Hawkesbury City Council

extraordinary meeting business paper

date of meeting: 23 June 2015
location: council chambers
time: 6:30 p.m.

mission statement

"To create opportunities for a variety of work and lifestyle choices in a healthy, natural environment"

How Council Operates

Hawkesbury City Council supports and encourages the involvement and participation of local residents in issues that affect the City.

The 12 Councillors who represent Hawkesbury City Council are elected at Local Government elections, held every four years. Voting at these elections is compulsory for residents who are aged 18 years and over and who reside permanently in the City.

Ordinary Meetings of Council are generally held on the second Tuesday of each month (except January), and the last Tuesday of each month (except December), meeting dates are listed on Council's website. The meetings start at 6:30pm and are scheduled to conclude by 11pm. These meetings are open to the public.

When an Extraordinary Meeting of Council is held, it will usually also be held on a Tuesday and start at 6:30pm. These meetings are also open to the public.

Meeting Procedure

The Mayor is Chairperson of the meeting.

The business paper contains the agenda and information on the items to be dealt with at the meeting. Matters before the Council will be dealt with by an exception process. This involves Councillors advising the General Manager by 3pm on the day of the meeting, of those items they wish to discuss. A list of items for discussion will be displayed at the meeting for the public to view.

At the appropriate stage of the meeting, the Chairperson will move for all those items which have not been listed for discussion (or have registered speakers from the public) to be adopted on block. The meeting then will proceed to deal with each item listed for discussion and decision.

Public Participation

Members of the public can register to speak on any items in the business paper other than the Confirmation of Minutes; Mayoral Minutes; Responses to Questions from Previous Meeting; Notices of Motion (including Rescission Motions); Mayoral Elections; Deputy Mayoral Elections; Committee Elections and Annual Committee Reports. To register, you must lodge an application form with Council prior to 3pm on the day of the meeting. The application form is available on Council's website, from the Customer Service Unit or by contacting the Manager - Corporate Services and Governance on (02) 4560 4444 or by email at council@hawkesbury.nsw.gov.au.

The Mayor will invite registered persons to address the Council when the relevant item is being considered. Speakers have a maximum of three minutes to present their views. The Code of Meeting Practice allows for three speakers ‘For’ a recommendation (i.e. in support), and three speakers ‘Against’ a recommendation (i.e. in opposition).

Speakers representing an organisation or group must provide written consent from the identified organisation or group (to speak on its behalf) when registering to speak, specifically by way of letter to the General Manager within the registration timeframe.

All speakers must state their name, organisation if applicable (after producing written authorisation from that organisation) and their interest in the matter before speaking.

Voting

The motion for each item listed for discussion will be displayed for Councillors and public viewing, if it is different to the recommendation in the Business Paper. The Chair will then ask the Councillors to vote, generally by a show of hands or voices. Depending on the vote, a motion will be Carried (passed) or Lost.

Planning Decision

Under Section 375A of the Local Government Act 1993, voting for all Planning decisions must be recorded individually. Hence, the Chairperson will ask Councillors to vote with their electronic controls on planning items and the result will be displayed on a board located above the Minute Clerk. This will enable the names of those Councillors voting For or Against the motion to be recorded in the minutes of the meeting and subsequently included in the required register. This electronic voting system was an innovation in Australian Local Government pioneered by Hawkesbury City Council.

Business Papers

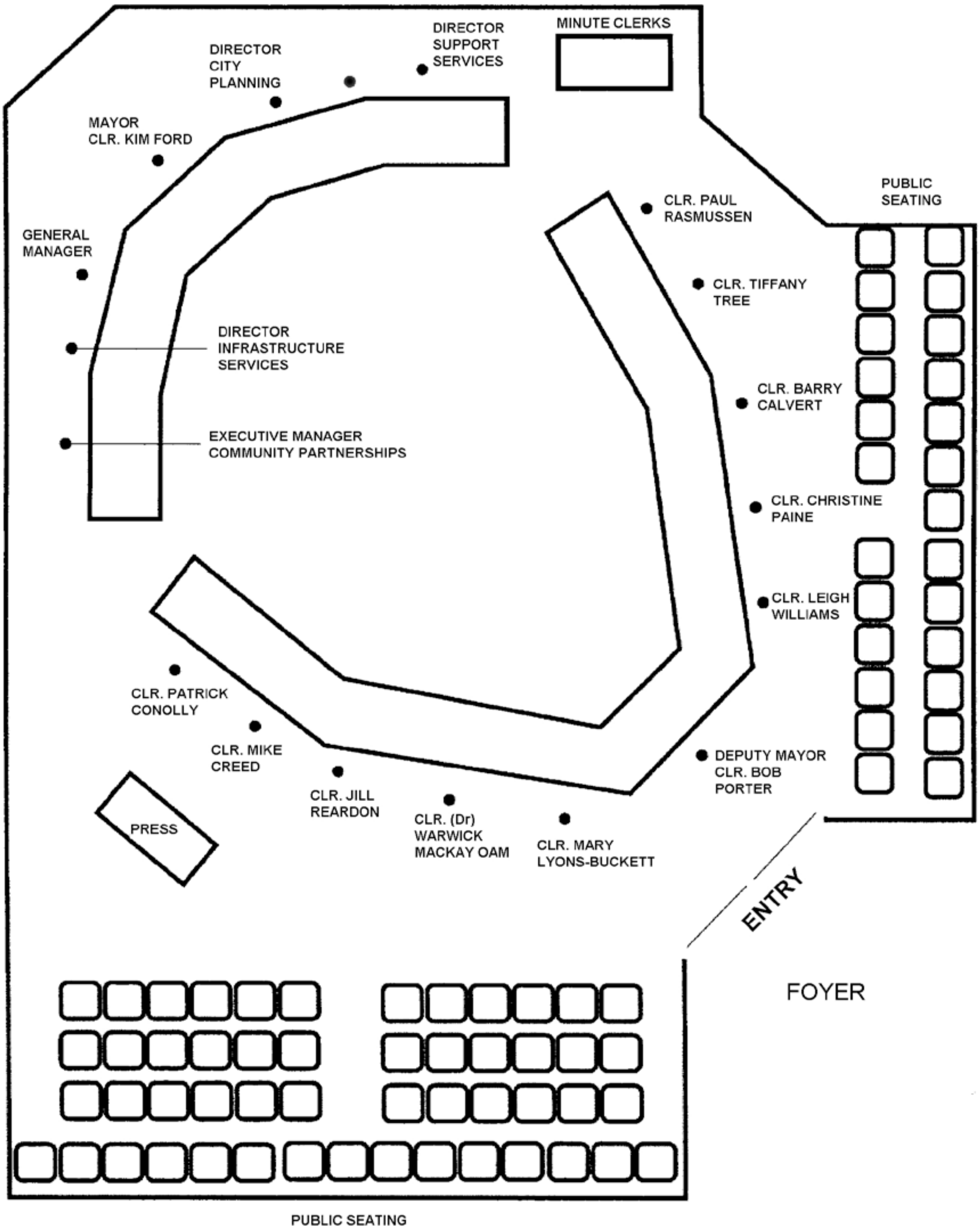
Business papers can be viewed online from noon on the Friday before the meeting on Council's website: http://www.hawkesbury.nsw.gov.au.

Hard copies of the business paper can be viewed at Council's Administration Building and Libraries after 12 noon on the Friday before the meeting, and electronic copies are available on CD to the public after 12 noon from Council's Customer Service Unit. The business paper can also be viewed on the public computers in the foyer of Council's Administration Building.

Further Information

A guide to Council Meetings is available on the Council's website. If you require further information about meetings of Council, please contact the Manager, Corporate Services and Governance on, telephone (02) 4560 4444.

Hawkesbury City Council



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AGENDA

EXTRAORDINARY MEETING

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Reports for Determination

GENERAL MANAGER

Item: 84 **GM - Adoption of Operational Plan 2015/2016 and Making and Levying of Rates and Fixing of Charges for the Period 1 July 2015 to 30 June 2016 - (79351, 95496, 96332, 107)**

Previous Item: 56, Extraordinary (21 April 2015)

REPORT:

Executive Summary

At the Extraordinary Meeting of Council held on 21 April 2015, consideration was given to a report in relation to the Draft Operational Plan 2015/2016.

At that meeting, Council resolved that the report be received and that the Draft Operational Plan 2015/2016 be adopted for exhibition purposes and be advertised in accordance with the Local Government Act, 1993.

In addition, Council resolved that an Extraordinary Meeting be held on 23 June 2015, to consider public submissions received, to consider the adoption of the Draft Operational Plan 2015/2016 and to make and fix rates and charges for the 2015/2016 financial year.

The purpose of this report is to consider submissions received, to adopt the Operational Plan 2015/2016 and to make and fix rates and charges for the year ending 30 June 2016.

Consultation

In accordance with the Local Government Act, 1993, the Draft Operational Plan 2015/2016 was advertised and placed on public exhibition for a period of 32 days from Friday, 1 May 2015 to Monday, 1 June 2015.

Background

At the Extraordinary Meeting of Council held on 21 April 2015, consideration was given to a report regarding the Draft Operational Plan 2015/2016. Council resolved, in part, as follows:

"That:

1. *The General Manager's report regarding the Draft Operational Plan 2015/2016 be received.*

2. *The Draft Operational Plan 2015/2016 be adopted for exhibition purposes and be advertised for a minimum of 28 days in accordance with Section 405 of the Local Government Act, 1993.*

3. *An Extraordinary Meeting of Council be held on Tuesday, 23 June 2015 to consider any public submissions received in respect of the Draft Operational Plan 2015/2016 and to consider the adoption of these documents and to make and fix rates and charges for the year ended 30 June 2016."*

Public Submissions

In accordance with Part 2 of the above resolution, the Draft Operational Plan 2015/2016 was advertised in accordance with Section 405 of the Local Government Act, 1993.

The exhibition period for Council's Draft Operational Plan 2015/2016 commenced on Friday, 1 May 2015 and concluded on Monday, 1 June 2015.

Following the conclusion of the exhibition period, 12 public submissions were received in respect of the Draft Operational Plan 2015/2016.

A summary of the submissions and comments addressing the submissions are as follows:

1. <u>Mrs Jill Vincent on behalf of Friends of Wilberforce Cemetery; Mr Geoffrey Bowd; Ms Marilyn Long; Mr Ian Nicholls; Ms Helen Sawkins and Ms Louise Wilson</u>

   Various correspondence was received from the above organisation and individuals regarding the Wilberforce Cemetery, in particular, the proposed construction of a columbarium, the installation of a new pedestrian gate, bushland regeneration in the Wesleyan Section and the provision of row markers.

   <u>Comments</u>

   The columbarium was funded in the 2014/2015 Operational Plan and construction will be undertaken shortly following approval of the design by the NSW Heritage Office.

   The pedestrian gate has been installed in the current program.

   With regard to the bushland management of the Wesleyan Section of the Cemetery, it is noted that this area is classified as an ecologically endangered community and best practice bush regeneration is being undertaken. Works are ongoing, with weed grasses being targeted. Funding for ongoing bush regeneration work is provided for in the 2015/2016 Operational Plan. Contractors have been advised to ensure that the contemplation/seating area is given particular focus.

   Row markers, proposed in the Conservation Management Plan, have not been included in the 2015/2016 Operational Plan, however detailed investigations and options will be undertaken to design, cost and obtain approvals in 2015/2016 to enable consideration in future budgets.

2. <u>Windsor Business Group</u>

   Correspondence was received from the Windsor Business Group regarding various matters. The matters referred to in the submission and the respective comments, are as follows:

   <u>Comments</u>

   - Installation of Solar Lighting in Howe Park

     Funding for lighting will be considered in future upgrade/capital projects in Howe Park.

   - Additional Toilet Block in Howe Park

     The Kable Street toilets are to be reconstructed to provide accessible facilities. These facilities are considered satisfactory for current demand in this area and are central to the high activity area of the Park. Further facilities could be considered further south as part of any future development.

- Additional Carparking

  The submission suggests providing additional parking at McQuade Park. There is significant unutilised capacity on the existing Moses Street frontage (angle parking) at most times and no further parking is considered warranted at this location. It should also be noted that upgrades of the existing internal carparks in McQuade Park are to be carried in 2015/2016. It was further suggested that an additional level of parking at Kable Street or a satellite carpark and shuttle service be provided. Both these options can be considered in future programs, noting the high capital and recurrent costs.

- Signage - McGraths Hill Flats and Other Locations

  The submission requests the reinstallation of the signage denoting the area along Windsor Road at the McGraths Hill "flats" as Pioneers Way. This signage has been absent/removed for many years and whilst the original billboard style sign was considered appropriate at the time and displayed the original corporate and community sponsors, it is considered that any new/replacement signage should be part of a consistent suite of signage and wayfinding for the town, which can be considered in future programs.

- Maintenance of Windsor Mall

  Funding is provided in operational budgets for the repair of paving. A report on broader options associated with the Mall has been sought by Council and decisions on capital upgrades will be dependent on that report. Additional sweeping of leaves etc is undertaken at key times however, additional resourcing would be required to sweep throughout the day.

- Management of Council Bins in Windsor Mall

  Inspection of the bin usage in Windsor Mall will be undertaken and shopkeepers advised that they are not permitted to use these bins for commercial refuse.

- Thompson Square (Park) - Request for Lighting and Toilets

  Council has received grant funding for the preparation of a Conservation Management Plan for Thompson Square. These facilities can be considered upon completion of the Plan.

- Additional CCTV in Howe Park

  Whilst CCTV could be extended to other areas in the Hawkesbury, there is a substantial capital and ongoing maintenance cost. At this stage no funding is available to extend the CCTV system to this area.

- General Maintenance

  The submission raised a number of maintenance items in Windsor generally and specifically in the Thompson Square precinct. These have been noted and appropriate maintenance will be undertaken within the relevant operational budgets.

- Jolly Frog

  The Jolly Frog is a privately owned structure and property and Council does not have the power to undertake any works on the site. Since the fire on the site, Council has requested the owner to undertake works to secure the building and has discussed a number of possible future uses of the site. Council has been advised by the owner that many of the delays have been due to insurance and fire investigation issues. The asbestos in the building has been stabilised and does not pose any threat and the owner periodically secures the site after vandalism to the site fencing. Council is currently pursuing the owner to submit a development application to better secure the structure and prepare for future use.

3. Ms Melanie Oxenham

Correspondence was received from Ms Melanie Oxenham regarding accessible ramps and paths in Smith Park and having input into the formulation of the Operational Plan in respect of accessibility.

Comments

- Smith Park

Provision of ramps and paths in Smith Park to accessible standards is included in the funded works for 2015/2016.

- Operational Plan - Accessibility

The submission appears to raise concerns regarding the extent to which Council's planned Operational Plan Actions for 2015/2016 will address the accessibility issues which may be associated with these actions. In March 2012, Council adopted an Access and Inclusion Policy which identifies a set of nine access and equity principles which Council is required to observe in carrying out its operations. In this respect, in implementing the proposed actions within the Draft Operational Plan 2015/2016, Council staff will be required to assess and make provision for accessibility and social inclusion to eliminate barriers which may prevent residents from participating fully in community and civic life.

Council has also adopted an Access and Inclusion Plan which outlines a set of priority actions which Council will be implementing over the next five years to improve access and inclusion. The Access and Inclusion Plan includes the objective of ensuring that people, regardless of their personal circumstances, can participate in learning throughout their lives and gain the skills and knowledge they need to find and maintain employment. It is considered that these documents will provide the required mechanism to address the accessibility and social inclusion requirements flowing from the proposed Operational Plan Actions.

4. Mr Andrew Docking

Correspondence was received from Mr Andrew Docking regarding the off-road cycle path between Richmond and North Richmond, the cycle path between Kurmond and Kurrajong and requesting the provision of discounted rates for Farmland rated properties.

Comments

- Cycle Paths

Council currently allocates $100,000 per year for shared pathway construction. These funds are expended in accordance with the priorities identified in the Hawkesbury Mobility Plan. The Mobility Plan outlines a works program which was developed following a comprehensive assessment of a range of technical factors including analysis of traffic volumes, trip attractors and generators, crash data and supplemented by consultations including a high school walking and cycling questionnaire, site inspections with Bicycle User Groups and the outcomes of previous Mobility Surveys. The higher priorities within the Mobility Plan were accorded to the regional routes linking the major town centres within the Hawkesbury – particularly North Richmond, Richmond, Windsor, South Windsor and Bligh Park as these routes were deemed to achieve the greatest benefits in encouraging an increase in cycling use and would connect a substantial proportion of the Hawkesbury population by means of safe pedestrian and cycle pathways.

The Plan was adopted by Council in May 2010, with the then Council indicating that priority should be given to the construction of the proposed off-road shared pathway linking Richmond and Windsor. Since the adoption of the Mobility Plan, Council's cycleway/shared pathway funds have primarily been allocated to this project and a works program to this effect was approved by Roads and Maritime Services (RMS) who contribute 50% of the funds for Council's shared pathway construction program. In 2013/2014, due to technical difficulties in continuing the Richmond Windsor link, an amended 10 year funding application was submitted to RMS to commence the shared pathway link between Bligh Park, South Windsor and Windsor. The amended works program was approved by the RMS and works on the shared pathway commenced in 2014/2015. Accordingly, for the foreseeable future, Council will be expending its $100,000 annual shared pathway construction program on the Bligh Park, South Windsor and Windsor link.

However, a traffic study to improve traffic flows between Richmond and North Richmond has been completed by the RMS. The proposed improvements identified in the traffic study include an upgrade of the existing road link between Richmond and North Richmond along Bells Line of Road. Council has strongly advocated to the RMS that the proposed upgrade should include provision for a shared pathway link between North Richmond and Richmond Railway Station. Council will continue to lobby the RMS for the inclusion of a shared pathway between Richmond and North Richmond as part of the RMS funded improvements to Bells Line of Road.

In relation to the continuation of the off-road shared pathway between Kurmond and Kurrajong, Council is investigating the inclusion of this work in the proposed Section 94 Contributions Plan for the Kurmond/Kurrajong Investigation Area. The inclusion of the proposed extension of the current shared pathway in the Section 94 Works Program would enable Council to collect funds towards the completion of the Kurmond/Kurrajong shared pathway.

- Farmland Rated Properties

The rating structure proposed for the 2015/2016 financial year is based on a specified proportion of the total rating revenue being collected from the respective Rating Categories. These proportions are 65% from the Residential, 20% from the Rural-Residential, 10% from the Business and 5% from the Farmland Categories respectively. The amount of rating revenue required to be raised from a particular Rating Category in line with the specified proportion for that Category, drives the rate in the dollar required to be applied to the land value for that Category.

The proposed rating structure for 2015/2016 is based on 5% of the total rating revenue to be levied on the Farmland Category. The Farmland Category is proposed to be rated on an Ad Valorem Rate with a Minimum Rate of $524. Under this rating method, the rate in the dollar is applied to the land value to determine the rates payable. For a low value property where the Ad Valorem calculation is less than $524, the maximum amount payable is the Minimum Rate. By comparison, if the Farmland Category were rated by the same method as the other Categories, that is, on an Ad Valorem with a Base Amount basis, all properties would be subject to the Base Amount plus the Ad Valorem calculation. If the Farmland Category were to be rated on the same basis as the other Categories, the minimum amount payable by each property in the Farmland Category would be in the vicinity of $1,200.

The proposed structure is not based on relative rates in the dollar between the respective Rating Categories and therefore does not provide a framework for a discounted rate in the dollar for the Farmland Category as may be the case in other councils. However, as detailed above, the proposed Minimum Rate Structure does assist low value properties within the Farmland Category by limiting the financial burden to a minimum amount of $524, rather than approximately $1,200 that would apply if the Farmland Category was rated on the same basis as the other Categories.

5. North Richmond and Districts Community Action Association Inc.

Correspondence has been received from North Richmond and Districts Community Action Association Inc. (NRDCAA) regarding various matters. The matters referred to in the submission and the respective comments are as follows:

- Domestic and Business Waste Management Charges, Sewerage Charges and Sullage Charges increased by more than CPI

  The level of annual charges relating to Waste Management, Sewerage and Sullage are not driven by the annual Consumer Price Index. These annual charges are set on the basis of recovering the full cost of providing the service and providing sufficient funds for planned works in future years. The proposed charges are adequate and represent a fair price for the services provided in relation to the various waste management charges. Council does not generate a profit from these services.

  Domestic and Business Waste Management charges are proposed to increase by 9.97% for 2015/2016. This proposed charge is based on the cost for Council to provide the relevant waste management services to its residents, including waste disposal costs, transport costs, employee costs and plant maintenance and replacement. The main cost element driving the waste management cost is the disposal cost, which in turn is heavily influenced by the Section 88 Waste Levy imposed by the Office of Environment and Heritage. For 2015/2016, this levy is estimated to increase by 11.08%. Estimated transport costs incurred to deliver the waste management service reflect the dispersed population throughout the Hawkesbury Local Government Area and expected fuel costs and employee costs, in line with the Local Government Award, have been allowed for. Plant maintenance and replacement estimated costs are based on the applicable maintenance and replacement schedules.

  Council runs the Waste Management Service through its own staff and plant and disposes of the waste at the Hawkesbury Waste Management Facility, which is currently owned and operated by Council. Different councils may provide the service through a different combination of resources, which would drive their annual charges accordingly. Also, the cost of providing the service would differ between council areas due to different population distribution and the associated service requirements. The frequency and types of waste management services included in the annual fee would also underpin the level of the charge. Whilst not directly comparable, the Hills Council's waste management charges proposed for 2015/2016 are comparable to and in some cases, exceed, those proposed by Hawkesbury Council.

  The Sewerage Management charges for 2015/2016 are proposed to increase by 10.75% and are based on the basis of covering the service delivery costs, the ongoing sewerage network maintenance and renewal, as well as major capital works such as upgrading of pump stations, as required. Council provides the sewerage service with its own assets and staff. The efficiency of the sewerage operation has been a major focus over the last few months, with Council investing in energy efficient equipment to minimise costs, as well as reviewing processes to minimise staff and chemical costs. The exploration of some options in regard to service delivery options is also underway. The full cost recovery of providing the sewerage service to the relevant residents is necessary, to ensure that residents who do not have access to this service are not unfairly disadvantaged through subsidisation.

The Sullage Service charges for 2015/2016 are proposed to increase by 11.98% and are based on recovering the service delivery cost and planning for future rehabilitation works. Council currently contracts out this service as a result of a competitive tendering process and charges reflect contractor charges payable by Council. It is not mandatory for residents to utilise the service provided by Council and they may engage a sullage collection contractor themselves. Research undertaken indicates that the charges of other service providers well exceed those charges proposed by Council. The full cost recovery of providing the sullage service to the relevant residents is necessary to ensure that residents who are already paying for a sewerage service are not unfairly disadvantaged through subsidisation of the sullage service.

- Lobbying for funding for unsewered areas to be connected

  In areas where pollution concerns arise and other localities identified for urban growth, Council will lobby for these areas to be serviced by reticulated sewerage. Council has previously made representations to Sydney Water to provide reticulated sewerage services to outlying village areas.

- Operational Plan is not intelligible to most residents

  The Operational Plan for Council contains the budget figures for the entire Council (including operational and capital works) as well as the principal operational activities for the Council. Council's operations span a very broad scope of statutory and non-statutory activities that are essentially a number of discrete but integrated 'business units'.

  In the interests of transparency, the Operational Plan itemises the principal activities of these business units and provides direct links from each of the listed activities to the funding source (budget line). To over simplify these documents could have the unintended consequences of omitting some information or changing the understanding of the integration of some activities. In this regard, Council does not wish to jeopardise the transparency of the documentation available to the community.

  Whilst the Operational Plan may appear complex (as would similar documents for any other large organisation of a similar size), Council staff are available throughout the year and especially during the exhibition period for the Operational Plan, to assist any individual resident or resident groups with any queries in relation to the Plan. In the interests of transparency, Council errs on the side of providing significant details in its Operational Plan.

- Traffic congestion and lack of funding for significant transport infrastructure

  Traffic congestion issues are principally occurring on RMS managed roads. Although funding responsibility is the responsibility of that agency, Council does and will continue to lobby for improvements to be carried out at the earliest opportunity.

- Council roads in poor condition

  Council allocates available funding to road maintenance and renewal on a priority basis. Asset management strategies are being developed and implemented to ensure road maintenance is undertaken in the most timely and cost effective manner.

- Very few cycleways and non-existent footpaths on some major through traffic roads

  Ongoing funding is provided for the construction of cycleways/shared paths, with application made for matching funding from RMS. The 2015/2016 Operational Plan makes provision for a total of $100,000 to be allocated for cycleways/shared paths, with funding application being made to extend/construct an off-road cycleway from Arkell Drive, Bligh Park to Berger Road, South Windsor.

- Road construction in Branders Lane, North Richmond

  Half road construction in Branders Lane, North Richmond was undertaken by the adjoining development. No funding was available at that time to enable complementary widening/sealing to be undertaken. It is not anticipated that any significant additional construction or establishment costs will be incurred as a result of the separate construction by Council.

- Printing of taxes imposed by State Government on rate notices and details of contributions to outside bodies

  Council pays a number of contributions, in the form of a levy or in some other form, to various organisations and other levels of government. Examples include, but are not limited to, the Section 88 Waste Levy imposed by the Office of Environment and Heritage, the annual contribution paid in regard to the NSW Regional Development Fund and the NSW Emergency Services Levy Contribution. Whilst some levies, such as the Section 88 Waste Levy, can be identified with a specific service and therefore on-charged accordingly, other levies or contributions cannot be identified with a specific service for which a fee or charge applies. The relevance of printing a message relating to the carbon price on rates notices in previous years, was supported by the impact of the carbon price on the rate-pegging calculation for that year and therefore a direct link to the rates levied for the year.

  The printing of wording referring to the Section 88 Waste Levy on the rates notice, whilst possible, would suggest that this may be the only levy or contribution payable by Council. As this is not the case, it would be appropriate to list all levies paid by Council. The latter option would present a challenge in terms of space on the rates notice, as well as potentially presenting surplus content, which may distract the ratepayers from the actual intent of the rates notice, being the detailing of the rates and annual charges payable for the financial year.

  Whilst significant amounts relating to levies and contributions are generally identified as separate line items, like for example the Section 88 Waste Levy, payable to the Office of Environment and Heritage, which is shown under a separate line "Contributions to outside bodies" on Page 68 of the Operational Plan (Part 1), to support transparency and an informed community, a list of statutory levies and contributions paid to other organisations and levels of government will be included in future Operational Plans documents.

- Rating of Council car parks

  Some Council car parks may be subject to general rates depending on commercial or other arrangements they may be associated with. If an amenities block is situated in a car park, a sewer charge would apply to that parcel of land.

- Rates paid by RAAF, University of Western Sydney and Government bodies

  Council levies general rates in accordance with the Local Government Act, 1993 (the Act) and associated Regulations. Sections 555 and 556 of the Act stipulate the situations where land is not subject to rates and charges. Land exempt from rates includes land vested in or owned by a public transport agency, land owned by the Crown and land that is vested in a university. Federal and State Government owned land satisfying the criteria in Sections 555 and 556 of the Act would be exempt from rates and charges accordingly. There is currently no framework for claiming rates revenue that would have been collected from land classified as exempt.

- Photocopying charges compared to other service providers

  The different Pricing Policy coding, for various photocopying charges included in the Operational Plan (Part 2) document, is a typographical error. All photocopying charges are based on a full cost recovery pricing policy. Instances where the Pricing Policy for photocopying charges is not coded have been identified and will be amended. The photocopying charges proposed for 2015/2016 reflect the full cost of providing the service. These costs include the lease for photocopiers, paper, ink, toner, power, staff time and relevant overheads. The fees charged by a private operator are driven by a number of factors, including, but not limited to the marketing or customer attraction strategies. It is therefore not equitable to compare Council's charges with a private operator. A comparison with other councils, however, is appropriate and has been undertaken. Council's proposed fees for photocopying are comparable to other councils, including The Hills, Wollondilly, Camden and Campbelltown. These councils' charges vary between $0.75 and $1.25 for A4 photocopies and between $1.00 and $2.70 for A3 photocopies. These compare with Council's proposed fees of $0.80 and $1.60 respectively for A4 and A3 photocopies.

- Council's financial sustainability

  Council's on-going financial sustainability issues, as highlighted in various relevant documents and reports to Council, are a result of Council's ability to maintain its infrastructure to the desired standard and the continuation of services, being severely impacted by the containment of rates revenue due to rate-pegging. Over many years, Council has continued to provide various services and respond to the community's needs, as well as maintaining its infrastructure despite revenue increases falling well short of cost escalations. This has been partly achieved through continuous process improvements and efficiencies, but at the cost of ageing infrastructure. Council cannot continue to underfund the cost of maintaining and renewing its infrastructure, as this would result in a cost to the community in terms of reduced service levels and compromised safety and would push the financial burden to future generations.

  The importance of ensuring Council's operations are efficient and cost-effective, so as to maximise funding available for the delivery of services and upkeep of its infrastructure, is acknowledged. This is supported by the recognition of the need to review the framework for managing Council's infrastructure assets to ensure timely intervention, cost-effective treatments and optimisation of asset utilisation. The 2015/2016 Operational Plan allows $120,000 for this framework to be established. In addition, an amount of $30,000 has been allowed to enable reviews of some operations to be undertaken to identify process improvements and cost-efficiencies. Structure and process reviews are generally undertaken in a staged manner, usually addressing selected areas each year. This ensures that the reviews do not impact on on-going service delivery and allow time for recommendations to be implemented.

  Financial modelling suggests that cost-efficiencies will need to be supplemented with revenue increases if a solid on-going financial sustainability position is to be achieved. If a strategy to increase rates above rate-pegging was to be endorsed by Council, this would involve a community engagement process, whereby Council and the community, would determine the desired service levels and the associated funding required. Council's revenue increase strategy would be underpinned by the commitment to deliver the service levels as agreed with the community.

  Council's position in relation to the Fit for the Future benchmarks is addressed in a separate report in this business paper.

6. Ms Venecia Wilson

The following submission was received from Ms Venecia Wilson regarding dredging of the Hawkesbury River:

> *"Item 16.4, on page 11 of the DOP, indicates Council will progress to submitting an Application for dredging the river at 7 points for "navigational purposes". Aside from the fact that this action is proposed under the subject of halting wakeboarding and bank erosion, which appears to be a misleading title, the Worley Parsons pre dredging report, completed at considerable costs, that dredging at 7 points would not be beneficial for the ecology of the river, nor would it assist with flood mitigation or be an aid to improved navigation. The Worley Parsons report also advised that the application for dredging would be a costly and complex process. Based on the above, I would argue that pursuing the dredging application is an unnecessary and counter-productive process and expense. In addition, if Council is to commission expensive reports such as prepared by Worley Parsons, it would be advisable to follow the recommendations of such reports."*

Comments

Council has made a number of resolutions in relation to the investigation and pursuit of dredging of the Hawkesbury River (See summary report to Council dated 13 September 2014). The previous reports obtained from Worley Parsons have been undertaken on a staged basis, i.e., each report building on previous work, with each stage being reported to Council for endorsement to progress to the next stage. A business case report for dredging is currently being finalised for Council's consideration. The progression of Item 16.4 in the Operational Plan will depend on the outcome of that consideration and Council's resolution for the matter.

7. Kurrajong Community Forum Inc.

A submission has been received from Kurrajong Community Forum Inc. requesting funds be allocated for a Master Plan for Kurrajong. The Forum indicated that this is essential to manage and control the development of Kurrajong Village over the next 10 to 20 years.

Comments

Council currently has development controls relating to land use, density and heights within the Hawkesbury Local Environmental Plan and Development Control Plan. As resolved at the Council meetings of 24 June 2014 and 31 March 2015, Council is undertaking a partial review of the Residential Land Strategy and preparing structure and contributions planning for the Kurrajong/Kurmond locality. The Hawkesbury Horizon Initiative is also gathering ideas from a range of sources, including broad community input, regarding revitalisation and beautification planning for different precincts. This work informs and leads to the preparation of more detailed plans for towns and villages such as Kurrajong and surrounds. In this regard, the request that the planning for Kurrajong be "on Council's agenda" is being fulfilled.

Amendments Proposed

Some amendments to the Draft Operational Plan 2015/2016 documents placed on exhibition are proposed as a result of information becoming available during the public exhibition period. These amendments are as follows:

- ***<u>Draft Operational Plan (Part 2)</u>***

    a) Page 18, Goods and Services Tax (GST) - Add wording "*Fees and Charges have been based on the best available information in relation to the GST impact on the fees and charges at time of publication. It should be noted that all fees and charges are subject to change in accordance with amendments to the Goods and Services Tax Legislation and subsequent ATO rulings and regulations.*"

    b) Page 52, SP.1 Preparation or variation to DCP – Minor – Replace "*Base plus quotation…*" with "*Quotation on application…*"

    c) Page 52, SP.1 Preparation or variation to DCP – Major – Replace "*Base plus quotation…*" with "*Quotation on application…*"

    d) Page 98, FS.3.1 S.603 Certificate – Fee for 2015/2016 to be amended to $75.00, as per the Office of Local Government Circular, A413301, issued on 5 May 2015.

    e) Pricing Policy Code – The Pricing Policy Code of some fees has been identified as being incorrect and is to be amended accordingly. The error is of a typographical nature only; there is no impact on the calculation and amount of the impacted fees.

    f) GST Code - The GST Code of some fees has been identified as being incorrect and is to be amended accordingly. The error is of a typographical nature only; there is no impact on the calculation and amount of the impacted fees.

The only other changes proposed to the Draft Operational Plan 2015/2016 documents that were on public exhibition are minor formatting and typographical amendments and deletion of any references to 'Draft' throughout the documents.

Making the Rates for the 2015/2016 financial year

- *Rates in the dollar 2015/2016*

    As stated in the Draft Operational Plan 2015/2016 placed on public exhibition, the rates in the dollar in the recommendation in this report differ slightly to those placed on public exhibition. It is prudent to incorporate valuation changes up to the final Rating Resolution to ensure Council's valuation base remains as up to date as possible to minimise carryovers and thereby maximising potential revenue.

- *Variation of General Income for 2015/2016*

    In December 2014, IPART announced a 2.4% general increase in terms of Section 506 of the Local Government Act, 1993 for the rating year commencing 1 July 2015.

    The recommendation at the end of this report details the rate in the dollar and applicable minimum charge or base amount for each rating category in the Hawkesbury Local Government Area based on the above.

Integrated Planning and Reporting Framework

The Hawkesbury Community Strategic Plan 2013-2032 (CSP) provides a vehicle for expressing long-term community aspirations. However, these will not be achieved without sufficient resources (money, time, assets and people) to actually carry them out. The Resourcing Strategy is a critical link to translate the objectives of the CSP into actions and also supports the Council’s four year Delivery Program and annual Operational Plan.

The Resourcing Strategy 2015-2025 is being 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 Community Strategic Plan and consists of three elements:

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

In previous years, the Resourcing Strategy has been submitted to Council at the same Council meeting when considering the adoption of the Operational Plan for the following financial year. Elements of Council’s Fit for the Future proposal (dealt with as a separate report in this business paper) and Council’s resolution on the matter will impact on the Resourcing Strategy 2015-2025. It is therefore considered appropriate to postpone the submission of the document to post 30 June 2015.

It is envisaged that the Resourcing Strategy 2015-2025 will be finalised and submitted for Council’s information at the Council meeting in July 2015.

Conformance to Community Strategic Plan

The proposal is consistent with the Shaping Our Future Together Directions statements:

- Have transparent, accountable and respected leadership and an engaged community

- A balanced set of decisions that integrate jobs, housing, infrastructure, heritage and environment that incorporates sustainability principles

- The Council be financially sustainable to meet the current and future needs of the community based on a diversified income base, affordable and viable services.

and is also consistent with nominated strategies in the Community Strategic Plan being:

- Improve financial sustainability

- Work with the community to determine affordable levels of service

- Make decisions in ways that are transparent, fair, balanced and equitable supported by appropriate resource allocations.

Financial Implications

The adoption of the recommendations in this report will result in the Draft Operational Plan 2015/2016, as placed on exhibition and incorporating the changes proposed in this report, being adopted for the 2015/2016 financial year.

RECOMMENDATION:

That:

1. The report regarding the Draft Operational Plan 2015/2016 be noted.

2. The Draft Operational Plan 2015/2016, placed on public exhibition, be adopted subject to the amendments as outlined in the report including the rates in the dollar for 2015/2016 to incorporate valuation changes up to the final Rating Resolution.

3. Council make and levy the following Rates and fix the following charges for the 2015/2016 financial period, in accordance with Section 535 of the Local Government Act, 1993. (Land Values used for calculation of rates have a Base Date of 1 July 2014):

Residential Category

In accordance with Section 535 of the Local Government Act, 1993, an Ordinary rate named *Residential* in accordance with Section 543 (1), of point one nine five zero five five (0.195055) cents in the valuation dollar, be levied on all properties categorised as *Residential*, in accordance with Section 516. These properties will be subject to an ad valorem rate and a base amount of $510.00. The levying of the base amount from the Residential Category will generate 49.78% of the notional yield applicable to the Residential Category.

Farmland Category

In accordance with Section 535 of the Local Government Act, 1993, an Ordinary rate named *Farmland* in accordance with Section 543 (1), of point two eight seven eight three seven (0.287837) cents in the valuation dollar, be levied on all properties categorised as *Farmland*, in accordance with Section 515. These properties will be subject to a minimum rate of $524.00, in accordance with Section 548.

Business Category

In accordance with Section 535 of the Local Government Act, 1993, an Ordinary rate named *Business Area 1*, in accordance with Section 543 (1), point two two two seven three seven (0.222737) cents in the valuation dollar, be levied on all properties in the Business sub-category *Business Area 1*, in accordance with Section 518. These properties will be subject to an ad valorem rate and a base amount of $950.00. The levying of the base amount from the Business Area 1 sub-category will generate 49.81% of the notional yield applicable to the Business Area 1 sub-category.

In accordance with Section 535 of the Local Government Act, 1993, an Ordinary rate named *Business Area 2*, in accordance with Section 543 (1), point two two two seven three seven (0.222737) cents in the valuation dollar, be levied on all properties in the Business sub-category *Business Area 2*, in accordance with Section 518. These properties will be subject to an ad valorem rate and a base amount of $950.00. The levying of the base amount from the Business Area 2 sub-category will generate 47.24% of the notional yield applicable to the Business Area 2 sub-category.

In accordance with Section 535 of the Local Government Act, 1993, an Ordinary rate named *Business Area Other*, in accordance with Section 543 (1), point two two two seven three seven (0.222737) cents in the valuation dollar, be levied on all properties in the Business sub-category *Business Area Other*, in accordance with Section 518. These properties will be subject to an ad valorem rate and a base amount of $950.00. The levying of the base amount from the Business Area Other sub-category will generate 46.80% of the notional yield applicable to the Business Area Other sub-category.

Rural Residential Sub-Category

In accordance with Section 535 of the Local Government Act, 1993, an Ordinary rate named *Rural Residential*, in accordance with Section 543 (1), of point one two nine zero four two (0.129042) cents in the valuation dollar, be levied on all properties categorised as *Rural Residential*, in accordance with Section 518. These properties will be subject to an ad valorem and a base amount of $685.00. The levying of the base amount from the Rural Residential sub-category will generate 49.51% of the notional yield applicable to the Rural Residential sub-category.

Domestic Waste Management Service

For 2015/2016, in accordance with Section 496 of the Local Government Act, 1993:

- A *Weekly Domestic (Inc. Green) Waste Charge 240L* annual charge of $560.91 be made for a 240 litre bin, for each weekly domestic waste service to an occupied property which is categorised as Residential or Farmland and for which a weekly domestic waste service, including a green waste service, is available. This charge includes a weekly pickup for garbage, a fortnightly pickup for recycling, a fortnightly pick up for green waste and one kerbside pickup for the financial year.

- A *Weekly Domestic Waste Charge 240L* annual charge of $490.68 be made for a 240 litre bin, for each weekly domestic waste service to an occupied property which is categorised as Residential or Farmland and for which a weekly domestic waste service is available. This charge includes a weekly pickup for garbage, a fortnightly pickup for recycling and one kerbside pickup for the financial year.

- A *Weekly Domestic (Inc. Green) Waste Charge 140L* annual charge of $380.62 be made for a 140 litre bin, for each weekly domestic waste service to an occupied property which is categorised as Residential or Farmland and for which a weekly domestic waste service, including a green waste service, is available. This charge includes a weekly pickup for garbage, a fortnightly pickup for recycling, a fortnightly pick up for green waste and one kerbside pickup for the financial year.

- A *Weekly Domestic Waste Charge 140L* annual charge of $310.38 be made for a 140 litre bin, for each weekly domestic waste service to an occupied property which is categorised as Residential or Farmland and for which a weekly domestic waste service is available. This charge includes a weekly pickup for garbage, a fortnightly pickup for recycling and one kerbside pickup for the financial year.

- A *Fortnightly Domestic Waste Charge 240L* annual charge of $310.38 be made for a 240 litre bin, for each fortnightly domestic waste service to an occupied property which is categorised as Residential or Farmland and for which a fortnightly domestic waste service is available. This charge includes a fortnightly pickup for garbage, a fortnightly pickup for recycling and one kerbside pickup for the financial year.

- A *Fortnightly Domestic Waste Charge 140L* annual charge of $217.94 be made for a 140 litre bin, for each fortnightly domestic waste service to an occupied property which is categorised as Residential or Farmland and for which a fortnightly domestic waste service is available. This charge includes a fortnightly pickup for garbage, a fortnightly pickup for recycling and one kerbside pickup for the financial year.

- A *Weekly Domestic Waste Service Availability* annual charge of $141.83 be made for parcels of land where a weekly domestic waste service is available, but the service is not utilised.

- A *Fortnightly Domestic Waste Service Availability* annual charge of $70.91 be made for parcels of land where a fortnightly domestic waste service is available, but the service is not utilised.

In accordance with Section 575 of the Local Government Act, 1993, where a property is owned and occupied by eligible pensioner(s), a rebate amounting to 50% of the combined rates and domestic waste service charges up to a maximum of $250.00, in annual concession will be granted for 2015/2016.

Business Waste Management Service

For 2015/2016, in accordance with Section 501 of the Local Government Act, 1993, a Waste Management Service annual charge of $677.16 be made for a 240 litre bin and an annual charge of $414.38 be made for a 140 litre bin, for each weekly waste service to a property which is categorised as Business and for which a weekly waste service is utilised.

Sewerage Service

For 2015/2016, in accordance with Section 501 of the Local Government Act, 1993, the following range of annual charges be made for the provision of sewerage services.

- Connected Residential Properties $666.47
- Unconnected Residential Properties.. $443.84
- Unconnected Business Properties.. $447.23
- Business - Category 1 (<1,000 litres per day) $775.79
- Business - Category 2 (1,001 - 5,000 litres per day) $3,889.84
- Business - Category 3 (5,001 - 10,000 litres per day) $7,748.76
- Business - Category 4 (10,001 - 20,000 litres per day) $15,450.21
- Business - Category 5 (>20,000 litres per day) $15,450.21
- A trade waste volume charge of $2.78 per kilolitre be charged to Category 5 properties for each kilolitre in excess of 20,000 litres per day.

Where a residential property receiving this service is owned by pensioner(s) eligible for an Ordinary Rate pensioner rebate, then a rebate amounting to $333.24 be granted to the owner(s) in annual concession for 2015/2016.

Sullage Pump-Out Services

For 2015/2016:

- In accordance with Section 501 of the Local Government Act, 1993, a Sullage Pump-out Service annual charge of $1,821.43 will be made for the provision of a fortnightly sullage pump-out service to residential properties.

- In accordance with Section 501 of the Local Government Act, 1993, a Sullage Pump-out Service annual charge of $3,642.89 will be made for the provision of a weekly sullage pump-out service to residential properties.

- Where a property receiving a sullage pump-out service is owned by pensioner(s) eligible for an Ordinary Rate pensioner rebate and the property is occupied solely by the eligible pensioner(s), in accordance with Section 577 of the Local Government Act, 1993, a rebate amounting to 50% of the applicable charge be granted to the owner(s) in annual concession for 2015/2016.

- In accordance with Section 502 of the Local Government Act, 1993, additional pump-outs can be requested at a cost of $116.71 per extra service.
- In accordance with Section 502 of the Local Government Act, 1993, emergency after-hours pump-outs be charged at $146.55 per service.
- In accordance with Section 502 of the Local Government Act, 1993, that a charge of $20.06 be made for each 1,000 litres of effluent pumped out from commercial and industrial properties for services being conducted on request.

Interest Charges

In accordance with Section 566 (3) of the Local Government Act, 1993, the interest rate charged on overdue rates and charges for 2015/2016 by Council be set at the maximum permitted by the Minister for Local Government. For the 2015/2016 rating year, this will be 8.5%.

4. The persons and organisations that made submissions in response to the exhibition of Council's Draft Operational Plan 2015/2016 be advised of Council's decision in this regard and the relevant comments in the report.

ATTACHMENTS:

There are no supporting documents for this report.

oooO END OF REPORT Oooo

Item: 85 **GM - Draft Fit for the Future Proposal - (79351, 95496)**

Previous Item: 182, Ordinary (30 September 2014)

REPORT:

Executive Summary

This report has been prepared to advise Council of the completion of a Draft Fit For the Future (FFTF) Council Improvement Proposal (Proposal), prepared in accordance with the guidelines and template issued by the Office of Local Government (OLG). The report outlines the background to the NSW Government's FFTF reform process, and summarises the methodology and performance measures to be used by the Independent Pricing and Regulatory Tribunal (IPART) to assess FFTF proposals. The report also provides a snapshot of Council's current FFTF position and the elements of Council's draft FFTF Proposal. The report concludes by summarising Council's expected performance should the FFTF Proposal be endorsed by Council for submission to IPART.

Consultation

At this time, the report deals with issues which do not require community consultation under Council's Community Engagement Policy.

Council's Draft FFTF Proposal has been prepared in accordance with guidelines issued by the OLG. As a 'no change' Council (i.e. a council which has been recommended to remain in its current form by the Independent Local Government Review Panel), there is no requirement under the OLG guidelines for Council to consult with the community in relation to its FFTF Proposal. In any event, the time frame for the preparation of the FFTF Proposal would have precluded meaningful community consultation. Council did, however, provide information about the FFTF process on its 'Your Hawkesbury–Your Say' online community engagement portal, which included a 'Quick Poll' to seek the community's view on the question of amalgamations and boundary adjustments.

Council's Draft FFTF Proposal outlines a provisional list of 20 FFTF strategies which will be the subject of further discussion, community consultation and decision making (by Council). They do not necessarily commit Council to a specific remedy or course of action, but identify options to be investigated post 30 June 2015. These investigations will be subject to IPART and other statutory processes, and will be progressed in accordance with Council's Community Engagement Policy. These further investigations will of course, be subject to Council's adoption of the proposed FFTF strategies within the Draft FFTF Proposal.

Background

Fit for the Future Framework

The NSW Government's FFTF Program aims to improve the strength and effectiveness of local government in providing services and infrastructure for the community. It is intended to ensure that councils will be financially sustainable into the future and more capable of being strategic partners with other levels of government.

The FFTF process is being implemented to primarily assess Council's corporate performance as a business operation. Accordingly, the FFTF Benchmarks focus on Council's financial and asset management performance. They do not measure the non-economic aspects of Council's performance or the economic performance of the local economy.

The imperative underlying the FFTF Framework is that councils need to get their core business operations in order. 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.

IPART Assessment Process and Methodology

Council is required to submit a FFTF Proposal for assessment by IPART. The NSW Government has established four criteria it considers are necessary for a council to be considered Fit for the Future.

These criteria are:

- scale and capacity to engage effectively across community, industry and government
- sustainability
- effectively managing infrastructure and delivering services for communities, and
- efficiency.

In determining a council's FFTF performance, IPART will be assessing the FFTF proposals submitted by councils against the seven performance measures outlined in Figure 1 below.

Figure 1: Fit for the Future Criteria, Measures and Benchmarks

Criteria/measure	Definition	Benchmark	OLG Guidance
1. Sustainability			All measures, where applicable, should be consistent with the Accounting Code/TCorp measures. The measures should also be based on General Fund data and exclude Water and Sewer Funds. **(a)** Where applicable, excludes fair value adjustments, reversal of revaluation decrements, net result on sale of assets and net share/loss of interests in joint ventures. **(b)** Expenditure is deflated by the CPI (for 2009 to 2011) and the Local Government Cost Index (2011 to 2014), as published by IPART. **(c)** ABS, Regional Population Growth, Australia. The data should be averaged over 2 calendar years, except for 2013-14, where the data for the 2013 calendar year should be used.
Operating performance	Net continuing operating result[a] (excl capital grants and contributions) / Total continuing operating revenue[a] (excl capital grants and contributions)	>= to break-even average over 3 years	
Own source revenue	Total continuing operating revenue[a] (excl all grants and contributions) / Total continuing operating revenue[a] (incl capital grants and contributions)	> 60% average over 3 years	
Building and asset renewal	Asset renewals (building and infrastructure) / Depreciation, amortisation and impairment (building and infrastructure)	>100% average over 3 years	
2. Infrastructure and Service Management			
Infrastructure backlog	Estimated cost to bring assets to satisfactory condition / Total (WDV) of infrastructure, buildings, other structures, depreciable land, and improvement assets	< 2%	
Asset maintenance	Actual asset maintenance / Required asset maintenance	> 100% average over 3 years	
Debt service	Cost of debt service (interest expense and principal repayments) / Total continuing operating revenue[a] (excl capital grants and contributions)	0 to 20% average over 3 years	
3. Efficiency			
Real operating expenditure (ROE)[b]	Operating expenditure[a] / Population[c]	decrease in ROE per capita over time	

Source: OLG, *Completing Template 3: Rural Council Proposal*, January 2015, p 15.

IPART has also established time frames by which the performance measures are to be met or make improvements towards, based on the classification of councils. Hawkesbury City Council has been classified as a metropolitan council and accordingly, the following time frames apply:

Table 1: Required Time Frame for Achieving FFTF Benchmarks

Performance Measure	Timeframe
Operating Performance Ratio	Must meet within 5 years
Own Source Revenue Ratio	Must meet within 5 years
Building and Asset Renewal Ratio	Meet or improve within 5 years
Infrastructure Backlog Ratio	Meet or improve within 5 years
Asset Maintenance Ratio	Meet or improve within 5 years
Debt Service Ratio	Must meet within 5 years
Real Operating Expenditure per capita	Must demonstrate operational savings over 5 years

As outlined in Table 1, Council is required to meet three of the seven performance measures by 2019/2020 and meet or show an improvement in the four remaining measures by 2019/2020.

Councils are required to lodge FFTF Proposals by 30 June 2015. IPART will assess and make a determination based on Council's projected performance to 2019/2020 against each of the criteria measures. Councils will be rated as 'fit' or 'unfit' with reasons given for this assessment (and potentially a recommendation if rated as 'unfit'). Councils that do not submit a Proposal will be 'deemed not fit'. IPART will complete its assessment of councils' FFTF Proposals and provide recommendations to NSW Government by 16 October 2015.

Councils that are assessed as Fit for the Future will have access to a range of initiatives to support them to provide improved services and infrastructure to their communities, including access to a State borrowing facility to fund local infrastructure, a streamlined rate variation process, priority for other government funding and grants, and eligibility for additional devolved planning powers.

Council's Current Fit for the Future Position

Council's performance, as measured against the FFTF criteria, is primarily shaped by its financial capacity to fund the renewal of its long-lived assets. Meeting the costs associated with the consumption of these assets is the critical determinant impacting on Council's future financial sustainability.

Council is currently achieving three of the seven FFTF benchmarks (Own Source Revenue Ratio, Debt Service Ratio and Real Operating Expenditure). The incapacity to appropriately fund the maintenance and renewal of infrastructure is the primary factor driving performance against the four remaining FFTF benchmarks.

Council's FFTF Proposal is therefore directed at improving its performance against the asset related benchmarks (Building and Asset Renewal Ratio, Infrastructure Backlog Ratio, and Asset Maintenance Ratio). It aims to substantially increase recurrent spending on the renewal of Council assets, while tackling its infrastructure backlog. This will have a positive impact on Council's operating performance (through the funding of annual depreciation charges) to enable Council, over time, to achieve the Operating Performance Ratio (OPR) benchmark. The primary factor driving Council's current OPR is the imputed cost of annual depreciation charges, representing the true cost of asset consumption, not being matched by sufficient increase in revenue.

Council's auditors have consistently advised Council of the need to recalibrate its budget settings. The 'balanced' budget presented to Council has traded off short term operations against long term asset renewal. In effect, the underlying deficit has been funded by the continued deterioration of assets.

Council's Draft Fit for the Future Proposal and Action Plan

The financial sustainability issues facing local government have been well documented in the various reports issued by T-Corp, the Office of Local Government and the Independent Local Government Review Panel. These reports have pointed to the need for councils to improve their financial sustainability by:

- sourcing additional revenue e.g. through Special Rate Variations
- using debt funding to assist in reducing the Infrastructure Backlog
- devising programs and strategies to contain rising costs and improve efficiencies
- refining asset management and long-term financial plans and better ensuring their consistency
- increasing spending on maintenance and infrastructure renewal
- developing pricing paths to achieve at least breakeven operating positions over the medium term.

It is appropriate therefore, that Council has used these financial sustainability recommendations as the starting point for the development of its Draft FFTF Proposal. This process has involved the identification of a provisional list of FFTF strategies based on a careful consideration of the T-Corp, Independent Panel, and OLG recommendations; and a review of Council's Biennial Community Survey results, Council's adopted Plans and Council Resolutions.

To address its future financial sustainability, Council's FFTF Proposal incorporates an integrated mix of 20 strategies. Main elements include a $25M Infrastructure Backlog borrowings program targeting road renewal and the delivery of an enhanced program of asset maintenance and renewal, supported by a proposal for a special rate variation (SRV). The FFTF strategies also include expenditure reductions and a review of service levels with efficiency dividends reinvested in asset renewal and maintenance. The FFTF strategies are also aimed at consolidating strategic capacity – primarily through a formal regional partnership with Blue Mountains and Penrith Councils (which, together with Hawkesbury Council, form the western sub-region within the NSW Government's metropolitan strategy – *A Plan for Growing Sydney*).

Proposed Infrastructure Borrowings Program funded by a Proposed Special Rate Variation

A five year accelerated road, building and parks renewal and works program funded through loan borrowings is proposed. The proposed works program will primarily focus on the sealing of rural gravel roads, road widening and shoulder reconstruction, rehabilitation of failing roads and the renewal of road surfaces. The SRV is required to generate the additional revenue needed to service the $25M loan, to be repaid over a period of 15 years, with the balance of the SRV revenue after meeting loan and interest repayments directed to asset maintenance and budget repair to ensure that backlog and asset renewal and maintenance is stabilised.

Council is conscious of the need to minimise the impost on ratepayers through the levying of rates and annual charges. The process for lodging an SRV application will involve a community engagement process to seek the views of the community on options for moving from backlog to sustainability over the long term and the resources that would need to be found to do this. This engagement framework will enable Council to continue its dialogue with the community to determine acceptable service levels for all asset classes and the community's capacity and willingness to pay for its preferred levels of service. The commencement of and the outcomes of this engagement process will be reported to Council as part of the process for seeking Council's approval to lodge an SRV application.

Since its formation in 1981, Council has been modest in its rating increases - to date Council's rating increases have been aligned with rate pegging with the exception of a single increase of 6.5% above the rate pegging limit approved for the 2007/2008 financial year. By way of comparison, since 2007/2008, 102 of the 152 NSW councils (67% of all councils) have applied for SRVs with IPART approving 96% of SRV applications since it assumed responsibility for their assessment in 2011/2012. The majority of the approved SRVs involved rating increases above rate pegging over several years.

Indicative financial modelling has been undertaken to determine the appropriate level of revenue required to redress the historical under-investment in infrastructure and to address Council's ongoing sustainability, taking into account the impact on rate payers.

Based on the modelling, the first year rating increase, above the rate pegging, would be equal to approximately an additional $11 a quarter ($44 per year) to the average residential rate. The cumulative rating increase, above the rate pegging after the fifth year, would be equal to approximately an additional $39 a quarter ($156 per year) for the average residential rate.

In endorsing the Draft FFTF Proposal, Council is not adopting the proposed SRV - the endorsement of the Draft FFTF Proposal only indicates that Council will be undertaking the necessary steps (as defined by IPART) to investigate the SRV option. The proposal to submit an SRV application will be contingent on further reports for Council's consideration.

The Infrastructure Borrowings Program and the additional revenue generated by a SRV are considered to be critical components of Council's FFTF Proposal as they are integral to addressing the history of under-spending on asset renewal and maintenance. Council's future financial sustainability is reliant on strategies to increase revenues which can be directed to asset renewal.

The Process to Date and Time Line

In practical terms, the truncated time-frame for the preparation of council FFTF proposals dictated Council's approach to the development of its FFTF Action Plan. At the outset, it was determined that Council's FFTF Proposal would provide a starting point for a process which would enable Council to work with elected officials and the community on becoming Fit for the Future. In this context, Council's FFTF Proposal is intended to map out a pathway for further discussion, community consultation and decision making (by Council) post 30 June 2015 and would be subject to IPART and other statutory processes.

The tight timeframe for the development of Council's FFTF Proposal and Improvement Action Plan has been very much determined by the requirement to lodge Council's FFTF Improvement Proposal by 30 June 2015. The time line for this process is summarised below:

10 September 2014	NSW Government releases proposed FFTF package.
30 September 2014	Report to Council outlining NSW Government's FFTF package.
31 October 2014	Office of Local Government (OLG) issued FFTF guidelines and templates.
17 November 2014	Performance against the FFTF Criteria reported to MANEX.
1 December 2014	Report on process and project timetable to address FFTF requirement considered by MANEX. Internal FFTF Working Party established.
5 December 2014	OLG FFTF Workshop held in Sydney.
14 - 22 January 2015	Six FFTF Information Sessions held for staff
10 February 2015	1st Councillor Briefing Session - Information from the FFTF Workshops presented (first available session following OLG workshop). Proposed process and framework for preparation of provisional list of improvement strategies outlined.
18 February 2015	Information on FFTF process posted on its 'Your Hawkesbury–Your Say' online community engagement portal which included a 'Quick Poll' to seek the community's view on the question of amalgamations and boundary adjustments. 71% of respondents agreed with Council's position that it will not support any proposal for the adjustment of its current boundaries or the merger of the Hawkesbury Local Government Area with an adjoining council area.
18 March 2015	Provisional List of FFF Improvement Strategies reviewed by MANEX.

7 April 2015	2nd Councillor Briefing Session - Provisional List of FFTF Improvement Strategies, including assessment of Council's future financial sustainability.
10 April 2015	Additional Information in response to issues raised at Briefing Session distributed to Councillors.
28 April 2015	IPART Consultation Paper on proposed methodology for assessment of FFTF proposals distributed to Councillors.
1 May 2015	Working Papers on FFTF Process including detailed modelling of Council's comparative financial performance, modelling of the provisional List of FFTF Strategies against the FFTF Benchmarks; review of Special Rate Variations (SRVs) and the modelling of proposed SRV options distributed to Councillors.
5 May 2015	3rd Councillor Briefing Session – preliminary modelling of proposed FFTF strategies.
15 May 2015	Additional Information in response to issues raised at Briefing Session distributed to Councillors (including copy of IPART submission on proposed methodology).
21 May 2015	Meeting with Penrith and Blue Mountains Councils to discuss and co-ordinate strategic capacity elements of FFTF Proposals and joint approach to asset benchmarking.
9 June 2015	Follow up meeting with Penrith and Blue Mountains Councils to provide update on progress of FFTF Proposals.
12 June 2015	Draft FFTF Proposal and FFTF Improvement Plan distributed to Councillors.
23 June 2015	Draft FFTF Proposal reported to Council.
30 June 2015	Due date for lodgement of FFTF Proposal.

Summary of FFTF Proposal and approach

The following considerations and assumptions have informed Council's approach to the development of the elements of the FFTF Proposal and Action Plan:

- The FFTF Proposal Action Plan provides a starting point for a process to enable Council to work towards becoming Fit for the Future post 30 June 2015.
- As a 'no change' Council, the purpose of Council's FFTF Proposal is to outline a viable strategy to demonstrate that Council will have the scale and capacity to remain in its current form.
- The size of the funding requirement to achieve financial sustainability has required a clear focus on the long-term. The focus of the FFTF Proposal will necessarily be on what can be achieved over the next five years to improve Council's performance against the FFTF Benchmarks.
- The proposed FFTF Improvement Strategies have been framed with reference to the clear advice for councils to consider a mix of options including special rate variations and other revenue increases, reductions in expenditure, the use of debt, and the review of existing service levels.

- There has been a consistently expressed expectation from the community for Council to improve the condition and maintenance of infrastructure assets – particularly roads. The Community Survey clearly indicates that residents are dissatisfied with current service levels for road maintenance – this is backed up by focus group findings. To respond to these expectations, Council's FFTF proposal includes a strategy to direct substantial additional funding to road renewal.

- Given the outcomes of community surveys and the history of Council resolutions, there is an expectation, that as far as possible, both Council and the community would prefer to maintain current service levels for non-infrastructure related services. The FFTF proposal aims to minimise the need to close or reduce services. The focus will be on achieving operational efficiencies and cost savings by implementing more effective and efficient service models, achieving break-even operations (where possible), and through economies of scale by exploring opportunities to aggregate buying power and joint-work arrangements with our adjoining Councils.

The FFTF Action Plan has been based on a rigorous assessment of Council's future financial sustainability and a detailed understanding and evaluation of its operations. Council's costs are heavily influenced by the provision and ongoing maintenance of long-lived assets – the recognition and appropriate financial treatment of the cost of asset consumption is the critical component of Council's future sustainability.

Council's FFTF Proposal will contain a number of attachments which are documents that support the Council's FFTF Proposal and include the Hawkesbury Community Strategic Plan 2013-2032, the Hawkesbury Residential Land Strategy, the Regional Strategic Alliance Cooperation and Management Agreement and the Resourcing Strategy.

Expected Improvement in Performance

The implementation of the actions outlined in Council's FFTF Proposal will see Council direct substantial additional funding to infrastructure renewal and works. By 2019/2020, it will meet the Building and Asset Renewal Ratio and substantially improve performance against the Infrastructure Backlog and Asset Maintenance Ratios while continuing to meet the Own Source Revenue Ratio, Debt Service Ratio and Real Operating Expenditure benchmarks. The FFTF Proposal will also significantly improve Council's performance against the Operating Performance Ratio. This information is summarised in Table 2 below.

Table 2 – Projected Performance against the FFTF Benchmarks based on FFTF Proposal

Measure/benchmark	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	Achieves FFTF Benchmark
Operating Performance Ratio	-0.098	-0.092	-0.064	-0.045	-0.028	-0.021	No
Own Source Revenue Ratio	73.7%	79.8%	86.2%	84.6%	84.6%	84.1%	Yes
Building & Infrastructure Asset Renewal	89.0%	81.7%	85.6%	99.4%	116.2%	126.9%	Yes
Infrastructure Backlog Ratio	4.5%	4.9%	5.0%	4.5%	3.6%	2.9%	Yes
Asset Maintenance Ratio	64.4%	68.8%	77.3%	78.4%	79.5%	80.2%	Yes
Debt Service Ratio	0.87%	1.22%	1.34%	1.81%	2.60%	3.45%	Yes
Real Operating Expenditure per capita	Decreasing	Decreasing	Decreasing	Decreasing	Decreasing	Decreasing	Yes

The implementation of Council's FFTF Proposal will see Council achieve six of the seven FFTF Benchmarks by 2019/2020. The benchmark, which will not be achieved within the required time frame, is the Operating Performance Ratio – the reason for this is that Council's projected operating revenue in 2019/2020 will not be sufficient to cover the costs of asset consumption represented by annual depreciation charges. To achieve a break-even operating result by 2019/2020 would require rating increases which would be beyond the capacity of the community to pay or accept. It is projected that a break-even operating result will be achieved in 2024/2025.

Council's FFTF Proposal, argues that as a peri-urban Council, it exhibits many of the characteristics of a rural Council and as such some flexibility is required in assessing its FFTF performance against the time frames outlined previously in Table 1. Accordingly, it concludes its FFTF Proposal by suggesting that IPART should give consideration to the aggregated impact of the FFTF benchmarks, rather than viewing each FFTF benchmark in isolation. In practice, this would mean that the assessment panel should consider the trajectory of the combination of the Operating Performance Ratio, the Building and Asset Renewal Ratio, the Asset Maintenance Ratio and the Infrastructure Backlog Ratio, to assess whether Council is taking the appropriate steps to improve its overall sustainability over the time period covered by the FFTF proposal. Council believes its FFTF Proposal clearly demonstrates that this is the case.

Council's FFTF Improvement Proposal and Improvement Action Plan are attached to this report as Attachments 1 and 2 respectively, and it is recommended that Council approve the lodgement of these documents to IPART for assessment under the NSW Government's FFTF Reform Program.

Conformance to the Hawkesbury Community Strategic Plan

The proposal is consistent with the Shaping Our Future Together theme:

- The Council be financially sustainable to meet the current and future needs of the community based on a diversified income base, affordable and viable services

- Maintain its independent identity and voice through strong local government and community institutions

and is also consistent with the nominated strategy in the CSP being:

- Improve financial sustainability.

Financial Implications

There are no financial implications arising directly from this report. The Report seeks Council endorsement to lodge a Fit for the Future Proposal with the Independent Pricing and Regulatory Tribunal that will provide the direction and actions that will demonstrate that Hawkesbury City Council can remain financially sustainable into the future.

RECOMMENDATION:

That Council approve the lodgement of the Fit for the Future Council Improvement Proposal and Action Plan, as attached to the report, to the Independent Pricing and Regulatory Tribunal for assessment under the NSW Government's Fit for the Future Reform Program.

ATTACHMENTS:

AT - 1 Fit for the Future Council Improvement Proposal
AT - 2 Fit for the Future Improvement Action Plan

AT - 1 Fit for the Future Council Improvement Proposal

Hawkesbury City Council

(Draft) Fit for the Future Proposal

SECTION 1: About Council's FFTF Proposal

1.1 Executive Summary

Provide a summary (up to 500 words) of the key points of your Proposal including current performance, the issues facing your council and your planned improvement strategies and outcomes

Hawkesbury City Council's performance, as measured against the Fit for the Future (FFTF) criteria, is primarily shaped by its financial capacity to fund the renewal of its long-lived assets. Meeting the costs associated with the consumption of these assets is the critical determinant impacting on Council's future financial sustainability.

Council is currently achieving three of the seven Fit for the Future (FFTF) benchmarks (Own Source Revenue Ratio, Debt Service Ratio and Real Operating Expenditure). The incapacity to appropriately fund the maintenance and renewal of infrastructure is the primary factor driving performance against the four remaining FFTF benchmarks.

Council's FFTF Proposal is therefore directed at improving its performance against the asset related benchmarks (Building and Asset Renewal Ratio, Infrastructure Backlog Ratio, and Asset Maintenance Ratio). It aims to substantially increase recurrent spending on the renewal of Council assets, while tackling its infrastructure backlog. This will have a positive impact on Council's operating performance (through the funding of annual depreciation charges) to enable Council, over time, to achieve the Operating Performance Ratio (OPR) benchmark. The primary factor driving Council's current OPR is the imputed cost of annual depreciation charges which have increased by over 50% since 2009/10 as a result of asset revaluations.

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

To address this situation, Council's FFTF Proposal incorporates an integrated mix of 20 strategies. The main elements of which include a proposal for a special rate variation (SRV) linked to a $25M Infrastructure Backlog borrowings program targeting road renewal and the delivery of an enhanced program of asset maintenance and renewal. The FFTF strategies also include expenditure reductions and a review of service levels with efficiency dividends reinvested in asset renewal and maintenance. The FFTF strategies are also aimed at consolidating strategic capacity – primarily through a formal regional partnership with Blue Mountains and Penrith Councils (which, together with Hawkesbury Council, form the western sub-region within the NSW Government's metropolitan strategy – *A Plan for Growing Sydney*).

The implementation of the actions outlined in Council's FFTF Proposal will see Council direct substantial additional funding to infrastructure renewal. By 2019/20 it will meet the Building and Asset Renewal Ratio and substantially improve performance against the Infrastructure Backlog and Asset Maintenance Ratios while continuing to meet the Own Source Revenue Ratio, Debt Service Ratio and Real Operating Expenditure benchmarks. The FFTF Proposal will also significantly improve Council's performance against the Operating Performance Ratio.

1.2 Scale and Capacity.

Does your council have the scale and capacity broadly consistent with the recommendations of the Independent Local Government Review Panel?	**YES**

If No, please indicate why you are not proceeding with a voluntary merger or creation of a Rural Council as recommended by the Independent Panel and demonstrate how your council has scale and capacity (up to 500 words).

Council's FFTF Proposal is consistent with the preferred **no change** recommendation of the Independent Local Government Review Panel. However, Council recognises that it cannot remain complacent and will need to consolidate its strategic capacity if it is to remain fit for the future and continue to efficiently deliver services and infrastructure to the community.

To this end, Council's FFTF Proposal includes a number of strategies which aim to strengthen its strategic capacity.

Regional Strategic Alliance. At its Ordinary Meeting of 28 April 2015, Council resolved to enter into a *Regional Strategic Alliance Cooperation and Management Agreement* with Blue Mountains City Council and Penrith City Council (the Agreement is appended as Attachment 1 to this Proposal). 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 workshops 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.

Sound Platform for Asset Management. Reports into the future of Local Government consistently underscore the importance of sound asset management to drive long-term sustainability and the identification and management of strategic and operational risks. Over the past few years Council has invested significant resources in strengthening its asset planning capability. To this end an allocation of $120,000 has been included in Council's 2015/2016 Operational Plan as seed funding for the establishment of a reconfigured asset management and planning structure that can better support sustainable asset management planning. This strategy will be critical to ensuring that Council can continue to address the question of scale and capacity through the consolidation of a sound platform for long-term financial forecasting and asset management based on agreed community standards, and the planned reconfiguration of assets to meet changing demographic requirements.

SECTION 2: Council's Current Position

2.1 About the Hawkesbury LGA.

Explain the key characteristics of your local government area, your community's goals and priorities and the challenges you face in the future (up to 500 words).

You should reference your Community Strategic Plan and any relevant demographic data for this section.

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

Employment within the LGA is focused on key sectors including education and health, defence, manufacturing, construction, and agriculture, with the major centres of Windsor, Richmond and North Richmond also generating significant employment in the retail and commercial sectors. The Hawkesbury has a strong local economy where 63% of the 21,526 people who work in the area also reside in the area.

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 Richmond RAAF Base is located in the Hawkesbury, while the LGA also has a productive rural hinterland with more than three-quarters of its agricultural output exported beyond its borders.

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.

The primary aspiration of the community as identified in the Hawkesbury Community Strategic Plan 2013- 2032 (Attachment 2) is to achieve balanced growth – to provide housing, lifestyle and employment choices which are sympathetic to the rural, environmental and heritage values of the LGA matched by infrastructure and services which can meet the contemporary needs of residents

To marry these community aspirations and development constraints, the Hawkesbury Residential Land Strategy (Attachment 3) has adopted a planning framework to achieve a future dwelling target of 6,000 new dwellings by concentrating development around existing urban centres and villages through urban infill or the greenfield expansion of existing centres. Consistent with this direction, recently approved planning proposals have included 1,400 lots at North Richmond, 659 lots at Pitt Town, and 580 lots at Glossodia, while planning for the Vineyard Precinct (within the North West Growth Sector) has also commenced with a proposed development yield of 4,000 new dwellings.

Within this context, the task facing Council is to deliver future development outcomes which are economically and environmentally sustainable, maintain rural character and heritage values, and maximise the use of existing infrastructure. To do this, Council will focus on raising sufficient revenue to maintain and renew its existing assets while also seeking external investment to provide the new infrastructure required to support a growing population.

2.2 Key Challenges and Opportunities.

Strengths	**Weaknesses**
• *moderate Financial Sustainability Rating* • *strong pipeline of residential development* • *moderate asset rating for infrastructure management practices* • *increased spend on asset renewal/maintenance* • *strong sense of community* • *Strategic Alliance with Blue Mountains & Penrith* • *asset management planning framework in place*	• *historical under-spend on asset renewal & increasing annual depreciation charges* • *structural constraints on revenue growth, cost shifting & increasing compliance costs* • *large land area & road network with relatively small and decentralised rating base* • *rural based metropolitan area (peri-urban) impacting on time-frame to be FFTF*
Opportunities	**Threats**
• *sound community engagement framework to drive consultation on acceptable service levels* • *residential strategy in place to achieve sustainable population growth* • *low level of loan borrowings* • *modest rating imposts (in line with rate pegging) with sound justification for SRV* • *Hawkesbury Horizons Initiative to drive future regional collaboration*	• *exposure to natural disasters (bushfire & floods)* • *increasing infrastructure backlog* • *continuing unsustainable growth in rural localities with higher per unit service costs* • *securing bipartisan community support on the way forward to achieve sustainability* • *proposed boundary adjustments which weaken financial sustainability*

Strengths.

• Council has a moderate Financial Sustainability Rating (FSR). T-Corp's Financial Assessment of Council (completed in March 2013 and appended in Attachment 4) indicates that Council has been reasonably managed noting that its underlying operating performance (measured using EBITDA) has remained consistent over the past five years and that it has a stable and sound stream of own source revenue. Council's auditors have also indicated that its current financial status and liquidity is sound.

• There is a strong pipeline of residential development projects (6,000+ lots) centred on existing urban centres and villages. This will increase population density, generate additional own-source revenue and drive down the per capita cost of service provision. 2,600 of the projected lots have been approved, and as part of these developments, Council has negotiated planning agreements for developer funded asset upgrades and renewals at a total cost $80M+ over the next 10 years

• Council has a moderate asset rating in relation to its infrastructure management practices. Its total spend on asset renewal and maintenance has increased by 55% over the last three years (from $12.4M in 2011/12 to $20.8M in 2013/14). This has been achieved through the targeted injection of additional funds for asset renewal, increased efficiencies though technological and operational innovation, and improvements in the capture and reporting of renewal and maintenance expenditures.

• There is a strong sense of community within the Hawkesbury with people wanting to be active partners in planning. Satisfaction with Council's community engagement is increasing, with ongoing dialogue on the asset management challenges facing Council (Attachment 5). While the community is generally satisfied with the provision and maintenance of community facilities and parklands, their key focus area for improvement is with roads and transport infrastructure.

• Council is committed to collaborating with Blue Mountains and Penrith Councils (which comprise the western sub-region within the NSW Government's Metropolitan Strategy) to establish a Regional Strategic Alliance. A strong regional alliance carries the potential for collective planning, action and advocacy and increased operating efficiencies through economies of scale and shared service arrangements.

• Council has a comprehensive Integrated Planning and Reporting (IPR) regime in place and is strengthening its asset planning capability to establish a more complete picture of the useful life of assets to enable the accurate forecasting of future funding requirements, Infrastructure Backlog values and annual depreciation expense. The consolidation of this integrated Asset Management Planning framework will support the effective management of strategic and operational risks through the identification of targeted asset management intervention points.

Weaknesses.

• Council has been assessed as having a negative outlook based on the perception of the likely future movement of its current FSR rating. The primary factor driving this negative outlook is the level of Council's required asset renewal works with asset revaluations resulting in a 51% increase in annual depreciation charges. As noted in the T-Corp's Financial Assessment, Council has been under-spending on asset renewals and maintenance.

• Constraints on revenue growth arising from 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 not generate sufficient revenue under its current financial settings to maintain and renew its assets and sustain current levels of service into the future.

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

• Historically, the Hawkesbury has remained largely rural – it is classified as a metropolitan rural area under the NSW Government's *'A Plan for Growing Sydney'*. The Independent Panel has also recognised Council's status as a peri-urban council. This combination of metropolitan and rural characteristics carries the expectation that Council will have the same capacity as a metropolitan council to achieve the FFTF benchmarks. Council believes this assumption is misplaced and has argued so in its submission (Attachment 6) in response to IPART's Consultation Paper on the proposed methodology for the assessment of fit for the future proposals. Accordingly, Council is of the view that Council's performance against the FFTF benchmarks will need to take into account the particular characteristics and challenges facing peri-urban councils.

Opportunities.

• Council is continuously improving its community engagement processes and tools. This engagement framework will enable Council to continue its dialogue with the community to determine acceptable service levels for all asset classes. The completion of a comprehensive service level review will enable Council, in conjunction with the community, to determine a safe and realistic BTS (bring to satisfactory) asset standard for asset classes which better reflects community priorities and Council's future financial capacity.

• Council has adopted a Residential Land Strategy (HRLS) which aims to concentrate new residential development around existing urban centres and villages through urban infill or the greenfield expansion of existing centres. Given that there is a strong correlation between population density and the ability of Council to generate its own revenue and achieve greater levels of self-funding for the renewal and maintenance of assets, the implementation of the HRLS has the potential to improve the future financial sustainability of Council while at the same time preserving the substantial environmental and heritage values within the LGA.

• Council has a significant commercial and community property portfolio. Council's T-Corp financial assessment recommends the review of this portfolio and where appropriate the rationalisation or sale of surplus properties. The outcomes of community consultations also suggest that the community has some appetite for supporting the sale of surplus community assets provided that proceeds are directed to the renewal and maintenance of priority assets.

• Council currently has a low level of loan borrowings (when measured against the FFTF benchmark) and could increase its debt exposure to address its Infrastructure Backlog provided that it has the financial capacity to service this debt. T-Corp has identified the increased use of debt as a key mechanism for addressing infrastructure backlogs and enhancing intergenerational equity.

• T-Corp has also highlighted the need for councils to consider special rate variations (SRVs) to seek rate increases above the rate peg to increase the capacity to fund the service levels identified by the community. Since its inception in 1981, Hawkesbury City Council has been modest in its rating imposts. To date Council's rating increase have been aligned with rate pegging with the exception of a single increase of 6.5% above the rate pegging limit approved for the 2007/2008 financial year.

Threats.

• The Hawkesbury has a high exposure to natural disasters particularly flooding and bushfires. Council has adopted a Floodplain Risk Management Strategy and a Natural Hazards Resilience Study which outlines the potential exposure to increased infrastructure damage arising from climate change and identifies strategies to address these risks.

• Council's future financial sustainability is directly threatened 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 Council's Infrastructure Backlog will continue to grow.

• Council has adopted a Residential Land Strategy to concentrate residential future development around existing centres, however, over the past decade the majority of population growth has continued to occur in rural localities with relatively higher per-unit service and infrastructure costs. Unless reversed, this trend has the potential to further weaken Council's sustainability. Proximity to Sydney has given rise to community expectations for urban levels of service and infrastructure which cannot realistically be funded from a rural and peri-urban rating base.

• Council's initial engagement with the community indicates that residents are receptive to considering expenditure reductions, operating efficiencies and revenue increases to address future funding requirements. As noted by T-Corp, progressing this dialogue will depend on clearly articulating the benefits of moving from backlog to sustainability over the long term. There is a risk that without the required civic leadership and bipartisan community support, agreement on a way forward will not be achieved and Council's financial sustainability will continue to deteriorate.

• As a 'no change' (existing structure) council, Council's future sustainability will be dependent on growing its rating and revenue base. Council's FFTF proposal has been framed in accordance with the preferred option of the Independent Review Panel and the NSW Government response to the Panel's recommendations, which both provide for Council to maintain its current boundaries. Any proposal that would affect this capacity would pose a threat to Council's long-term sustainability. In this context, the unilateral proposal by The Hills Shire Council to absorb the eastern portion of the Hawkesbury LGA represents such a threat in that it would see the loss of revenue from rateable properties (equivalent to 14% of Council's rating income) without a commensurate transfer of assets to an equivalent relative value. The proposal would also reduce Council's capacity to effectively plan for the sustainable population growth as the area in question suffers from fewer development constraints than most other areas within the LGA.

2.3 Performance against the Fit for the Future Benchmarks.

Sustainability				
Measure/benchmark	**2013/14 performance**	**Achieve FFTF Benchmark?**	**Forecast 2016/17 performance**	**Achieve FFTF benchmark?**
Operating Performance Ratio (Greater than or equal to break-even average over 3 years)	**-0.125**	**No**	**-0.078**	**No**
Own Source Revenue Ratio (Greater than 60% average over 3 years)	**65.7%**	**Yes**	**85.9%**	**Yes**
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	**76.9%**	**No**	**73.5%**	**No**

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

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

Council is currently achieving one of three Sustainability benchmarks. Council's negative operating performance ratio (OPR) is a function of increasing annual depreciation charges not being matched by a sufficient level of revenue. The deterioration in Council's OPR since 2010 reflects asset revaluations which have resulted in a 51% increase in annual depreciation charges. In 2013/14, annual depreciation charges accounted for 20.6% of Council's operating expenditures ($12.9M). Based on Council's current financial position, revenue forecasts and projected increases in cost indices above rate pegging, the OPR is projected to improve by 2016/17 but thereafter will once again begin to deteriorate. Any substantial and sustained improvement in Council's OPR will be reliant on strategies to increase revenues which can be directed to asset renewal.

Council has a stable and sound stream of own source revenue (OSR). The projected increase in the Own Source Revenue Ratio to 2016/17 reflects the exclusion of the majority of Council's non-capital grant income from the operating revenue figure used to calculate the OSR.

Council's performance against the asset renewal benchmark is projected to deteriorate (from an average of 76.9% over the past three years to an average of 73.5% over the three years to 2016/17). Council's performance against this benchmark fluctuates from year to year which reflects the scope of asset renewals programmed in any one year. The deterioration in Council's performance against this benchmark can be attributed to the current practice of presenting a balanced operating budget (excluding depreciation) to Council. Actual expenditure on asset renewal is determined based on the funds that are nominally available after the cost of maintaining existing service levels are inputted into the draft financial estimates. Council has a rigorous budget process where funding requests for each budget line item are required to be substantiated by managers and each item is then reviewed and verified. As part of this process, senior management review all operations to identify strategies to contain rising costs and/or improving efficiencies to optimise the spend on asset renewal. This has proven to be a successful approach, within a context of constrained revenue, which has seen Council increase its expenditure on asset renewal over the last three financial years. Despite this absolute increase in asset renewal expenditure, the increased amount has not been sufficient to meet the FFTF Benchmark.

Infrastructure and Service Management				
Measure/benchmark	**2013/14 performance**	**Achieve FFTF Benchmark?**	**Forecast 2016/17 performance**	**Achieve FFTF benchmark?**
Infrastructure Backlog Ratio (Less than 2%)	**14.1%**	**No**	**5.9%**	**No**
Asset Maintenance Ratio (Greater than 100% average over 3 years)	**58.4%**	**No**	**76.8%**	**No**
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	**0.47%**	**Yes**	**1.2%**	**Yes**

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

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

Council is currently achieving one of three Infrastructure and Service Management Benchmarks. Council's performance against the Infrastructure Backlog benchmark is a function of a long-standing historical under-spend on asset renewal and maintenance. Council has been unable to substantially address its Infrastructure Backlog due to constraints placed on its revenues primarily as a result of rate pegging - Councils annual rate increases have been lower that than the level that would be required to maintain and renew assets and sustain levels of service. The other significant factor driving the escalation of Infrastructure Backlog is the estimated cost of bringing assets to a satisfactory condition (BTS). To date the BTS value is being determined by Managers based on a technical assessment of asset condition. Council has commissioned an infrastructure depreciation benchmarking analysis (Attachment 7) to move towards a more auditable Special Schedule 7 based on a risk based asset management approach to more accurately assess and verify infrastructure backlog values. As a result of this revised approach, the high risk infrastructure backlog component within the total required asset renewal works has been identified. Consequently the high risk infrastructure backlog value has been revised downwards to 4.5% in 2014/15 but will deteriorate from this point onwards based on current financial settings.

As for the Building and Infrastructure Asset Renewal Ratio, Council's practice of presenting a balanced operating budget (excluding depreciation) to Council for adoption has been based on a conscious trade-off between maintaining service levels and fully-funding the cost of maintaining and renewing assets. In effect, the 'balanced' budget has only been achieved at the cost of the ongoing deterioration in assets. Council's annual budget provision for asset maintenance is linked to its operating revenue – currently the level of revenue is not sufficient to fund required levels of asset maintenance.

Council's debt service result meets the benchmark as a result of its low loan borrowings. The relatively low level of loan borrowings reflects Council's current financial position as assessed by T-Corp which has placed a $6M cap on loan borrowings - Council is currently servicing a LIRS loan of $5.26M and has limited financial capacity to expand its loan borrowings without additional revenue.

Efficiency				
Measure/benchmark	**2014/14 performance**	**Achieve FFTF Benchmark?**	**Forecast 2016/17 performance**	**Achieve FFTF benchmark?**
Real Operating Expenditure per capita A decrease in Real Operating Expenditure per capita over time)	Decreasing	Yes	Decreasing	Yes

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

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

Council is currently achieving the Efficiency benchmark. Council has been able to contain real operating expenditure per-capita through careful budget management, although this has been achieved at the expense of its capacity to fully fund the cost of maintaining and renewing infrastructure. While, this trade-off has enabled Council to maintain service levels, and where required, absorb new functions and responsibilities, it has contributed to a growing infrastructure backlog.

2.4 Water utility performance (Sewerage Only).

Does your council currently achieve the requirements of the NSW Government Best Practice Management of Water Supply and Sewerage Framework?	**YES***

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

In 2012-13, Council was assessed by the NSW Office of Water (NOW) as achieving 89% of the sewerage requirements of the *NSW Best-Practice Management Framework*. The missing element for full compliance was the completion of an Integrated Water Cycle Management Evaluation Study and Strategy (IWCM).

Council commissioned NSW Government Public Works (A division of the NSW Office of Finances and Services) to complete the IWCM Evaluation Study and Strategy. The IWCM Evaluation Study ad Strategy was finalised in early April 2015 and submitted to the NSW Office of Water on 23 April 2015.

How much is your council's (2013/14) water and sewerage infrastructure backlog?	**$1.198M**

Identify any significant capital works ($>1M) proposed for your council's water and sewer operations during 2016/17 to 2019/20 period and any known grants or external funding to support these works.

Capital Works

Proposed Works	Timeframe	Cost	Grants or external funding
Refurbishment of Clarifier – South Windsor Sewer Treatment Plan	2016/2017	$250,000	nil
Upgrade of Pump Station C	2017/2018	$2,700,000	nil
Upgrade of Pump Station E	2018/2019	$250,000	nil
Sewer Rehabilitation (Sewer Pipe Relining)	2018/2019	$500,000	nil

Does your council currently manage its water and sewerage operations on at least a break-even basis?	**YES**

If No, please explain the factors that influence your performance.

Improvement Strategies

Strategy	Timeframe	Anticipated outcome
Sewer Load Management. Regular inspection of mains to minimise hydraulic load due from infiltration, inflow and illegal connections and improve management of industrial and commercial pollutant load through CCTV program and pump flow/ flow gauge analysis.	Ongoing	Wastewater hydraulic loads within design peak limits and implement Infiltration/Inflow program for all catchments by 2025
Environment. Minimise environmental impacts in line with current best practices and maximise beneficial reuse of treated effluent	Ongoing	100% regulatory compliance. Greater than 25% effluent reuse by 2018.
Total Asset Management. Implementation of long-term (30 year) works program to satisfy future demands in growth, improved levels of service and required asset renewal/replacement.	Ongoing	Funded projects carried out on time and to budget in accordance with capital works program
Maintenance. Develop maintenance strategies linked to assets condition to meet levels of service requirements	Ongoing	Systematic maintenance and rehabilitation plans implemented

SECTION 3: How will your council become/remain Fit for the Future?

3.1 Sustainability

Summarise your council's key strategies to improve performance against the Sustainability benchmarks in the 2016-20 period, including the outcomes you expect to achieve.

The primary factor impacting on Council's sustainability, and in particular its operating performance, is its current incapacity to fully fund the imputed cost of annual depreciation. Council's current financial settings prevent it from generating the income required to support existing service levels as well as funding the maintenance and long term renewal of its infrastructure. Accordingly, Council's FFTF Proposal is targeted towards directing substantial additional funding to infrastructure renewal and maintenance and the reduction of its infrastructure backlog so that over the medium to long term it is in a position to fully fund its annual depreciation expense.

To improve its performance against the Sustainability benchmarks, Council will be implementing a broad combination of strategies that by 2019/20 will;

- generate $1.5M in internal savings through operating efficiencies for re-investment in asset renewal;
- raise at least $1M in one-off revenue through the sale of properties; and
- increase own-source operating revenue by $5.5M to be primarily directed to asset renewal.

In total, these strategies (in combination with Council's other FFTF strategies) will;

- significantly improve Council's Operating Performance Ratio with a break even operating position projected to be reached in 2024/25;
- increase Council's Own Source Revenue Ratio which will remain above the benchmark; and
- meet the Building and Asset Renewal Ratio by 2018/19 and then be on track to exceed the benchmark in 2019/20

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

For example the key assumptions that drive financial performance including the use of SRVs, growth in rates, wage increases, Financial Assistance or other operating grants, depreciation, and other essential or major expenses or revenue items.

The modeling for the projected internal savings to be achieved through operational efficiencies and improved property returns and/or property sales is based on the following assumptions;

- the maintenance of existing service levels with projected annual award increases of 3%;
- an annual 1% reduction in real terms in non- employee related operating expenditures within selected Council operations commencing in 2016/17 to achieve a 4% efficiency dividend by 2019/20;
- as the 4% projected efficiency divided will be on top of efficiencies which have been achieved over the preceding five financial years, it is expected that the capacity to achieve further efficiencies beyond 2019/20 will be exhausted (based on the assumption of maintaining service levels);

- no change in annual depreciation charges;
- a preliminary review of Council's property portfolio which has identified potential under-performing and surplus properties, this would have to be verified through external review and would be subject to Council and statutory approval.

The modeling for the projected revenue increases to be achieved through rating variations, dividend payments and the review of pricing structures is based on the following assumptions;

- the inclusion of only reasonably assured, ongoing operating grants within the overall revenue projections and the maintenance of Financial Assistance Grants at current levels;
- Council approval to submit a proposal for or a Special Rate Variation for a cumulative 29.7% rating increase over 5 years (inclusive of the rate peg amount). If approved by IPART, the SRV would commence in 2016/17;
- the inclusion within Council's SRV application, for a proposal for a Special Rate to be applied to the projected 1,980 rateable properties within the Redbank North Richmond and Jacaranda Ponds, Glossodia residential developments. If approved by IPART the Special Rate would be applied from 2019/20. The amount of the Special Rate is based on the estimated annual cost of maintaining the enhanced heritage open space and riparian corridors within these developments;
- levying of an annual $25 stormwater management charge against the estimated 25,129 residential and equivalent business properties (based on the applicable land area for business properties) connected to Council's stormwater drainage network. To be applied from 2017/18
- annual dividend payments based on a 6% rate of return on the value of assets within Council's Waste Management Facility commencing in 2015/16. No dividend payment has been inputted for Councils Sewer Schemes but it is anticipated this would commence post 2019/20.
- a staged process for achieving, by 2019/20, break-even operating results for selected 'non-core' business units (cemeteries, companion animal shelter, pools, Upper Colo reserve) based on a review of pricing structures and service models.

Outline your strategies and outcomes in the table below.

3.1 Sustainability

Objective	Strategies	Key Milestones	Outcome	Impact on other measures
1. Increased operating efficiencies to improve Council's capacity to meet operating expenditure requirements	1.1 Review of Road Operations. An annual 1% efficiency target applied to Councils yearly $14M spend on road works operating costs (excluding ordinary wages and overheads). Will achieve $150K efficiency savings per year for 4 years to reach the projected target of $600K by 2019/20 with no reduction in service levels.	The milestones for this strategy will be driven by the established time frames for the preparation of annual financial estimates.	Reduction in per-unit cost of road operations to achieve annual internal savings of $600K by 2019/20 for reinvestment in road renewal works.	Improve: • Operating Performance Ratio • Infrastructure Renewal Ratio • Per-capita Operating Expenditure • Reduce Infrastructure Backlog
	1.2 Review of Service Delivery Models. An annual 1% efficiency target applicable to Corporate Support and Discretionary Services (excluding employee costs and overheads). Will achieve approx. $101K efficiency savings per year for 4 years to reach projected target of $405,404 by 2019/20 with no reduction in service levels.	The milestones for this strategy will be driven by the established time frames for the preparation of annual financial estimates.	1% reduction in real terms on non-employee operating costs for targeted services to achieve annual internal savings of $405K by 2019/20 for reinvestment in asset renewal works.	Improve: • Operating Performance Ratio • Infrastructure Renewal Ratio • Per-capita Operating Expenditure • Reduce Infrastructure Backlog
	1.3 Review of Plant/Fleet Management. Review of plant/fleet vehicles and accessories, ownership and maintenance models to achieve annual 0.5% saving on net cost of operating leaseback fleet plus, an annual 1% savings on costs of Works Plant. Target of $54,900 in efficiency savings by 2019/20	Internal review to commence July 2015 and completed Feb 2016 with implementation of staged strategy to achieve efficiency target commencing in 2016/17.	Reduction in per-unit operating and capital costs per vehicle to achieve annual internal savings of $55K by 2019/20 for reinvestment in asset renewal works.	Improve: • Operating Performance Ratio • Infrastructure Renewal Ratio • Per-capita Operating Expenditure • Reduce Infrastructure Backlog
	1.4 Property and Asset Review. As noted by T-Corp, Council has diverse property portfolio. Rate of return review to confirm non-performing and surplus properties for sale or disposal. Conservatively projected to raise $1M by 2019/20 in one-off sale proceeds.	Internal review of property portfolio underway. Provisional list of properties for sale reported to Council by June 2016 with actions to commence in 2016/17.	Identification of under-performing and surplus properties to realise $1m in asset sales by 2019/20. Sale proceeds and improved returns to be directed to infrastructure renewal.	Improve: • Operating Performance Ratio • Infrastructure Renewal Ratio • Reduce Infrastructure Backlog
	1.5 Review of Insurance Coverage and Self-Insurer Model. Review of the current self-insurer model to enable comparison with alternate funding and provisioning arrangements for workers compensation and other insurances. Review to include assessment of impact of self-insurer requirements on procurement costs and staff productivity.	Internal review to commence July 2015 and completed June 2016 to benchmark comparative per-staff insurance cost. Outcome of review to determine requirement for further review.	At this point the potential financial savings and other efficiencies are yet to be determined. Accordingly no savings have been factored into the FFTF Self-Assessment tool for 2016/17 and beyond.	(Yet to be determined). Reduction in costs of workers compensation and insurance coverage would contribute to improvement in Operating Performance Ratio and Real Operating Expenditure.

3.1 Sustainability (cont.)

Objective	Strategies	Key Milestones	Outcome	Impact on other measures
2. Increase Operating Revenues to meet the costs of maintaining and renewing assets and delivering services	2.1 Special Rate Variation. Application to IPART to seek 29.7% rate increase over five years commencing in 2016/17 (inclusive of rate peg amount). Will generate additional rating revenue of \$4.2M by 2019/20. \$2.3M of this amount to meet loan repayments for \$25M borrowings program to address Infrastructure Backlog. Balance of revenue directed to asset renewal and maintenance and budget repair.	Timing and process driven by IPART requirements. Community engagement to commence in July 2015 followed by report to Council in Nov 2015 to seek approval to advise IPART of intention to lodge SRV (Dec 2015). SRV Application submitted to IPART Feb 2016.	Income raised through SRV will be used to fund accelerated 5 year \$25M road works program to 2020/21, and over the longer term an enhanced infrastructure renewal program targeting long-lived assets and directed at stabilising infrastructure backlog.	Improve: • Operating Performance Ratio • Own Source Revenue Ratio • Infrastructure Renewal Ratio • Asset Maintenance Ratio (longer term - beyond 2019/20) • Reduce Infrastructure Backlog • Increase Debt Service Ratio
	2.2 Stormwater Management Charge (SMC). \$25 annual levy for stormwater management services against properties connected to the stormwater drainage network - commencing in 2017/18. Projected to raise \$636K in additional annual revenue to fund required level of maintenance & renewal of stormwater assets.	Timing and process to be driven by Office of Local Government (OLG) guidelines for the levying, calculation and use of stormwater management charges. Contingent on Council Resolution.	Income raised through SMC will be used to fund an enhanced program of stormwater asset maintenance & renewal program in accordance with OLG guidelines.	Improve: • Operating Performance Ratio • Own Source Revenue Ratio • Infrastructure Renewal Ratio • Asset Maintenance Ratio • Reduce Infrastructure Backlog
	2.3 Special Rate for New Residential Development. New developments at Redbank Nth Richmond(1400 lots) and Jacaranda Ponds Glossodia (580 lots) will generate additional asset maintenance requirements within these developments which will not covered by ordinary rating revenue due to the particular characteristics of the environmental and heritage assets within these developments. A Special Rate will be applied from 2019/20 to these new developments to generate the additional revenue required to meet these additional costs.	Timing and process driven by IPART requirements (as per 2.1 above). The application for a special rate for new residential developments will be included in Council's application to IPART for a SRV.	Special rate based on estimated costs of additional maintenance works. The combined annual amount of \$416K per year is based on a rate per property of \$208 for Redbank and \$215 for Jacaranda Ponds. To be applied from 2019/20.	Improve: • Operating Performance Ratio • Own Source Revenue Ratio • Asset Maintenance Ratio (beyond 2019/20)
	2.4 Review of Waste Management and Sewer Business Units. Council has assets invested in a Waste Management Facility (WMF) and Sewerage Schemes (SS). A 6 % rate of return on the value of these assets is a reasonable business target. A review of the operations of the Waste Management Facility is currently being undertaken by an external consultant. KPMG has been commissioned to undertake a review of Sewerage Schemes service delivery models.	Dividend payment for WMF would occur in conjunction with the preparation of annual financial estimates. Dividend payment from SS to be determined pending compliance with Best Practice guidelines and IPART requirements.	Payment of a \$309K dividend from the WMF has been included in 2015/16 financial estimates with the amount expected to increase in outer years. No amount has been included for SS for the period ending in 2019/20.	Improve: • Operating Performance Ratio • Own Source Revenue Ratio • Infrastructure Renewal Ratio

3.1 Sustainability (cont.)

Objective	Strategies	Key Milestones	Outcome	Impact on other measures
2. Increase Operating Revenues to meet the costs of maintaining and renewing assets and delivering services	2.5 Review of Pricing Structures for Business Units. A review of the operations of income generating 'non-core' business units – e.g. Cemeteries, Companion Animal Shelter, Richmond Pool, Upper Colo Reserve. The purpose of the review is to establish the true operating costs of these business units to so that their pricing structures could be geared to achieve at least a break-even operating position over the medium term.	Financial modeling to establish turnaround targets have been completed. Will be achieved through a combination of pricing structures and review of service models. Staged process for achieving targets by 2019/20 will be implemented from 2016/17.	Projected internal savings of $425K by 2019/20. Savings to be reinvested in asset renewal.	Improve: • Operating Performance Ratio • Infrastructure Renewal Ratio • Reduce Infrastructure Backlog
	2.6 Lobbying for increased regional roads funding. Council currently receives RMS funding as a contribution to the costs of maintaining regional road network. It is proposed that Council lobby government and RMS to have additional roads placed on the regional roads network (Yarramundi Lane, Francis St) and seek contribution to costs of maintaining these roads.	Resolution of Council and preparation of Ministerial correspondence and/or representations.	Unable to be calculated. No figure has been inputted into FFTF Modeling as outcome of this strategy cannot be determined at this time as it lies beyond Council's control.	To be determined pending outcome of representations.

3.2 Infrastructure and service management

Summarise your council's key strategies to improve performance against the Infrastructure and service management benchmarks in the 2016-20 period, including the outcomes you expect to achieve.

The primary factor impacting on Council's performance in relation to infrastructure and service management is the size of its asset renewal and infrastructure backlog which, in turn, is the function of a history of underspending on infrastructure renewal. Accordingly, Council's FFTF Proposal aims to redress this history of under-spend on infrastructure renewal. It will do this by directing substantial additional resources to infrastructure renewal to stabilise its infrastructure backlog, combined with a loan borrowings program to accelerate the staged reduction of its infrastructure backlog to a sustainable level by 2019/20.

As these two elements will be the principal focus of Council's FFTF Action Plan to 2019/20, Council will be deferring any substantial action on progressing its Asset Maintenance Ratio with only a small improvement projected to occur to 2019/20. Council has taken this approach as to address both the Building and Infrastructure Asset Renewal and Asset Maintenance Ratios simultaneously would require either operating revenues to be substantially increased which may be beyond the community's capacity to accept or pay; or alternatively, by reducing or discontinuing services with savings directed to asset renewal and maintenance (while Council's FFTF Proposal includes a service level review the outcome of this process will be dependent on further consultation with the community).

To improve its performance against the Infrastructure and Service Management benchmarks, Council will be implementing strategies that by 2019/20 will;

- achieve a risk and evidence based assessment of infrastructure costs and liabilities to provide a sound platform for long term financial forecasting;
- recalibrate its capital work programs to direct $2.7M in additional annual funding to infrastructure renewal; and
- complete a $25M accelerated road, building and parks renewal and works program to be funded through loan borrowings.

In total, these strategies (in combination with Council's other FFTF strategies) will;

- substantially reduce Council's infrastructure backlog to achieve an Infrastructure Backlog Ratio of 2.9% by 2019/20;
- improve Council's Asset Maintenance Ratio to 80.2% by 2019/20 and then direct significant additional funding to asset maintenance from 2019/20 onwards to maintain the stability of the infrastructure backlog; and
- result in a small increase in the Debt Service Ratio, but still remain within the FFTF Benchmark.

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

The modeling for the main elements of the infrastructure renewal program to reduce and maintain the stability of Council's infrastructure backlog is based on the following assumptions;

- a loan borrowings program which will progressively draw down a total of $25M over a period of 5 years, with a loan term of 15 years for each loan (at an assumed 6% interest), this borrowing strategy will fund an accelerated asset renewal and works program over a period of 5 years, with loan and interest repayment spread over 15 years;

- the revenue required to fund the loan borrowings program is derived from the 5 year, 29.7% Special Rate Variation (outlined previously) with the balance of the SRV revenue after meeting loan and interest repayments directed to asset maintenance and budget repair;
- the balance of SRV revenue available for asset maintenance and budget repair is projected to increase from 2019/20 onwards (as the accelerated $25M asset renewal program winds down);
- the projected annual increase of $2.7M for asset renewal be achieved through a recalibrated capital works program based on the timing and costing of works within the revised S94 Contributions Plan and Voluntary Planning Agreements for the Redbank, North Richmond and Jacaranda Ponds, Glossodia residential developments which are to delivered from 2015/16 onwards (but exclude additional renewal works to be contained in the S94 Plans for the Kurmond/Kurrajong Investigation Area, and the Vineyard Precinct, as well as the revised Section 94A Plan);
- the enhanced program of asset renewal will be a supplemented by an annual $116K child care centre sinking fund based on recovering 25% of the annual depreciation charges for these centres - to commence in 2016/17 with funds raised to be reinvested in child care centre renewal.

In total, the combined impact of these measures, together with the measures outlined previously, will enable Council to invest an additional $40M over four years in the renewal of assets. By 2019/20 this additional investment will address and stabilise Council's infrastructure backlog and provide a solid platform for an enhanced asset maintenance program beyond 2019/20.

The projected impact of these measures is based on the current assessment of Council's infrastructure backlog and depreciation (primarily derived from the assumptions underlying Special Schedule 7). Council has commenced a process to enable it to move towards an evidence based assessment of ongoing infrastructure costs and liabilities. To support this process Council will be implementing a number of strategies to validate and refine the assumptions underpinning its infrastructure forecasting. These strategies include the finalisation of asset management plans and the consolidation of asset management planning framework, and the completion of a comprehensive service level review in consultation with residents. At this time, it is not possible to gauge the financial impact of these strategies against the infrastructure related FFTF benchmarks.

Outline your strategies and outcomes in the table below.

3.2 Infrastructure and service management

Objective	Strategies	Key Milestones	Outcome	Impact on other measures
3. Establish sound platform for Asset Planning and Management	3.1 <u>Completion of Asset Management Plans</u>. Completion of asset management plans to provide a sound platform for long-term financial forecasting and the validation of infrastructure backlog values. To be undertaken in conjunction with the review and consolidation of Council's asset management planning framework (scheduled to be completed in 2015/16).	Review of asset management structure and staffing resources to commence in July 2015 and completed by October 2015. Asset Management Plans to be finalised by March 2016.	Strategy will establish more complete picture of useful life of assets to forecast funding requirements and support effective management of strategic and operational risks through identification of asset management intervention points.	No specific impact can be determined at this time. The finalisation of asset management plans will potentially impact on all FFTF Benchmarks.
	3.2 <u>Service Level Review</u>. Community engagement strategy to determine safe, affordable and agreed levels of service for all asset classes. The strategy would also explore the community's appetite and preferences for adjusting current operations to redirect resources to asset renewal and maintenance.	A community engagement process on asset management challenges facing Council has commenced. The next stage of this process would be driven by the timing of the proposed SRV application.	Completion of review will establish a safe and realistic BTS (bring to satisfactory) asset standard for asset classes to reflect community priorities and Council's future financial capacity. Review is integral to completion of Asset Management Plans.	No specific impact can be determined at this time. Has potential to positively on asset related FFTF benchmarks.
4. Reduce Infrastructure Backlog through increased spending on infrastructure renewal and maintenance.	4.1 <u>Integrated Capital Works Program</u>. Establish parameters for capital works investment with a clear priority on asset renewal to address infrastructure backlogs and upgrading existing assets. Strategy is intended to minimise future exposure to increased asset maintenance costs and annual depreciation charges.	Strategy has commenced and is reflected in the content of revised S94 Plan and current Voluntary Planning Agreements. Will be applied to S94 Plans and VPAs covering future residential developments.	Based on works programs contained within revised S94 Plan and finalised VPAs, additional capital funding of $10.7M will be directed to asset renewal works between 2016/17 and 2019/20.	Improve: • Operating Performance Ratio • Infrastructure Renewal Ratio • Reduce Infrastructure Backlog
	4.2 <u>Sinking Fund for Community Facilities</u>. Introduction of building renewal and maintenance charge levied on community facilities used by external agencies to deliver fee-paying and/or funded community services (child care centres and community centres). The purpose of levy to raise revenue, based on 25% of the annual depreciation charges for these facilities, as a contribution to the maintenance and renewal of these assets.	Revised Licence Agreement with provision for building levy completed by November 2015 and distributed to child care centres. Payment of levy to commence 2016/17 at 50% of required amount for first two years and then full amount from 2018/19.	Strategy is projected to raise $350,205 by 2019/20 with an ongoing annual amount of $116,375. Revenue to be directed to the renewal and upgrade of child care centres.	Improve: • Operating Performance Ratio • Own Source Revenue Ratio • Infrastructure Renewal Ratio • Asset Maintenance Ratio • Reduce Infrastructure Backlog

3.2 Infrastructure and service management (cont.)

Objective	Strategies	Key Milestones	Outcome	Impact on other measures
4. Reduce Infrastructure Backlog through increased spending on infrastructure renewal and maintenance.	4.3a Infrastructure Borrowings Program. $25M loan facility to fund an accelerated 5 year works which will focus on road rehabilitation, road reconstruction and renewal and the renewal of Park assets and community buildings. The Borrowings Program is the first phase of a longer term infrastructure renewal and backlog stabilisation program lined to SRV revenue (Strategy 2.1). The $25M loan will enable Council to deliver a high visibility, high volume works program in response to documented community priorities.	The Borrowings Program is linked to the proposed SRV application and will be driven by IPART requirements. A provisional $25M works program has been prepared and will be a key element of the SRV Community Engagement Strategy.	The Borrowings Program is the primary financial tool within Council's FFTF Proposal to reduce Council's Infrastructure Backlog to a manageable level over the long term. It will address a history of under-spending on asset renewal and enable Council to continue to work towards achieving a balanced operating result.	Improve: • Infrastructure Renewal Ratio • Asset Maintenance Ratio • Reduce Infrastructure Backlog • Increase Debt Service Ratio (but remain within Benchmark)
	4.3b Energy Efficiency Borrowings Program. This strategy has been included as Council wishes to explore opportunities to invest in energy efficiency initiatives. The proposal would see Council seek a loan facility to invest in energy efficiency technology and infrastructure. Costs recovered through energy savings would be used to fund loan borrowings	At this time, no detailed work has been undertaken to model options for Council consideration. Proposed project (s) would be dependent on business case which would require external review. First step would be preparation of an in house feasibility study for report to Council	To be determined based on more detailed whole-of-life asset costs and business modeling.	The Strategy is unlikely to have an impact on FFTF Benchmarks to 2019/20 as any operational savings would be directed to repayment of loan in shorter term. Will increase Debt Service Ratio.

3.3 Efficiency

Summarise your council's key strategies to improve performance against the Efficiency measures in the 2016-20 period, including the outcomes you expect to achieve.

The primary factor impacting on Council's performance in relation to its capacity to reduce the per-unit costs of its operations (i.e. value for money) has been the relative size and distribution of its population. As an urban/rural hybrid council, Council faces ongoing challenges in delivering services across a large geographic area given its relatively smaller rating and customer base compared with neighbouring metropolitan councils.

Despite this disadvantage, Council has been able to contain real operating expenditure per-capita through careful budget management, although this has been achieved at the expense of its capacity to fully fund the cost of maintaining and renewing infrastructure. While this trade-off has enabled Council to maintain service levels, and where required, absorb new functions and responsibilities, it has contributed to a growing infrastructure backlog. To rectify this historic underspend, Council's FFTF Proposal outlines an integrated mix of expenditure reductions and revenue increases which are aimed at directing substantial additional resources to meet the operating and capital costs of infrastructure. On the expenditure side, the FFTF Proposal identifies potential annual recurrent savings of $1,484,900 to be achieved by 2019/20 for re-investment in asset renewal. Other savings may be possible depending on the outcomes of the proposed Service Level Review.

Increasing its investment in infrastructure is the primary goal of Council's plan for its future financial sustainability. Maximising the funds available for this purpose will require Council to pursue ongoing operating efficiencies and contain the per-capita cost of services and infrastructure maintenance. To do this Council will be;

- exploring opportunities for shared service arrangements and the aggregation of back-office functions with Blue Mountains and Penrith City Councils through a formal strategic alliance;
- continuing to implement the Hawkesbury Residential Land Strategy to drive sustainable population growth centred on existing urban centres and villages. Consistent with this direction, recently approved planning proposals have included 1,400 lots at North Richmond, 659 lots at Pitt Town, and 580 lots at Glossodia. Investigations are underway to determine the potential residential development yield for the Kurmond/Kurrajong Investigation Area and the Vineyard Precinct (within the North West Growth Sector).

In total, these strategies (in combination with Council's other FFTF strategies) will;

- increase population density and generate additional own-source revenue to drive down the per capita cost of service provision and infrastructure maintenance;
- leverage external investment through developer funded asset upgrades and renewals;
- achieve economies of scale through an aggregated population catchment of 451,000 across three local government areas by 2031.

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

Modeling of the financial impact of the three council Regional Strategic Alliance has not been undertaken as areas for possible collaboration are currently being investigated by a Management Committee appointed by the three participating councils with outcomes not due to be reported until June 2016 (at the earliest). The anticipated benefit of strategies for sustainable population growth are premised on the strong correlation between population density and the unit costing of service provision.

Outline your strategies and outcomes in the table below.

3.3 Efficiency

Objective	Strategies	Key Milestones	Outcome	Impact on other measures
5. Reduce per-unit cost of operations.	5.1 OPEX Expenditure Reduction. Cap on the annual increase in Operating Expenditure at figure below CPI for targeted services. This strategy primarily incorporates the operating efficiency strategies identified in Section 3.1 under Objective 1, and reductions to be potentially achieved through the proposed Service Level Review.	(as for the relevant strategies identified in Section 3.1)	Projected to deliver recurrent operating savings of $1,048,900 by 2019/20 for reinvestment in asset renewal.	Improve: • Operating Performance Ratio • Infrastructure Renewal Ratio • Per-capita Operating Expenditure • Reduce Infrastructure Backlog
	5.2 Regional Strategic Alliance. Formal partnership with Blue Mountains and Penrith City Councils to investigate and assess opportunities for collective advocacy, regional planning, joint procurement and opportunities for aggregated service arrangements across the three local government boundaries.	Council has executed Cooperation and Management Agreement with BMCC and PCC. A Management Committee is to be established to investigate joint projects and programs. Due to report to the three councils by June 2016.	Outcomes will be determined by the scope and direction of joint activities to be undertaken.	To be determined.
	5.3 Sustainable Population Growth. Continued implementation of the Hawkesbury Residential Land Strategy (HRLS) which aims to concentrate new residential development around existing urban centres and villages through urban infill and/or greenfield expansion of existing centres.	Processes supporting the implementation of the HRLS are in train. Planning agreements have been completed for greenfield expansion of three targeted centres.	Current approvals in place for new residential developments of 2,600 lots. Investigations in train for potential 4,000+ additional lots.	Residential growth will increase population density which carries potential to impact positively on Real Operating Expenditure per capita Ratio.

3.4 Improvement Action Plan

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

Action Plan

Actions	Milestones
1. Commence process to identify and achieve efficiency dividend targets.	As per established time frames for the preparation of annual financial estimates.
2. Commence process for preparation of proposed Special Rate Variation/Special Rate application and other rating measures.	IPART requirements met.
3. Consolidate Sound Platform for Strategic Asset Management Planning.	Updated Asset Management Plans finalised by March 2016
4. Complete preliminary investigation of Regional Strategic Alliance regional entity and governance framework	Initial report completed June 2016.
5. Implement Community Engagement Framework to determine affordable and agreed service levels	Completed by November 2015
***Please attach detailed action plan and supporting financial modeling (Appendix 1)**	

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

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

The financial sustainability issues facing local government have been well documented in the various reports issued by T-Corp, the Office of Local Government and the Independent Local Government Review Panel. These reports have pointed to the need for councils to improve their financial sustainability by;

- sourcing additional revenue, e.g. through Special Rate Variations;
- using debt funding to assist in reducing the Infrastructure Backlog;
- devising programs and strategies to contain rising costs and improve efficiencies;
- refining asset management and long-term financial plans and better ensuring their consistency;
- increasing spending on maintenance and infrastructure renewal;
- developing pricing paths to achieve at least breakeven operating positions over the medium term.

It is not surprising therefore, that Council has used these financial sustainability recommendations as the starting point for the development of its FFTF Proposal. This process has involved the identification of a provisional list of FFTF strategies - these provisional strategies were based on a careful consideration of the T-Corp, the Independent Panel, and OLG recommendations; and a review of Council's Biennial Community Survey results, Council's adopted Plans, and Council Resolutions.

In practical terms, the truncated time-frame for the preparation of council FFTF proposals dictated Council's approach to the development of its FFTF Action Plan. At the outset, it was determined that Council's FFTF Proposal would provide a starting point for a process which would enable Council to work with elected officials and the community on becoming Fit for the Future. In this context, Council's FFTF Action Plan was intended to map out a pathway for further discussion, community consultation and decision making (by Council) post June 30 2015 and would be subject to IPART and other statutory processes.

In January 2015, a series of briefing sessions were held with Council staff to present and discuss the FFTF process and to invite comments and suggestions as to the actions that Council should consider in finalising its FFTF Proposal. A number of staff suggestions were received and were incorporated into the provisional list of FFTF Strategies.

A preliminary briefing session was also held for Councillors in February 2015, to broadly outline Council's FFTF position and the proposed approach to putting together Council's FFTF Proposal. Two further briefing sessions were held in April and May 2015 where the proposed FFTF strategies were considered in more depth, with detailed working papers on Council's financial performance and position and the modelling of proposed FFTF strategies distributed prior to these sessions. During this period, Council provided information to the community about the FFTF reform process on its on-line information portal including an on-line survey to canvass community views in relation to Council's approach to the completion of its FFTF Proposal.

The draft FFTF proposal was formally reported to Council on June 23, 2015 which Council resolving to . . [Council Resolution to be inserted].

In summary, the following considerations and assumptions have informed Council's approach to the development of the elements of the FFTF Action Plan;

- The FFTF Action Plan provides a starting point for a process to enable Council to work towards becoming Fit for the Future post June 30 2015.

- As a 'no change' Council, the purpose of Council's FFTF Proposal is to outline a viable strategy to demonstrate that Council will have the scale and capacity to remain in its current form.

- The size of the funding requirement to achieve financial sustainability has required a clear focus on the long-term. The focus of the FFTF Proposal will necessarily be on what can be achieved over the next five years to improve Council's performance against the FFTF Benchmarks.

- The proposed FFTF Improvement Strategies have been framed with reference to the clear advice for councils to consider a mix of options including special rate variations and other revenue increases, reductions in expenditure, the use of debt, and the review of existing service levels.

- There has been a consistently expressed expectation from the community for Council to improve the condition and maintenance of infrastructure assets – particularly roads. The Community Survey clearly indicates that residents are dissatisfied with current service levels for road maintenance – this is backed up by focus group findings. To respond to these expectations, Council's FFTF proposal includes a strategy to direct substantial additional funding to road renewal.

- Given the outcomes of community surveys and the history of Council resolutions, there is an expectation that as far as possible both Council and the community would prefer to maintain current service levels for non-infrastructure related services. The FFTF proposal should therefore aim to minimise the need to close services. The focus will be on achieving operational efficiencies and cost savings by implementing more effective and efficient service models, achieving break-even operations (where possible), and through economies of scale by exploring opportunities to aggregate buying power and joint-work arrangements with our adjoining Councils.

The FFTF Action Plan has been based on a rigorous assessment of Council's future financial sustainability and a detailed understanding and evaluation of its operations. Council's costs are heavily influenced by the provision and ongoing maintenance of long-lived assets – the recognition and appropriate financial treatment of the cost of asset consumption is the critical component of Council's future sustainability

3.5 Other actions considered.

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

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

As Council's FFTF Proposal is intended to provide a road-map for further consultation and investigation post 30 June 2015, it consciously includes a broad mix of FFTF strategies including expenditure reductions, revenue increases, debt, and service level reviews. Within this framework, Council has not omitted any specific strategy as it is of the view that it would be premature to discard a strategy without testing it with the community based on more detailed modelling and consultation.

4 How will your plan improve performance?

4.1 Expected Improvement in Performance

Measure/benchmark	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	Achieves FFTF benchmark?
Operating Performance Ratio (Greater than or equal to break-even average over 3 years)	-0.098	-0.092	-0.064	-0.045	-0.028	-0.021	No
Own Source Revenue Ratio (Greater than 60% average over 3 years)	73.7%	79.8%	86.2%	84.6%	84.6%	84.1%	Yes
Building and Infrastructure Asset Renewal Ratio (Greater than100% average over 3 years)	89.0%	81.7%	85.6%	99.4%	116.2%	126.9%	Yes
Infrastructure Backlog Ratio (Less than 2%)	4.5%	4.9%	5.0%	4.5%	3.6%	2.9%	Yes
Asset Maintenance Ratio (Greater than 100% average over 3 years)	64.4%	68.8%	77.3%	78.4%	79.5%	80.2%	Yes
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	0.87%	1.22%	1.34%	1.81%	2.60%	3.45%	Yes
Real Operating Expenditure per capita A decrease in Real Operating Expenditure per capita over time	Decreasing	Decreasing	Decreasing	Decreasing	Decreasing	Decreasing	Yes

4.1 Expected improvement in performance

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

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

The implementation of Council's FFTF Proposal will see Council achieve 6 of the 7 FFTF Benchmarks by 2019/20. The benchmark which will not be achieved within the required time frame is the Operating Performance Ratio – the reason for this is that Council's projected operating revenue in 2019/20 will not be sufficient to cover the costs of asset consumption represented by annual depreciation charges. Council has accepted this outcome, as to achieve a break-even operating result by 2019/20 would require rating increases which would beyond the capacity of the community to pay or accept. It is projected that a break-even operating result will be achieved in 2024/25.

The primary factor impacting on the timing of Council achieving the OPR benchmark is its current incapacity to fully fund annual depreciation charges which in turn is a function of the size of its Asset Renewal and Infrastructure Backlog. As a peri-urban council, Council maintains a large asset holding (in excess of $1 Billion) – more than half of which is made up of 1,038km of local roads - which services a relatively small and dispersed population. In effect, Council's ability to achieve a break-even OPR will be contingent on its capacity to address its Infrastructure Backlog and raise the additional revenue required to fund asset maintenance and renewal over the longer term.

To become operationally sustainable, Council will need to direct the maximum possible amount of available revenue to asset renewal. This will ensure that assets are renewed at least at the same rate they are depreciating. Council has based its FFTF proposal on this approach. Consequently it faces a difficulty in substantially improving the Asset Maintenance Ratio at the same time as addressing its Asset Renewal Ratio. The formula for the (OPR), which is based on operating revenue and operating expenses, effectively limits the ability of Council to increase asset maintenance expenditure without negatively impacting on the OPR. As asset maintenance expenditure is included in operating expenses, which in turn drives the OPR, increases in asset maintenance expenditure not matched by equal increases in operating revenue result in a deterioration of the OPR which has impacted on the capacity of a council to meet the OPR benchmark with the stipulated timeframe.

To address both the Asset Renewal Ratio and the Asset Maintenance Ratio simultaneously would require operating revenues to be substantially increased (or alternatively for a council to redirect revenue from existing services by reducing service levels or discontinuing services). In Council's situation where its operating revenue needs to increase significantly to meet the Asset Renewal Ratio benchmark, it has been required to 'trade off' the correction of to its Asset Maintenance Ratio. Council will need a longer timeframe to adjust its revenue base to the level required to also significantly improve the Asset Maintenance Ratio. To do both simultaneously would require substantial rating increases which may be beyond the community's capacity to accept or pay.

Accordingly Council would suggest that in the assessment of FFTF proposals, consideration should be given to the aggregated impact of the asset related FFTF benchmarks rather than viewing each asset related FFTF benchmark in isolation. In practice this would mean that the assessment panel should consider the trajectory of the combination of the Operating Performance Ration, the Asset Renewal Ratio, the Asset Maintenance Ratio and the Infrastructure Backlog to assess whether Council is taking the appropriate steps to improve its overall sustainability over the time period covered by the FFTF proposal. Council believes its FFTF Proposal clearly demonstrates that this is the case.

In addition, Council will be substantially increasing expenditure on Asset Maintenance beyond 2019/20 which will have a negative impact on the OPR. Consequently, Council may need to consider a further SRV application beyond 2019/20 (or alternatively a reduction in service levels) to achieve the OPR Benchmark.

5. Putting your plan into action.

How will your council implement your Improvement Action Plan?

For example, who is responsible, how the council will monitor and report progress against achieving the key strategies listed under Section 3.

Council will be integrating reporting on progress in implementing the FFTF Strategies within its existing Integrated Planning and Reporting (IPR) Regime and corporate reporting framework.

As part of this process, quarterly status reports will be prepared and reported to Council's Seniors Executive (MANEX). The preparation of these status reports will be coordinated by the Director, Support Services. The status report will list the actions within the FFTF Action Plan; the person responsible for implementing the action; the outcome to be achieved; and the time frame for achieving the required outcome. The preparation and quarterly reporting of the status of the FFTF Action Plan will enable Council's senior executive to monitor its status and take corrective action where required.

In addition to this internal reporting regime, Council will also include progress on implementing its FFTF Strategies in the six-monthly Delivery Program Report. The integration of FFTF reporting within the IPR Reporting Regime will ensure that the community can track Council's progress in becoming Fit for the Future.

AT - 2 Fit for the Future Improvement Action Plan

Appendix 1
Fit for the Future - Improvement Action Plan

3.1 Financial Sustainability

Objective	1. Increase operating efficiencies to contain operating expenditure within operating revenues.
FFTF Context	T-Corp analysis of Financial Sustainability of LG identifies operating performance ratio as key measure of Council performance - OPR measures operating performance as the difference between operating revenue (excluding capital grants and contributions) and operating expenses. It points to Council's capacity to contain operating expenditure within operating revenue. The outcome of Council's community engagement around the issue of future financial sustainability highlights a strong community expectation that Council needs to continue to pursue organisational efficiencies.
FFTF Assumption	The actions listed under this objective are based on the assumption that an annual 1% efficiency dividend can be achieved from the identified services and functions by limiting cost escalation (for non-employee related costs) at a discounted figure of 1% below annual CPI to achieve a 4% efficiency dividend by 2019/20. Modeling for this objective indicates that the proposed efficiency dividends are an achievable and reasonable target which would have minimal impact on current service levels. It has been is assumed that the internal savings derived from efficiency dividends will be re-invested in asset renewal and maintenance (and will not be made available for other purposes)
Costs, Benefits and Risks.	The implementation of the efficiency dividend actions does not carry any direct costs. The actions can be implemented in conjunction with the preparation of Council's annual financial estimates. The draft budgets covering Council operations will be set at a default cost-escalation of 1% below CPI for all non-employee related costs (excluding restricted services). Where a Manager indicates that the default cost escalation may not be achievable for a particular line item – there will be an expectation that additional savings would need to be identified from other areas to achieve the global 1% efficiency dividend for all non-employee related costs). The proposed actions have been assessed as carrying minimal strategic and operational risks. They are based on the assumption that service levels will be maintained and that the requirement to achieve internal savings through costs escalation at less than CPI will have a negligible impact on staff and community safety and that any impacts can be effectively managed. It is also assumed that the requirement for a 1% efficiency dividend (in real terms) can be reasonably achieved through the application of standard business management practices.
Timeframe	The timing for this group of strategies will be driven by the established time frames for the preparation of annual financial estimates. The provisional draft budget is distributed to Managers in November of each financial year and the existing (and long-established) budget process will then be implemented to finalise the figures within the draft budget by March each year. This process will be repeated each year up to 2019/20.
Outcome	It is projected that annual global savings will be in the order of $405K by 2019/20 (an accumulative amount of $1M over the four years to 2019/20). These internal savings will be reinvested into asset renewal. As ongoing efficiencies have already been secured (through previous budget cycles) it is expected that (in the absence of service level reductions or reconfigured service models) the capacity to achieve further efficiencies beyond 2019/20 will be exhausted.
Impact on FFTF Benchmarks	The efficiency dividend actions will redirect funds from operating expenses to capital renewal. This will impact positively on the Operating Performance ratio and the Building and Infrastructure Asset Renewal Ratio.

Proposed Action	**1.1 Review of Road Operations.**	An annual 1% efficiency target applied to Councils yearly $14M spend on road works operating and capital costs (excluding overheads). It is also proposed to review the potential financial impact of different delivery options – outsourcing models, use of contractors, operational changes - to assess cost-effective mix for road operations.
Justification	Roads make up 60% of the value of Council's non sewer assets, 68% of the non-sewer Infrastructure Backlog and accounted for the majority of increase in the infrastructure backlog flowing from the asset revaluation process. Over the last 3 years, expenditure on road network made up 29% of Council's total expenditure. Road maintenance is consistently identified as a primary concern for residents and a key challenge facing the Hawkesbury. Increasing the level of investment in road maintenance will be a key outcome of Council's FFTF Proposal as the state of the road-network, and the money required to bring it up to standard, is a major factor impacting on Council's FFTF performance. The proposed strategy would aim to increase the efficiency of Council's road operations with the dividend derived from these efficiencies re-invested to increase the percentage of the road network that can be maintained or brought up to standard in any one year. An increase in operating efficiency will be a critical pre-requisite to the increase in road renewal and road operations expenditure to be funded through a proposed Special Rate Variation.	
Capacity	Council is currently working through data to identify the current per kilometre or per unit cost of road maintenance taking into account the scope of works (patching, re-sheeting, grading etc.) and road condition (i.e. excellent through to very poor). These figures would need to be compared with the indicative per kilometer or per unit costs which could be achieved through other delivery options to establish the $ equivalent figure of the efficiencies which could be achieved. The aim of the review of delivery options will be to achieve a 1% reduction (in real terms) in the cost of road operations (excluding overheads).	
Outcome	Internal savings redirected to road renewal would contribute to an improvement in the Operating Performance Ratio, the Building and Infrastructure Asset Renewal Ratio and the Infrastructure Backlog Ratio.	
Process and time frame	The implementation and timing for this action will be driven by the established time frames for the preparation of annual financial estimates commencing in November 2015.	
Financial Modeling	Financial modeling for this Action is based on a 1% efficiency dividend from total road operations based on the 2013/14 actuals ($14,871,666), 2014/15 Adopted Budget ($12,328,039), and 2015/16 Draft Budget ($14,280,265). A 1% efficiency dividend based on the average annual expenditure over the last three years equals an annual amount of $138,267. This has been rounded up to $150K which is considered to be a reasonable target	

Proposed Action	**1.2 Review of Service Delivery Models**	An annual 1% efficiency target applicable to Corporate Support and Discretionary Services (excluding employee costs and overheads). To be implemented in conjunction with a review of delivery models to determine if they can be delivered at a lower cost or more effectively, or if alternate delivery models should be considered to accommodate industry changes and new technologies.
Justification	Council provides a range of 'non-core' services to residents. These can be discretionary services - i.e. services which Council is notionally not required to provide in that there is no statutory or legislative obligation for Council to provide these services. Other services are corporate services which support Council's core operations – it is not possible to discontinue these services but there are potential opportunities to generate expenditure savings through a review of the way that these services operate. There may be opportunities to refine the operating models to take into account industry changes, customer preferences, and the adoption of new technologies or service delivery platforms. In the medium to longer term it may be possible to reduce the costs of providing these services and/or outsource their operations. In the first instance, a 1% efficiency dividend will be applied to the operating costs of these services (excluding employee costs)	
Capacity	The annual net cost (excluding employee costs) of providing 'corporate support and discretionary services is $9.89M. Modeling for a minimum efficiency dividend of 1% in real terms per indicates that accumulated savings of $405,404 can be reasonably achieved by 2019/20.	
Outcome	A reduction in the cost of operations (in real terms) would contribute to an improvement in the Operating Performance Ratio and the Real Operating Expenditure Per Capita benchmark.	
Process and time frame	The timing for this action will be driven by the established time frames for the preparation of annual financial estimates commencing in November 2015.	
Financial Modeling	Financial modeling for this Action is based on a 1% efficiency dividend from operating costs (excluding employee costs) and capital costs for discretionary and corporate support functions (excluding waste and sewer services). Based on 2014/15 the total operating and capital costs for these services is $9.883M. A 1% efficiency dividend equates to $98,833 in 2016/17, $100,489 in 2017/18, $102,179 in 2018/19, and $103,903 in 2019/20. The accumulated savings by 2019/20 amount to $405,404.	

Proposed Action	**1.3 Review of Plant/Fleet Management, Depot Operations and Stores.**	Review of plant/fleet vehicles and accessories, ownership and maintenance models to achieve annual 0.5% saving on net cost of operating leaseback fleet plus, an annual 1% savings on costs of Works Plant.
Justification	Councils spends on average approximately $957K net per annum on plant/fleet replacement and a further $770K on plant/fleet maintenance services delivered through the Depot Workshop and Stores. Council's current fleet/plant maintenance operations are primarily supported by the Works Depot (including the Workshop and Stores). It would be timely to review the depot operations, including staffing and rostering arrangements, as these arrangements were developed some years ago. The efficiency of the current operating model has not been tested against relevant benchmarks and may not reflect the optimum operational settings given changes to technology (asset systems and mobility), warranty settings (extended warrant and fixed service costs for fleet), and just-in-time stock delivery models . The review would aim to increase the efficiency of Council's plant/fleet management, workshop and stores.	
Capacity	A review of the current operating settings would enable a detailed comparison of the relative costs of plant hire – vs – outright purchase; revised plant replacement settings to identify possible savings that could be achieved by retaining fleet/plant for longer periods prior to replacement; the cost of workshop and stores operations with a view to identifying opportunities for increased efficiencies through the reconfiguration of current operating and rostering arrangements, resource sharing with other councils, and/or the possible outsourcing of some functions. Council has recently completed a review of leaseback fleet and there is limited scope for significant cost savings for leaseback fleet. It is not expected that further savings beyond 2019/20 are achievable.	
Outcome	Based on the 2013/14 result, every 1 % increase in the efficiency of Council in plant replacement and maintenance costs and depot and workshop operations could potentially realise annual savings of $18,000. A reduction in plant/fleet and workshop operations (in real terms) would contribute to an improvement in the Operating Performance Ratio and the Real Operating Expenditure Per Capita benchmark.	
Process and time frame	The timing for this action will be driven by the established time frames for the preparation of annual financial estimates commencing in November 2015. Associated with an internal review of plant/leaseback arrangements commencing in July 2015	
Financial Modeling	Financial Modeling suggests that a 2% efficiency target for leaseback capital and operating costs would realise internal savings of $24,100 by 2019/20. A similar target for plant running costs would realise $30,800 by 2019/20. Accumulated savings of $54,900 by 2019/20	

Proposed Action	**1.4 Property and Asset Review**	Review of investment property portfolio and land-holdings to identify potential surplus or under-performing properties which could be sold and/or re-developed and/or achieve improved returns.
Justification	Council has a diversified investment property portfolio, including shopping centres, residential properties, land and commercial space and offices. While this portfolio generates a substantial revenue stream, it incurs asset renewal and maintenance costs and contributes to Council's Infrastructure Backlog. A review of the portfolio may identify properties delivering a poor return or properties which require significant capital investment to bring to standard. The review may also identify properties which are surplus to requirements and for which no future use has been identified.	
Capacity	A preliminary review of the property portfolio has identified a number of properties which could be considered surplus to requirements and potential improved returns.	
Outcome	The sale of under-performing investment properties and land-holdings which are deemed surplus to requirement will raise non-recurrent revenue and reduce annual operating and maintenance costs. Improved returns would have an ongoing positive impact on revenue. This strategy has the potential to impact positively on the FFTF Operating Performance Ratio and the Infrastructure Backlog Ratio.	
Process and time frame	A review of the property portfolio could be conducted in-house and possible verified through external review. The disposal of properties would be subject to Council approval and statutory requirements. The actual timing of sales unable to be precisely determined at this time. Accordingly the target is to achieve property sales and/or improved returns of $1M by 2019/20.	
Financial Modeling	Council's investment and residential property portfolio is valued at $34.9M. A preliminary review of investment property portfolio has identified a number of properties with low rates of return. A conservative estimate of the potential revenue to be gained from the sale of targeted properties by 2019/20 suggests that the target of $1M can be achieved.	

Proposed Action	**1.5 Review of Insurance Coverage and Model**	Review of current insurance coverage and self-insurance model to identify alternative provisioning arrangements.
Justification	Council is currently a licensed self-insurer for workers compensation and is a member of the UIP pool of Councils for Property and Plant insurance and Westpool for public liability. These arrangements have been in place for a number of years on the basis that they deliver value to Council through lower-cost insurance provisions and premiums. T-Corp has recommended that councils investigate the potential use of alternative funding and provisioning arrangements for workers compensation and other insurances. Maintaining Council's status as a self- insurer has entailed significant financial outlays and human capital to meet rigorous Work Cover requirements and has increased procurement costs as WHS requirements flow through to Council's suppliers and are reflected in higher pricing. A review of the current model to enable a comparison with alternate external insurance models to be made to determine the cost and resource effectiveness of the current model.	
Capacity	Council's current direct expenditure on workers compensation and insurance is in the order of $1.98M. In addition a significant proportion of staff hours across all Council branches are required to support the current WHS model.	
Outcome	The potential financial savings (if any) for this strategy would be determined following the completion of the proposed review. Based on the 2014/15 estimates, a 1% saving in direct financial outlays for workers compensation and insurance would generate a return of $19,880 and may also increase staff productivity through reducing the current compliance burden. A reduction in the cost of workers compensation and insurance coverage (in real terms) would contribute to an improvement in the Operating Performance Ratio and the Real Operating Expenditure Per Capita benchmark.	
Process and time frame	Internal review to commence July 2015 and completed June 2016 to benchmark comparative per-staff insurance cost. Proposed process: 1. Assess current insurance coverage costs against benchmarks (where these exist) 2. Determine which functions should be tested under different operating models. 3. Establish comparative costs and assess if operational changes could achieve same outcomes. 4. Consider industrial and associated financial implications of moving to alternate delivery options	
Financial Modeling	At this point the potential financial savings and other efficiencies are yet to be determined. Accordingly no savings have been factored into the FFTF Self-Assessment tool for 2016/17 and beyond.	

Objective	2. Increase operating revenues to meet the cost of maintaining and renewing assets and delivering services.
FFTF Context	T-Corp analysis of Financial Sustainability of Local Government recommends that future increases in all rates and annual charges for Council services should be based on the underlying cost of delivering these services and annual movements in the costs of these services. The T-Corp analysis recommends the development of viable pricing paths to achieve at least breakeven operating costs. This principle should operate at both a macro (Council wide) level and a micro business unit level.
FFTF Assumption	The actions listed under this objective are based on the assumption that Council will need to increase its operating revenues to meet the true underlying costs of maintaining and renewing assets and delivering services. The primary factor impacting on Council performance against FFTF Benchmarks is the level of its expenditure on asset renewals and maintenance. The current trend level of expenditure on asset renewals and maintenance, while improving, has not been sufficient to prevent the further deterioration of assets and therefore the accumulated level of funding required for asset renewal and addressing high risk infrastructure backlog component of the asset renewal figure. This in turn has had an ongoing negative impact on Council's Operating Performance due to the increase in annual depreciation charges which have escalated significantly as a result of asset revaluations. Given the outcomes of community surveys and the history of Council resolutions, there is an expectation that as far as possible both Council and the community would prefer to maintain current service levels. The actions within this objective are based on this assumption.
Costs, Benefits and Risks.	The implementation of the actions to increase operating revenues can be primarily achieved 'in-house' but may require funding for external assistance in meeting the community engagement component associated with IPART requirements. It is anticipated that the required actions can be implemented in conjunction with normal workload demands. The benefit of the proposed actions are substantial in that, if successful, they will begin to address the ongoing revenue shortfall that has prevented Council from fully funding the costs of maintaining and renewing its portfolio of community assets. In the absence of this additional revenue, there is a strong possibility that Council will be exposed to ongoing strategic and operational risks as assets continue to deteriorate to the point where they constitute an unacceptable risk to community safety.
Timeframe	The timing for this group of strategies will be primarily driven by IPART requirements associated with applications for rating variations.
Outcome	It is projected that actions within this objective will increase operating revenues by $5.5M by 2019/20. This increased revenue will be directed to asset renewal and asset maintenance.
Impact on FFTF Benchmarks	The increase in operating revenues will impact positively on the Operating Performance Ratio, the Own Source Revenue Ratio, The Building and Infrastructure Asset Renewal Ratio, the Infrastructure Backlog Ratio, and the Asset Maintenance Ratio.

Proposed Action	**2.1 Special Rate Variation.**	Application to IPART to seek approval for a rate increase above rate pegging. The working proposal is for a cumulative rate increase of 29.7% (including rate peg) over a five year period commencing in 2016/17.
Justification	While Council has increased its expenditure on Asset Renewals and Maintenance by 55 % since 2011/12, it is still below the levels required to achieve the FFTF Benchmarks for asset renewal and asset maintenance. The increase in asset renewal and maintenance expenditure has been achieved through operational efficiencies which have seen annual operating expenditure fall in real terms. While further savings through ongoing operating efficiencies are possible, these savings will not be sufficient to fund the current annual asset renewal and maintenance shortfall as well as the funding required to address the $65M in accumulated Asset Renewal requirements (including the high risk Infrastructure Backlog). Achieving the level of savings that would be required to fund this shortfall would necessitate a substantial reduction in existing service levels including the closure of services. As a result of the revenue limitations imposed by rate pegging, Council has been consistently under-spending on asset renewal and maintenance. The proposed SRV strategy is a core component of Council's FFTF strategy to increase expenditure on Asset Renewal and Asset Maintenance. The additional rating revenue generated through the SRV would be directed to resource a $25M program of asset renewal and works, to bring assets back to standard and address community expectations, and asset maintenance to prevent the further deterioration of assets. The primary purpose of the SRV is to fund a $25M infrastructure renewal and works program over five years.	
Capacity	Since its formation in 1981, Council has been modest in its rating imposts - to date Council's rating increase have been aligned with rate pegging with the exception of a single increase of 6.5% above the rate pegging limit approved for the 2007/2008 financial year. In addition, in 2002/2003 Council introduced a 5 year Environmental Stormwater Management Special Levy which was discontinued in 2007/2008 – in the last year of its application the Environmental Stormwater Management Special Levy was set at $42 per rateable property. The capacity to achieve a SRV is dependent on securing the required Council Resolution and meeting IPART requirements for the formulation and submission of an SRV, which includes community consultation.	
Outcome	The SRV would generate an additional $4.2M in rating income by 2019/20. $2.3M of this amount would be directed to the servicing a $25M loan (to be repaid over 15 years). The $25M would fund a 5 year accelerated asset renewal works program primarily focused on road renewal and road reconstruction, with the balance of additional revenue dedicated to asset maintenance and budget repair. Following the 5 year accelerate program, the additional net revenue raised through the SRV (not required to service the loan) would be dedicated to ongoing infrastructure renewal and maintenance to stabilise Council's infrastructure backlog. The additional revenue generated by the SRV would be dedicated to asset renewal and asset maintenance. It would therefore impact positively on the Operating Performance Ratio Own Source Revenue, Building and Infrastructure Asset Renewal, Infrastructure Backlog and Asset Maintenance. As the SRV is linked to a $25M loan, it will increase Council's Debt Service Ratio but remain within the FFTF Benchmark.	
Process and Time Frame	The Process will be driven by IPART requirements. June 2015 – Proposed SRV included in Council's FFTF Proposal (Council Resolution) July 2015 – Confirm proposed $25M Asset Maintenance & Renewal Program (AMRP) (derived from Community Strategic Plan and LTFP). August 2015 – Commence Community Engagement Strategy (CES) to establish service levels and outline AMRP. November 2015 - Report outcomes of CES to Council to seek approval to proceed with SRV application. December 2015 - Advise IPART of intention to lodge SRV. February 2016 - Application Submitted to IPART for special rate variation May 2016 – AMRP Plan included in public exhibition of IP&R documentation. July 2016 – Commence implementation of AMRP Plan	
Financial Modeling	Preliminary Modeling for the SRV has been completed based on a cumulative rate increase of 29.7% including the rate peg amount. Proposed annual rating increase (including rate peg) would be 7% in (2016/17); 6% (2017/18); 5% (2018/19); 4.5% (2019/20) and 4.25% (2020/21). The proposed SRV would raise additional rating revenue of 4.89M by 2020/21. Of this amount $2.53M would be required to fund proposed loan borrowings with the balance of additional revenue of $2.36M to Parks and Building Renewals ($1.6M) and Budget Repair ($760K)	

Proposed Action	2.2 Stormwater Management Charge	Levying of an annual charge for stormwater management services.
Justification	Based on Special Schedule 7(in the 2013/14 Annual Report), Council is currently not providing sufficient funding for the maintenance and renewal of stormwater assets. Section 510A of the *Local Government Act 1993*, permits a Council to levy an annual charge for stormwater management services against properties connected to the stormwater drainage network. Council does not currently levy a stormwater drainage charge. Levying such a charge would enable Council, over the medium to long term, to meet the costs of maintaining and renewing stormwater drainage assets.	
Capacity	The Local Government Regulation sets a maximum annual charge for stormwater management services of $25 per residential property, and a charge for every 350m^2 of the land area of business properties.	
Outcome	The application of a stormwater management charge would enable Council to achieve a break even operating position for stormwater management services (as recommended by T-Corp). The application of the maximum charge against all affected properties would fund the shortfall in annual maintenance and over time address the existing Infrastructure Backlog for stormwater drainage assets. The additional revenue generated by Stormwater Management Charge would be dedicated to the renewal and maintenance of stormwater drainage assets. . It would therefore impact positively on the Operating Performance Ratio (through a reduction in annual depreciation charges), Own Source Revenue, Building and Infrastructure Asset Renewal, Infrastructure Backlog and Asset Maintenance. Increased expenditure on asset maintenance will have a negative impact on the Operating Costs per capita Benchmark	
Process and Time Frame	A stormwater management charge can be levied by Council by way of a Council Resolution. The OLG has issued guidelines for the levying and calculation of stormwater management charge and the purposes for which the funds raised from these charges can be used. It is proposed that the Stormwater Management Charge would commence in 2017/18.	
Financial Modeling	Based on provisional modeling the total number of residential properties and equivalent business properties for which a stormwater management charge could be levied is 25,159. The potential revenue to be raised from the application of a stormwater management annual charge is $628,975.	

Proposed Action	2.3 Special Rate for new residential development	Levying of a locality based special rate to cover the costs of works and services generated by new residential development releases where the ordinary rate revenue collected from that area will not be sufficient to meet the costs of maintaining and renewing assets and delivering services to residences within that locality.
Justification	Preliminary projections for the additional costs which will arise from the transfer of enhanced heritage open space and riparian environmental reserves associated with Redbank Nth Richmond , and Jacaranda Ponds Glossodia, indicate that the ordinary rating revenue to be collected from these residential releases will not be sufficient to meet the costs of maintaining these enhanced environmental and heritage assets (after meeting the costs of providing other Council services and facilities). The residents of these release areas will be the primary beneficiaries of the enhanced heritage and environmental assets within these developments. Section 496A of the *Local Government Act 1993*, permits a Council to levy a special rate to meet the costs of works, services and facilities provided or proposed to be provided by Council within any part of Council's area.	
Capacity	A special rate can be levied on rateable properties within a defined area. Council is required to determine the amount of the special rate based on an assessment of the estimated costs of works and services to be provided for the benefit of ratepayer within the area. This would ordinarily require Council to prepare a proposed program of works or services, estimate the costs of these works and services, and apportion the costs against the number of rateable properties within the defined area.	
Outcome	The application of a special rate would enable Council to ensure that the total rating revenue collected form the targeted development (both ordinary and special rates) would fund the costs of maintaining assets and providing services and facilities to the development (as recommended by T-Corp). The application of a special rate would fund the additional costs associated with the local expansion of the enhanced open space and riparian reserve network under Council's control. The additional revenue generated by a Special rate would be dedicated to the maintenance of Council owned open space and riparian reserve network. It would therefore impact positively on the Operating Performance Ratio Own Source Revenue, Building and Infrastructure Asset Renewal, and Asset Maintenance.	
Process and Time Frame	The levying of a Special Rate would require the same general process for a SRV as outlined in Strategy 2.1 and would require an application to IPART. The proposal for the Special Rate for Redbank Nth Richmond, and Jacaranda Ponds Glossodia would be included in the proposed SRV Application.	
Financial Modeling	Special rate based on estimated costs of additional maintenance works (additional work crew). The combined annual amount of $416K per year is based on a rate per property of $208 for Redbank and $215 for Jacaranda Ponds. To be applied from 2019/20.	

Proposed Action	**2.4 Review of Waste Management and Sewer Business Units.**	A review of the operations of the Waste Management Facility and Sewerage Schemes. The purpose of the review would be to identify a reasonable rate of return (dividend payment) from these operations and investigate business models which would best maximise the operations of these business units and the assets and resources under their control.
Justification	The operation of the Waste Management Facility and Sewerage Schemes requires a substantial investment from Council. Council currently levies an overhead charge from these units as a contribution to the costs of providing the necessary corporate systems to keep these units functioning. These businesses effectively operate on a commercial basis (competitively neutral) and should return a dividend in the form of a reasonable rate of return on their assets. The Waste Management Facility and Sewerage Schemes hold a significant portfolio of assets and resources. As with any business, maximising the opportunities afforded by this portfolio should be a key business aim. Council should investigate different operating models (with or without a Council ownership component) as well as alternate waste treatment (AWT) opportunities to expand operations to a regional level to deliver additional revenue streams.	
Capacity	A 6% rate of return on the value of assets within Waste Management Facility (WMF) and Sewerage Schemes (SS) is a reasonable business target. The 2015/16 dividend for the WMF is $309,000 which has been included in the 2015/16 draft financial estimates. This figure will rise to $500,000 following the acquisition of land to expand the operations of the WMF Council is not in a position to derive a dividend from SS until such time as the SS achieve best practice benchmarks (which is imminent) - when the benchmarks are achieved Council would need to apply to IPART to seek approval for a dividend payment from the SS. A review of the operations of the Waste Management Facility is currently being undertaken by an external consultant. KPMG has been commissioned to undertake a review of Sewerage Schemes service delivery models. Once completed, these reviews will identify different operating options and models and opportunities for maximising return on assets and revenue streams.	
Outcome	The receipt of dividends from the WMF and SS would increase operating revenues within the General Fund. There would be a parallel increase in the operating costs of the WMF and SS – but this would reflect the real cost of operating these facilities on a competitively neutral commercial basis. The outcome of operational reviews may also generate additional revenue or increase operating efficiencies – at this time no indicative figure is available to quantify the $ impacts of these changes. The additional revenue generated by business unit dividends would impact positively on the Operating Performance Ratio and the Own Source Revenue Ratio.	
Process and Time Frame	The identification of dividend payments representing a reasonable rate of return would occur in conjunction with the preparation of annual financial estimates commencing in 2015/16. Options for different operating models and business opportunities would be contingent on the outcomes of the reviews of the WMF and SS.	
Financial Modeling	Payment of a $309K dividend from the WMF has been included in 2015/16 financial estimates with the amount expected to increase in outer years. No amount has been included for SS for the period ending in 2019/20	

Proposed Action	**2.5 Review of Pricing Structures for Business Units**	A review of the operations of income generating 'non-core' business units – e.g. Cemeteries, Companion Animal Shelter, Richmond Pool, Upper Colo Reserve. The purpose of the review is to establish the true operating costs of these business units to so that their pricing structures could be geared to achieve at least a break-even operating position over the medium term.
Justification	Council provides a range of services to residents – both free of charge and on a fee for service basis. In principle, the cost of providing services on a fee for service basis should be offset by the revenue collected from the users of these services so that they operate on at least a cost recovery basis (as recommended by T-Corp). Currently, a number of Council's services, provided on a fee for service basis operate at a net loss to Council when underlying costs (overheads and infrastructure requirements) are taken into account. Given the demands on Council's finances, the continued subsidisation of these services into the future is not sustainable.	
Capacity	To date, the net cost to Council of business unit operating on a fee for service basis have not been fully calculated. The extent to which fees and charges can be adjusted to achieve (at least) a cost neutral result may be dependent on the elasticity of the market and other extraneous factors.	
Outcome	The potential additional revenue that could be generated through adopting a medium to long-term pricing path to achieve break-even operating positions would be in the order of $425K by 2019/20The additional revenue generated by business unit dividends would impact positively on the Operating Performance Ratio and the Own Source Revenue Ratio.	
Process and Time Frame	Financial modeling to establish turnaround targets have been completed. Will be achieved through a combination of pricing structures and review of service models. Staged process for achieving targets by 2019/20 will be implemented from 2016/17. The implementation and timing for this action will be driven by the established time frames for the preparation of annual financial estimates commencing in November 2015	
Financial Modeling	The financial modeling for this proposed action is based on setting a turnaround target for each service taking into account current income and expenditures.	

Proposed Action	**2.6 Lobbying for increased regional road funding**	Lobby NSW government and Roads and Maritime Services to have additional roads placed on the regional roads network (Yarramundi Lane, Francis St) and seek contribution to costs of maintaining these roads.
Justification	A number of local roads are used by through traffic travelling from regional road to regional road. These local roads are used as 'rat runs' by traffic due to ongoing traffic bottlenecks on these regional roads. In effect these local roads are being used by through traffic as quasi regional roads due to the incapacity of the regional road network to accommodate traffic volumes. The use of these local roads by through traffic contributes to the increased maintenance and renewal costs of maintaining these local roads.	
Capacity	Council has identified two roads (Yarramundi Lane and Francis St Richmond) for which a financial contribution for maintenance and renewal should be sought	
Outcome	Should Council be successful in lobbying government, the additional funding revenue would be dedicated to the maintenance and renewal of roads which would have a positive impact on Building and Infrastructure Asset Renewal Ratio , Infrastructure Backlog and Asset Maintenance Ratio.	
Process and Time Frame	Dependent on Council Resolution.	
Financial Modeling	Unable to be calculated. No figure has been inputted into FFTF Modeling as outcome of this strategy cannot be determined at this time as and lies beyond Council's control.	

3.2 Infrastructure and service management

Objective	3. Establish Sound Platform for Asset Planning and Management.
FFTF Context	Reports into the future of Local Government consistently underscore the importance of sound asset management to drive long-term sustainability and the identification and management of strategic and operational risks. T-Corp analysis has highlighted the limitations of relying on Special Schedule 7 as a basis for asset management planning. T-Corp strongly recommends that councils prioritise asset management planning to provide a sound platform for long-term financial forecasting by validating Infrastructure Backlog values so that a clear picture of the total funding requirements of council assets can be established with a high level of certainty. Enhancing the knowledge and skills of management and elected officials as to the importance of financial planning and asset management is viewed as critical to this process.
FFTF Assumption	Council's future sustainability is directly linked to its asset management capability and expertise. Asset management involves the integration of many of the functions of council. A failure to maintain and evolve this capability may expose Council to ongoing strategic and operational risks. Council has relied on Special Schedule 7 to estimate its funding requirements for asset management. Council has commenced a process to enable it to move towards a risk and evidence based assessment of ongoing infrastructure costs and liabilities. To support this process Council will be implementing a number of strategies to validate and refine the assumptions underpinning its infrastructure forecasting. These strategies include the finalisation of asset management plans and the consolidation of asset management planning framework, and the completion of a comprehensive service level review in consultation with residents.
Costs, Benefits and Risks.	The implementation of the actions to consolidate Council's asset management planning framework can be primarily achieved 'in-house' but will require external review. It is anticipated that the required actions can be implemented in conjunction with normal workload demands. The benefit of the proposed actions are substantial in that they will address asset management scale and capacity issues and in particular the essential element of prioritising asset management planning. The actions will ensure that Council has the scale and capacity to maintain Asset Management Plans that integrate to the delivery program and annual budget process and are based on up to date and reliable condition assessments. Without the consolidation of this capacity there is a risk that Council will be unable to chart a viable path for future financial sustainability.
Timeframe	The timing for this group of strategies will be (in part) driven by IPART requirements for the community engagement process associated with the proposed special rating variations
Outcome	The consolidation of an integrated Asset Management Planning framework will support the effective management of strategic and operational risks through the identification of targeted asset management intervention points. At this point the financial impact of this strategy is unable to be determined, however, Council's future sustainability is directly linked to its asset management capability and expertise. An allocation of $120,000 has been included in the 2015/2016 Operational Plan as seed funding for the establishment of a reconfigured asset management and planning structure that can better support sustainable asset management planning.
Impact on FFTF Benchmarks	The finalisation of asset management plans will have an impact on all FFTF benchmarks.

Proposed Action	**3.1 Completion of Asset Management Plans.**	The completion of asset management plans to establish required levels and scheduling of asset renewal expenditure based on preferred and affordable service levels.
Justification	Until recently, Council's has focused its asset management resources on the creation and maintenance of assets rather than the planning and long-term renewal of assets. This has directed Council's resources towards meeting shorter term priorities based on the felt needs of the community and political priorities. It has not necessarily future- proofed Council's assets portfolio based on optimal decision making with a focus on the longer term. The T-Corp sustainability assessment and results against the FFF benchmarks are a clear indication that this reactive approach is not sustainable in the light of future revenue and expenditure projections. Variability across councils in the methodology and assumptions underlying the preparation of Special Schedule 7 (Report on Infrastructure Assets) has diminished its utility as a tool for evaluating asset management and has perhaps given rise to a perception that it misstates the asset and long-term financial position of Council and/or that is simply a book-entry that ascribes a paper value to the annual depreciation of Council's assets (rather than actually recording the real cost of asset consumption). Council is currently in the process of constructing an asset management (AM) system with a data repository and modeling functionality to establish an accurate picture of asset condition and facilitate scenario modeling. The effective implementation of this system and the finalisation of asset management plans will require appropriate resource allocation based on a considered appraisal of changing asset management requirements.	
Capacity	Council's current asset management structure is based on asset categories (Roads, Parks, Buildings etc.) with a focus on technical condition assessment, data entry, and the construction of computerised asset management technology. There are a number of positions across Council currently involved in these processes. While this approach has satisfied the immediate operational requirement for the development of an asset management system based on technical data, it has not necessarily supported a corporate wide asset planning function with a clear focus on longer-term asset management and financial forecasting to drive engagement with elected officials and the community about agreed and sustainable levels of service into the future. Similarly, resources have not been invested in enhancing the asset management planning capability of Council staff, management and elected officials to promote greater understanding of the long-term financial impact of decisions. To this end an allocation of $120,000 has been included in the 2015/2016 Operational Plan as seed funding for the establishment of a reconfigured asset management and planning structure that can better support sustainable asset management planning.	
Outcome	Consolidating and strengthening Council's asset planning capability will enable Council to more accurately determine asset renewal expenditure requirements in accordance with the levels and timing outlined in soundly based asset management plans. The completion of assert management plans will establish a more complete picture of the useful life of assets to enable the accurate forecasting of future funding requirements, Infrastructure Backlog values and annual depreciation expense.	
Process and Time Frame	Review of asset management structure and staffing resources to commence in July 2015 and completed by October 2015. Updated Asset Management Plans to be finalised by March 2016	
Financial Modeling	At this point the financial impact of this strategy is unable to be determined, however, Council's future sustainability is directly linked to its asset management capability and expertise.	

Proposed Action	**3.2 Service Level Review**	Implementation of a Community Engagement Strategy to determine affordable and agreed service levels
Justification	T-Corp's definition of financial sustainability in local government incorporates an implicit requirement for community engagement to determine acceptable levels of service for all asset classes. Currently, levels of service within Council's asset management system are primarily based on technical condition assessments. There is a risk that a reliance on technical specifications may result in over servicing and/or priority settings which may not reflect community concerns. The completion of a comprehensive service level review will enable Council, in conjunction with the community, to determine a safe and realistic BTS (bring to satisfactory) asset standard for asset classes which better reflects community priorities and Council's future financial capacity. Undertaking a service level review is integral to the satisfactory completion of asset management plans.	
Capacity	Council has established community engagement processes and tools. Satisfaction with Council's consultation with the community has increased and dialogue has commenced with the community on the asset management challenges facing Council. While the community is generally satisfied with the provision and maintenance of community facilities and parklands, their key focus area for improvement is with roads and transport infrastructure. This engagement framework will enable Council to continue its dialogue with the community to determine acceptable service levels for all asset classes and the community's capacity and willingness to pay for its preferred levels of service.	
Outcome	At this time it is not possible to quantify the financial impact of a service level review. In general terms, the purpose of the review would be to inform the community of funding required to maintain services and assets (and prevent their further deterioration). Progressing this dialogue will depend on clearly articulating the benefits of moving from backlog to sustainability over the long term and the resources that would need to be found to do this. Establishing the resource requirements, will enable the community to review options for reviewing service levels to enable funds to be redirected to asset renewal and maintenance. Accordingly, this strategy has the potential to impact positively on the FFTF Building and Infrastructure Asset Renewal Benchmark, the Infrastructure Backlog Benchmark and the Asset Maintenance Ratio.	
Process and Time Frame	The timing and process for a service level review will be driven by IPART requirements The implementation of this strategy would be based on the elements within the community engagement and communication plan that would drive the service level review. Council may need to seek external assistance to design and deliver the required community engagement and communication plan.	
Financial Modeling	Financial impact to be determined based on outcome of service level review.	

Objective	4. Reduce Infrastructure Backlog through increase spending on infrastructure renewal and maintenance.
FFTF Context	T-Corp analysis of Financial Sustainability of LG highlights that local government costs are heavily influenced by the provision, ongoing maintenance, and renewal of long lived assets. Recognition of the cost of asset consumption is therefore a critical component of the future financial and service level sustainability of councils. Achieving a break-even operating position will be dependent on providing sufficient funds to address Infrastructure Backlog and future requirements for the renewal and maintenance of assets. T-Corp has identified that the use of debt is an efficient vehicle for addressing Infrastructure Backlog, enhancing inter-generational equity and improving asset quality.
FFTF Assumption	T-Corp has highlighted the importance of sound asset management for long-term financial forecasting and financial sustainability. This requires the provision of sufficient funds to meet future requirements for the maintenance of assets and services. Constructing new assets will generate additional funding demands for asset renewal and maintenance and increase annual depreciation charges. It may also divert funds from asset renewal and maintenance. Achieving the correct balance between new assets and the renewal of assets (new -vs- renew) will be a critical aspect of Council's future financial sustainability. The actions listed under this objective are linked to the proposed Special Rate Variation to generate the majority of the increased revenue required to address Council asset renewal funding requirements.
Costs, Benefits and Risks.	The implementation of the actions to move towards a more sustainable capital works planning framework and stable asset renewal position can be primarily achieved 'in-house'. It is anticipated that the required actions can be implemented in conjunction with normal workload demands. The benefit of the proposed actions are substantial in that they will enable Council to prioritise it capital works spending to achieve the best balance between building new assets and renewing existing assets and, accelerate the required asset renewal works to stabilise Council's infrastructure backlog. In the absence of these actions there is a strong possibility that Council will be exposed to ongoing strategic and operational risks as assets continue to deteriorate to the point where they constitute an unacceptable risk to community safety.
Timeframe	The timing for this group of actions will be (in part) driven by IPART requirements associated with the application for a special rate variation. If successful the SRV application will enable Council to begin the implementation of an accelerated asset renewal program in July 2016. Other actions which fall under this objective are already in train or will also commence in July 2016.
Outcome	The cumulative impact of these actions will be to direct $36M to asset renewal works to address and stabilise Council's infrastructure backlog.
Impact on FFTF Benchmarks	The proposed actions will impact positively on the Building and Infrastructure Asset Renewal Ratio, the Infrastructure Backlog Ratio, and the Asset Maintenance Ratio.

Proposed Action	**4.1 Integrated Capital Works Program.**	Developing and implementing a corporate framework for integrated capital works investment with a clear focus on the renewal of existing assets and/or works which minimise asset maintenance costs /or reduce operating costs.
Justification	To maintain its financial sustainability going forward, Council will need to establish parameters for capital works investment with a clear priority on asset renewal to address infrastructure backlogs. This principle should be applied to the demand for new asset and services associated with residential development - rather than creating new 'stand alone' assets, wherever possible, the focus should be on upgrading existing assets to cater for the increased demand arising from population growth. In this respect, T-Corp has cautioned against using one-off grants or capital funds to construct non-core assets (entertainment and recreational facilities) which cannot be operated on a commercial or break-even basis as services may have to be reduced to pay for the operating and renewal costs of these new assets into the future. T-Corp suggests that such a strategy may be acceptable as long as the community is aware and accepting of this trade-off or where the users of these assets have the capacity to generate the revenue that would be required to meet the maintenance and life-cycle costs of these assets into the future. Service levels should not be increased unless the upgrade of an asset, undertaken in conjunction with asset renewal processes, provides some financial pay-back or where there may be a legislative requirement to upgrade and asset or service	
Capacity	Projected expenditure on capital works over the next 10 years arising from new residential development alone could exceed $150m (based on the content of Voluntary Planning Agreements and Developer Contributions Plans). These works have the capacity to significantly increase asset maintenance costs, operating costs and annual depreciation charges. The long-term costs of bringing these assets on line will need careful assessment so that wherever possible works should be geared towards the renewal and upgrade of existing assets so as to minimise their long term impact on Councils financial sustainability.	
Outcome	The aim of an integrated capital works investment framework is to direct capital funding to asset renewal works, and to minimize future exposure to increased asset maintenance costs and annual depreciation charges. Accordingly, this strategy has the potential to impact positively on FFF Operating Performance Ratio, Building and Infrastructure Asset Renewal Benchmark, the Infrastructure Backlog Benchmark and the Asset Maintenance Ratio.	
Process and Time Frame	Strategy has commenced and is reflected in the content of revised S94 Plan and current Voluntary Planning Agreements. Will be applied to S94 Plans and VPAs covering future residential developments.	
Financial Modeling	Based on works programs contained within revised S94 Plan and finalised VPAs, additional capital funding of $10.7M will be directed to asset renewal works between 2016/17 and 2019/20.	

Proposed Action	**4.2 Establish Sinking Fund for Community Facilities.**	The introduction of a building renewal and maintenance charge to be levied on community facilities used by external agencies to deliver fee-paying and/or funded community services (child care centres and community centres). The purpose of the levy would be to raise revenue, based on the annual depreciation charges for these facilities, as a contribution to the maintenance and renewal of these assets.
Justification:	Council maintains a network of 30+ community and child care centres. A substantial number of these facilities (about 20) are used by external agencies to deliver government funded and/or fee paying services. Council delegates the management of these facilities to these agencies who use the income generated from the hire and use of the facilities to offset the operating and occupancy costs of these facilities. Council does not require these agencies to remit any of this revenue to Council. This foregone income subsidises the day-to-day operation of these fee-paying and/or /funded services. In addition, it is generally the case that these agencies have been operating from these buildings for many decades with the effect that Council has been further subsidising their operations by funding the long-term maintenance and renewal of these assets. In effect, a proportion of the real cost of providing these services, has been shifted from the state and federal government (and/or the consumers of these services) to ratepayers. It would be a reasonable expectation that the external agencies who derive a financial benefit from the use of rent-free Council facilities should contribute to the life-cycle costs of the assets which they have been effectively consuming for many years. The income generated by the external agencies (located in Council premises) is substantial - calculated at $6.5M in 2002 and would be in the order of $10M in 2015). In a framework where state and federal funding programs are moving towards a more aggregated and contestable funding landscape, there will be an increasing requirement for funded services to operate on a quasi-commercial basis – the true costs of providing these services should therefore be reflected in their tenders and pricing paths. The revenue raised from the application of a building renewal and maintenance charge would be dedicated to the asset renewal and maintenance of the buildings from which this revenue was raised.	
Capacity:	The annual depreciation charges of the child care centres alone are $465,500. A 25% contribution to these costs would generate $116,375 which could be dedicated to child care centre asset renewal. A conservative estimate of the income generated by child care centres operating from Council premises would be would be in the order of $3.15M. A building renewal and maintenance levy of $116,375 represents 3.7% of this income. The centres between them are licenced for 350 full time places – the cost per place would be $332.50 or $8 per week ($1.60 per day). A conservative estimate of the grant income derived by external community service agencies (not child care centers) operating from Council premises would be in the order of $2.5M - a 25% pro-rata contribution to the annual depreciation charge for the exclusive use floor space occupied by their agencies would generate additional funds which would be dedicated to the renewal of these exclusive use areas..	
Outcome:	The potential additional revenue that could be generated through the application of a building renewal and maintenance charge on child care centres (covering 25% of the annual depreciation cost of these buildings would be $116,735). The application of a building renewal and maintenance charge for the exclusive –use-floor space occupied by funded agencies within community centres have yet to be calculated The additional revenue generated by a building renewal and maintenance charge would impact positively on the Operating Performance Ratio and Own Source Revenue. If revenue was dedicated to asset renewal/maintenance it would also have a positive impact on the Building and Infrastructure Asset Renewal, Infrastructure Backlog and Asset Maintenance ratios. Increased expenditure on asset maintenance will have a negative impact on the Operating Costs per capita Benchmark	
Process and Time Frame	It first instance, the proposed building renewal and maintenance charge would be introduced for child care centres using the following process 1. Prepare revised Licence Agreement (to replace current Community Facilities Manual) to include provision for building renewal and maintenance levy 2. Distribute draft licence agreement to affected agencies for comment and report to Council for adoption 3. Confirm calculation of building renewal and maintenance levy for each building. 4. Commence application of levy in 2016/17	
Financial Modeling	Payment of levy to commence 2016/17 at 50% of required amount for first two years and then full amount from 2018/19. Strategy is projected to raise $350,205 by 2019/20 with an ongoing annual amount of $116,375. Revenue to be directed to the renewal and upgrade of child care centres	

Proposed Action	**4.3a Infrastructure Borrowings Program**.	A $25M borrowings program to address infrastructure backlog and current annual maintenance expenditure shortfall (linked to Strategy 2.1 - Special Rate Variation – to raise the revenue to service the loan repayments on the proposed Borrowings). The borrowings program would fund an accelerated 5 year asset renewal and works program and increase provision for long-term asset maintenance.
Justification	The Financial Assessment and Benchmarking Report prepared in March 2013 for Hawkesbury City Council by T-Corp, identified Council's Infrastructure Maintenance and Renewal Backlog as the primary risk impacting on council's future sustainability. Historically, Council has been under-spending on maintenance and infrastructure renewal and the current trend level of expenditure on asset renewals and maintenance has not been sufficient to prevent the further deterioration of assets and therefore the accumulated level of the Infrastructure Backlog. T-Corp has strongly recommended that councils use debt funding to reduce their Infrastructure Backlogs and improve intergenerational equity. Council currently spends 62% ($35.4M) of its revenues on the maintenance and renewal of its assets. Based on the FFTF Benchmark results, Council will need to increase its annual asset maintenance and renewal expenditure by a substantial amount to prevent the further deterioration of its assets. Unless action is taken to increase asset renewal and maintenance funding, the accumulated intergenerational debt represented by Councils Infrastructure Backlog will continue to grow	
Capacity	The capacity of Council to service a $25M would be dependent on approval for a Special Rate Variation. The additional rating revenue generated through the SRV would be used to service loan repayments on the proposed borrowings (over 15 years) and increase spending on asset renewal maintenance (over the long term) to prevent the further deterioration of assets. Council currently has a low level of loan borrowings (when measured against the FFTF benchmark) and could increase its debt exposure to address its Infrastructure Backlog provided that it has the financial capacity to service this debt.	
Outcome	The proposed borrowings program would fund a $25M infrastructure renewal and works program which would reduce Council's Infrastructure Backlog and improve assets in line with community expectations. Based on the FFTF benchmark of achieving an Infrastructure Backlog Ration of less than 2% of the total write down value of assets, the borrowings program would potentially halve Council's current high risk Infrastructure Backlog. The borrowings program would impact positively on the Asset Renewal, Infrastructure Backlog and Asset Maintenance Ratios. It will also increase the Debt Service Ratio but it will still remain within the FFTF benchmark for this ratio.	
Process and Time frame	As the proposed Borrowings program is linked to an SRV, the Process will be driven by IPART requirements. The key milestones for the Borrowings Program would be to prepare a proposed $25M Asset Maintenance & Renewal Program by July 2015, and commence a Community Engagement Strategy in August 2015 to outline the Program, and report the outcomes of the consultation to Council by November 2015.	
Financial Modeling	The proposed $25M borrowing program would reduce Council's current high risk Infrastructure Backlog and required renewal works.	

Proposed Action	**4.3b Energy Efficiency Borrowings Program**.	Loan facility to invest in energy efficiency technology and infrastructure. Costs recovered through energy savings would be used to fund loan borrowings
Justification	Council wishes to further explore opportunities to invest in energy efficiency initiatives.	
Capacity	Council would participate in Borrowing Programs relating to Energy Efficiency Initiatives where Projects can provide a positive net return from Year 1, based on a whole of life asset cost.	
Outcome	To be determined based on more detailed whole-of-life asset costs and business modeling	
Process and Time frame	At this time, no detailed work has been undertaken to model options for Council consideration. Proposed project (s) would be dependent on business case which would require external review. First step would be preparation of an in house feasibility study for report to Council	
Financial Modeling	Strategy unlikely to have impact on FFTF forecasts to 2019/20 as energy efficiency savings would be directed to repayment of loan in short to medium term.	

3.3 Efficiency

Objective	5. Reduce per-unit cost of operations.
FFF Context	IPART requires Council to demonstrate operational savings over the next five years (net of Integrated Planning and Reporting service improvements). Increasing its investment in infrastructure is the primary goal of Council's plan for its future financial sustainability. Maximising the funds available for this purpose will require Council to pursue ongoing operating efficiencies and contain the per-capita cost of services and infrastructure maintenance.
FFTF Assumption	The primary factor impacting on Council's performance in relation to its capacity to reduce the per-unit costs of its operations (i.e. value for money) has been the relative size and distribution of its population. As an urban/rural hybrid council, Council faces ongoing challenges in delivering services across a large geographic area given its relatively smaller rating and customer base compared with neighbouring metropolitan councils. The anticipated benefit of strategies for sustainable population growth are premised on the strong correlation between population density and the unit costing of service provision
Costs, Benefits and Risks.	The efficiency actions under this objective have been identified under Objective 1 and can primarily be implemented in conjunction with the preparation of Council's annual financial estimates. The benefits arising from the other actions will be reliant on the scope of shared service arrangements to be investigated and negotiated under the Regional Strategic Alliance. Council has been able to contain real operating expenditure per-capita through careful budget management, although this has been achieved at the expense of its capacity to fully fund the cost of maintaining and renewing infrastructure. While, this trade-off has enabled Council to maintain service levels, and where required, absorb new functions and responsibilities, it has contributed to a growing infrastructure backlog.
Timeframe	The timing for the efficiency actions will be driven by the established time frames for the preparation of annual financial estimates (as outlined under Objective 1). Modeling of the financial impact of the three council Regional Strategic Alliance has not been undertaken as areas for possible collaboration are currently being investigated by a Management Committee appointed by the three participating councils with outcomes not due to be reported until June 2016. The implementation of the Hawkesbury Residential Land Strategy is ongoing.
Outcome	The actions identified under this Objective are intended to; · increase population density and generate additional own-source revenue to drive down the per capita cost of service provision and infrastructure maintenance; · leverage external investment through developer funded asset upgrades and renewals; · achieve economies of scale through an aggregated population catchment of 451,000 across three local government areas by 2031. These outcomes are unable to be quantified at this time
Impact on FFTF Benchmarks	Residential growth will increase population density which carries potential to impact positively on Real Operating Expenditure per capita Ratio.

Proposed Action	**5.1 OPEX expenditure reduction**	A defined cap on annual increase in net OPEX (Operating Expenses excluding depreciation and Asset Maintenance) at a figure less than CPI over the next five years (adjusted for account population growth).
Justification	As for the proposed actions identified under 3.1.	
Capacity		
Outcome		
Process and Time Frame		
Financial Modeling	Projected to deliver recurrent operating savings of $1,484,900 by 2019/20 for reinvestment in asset renewal.	

Proposed Action	**5.2 Regional Strategic Alliance**	Investigate potential for collective action and advocacy and increased operating efficiencies through economies of scale and shared service arrangements.
Justification	T-Corp has identified that there may be some value in pursuing shared service and resourcing arrangements. The Independent Local Government Review Panel has identified the need for stronger and more effective regional groupings of council which are seen as a vehicle for achieving the longer-term sustainability of local government and for increasing the effectiveness of local government as a regional planning partner with State and Commonwealth government.	
Capacity	Council is investigating the potential for entering into a Regional Strategic Alliance with Blue Mountains and Penrith Councils – a development which has been supported by the NSW Government who has suggested that such an initiative could be aligned with Council's FFTF proposal.	
Outcome	The outcomes of the Regional Strategic Alliance will be dependent on its proposed scope and governance model. There is potential for the proposed Alliance to deliver economies of scale and improve collaboration and service arrangements across local government boundaries. At this time, these benefits are unable to be quantified.	
Process and Time Frame	Council has executed Cooperation and Management Agreement with BMCC and PCC. A Management Committee is to be established to investigate joint projects and programs. Due to report to the three councils by June 2016.	
Financial Modeling	Financial impact to be determined based on assessment of economy of scale efficiencies, resource sharing, and joint procurement.	

Proposed Action	**5.3 Sustainable Population Growth**	Implementation of Residential Land Strategy.
Justification	The T-Corp assessment of the financial sustainability of local government has established a strong correlation between population density and the ability of council's to generate revenue to fund services and maintain assets. Councils will low population densities requires each resident to support a greater amount of infrastructure asset. T-Corp financial assessment of Hawkesbury Council highlighted low levels of population growth as a risk to Council. Council has adopted a Residential Land Strategy to concentrate residential future development around existing centres, however, over the past decade the majority of population growth has continued to occur in rural localities with relatively higher per-unit service and infrastructure costs. Unless reversed, this trend has the potential to further weaken Council's sustainability.	
Capacity	Council has adopted a Residential Land Strategy (HRLS) which aims to concentrate new residential development around existing urban centres and villages through urban infill or the greenfield expansion of existing centres. There is a strong pipeline of residential development projects (5000+ lots) centred on existing urban centres and villages. Implementing the HRLS has the potential to increase population density, generate additional own-source revenue and drive down the per capita cost of service provision.	

Outcome	The aim of the HRLS is to concentrate development around existing urban centres and villages to maximise the use of existing infrastructure. Its implementation has the potential to increase rating revenue and drive down the per-unit costs of services and infrastructure maintenance. Consistent with this direction, recently approved planning proposals have included 1,400 lots at North Richmond, 659 lots at Pitt Town, and 580 lots at Glossodia. Investigations are underway to determine the potential residential development yield for the Kurmond/Kurrajong Investigation Area and the Vineyard Precinct (within the North West Growth Sector). This strategy has the potential to impact positively on the FFTF Operating Performance Ratio and the Real Operating Expenditure Per Capita benchmark.
Process and Time Frame	Processes supporting the implementation of the HRLS are in train. Planning agreements have been completed for greenfield expansion of three targeted centres. Current approvals in place for new residential developments of 2,600 lots. Investigations in train for potential 4,000+ additional lots.
Financial Modeling	Implementation of HRLS has the potential to increase rating revenue and drive down the per-unit costs of services and infrastructure maintenance. This impact is yet to be modeled.

Summary of Financial Modelling of proposed FFTF Actions

Additional Renewal as a result of proposed FFTF Actions	Est 16/17	Est 17/18	Est 18/19	Est 19/20
SRV Funded Renewal	334,626	201,641	585,991	583,500
Loan Funded Renewal	2,300,000	5,200,000	4,700,000	2,900,000
Plus Roads Efficiency	150,000	150,000	150,000	150,000
Plus Discretionary Services Efficiency	101,000	101,000	101,000	101,000
Plus Plant & fleet review	13,725	13,725	13,725	13,725
Plus Property review	250,000	250,000	250,000	250,000
Plus stormwater charge	636,470	636,470	636,470	636,470
Plus pricing review	123,750	123,750	123,750	123,750
Plus community sinking fund	115,250	115,250	115,250	115,250
Total Additional Renewal	**4,024,821**	**6,791,836**	**6,676,186**	**4,873,695**
Additional New Capex as a result of proposed FFTF Actions	**Est 16/17**	**Est 17/18**	**Est 18/19**	**Est 19/20**
Loan Funded New Capital Infrastructure	1,000,000	2,600,000	3,000,000	3,000,000
Total Additional New Capital Infrastructure	**1,000,000**	**2,600,000**	**3,000,000**	**3,000,000**
Additional Asset Maintenance as a result of proposed FFTF Actions	**Est 16/17**	**Est 17/18**	**Est 18/19**	**Est 19/20**
SRV Funded Additional Asset Maintenance	400,000	400,000	400,000	500,000
Less Roads Efficiency	(150,000)	(150,000)	(150,000)	(150,000)
Total Additional Asset Maintenance	**250,000**	**250,000**	**250,000**	**350,000**
Total Additional Investment in Assets	**5,274,821**	**9,641,836**	**9,926,186**	**8,223,695**

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extraordinary

meeting

end of business paper

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