

Planning Assumptions

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

Service Levels

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

Infrastructure

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

Population Growth and Demographic changes

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

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

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

Economic Growth

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

Interest Rates

The LTFP is based on stable interest rates and an investment portfolio reflecting projected income and expenditure. Interest rates during 2015/2016 were low and stable and, as the rates fall within the current Monetary Policy, it is anticipated that rates will remain within 2-3%. Whilst it is recognised that interest rates will fluctuate over a ten year period, the financial modelling is based on an average constant interest rate over the LTFP timeframe.

Inflation

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

Revenue Forecasts

General Rates

Council's rating strategy and structure is reviewed every year as part of the annual Operational Plan process. The LTFP is based on the rating structure as resolved at the Ordinary Meeting 31 January 2017 and incorporated within the Draft Operational Plan 2017/2018.

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

The LTFP is based on the assumption that Council's rating structure remains unchanged over the next ten years. Any changes in the rating structure would not impact on the total revenue but merely redistribute the income amongst the different categories and sub-categories thereof. Council's rating income or notional yield may be increased from one year to the next up to the rate-pegging limit as determined by the Independent Pricing and Regulatory Tribunal (IPART).

Annual rate-pegging increases have been assumed at 1.5% for 2017/2018 based on the IPART's determination, and 2.5% each year for each consecutive year thereafter. Higher increases by way of Special Rate Variations are assumed in two of the Scenarios outlined below, where indicated.

Domestic Waste Charges

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

Sewerage Charges

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

Sullage Charges

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

Stormwater Management Service Charges

Council maintains an externally restricted reserve to fund its Stormwater Management Program. All funds received in relation to stormwater management charges are quarantined to fund the provision of an enhanced program to deliver new stormwater infrastructure and fund the ongoing renewal, maintenance and monitoring costs of this additional infrastructure. The revenue from annual stormwater charges included in this LTFP reflects funding that can be generated, in line with legislation over the next ten years.

Interest on Investments

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

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

User Charges, Fees and Other Revenue

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

Grants and Contributions

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

Net Gains from Disposal of Assets

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

Restricted Assets

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

Expenditure Forecasts

Staff Costs

The LTFP assumes annual increase in staff costs of 2.5% and superannuation increases in line with the current legislation. Financial projections are also based on the impact of the implementation of FFTF strategies. This assumption is based on known and predicted award increases, step increases and increases applicable to other employee costs. The projected expenditure is based on the current staff establishment.

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

Borrowing Costs

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

Materials and Contracts

Financial projections relating to materials and contracts have been based on a combination of service levels requirements, asset management requirements, the impact of the implementation of several of the FFTF strategies, predicted CPI increases, known specific increases and one-off expenditure if known.

Other Expenses

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

Depreciation

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

Risk Assessment

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

Certainty of Revenue Streams

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

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

A major risk contained within the LTFP relates to the assumed 2.5% rate peg limit for years 2 to 10. A one percent reduction, as occurred in 2017/2018, will have an impact of approximately $310K, which will have a significant impact on the services and asset management functions that can be delivered.

Some of this risk can be mitigated via the use of a SRV, which can be amended to achieve the total percentage increased identified as required in scenarios two and three.

Accuracy of Expenditure Estimates

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

If any of the assumptions in relation to the projected expenditure vary, then Council has the opportunity to modify service provision and asset management practices in order to recover any negative impacts.

Potential Impacts on Income and Expenditure

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

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

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

Asset Management

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

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

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

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

As referred to earlier in this document over recent years Council has focused on completing its assessment of our assets inventory to enable asset modelling to be undertaken. Council has also been reviewing the asset conditions and condition categorisation, based on a risk based methodology. This review has been undertaken through the use of extensive asset modelling.

The definition of a "Satisfactory Standard" for the Hawkesbury community has been based on both the above methodology as well as including an element of known community expectation, as determined in a Service Level Review undertaken with the community in August 2016.

The financial modelling relating to funding requirements relating to infrastructure assets is based on asset modelling undertaken, and takes into account community expectations, which predominantly highlighted a need for increased conditions in relation to roads, stormwater drainage, public domain areas, footpath connectivity and the maintenance of parks and public amenities.

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

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

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

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

Scenarios and Financial Models

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

- Deteriorate Model
- Stabilise Model
- Improve Model.

These Scenarios represent the impact of the application of various SRV options on Council's financial performance and on-going financial sustainability. The assumption for each respective scenario are for financial modelling purposes only and would require community engagement, Council endorsement and the necessary legislative approvals before implementation.

Scenario 1 – Deteriorate Model (No SRV)

The Deteriorate Model represented in Scenario 1 reflects Council's financial position over a ten year period based on continuing to balance the budget year on year, which, in the absence of an SRV, can only be achieved by reducing expenditure on infrastructure assets, or reducing services delivered to the community.

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

The main assumptions underpinning the Deteriorate Model are as follows:

- all FFTF strategies implemented, excluding the application of a SRV and associated borrowings program
- rating income indexed by estimated rate pegging of 2.5% from 2018/2019 onwards
- fees and charges indexed by CPI, or other relevant index
- current service levels maintained (non-infrastructure asset services)
- materials and contracts expenditures indexed by CPI
- employee costs indexed by projected award increases
- infrastructure asset maintenance costs based on asset planning models
- infrastructure asset renewal costs based on funding available after all other service levels have been maintained.

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

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

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

Financial modelling has been undertaken based on the assumptions above. A projected Income Statement, Capital Budget Statement, Balance Sheet and Cash Flow Statement and the resulting Sustainability Measures are included as Attachment 2 – Deteriorate Model (No SRV).

Scenario 2 – Stabilise Model (14% SRV)

The Stabilise Model represented in Scenario 2 reflects Council's financial position over a ten year period based on all the FFTF strategies detailed in the Achieving Financial Sustainability section of this document being implemented and the application of a 7% SRV above rate peg in 2018/2019 and 2019/2020.

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

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

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

The main assumptions underpinning the Stabilise Model are as follows:

- all FFTF strategies implemented
- rating income indexed by a SRV increases of 7% above rate peg, for two years, subject to required Council endorsement, community consultation and IPART approval
- borrowings program of $25 million over a period of five years
- borrowings program targeted at asset renewal and optimal asset maintenance
- enhanced program of works, including a program of rural road sealing and public domain improvements
- fees and charges indexed by CPI or other relevant index
- current service levels maintained
- materials and contracts expenditures indexed by CPI
- employee costs indexed by projected award increases
- infrastructure asset maintenance costs based on asset planning models
- infrastructure asset renewal costs based on funding available after all other service levels have been maintained.

Under this scenario Council will be able to stabilise its infrastructure backlog and improve its ability to generate sufficient on-going revenue to then continue to renew infrastructure assets at the rate they are deteriorating. This Model demonstrates that with an upfront injection of funds through a

borrowings program, and a moderate increase in revenue base, Council can address its on-going sustainability challenge and remain sustainable in the future in its current form.
This Model supports the Hawkesbury's continuing existence in its current form, enables existing services to be maintained, and improves the state of Council's infrastructure, ultimately addressing its residents' expectations to the extent possible. This Model also ensures inter-generational equity, spreading the cost of long-live assets over a period of time, therefore limiting the financial burden on its residents.

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

This Model also meets all the FFTF benchmarks over the set timeframe, and provides a sound platform for continuous improvement of sustainability target measures. Council will continue to engage with its community to ensure an alignment of the ability and willingness to pay and the provision of ongoing sustainable services is achieved in the longer term.

Financial modelling has been undertaken based on the assumptions above. A projected Income Statement, Capital Budget Statement, Balance Sheet and Cash Flow Statement and the resulting Sustainability Measures are included as Attachment 3 – Stabilise Model (14% SRV).

Scenario 3 – Improve Model (21% SRV)

The Improve Model represented in Scenario 3 reflects the income and expenditure levels that would be apply over a ten year period, based on FFTF strategies detailed in the Achieving Financial Sustainability section of this document being implemented and the application of a 7% SRV above rate peg in 2018/2019, 2019/2020 and 2020/2021. This Model also reflects an increased service level relating to non-infrastructure services in line with industry benchmarks and the community's aspirational expectations.

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

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

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

The main assumptions underpinning the Improve Model are as follows:

- all FFTF strategies implemented
- rating income indexed by a SRV increases of 7% above rate peg, for three years, subject to required Council endorsement, community consultation and IPART approval
- borrowings program of $40 million over a period of seven years
- borrowings program targeted at asset renewal, expansion of infrastructure assets and optimal asset maintenance
- enhanced program of works, including a program of rural road sealing, building improvements, public domain improvements and improved connectivity
- increased non-infrastructure service levels
- fees and charges indexed by CPI or other relevant index
- materials and contracts expenditures indexed as required to meet increased service levels
- employee costs indexed by projected award increases
- infrastructure asset maintenance costs based on asset planning models and implementation of parks maintenance crews and improved road maintenance, in line with community expectations
- infrastructure asset renewal costs based on optimised asset planning

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

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

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

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

Financial modelling has been undertaken based on the assumptions above. A projected Income Statement, Capital Budget Statement, Balance Sheet and Cash Flow Statement and the resulting Sustainability Measures are included as Attachment 4 – Improve Model (21% SRV).

Community Engagement to Identify Optimal Model

Council will be undertaking further consultation with the community in July 2017 about the rating impact of the three options and the scope of works that can be delivered under each options. As part of this consultation, Council will be outlining efficiency measures we have undertaken to enable us to direct additional investment in maintaining and renewing our assets as well as the further measures we will be taking to build on this efficiency dividend. We will also be presenting a comprehensive works program which will identify individual projects by locality and projected cost.

The purpose of the July 2017 consultation will be to talk with residents about their preferred option, of the three outlined above, for resourcing the increased investment that we need to become FFTF and deliver on the community's service level priorities.

The outcomes of the consultations will be reported to Council in November 2017 and if Council resolves to proceed with an SRV, the required application will be lodged in February 2018, which, if approved by IPART, will be effective from 1 July 2018.

Reviewing the Plan

The LTFP is reviewed on an annual basis to ensure assumptions underpinning the Plan are still relevant and to reflect the latest financial results, the impacts of any Council resolutions and changes in trends.

Management Reporting

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

Quarterly Budget Reviews

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

Annual Budgeting Process

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

Attachment 1 – Sustainability Measures Explained

Operating Performance Ratio

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

Description and Rationale for Criteria

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

Description and Rationale for Benchmark

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

Own Source Revenue Ratio

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

Description and Rationale for Criteria

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

Description and Rationale for Benchmark

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

Building and Infrastructure Asset Renewal Ratio

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

Description and Rationale for Criteria

- The building and infrastructure renewals ratio represents the replacement or refurbishment of existing assets to an equivalent capacity or performance, as opposed to the acquisition of new assets or the refurbishment of old assets that increase capacity or performance. The ratio compares the proportion spent on infrastructure asset renewals and the asset's deterioration.

- This is a consistent measure that can be applied across councils of different sizes and locations. A higher ratio is an indicator of strong performance.

Description and Rationale for Benchmark

- Performance of less than one hundred percent indicates that a Council's existing assets are deteriorating faster than they are being renewed and that potentially council's infrastructure backlog is worsening. Councils with consistent asset renewals deficits will face degradation of building and infrastructure assets over time.

Infrastructure Backlog Ratio

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

Description and Rationale for Criteria

- The infrastructure backlog ratio indicates the proportion of backlog against the total value of the Council's infrastructure assets. It is a measure of the extent to which asset renewal is required to maintain or improve service delivery in a sustainable way. This measures how councils are managing their infrastructure which is so critical to effective community sustainability.

- It is acknowledged, that the reliability of infrastructure data within NSW local government is mixed. However, as asset management practices within councils improve, it is anticipated that infrastructure reporting data reliability and quality will increase.

- This is a consistent measure that can be applied across councils of different sizes and locations. A low ratio is an indicator of strong performance.

Description and Rationale for Benchmark

- High infrastructure backlog ratios and an inability to reduce this ratio in the near future indicate an underperforming Council in terms of infrastructure management and delivery. Councils with increasing infrastructure backlogs will experience added pressure in maintaining service delivery and financing current and future infrastructure demands.

- TCorp adopted a benchmark of less than two per cent to be consistently applied across councils. The application of this benchmark reflects the State Government's focus on reducing infrastructure backlogs.

Asset Maintenance Ratio

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

Description and Rationale for Criteria

- The asset maintenance ratio reflects the actual asset maintenance expenditure relative to the required asset maintenance as measured by an individual council.

- The ratio provides a measure of the rate of asset degradation (or renewal) and therefore has a role in informing asset renewal and capital works planning.

Description and Rationale for Benchmark

- The benchmark adopted is greater than one hundred percent, which implies that asset maintenance expenditure exceeds the council identified requirements. This benchmark is consistently adopted by the NSW Treasury Corporation (TCORP). A ratio of less than one hundred percent indicates that there may be a worsening infrastructure backlog.

Debt Service Ratio

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

Description and Rationale for Criteria

- Prudent and active debt management is a key part of Councils' approach to both funding and managing infrastructure and services over the long term.

- Prudent debt usage can also assist in smoothing funding costs and promoting intergenerational equity. Given the long life of many council assets it is appropriate that the cost of these assets should be equitably spread across the current and future generations of users and ratepayers. Effective debt usage allows councils to do this.

- Inadequate use of debt may mean that councils are forced to raise rates that a higher than necessary to fund long life assets or inadequately fund asset maintenance and renewals. It is also a strong proxy indicator of a council's strategic capacity.

- Council's effectiveness in this area is measured by the Debt Service Ratio.

Description and Rationale for Benchmark

- As outlined above, it is appropriate for Councils to hold some level of debt given their role in the provision and maintenance of key infrastructure and services for their community. It is considered reasonable for Councils to maintain a Debt Service Ratio of greater than zero and less than or equal to 20 per cent.

- Councils with low or zero debt may incorrectly place the funding burden on current ratepayers when in fact it should be spread across generations, who also benefit from the assets. Likewise high levels of debt generally indicate a weakness in financial sustainability and/or poor balance sheet management.

Real Operating Expenditure Per Capita

Description and Rationale for Criteria:

- At the outset it is acknowledged the difficulty in measuring public sector efficiency. This is because there is a range of difficulty in reliably and accurately measuring output.

- The capacity to secure economies of scale over time is a key indicator of operating efficiency. The capacity to secure efficiency improvements can be measured with respect to a range of factors, for example population, assets, and financial turnover.

- It is challenging to measure productivity changes over time. To overcome this, changes in real per capita expenditure was considered to assess how effectively Councils:
  - can realise natural efficiencies as population increases (through lower average cost of service delivery and representation)
  - can make necessary adjustments to maintain current efficiency if population is declining (e.g. appropriate reductions in staffing or other costs).

- Assuming that service levels remain constant, decline in real expenditure per capita indicates efficiency improvements (i.e. the same level of output per capita is achieved with reduced expenditure).

Description and Rationale for Benchmark:

- The measure 'trends in real expenditure per capita' reflects how the value of inflation adjusted inputs per person has grown over time. In the calculation, the expenditure is deflated by the Consumer Price Index (for 2009-2011) and the Local Government Cost Index (for 2011-2014) as published by the Independent Pricing and Regulatory Tribunal (IPART). It is acknowledged that efficiency and service levels are impacted by a broad range of factors, and that it is unreasonable to establish an absolute benchmark across Councils. It is also acknowledged that council service levels are likely to change for a variety of reasons however, it is important that councils prioritise or set service levels in conjunction with their community, in the context of their development of their Integrated Planning and Reporting.

- Councils will be assessed on a joint consideration of the direction and magnitude of their improvement or deterioration in real expenditure per capita. Given that efficiency improvements require some time for the results to be fully achieved and as a result, this analysis will be based on a five year trend.

Attachment 2 – Deteriorate Model (No SRV) Projections

Deteriorate Model Income Statement - General Fund

$'000	AMENDED Budget 2016/17	DRAFT Budget 2017/18	DRAFT Budget 2018/19	DRAFT Budget 2019/20	DRAFT Budget 2020/21	DRAFT Budget 2021/22	DRAFT Budget 2022/23	DRAFT Budget 2023/24	DRAFT Budget 2024/25	DRAFT Budget 2025/26	DRAFT Budget 2026/27
Income from Continuing Operations											
Revenue:											
Rates & Annual Charges	44,086	45,645	46,878	48,536	49,821	51,077	52,322	53,647	54,936	56,266	57,666
User Charges & Fees	5,593	5,439	5,731	5,886	6,045	6,208	6,376	6,549	6,726	6,908	7,094
Interest & Investment Revenue	1,191	1,138	1,127	1,116	1,104	1,093	1,082	1,072	1,061	1,050	1,040
Other Revenues	4,146	3,972	4,091	4,214	4,340	4,470	4,605	4,743	4,885	5,032	5,182
Grants & Contributions provided for Operating Purposes	7,079	6,382	6,201	6,044	6,056	5,749	5,611	5,669	5,395	5,304	5,407
Grants & Contributions provided for Capital Purposes	19,122	3,378	6,148	8,986	7,523	9,467	7,141	7,235	6,631	6,729	6,829
Other Income:											
Net gains from the disposal of assets	0	0	0	0	0	0	0	0	0	0	0
Entities using the equity method	0	265	265	265	265	265	265	265	265	265	265
Total Income from Continuing Operations	81,217	66,219	70,441	75,047	75,154	78,330	77,402	79,178	79,899	81,553	83,484
Expenses from Continuing Operations											
Employee Benefits & On-Costs	24,914	25,158	25,671	26,313	26,971	27,645	28,336	29,045	29,771	30,515	31,278
Borrowing Costs	318	239	452	427	398	369	337	324	331	338	345
Materials & Contracts	16,775	14,218	14,809	14,645	15,247	15,782	16,176	16,581	16,995	17,429	17,864
Depreciation & Amortisation	16,417	16,353	16,255	16,153	16,045	15,928	15,804	15,675	15,540	15,399	15,252
Other Expenses	11,503	10,903	11,973	12,250	12,538	12,920	13,202	13,549	13,906	14,329	14,653
Net Loss from the Disposal of Assets	0	0	0	0	0	0	0	0	0	0	0
Total Expenses from Continuing Operations	69,926	66,870	69,161	69,787	71,199	72,644	73,857	75,174	76,544	78,010	79,392
Net Operating Result for the Year	**11,291**	**(651)**	**1,280**	**5,259**	**3,955**	**5,686**	**3,545**	**4,004**	**3,355**	**3,543**	**4,092**
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	(7,831)	(4,029)	(4,867)	(3,727)	(3,568)	(3,781)	(3,595)	(3,231)	(3,276)	(3,186)	(2,737)

Deteriorate Model Capital Budget Statement - General Fund

$'000	AMENDED Budget 2016/17	DRAFT Budget 2017/18	DRAFT Budget 2018/19	DRAFT Budget 2019/20	DRAFT Budget 2020/21	DRAFT Budget 2021/22	DRAFT Budget 2022/23	DRAFT Budget 2023/24	DRAFT Budget 2024/25	DRAFT Budget 2025/26	DRAFT Budget 2026/27
Net Operating Result (excl. Capital Grants)	(7,831)	(4,029)	(4,867)	(3,727)	(3,568)	(3,781)	(3,595)	(3,231)	(3,276)	(3,186)	(2,737)
Capital Funding and Expenditure											
Source of Capital Funding (excluding reserves)											
Proceeds from the sale of capital assets	1,700	849	997	1,010	1,023	536	549	563	577	591	606
Depreciation	16,417	16,353	16,255	16,153	16,045	15,928	15,804	15,675	15,540	15,399	15,252
Grants & Contributions provided for Capital Purposes	19,122	3,378	6,148	8,986	7,523	9,467	7,141	7,235	6,631	6,729	6,829
	37,239	20,579	23,400	26,149	24,591	25,930	23,494	23,472	22,747	22,719	22,687
Application of Capital Funding											
New Assets	18,365	3,103	966	3,721	731	3,360	2,636	2,639	2,641	2,644	2,646
Renewal of Assets	16,900	9,666	13,648	13,173	14,640	13,381	11,798	12,500	12,197	11,324	12,418
Other Assets	2,201	729	695	9,205	2,123	741	759	778	798	818	838
Plant & Equipment	4,412	2,515	1,911	1,959	2,008	2,058	2,110	2,163	2,217	2,272	2,329
	41,878	16,013	17,222	28,058	19,501	19,540	17,303	18,079	17,852	17,058	18,231
Net Capital Expenditure	(4,639)	4,566	6,179	(1,909)	5,090	6,390	6,190	5,393	4,895	5,661	4,455
Net Reserve Transfers & Capital Movements	12,470	(537)	(1,311)	5,636	(1,522)	(2,609)	(2,595)	(2,163)	(1,620)	(2,475)	(1,718)
Retained surlplus/(deficit) available for general funding purposes	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Deteriorate Model Projected Balance Sheet - General Fund

$'000	AMENDED Budget 2016/17	DRAFT Budget 2017/18	DRAFT Budget 2018/19	DRAFT Budget 2019/20	DRAFT Budget 2020/21	DRAFT Budget 2021/22	DRAFT Budget 2022/23	DRAFT Budget 2023/24	DRAFT Budget 2024/25	DRAFT Budget 2025/26	DRAFT Budget 2026/27
Current Assets											
Cash & Cash Equivalents	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
Investments	28,060	28,102	28,704	23,341	24,201	26,075	27,819	29,654	30,879	32,834	34,100
Receivables	6,345	6,503	6,666	6,833	7,003	7,179	7,358	7,542	7,730	7,924	8,122
Inventories	300	308	315	323	331	339	348	357	366	375	384
Other	857	878	900	923	946	970	994	1,019	1,044	1,070	1,097
	39,062	39,291	40,085	34,920	35,981	38,062	40,019	42,071	43,519	45,702	47,203
Non-Current Assets											
Receivables	1,080	1,110	1,140	1,171	1,204	1,237	1,271	1,306	1,342	1,379	1,416
Infrastructure Property, Plant & Equipment	919,256	917,981	917,722	928,383	930,576	933,406	934,104	935,687	937,157	937,953	940,049
Investments accounted for using the equity method	2,538	2,803	3,068	3,333	3,598	3,863	4,128	4,393	4,658	4,923	5,188
Investment Properties at Fair Value	41,677	41,758	41,842	41,927	42,015	42,105	42,197	42,291	42,388	42,487	42,588
Intangible Assets	737	742	887	1,036	1,189	1,345	1,505	1,670	1,838	2,011	2,187
	965,288	964,395	964,659	975,850	978,581	981,956	983,205	985,347	987,383	988,752	991,429
TOTAL ASSETS	**1,004,350**	**1,003,685**	**1,004,744**	**1,010,770**	**1,014,562**	**1,020,018**	**1,023,224**	**1,027,418**	**1,030,901**	**1,034,455**	**1,038,632**
Current Liabilities											
Payables	8,166	8,370	8,580	8,794	9,014	9,239	9,470	9,707	9,950	10,198	10,453
Borrowings	510	762	798	839	880	734	248	254	261	268	230
Provisions	9,124	9,398	9,680	9,971	10,270	10,578	10,895	11,222	11,559	11,905	12,263
	17,801	18,530	19,058	19,604	20,164	20,551	20,613	21,183	21,769	22,372	22,946
Non-Current Liabilities											
Borrowings	5,275	4,513	3,714	2,875	1,995	1,261	1,013	759	498	230	0
Provisions	3,433	4,005	4,570	5,130	5,685	6,234	6,777	7,315	7,848	8,375	8,897
	8,708	8,517	8,285	8,005	7,680	7,495	7,790	8,074	8,345	8,605	8,897
TOTAL LIABILITIES	**26,509**	**27,048**	**27,343**	**27,609**	**27,843**	**28,046**	**28,403**	**29,257**	**30,114**	**30,976**	**31,842**
NET ASSETS	**977,841**	**976,637**	**977,402**	**983,161**	**986,719**	**991,972**	**994,821**	**998,161**	**1,000,787**	**1,003,479**	**1,006,789**
Equity											
Retained Earnings	424,667	423,464	424,229	429,988	433,546	438,799	441,648	444,987	447,614	450,306	453,616
Revaluation Reserves	553,174	553,174	553,174	553,174	553,174	553,174	553,174	553,174	553,174	553,174	553,174
TOTAL EQUITY	**977,841**	**976,637**	**977,402**	**983,161**	**986,719**	**991,972**	**994,821**	**998,161**	**1,000,787**	**1,003,479**	**1,006,789**

Deteriorate Model Cashflow Statement - General Fund

$'000	AMENDED Budget 2016/17	DRAFT Budget 2017/18	DRAFT Budget 2018/19	DRAFT Budget 2019/20	DRAFT Budget 2020/21	DRAFT Budget 2021/22	DRAFT Budget 2022/23	DRAFT Budget 2023/24	DRAFT Budget 2024/25	DRAFT Budget 2025/26	DRAFT Budget 2026/27
Cash Flows from Operating Activities											
Receipts											
Rates & Annual Charges	41,881	43,362	44,534	46,109	47,330	48,523	49,706	50,965	52,189	53,453	54,783
User Charges & Fees	5,537	5,385	5,673	5,827	5,984	6,146	6,312	6,483	6,659	6,839	7,024
Investment & Interest Revenue Received	1,191	1,138	1,127	1,116	1,104	1,093	1,082	1,072	1,061	1,050	1,040
Grants & Contributions	14,301	9,260	10,884	10,814	10,914	10,698	10,652	10,803	10,626	10,632	10,836
Other	4,105	3,932	4,050	4,172	4,297	4,426	4,559	4,695	4,836	4,981	5,131
Payments											
Employee Benefits & On-Costs	(24,167)	(24,403)	(24,901)	(25,524)	(26,162)	(26,816)	(27,486)	(28,173)	(28,878)	(29,600)	(30,340)
Materials & Contracts	(16,607)	(14,076)	(14,661)	(14,498)	(15,095)	(15,624)	(16,015)	(16,415)	(16,825)	(17,254)	(17,686)
Borrowing Costs	(218)	(190)	(452)	(427)	(398)	(369)	(337)	(324)	(331)	(338)	(345)
Other Expenses	(11,388)	(10,794)	(11,853)	(12,127)	(12,412)	(12,791)	(13,070)	(13,414)	(13,767)	(14,186)	(14,506)
Net Cash provided (or used in) Operating Activities	14,637	13,615	14,402	15,461	15,562	15,286	15,402	15,691	15,569	15,577	15,936
Cash Flows from Investing Activities											
Receipts											
Sale of Infrastructure, Property, Plant & Equipment	1,700	849	997	1,010	1,023	536	549	563	577	591	606
Payments											
Purchases of Infrastructure, Property, Plant & Equipment	(25,790)	(13,911)	(14,035)	(21,035)	(14,886)	(13,067)	(13,473)	(14,171)	(14,667)	(13,952)	(15,008)
Net Cash provided (or used in) Investing Activities	(24,091)	(13,063)	(13,037)	(20,025)	(13,864)	(12,532)	(12,924)	(13,608)	(14,090)	(13,361)	(14,402)
Cash Flows from Financing Activities											
Receipts											
Prcoeeds from Borrowings & Advances	0	0	0	0	0	0	0	0	0	0	0
Payments											
Repayment of Borrowings & Advances	(484)	(510)	(762)	(798)	(839)	(880)	(734)	(248)	(254)	(261)	(268)
Net Cash provided (or used in) Financing Activities	(484)	(510)	(762)	(798)	(839)	(880)	(734)	(248)	(254)	(261)	(268)
Net Increase / (Decrease) in Cash & Cash Equivalents	(9,938)	41	603	(5,363)	860	1,874	1,745	1,835	1,225	1,955	1,266
plus: Cash, Cash Equivalents & Investments - beginning of year	41,498	31,560	31,602	32,204	26,841	27,701	29,575	31,319	33,154	34,379	36,334
Cash & Cash Equivalents - end of year	**31,560**	**31,602**	**32,204**	**26,841**	**27,701**	**29,575**	**31,319**	**33,154**	**34,379**	**36,334**	**37,600**

Deteriorate Model – Sustainability Measures

Ratio	Benchmark	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027	Benchmark met
Operating Performance Ratio (OPR)	**0**	**-0.126**	**-0.069**	**-0.080**	**-0.061**	**-0.057**	**-0.059**	**-0.055**	**-0.038**	**-0.049**	**-0.046**	**-0.039**	**No**
Own Source Revenue Ratio	**>60%**	67.74%	85.20%	82.40%	79.90%	81.87%	80.51%	83.47%	81.83%	84.90%	85.20%	85.30%	**Yes**
Asset Renewal Ratio	**>100%**	126.56%	**72.37%**	101.93%	**98.14%**	108.80%	**99.19%**	**87.24%**	**92.20%**	**89.74%**	**83.11%**	**90.91%**	**No**
Infrastructure Backlog Ratio	**≤ 2%**	1.51%	1.57%	1.40%	1.28%	1.40%	1.59%	1.85%	**2.09%**	**2.32%**	**2.52%**	**2.65%**	**No**
Asset Maintenance Ratio	**>100%**	100.62%	**97.80%**	100.17%	**99.86%**	104.61%	107.29%	107.40%	107.45%	108.60%	107.68%	107.51%	**Yes**
Debt Service Ratio	**>0%<20%**	1.13%	1.12%	1.90%	1.86%	1.84%	1.82%	1.53%	0.79%	0.80%	0.80%	0.80%	**Yes**
Real Operating Expenditure per Capita	**Decreasing**	**Increasing**	Decreasing	Decreasing	Decreasing	Decreasing	Decreasing	Decreasing	Decreasing	Decreasing	Decreasing	Decreasing	**Yes**

Attachment 3 – Stabilise Model (14% SRV) Projections

Stabilise Model Income Statement - General Fund

$'000	AMENDED Budget 2016/17	DRAFT Budget 2017/18	DRAFT Budget 2018/19	DRAFT Budget 2019/20	DRAFT Budget 2020/21	DRAFT Budget 2021/22	DRAFT Budget 2022/23	DRAFT Budget 2023/24	DRAFT Budget 2024/25	DRAFT Budget 2025/26	DRAFT Budget 2026/27
Income from Continuing Operations											
Revenue:											
Rates & Annual Charges	44,086	45,645	49,064	53,171	54,572	55,947	57,315	58,765	60,183	61,645	63,180
User Charges & Fees	5,593	5,439	5,731	5,886	6,045	6,208	6,376	6,549	6,726	6,908	7,094
Interest & Investment Revenue	1,191	1,138	1,127	1,116	1,104	1,455	1,440	1,426	1,412	1,398	1,384
Other Revenues	4,146	3,972	4,091	4,214	4,340	4,470	4,605	4,743	4,885	5,032	5,182
Grants & Contributions provided for Operating Purposes	7,079	6,382	6,201	6,044	6,056	5,749	5,611	5,669	5,395	5,304	5,407
Grants & Contributions provided for Capital Purposes	19,122	3,378	6,148	8,986	7,523	9,467	7,141	7,235	6,631	6,729	6,829
Other Income:											
Net gains from the disposal of assets	0	0	0	0	0	0	0	0	0	0	0
Entities using the equity method	0	265	265	265	265	265	265	265	265	265	265
Total Income from Continuing Operations	81,217	66,219	72,627	79,681	79,905	83,562	82,753	84,651	85,496	87,279	89,342
Expenses from Continuing Operations											
Employee Benefits & On-Costs	24,914	25,158	25,671	26,313	26,971	27,645	28,336	29,045	29,771	30,515	31,278
Borrowing Costs	318	239	534	696	844	925	940	886	850	814	776
Materials & Contracts	16,775	14,218	15,263	15,099	15,701	16,236	16,630	17,288	18,010	18,578	19,018
Depreciation & Amortisation	16,417	16,353	16,255	16,153	16,045	15,928	15,804	15,675	15,540	15,399	15,252
Other Expenses	11,503	10,903	11,972	12,249	12,537	12,919	13,202	13,549	13,906	14,328	14,652
Net Loss from the Disposal of Assets	0	0	0	0	0	0	0	0	0	0	0
Total Expenses from Continuing Operations	69,926	66,870	69,697	70,510	72,098	73,653	74,913	76,442	78,077	79,634	80,977
Net Operating Result for the Year	**11,291**	**(651)**	**2,930**	**9,171**	**7,807**	**9,909**	**7,840**	**8,209**	**7,419**	**7,645**	**8,365**
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	(7,831)	(4,029)	(3,218)	185	284	442	700	974	788	916	1,536

Stabilise Model Capital Budget Statement - General Fund

$'000	AMENDED Budget 2016/17	DRAFT Budget 2017/18	DRAFT Budget 2018/19	DRAFT Budget 2019/20	DRAFT Budget 2020/21	DRAFT Budget 2021/22	DRAFT Budget 2022/23	DRAFT Budget 2023/24	DRAFT Budget 2024/25	DRAFT Budget 2025/26	DRAFT Budget 2026/27
Net Operating Result (excl. Capital Grants)	(7,831)	(4,029)	(3,218)	185	284	442	700	974	788	916	1,536
Capital Funding and Expenditure											
Source of Capital Funding (excluding reserves)											
Proceeds from the sale of capital assets	1,700	849	997	1,010	1,023	536	549	563	577	591	606
Depreciation	16,417	16,353	16,255	16,153	16,045	15,928	15,804	15,675	15,540	15,399	15,252
Grants & Contributions provided for Capital Purposes	19,122	3,378	6,148	8,986	7,523	9,467	7,141	7,235	6,631	6,729	6,829
	37,239	20,579	23,400	26,149	24,591	25,930	23,494	23,472	22,747	22,719	22,687
Application of Capital Funding											
New Assets	18,365	3,103	2,066	6,421	3,731	6,360	5,636	2,639	2,641	2,644	2,646
Renewal of Assets	16,900	9,666	13,427	15,349	16,708	18,546	15,793	14,584	15,061	15,046	15,313
Other Assets	2,201	729	695	9,205	2,123	741	759	778	798	818	838
Plant & Equipment	4,412	2,515	1,911	1,959	2,008	2,058	2,110	2,163	2,217	2,272	2,329
	41,878	16,013	18,100	32,934	24,569	27,706	24,298	20,164	20,717	20,779	21,126
Net Capital Expenditure	(4,639)	4,566	5,300	(6,785)	22	(1,775)	(804)	3,309	2,031	1,940	1,561
Net Reserve Transfers & Capital Movements	12,470	(537)	(2,082)	6,600	(306)	1,333	105	(4,283)	(2,819)	(2,856)	(3,097)
Retained surlplus/(deficit) available for general funding purposes	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Stabilise Model Projected Balance Sheet - General Fund

$'000	AMENDED Budget 2016/17	DRAFT Budget 2017/18	DRAFT Budget 2018/19	DRAFT Budget 2019/20	DRAFT Budget 2020/21	DRAFT Budget 2021/22	DRAFT Budget 2022/23	DRAFT Budget 2023/24	DRAFT Budget 2024/25	DRAFT Budget 2025/26	DRAFT Budget 2026/27
Current Assets											
Cash & Cash Equivalents	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
Investments	28,060	28,102	32,295	32,680	38,653	40,918	41,976	44,407	45,340	46,223	47,279
Receivables	6,345	6,503	6,666	6,833	7,003	7,179	7,358	7,542	7,730	7,924	8,122
Inventories	300	308	315	323	331	339	348	357	366	375	384
Other	857	878	900	923	946	970	994	1,019	1,044	1,070	1,097
	39,062	39,291	43,676	44,258	50,433	52,906	54,175	56,824	57,981	59,091	60,382
Non-Current Assets											
Receivables	1,080	1,110	1,140	1,171	1,204	1,237	1,271	1,306	1,342	1,379	1,416
Infrastructure Property, Plant & Equipment	919,256	917,981	918,601	934,138	941,399	952,395	960,088	963,755	968,090	972,607	977,597
Investments accounted for using the equity method	2,538	2,803	3,068	3,333	3,598	3,863	4,128	4,393	4,658	4,923	5,188
Investment Properties at Fair Value	41,677	41,758	41,842	41,927	42,015	42,105	42,197	42,291	42,388	42,487	42,588
Intangible Assets	737	742	887	1,036	1,189	1,345	1,505	1,670	1,838	2,011	2,187
	965,288	964,395	965,538	981,605	989,404	1,000,945	1,009,189	1,013,415	1,018,315	1,023,406	1,028,977
TOTAL ASSETS	**1,004,350**	**1,003,685**	**1,009,214**	**1,025,864**	**1,039,837**	**1,053,850**	**1,063,364**	**1,070,239**	**1,076,296**	**1,082,497**	**1,089,359**
Current Liabilities											
Payables	8,166	8,370	8,580	8,794	9,014	9,239	9,470	9,707	9,950	10,198	10,453
Borrowings	510	762	1,347	1,784	2,124	2,176	1,731	1,780	1,830	1,881	1,659
Provisions	9,124	9,398	9,680	9,971	10,270	10,578	10,895	11,222	11,559	11,905	12,263
	17,801	18,530	19,607	20,549	21,407	21,993	22,096	22,709	23,338	23,985	24,375
Non-Current Liabilities											
Borrowings	5,275	4,513	28,003	26,219	24,095	21,920	20,189	18,409	16,580	14,699	13,039
Provisions	3,433	4,005	4,570	5,130	5,685	6,234	6,777	7,315	7,848	8,375	8,897
	8,708	8,517	32,573	31,349	29,780	28,153	26,966	25,724	24,427	23,073	21,936
TOTAL LIABILITIES	**26,509**	**27,048**	**52,180**	**51,898**	**51,187**	**50,146**	**49,062**	**48,433**	**47,765**	**47,058**	**46,311**
NET ASSETS	**977,841**	**976,637**	**957,035**	**973,966**	**988,650**	**1,003,704**	**1,014,302**	**1,021,806**	**1,028,531**	**1,035,439**	**1,043,048**
Equity											
Retained Earnings	424,667	423,464	403,862	420,793	435,477	450,531	461,129	468,633	475,358	482,266	489,875
Revaluation Reserves	553,174	553,174	553,174	553,174	553,174	553,174	553,174	553,174	553,174	553,174	553,174
TOTAL EQUITY	**977,841**	**976,637**	**957,035**	**973,966**	**988,650**	**1,003,704**	**1,014,302**	**1,021,807**	**1,028,531**	**1,035,439**	**1,043,048**

Stabilise Model Cashflow Statement - General Fund

$'000	AMENDED Budget 2016/17	DRAFT Budget 2017/18	DRAFT Budget 2018/19	DRAFT Budget 2019/20	DRAFT Budget 2020/21	DRAFT Budget 2021/22	DRAFT Budget 2022/23	DRAFT Budget 2023/24	DRAFT Budget 2024/25	DRAFT Budget 2025/26	DRAFT Budget 2026/27
Cash Flows from Operating Activities											
Receipts											
Rates & Annual Charges	41,881	43,362	46,611	50,512	51,844	53,150	54,449	55,827	57,174	58,563	60,021
User Charges & Fees	5,537	5,385	5,673	5,827	5,984	6,146	6,312	6,483	6,659	6,839	7,024
Investment & Interest Revenue Received	1,191	1,138	1,127	1,116	1,104	1,455	1,440	1,426	1,412	1,398	1,384
Grants & Contributions	14,301	9,260	10,884	10,814	10,914	10,698	10,652	10,803	10,626	10,632	10,836
Other	4,105	3,932	4,050	4,172	4,297	4,426	4,559	4,695	4,836	4,981	5,131
Payments											
Employee Benefits & On-Costs	(24,167)	(24,403)	(24,901)	(25,524)	(26,162)	(26,816)	(27,486)	(28,173)	(28,878)	(29,600)	(30,340)
Materials & Contracts	(16,607)	(14,076)	(15,111)	(14,948)	(15,544)	(16,074)	(16,464)	(17,115)	(17,830)	(18,392)	(18,828)
Borrowing Costs	(218)	(190)	(534)	(696)	(844)	(925)	(940)	(886)	(850)	(814)	(776)
Other Expenses	(11,388)	(10,794)	(11,853)	(12,127)	(12,412)	(12,790)	(13,070)	(13,413)	(13,767)	(14,185)	(14,505)
Net Cash provided (or used in) Operating Activities	14,637	13,615	15,947	19,146	19,182	19,270	19,452	19,647	19,381	19,421	19,945
Cash Flows from Investing Activities											
Receipts											
Sale of Infrastructure, Property, Plant & Equipment	1,700	849	997	1,010	1,023	536	549	563	577	591	606
Payments											
Purchases of Infrastructure, Property, Plant & Equipment	(25,790)	(13,911)	(14,825)	(25,424)	(19,448)	(20,416)	(19,768)	(16,047)	(17,245)	(17,301)	(17,613)
Net Cash provided (or used in) Investing Activities	(24,091)	(13,063)	(13,828)	(24,414)	(18,425)	(19,881)	(19,219)	(15,485)	(16,668)	(16,710)	(17,007)
Cash Flows from Financing Activities											
Receipts											
Prcoeeds from Borrowings & Advances	0	0	3,000	7,000	7,000	5,000	3,000	0	0	0	0
Payments											
Repayment of Borrowings & Advances	(484)	(510)	(925)	(1,347)	(1,784)	(2,124)	(2,176)	(1,731)	(1,780)	(1,830)	(1,881)
Net Cash provided (or used in) Financing Activities	(484)	(510)	2,075	5,653	5,216	2,876	824	(1,731)	(1,780)	(1,830)	(1,881)
Net Increase / (Decrease) in Cash & Cash Equivalents	(9,938)	41	4,193	385	5,973	2,265	1,057	2,432	933	882	1,057
plus: Cash, Cash Equivalents & Investments - beginning of year	41,498	31,560	31,602	35,795	36,180	42,153	44,418	45,476	47,907	48,840	49,723
Cash & Cash Equivalents - end of year	**31,560**	**31,602**	**35,795**	**36,180**	**42,153**	**44,418**	**45,476**	**47,907**	**48,840**	**49,723**	**50,779**

Stabilise Model – Sustainability Measures

Ratio	Benchmark	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027	Benchmark met
Operating Performance Ratio (OPR)	**0**	**-0.126**	**-0.069**	**-0.053**	**-0.001**	0.000	0.002	0.006	0.009	0.007	0.008	0.015	**Yes**
Own Source Revenue Ratio	**>60%**	67.74%	85.20%	82.93%	81.07%	82.95%	81.73%	84.54%	82.85%	85.89%	86.17%	86.26%	**Yes**
Asset Renewal Ratio	**>100%**	126.56%	**72.37%**	100.00%	113.70%	123.11%	135.31%	115.21%	105.86%	108.78%	108.13%	109.50%	**Yes**
Infrastructure Backlog Ratio	**≤ 2%**	1.51%	1.57%	1.43%	1.17%	1.18%	1.22%	1.24%	1.14%	1.14%	1.18%	1.23%	**Yes**
Asset Maintenance Ratio	**>100%**	100.62%	**97.80%**	103.85%	106.92%	112.78%	116.17%	118.09%	119.90%	122.29%	123.15%	123.05%	**Yes**
Debt Service Ratio	**>0%<20%**	1.13%	1.12%	2.20%	2.90%	3.64%	4.13%	4.14%	3.39%	3.35%	3.29%	3.23%	**Yes**
Real Operating Expenditure per Capita	**Decreasing**	**Increasing**	Decreasing	Decreasing	Decreasing	Decreasing	Decreasing	Decreasing	Decreasing	Decreasing	Decreasing	Decreasing	**Yes**

Attachment 4 – Improve Model (21% SRV) Projections

Improve Model Income Statement - General Fund

$'000	AMENDED Budget 2016/17	DRAFT Budget 2017/18	DRAFT Budget 2018/19	DRAFT Budget 2019/20	DRAFT Budget 2020/21	DRAFT Budget 2021/22	DRAFT Budget 2022/23	DRAFT Budget 2023/24	DRAFT Budget 2024/25	DRAFT Budget 2025/26	DRAFT Budget 2026/27
Income from Continuing Operations											
Revenue:											
Rates & Annual Charges	44,086	45,645	49,064	53,171	57,195	58,636	60,071	61,591	63,080	64,614	66,224
User Charges & Fees	5,593	5,439	5,731	5,886	6,045	6,208	6,376	6,549	6,726	6,908	7,094
Interest & Investment Revenue	1,191	1,138	1,127	1,116	1,104	1,455	1,440	1,426	1,412	1,398	1,384
Other Revenues	4,146	3,972	4,091	4,214	4,340	4,470	4,605	4,743	4,885	5,032	5,182
Grants & Contributions provided for Operating Purposes	7,079	6,382	6,201	6,044	6,056	5,749	5,611	5,669	5,395	5,304	5,407
Grants & Contributions provided for Capital Purposes	19,122	3,378	6,148	8,986	7,523	9,467	7,141	7,235	6,631	6,729	6,829
Other Income:											
Net gains from the disposal of assets	0	0	0	0	0	0	0	0	0	0	0
Entities using the equity method	0	265	265	265	265	265	265	265	265	265	265
Total Income from Continuing Operations	81,217	66,219	72,627	79,681	82,528	86,251	85,509	87,476	88,393	90,248	92,385
Expenses from Continuing Operations											
Employee Benefits & On-Costs	24,914	25,158	25,671	26,313	26,971	27,645	28,336	29,045	29,771	30,515	31,278
Borrowing Costs	318	239	534	696	844	979	1,101	1,175	1,232	1,171	1,109
Materials & Contracts	16,775	14,218	15,263	15,099	16,347	16,882	17,276	17,681	18,095	18,879	19,564
Depreciation & Amortisation	16,417	16,353	16,255	16,153	16,045	15,928	15,804	15,675	15,540	15,399	15,252
Other Expenses	11,503	10,903	11,972	12,249	12,537	12,919	13,201	13,548	13,905	14,328	14,651
Net Loss from the Disposal of Assets	0	0	0	0	0	0	0	0	0	0	0
Total Expenses from Continuing Operations	69,926	66,870	69,697	70,510	72,744	74,353	75,719	77,124	78,543	80,292	81,855
Net Operating Result for the Year	**11,291**	**(651)**	**2,930**	**9,171**	**9,784**	**11,898**	**9,789**	**10,353**	**9,850**	**9,956**	**10,531**
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	(7,831)	(4,029)	(3,218)	185	2,261	2,430	2,649	3,118	3,219	3,227	3,702

Improve Model Capital Budget Statement - General Fund

$'000	AMENDED Budget 2016/17	DRAFT Budget 2017/18	DRAFT Budget 2018/19	DRAFT Budget 2019/20	DRAFT Budget 2020/21	DRAFT Budget 2021/22	DRAFT Budget 2022/23	DRAFT Budget 2023/24	DRAFT Budget 2024/25	DRAFT Budget 2025/26	DRAFT Budget 2026/27
Net Operating Result (excl. Capital Grants)	(7,831)	(4,029)	(3,218)	185	2,261	2,430	2,649	3,118	3,219	3,227	3,702
Capital Funding and Expenditure											
Source of Capital Funding (excluding reserves)											
Proceeds from the sale of capital assets	1,700	849	997	1,010	1,023	536	549	563	577	591	606
Depreciation	16,417	16,353	16,255	16,153	16,045	15,928	15,804	15,675	15,540	15,399	15,252
Grants & Contributions provided for Capital Purposes	19,122	3,378	6,148	8,986	7,523	9,467	7,141	7,235	6,631	6,729	6,829
	37,239	20,579	23,400	26,149	24,591	25,930	23,494	23,472	22,747	22,719	22,687
Application of Capital Funding											
New Assets	18,365	3,103	2,066	6,874	5,314	7,674	8,309	5,806	7,687	3,906	3,896
Renewal of Assets	16,900	9,666	12,915	16,849	16,979	20,826	18,626	17,974	15,429	15,689	15,956
Other Assets	2,201	729	695	9,205	2,123	741	759	778	798	818	838
Plant & Equipment	4,412	2,515	1,911	1,959	2,008	2,058	2,110	2,163	2,217	2,272	2,329
	41,878	16,013	17,588	34,887	26,424	31,300	29,804	26,721	26,130	22,685	23,019
Net Capital Expenditure	(4,639)	4,566	5,812	(8,738)	(1,833)	(5,370)	(6,311)	(3,249)	(3,382)	34	(333)
Net Reserve Transfers & Capital Movements	12,470	(537)	(2,594)	8,553	(428)	2,939	3,662	131	163	(3,262)	(3,369)
Retained surlplus/(deficit) available for general funding purposes	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Improve Model Balance Sheet - General Fund

$'000	AMENDED Budget 2016/17	DRAFT Budget 2017/18	DRAFT Budget 2018/19	DRAFT Budget 2019/20	DRAFT Budget 2020/21	DRAFT Budget 2021/22	DRAFT Budget 2022/23	DRAFT Budget 2023/24	DRAFT Budget 2024/25	DRAFT Budget 2025/26	DRAFT Budget 2026/27
Current Assets											
Cash & Cash Equivalents	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
Investments	28,060	28,102	32,756	31,383	37,539	40,321	41,911	44,837	46,340	46,804	47,281
Receivables	6,345	6,503	6,666	6,833	7,003	7,179	7,358	7,542	7,730	7,924	8,122
Inventories	300	308	315	323	331	339	348	357	366	375	384
Other	857	878	900	923	946	970	994	1,019	1,044	1,070	1,097
	39,062	39,291	44,137	42,961	49,319	52,309	54,111	57,254	58,980	59,672	60,384
Non-Current Assets											
Receivables	1,080	1,110	1,140	1,171	1,204	1,237	1,271	1,306	1,342	1,379	1,416
Infrastructure Property, Plant & Equipment	919,256	917,981	918,089	935,579	944,695	959,285	972,484	982,709	992,457	998,879	1,005,763
Investments accounted for using the equity method	2,538	2,803	3,068	3,333	3,598	3,863	4,128	4,393	4,658	4,923	5,188
Investment Properties at Fair Value	41,677	41,758	41,842	41,927	42,015	42,105	42,197	42,291	42,388	42,487	42,588
Intangible Assets	737	742	887	1,036	1,189	1,345	1,505	1,670	1,838	2,011	2,187
	965,288	964,395	965,026	983,047	992,700	1,007,835	1,021,585	1,032,368	1,042,682	1,049,678	1,057,143
TOTAL ASSETS	**1,004,350**	**1,003,685**	**1,009,163**	**1,026,008**	**1,042,019**	**1,060,143**	**1,075,696**	**1,089,623**	**1,101,662**	**1,109,351**	**1,117,527**
Current Liabilities											
Payables	8,166	8,370	8,580	8,794	9,014	9,239	9,470	9,707	9,950	10,198	10,453
Borrowings	510	762	1,347	1,784	2,232	2,505	2,342	2,625	2,699	2,775	2,579
Provisions	9,124	9,398	9,680	9,971	10,270	10,578	10,895	11,222	11,559	11,905	12,263
	17,801	18,530	19,607	20,549	21,516	22,322	22,707	23,554	24,207	24,879	25,295
Non-Current Liabilities											
Borrowings	5,275	4,513	43,003	41,219	38,987	36,482	34,140	31,515	28,816	26,041	23,462
Provisions	3,433	4,005	4,570	5,130	5,685	6,234	6,777	7,315	7,848	8,375	8,897
	8,708	8,517	47,573	46,349	44,671	42,715	40,917	38,830	36,663	34,415	32,358
TOTAL LIABILITIES	**26,509**	**27,048**	**67,180**	**66,898**	**66,187**	**65,037**	**63,624**	**62,384**	**60,871**	**59,294**	**57,653**
NET ASSETS	**977,841**	**976,637**	**941,983**	**959,110**	**975,832**	**995,106**	**1,012,072**	**1,027,239**	**1,040,791**	**1,050,056**	**1,059,874**
Equity											
Retained Earnings	424,667	423,464	388,810	405,937	422,659	441,933	458,899	474,065	487,618	496,883	506,701
Revaluation Reserves	553,174	553,174	553,174	553,174	553,174	553,174	553,174	553,174	553,174	553,174	553,174
TOTAL EQUITY	**977,841**	**976,637**	**941,983**	**959,110**	**975,832**	**995,106**	**1,012,072**	**1,027,239**	**1,040,791**	**1,050,056**	**1,059,874**

Improve Model Cashflow Statement - General Fund

$'000	AMENDED Budget 2016/17	DRAFT Budget 2017/18	DRAFT Budget 2018/19	DRAFT Budget 2019/20	DRAFT Budget 2020/21	DRAFT Budget 2021/22	DRAFT Budget 2022/23	DRAFT Budget 2023/24	DRAFT Budget 2024/25	DRAFT Budget 2025/26	DRAFT Budget 2026/27
Cash Flows from Operating Activities											
Receipts											
Rates & Annual Charges	41,881	43,362	46,611	50,512	54,335	55,704	57,067	58,511	59,926	61,383	62,913
User Charges & Fees	5,537	5,385	5,673	5,827	5,984	6,146	6,312	6,483	6,659	6,839	7,024
Investment & Interest Revenue Received	1,191	1,138	1,127	1,116	1,104	1,455	1,440	1,426	1,412	1,398	1,384
Grants & Contributions	14,301	9,260	10,884	10,814	10,914	10,698	10,652	10,803	10,626	10,632	10,836
Other	4,105	3,932	4,050	4,172	4,297	4,426	4,559	4,695	4,836	4,981	5,131
Payments											
Employee Benefits & On-Costs	(24,167)	(24,403)	(24,901)	(25,524)	(26,162)	(26,816)	(27,486)	(28,173)	(28,878)	(29,600)	(30,340)
Materials & Contracts	(16,607)	(14,076)	(15,111)	(14,948)	(16,184)	(16,713)	(17,104)	(17,504)	(17,914)	(18,690)	(19,369)
Borrowing Costs	(218)	(190)	(534)	(696)	(844)	(979)	(1,101)	(1,175)	(1,232)	(1,171)	(1,109)
Other Expenses	(11,388)	(10,794)	(11,853)	(12,127)	(12,411)	(12,790)	(13,069)	(13,413)	(13,766)	(14,185)	(14,505)
Net Cash provided (or used in) Operating Activities	14,637	13,615	15,947	19,146	21,034	21,130	21,270	21,654	21,668	21,588	21,964
Cash Flows from Investing Activities											
Receipts											
Sale of Infrastructure, Property, Plant & Equipment	1,700	849	997	1,010	1,023	536	549	563	577	591	606
Payments											
Purchases of Infrastructure, Property, Plant & Equipment	(25,790)	(13,911)	(14,365)	(27,182)	(21,117)	(23,651)	(24,724)	(21,949)	(22,117)	(19,016)	(19,317)
Net Cash provided (or used in) Investing Activities	(24,091)	(13,063)	(13,367)	(26,172)	(20,094)	(23,115)	(24,175)	(21,386)	(21,540)	(18,425)	(18,711)
Cash Flows from Financing Activities											
Receipts											
Prcoeeds from Borrowings & Advances	0	0	3,000	7,000	7,000	7,000	7,000	5,000	4,000	0	0
Payments											
Repayment of Borrowings & Advances	(484)	(510)	(925)	(1,347)	(1,784)	(2,232)	(2,505)	(2,342)	(2,625)	(2,699)	(2,775)
Net Cash provided (or used in) Financing Activities	(484)	(510)	2,075	5,653	5,216	4,768	4,495	2,658	1,375	(2,699)	(2,775)
Net Increase / (Decrease) in Cash & Cash Equivalents	(9,938)	41	4,654	(1,373)	6,156	2,782	1,590	2,926	1,503	464	478
plus: Cash, Cash Equivalents & Investments - beginning of year	41,498	31,560	31,602	36,256	34,883	41,039	43,821	45,411	48,337	49,840	50,304
Cash & Cash Equivalents - end of year	**31,560**	**31,602**	**36,256**	**34,883**	**41,039**	**43,821**	**45,411**	**48,337**	**49,840**	**50,304**	**50,781**

Improve Model – Sustainability Measures

Ratio	Benchmark	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027	Benchmark met
Operating Performance Ratio (OPR)	**0**	**-0.126**	**-0.069**	**-0.053**	**-0.001**	0.027	0.028	0.031	0.036	0.036	0.036	0.040	**Yes**
Own Source Revenue Ratio	**>60%**	67.74%	85.20%	82.93%	81.07%	83.49%	82.30%	85.04%	83.41%	86.35%	86.63%	86.72%	**Yes**
Asset Renewal Ratio	**>100%**	126.56%	**72.37%**	**96.19%**	124.73%	124.95%	152.35%	135.44%	129.92%	110.86%	112.06%	113.28%	**Yes**
Infrastructure Backlog Ratio	**≤ 2%**	1.51%	1.57%	1.45%	1.13%	1.15%	1.04%	0.94%	0.76%	0.69%	0.70%	0.77%	**Yes**
Asset Maintenance Ratio	**>100%**	100.62%	**97.80%**	103.71%	107.25%	118.20%	122.76%	125.47%	126.32%	126.16%	129.38%	130.63%	**Yes**
Debt Service Ratio	**>0%<20%**	1.13%	1.12%	2.20%	2.90%	3.52%	4.20%	4.62%	4.40%	4.73%	4.65%	4.55%	**Yes**
Real Operating Expenditure per Capita	**Decreasing**	Increasing	Decreasing	Decreasing	Decreasing	Decreasing	Decreasing	Decreasing	Decreasing	Decreasing	Decreasing	Decreasing	**Yes**

HAWKESBURY CITY COUNCIL

WORKFORCE MANAGEMENT PLANNING

The Hawkesbury 2036...It's Our Future

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Introduction

Council is recognised as a key stakeholder in the local economy. It is one of only 3 businesses in the Hawkesbury Local Government area employing more than 200 persons. It also has a significant role in shaping the context within which the local community, business and industries operate.

In order for Council to achieve its mission of leading and working with our community to create a healthy and resilient future, Council must develop a strong, diverse and motivated workforce capable of delivering responsive services aligned to the needs of our community now and into the future.

Council delivers a diverse range of services to residents and is responsible for a portfolio of more than $1 Billion in assets that it manages on behalf of the community. Over the next four years, Council will be implementing its 'Fit for the Future' plan to ensure its long term financial sustainability. Achieving this goal will place increasing demands on Council's workforce to be more efficient and innovative in the way we deliver services to the community.

This Workforce Management Plan is designed to provide the organisation with a strategic framework for dealing with workforce challenges in a consistent way and to build a workforce that is capable of meeting the demands of a growing population and a changing environment.

Why do Workforce Planning?

Workforce planning is an important element of the NSW Integrated Reporting Framework. All councils in NSW are required to develop a CSP for their Local Government Area with a long term focus (a minimum of 10 years) addressing social, environmental and economic issues as well as civic leadership.

In addition to the Community Strategic Plan, Councils are required to develop a Resourcing Strategy, a four year Delivery Program and a one year Operational Plan. The Community Strategic Plan identifies the priorities and aspirations of the community for the future. The Delivery Plan describes the activities which will be implemented to achieve the community's priorities and the Operational Plan outlines the detail of the projects to be implemented.

What is Workforce Planning?

Workforce planning is a process which analyses the current workforce profile to determine future needs. It aims to ensure that Council has the right mix of people, skills and resources to deliver services to the community and achieve the objectives outlined in the Community Strategic Plan.

The Workforce Plan complements Council's Delivery Program through the implementation of strategies to build Council's workforce capabilities over the four year period. These strategies will allow the organisation to operate effectively by building a culture that continues to seek, develop, and retain competent and skilled staff. This will be achieved by:

- undertaking a review of Council's strategic direction and its impact on the workforce
- analysing the current and future workforce needs and capabilities
- developing strategies to address workforce gaps
- implementing strategies to better align the workforce with future business needs
- identifying and planning for new and emerging roles
- realigning positions to meet future needs
- allocating staffing resources based on strategic priorities
- increasing employee engagement
- developing and promoting a shared culture of organisation values
- providing improved career development and recognition programs.

Our Workforce Planning Challenges

All councils across NSW face the financial challenge of maintaining service levels and resourcing the proper management of ageing community infrastructure. To respond to this Council will need to attract and retain suitably qualified employees within a competitive labour market while also managing the impact of an ageing workforce. Our workforce planning will need to consider a number of issues.

1. Reshaping the organisation

A priority will be to review the organisational structure to align our operations and our financial and staffing resources to deliver on the needs and priorities of our community. As a council we must become more outcome focused and have a clear understanding of what we have been asked to achieve as set down in the CSP. This will enable us to pursue our strategic and business objectives in a consistent manner so that we can make confident decisions based on sound strategies.

Between August 2016 and February 2017, Council completed a two-stage community engagement strategy where we asked residents to tell us about their satisfaction with Council services, their priorities for future investment, and their feedback about our community's draft plan for the future. These conversations highlighted a number of areas which may require additional or reconfigured 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.

2. Delivery of the Workforce Plan

The delivery of Council's CSP relies partly upon the effective implementation of Council's Workforce Management Plan. A key issue for the workforce is the down-time associated with staff turnover and extended periods of leave which may have a significant impact on the achievement of objectives within the plan.

3. Council Funding

In preparing its FFTF plan, council has undertaken a comprehensive review of its financial position. The outcome of this review has indicated that Council does not have the necessary revenue to meet the service level expectations of residents or maintain current service levels into the future. Council's major source of revenue is derived from rates which account for 48% of its untied revenues. Council's FFTF plan includes a proposed application for a Special Rate Variation (SRV) to raise the balance of the revenue that will be required to maintain service levels and fund the infrastructure priorities identified by residents.

Council will be further consulting with residents about different options for resourcing the future. The outcomes of these consultations will determine which resourcing option council will pursue, which in turn will have significant implications on future service levels and the implementation of this workforce plan.

4. Employment at Council

Council has a strong reputation within the local community as a secure employer. However an increasing proportion of Council's workforce are appointed on a temporary basis and subject to the continued availability of funding, which means that retention of these employees can be challenging. This is especially the case in relation to Council's planning, engineering and other technical or specialist functions.

5. Service Delivery

In August 2016, Council completed a round of consultations presenting information to residents about the assets that Council manages on the community's behalf and the financial challenges faced by council in maintaining these assets. The outcomes of these consultations indicated that residents wanted Council to improve service levels by increasing its investment in assets.

As part of the review of the Hawkesbury Community Strategic Plan and Delivery Program, Council undertook a further round of consultations in February 2017 to canvass the views of the community about the challenges we face in planning for a sustainable future for the Hawkesbury. They key messages that came out of these consultations are summarised below.

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.

The Workforce Management Plan over the next four years seeks to maintain the current suite of services and service levels as well as address the expectations of our community for improved services. Communities are expecting more services particularly when compared with adjoining local government areas experiencing higher levels of development and population growth.
Our local government area is projected to experience some population growth over the next four years associated with residential developments in North Richmond, Glossodia, Pitt Town and Kurmond/Kurrajong. However, this population growth will be relatively modest when compared with our adjoining councils – particularly The Hills Shire, Blacktown and Penrith. The projected growth within the Hawkesbury will not generate the same levels of increased rating revenue and developer contributions as occurring in adjoining council areas and the capacity for Council to grow its workforce and expand its service offerings to meet the community's service level expectations will be limited.

Within this environment, Council will need to take advantage of opportunities as they arise to review positions and reconfigure staffing resources to ensure that it is in a position to deliver cost effective and best value services within the resources that are available. Maintaining and improving the quality of services will be an ongoing challenge.

The skills necessary to respond to our community's needs in the future have been identified in job families such as strategic asset management, business improvement, digital media presence and on-line business platforms, place making and land use planning. The key challenge for Council will be to deliver affordable services at levels the community considers satisfactory supported by sustainable financial, asset and workforce management.

6. Skills and labour shortages

The skills shortages in broad areas of Local Government also continue to present a challenge for Council, especially in the areas of planning, building surveying, engineering, finance and skilled trade and plant operators. It will be important to identify and implement strategies to address these shortages during the reporting period.

7. Ageing Workforce

Around 12 % of Council's workforce is either currently beyond retirement age or nearing retirement (60 years plus). Challenges for Council associated with an ageing workforce include:

- retention of ageing employees
- transfer of corporate knowledge at the time long servicing staff retire
- facilitation of transition to retirement
- increased work related risks in operational roles.

8. Technology Changes

Rapid advancement in technology has reduced the demand for some traditional skills and has led to the development of new technology based skills, including the ability to manage information and communications systems. In addition new technologies are changing the way work is carried out. This means that it will be crucial for staff to keep pace with changes in technology to improve efficiencies and improvements to services.

9. Employment

Unemployment rates in the Hawkesbury are comparable to the rest of Australia which suggests that the labour market is competitive, making it challenging to attract skilled employees, especially in specialist professional and management roles. The development of strategies to attract competent and skilled staff will be important leading into the future.

10. Equity and Diversity in the Workplace

Council must continue to seek innovative solutions to breaking down barriers by creating more equitable work strategies to promote gender equity and diversity across all levels of the organisation. This may involve a review of recruitment strategies and recruitment outcomes for specific positions, typically around management and professional roles, by offering a variety of more flexible work solutions.

11. Legislative Changes

In recent years planning legislation has been modified over 150 times to try to keep up with changes in the community, but it has reached a point where the State Government believes a new planning system is required.

Local councils are now required to take a leadership role in the new planning system and council's will have a greater focus on strategic planning which caters for long-term growth, infrastructure provision and environmental protection across council areas and regions

Accreditation changes to the Building Industry also place pressures on staff to obtain additional qualifications to do their current job, and may also present issues for staff retention as qualified staff may be in more demand in the private sector.

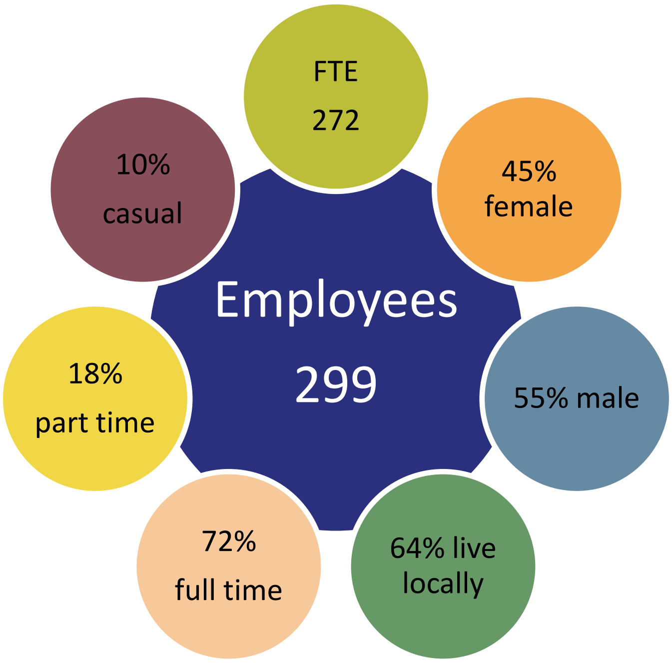
Recent changes to employment legislation have placed a stronger emphasis on increased flexibility for employees with family responsibilities. These changes will create resourcing issues for Council, however they are considered a necessary benefit to deal with the changing family dynamic. Other changes to superannuation benefits, retirement plans and the age pension will also continue to impact on staffing resources and employment costs.

12. Summary of Key Workforce Trends

According to survey data, key trends and factors that will impact on the local government sector over the next five years are:

- projected exits (retirements)
- labour shortages
- regulation/legislation
- economic factors (remuneration levels)
- growth in demand (across key workforce categories)
- impact of new technologies
- Work Health and Safety (WHS) issues
- amalgamations.

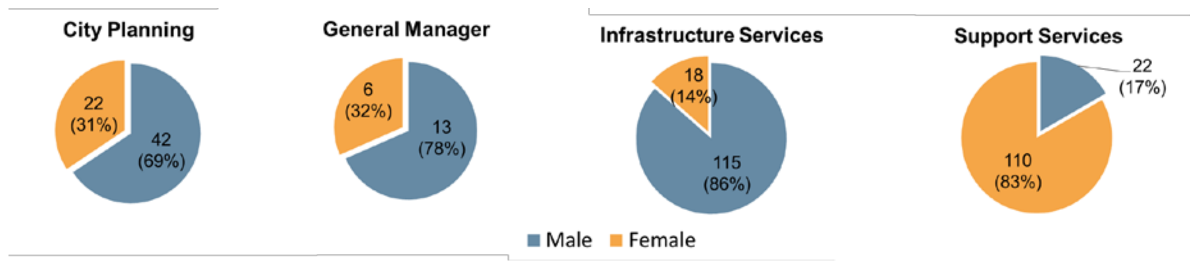
Our Workforce – A Snapshot (as at 1 July 2016)



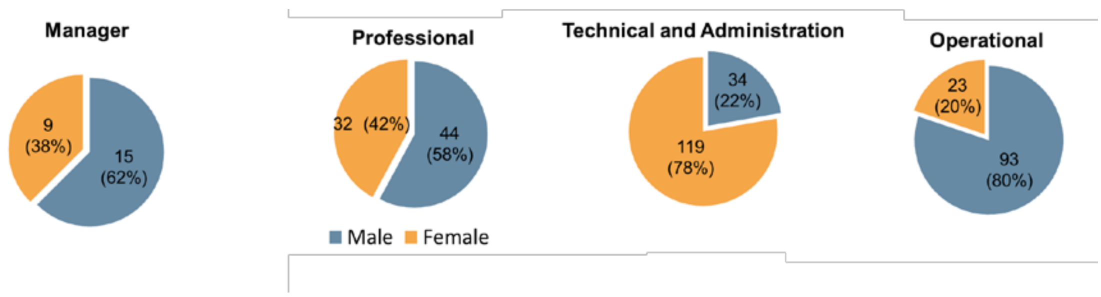
Age of our Workforce

26 (5%) are aged 15 to 24	46 (11%) are aged 25 to 34	78 (24%) are aged 35 to 44
5% of the NSW council workforce is 15 to 24	16% of the NSW council workforce is 25 to 34	22% of the NSW council workforce is 35 to 44
105 (32%) are aged 45 to 54	77 (23%) are aged 55 to 64	16 (5%) are aged 65+
29% of the NSW council workforce is 45 to 54	24% of the NSW council workforce is 55 to 64	4% of the NSW council workforce is 65+

Gender Distribution by Division



Gender Distribution by Profession



Length of Service

Fifty eight per cent of our employees have been with council for 10 years or less and 42% for 10 years or more. This compares with the average for all NSW councils where 63% % of employees have been employed for 10 years or less and 37% for 10 years or more.

111 (37%) have been employed for 5 years or less	**60 (21%) have been employed 6 to 10 years**	**56 (19%) have been employed 11 to 15 years**
The average for NSW councils is 42%	**The average for NSW councils is 21%**	**The average for NSW councils is 14%**
23 (8%) have been employed 16 to 20 years	**21 (7%) have been employed 21 to 25 years**	**28 (9%) have been employed for 5 years or less**
The average for NSW councils is 9%	**the average for NSW councils is 6%**	**The average for NSW councils is 9%**

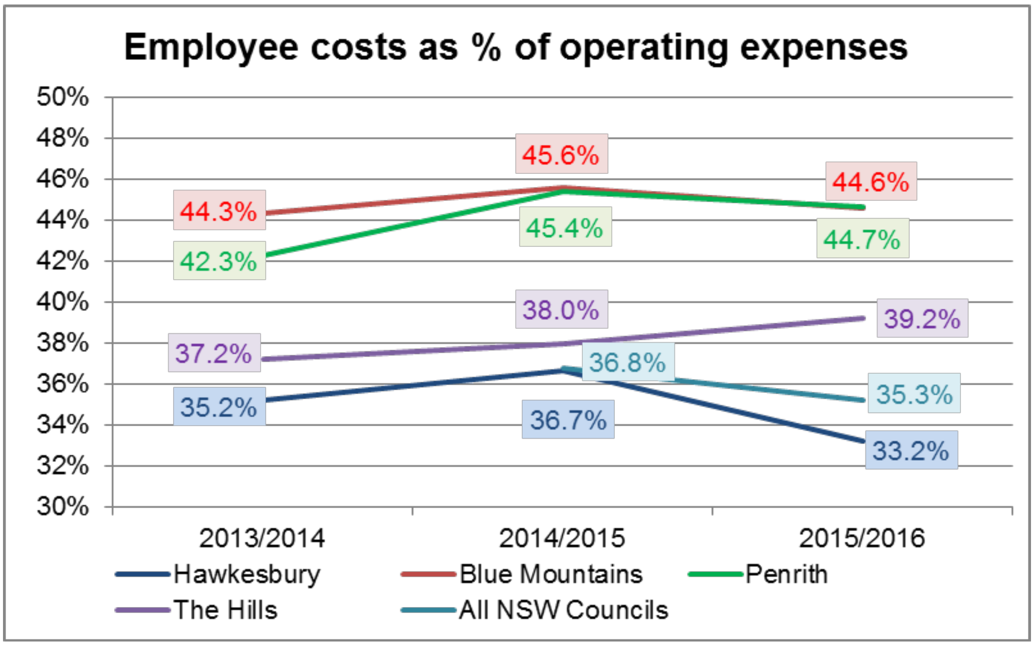
Employee Retention

The table below records the voluntary staff turnover rate (the total number of voluntary staff separations as a proportion of all full and part time positions). Staff turnover in 2015/2016 was higher than in previous years and can be attributed to the employment uncertainty of following the announcement (in December 2015) of a proposed merger of Hawkesbury City Council with part of The Hills Shire Council (which ultimately did not proceed). In 'normal' circumstances the staff turnover rate for Hawkesbury City Council is generally less that the NSW council average.

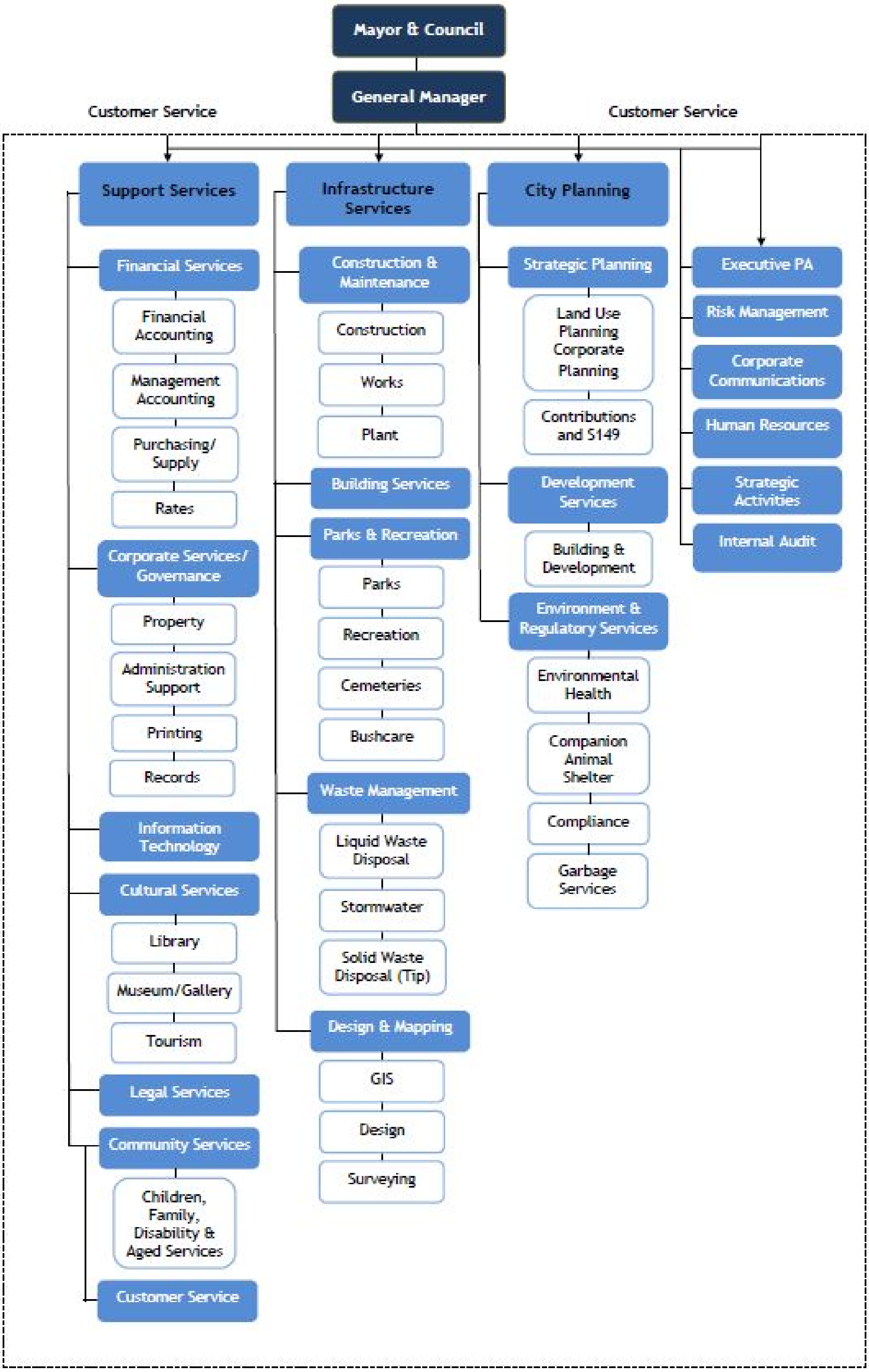
	2011/2012	2013/2014	2015/2016
Hawkesbury	8.2%	6.1%	16.1%
NSW council average	9.7%	8.1%	9.9%

Employment costs

The table below plots employee costs as a proportion of all of operating expenses. It shows that the proportion of council operating expenses attributed to employee costs has decreased from 35.2% in 2013/2014 to 33.2% 2015/2016. In comparison with our neighbouring councils, our employee costs make up significantly less proportion of total expenditures (and in 2015/2016 was also less than the average for all NSW councils).



Organisational Structure



Our Future Workforce

While Council's existing workforce is in a reasonable position to be able to meet its operational requirements over the short term, there are a number of areas which will require additional workforce investment over the next four years if Council is to be able to deliver on the priorities within its Delivery Program and complete its transition to a financially sustainable Council by 2021.

Council will also need to maintain its focus on improving its employment related policies and conditions to meet the challenging internal and external workforce market pressures of the future to ensure that it can continue to attract and retain a workforce that can deliver the array of services that is expected by our residents, customers and stakeholders. The key workplace and employment strategies that we pursue will be to:

- foster and embed a culture of high organisational and individual performance
- build a capable and professional workforce that is agile, innovative and resilient
- develop leadership capabilities for managers
- introduce and utilise of technology solutions to achieve greater efficiencies
- encourage workplace equity and diversity strategies that are reflective of the needs of the workforce and our community
- deliver learning and development opportunities that provides skills based and career focused progression and learning
- continue to implement and improve the staff Performance Management System
- enhance workforce data and metrics to improve planning and performance
- maintain a safe workplace environment through best practice safe systems of work.

Our Action Plan

This Workforce Management Action Plan provides Council and the Community with a roadmap to manage its workforce from 2017 to 2021. Council faces the challenges of retaining and attracting suitably qualified employees within a relatively tight labour market while managing the demographic realities of an ageing workforce.

At the same time, public expectations around timely, lean and quality service delivery place increasing demands on our workforce to go about their business in ever more efficient and innovative ways.

This Plan is designed to enable ongoing professional development and bring staff into the organisation with the right skill sets and to identify strategies to manage the human resources within Council. Our major challenge is how to build a capable and resilient workforce that is able to face the demands of a constantly changing environment.

The Hawkesbury Community Strategic Plan outlines a range of outcomes and strategies that document long-term community aspirations. These will not be achieved without sufficient resources – time, money, assets and people – to actually carry them out.

An action plan has been developed to delivery on relevant strategies in the CSP.

CSP Strategy – 1.6 Corporate Services

Support the operation of the organisation through the provision of effective and efficient corporate support services.

1.6.1 Council will seek to attract, develop and retain a skilled and highly capable workforce

1.6.2 Council's workforce, systems and processes will support high performance and optimal service delivery for our community.

To respond to the strategies identified above the following actions are proposed.

Attracting and Retaining Staff

CSP Strategy	Key Focus Area	Four year actions	Responsibility	Time Frame
Conduct employee engagement survey to measure employee engagement, organisational culture and identify key employment issues.	**Learning and Development**	Review training budget to strengthen alignment with corporate priorities and business objectives.	Human Resources	2019/2020
		Investigate e-learning initiatives for compliance and governance training	Human Resources	2017/2018
		Ongoing training and professional development for employees identified in individual training plans (as part of Performance Review)	Managers	Ongoing Annually
	Work Health and Safety	Review WHS system to meet needs of organisation and promote proactive safety culture	MANEX	2017/2018
		Investigate use of improved technology that will increase efficiency and/or reduce occupational and manual handling risks to employees.	Risk Management Information Services Managers	2018/2019
	Health, Wellbeing and Diversity	Review current exit interview tool and process to better capture and collate data to identify potential retention issues across the organisation.	Human Resources	2018/2019
		Review recognition and reward programs	Human Resources MANEX	2020/2021
	Recruitment and Induction	Continue to streamline recruitment processes using a variety of online, print and social media to promote Council to prospective employees and to recruit and induct staff.	Human Resources Corporate Communication	2017/2018
	Flexible Work Arrangements	Review flexible working arrangements to ensure appropriate balance between individual and organisational needs.	Human Resources	2018/2019
	Apprenticeships and Traineeships	Consolidate and augment existing apprenticeship and traineeship programs to promote entry level job opportunities	Human Resources Managers	2019/2020
	Staff Engagement	Review staff engagement programs to promote team building and recognise diversity	Human Resources MANEX	Ongoing Annually

Driving a high performance culture

CSP Strategy	Key Focus Area	Four year actions	Responsibility	Time Frame
Our Leadership 1.6.2Council's workforce, systems and processes will support high performance and optimal service delivery for our community	**Workforce Structure**	Review Organisation Structure to align council operations to meet outcomes of Strategic Plan and Delivery Program.	General Manager	2017/2018
	Workforce Investment	Review and redesign positions to identify opportunities for additional or reconfigured workforce investments in response to changes in business direction and CSP priorities.	MANEX	Annually
		Identify support opportunities for resource sharing with Regional Strategic Alliance	MANEX	Human Resources
		Implement workforce data and metrics reporting to assist analyse and forecast future workforce needs	Human Resources	2017/2018
	Leadership Development	Develop a management leadership program and invest in leadership training programs	Human Resources MANEX	2018/2019
		Consider staff secondment opportunities to develop skills and broaden career opportunities	Human Resources Managers MANEX	Ongoing
	Organisational Culture and Development	Review existing salary system and implement changes as appropriate to ensure it reflects changing market conditions	Human Resources MANEX	2019/2020
		Update position descriptions to better reflect organisational objectives and changes in business direction.	Human Resources Managers	Ongoing
		Further implement partnering programs to improve cross functional communication across the organisation in order to achieve outcomes	Human Resources Managers MANEX	Ongoing
	Customer Services	Implement corporate wide-customer service training and development program to promote delivery of response and outcome focused services.	Human Resources Customer Services	2018/2019
	Succession Planning	Formalise knowledge transfer process and capture details for critical specialised roles.	Human Resources Managers	2019/2020
		Develop succession planning and transition to retirement programs	Human Resources MANEX	Ongoing
	Performance Management	Provide training for managers and supervisors in performance management and coaching.	Human Resources Managers	2019/2020
		Review and refine performance management system to improve alignment with Delivery Program objectives.	Human Resources Strategic Planning MANEX	18/19
		Develop managers and supervisors capabilities in performance management and the utilisation of the progressive processes to encourage behavioural change	Human Resources Managers	19/20

Implementing the Workforce Management Plan

The responsibility for implementing Council's Business planning documents including the Workforce Management Plan is the responsibility of all levels within Council:

- the Mayor and Councillors delegate responsibilities to the General Manager and the Management and Executive (MANEX) team to develop and oversee the implementation of the Community Strategic Plan, Resourcing Strategy and Delivery Program in accordance with the legislation and guidelines as well as leading community engagement
- the General Manager is responsible for overseeing the preparation of Council's Business Planning Framework and reporting progress and performance regularly
- the MANEX team is responsible for ensuring the key focus areas and related strategies are agreed and resourced
- Council's Human Resources Branch provide support to the Executive Team and are responsible for monitoring implementation and performance reporting
- managers and staff are responsible for supporting the Executive Team in implementing the Community Strategic Plan, Delivery Program, annual Operational Plans and the individual components of the Resourcing Strategy.

Council is committed to consulting with staff when developing and refining the workforce structure as it is recognised it is beneficial to the change management process required to drive any significant changes and improve ownership of the Workforce Management Plan

Monitoring and Reporting our progress

What will be reported	To who	Frequency	Responsible
Staff Turnover	MANEX	Quarterly	Human Resources
Unplanned Absence rate	MANEX	Quarterly	Human Resources
Overtime Hours Rate	MANEX	Quarterly	Finance Services
Lost Time Injury Incident rate	MANEX	Quarterly	Risk Management
Recruitment – No of candidates per position	MANEX	Quarterly	Human Resources
Recruitment – Time to hire	MANEX	Quarterly	Human Resources
Number of disciplinary matters and grievances	MANEX	Quarterly	Human Resources
Number of complaints against staff	MANEX	Quarterly	Human Resources
Workforce Profile	MANEX	Annual	Human Resources
Performance Review Completion Rates	MANEX	Annual	Human Resources
Learning and Development Investment per FTE	MANEX	Annual	Human Resources
Cost Per Hire	MANEX	Annual	Human Resources
Employee Cost Rate	MANEX	Annual	Human Resources
Employee Productivity Rate	MANEX	Annual	Human Resources
Management Cost Rate	MANEX	Annual	Human Resources
Management Productivity Rate	MANEX	Annual	Human Resources
Staff Engagement Survey	MANEX	Bi Annually	Human Resources

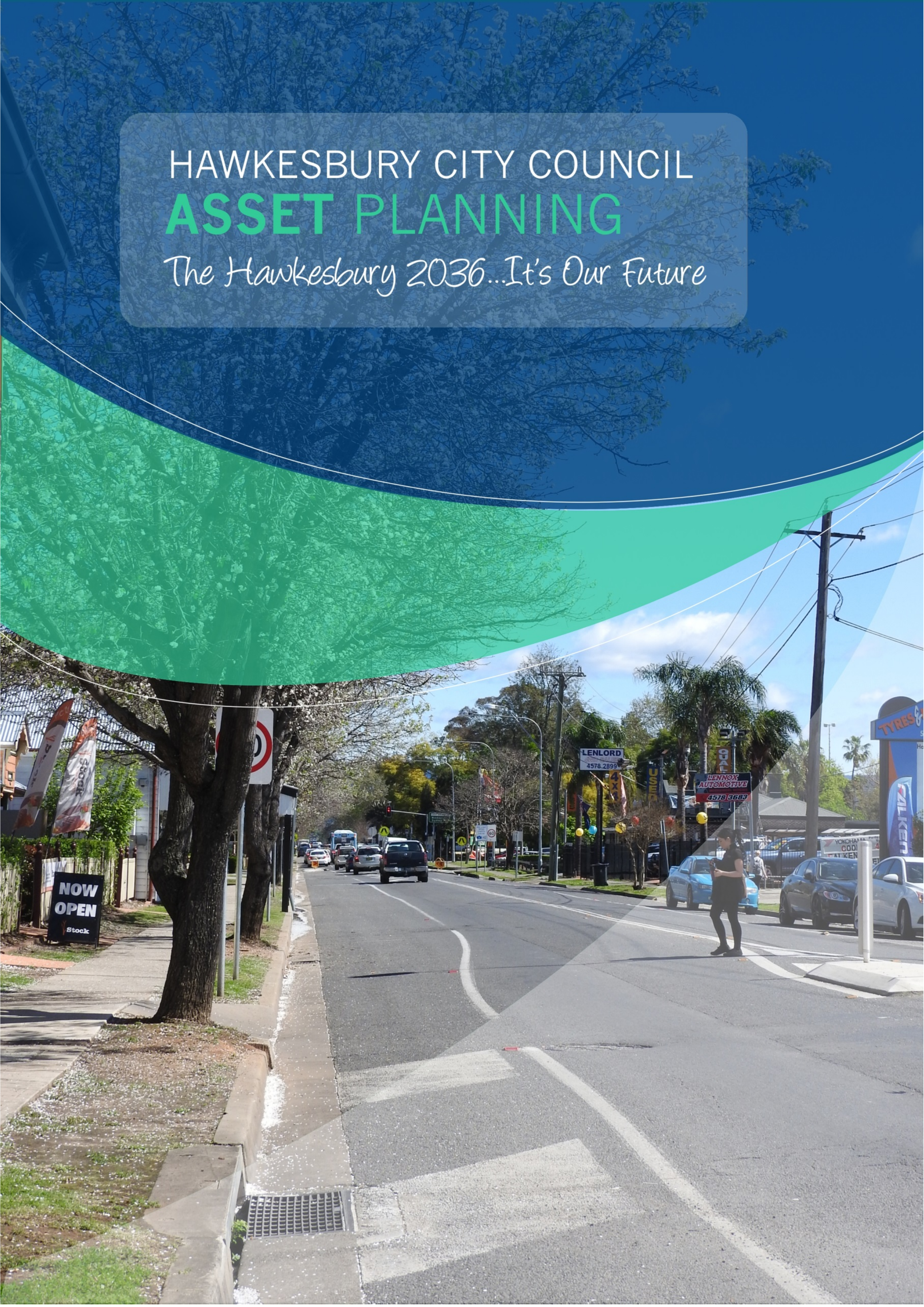
Review Process

Over time the workforce will present new or different challenges for the organisation. A review of the Workforce Management Plan will be undertaken annually. This review process will consider whether the key themes and strategies remain current or if new issues or actions need to be added to the Workforce Strategy over the four year period of operation.

HAWKESBURY CITY COUNCIL

ASSET PLANNING

The Hawkesbury 2036...It's Our Future



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Executive Summary

Council has care and control of a large portfolio of community infrastructure assets, including roads, storm water drainage, sewerage systems, buildings, community facilities, sporting fields, playgrounds, recreation facilities, parks and nature reserves. These assets have a gross replacement value of approximately $1.1 billion. Infrastructure assets provide Hawkesbury's residents, businesses and visitors the services and amenity to meet their social, economic and cultural needs.

As a custodian of these assets, under the Local Government Act, 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.

This document is based on the Office of Local Government's (OLG) Integrated Planning and Reporting (IP&R) Manual and Guideline, and the International Infrastructure Management Manual (IIMI2011). Following the IP&R Guideline, this document presents council's asset management situation, sets out asset management goals and identifies specific strategies and plans to deliver infrastructure services in a sustainable manner.

Asset Management Position

Council has taken a number of actions to improve its asset management capability. It has adopted a corporate approach to asset management planning, completed asset management gap analyses, developed strategies and implemented programs to improve asset management.

Tasks completed and/or currently in progress are:

- a corporate-wide asset system implemented, including asset data for all assets
- preparation of the Asset Management Policy and Strategy
- additional resourcing for Asset Management has been employed and a further review is in progress
- a Customer Request Management System implement, which effectively records issues with assets, as identified by the community
- an Asset Works Management System implemented, including mobility solutions
- Community Satisfaction Surveys are carried out biennially to measure community satisfaction with asset service levels
- community consultation on expected levels of service conducted in August 2016
- Draft Asset Management Plans prepared for infrastructure assets.

The outcome from the community consultation conducted in August 2016 indicated that residents would like to see an improvement in service levels and increased investment in assets. The community expects assets to be at either a Very Good, Good or Fair condition and require further action to remediate assets in a Poor or Very Poor condition.

Asset Management Goal

Council's overarching goal is to provide a service level that is technically appropriate, meets the community's expectations and is financially sustainable. Council also aims to ensure that the community's infrastructure continues to meet the service needs of current users without compromising the service potential and needs of future generations.

One of the key requirements to achieve this goal is to improve asset management knowledge and systems and put in place appropriate processes and procedures. In addition, Asset Management Planning (AMP) aims to forecast funding required in delivering the desired service level.

In order to improve asset management, Council will specifically aim to:

- implement a plan for managing infrastructure assets to support the delivery of the Community Strategic Plan (CSP) and Delivery Programs (DP)
- identify critical assets and implement appropriate risk management strategies
- have Asset Management Plans with identified asset service levels, risk management and long term expenditure projections
- use modern technology, including mobility and Spatial Information Systems (SIS) to manage works and evaluate risk.

Summary of Asset Management Expenditure Forecasts

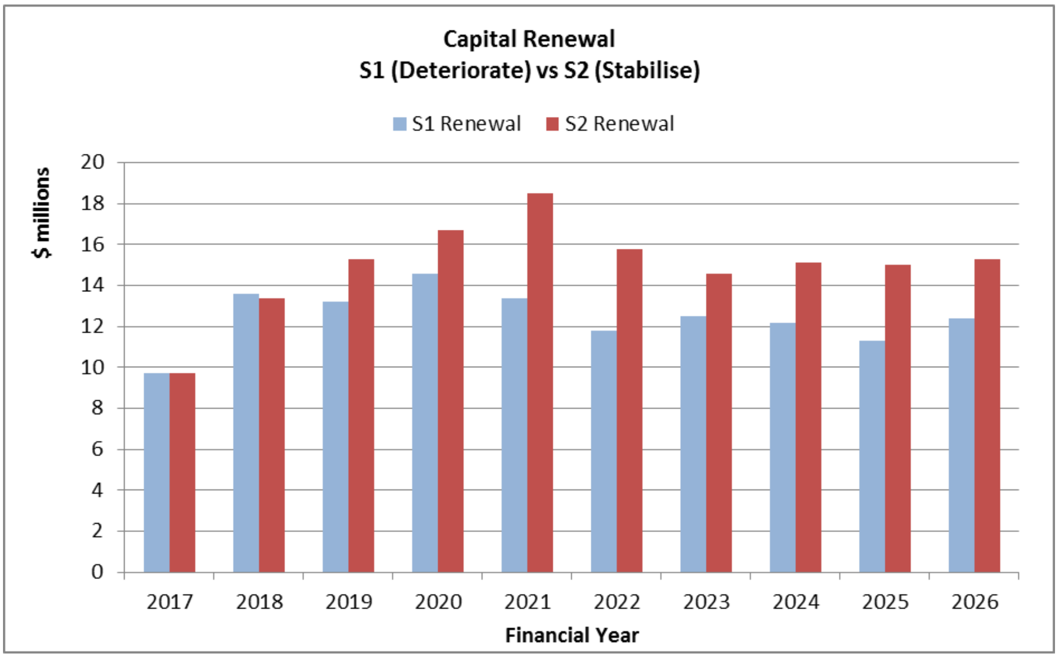
The asset management expenditure forecasts outlined below relate to roads, buildings and parks asset categories.

Two asset management funding scenarios were analysed, covering a 10 year planning period. Scenario 1 (S1) shows the forward projections included in the LTFP, based on the Deteriorate Model and Scenario 2 (S2) shows the forward projections included in the LTFP, based on the Stabilise Model. The Stabilise Model meets all required FFTF asset benchmarks, and is based on additional revenue obtained from a SRV to fund a borrowings program to bring forward and increase asset renewal, to the levels required. The difference in funding levels between the two scenarios for each asset category and its implication on assets and service levels is further detailed in the Appendices of this document.

Summary of Capital Renewal Expenditure Forecast

- Scenario 1: an average of $12.5 million per year, resulting in a backlog of $17.3M in 2026/2027.
- Scenario 2: an average of $14.9 million per year, resulting in a backlog of $8.5M in 2026/2027.
- An additional $2.4 million per year of renewal can be funded via by the proposed borrowings program, which requires the application of a SRV.

The difference between Capital renewal expenditure, comparing S1 (Deteriorate) to S2 Stabilise Models is illustrated in the figure below:



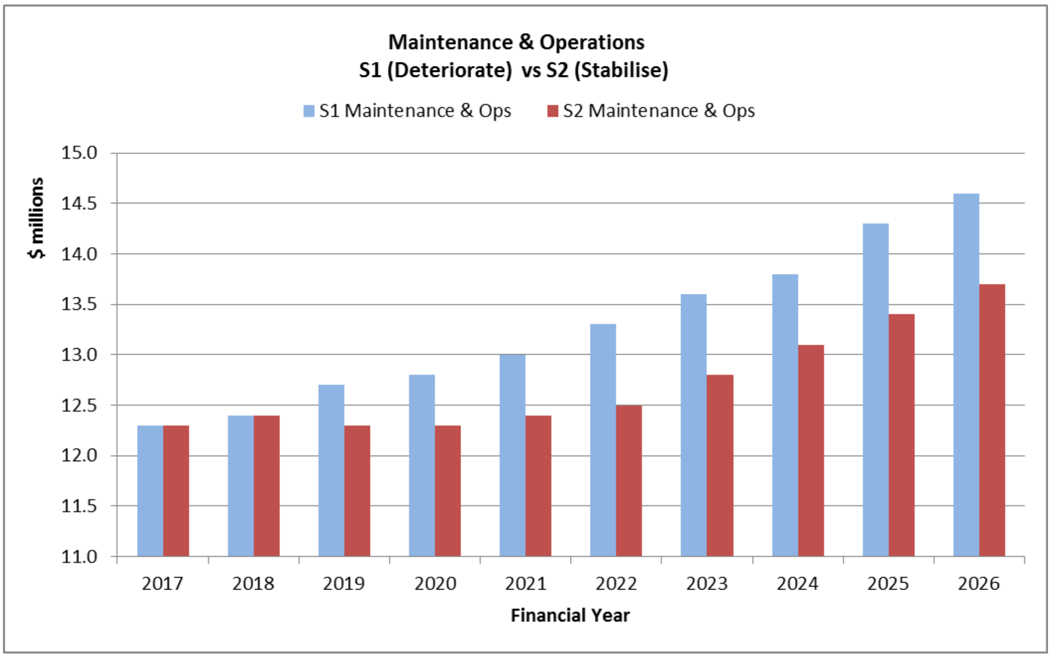
Summary of Required Maintenance and Operations Expenditure Forecasts

The level of operating costs incurred to operate and maintain infrastructure assets is highly dependent upon the level of investment in renewal works. The greater the investment in renewal, the lower the required maintenance and operations expenditure.

The required maintenance and operations expenditure as a result of the level of renewal included in both Scenarios is summarized below.

- Scenario 1: an average of $13.3 million each year to maintain assets in a fair to good condition.
- Scenario 2: an average of $12.7 million each year to maintain assets in a fair to good condition.
- An average saving of $0.6 million per year is possible, with the additional renewal included in Scenario 2.

The difference between asset maintenance and operations expenditure, comparing S1 (Deteriorate) to S2 (Stabilise) Models is illustrated in the figure below:



Introduction

Council has care and control of a large portfolio of community infrastructure assets, including roads, storm water drainage, sewerage systems, buildings, community facilities, sporting fields, playgrounds, recreation facilities, parks and nature reserves. These assets have a gross replacement value of approximately $1.1 billion. Infrastructure assets provide Hawkesbury's residents, businesses and visitors the services and amenity to meet their social, economic and cultural needs.

As a custodian of these assets, under the Local Government Act, 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.

Council has put in place asset management systems and processes to operate, maintain and renew infrastructure assets to ensure that this infrastructure continues to provide the level of service, as expected by our community. The AMP is also designed to meet the OLG IP&R legislative requirements for sustainable management of infrastructure assets.

Asset Management Planning (AMP)

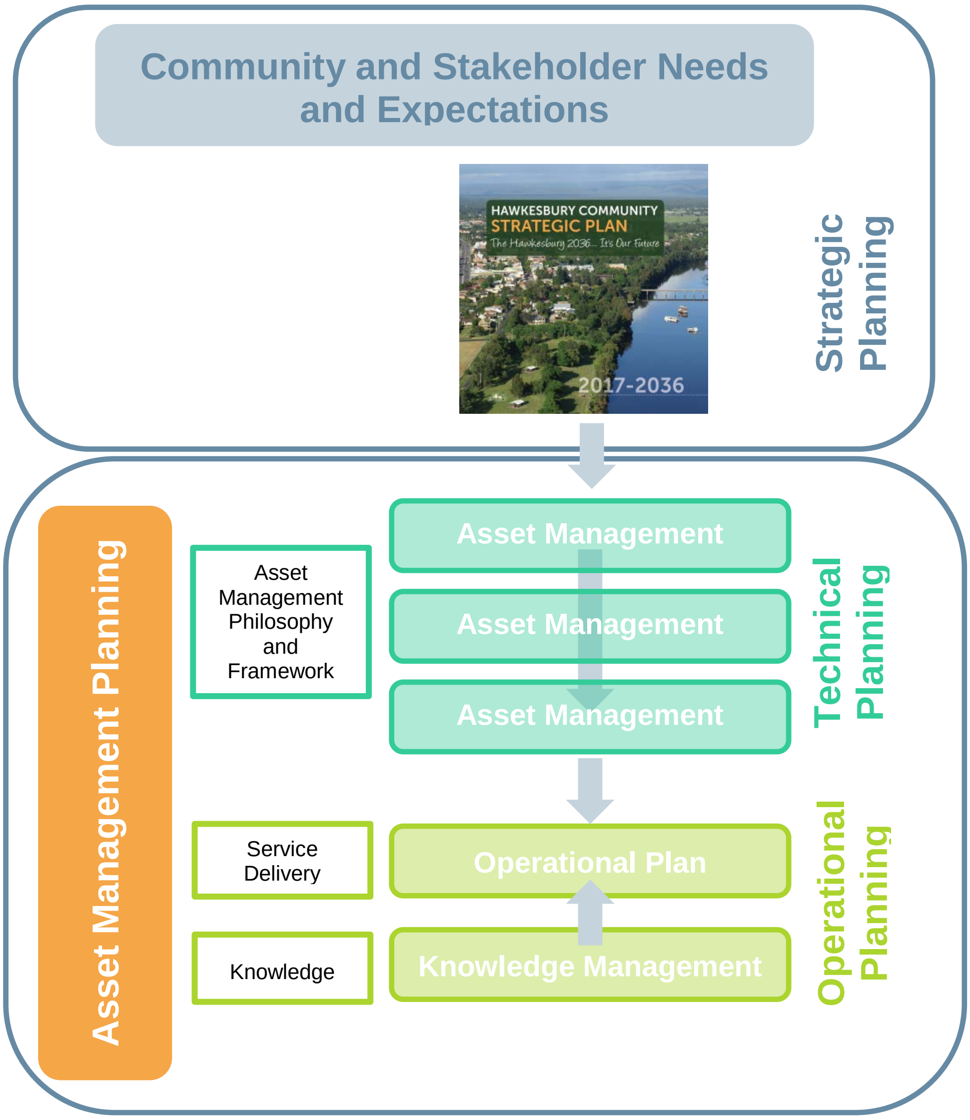
The AMP process aims to facilitate understanding of asset management principles and processes and to foster stronger Council-Community partnerships in achieving the goals and outcomes, as identified by the CSP, through delivery of agreed service levels.

The AMP is a comprehensive process to ensure delivery of services from infrastructure is provided in a financially sustainable manner (Source: IPWEA, NAMS.PLUS2, 2012, A Guided Pathway to Sustainable Asset Management).

AMP commences with:

- defining stakeholder and legal requirements and needs
- incorporating these needs into the Council's strategic plan
- developing an asset management policy, strategy, plans and operational plans
- linking the asset management plans to a LTFP.

Council's AMP framework is illustrated in the diagram below.



Community Strategic Plan

Council has adopted the Hawkesbury Community Strategic Plan (CSP) 2017-2036. The CSP outlines the key community's aspirations and sets essential direction and goals for future Council activities. The CSP has set five key focus areas with associated high level directions and goals for Council activities. The CSP is available for viewing from Council's web site www.hawkesbury.nsw.gov.au

Asset Management Policy

The policy provides a clear direction for asset management and defines key principles that underpin asset management for the Council. Council adopted the asset management policy on 29 September 2009. The policy is available for viewing on Council's website: www.hawkesbury.nsw.gov.au

Asset Management Strategy and Improvement Plan

Council's asset management strategy and improvement plan outlines principal strategies and actions that Council intends to apply in order to deliver the service needs of the community outlined in the CSP.

The strategy provides an analysis of the current asset management situation and establishes desired practice, goals and outlines specific improvement actions to achieve these desired outcomes.

Asset Management Plan

Asset management plans are long-term plans that detail information about infrastructure assets and actions required to provide desired levels of service in the most cost effective manner.

An asset management plan documents:
- the services and service levels to be provided
- how the services are provided
- what funds are required to provide these services.

Source: IPWEA, NAMS.PLUS2, 2012, a guided pathway to sustainable asset management

Council has prepared the following draft infrastructure asset management plans:
- road and associated assets
- buildings and facilities
- parks and recreation
- stormwater
- sewerage.

The asset management plans remain in draft and are refined when new data becomes available. A summary of the asset management plans is presented in the Appendices section of this document.

Asset Management Information and Expenditure Forecast

Council's Infrastructure Assets

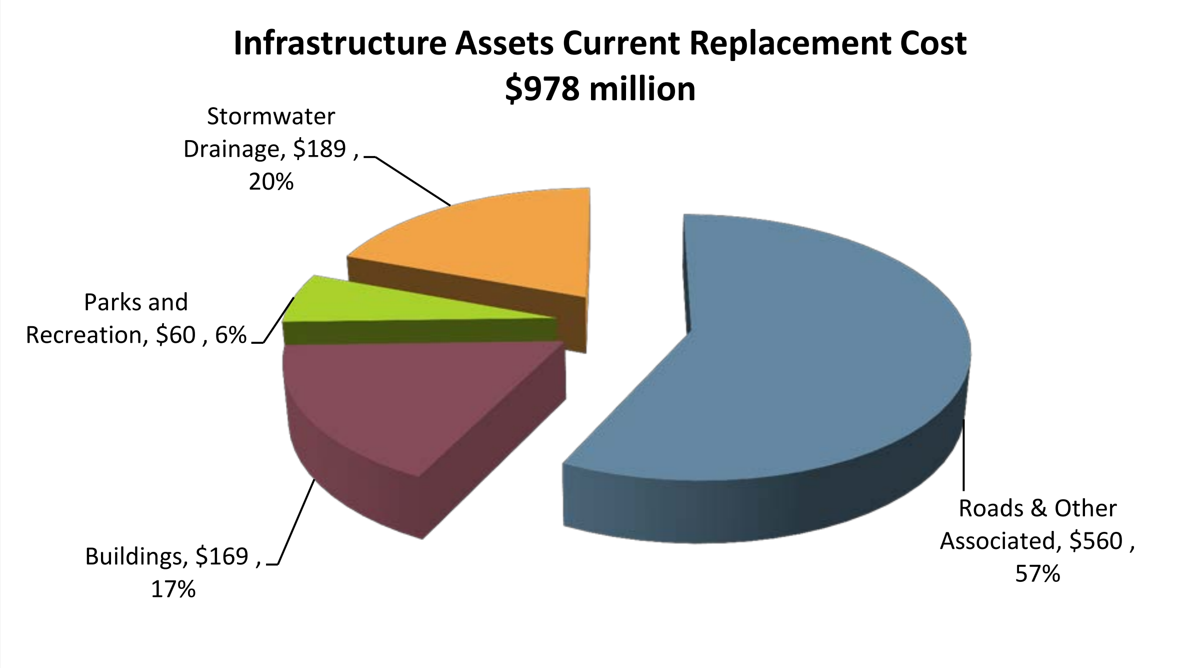
The table below presents infrastructure categories, services relevant to this infrastructure and description of infrastructure asset types:

Infrastructure Asset Categories	Service area	Description of infrastructure asset type
Road and Associated assets	Roads, bicycle and pedestrian paths facilitate movement of goods, commuting to work, access to businesses and social and recreational needs.	Land under all categories of roads, sealed and unsealed road pavements, kerb and gutters, bridges, major culverts, paved footpaths and cycle ways, car parking areas, street furniture, signage, road markings, traffic control facilities, vehicular ferry, roadside safety barriers, and bus shelters.
Drainage	Stormwater drainage system for road and pedestrian safety, to mitigate infrastructure and property flooding and water quality improvement.	Pipes, culverts, pits, headwalls, erosion protection, Gross Pollutant Traps, wetlands and ponds, open detention basins, swales and channels, and other flood protection structures.
Buildings and Facilities	Buildings and facilities for community services, operational, social and recreational use.	Land under buildings, public halls, libraries, community halls, child care centres, senior citizens centre, museum, art gallery, public toilets and amenities blocks, Council offices, work depots, pavilions, grand stand, shelters, investment properties, pools and aquatic centre, indoor stadium, fire services facilities, other building associated assets such as electrical, mechanical, security, emergency, furniture and fittings.
Parks and Recreation	Active and passive recreation, sporting and leisure facilities.	Community land, horticulture, arboriculture, minor structures, sporting grounds/ovals, swimming pools, play equipment, flood lights, irrigation, nursery, cemeteries, skateparks, tennis and netball courts, park furniture, street trees, walking trails/paths, boat ramps, lookouts and fences.
Sewerage	Reticulated wastewater collection, treatment and disposal from council serviced areas.	Land, reticulation pipes, manholes, pump stations, rising mains, wastewater treatment facilities, plant and equipment (electro/mechanicals).

Asset Inventory and Replacement Values

Council controlled infrastructure assets have a current replacement value of about $978 million (excluding Sewerage and Waste Management).

The figure below shows a breakup of current asset replacement value by asset categories.



Asset Sustainability

A ratio of current life cycle expenditure (LCE) to asset lifecycle costs (LCC) provides an indication of asset sustainability. A funding gap between LCC and LCE gives an initial indication as to whether present consumers are paying their share of the assets they are consuming each year. One of the main purposes of the Asset Management Planning (AMP) is to identify levels of service that the community needs and can afford and develop the necessary long-term financial plan to provide the service in a sustainable manner.

A life cycle sustainability ratio of 1.0 indicates that the current funding provided is equal to the required lifecycle funding estimate. A sustainability ratio of less than 1.0 indicates a funding gap.

The LCC does not indicate the funds required to provide the service in a particular year. Generally LCE to LCC ratio is assessed to give an initial indication of LC sustainability.

It is worth noting that the sustainability index for roads shows a positive outlook under both financial scenarios. However, in asset terms, there is a significant backlog in road renewal works and the state of the current road condition may not meet the desired service standard.

In recent years, Council has made significant adjustments in the road asset depreciation estimate. The current depreciation figure may not reflect the asset condition and the actual consumption. The resourcing strategy approach to road asset would benefit from more detailed investigations to balance depreciation estimates and actual asset consumption.

Assets Data

The table below shows the current level of infrastructure assets data coverage and level of confidence.

Asset Class	Data Coverage	Data Confidence
Roads	Good	Good
Stormwater Drainage	Fair	Poor
Buildings	Good	Good
Parks	Fair	Fair

Good condition data is available for sealed road pavements. A limited sample condition survey of stormwater network was carried out in 2015 to ascertain network condition. This condition has been extrapolated and replicated to the entire network. About 40% of parks asset data has been collected.

Building Services carried out a comprehensive condition audit and these have been incorporated in the asset system.

Capturing asset information and condition data is an ongoing process. Asset data is collected over a period of time utilising a combination of internal and external resources. The robustness of the asset data will generally determine the quality and reliability of AMP projections.

The asset management plan summary section, Appendix A presents the key asset related information for infrastructure assets. Where asset condition data was not available, condition has been derived based on an estimate of asset age and remaining useful life. The individual asset management plans summary elaborates and details assumptions made in estimating asset conditions.

Levels of Service and Community Satisfaction

In August 2016, Council went out to the community to ask residents about their level of satisfaction with current service levels and their priorities for future investment. The outcome of these consultations indicated that residents would like to see an improvement in service levels and increased investment in assets. The two figures below summarises the outcomes of this service level review consultation.

Figure 1 plots the level of resident satisfaction with different assets based on a rating scale of 1 to 5 (where 1 denotes not at all satisfied and 5 very satisfied). Figure 1 shows that residents were most satisfied with the condition of the regional gallery, swimming pools, parks and libraries and least satisfied with the condition of roads (both sealed and unsealed) public toilets and stormwater drains.

Figure 2 plots resident priorities for future investment based on a rating scale of 1 to -1 (where 1 denotes more investment and -1 less investment). Figure 2 shows that in relative terms residents wanted Council to invest more in roads (both sealed and unsealed), public toilets and stormwater drains and invest less in libraries, cycle paths, museum and regional gallery.

Asset	Satisfaction
Sealed roads	2.31
Unsealed roads	2.46
Public toilets	2.58
Stormwater drains	2.81
Footpaths	2.9
Cycle paths	2.91
Town centres and public places	3.16
Community centres and halls	3.26
Playing fields and courts	3.32
Visitor information centre	3.32
Museum	3.32
Playgrounds	3.36
Regional gallery	3.39
Swimming pools	3.4
Parks	3.41
Libraries	3.78

least satisfied

most satisfied

Figure 1: Level of Satisfaction with condition of assets

Asset	Investment Priority
Sealed roads	0.89
Public toilets	0.69
Unsealed roads	0.68
Stormwater drains	0.67
Town centres and public places	0.63
Parks	0.57
Footpaths	0.56
Playgrounds	0.45
Playing fields and courts	0.37
Community centres and halls	0.34
Swimming pools	0.34
Visitor information centre	0.29
Libraries	0.18
Cycle paths	0.16
Museum	0.06
Regional gallery	-0.06

more investment

less investment

Figure 2: Priorities for future investment

Financial Summary

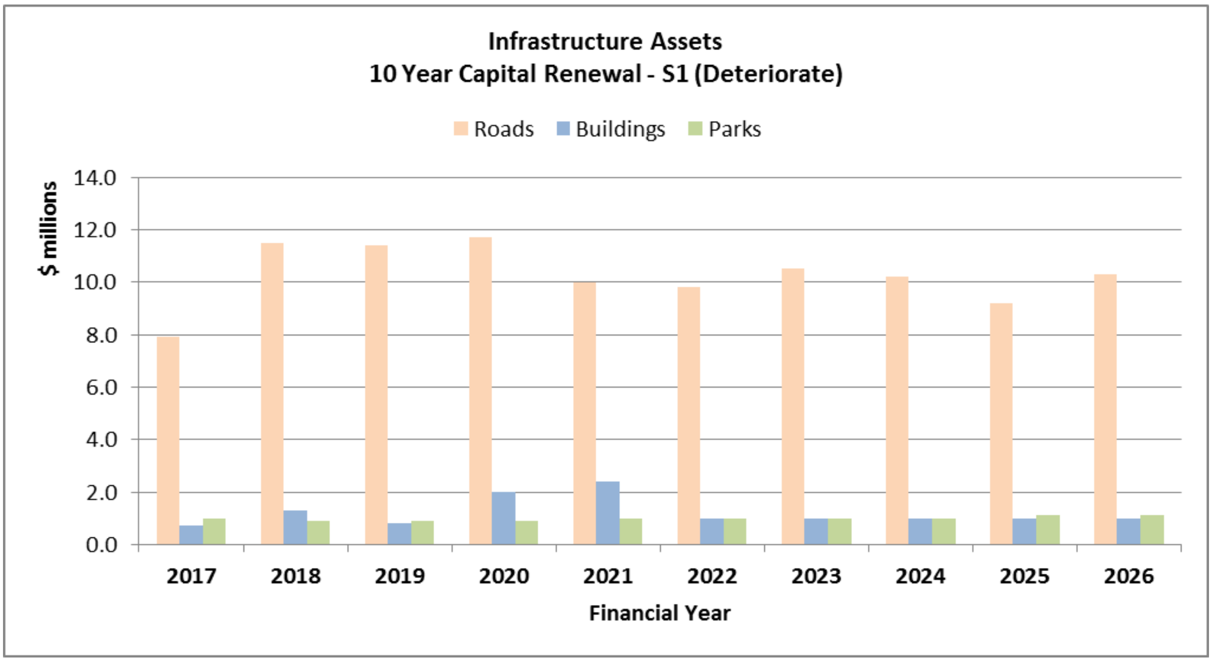
Council categorises asset management expenditure into operations (operations and maintenance) and capital (renewal and upgrade/new works). One of the key outcomes of the Asset Management Planning (AMP) is a long term expenditure forecast for asset operations and renewals and present analysis of potential funding shortfall and its implication on service levels and asset condition.

Two asset management funding scenarios were analysed, covering a 10 year planning period. Scenario 1 (S1) shows the forward projections included in the LTFP, based on the Deteriorate Model and Scenario 2 (S2) shows the forward projections included in the LTFP, based on the Stabilise Model. The Stabilise Model meets all required FFTF asset benchmarks, and is based on additional revenue obtained from a SRV to fund a borrowings program to bring forward and increase asset renewal, to the levels required. The difference in funding levels between the two scenarios for each asset category and its implication on assets and service levels is further detailed in the Appendices of this document.

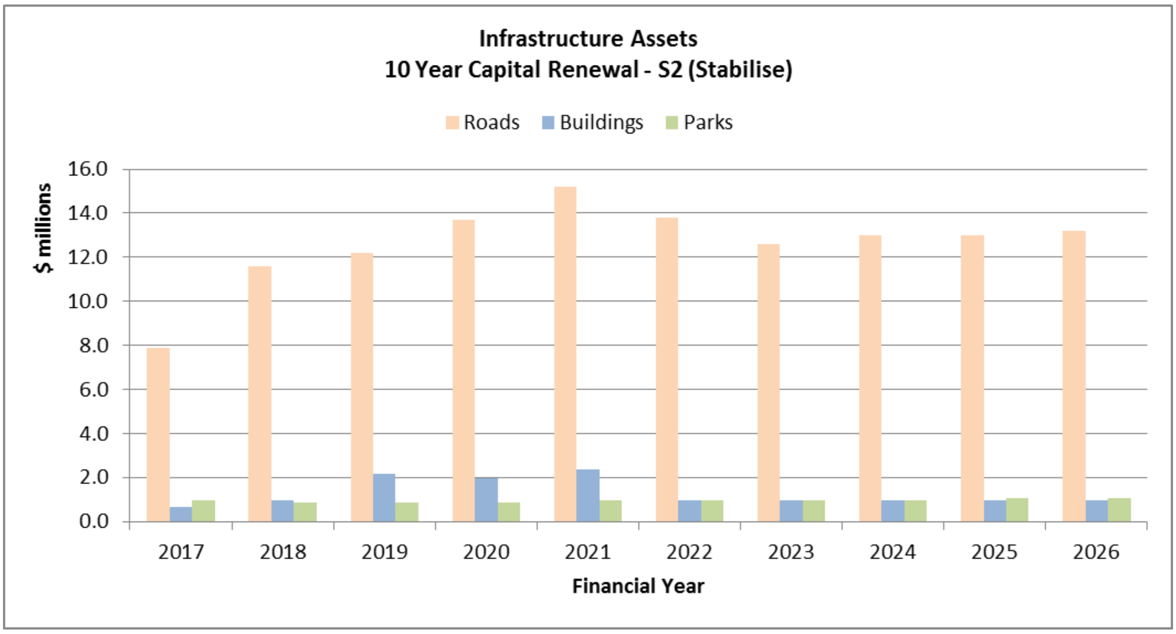
Summaries of the forward projections and the associated impacts of the two scenarios are discussed in the following section.

Summary capital renewal expenditure forecast

Scenario 1 Capital renewal expenditure forecast based on current budget (Deteriorate Model) is shown below.

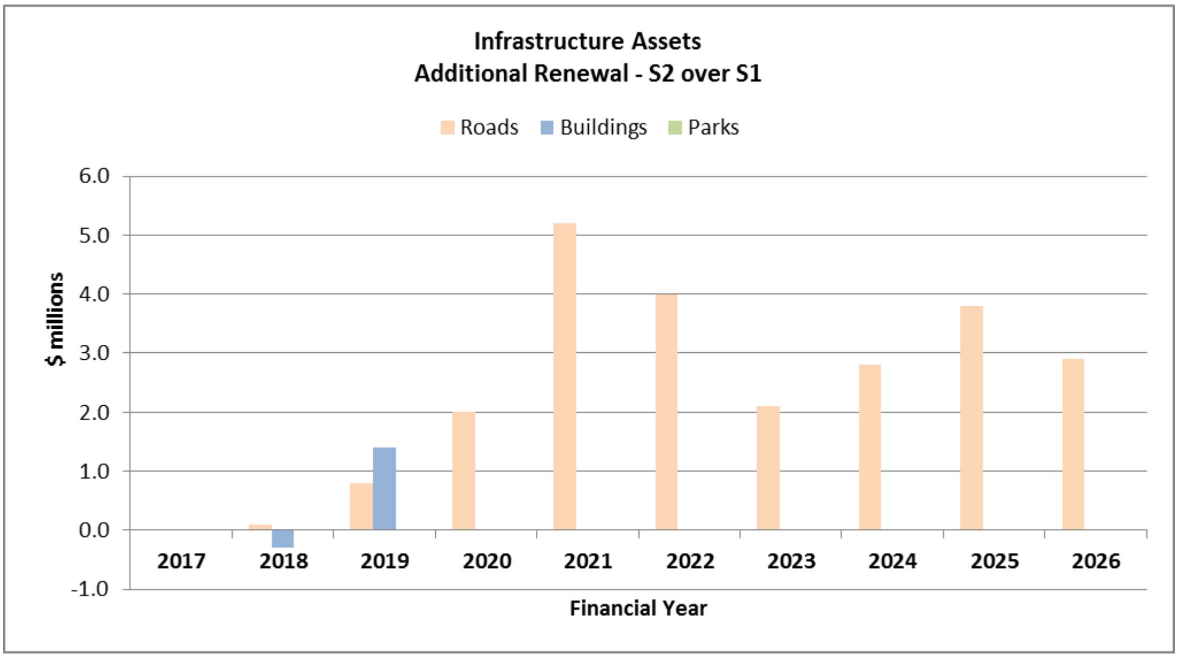


Scenario 2: Projected capital renewal expenditure forecast based on the Stabilise Model is shown below.



Forecast Potential Expenditure Gap

The difference in forecast for maintenance expenditure between Scenario 1 and 2 is shown below.

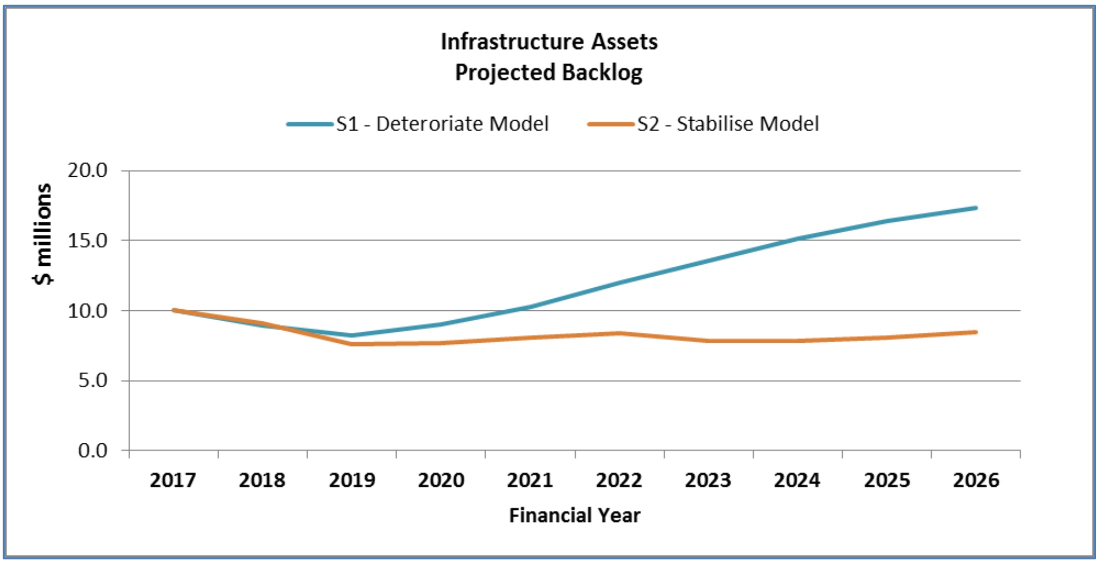


In summary, the difference between Scenario 1 and Scenario 2 are:

- Scenario 1: an average of $12.5 million per year, resulting in a backlog of $17.3M in 2026/2027
- Scenario 2: an average of $14.9 million per year, resulting in a backlog of $8.5M in 2026/2027
- An additional $2.4 million per year of renewal can be funded via by the proposed borrowings program, which requires the application of a SRV.

There are two main outcomes derived from additional capital renewal, being a reduction in the required maintenance, based on technical information, and a reduction in the infrastructure backlog. The requirement maintenance impact is outlined in the Summary infrastructure maintenance expenditure forecast section below.

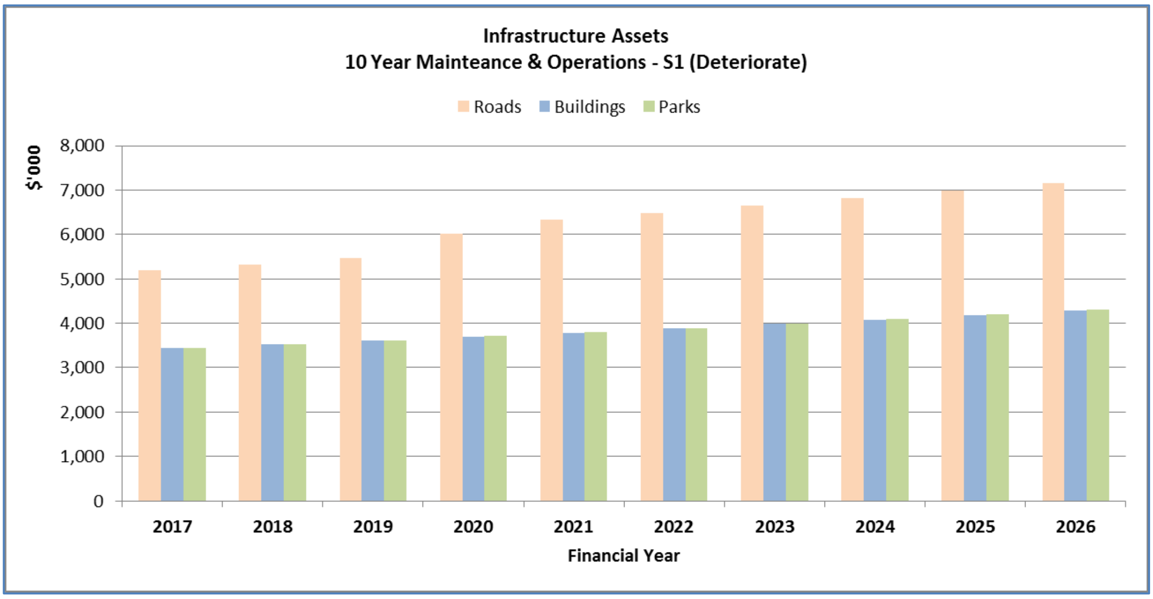
Infrastructure backlog represents the amount required to invest in an asset to bring it to a condition considered satisfactory by the community. The resulting backlog in each year, based on both scenarios is shown below.



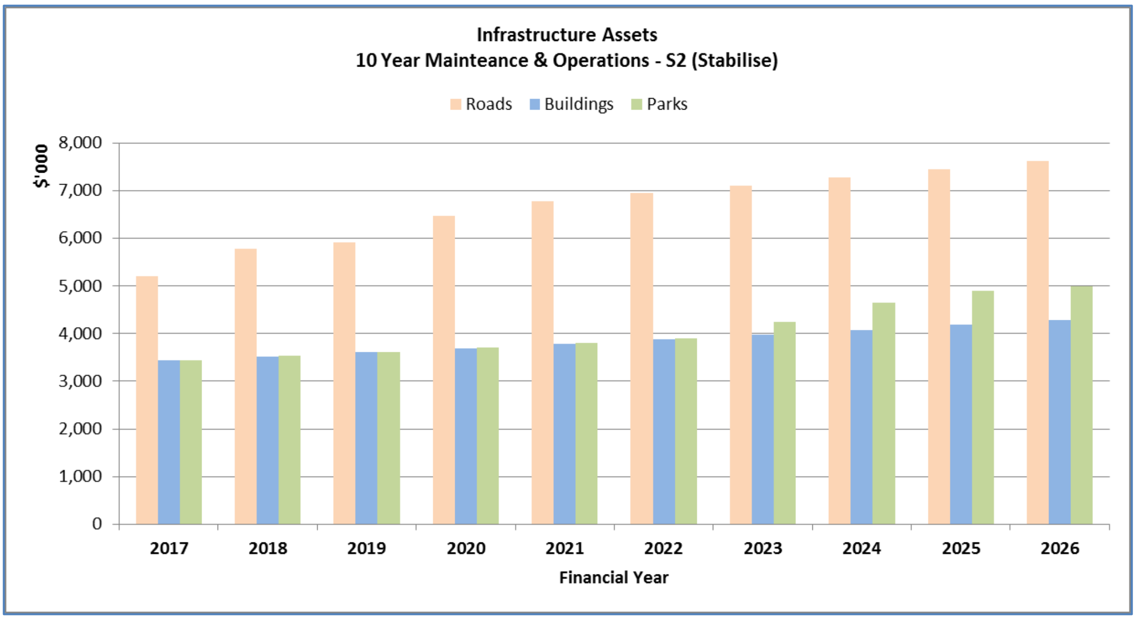
It should be noted that if renewal figures remain below the average of that required over a 10 year period, the asset condition is likely to deteriorate and will require more and frequent maintenance and increased cost in renewal to bring the asset to a satisfactory condition.

Summary infrastructure maintenance expenditure forecast

Scenario 1 maintenance expenditure based on current budget trend (Deteriorate Model) is shown below.

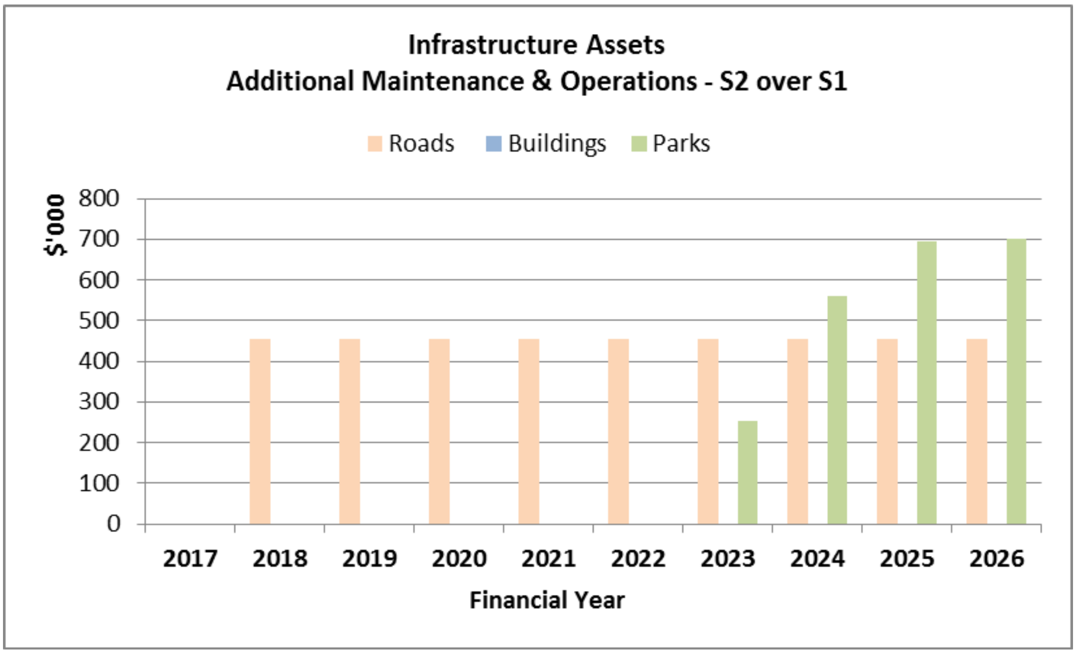


Scenario 2 maintenance expenditure based on the Stabilise Model (additional investment) is shown below.



Forecast Potential Expenditure Gap

The difference in the funding allocated for operations and maintenance expenditure between Scenario 1 and 2 is shown below.

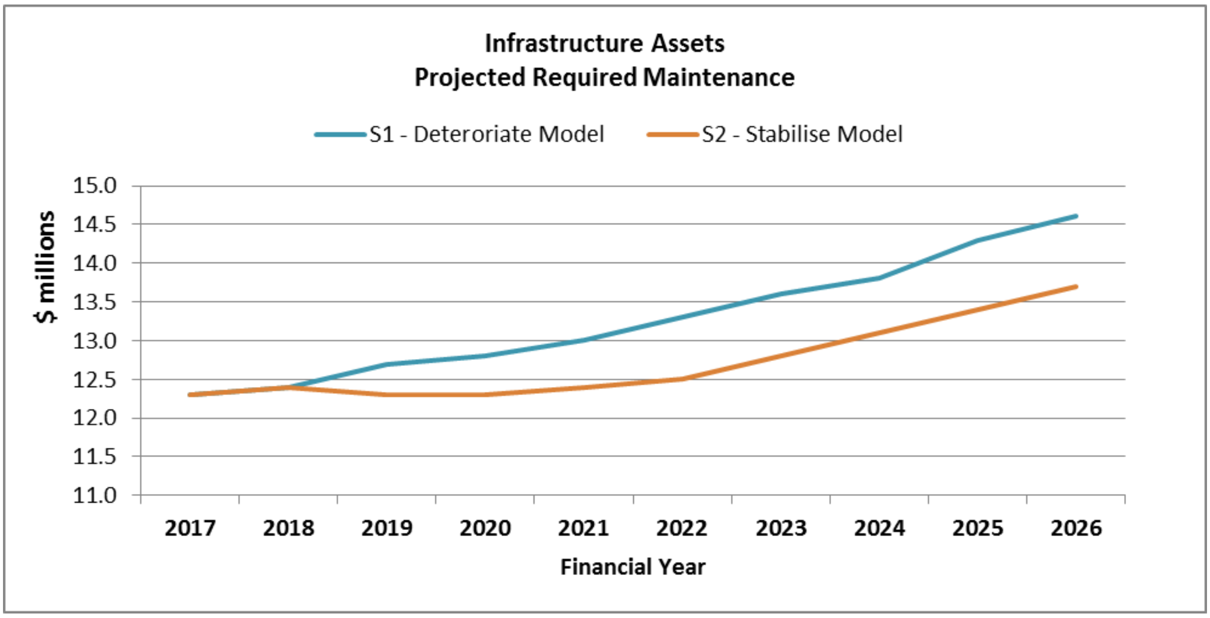


As shown above, increased maintenance and operations for roads and parks, in line with community priorities, as identified in the August 2016 Service Level Review is possible – provided a SRV is approved.

The required maintenance and operations expenditure as a result of the level of renewal included in both Scenarios is summarised below.

- Scenario 1: an average of $13.3 million each year to maintain assets in a fair to good condition.
- Scenario 2: an average of $12.7 million each year to maintain assets in a fair to good condition.
- An average saving of $0.6 million per year is possible, with the additional renewal included in Scenario 2.

Required maintenance is the level of expenditure required to keep an asset operating within a satisfactory condition that does not extend the life of the asset. The resulting required maintenance in each year, based on both scenarios is shown below.



The level of maintenance expenditure needed to deliver services is influenced by asset age, condition, usage and the inherit risk of the associated usage.

The projected required spend in Scenario 2 above, is based on increased investment in asset renewal, via a borrowings program, funded by a SRV. With improved asset condition due to renewal, required maintenance expenditure is projected to decline from 2019 onwards.

Key issues and challenges

Following are key challenges facing Council in providing sustainable infrastructure service in the long term:

a) continue to capture accurate infrastructure asset information such as condition, remaining useful life, utilisation and performance data
b) continue to improve on asset lifecycle cost models for a range of service levels
c) optimise asset renewal cycle to maximise return on asset renewals and maintenance investments
d) manage community expectation by engaging the community in setting appropriate and affordable levels of service
e) ensure that assets are maintained and provide intended service for current and future users
f) account and plan for all existing infrastructure assets and any new assets solutions proposed in the CSP
g) establish a robust asset management strategy, policy, systems and processes to progress asset management in an organised manner
h) identify opportunities for the disposal of excess or under-utilised assets
i) identify cost effective asset maintenance and renewal strategies
j) investigate options for additional funding for sustainable asset management and service delivery.

Appendix A – Asset Management Plan Summary

Introduction

Hawkesbury City Council is custodian of community infrastructure assets which include Roads, Stormwater Drainage, Buildings, Parks, Wastewater and Waste Management. Summary information for roads, buildings and parks assets is outlined in this section. The stormwater drainage information will be included in the future revision of this document. Sewerage service is operated under a licencing regime and operating on a full cost recovery basis. Sewerage asset plan has been excluded from this plan and is covered elsewhere under a relevant plan.

The key assumptions made in preparing the asset management plan include the following.

a) Asset management planning approach

Council is using the core or 'basic' approach to developing asset management plans. The core approach to asset planning involves:

- taking a lifecycle approach
- developing basic asset management plans, based on best available information in hand, simple risk assessment analysis and current levels of service
- projecting expenditure for capital renewal based on current knowledge of the asset condition and remaining useful life
- preparing asset management improvement plans.

b) Asset condition rating scale

The National Asset Management Strategy (NAMS) condition rating scale as shown below is applied.

Condition Score/Rating	Description	Description of Condition
1	Very Good	Only normal maintenance required
2	Good	Minor defects only, minor maintenance required (5% defect)
3	Fair	Significant maintenance required to return to accepted Level of Service (10-20% defect)
4	Poor	Requires renewal, significant renewal/upgrade required (20-50% defect)
5	Very Poor	Asset unserviceable, over 50% of asset require replacement

c) Asset condition assumptions

Council has good asset condition information for sealed road pavements, buildings and some parks. Collection of additional asset data is underway.

Where asset condition data was not readily available, asset condition was derived based on an analysis of a ratio of estimated remaining useful life to a total estimated asset useful life. The table below presents the assumption made in deriving asset condition.

Estimated remaining useful life as % of total asset life (Remaining life/ Asset life)	Condition (1 Excellent - 5 Very Poor)	Condition description
>80%	1	Very Good / Excellent
40%-79%	2	Good
25%-39%	3	Fair
5%-24%	4	Poor
<5%	5	Very Poor

d) Asset management expenditure category

Council's expenditure is categorised into operational/maintenance and capital. Operational expenditure includes operations and maintenance, and capital expenditure includes capital renewal (existing asset) and capital new (new assets and upgrades). In the future it would be desirable to separate expenditure categories into operations, maintenance, capital renewal and capital upgrade or new categories to enable clearly distinguish asset expenditure type.

e) Asset management expenditure projection scenarios

The asset management plan builds two scenarios to forward project expenditure over a 10 year period. In Scenario 1, expenditure projection is based on a 'Business as usual' or current budget trend and Scenario 2 projection is based on best estimate of expenditure required to operate and renew assets to maintain existing assets in an Fair (score 3) to Good (score 2) condition on a 1 (Very good) to 5 (Very poor) condition range, which reflects the maximum fund allocation to roads based on the latest community survey results. The difference in figures between Scenario 1 and 2 i.e. required expenditure against the current budgeted level is determined as a potential shortfall/surplus in projected expenditure or a funding gap.

f) Life Cycle Costs

The Life Cycle Cost (LCC) is the sum of annual average operations and maintenance expenditure and annual asset depreciation (consumption) expense over 10 year i.e. LCC = Operation and Maintenance + Depreciation.

g) Life Cycle Expenditure

The Life Cycle Expenditure (LCE) is the annual average operations, maintenance and capital renewal expenditure i.e. LCC = Operation and Maintenance + Renewal.

h) Life Cycle Expenditure Gap

Life Cycle expenditure gap is the difference between LCC and LCE.

i) Life Cycle Indicator or Sustainability Index

Sustainability index is the ratio of LCE to LCC. A life cycle sustainability index of 1.0 indicates that the current funding level is equal to the required lifecycle funding estimate. A sustainability ratio of less than 1.0 indicates a funding gap. The sustainability index gives an indication of issues associated with achieving long-term sustainability.

Depreciation is used as the measure of asset consumption for the long term as it is a readily available measure from audited financial statements.

j) Risks

Infrastructure risk management focus on network and critical assets that may result in loss of service or reduction in service level from the infrastructure assets or has a financial impact to the Council.

Network level risks are those that result in a reduction in service levels and asset condition deterioration at a network level over time as a result of reduced budget funding levels.

Critical asset risks are those individual infrastructure assets that have the potential to cause loss or reduction of service at a specific location e.g. bridge failure.

Inability to fully fund the asset life cycle costs over the long term may result in:

- decline in Levels of Service and resultant community dissatisfaction
- increase in maintenance costs including reactive maintenance works
- potential high cost to restore asset to satisfactory condition
- decline in condition and value of assets
- increasing exposure to public liability and property damage claims
- decline in organisation credibility to deliver on required services.

k) Long Term Financial Plan

The purpose of the long term financial plan is to express in financial terms the activities that the Council propose to undertake over the medium to long-term to achieve its stated objective in the CSP.

The asset management plans, presents the state of the assets, asset service levels, risks and activities that the Council proposes to undertake to deliver infrastructure service. The asset management plan informs the construct of the long-term financial plan.

Appendix B – Road Asset Management Plan Summary

Overview

Road and Ancillary assets include sealed and unsealed roads, paved footpaths and cycle-ways, bridges, kerb and gutter, traffic control facilities and road furniture that are under council control. It does not include the state roads or classified roads, which are the responsibility of the Roads and Maritime Services (RMS).

Council's road and network is vast and provides access to rural and residential areas within the LGA. Council's road network data is shown in the table below.

Road and Ancillary Assets		
Asset Category	**Asset Quantity**	**Current Replacement Cost (Million $)**
Sealed Roads Structure	748.8kms	354
Sealed Roads Surface		63
Unsealed Roads	291.5kms	11
Bridges/Major Culvert	43 and 21 numbers	44
Footpaths	78.6kms	13
Cycleways (Off-road)	9.3kms	5
Kerb and Gutter	326.1kms	50
Other Road Assets (Road Signs, safety barrier, traffic control structure and Pavement Marking)	7700 - signs	10
Car Parks	3609 spaces (off road)	10
Total		**560**

Road Assets Service Objective

The roads network is critical for social and economic activity for the community and for the movement of goods and services within the LGA and beyond. It is also essential for social, economic and cultural needs of modern living.

Private motorised vehicles form the key transport mode within the Hawkesbury. The road network is used for commuting to and from work, education centres and businesses, as well as meeting recreation, health, cultural, social and economic needs. Road assets consist of bridges for road and pedestrians, kerb and gutter, paved pathways and cycle ways for people to walk and cycle.

Community satisfaction with current levels of service – Transport Infrastructure

Council's biennial community satisfaction survey identifies importance and satisfaction rating for 44 council managed services. The table below presents comparative data of community rating of importance, satisfaction and performance gap for transport infrastructure and related services for 2009, 2011, 2013 and 2015.

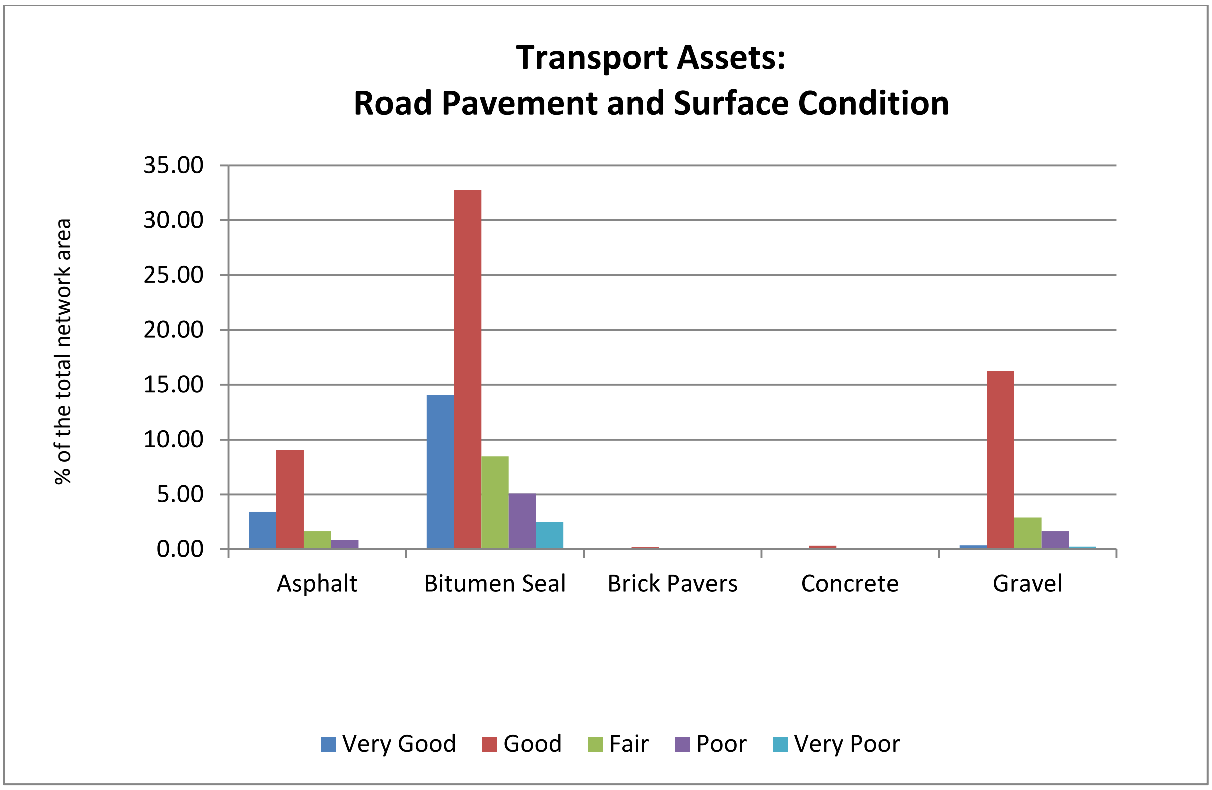
Service Facility	Priority Ranking				Importance				Satisfaction				Performance Gap			
	2009	2011	2013	2015	2009	2011	2013	2015	2009	2011	2013	2015	2009	2011	2013	2015
Road Maintenance	1	1	1	1	4.56	4.6	4.64	4.63	2.32	2.15	2.18	2.26	2.24	2.45	2.46	2.37
Road Safety	5	4	6	8	4.64	4.53	4.63	4.68	3.03	3.05	2.98	3.1	1.61	1.48	1.65	1.58
Footpath and cycleways	13	18	12	16	4.08	3.77	3.96	3.96	2.86	2.88	2.77	2.87	1.22	0.89	1.19	1.09
Car parks	16	20	20	12	4.25	4.1	4.18	4.16	3.04	3.22	3.19	2.97	1.21	0.88	0.99	1.19

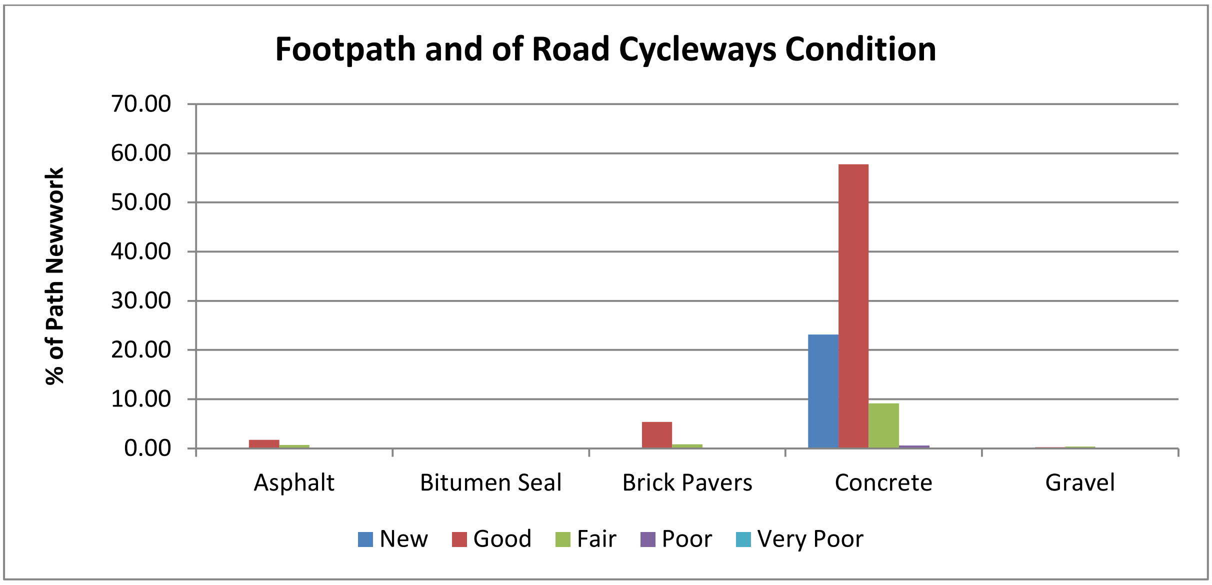
The community has consistently identified extremely high levels of importance and low levels of satisfaction with the condition of local roads over the last four surveys.

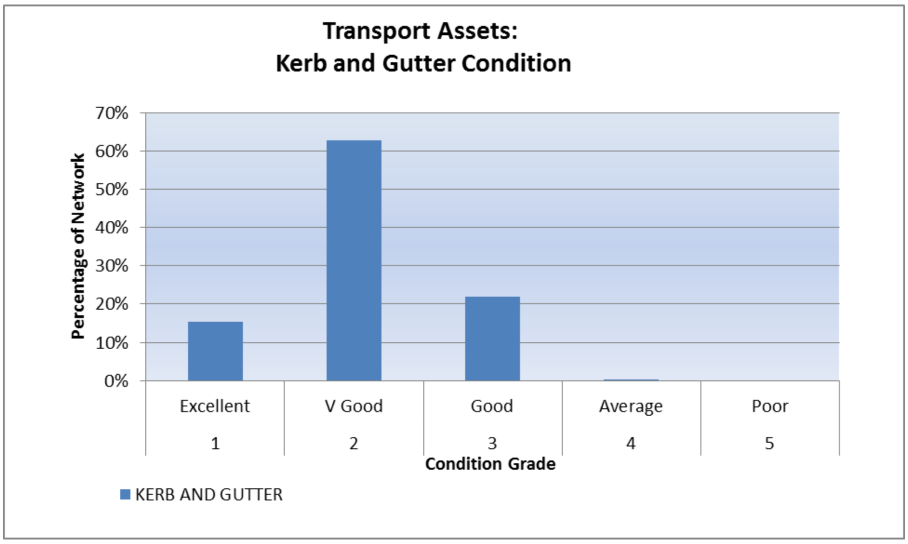
Asset Condition and Capacity

Council maintains good asset data on sealed roads condition. Periodically road condition data is updated through an audit. However, information on other asset condition, performance and capacity is limited. Where audited asset condition data was not readily available, the condition was derived based analysis of asset age and remaining life.

The figure below presents the condition of some transport asset categories.





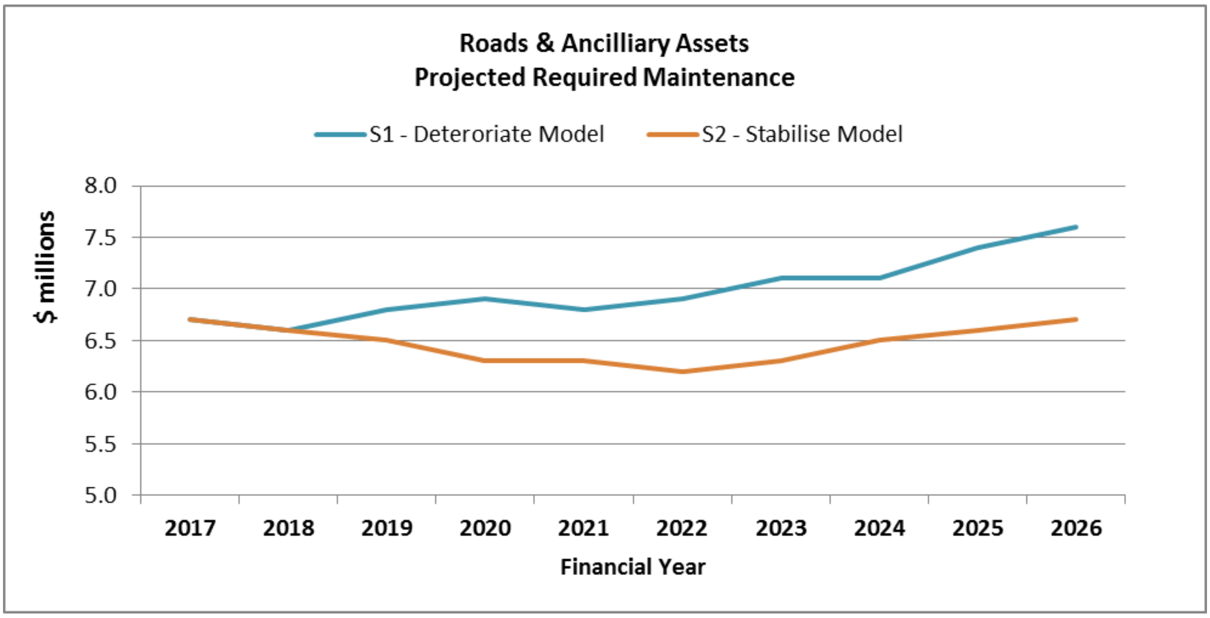


Financial Summary

The asset management plan analysed two scenarios in projecting 10 year expenditure. Scenario 1 (Deteriorate Model) shows current budget trend and Scenario 2 (Stabilise Model) shows an estimate of expenditure required to maintain the existing assets at fair to good condition range.

Maintenance Expenditure

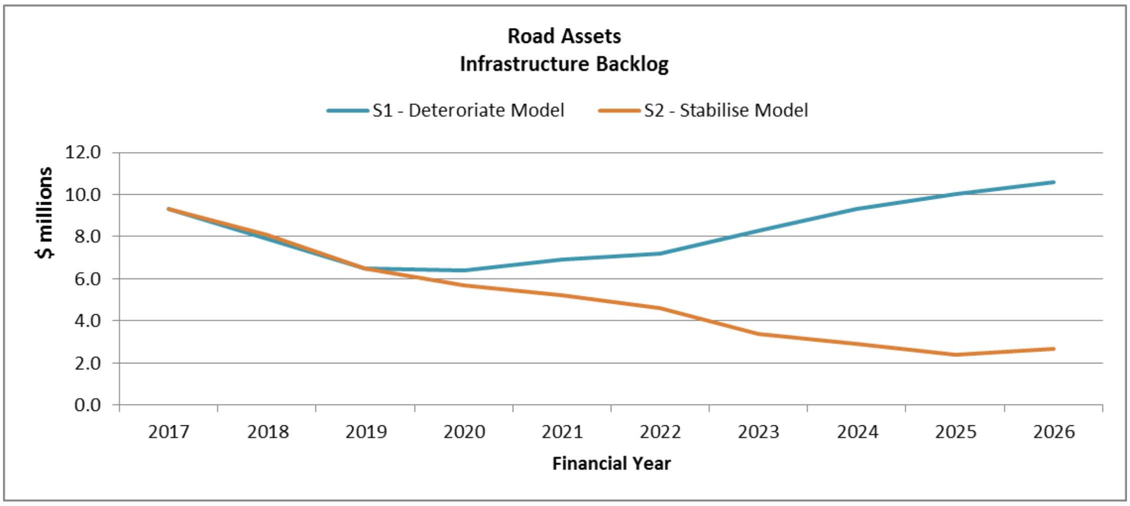
The figure below shows differences on projected required maintenance, based on two difference funding scenarios for road and associates assets over the next 10 years.



The required operational expenditure from 2019 is likely to decline as a result of increased investment forecast in asset renewal expenditure, in the S2 Model.

Infrastructure Backlog

The figure below shows projected current and required capital renewal expenditure and impact on projected backlog for road and associated assets over the next 10 years.



As shown above, the additional funding available for increased capital renewal within Scenario 2, results in a projected backlog $7.9 million lower than that projected under the Scenario 1 funding.

Implications, Issues and Challenges

Financial

Council will need to significantly increase road capital renewal funding in the next 10 years to address past underfunding and maintain satisfactory service levels, which entails maintaining asset condition within a good to fair condition range.

Failure to boost renewal funding would result in further deterioration of the road condition and community dissatisfaction. Council will also need to engage the community to define the desired service standard. This discussion also needs to assess the community's willingness to assist with additional revenue to improve and maintain roads condition.

Sealed roads

The major issue is the declining road pavement condition. Due to past under funding a large number of roads renewal have been deferred. As a result there is a backlog of roads which are overdue for renewal. Council's current funding for pavement renewal is limited and the renewal backlog is increasing every year.

There is an increasing trend towards reactive maintenance due to inadequate capital renewal of roads. The community has consistently rated low satisfaction with the roads service. The challenge is to engage the community in setting reasonable expectations commensurate with available funding by identifying their willingness to pay to restore the assets condition to provide a community desired level of service.

Unsealed roads

Currently, maintenance grading is generally carried out on unsealed roads as the current funding level is inadequate to lay an additional gravel layer. Many sections of road have reached a stage where the gravel pavement is non-existent due to continual grading. Re-gravelling work is generally deferred due to funding limitations.

Bridges

Council was successful in securing a subsidised interest rate loan from the Local Infrastructure Renewal Scheme Loan Program for timber bridges replacement. This has significantly improved the bridge asset condition and safety.

Footpaths/Cycle ways

There have been demonstrated improvements in the asset condition due to increase in renewal funding.

Kerb and Gutter

The asset condition survey demonstrated significant improvements in the K&G network due to recent increases in funding for renewal.

Appendix C – Buildings Asset Management Plan Summary

Overview

Council's buildings portfolio includes a variety of buildings, structures and associated facilities. They range from the Council's main administration office in Windsor, through to works depots, public halls, an aquatic centre, community and childcare centres, public toilets and amenities. Council also owns a small number of residential dwellings and commercial properties. Most Council buildings and facilities are intended for public use.

Council's buildings and facilities statistics are shown in the table below.

Buildings and Facilities		
Asset Category	Asset Quantity	Current Replacement Cost (Million $)
Council Offices	2	14.78
Council Works Depot	1	7
Council Halls	28	25.18
Council Houses	2	4.02
Museum	2	6.25
Library & Art gallery	2	13.19
Childcare Centres	15	14.21
Amenities/Toilets	72	17
Other Emergency Services	26	11.21
Leisure Facilities	11	27.77
Investment properties	28	29
Total		**169.59**

Buildings and Facilities Service Objectives

Buildings and facilities assets provide a wide range of services to the community's needs. Some of these assets include office administration, library, museum, public facilities, sheds and shelters for sporting and recreation, childcare centres, community halls and centres, indoor sporting venues etc.

Community satisfaction with current levels of service – Community Buildings

Council's biennial community satisfaction survey identifies importance and satisfaction rating for 44 council managed services. The table below presents comparative data of community rating of importance, satisfaction and performance gap for public buildings and facilities for 2009, 2011, 2013 and 2015.

Service Facility	Priority Ranking				Importance				Satisfaction				Performance Gap			
	2009	2011	2013	2015	2009	2011	2013	2015	2009	2011	2013	2015	2009	2011	2013	2015
Public Toilets	15	7	11	10	3.88	3.9	3.9	3.99	2.66	2.55	2.69	2.71	1.22	2.69	1.21	1.28
Access and facilities for people with disability	29	30	26	29	3.93	3.81	4.00	3.76	3.08	3.22	3.12	3.31	0.85	3.12	0.88	0.45
Community centres and halls	47	45	45	41	3.38	3.24	3.38	3.17	3.75	3.66	3.65	3.69	-0.37	3.65	-0.27	-0.52
Public swimming pool	46	47	46	41	3.17	3.04	3.12	3.23	3.50	3.59	3.60	3.75	-0.33	3.60	-0.48	-0.52

Community has consistently identified, in general, satisfaction with the condition of community buildings and facilities over the last four surveys. Public toilets are an area where the community has identified needing improvement.

Asset Condition and Capacity

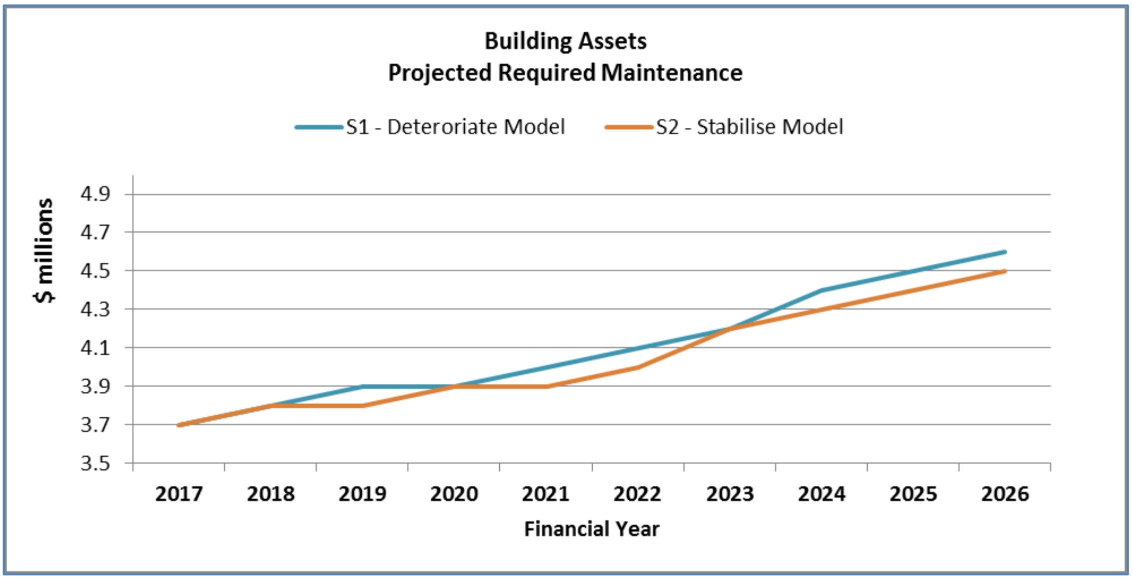
Council has carried out a comprehensive audit of the buildings portfolio in the last few years in association with implementation of a corporate asset management system. Audit data has been included in the asset register and some preliminary scenario modelling has been carried out to forecast forward works and expenditure needs. The preliminary results have been validated and the results incorporated into the required expenditure forecast. Further refinement of the models will continue.

Financial Summary

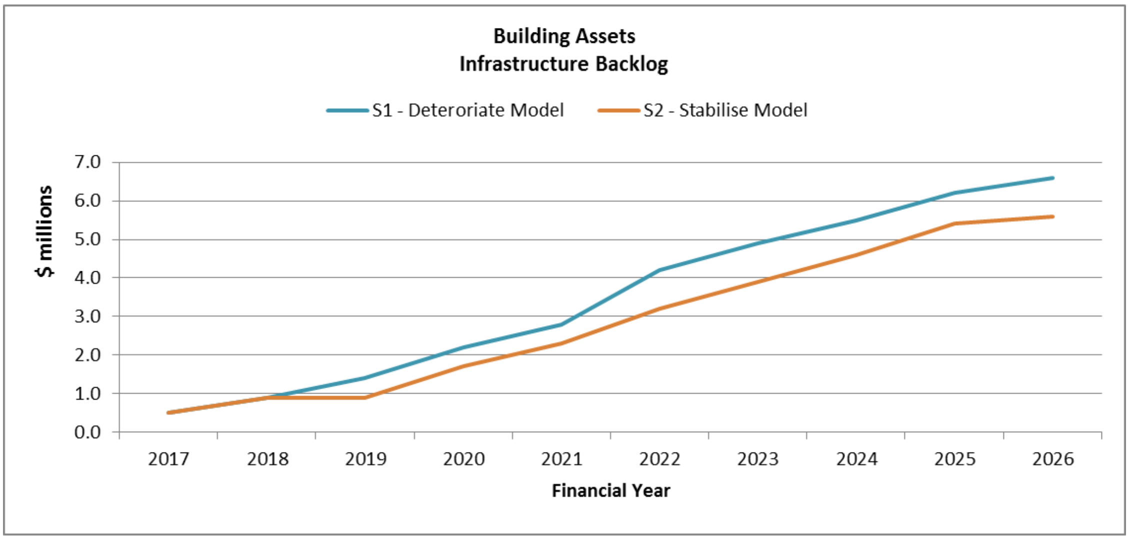
The asset management plan analysed two scenarios in projecting 10 year expenditure. Scenario 1 (Deteriorate Model) shows current budget trend and Scenario 2 (Stabilise Model) shows an estimate of expenditure required to maintain the existing assets at fair to good condition range.

Required Maintenance Expenditure

The figure below shows differences on projected required maintenance, based on two difference funding scenarios for building assets over the next 10 years.



The figure below shows projected current and required capital renewal expenditure and impact on projected backlog for building assets over the next 10 years. The additional funding available for increased capital renewal within Scenario 2, results in a projected backlog $0.9 million lower than that projected under the Scenario 1 funding.



The current level of projected funding attributed to buildings is partly based on the fact that the Community is generally satisfied with the condition of community buildings and facilities which is reflected in the results of the biennial community satisfaction survey.

Implication, Issues and Challenges

Financial

Council's buildings maintenance funding is currently adequate. The community is fairly satisfied with Buildings current service levels. Building fabric and structures are generally sound and in satisfactory condition. However, buildings are a complex infrastructure and council will be required to increase capital renewal funding in the next 10 years to cover the shortfall and maintaining asset condition within a good to fair condition range.

In addition to the building 'shell' the buildings infrastructure consists of a numerous components such as heating, ventilation and air conditioning (HVAC), electrical, fire safety, security etc. Council is also required to meet various legislative requirements relating to health, safety and risk requirements for disability and the National Construction Code (NCC) compliance. Compliance with these requirements is one of the major costs of building operations.

Following are additional buildings and facilities asset management tasks and issues:

- keeping asset data and condition information up to date
- capturing asset utilisation data
- forecasting service demand
- implementing water and energy efficiency and conservation measures
- capturing and reporting on carbon emissions
- compliance with changing environmental, Council, Work Health and Safety (WHS) standards
- compliance with changing regulatory requirements.

Appendix D – Parks and Recreation Asset Management Plan Summary

Overview

Council's parks and recreation or open space assets include natural areas, parks, reserves, street trees, sportsgrounds, play equipment, other recreational assets such as barbeques, tables and benches, irrigation systems, skate parks and flood lighting.

Significant amount of parks and recreation assets data was captured in association with the implementation of the corporate asset management system. Further parks asset audits and data collection is planned. The current replacement cost of Council's parks and recreation assets is approximately $60 million.

Parks and Recreation Service Objectives

Parks and recreation provides open spaces and facilities for recreation, sporting venues, health and leisure activities. It offers opportunity for enjoyment of natural areas, open space for sporting activities, healthy living and an overall enhanced quality of life.

It also provides, protects and preserves trees and open green space for the Hawkesbury community and visitors.

Community satisfaction with current Levels of Service – Parks and Recreation

Council's biennial community satisfaction survey identifies importance and satisfaction rating for 44 council managed services. The table below presents comparative data of community rating of importance, satisfaction and performance gap for parks, playground, reserves and sporting facilities for 2009, 2011, 2013 and 2015.

Service Facility	Priority Ranking				Importance				Satisfaction				Performance Gap			
	2009	2011	2013	2015	2009	2011	2013	2015	2009	2011	2013	2015	2009	2011	2013	2015
Parks, playgrounds, and reserves	39	34	37	33	3.91	4.02	3.94	4.01	3.61	3.52	3.58	3.61	0.30	5.00	0.36	0.40
Sporting and recreation facilities	45	42	41	39	3.33	3.34	3.46	3.30	3.66	3.52	3.47	3.43	-0.33	-0.18	-0.01	-0.13

The community has consistently voiced their satisfaction with the parks and recreation service.

Asset Condition and Capacity

- Condition – parks asset inventory surveys have highlighted that there are a large number of parks assets that are in poor condition. Renewal and replacement of parks assets has been highlighted in the proposed 10 year works program. Some assets such as playgrounds are generally in good condition with an average life of approximately seven years. Playgrounds are replaced on a prioritised basis for renewal taking into account age and wear and tear.

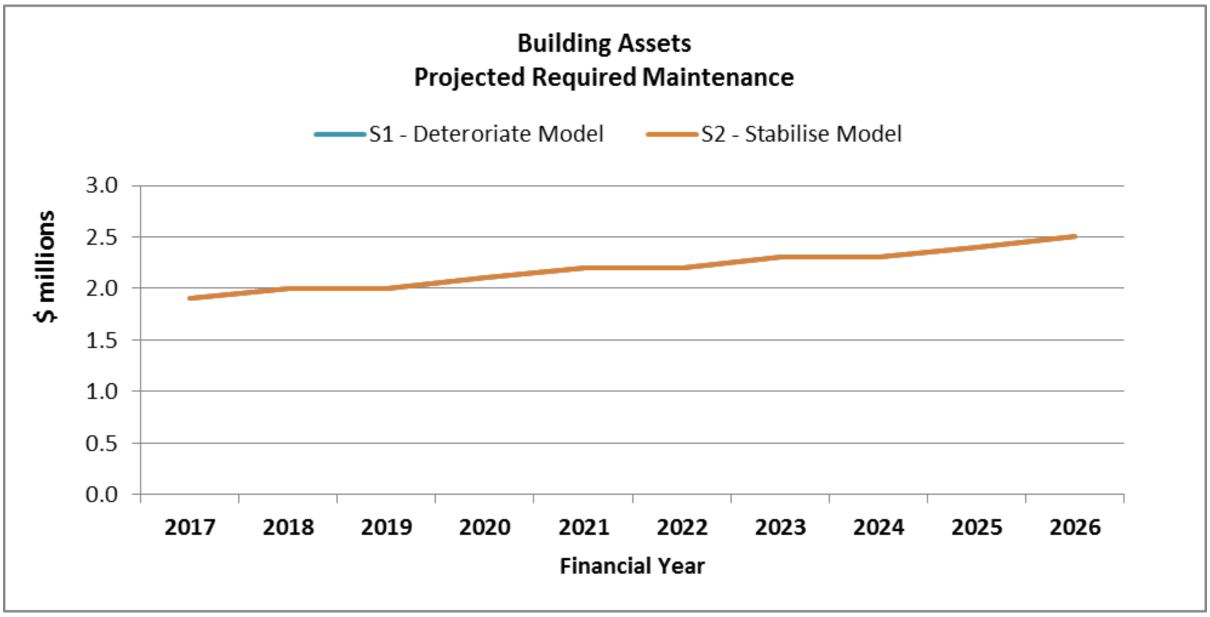
- Capacity – there are 214 parks and reserves that are managed by Council. Whilst this provides more than a standard amount of open space per resident, not all parks are in suitable locations.

Financial Summary

The asset management plan analysed two scenarios in projecting 10 year expenditure. Scenario 1 (Deteriorate Model) shows current budget trend and Scenario 2 (Stabilise Model) shows an estimate of expenditure required to maintain the existing assets at fair to good condition range.

Required Maintenance Expenditure

The figure below shows differences on projected required maintenance, based on two difference funding scenarios for parks assets over the next 10 years.

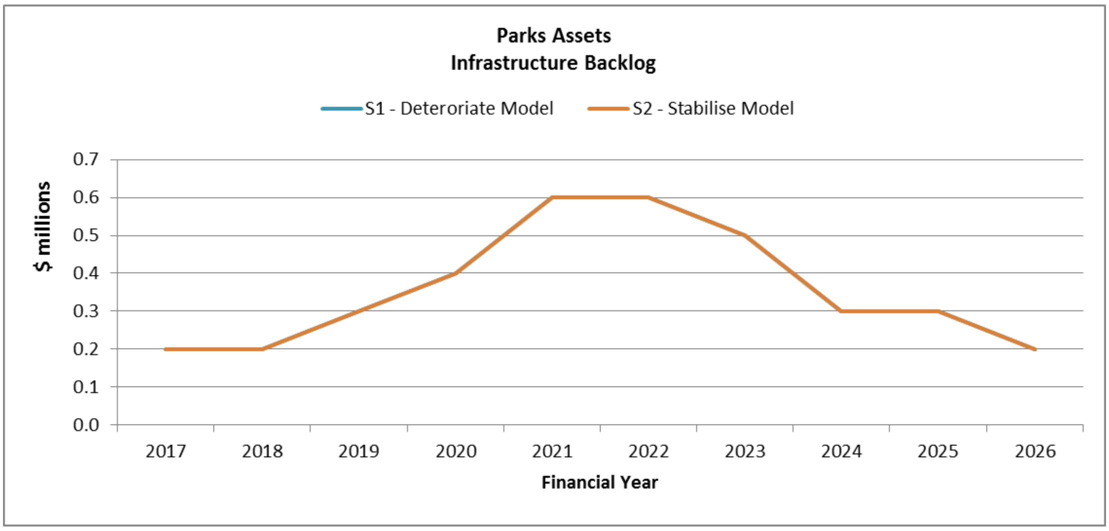


As there is no additional investment in capital renewal for parks assets, due to the higher priority to renew other asset categories, there is no difference in the level of required maintenance between Scenario 1 and Scenario 2.

Additionally, a significant proportion of parks asset maintenance is due to the usage of the asset and the maintenance of many assets is not impacted by renewal. For example, the amount of brush-cutting, lawn mowing and weed management is driven predominantly be the amount of rainfall and this maintenance is not conducted on renewable assets.

Infrastructure backlog

The figure below shows projected current and required capital renewal expenditure and impact on projected backlog for parks assets over the next 10 years. Due to general community satisfaction with Parks, additional funding available in Scenario 2 has not been allocated to Parks. This results in the backlog remaining the same under both scenarios, being $155,000.



Implications, Issues and Challenges

Council's Parks maintenance funding is currently adequate. The community is fairly satisfied with the Park assets current service levels. There has been strong feedback regarding increased cleanliness of public amenities, which are conducted by parks cleaning crews. There is additional funding to enable more effective parks maintenance is the Improve Model within the LTFP.

There has also been a question raised with regards to appropriateness of the locations of parks and recreation assets. Given this, it is appropriate to undertake a review of the Parks asset portfolio with a view to rationalising and relocation of certain parks assets.

Following are additional parks and recreation asset management issues:

- collection of updating of asset data of remaining parks
- capturing asset utilisation data
- management of new parks/reserves added through subdivisions
- identifying and mitigating climate change impacts
- consolidating and rationalising of open space as identified in the recreation strategy
- utilising of works management system and asset modelling tools for asset management.