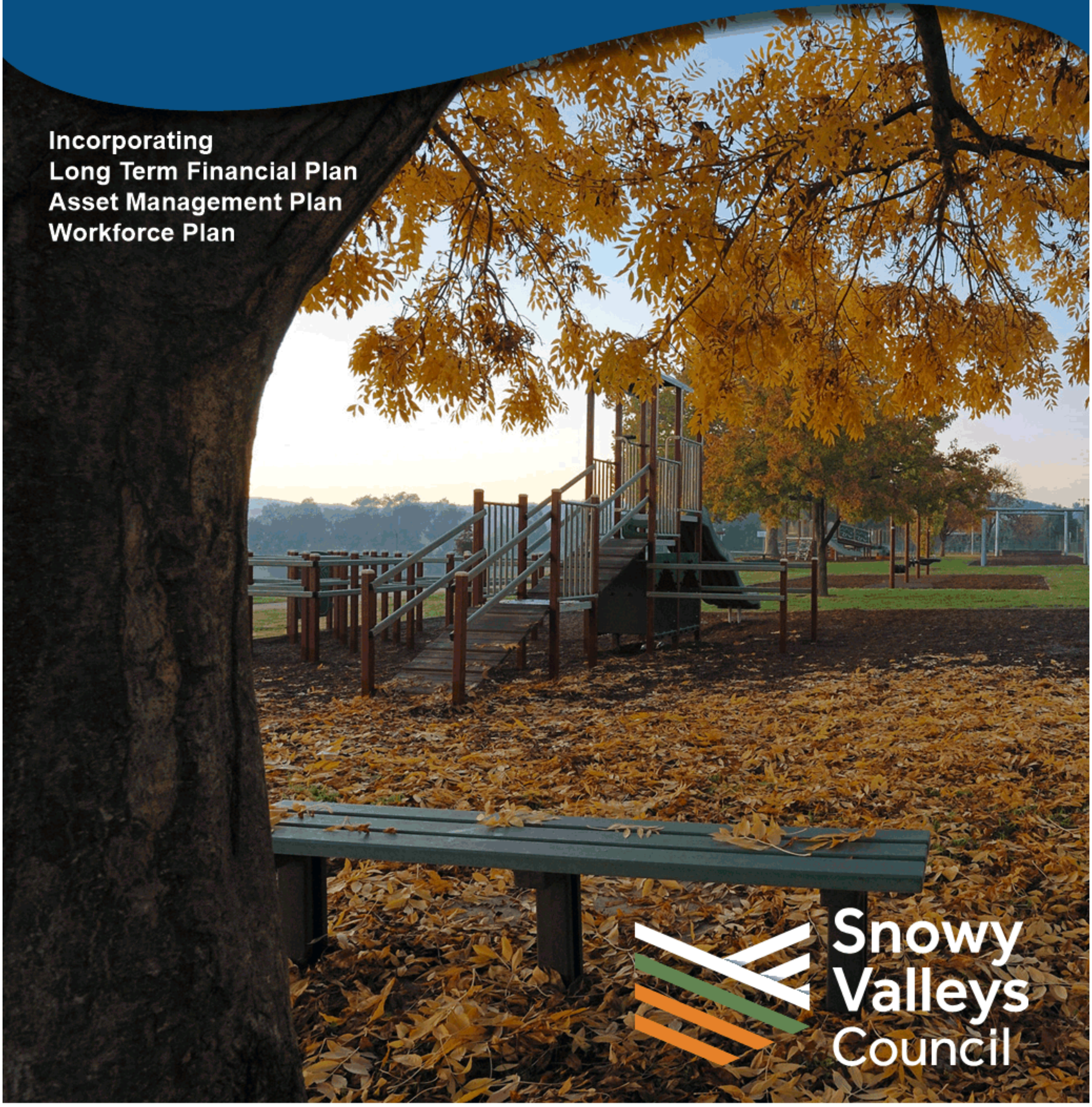
RESOURCING STRATEGY
2019-2020

Incorporating
Long Term Financial Plan
Asset Management Plan
Workforce Plan



Snowy Valleys Council

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Executive Summary

This Resourcing Strategy has been updated for the 2019/20 year to document improvement actions that Council intends to undertake in order to deliver sustainable best value.

The analysis shows that Council can achieve a financially sustainable position within 5 years while maintaining the necessary investment in infrastructure, however this is dependent upon Council pursuing a range of improvement actions to do so.

Key Objective: Sustainable Best Value

The *NSW Local Government Act, 1993* (section 403) requires councils to prepare a Resourcing Strategy. This is a long term strategy for the provision of the resources required to perform its functions. The focus is **financial sustainability**, which is defined as follows:

> A local government will be financially sustainable over the long term when it is able to generate sufficient funds to provide the levels of service and infrastructure agreed with its community.[1]

Council's 2019/20 budget for General Fund (excluding water supply and sewerage) is a deficit of around $2.68M (excluding capital grants), however this includes:

- additional expenditure of $2.6M arising from the New Council Implementation Fund round 2 grant (which was paid in the 2018/19 financial year)
- additional revenue of $688k generated from increased waste charges (this has been removed from subsequent years in the LTFP as the corresponding additional expenditure is yet to be determined via the new Waste Strategy) and
- additional revenue of $650k from the Special Rate Variation from the former Tumut Shire (which is removed in subsequent years as it expires in June 2020)

Without this additional expenditure or revenues, the starting point for Council's future financial performance is a deficit of $1.4M (5% of ongoing operating revenues). In other words, Council is spending more than it earns – which isn't sustainable.

Traditionally, council resourcing strategies have focused on three types of resources: finances, people (human resources) and assets (infrastructure, buildings, etc.). However, Council is conscious of the fact that *pursuing financial sustainability is not enough*. Council needs to ensure that it not only has the resources required to perform its functions, but also that it carries those functions out in a way that **provides the best possible value** to residents and ratepayers (reflecting principles in section 8A of the Act).

The Service Level Review Project (discussed in section 1.5) sought feedback from the community about the services Council delivers. The response was generally positive – in fact, overall satisfaction levels were higher than many other regional councils and trending in the right direction – although satisfaction levels of residents of the former Tumbarumba Shire were notably lower than those from Tumut.

The key objective of this Resourcing Strategy – and in particular the improvement program that follows – incorporates both of the above elements: **Council's objective is to carry out its functions in a way that delivers sustainable best value to the community**.

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[1] *Financial Sustainability of the NSW Local Government Sector,* NSW Treasury Corporation (2013) https://www.olg.nsw.gov.au/sites/default/files/TCorp-Report-Financial-Sustainability-of-the-New-South-Wales-Local-Government-Sector-April-2013.pdf
The LG Act (s.8B) also establishes principles of sound financial management including "Council spending should be responsible and sustainable, aligning general revenue and expenses".

Council Improvement Program

Council recognises there is no 'silver bullet' to enable it to deliver sustainable best value. Rather, it needs to undertake a comprehensive improvement program focused both on broader resourcing issues (finances, people and assets) as well as specific service areas.

Part 1 of this Strategy is an overview of the Council Improvement Program including:
- *Council Improvement Plan* (roadmap for improvement efforts)
- *Program Management Office* (governance framework to ensure it makes progress and stays on track)
- *Organisational Capability and Capacity Framework* (a reference point to good practice) and
- *Internal Audit Program* (providing independent assurance it is on track).

Council's service-based approach to business planning is also outlined including the:
- *Service Level Review Project* (which realised meaningful engagement with the community about their priorities)
- *Service Dashboards* (presenting the big picture about everything Council does)
- *Service Management Plans* (business plans with the detail, including options to improve the efficiency and effectiveness of service delivery).

Long Term Financial Plan

The Long Term Financial Plan (LTFP) is a tool that explores the long term impacts of Council's decisions, based on a set of assumptions (about areas where Council intends to reduce spending and/or increase revenues and so improve its financial sustainability).

A key issue is that a Special Rate Variation (SRV) that generated $650,000 p.a. from residential land in the former Tumut Shire expires in 2020. At this stage Council is <u>not</u> planning to pursue a new SRV to maintain its revenue but rather a range of improvement actions instead. However, if Council cannot address the shortfall in this way it will need to consider an SRV and/or service level reductions to improve its financial sustainability.

The LTFP considers two scenarios for Council's **General Fund** (excluding water supply and sewerage): an 'unsustainable' scenario and a 'planned' scenario.

The **Unsustainable Scenario** can be understood as the 'do nothing' scenario. It forecasts Council's financial performance if it continues on current path of revenue and expenditure.

This highlights that without taking action to improve, Council's operating deficit will continue to increase. This is unsustainable: it means that Council would not be generating sufficient funds to provide the levels of service and infrastructure agreed with its community (based on feedback from the Service Level Review), particularly over the longer term as the need for asset renewal increases as assets that are currently in good condition deteriorate over time.

The **Planned Scenario** includes a number of actions to improve Council's financial sustainability and so **achieve an operating surplus in 5 years**:

- Considerable reductions in *employee costs* equivalent to 6% of the ongoing costs of operational staff (around $14M) as a result of a one-off realignment of resources ($200,000) and further reductions of 1.5% p.a. for the next 3 years ($630,000) to be achieved via natural attrition, i.e. not replacing all positions when they become vacant
- Reductions in spending on *materials and contracts* equivalent to 5% of the current ongoing budget of around $5M ($250,000)
- Generating additional *external revenues from civil contracting activities*, guided by a new strategic business plan for these activities, building up to $100,000 p.a.

- Generating additional revenues from *user charges* from Council services and business units building up to $150,000 p.a.
- Reducing depreciation expenses by $100,000 by disposing of underutilised assets

As discussed in section 2.4, further work is required to quantify changes in employee costs arising from the allocation of resources to maintenance or capital works activities, as well as increases in civil contracting. Actions in the Council Improvement Plan will address this.

It is important to note that *simply reducing employee costs and spending on materials and contracts without other improvements will translate directly into reductions in the level of service Council delivers*. This is why the Council Improvement Plan proposes to analyse each service as part of Service Management Plans and identify efficiencies in that manner.

It is also important to note that *the planned scenario makes adequate provision for capital expenditure on renewal of existing assets* based on modelling of future requirements (as discussed further in relation to the Strategic Asset Management Plan). Council's assets are in relatively good condition and so medium-term renewal needs (under 10 years) are less than depreciation expenses – but this means over the long term, they will be higher.

Council's cash reserves increase over this period, ensuring it has the capacity to ramp up spending on asset renewals in future when it needs to do so. This also improves Council's operating result as a result of the interest on these investments.

The LTFP for **Water Supply and Sewerage Funds** highlights that both are financially sustainable, and that Council has the resources to deliver a considerable program of capital works to improve these services. Further planning and analysis over the coming year (identified in the Council Improvement Plan) will help refine these financial models.

Strategic Asset Management Plan

The Strategic Asset Management Plan (SAMP) highlights that **90% of Council's physical assets – its infrastructure, buildings, plant and equipment – are in good condition**. A further 9% are rated as 'satisfactory' and only 1% (by replacement value) are poor.

What this means is that **asset renewal needs over the medium term are low relative to long term needs as measured by depreciation**. As discussed above in relation to the LTFP, this means that because capital works programs are lower than depreciation expenses, reserves for future asset renewals will build up over the next 10 years, but these will need to be spent beyond that time as assets currently in good condition deteriorate.

However, as Council undertakes more detailed planning and analysis of community needs and expectations about its assets as part of *Service Management Plans* – in particular the needs analysis for buildings and recreation assets that is scheduled to be undertaken this year – it may be that Council will allocate additional funds to asset renewals, as well as upgrades where these are identified as a priority and also deemed affordable having regard to the ongoing costs (maintenance, operations and depreciation) that come with these.

The other key focus of asset management activities is maintenance. **As Council improves its maintenance management systems and is better able to quantify the level of service it can deliver within a particular budget, it will be important to engage further with the community about their service priorities** and, potentially, their willingness to pay for a higher level of service.

The SAMP outlines the contents of Service Management Plans, particularly from an asset management perspective. It also provides an overview of the management systems approach that Council is pursuing to improve based on ISO 55000 (international standard for asset management systems) and establishes terms of reference for the Asset Management Steering Group, who will be responsible for leading a coordinated improvement program.

Workforce Management Plan

The final element of this Resourcing Strategy is the Workforce Management Plan (WMP). The WMP provides an overview of Council's workforce, discusses its operating environment and Council's key challenges relating to its workforce and identifies a number of improvement actions that Council will undertake to ensure it has the human resources it needs to achieve its strategic and operational objectives.

1. Council Improvement Program

The creation of a new Council organisation with the capability and capacity to deliver the services in the Delivery Program has been a major task including:

- establishing a new organisational structure and recruiting people into new roles
- building a cohesive single workforce located over two main sites separated by a distance of almost 70km
- developing and implementing new organisational systems and processes along with the technologies required to support them
- developing new strategies, policies and plans to guide service delivery activities that present a clear picture of Council's new organisation
- building relationships between external stakeholders and the new Council.

Much progress has been made, but if it is to continue Council needs:

- a **roadmap** to guide its efforts to foster *innovation* and become *sustainable* (the Council Improvement Plan, section 1.1)
- a **governance framework** to ensure it makes good progress and stays on track (the Program Management Office, section 1.2)
- a **reference point to good practice** (the Organisational Capability and Capacity Framework, section 1.3) and
- **independent assurance** that it is on track (the Internal Audit Program, section 1.4).

Council also needs to better understand and manage its principal activities or functions, and to ensure these reflect the community's priorities. Council's **service-based approach to business planning** is detailed in section 1.5.

1.1 Council Improvement Plan

The three elements of this Resourcing Strategy – Long Term Financial Plan, Strategic Asset Management Plan and Workforce Management Plan – cover most critical elements of Council's organisational capability and capacity.

But they aren't comprehensive: critical issues (e.g. organisational systems and processes, use of technology, strategic planning and stakeholder engagement) sit at least partly outside these Plans and are identified in particular Service Management Plans (service-specific business plans discussed in section 1.5), or as common issues in several of them.

Council has recognised the need to take an *integrated approach to its improvement program*. The **Council Improvement Plan** below collates improvement actions from the key elements of this Resourcing Strategy as well as the Service Management Plans and other sources to provide a comprehensive improvement roadmap.

The Council Improvement Plan will be kept up-to-date separately between revisions of this Resourcing Strategy via the Program Management Office (section 1.2). It will also inform the annual Operational Plan to facilitate monitoring of progress and also allocation of resources, where required. It is important to note, though, that *many improvements are of an operational nature* (i.e. the responsibility of the General Manager and staff) rather than policy issues to be determined by councillors.

Snowy Valleys Council Improvement Plan Version 1.1 May 2019

The table below provides a summary of the key actions Council intends to undertake to achieve its objective of delivering sustainable best value to the community. This list will be reviewed and updated by the Program Management Office.

Refer*	Action	Who**	When
BIP1	Transition **Program Management Office** from focus on New Council Implementation Fund (grants) to business improvement, a permanent part of Council's governance framework. Appoint a Program Management Officer (not full time role) to support Council's improvement program and facilitate progress reporting	GM	May 2019
LTFP1	Prepare a report on options for **rate harmonisation**, undertake community engagement about options.	DMFIT & Dir. A&I	Report by December 2019
BIP2	Continue to **improve the level of detail in budgets**, align this and performance reporting with Service Dashboards and financial projections in the LTFP, with annual reviews of the LTFP	DMFIT DMEX	Ongoing
SMPs1	**Review resourcing required** now (e.g. with merger-related projects) and longer term based on service areas, consider **impact of varying resources, opportunities to gain efficiencies** (including investment required to realise ongoing savings) and **potential impacts on service delivery** of reducing resources. Also clarify **performance measures and targets**. Include outputs in future revisions of SMPs or in a supporting document, as well as a revised LTFP	DMs	Analysis completed by December 2019 to help inform the 2020/21 budget and revision of the LTFP
BIP3	Establish and maintain a **register of possible operational improvement opportunities** (informed by action SMPs1) along with their financial impact to be kept under review by Program Management Office in order to identify projects to be progressed	PMO	Ongoing
BIP4	Identify and deliver staff training to support programs to improve operational efficiencies	PMO	As required
WMP1	Establish process for **evaluation / review of all positions** when they become vacant, with the aim being to reduce resource requirements, potentially by retraining existing staff (to be informed by action SMPs1)	Mgr People	July 2019
WMP1	**Review Council's organisation** overall in the context of outputs of action SMPs1. Potential one-off redirection of resources to maximise efficiencies while maintaining service levels, but then pursue further savings over the next few years via natural attrition. Forecasts need to account for extra 2.5% superannuation contributions over 5 years to 25/26	GM	Overall review by June 2020 ($200k) Ongoing savings as opportunities arise (1.5% p.a. x 3 years, $630k)
WMP3	Reduce Council's **Employee Leave Entitlements** by preparing plans for managing excess leave and monitoring reports on leave taken in an ongoing way (target: < 15% by June 2020, < 5% from that point on)	DMEX	

Refer	Action	Who	When
SMPI1	**Review Council's procurement processes** and identify opportunities to generate savings (target: 5% over 3 years, $250k)	DMFIT	June 2020
SMPI2	**Implement Council's ICT Strategy** to improve efficiency and effectiveness of operations	DMFIT	Ongoing
SMPs2	**Review fees and charges** across all service areas, identifying opportunities to implement a 'user pays' approach or reasons for Council to subsidise an area (Target: $150k p.a., subject to consultation with users)	DMs	December 2019
SMPs3	Identify and assess **opportunities to reduce service levels** (and consequently, operating costs) considering feedback from the community as part of the Service Level Review project, risks to Council, financial impacts and further consultation	DMs	December 2019
BIP5	**Revise the structure of Council's Delivery Program to focus on services** rather than Community Strategic Plan themes to better support strategic planning by aligning Council's activities with budgets / resourcing	DMSP	Supplement prepared for 2020, new structure in new IP&R in 2021
TD2	**Revaluation of transport assets**, prepare updated capital works program including funding requirements to condition-based asset renewal objectives	DMAPD	December 2019
SMPR1 SMPC1	Undertake a **needs analysis for recreational activities and community buildings**, considering asset renewal needs, potential new/upgraded assets to meet community needs, opportunities for disposal, etc.	DMAPD	December 2019
TD1 SMPR2 SMPB2	Define **maintenance management systems** for transport, recreation and building assets in each SMP, clarifying the relationship between funding and service levels and highlighting any risks of under-funding maintenance	DMIWD	Initial by June 2019, with refinements by December 2019
SMPW1	Review **Financial Modelling for water supply and sewerage business units**, in particular evaluating the need for changes to the current fees and charges	DMAPD	June 2019
SMPB1	Develop **strategic business plan for civil contracting** activities to set direction for increasing revenues from external customers and ensuring that Council retains the RMS Road Maintenance Council Contract by performing effectively and meeting/exceeding RMS expectations; establish governance framework to manage risk and facilitate meaningful performance reporting and review	DMIWD	December 2019 (Target: $2M p.a. growth over 3 years, 5% margin)
SMPs4	Clearly identify **additional operating costs arising from new or upgraded assets** as part of future SMPs and capital works budgets	DMAPD	Ongoing
SMPs5	Pursue **grants to assist with delivery of Council priorities**, but evaluate impacts on the LTFP (e.g. additional operating costs from new assets, obligations to fund programs beyond the grant) prior to doing so	DMs	Ongoing

*'Refer' column identifies where further information / more detailed actions are:

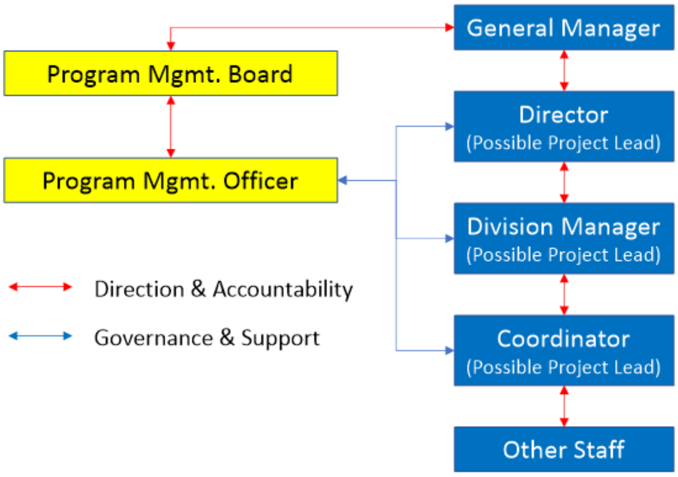
LTFP = Long Term Financial Plan; SAMP = Strategic Asset Management Plan
WMP = Workforce Management Plan; SMPs = all Service Management Plans,
SMP# = SMP for transport (T), recreation (R), water supply and sewerage (W), business units (B), community programs (C), development (D), internal services (I)

**'Who' column identifies positions responsible for actions. Many of these rest with the Division Managers (DMs). Some with Division Managers and Executive (DMEX).

1.2 Program Management Office

The Program Management Office is a concept used increasingly in organisations to support the change process. It is intended to ensure improvement projects are adequately identified, planned, authorised, monitored and delivered so outcomes sought are realised.

The figure below clarifies the distinction between the *normal line management function* from the General Manager down through the Directors to staff, and the *Program Management function* that is the means by which the improvement program is delivered.



The *Program Management Board* is made up of the General Manager and Directors and is supported by a *Program Management Officer* (PMO), who provides governance and support for the improvement program.

The PMO's key focus is coordinating program activities and supporting Project Leads, i.e. staff with primary responsibility for a project (projects will include the improvement actions identified in the Council Improvement Plan but may also include other Council projects e.g. to deliver particular service outcomes to the community).

The Board is responsible for overseeing the implementation of the **Program and Project Management Methodology**[2] which includes templates for a number of elements:

- a *Business Case*, which is the justification for undertaking a project based on weighing the estimated costs of investment against the anticipated benefits, offset by associated risks (it remains the reference point against which the continuing viability of a project is tested)

[2] The distinction is that a *program* is the mechanism whereby Council establishes its desired outcomes and authorises, monitors and reviews implementation of improvement projects (this is the overall improvement program outlined in this Strategy), whereas a *project* is a temporary organisation established to realise a specific improvement opportunity.

- a *Project Initiation Document*, which defines the project, forms the basis for its management and the assessment of its overall success
- a *Highlights Report*, which is used to monitor projects that are underway and
- an *End of Project Report*, which is used to assess success upon completion (with reference to the Business Case) and identify learnings to apply to future projects.

The majority of activities undertaken under the improvement program including the pursuit of improvement projects are anticipated to be operational in nature. As such, the Program Management Board provides the governance for the program generally, but where required policy issues (including requests for funding) will be referred to Council for consideration.

Progress with Council's improvement program (including specific improvement projects, where relevant) will be identified and reported on as part of Council's Operational Plan.

1.3 Organisational Capability and Capacity Framework

In addition to having a roadmap identifying where it wants to be (section 1.1) and a governance framework to ensure it gets there (section 1.2), Council will also benefit from a reference point to establish its current position in relation to 'good practice' and so identify areas for further improvement.

This is the purpose of the *Organisational Capability and Capacity Framework*, which is based on the requirements of ISO 55001 (international standard for asset management systems). The framework is a holistic, systems-based approach. Key elements include:

- community engagement
- leadership and organisational culture
- strategic planning
- organisational systems and processes
- workforce, technology and information
- performance review and improvement.

At this stage, the Framework has only been applied to the assessment of Council's asset management maturity, discussed in section 3.7 of the Strategic Asset Management Plan.

However, the elements of an asset management system defined in ISO 55001 align closely with the integrated planning and reporting framework. This opens up the opportunity for Council to apply the Framework more generally to Council's organisation. This will be considered in future revisions of this Strategy and the Council Improvement Program.

1.4 Internal Audit Program

The final element of Council's efforts to improve its organisational capability and capacity is its Internal Audit program.

Under recent amendments to the NSW Local Government Act, all Councils must establish an *Audit, Risk and Improvement Committee* that reports directly to the elected Council. The scope of the Committee is extensive: including compliance, risk and financial management, governance, service reviews, implementation of the strategic plan, delivery program and strategies, collection of performance measurement data and more. This expands on the role of the Audit Committees that have been in place for many years.

Activities are guided by an annual internal audit plan informed by higher risk issues identified in the Enterprise Risk Management Plan. The Program provides independent assurance about Council's internal controls and implementation of its risk management framework as well as recommending and monitoring improvements (which are the responsibility of Council's senior management).

1.5 Service Level Review and Service-Based Approach to Business Planning

If Council is to improve its financial sustainability *and* the value it delivers to the community, it needs to be clear about where it is investing its resources and the value realised from this. This means Council needs to be clear about the services it provides, and for these to form the basis of business planning. Council has commenced a comprehensive project to do so.

Service Level Review Project

The first stage of this was the Service Level Review Project, which Council endorsed at its September 2018 meeting. The project facilitated a meaningful conversation about the services Council delivers that engaged councillors, staff and the community utilising three separate processes:

- a *telephone survey* of 405 residents giving a statistically significant picture of the community's views on the importance of and satisfaction with a range of services
- an *online Budget Allocator tool* that gave participants an opportunity to choose the level of service they wanted across a range of services, with a clear idea of what their choices meant to Council's budget overall and potentially the impact on rates
- a *Community Sounding Board* which involved 44 residents demographically and geographically representative of the local government area in a series of four workshops to gain detailed information about all Council services, share and discuss their views and to seek feedback on their priorities.

The final report detailing feedback obtained from the community was tabled at Council's February 2019 meeting, and will be posted on a new page on Council's website soon.

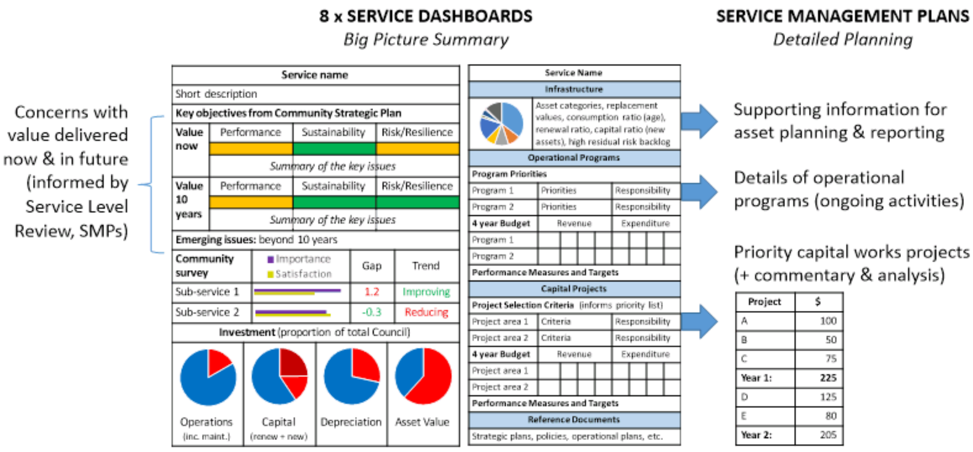
Councillors participated in a workshop considering the outputs of the project in January. This provided strategic direction for staff to prepare Council's 2019 IP&R documentation (including this Resourcing Strategy) and to undertake further investigations in several areas requiring further consideration, for future direction by councillors.

The Service Level Review has established a foundation for an *ongoing* conversation about the services Council delivers. It is worth noting that community engagement was identified in feedback as one of the key opportunities for Council to improve.

One of the biggest challenges in gaining meaningful feedback at this stage was the lack of quantifiable performance measurement and reporting across all services. The preparation of Service Management Plans (discussed below) is intended to help to address this. As Council progresses with improvements, it will be important to undertake further and more detailed engagement with the community about the services it delivers.

Service Dashboards

The second element of Council's service-based approach is the preparation of Service Dashboards. When Council considered feedback from the community about the services it provides in the context of its financial sustainability challenges, it highlighted the need to clarify the big picture about what it does, what it costs and where the issues of concern are now and in future. This is the purpose of the Dashboards, the key elements of which are show in below, together with links to the Service Management Plans (discussed below).



Service Management Plans

The third element of Council's approach is Service Management Plans for all services. As detailed in the Strategic Asset Management Plan (section 3.4), the Service Management Plans (SMPs) fulfil the specific requirements for Asset Management Plans but are prepared for all Council's activities (not just those related to infrastructure) and so establish a consistent framework for detailed business planning across Council's entire organisation.

The development of SMPs is an important preparatory step prior to pursuing the efficiency savings proposed in the LTFP. If Council simply reduces budgets for employees, materials and contracts it will translate into a reduction in service levels. The Council Improvement Plan identifies the first step in the process being the evaluation of resourcing requirements and opportunities to generate efficiencies prior to pursuing savings in employee costs.

The figure below shows the links between these documents and other elements of the Integrated Planning and Reporting (IP&R) Framework.

As noted in the Council Improvement Plan, it is Council's intention to embed the service-based approach in the next revision of Council's IP&R documents.

2. Long Term Financial Plan

The Long Term Financial Plan (LTFP) is a planning tool that shows the long term (10 year) financial impacts of Council's decisions based on a set of assumptions.

The three key elements correspond to Council's primary financial reporting documents:

- *income statement* or 'profit and loss statement' detailing Council's operating revenue and expenditure (i.e. associated with ongoing activities) with a particular focus on the operating result (whether Council is spending more than it earns)
- *statement of financial position* or 'balance sheet' detailing changes in Council's assets (cash, investments, infrastructure, property, etc.) and liabilities (loans, etc.)
- *statement of cash flows* detailing where Council plans to generate and spend its cash including both operating (ongoing) activities and capital programs (renewal and new/upgraded assets as well as loan principal repayments, etc.)

The key focus for this LTFP is Council's **General Fund**, which includes all activities apart from water supply and sewerage businesses, which must be accounted for separately under National Competition Policy requirements. Two scenarios are considered:

- a '*planned*' scenario (which assumes Council will undertake the actions identified in the Council Improvement Plan in section 1.1) and
- an '*unsustainable*' scenario (which shows the implications of a 'do nothing' approach, i.e. if Council continues on the same path of revenue and expenditure).

Both scenarios include the loss of $650,000 p.a. in revenues from the Special Rate Variation that applied to the former Tumut Shire when it expires in 2020 (as discussed in section 2.3).

An initial financial modelling exercise has also been completed for Council's **Water Supply and Sewerage Funds**. A number of scenarios were considered as part of this, but only one scenario is included in this Resourcing Strategy at this stage. Further work is to be undertaken on this modelling in the near future, as noted in the Council Improvement Plan.

Consolidated results (General + Water + Sewerage Funds) are also included.

2.1 Key Financial Sustainability Objectives

Council recognises that the principles of sound financial management in the NSW Local Government Act (section 8B) emphasise two key issues:

- responsible and sustainable *spending* (aligning general revenue and expenses, i.e. achieving a small operating surplus) and
- responsible and sustainable *infrastructure investment* (adequate provision in maintenance and renewal).

Assumptions informing the planned scenario for the General Fund (section 2.4) have been developed with the primary aim of **achieving an operating surplus within 5 years**.

Council has also ensured it **provides sufficient funding for renewal of existing assets** based on an analysis of actual renewal requirements as set out in Service Management Plans (Council's version of 'asset management plans' expanded to cover all services as discussed in section 3.4). While Council is proposing to spend less than depreciation (because its assets are in good condition), it may revise this (particularly in relation to buildings and recreational assets) following a needs analysis and consultation with users.

Council's projected performance against a number of other industry benchmarks (e.g. maintaining sufficient cash, managing debtors, keeping debt within acceptable limits) are discussed in section 2.7, but these are of far less consequence than the two points above.

A further key objective for Water Supply and Sewerage Funds is to **keep the typical residential bill as low as possible, and stable over the long term**. Initial modelling has been undertaken to assess the need for changes, however it is expected that further revisions will be necessary following the further analysis discussed above.

2.2 Key Items of Operating Revenue and Expenditure

The chart below summarises the key areas of revenue and expenditure associated with operational programs (ongoing activities apart from capital grants and capital works – refer section 2.8) in Council's 2019/20 budget for General Fund (i.e. excluding water supply and sewerage businesses).

		Rates, levies & annual charges	12,443,082	42%
		User charges and fees	5,558,335	19%
		Interest and investment revenue	518,000	2%
		Other income	1,150,064	4%
		Grants, subsidies, contributions (operating)	10,226,380	34%
		Total income from continuing operations	**29,895,861**	
		Employee Benefits	13,496,324	41%
		Materials & Contracts	7,000,400	21%
		Depreciation & Amortization	8,742,000	27%
		Other Expenses	3,199,640	10%
		Interest on Loans	140,638	0.4%
		Total expenses from continuing operations	**32,579,002**	
		Operating Result - Surplus/(Deficit)	**(2,683,141)**	

It is important to note a number of items influencing the result:

- additional expenditure of $2.6M in materials and contracts arising from New Council Implementation Fund round 2 grant (which was paid in the 2018/19 financial year)
- additional revenue of $688k generated by increased annual waste charges (this has been removed from subsequent years in the LTFP as the corresponding additional expenditure is yet to be determined via the new Waste Strategy) and
- additional revenue of $650k from the Special Rate Variation from the former Tumut Shire (which is removed in subsequent years as it expires in June 2020).

Without this additional expenditure or revenues, the starting point for Council's future financial performance is a deficit of $1.4M (5% of ongoing operating revenues).

2.3 Special Rate Variation and Rate Harmonisation

As noted above, a Special Rate Variation (SRV) that applied to residential land in the former Tumut Shire will expire in 2020. This will result in a reduction in revenues of $650,000 p.a. Not pursuing a new SRV to replace at least some of this will increase the gap to bridge via the actions in the Council Improvement Plan (section 1.1) and outlined in section 2.4 below.

However, Council wants to pursue such alternatives to achieve financial sustainability first, before asking the community about either paying more (via a new SRV) or accepting reduced levels of service. Any new application for an SRV must address the requirements in the guidelines issued by OLG,[3] including extensive community engagement.

Not pursuing an SRV at this time also means that the potentially contentious issue of rate harmonisation can be considered in isolation. The four year rate freeze following the merger

[3] https://www.olg.nsw.gov.au/sites/default/files/OLG%20-%20Special%20Variation%20Guidelines_3.pdf

expires in 2020 – at the same time as the SRV. The Council Improvement Plan includes an action to prepare an options study for harmonisation of rates. It is important to note that this does not result in any additional revenues overall for Council, but rather redistributes rates equitably and consistently across the local government area.

2.4 Planned Scenario

The assumptions that inform the Planned Scenario are detailed below, along with discussion of what the impact of the 'do nothing' scenario (the Unsustainable Scenario in section 2.5) may be. This is followed by the actual primary financial reports. Commentary about particular issues to consider in Council's decision-making is also included where relevant.

Note that the assumptions relate to Council's General Fund only. A separate financial modelling exercise was undertaken for the Water Supply and Sewerage Funds.

Expiry of Special Rate Variation

As noted in section 2.3, it is assumed that Council's rate revenues will decrease by $650,000 p.a. when the existing SRV for the former Tumut Shire expires in 2020.

Increase in Waste Management Charges

While the increased waste management charges (generating an additional $688,000 p.a.) are included in the 2019/20 year to match the budget, these revenues have been removed in subsequent years as the additional expenditure corresponding to this is yet to be determined via the finalisation of Council's new Waste Management Strategy.

Employee Costs

Employee costs make up over 40% of Council's ongoing expenses. The $13.5M in the 2019/20 budget is still a considerable reduction from previous years.

Some of this reduction is a result of additional employees undertaking work associated with the merger implementation and other grant funded activities. Some of it is due to a review of positions as they have become vacant over the last 12 months, with decisions made not to replace all of these.

However, the majority of the decrease relates to a shift in accounting for some employees, primarily those working in the Infrastructure Works division, from operational activities (like roads and parks maintenance) to capital activities (particularly grant funded construction projects – see section 2.8).

Once these projects are completed and resources are directed back to maintenance, employee costs under operational budgets will need to increase. A key focus of service management planning is improving maintenance management systems (section 3.4.1) which will help Council to quantify the actual resourcing requirements and also to engage the community about service levels and the costs of service delivery.

A further shift in employee costs from capital works to operating budgets is expected to occur as a result of the increase in civil contracting activities (discussed below). While these employees are still undertaking construction work, it is for external customers (not Council) and so this is an operating expense. It corresponds to an increase in revenues from user charges. It is notable that this situation is comparable to previous years when Council undertook substantial work on state roads for Roads and Maritime Services.

There are a number of other issues that will tend to push employee costs higher.

Increases in employee wages and salaries are established under the Award (the new Award is currently being negotiated, but over the past 2 years increases have been 2.5% p.a.), but there are additional increases over and above this as staff move through the salary system.

Further, there is a cumulative increase in employee costs of 2.5% (around $350,000) associated with the increase in superannuation contributions from 9.5% to 12% by 2025/26.

For the Planned Scenario, it has been assumed that Council will reduce employee costs over years 2-4 of the LTFP by $0.83M, which is equivalent to 6% of the approximately $14M in ongoing costs for employees in operational areas. This will be achieved by:

- a one-off realignment of resources in 2020/21 (generating $200,000) and
- further reductions equivalent to around 1.5% p.a. in years 2, 3 and 4 (generating around $630,000) from natural attrition

It is noted that any such changes will be in consultation with staff as required by the Award.

Employee costs as a percentage of total expenditure is around 45% for years 2-10 of the LTFP (even with the reductions) which is still at the higher end compared to many similar sized councils, although the appropriate level of employee costs relative to overall expenditure depends on the nature of the organisation and its activities. It is important that Council determines the appropriate level of resourcing for its operations. Many of the actions in the Council Improvement Plan will help work towards this.

Materials and Contracts

Materials and contracts make up 15-20% of Council's ongoing expenses (around $5M p.a. in normal years, although it is higher in 2019/20 as a result of grant funded projects). Generally, such products and services will increase in line with CPI however specific items may have movements outside of the general trend, either positive or negative.

It has been assumed that Council will effectively reduce its spending on materials and contracts by 5% of the 2019/20 budget amount (a saving of around $250,000) over years 2 and 3 of the LTFP through the pursuit of efficiencies and improved purchasing processes. Thereafter, materials and contracts have been indexed at CPI (assumed to be 2.2%).

Offsetting these efficiencies, an additional amount has been included to account for increased turnover associated with civil contracting activities (which comes with an increase in user charges), as discussed below.

External Revenues from Civil Contracting Activities

Historically, Council has undertaken a considerable amount of work for 'external' customers in the civil contracting area. There are a number of benefits to such works, including the considerable economies of scale that are realised.

The largest portion of this (sometimes $10M p.a.) was road maintenance and construction works on state roads under the Road Maintenance Council Contract (RMCC) with Roads and Maritime Services (RMS). However, with the completion of major upgrade works on the Gocup Road, RMS has advised that future programs will be substantially reduced.

Council historically delivered considerable civil contracting services to other customers such as Snowy Hydro, NSW government agencies, other councils and private companies. There is potential to pursue additional revenues from such sources in future, however this is not guaranteed. It is also vital that commercial risks associated with such work are effectively managed with an appropriate governance framework.

It has been assumed that revenues from external works (accounted for under user fees and charges) will grow by $2M over the next 4 years from the relatively low base in the 2019/20 budget and that a 5% margin will be generated from such work (improving Council's financial position by $100,000 p.a.).

Council intends to develop a strategic business plan to evaluate the opportunities and to guide the process to pursue them, as identified in the Council Improvement Plan.

Increasing User Fees and Charges

There are potentially opportunities to increase user charges and fees associated with a range of Council services based on 'user pays' principles. Such opportunities will be evaluated as part of the development of Service Management Plans (section 1.5) and potentially as part of a specific business planning exercise over and above this for particular service areas.

It has been assumed that Council will generate an additional $100,000 from year 2 and a further $50,000 from year 3 of the plan, and that these will continue thereafter.

The importance of engaging with users prior to implementing such changes is acknowledged.

Interest Rates

A figure of 2.7% has been assumed for interest on investments. As discussed in section 2.6, performance in the LTFP is sensitive to changes in this figure due to the increase in cash reserves and associated interest revenues.

Reducing Depreciation by Disposing of Underutilised Assets

Depreciation makes up around 27% of Council's operating expenses. There are potentially some opportunities to reduce this by disposing of underutilised assets (a figure of $100,000 has been assumed), however any such decisions need to be considered in consultation with users.

Potential Change in Depreciation Associated with Revaluation of Transport Assets

It is important to note that Council's largest asset class – its transport network – is being revalued in 2019. This could either increase or decrease depreciation expenses, depending on the assumptions about the replacement cost and service life of Council's assets.

Service Management Plans include a section intended to improve benchmarking of Council's estimates for depreciation against similar organisations with similar assets. Improving the 'asset management system' (section 3.5) is vital to underpin efforts to better quantify depreciation estimates into the future.

Planned Scenario – Primary Financial Reports

Following are the reports for General Fund, Water Supply and Sewerage Funds as well as a Consolidated model incorporating all three.

General Fund Income Statement — Planned Scenario

Account Description	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Income										
Rates, Levies & Annual Charges	12,443,082	11,415,377	11,700,761	11,993,281	12,293,113	12,600,440	12,915,451	13,238,338	13,569,296	13,908,528
User charges and fees	5,558,335	6,347,293	7,305,976	8,188,625	8,393,341	8,603,174	8,818,254	9,038,710	9,264,678	9,496,295
Interest & Investment Revenue	518,000	506,493	479,833	415,586	432,988	487,198	531,241	607,517	683,827	733,757
Grants, subsidies, contributions - Operating	10,226,380	10,482,040	10,744,090	11,012,693	11,288,010	11,570,210	11,859,466	12,155,952	12,459,851	12,771,347
Grants, subsidies, contributions - Capital	5,255,000	-	-	-	-	-	-	-	-	-
Other Income	1,150,064	1,178,816	1,208,286	1,238,493	1,269,455	1,301,192	1,333,722	1,367,065	1,401,241	1,436,272
Total Income	**35,150,861**	**29,930,018**	**31,438,946**	**32,848,678**	**33,676,907**	**34,562,215**	**35,458,133**	**36,407,582**	**37,378,893**	**38,346,200**
Expenses										
Employee Benefits	13,496,324	14,050,000	14,260,750	14,474,661	14,691,781	15,132,535	15,586,511	15,976,173	16,375,578	16,784,967
Materials & Contracts	7,000,400	4,817,201	5,260,008	5,708,128	5,833,707	5,962,048	6,093,213	6,227,264	6,364,264	6,504,278
Depreciation & Amortization	8,742,000	8,860,550	9,082,064	9,309,115	9,541,843	9,780,389	10,024,899	10,275,522	10,532,410	10,795,720
Other Expenses	3,199,640	3,270,032	3,341,973	3,415,496	3,490,637	3,567,431	3,645,915	3,726,125	3,808,099	3,891,878
Interest on Loans	140,638	108,347	86,581	77,552	72,690	67,975	63,332	58,408	53,184	47,643
Total Expenses	**32,579,002**	**31,106,131**	**32,031,375**	**32,984,953**	**33,630,658**	**34,510,378**	**35,413,870**	**36,263,492**	**37,133,535**	**38,024,485**
Operating Result - Surplus/(Deficit)	**2,571,859**	**- 1,176,112**	**- 592,429**	**- 136,275**	**46,249**	**51,837**	**44,263**	**144,090**	**245,358**	**321,714**
Surplus/(Deficit) after Capital Grants	**- 2,683,141**	**- 1,176,112**	**- 592,429**	**- 136,275**	**46,249**	**51,837**	**44,263**	**144,090**	**245,358**	**321,714**

General Fund Balance Sheet

Account Description	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Current Assets										
Cash and cash equivelents	8,350,000	8,333,400	8,316,322	8,298,754	8,280,680	8,262,088	8,242,963	8,223,289	8,203,052	8,182,237
Current Investments	18,759,000	17,771,575	15,392,082	16,036,610	18,044,388	19,675,586	22,500,636	25,326,908	27,176,186	30,253,625
Current Receivables	1,500,000	1,537,500	1,575,938	1,615,336	1,655,719	1,697,112	1,739,540	1,783,029	1,827,604	1,873,294
Total Current Assets	**28,609,000**	**27,642,475**	**25,284,341**	**25,950,700**	**27,980,788**	**29,634,786**	**32,483,139**	**35,333,226**	**37,206,843**	**40,309,156**
Non Current Assets										
Infrastructure, Property, Plant and Equipment	454,026,000	453,476,458	454,942,038	454,112,575	452,202,825	450,675,349	447,959,534	445,341,288	443,800,083	441,105,637
Total Non Current Assets	**454,026,000**	**453,476,458**	**454,942,038**	**454,112,575**	**452,202,825**	**450,675,349**	**447,959,534**	**445,341,288**	**443,800,083**	**441,105,637**
Total Assets	**482,635,000**	**481,118,933**	**480,226,380**	**480,063,275**	**480,183,613**	**480,310,136**	**480,442,673**	**480,674,515**	**481,006,926**	**481,414,794**
Current Liabilities										
Current Payables	950,000	970,900	992,260	1,014,090	1,036,399	1,059,200	1,082,503	1,106,318	1,130,657	1,155,531
Current Borrowings	488,430	452,248	182,693	85,605	88,934	79,368	84,011	88,932	94,159	99,700
Current Provisions	5,103,000	5,230,575	5,361,339	5,495,373	5,632,757	5,773,576	5,917,916	6,065,863	6,217,510	6,372,948
Total Current Liabilities	**6,541,430**	**6,653,723**	**6,536,292**	**6,595,067**	**6,758,091**	**6,912,144**	**7,084,429**	**7,261,113**	**7,442,326**	**7,628,179**
Non Current Liabilities										
Non Current Borrowings	1,989,570	1,537,322	1,354,629	1,269,024	1,180,090	1,100,722	1,016,711	927,779	833,620	733,920
Total Non Current Liabilities	**1,989,570**	**1,537,322**	**1,354,629**	**1,269,024**	**1,180,090**	**1,100,722**	**1,016,711**	**927,779**	**833,620**	**733,920**
Total Liabilities	**8,531,000**	**8,191,045**	**7,890,921**	**7,864,091**	**7,938,181**	**8,012,866**	**8,101,140**	**8,188,892**	**8,275,946**	**8,362,099**
Net Assets	**474,104,000**	**472,927,888**	**472,335,459**	**472,199,184**	**472,245,432**	**472,297,269**	**472,341,533**	**472,485,622**	**472,730,980**	**473,052,695**
Equity										
Council equity	474,104,000	472,927,888	472,335,459	472,199,184	472,245,432	472,297,269	472,341,533	472,485,622	472,730,980	473,052,695
Total Equity	**474,104,000**	**472,927,888**	**472,335,459**	**472,199,184**	**472,245,432**	**472,297,269**	**472,341,533**	**472,485,622**	**472,730,980**	**473,052,695**
Total Equity	**474,104,000**	**472,927,888**	**472,335,459**	**472,199,184**	**472,245,432**	**472,297,269**	**472,341,533**	**472,485,622**	**472,730,980**	**473,052,695**
Check Balance (should be nil)	-	-	-	-	-	-	-	-	-	-

General Fund Cash Flow

Account Description	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Cash Flows from Operating Activities										
Receipts:										
Rates, Levies & Annual Charges	12,443,082	11,415,377	11,700,761	11,993,281	12,293,113	12,600,440	12,915,451	13,238,338	13,569,296	13,908,528
User charges and fees	5,558,335	6,347,293	7,305,976	8,188,625	8,393,341	8,603,174	8,818,254	9,038,710	9,264,678	9,496,295
Interest & Investment Revenue	518,000	506,493	479,833	415,586	432,988	487,198	531,241	607,517	683,827	733,757
Grants, subsidies, contributions - Operating	1,150,064	10,482,040	10,744,090	11,012,693	11,288,010	11,570,210	11,859,466	12,155,952	12,459,851	12,771,347
Grants, subsidies, contributions - Capital	10,226,380	-	-	-	-	-	-	-	-	-
Other Income	5,255,000	1,178,816	1,208,286	1,238,493	1,269,455	1,301,192	1,333,722	1,367,065	1,401,241	1,436,272
Payments:										
Employee Benefits	- 13,296,324	- 13,922,425	- 14,129,986	- 14,340,628	- 14,554,397	- 14,991,716	- 15,442,171	- 15,828,226	- 16,223,931	- 16,629,529
Materials and Contracts	- 7,000,400	- 4,817,201	- 5,260,008	- 5,708,128	- 5,833,707	- 5,962,048	- 6,093,213	- 6,227,264	- 6,364,264	- 6,504,278
Other Expenses	- 3,199,640	- 3,270,032	- 3,341,973	- 3,415,496	- 3,490,637	- 3,567,431	- 3,645,915	- 3,726,125	- 3,808,099	- 3,891,878
Net cash provided (or used in) operating activities	**11,654,497**	**7,920,360**	**8,706,980**	**9,384,426**	**9,798,166**	**10,041,020**	**10,276,834**	**10,625,967**	**10,982,598**	**11,320,515**
Cash Flows from Investing Activities										
Payments:										
Purchase of infrastructure, plant and equipment	- 22,925,277	- 8,311,008	- 10,547,645	- 8,479,652	- 7,632,093	- 8,252,913	- 7,309,084	- 7,657,276	- 8,991,204	- 8,101,274
Net cash provided (or used in) investing activities	**- 22,925,277**	**- 8,311,008**	**- 10,547,645**	**- 8,479,652**	**- 7,632,093**	**- 8,252,913**	**- 7,309,084**	**- 7,657,276**	**- 8,991,204**	**- 8,101,274**
Cash Flows from Financing Activities										
Payments:										
Repayment of Borrowings and Advances	- 589,638	- 596,777	- 538,829	- 260,245	- 158,295	- 156,909	- 142,700	- 142,419	- 142,116	- 141,802
Net cash provided (or used in) financing activities	**- 589,638**	**- 596,777**	**- 538,829**	**- 260,245**	**- 158,295**	**- 156,909**	**- 142,700**	**- 142,419**	**- 142,116**	**- 141,802**
Net (increase) / decrease in cash	**- 11,860,418**	**- 987,425**	**- 2,379,494**	**644,529**	**2,007,778**	**1,631,198**	**2,825,050**	**2,826,272**	**1,849,278**	**3,077,439**

Water Fund Income Statement — Planned Scenario

Account Description	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Income										
Rates, Levies & Annual Charges	1,140,000	1,051,650	1,077,941	1,104,890	1,132,512	1,160,825	1,189,845	1,219,592	1,250,081	1,281,333
User charges and fees	3,191,000	2,943,698	3,017,290	3,092,722	3,170,040	3,249,291	3,330,524	3,413,787	3,499,131	3,586,610
Interest & Investment Revenue	153,000	155,000	133,000	90,000	46,000	30,000	37,000	60,000	56,000	56,000
Grants, subsidies, contributions - Operating	56,000	58,835	61,814	64,943	68,231	71,685	75,314	79,127	83,132	87,341
Grants, subsidies, contributions - Capital	66,000	67,650	406,592	1,188,887	4,047,682	74,673	76,540	1,312,309	80,415	82,425
Other Income	2,000	2,054	2,109	2,166	2,225	2,285	2,347	2,410	2,475	2,542
Total Income	4,608,000	4,278,887	4,698,746	5,543,608	8,466,690	4,588,759	4,711,569	6,087,224	4,971,235	5,096,251
Expenses										
Employee Benefits	850,000	871,250	893,031	915,357	938,241	961,697	985,739	1,010,383	1,035,642	1,061,534
Materials & Contracts	1,201,000	1,227,422	1,254,425	1,282,023	1,310,227	1,339,052	1,368,511	1,398,619	1,429,388	1,460,835
Depreciation & Amortization	1,167,000	1,196,175	1,226,079	1,256,731	1,288,150	1,320,353	1,353,362	1,387,196	1,421,876	1,457,423
Other Expenses	380,000	388,360	396,904	405,636	414,560	423,680	433,001	442,527	452,263	462,212
Interest on Loans	210,000	176,300	137,632	100,151	195,375	179,894	172,794	166,416	158,392	149,864
Total Expenses	3,808,000	3,859,507	3,908,072	3,959,898	4,146,552	4,224,677	4,313,408	4,405,141	4,497,562	4,591,867
Operating Result - Surplus/(Deficit)	800,000	419,380	790,674	1,583,711	4,320,137	364,082	398,161	1,682,083	473,673	504,383
Surplus/(Deficit) after Capital Grants	734,000	351,730	384,082	394,824	272,455	289,409	321,621	369,774	393,258	421,958

Water Fund Balance Sheet

Account Description	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Current Assets										
Cash and cash equivelents	985,421	942,602	898,712	853,726	807,614	760,350	711,904	662,247	611,349	559,178
Current Investments	4,514,000	4,637,325	3,779,506	2,245,257	3,036,410	3,172,753	4,000,510	5,833,157	5,079,350	5,933,189
Current Receivables	1,712,761	1,755,580	1,799,470	1,844,456	1,890,568	1,937,832	1,986,278	2,035,935	2,086,833	2,139,004
Total Current Assets	7,212,182	7,335,507	6,477,688	4,943,439	5,734,592	5,870,935	6,698,692	8,531,339	7,777,532	8,631,371
Non Current Assets										
Infrastructure, Property, Plant and Equipment	50,223,000	49,957,825	51,016,746	53,513,014	58,199,865	58,124,511	57,511,149	57,173,953	58,162,077	57,519,653
Total Non Current Assets	50,223,000	49,957,825	51,016,746	53,513,014	58,199,865	58,124,511	57,511,149	57,173,953	58,162,077	57,519,653
Total Assets	57,435,182	57,293,332	57,494,434	58,456,454	63,934,457	63,995,446	64,209,841	65,705,292	65,939,609	66,151,025
Current Liabilities										
Current Borrowings	561,230	589,572	621,691	654,134	303,093	183,766	186,633	239,356	292,968	346,317
Total Current Liabilities	561,230	589,572	621,691	654,134	303,093	183,766	186,633	239,356	292,968	346,317
Non Current Liabilities										
Non Current Borrowings	2,859,770	2,270,198	1,648,507	994,373	2,503,280	2,319,514	2,132,882	1,893,526	1,600,559	1,254,242
Total Non Current Liabilities	2,859,770	2,270,198	1,648,507	994,373	2,503,280	2,319,514	2,132,882	1,893,526	1,600,559	1,254,242
Total Liabilities	3,421,000	2,859,770	2,270,198	1,648,507	2,806,373	2,503,280	2,319,514	2,132,882	1,893,526	1,600,559
Net Assets	54,014,182	54,433,562	55,224,236	56,807,947	61,128,084	61,492,166	61,890,327	63,572,410	64,046,083	64,550,466
Equity										
Council equity	54,014,182	54,433,562	55,224,236	56,807,947	61,128,084	61,492,166	61,890,327	63,572,410	64,046,083	64,550,466
Total Equity	54,014,182	54,433,562	55,224,236	56,807,947	61,128,084	61,492,166	61,890,327	63,572,410	64,046,083	64,550,466
Total Equity	54,014,182	54,433,562	55,224,236	56,807,947	61,128,084	61,492,166	61,890,327	63,572,410	64,046,083	64,550,466
Check Balance (should be nil)	-	-	-	-	-	-	-	-	-	-

Water Fund Cash Flow

Account Description	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Cash Flows from Operating Activities										
Receipts:										
Rates, Levies & Annual Charges	1,140,000	1,051,650	1,077,941	1,104,890	1,132,512	1,160,825	1,189,845	1,219,592	1,250,081	1,281,333
User charges and fees	3,191,000	2,943,698	3,017,290	3,092,722	3,170,040	3,249,291	3,330,524	3,413,787	3,499,131	3,586,610
Interest & Investment Revenue	153,000	155,000	133,000	90,000	46,000	30,000	37,000	60,000	56,000	56,000
Payments:										
Employee Benefits	-850,000	-871,250	-893,031	-915,357	-938,241	-961,697	-985,739	-1,010,383	-1,035,642	-1,061,534
Materials and Contracts	-1,201,000	-1,227,422	-1,254,425	-1,282,023	-1,310,227	-1,339,052	-1,368,511	-1,398,619	-1,429,388	-1,460,835
Other Expenses	-380,000	-388,360	-396,904	-405,636	-414,560	-423,680	-433,001	-442,527	-452,263	-462,212
Net cash provided (or used in) operating activities	2,177,000	1,791,855	2,154,386	2,940,593	5,803,662	1,864,330	1,924,317	3,235,695	2,053,941	2,111,670
Cash Flows from Investing Activities										
Payments:										
Purchase of infrastructure, plant and equipment	-600,000	-931,000	-2,285,000	-3,753,000	-5,975,000	-1,245,000	-740,000	-1,050,000	-2,410,000	-815,000
Net cash provided (or used in) investing activities	-600,000	-931,000	-2,285,000	-3,753,000	-5,975,000	-1,245,000	-740,000	-1,050,000	-2,410,000	-815,000
Cash Flows from Financing Activities										
Receipts:										
Borrowings and Advances	-	-	-	-	1,812,000	-	-	-	-	-
Payments:										
Repayment of Borrowings and Advances	-800,000	-737,530	-727,204	-721,842	-849,509	-482,987	-356,560	-353,049	-397,748	-442,831
Net cash provided (or used in) financing activities	-800,000	-737,530	-727,204	-721,842	962,491	-482,987	-356,560	-353,049	-397,748	-442,831
Net (increase) / decrease in cash	777,000	123,325	-857,818	-1,534,249	791,153	136,343	827,758	1,832,647	-753,807	853,839

Sewerage Fund Income Statement — Planned Scenario

Account Description	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Income										
Rates, Levies & Annual Charges	4,257,000	4,357,096	4,508,884	4,669,814	4,834,834	4,955,705	5,079,597	5,206,587	5,336,752	5,470,171
User charges and fees	47,000	48,175	49,379	50,614	51,879	53,176	54,506	55,868	57,265	58,697
Interest & Investment Revenue	194,000	202,950	215,378	203,532	194,271	195,734	198,308	175,925	165,703	118,642
Grants, subsidies, contributions - Operating	-	-	-	-	-	-	-	-	-	-
Grants, subsidies, contributions - Capital	56,000	57,400	1,135,726	2,820,377	61,814	933,412	64,943	66,566	68,231	69,936
Other Income	-	-	-	-	-	-	-	-	-	-
Total Income	4,554,000	4,665,621	5,909,367	7,744,336	5,142,798	6,138,026	5,397,353	5,504,947	5,627,950	5,717,446
Expenses										
Employee Benefits	1,243,000	1,274,075	1,305,927	1,338,575	1,372,039	1,406,340	1,441,499	1,477,536	1,514,475	1,552,337
Materials & Contracts	1,541,000	1,574,902	1,609,550	1,644,960	1,681,149	1,718,134	1,755,933	1,794,564	1,834,044	1,874,393
Depreciation & Amortization	1,138,000	1,166,450	1,195,611	1,225,502	1,256,139	1,287,543	1,319,731	1,352,724	1,386,542	1,421,206
Other Expenses	252,000	257,544	263,210	269,001	274,919	280,967	287,148	293,465	299,922	306,520
Interest on Loans	149,094	134,275	117,670	231,531	214,140	202,522	192,509	181,869	170,576	223,546
Total Expenses	4,323,094	4,407,246	4,491,968	4,709,569	4,798,386	4,895,506	4,996,821	5,100,159	5,205,560	5,378,002
Operating Result - Surplus/(Deficit)	230,906	258,375	1,417,399	3,034,768	344,412	1,242,520	400,533	404,788	422,391	339,443
Surplus/(Deficit) after Capital Grants	174,906	200,975	281,673	214,391	282,598	309,108	335,590	338,222	354,160	269,507

Sewerage Fund Balance Sheet

Account Description	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Current Assets										
Cash and cash equivelents	797,584	787,257	776,673	765,823	754,703	743,304	731,621	719,645	707,370	694,788
Current Investments	6,120,931	6,488,654	7,169,751	5,822,490	6,412,047	6,053,916	6,302,657	4,376,308	4,722,680	834,168
Current Receivables	413,062	423,389	433,973	444,823	455,943	467,342	479,025	491,001	503,276	515,858
Total Current Assets	7,331,577	7,699,300	8,380,397	7,033,136	7,622,693	7,264,562	7,513,303	5,586,954	5,933,326	2,044,814
Non Current Assets										
Infrastructure, Property, Plant and Equipment	64,275,547	63,875,797	64,306,553	70,224,067	69,658,915	70,876,310	70,751,063	72,749,244	72,436,115	77,019,442
Total Non Current Assets	64,275,547	63,875,797	64,306,553	70,224,067	69,658,915	70,876,310	70,751,063	72,749,244	72,436,115	77,019,442
Total Assets	71,607,124	71,575,097	72,686,951	77,257,203	77,281,608	78,140,872	78,264,366	78,336,198	78,369,441	79,064,255
Current Liabilities										
Current Borrowings	290,402	305,545	321,515	320,007	383,256	277,039	332,956	389,148	445,629	502,412
Total Current Liabilities	290,402	305,545	321,515	320,007	383,256	277,039	332,956	389,148	445,629	502,412
Non Current Liabilities										
Non Current Borrowings	2,982,000	2,676,455	2,354,940	3,891,933	3,508,677	3,231,638	2,898,682	2,509,534	2,063,905	2,362,493
Total Non Current Liabilities	2,982,000	2,676,455	2,354,940	3,891,933	3,508,677	3,231,638	2,898,682	2,509,534	2,063,905	2,362,493
Total Liabilities	3,272,402	2,982,000	2,676,455	4,211,940	3,891,933	3,508,677	3,231,638	2,898,682	2,509,534	2,864,905
Net Assets	68,334,722	68,593,097	70,010,496	73,045,263	73,389,675	74,632,195	75,032,728	75,437,516	75,859,907	76,199,350
Equity										
Council equity	68,334,722	68,593,097	70,010,496	73,045,263	73,389,675	74,632,195	75,032,728	75,437,516	75,859,907	76,199,350
Total Equity	68,334,722	68,593,097	70,010,496	73,045,263	73,389,675	74,632,195	75,032,728	75,437,516	75,859,907	76,199,350
Total Equity	68,334,722	68,593,097	70,010,496	73,045,263	73,389,675	74,632,195	75,032,728	75,437,516	75,859,907	76,199,350
Check Balance (should be nil)	-	-	-	-	-	-	-	-	-	-

Sewerage Fund Cash Flow

Account Description	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Cash Flows from Operating Activities										
Receipts:										
Rates, Levies & Annual Charges	4,257,000	4,357,096	4,508,884	4,669,814	4,834,834	4,955,705	5,079,597	5,206,587	5,336,752	5,470,171
User charges and fees	47,000	48,175	49,379	50,614	51,879	53,176	54,506	55,868	57,265	58,697
Interest & Investment Revenue	194,000	202,950	215,378	203,532	194,271	195,734	198,308	175,925	165,703	118,642
Grants, subsidies, contributions - Operating	-	-	-	-	-	-	-	-	-	-
Grants, subsidies, contributions - Capital	56,000	57,400	1,135,726	2,820,377	61,814	933,412	64,943	66,566	68,231	69,936
Other Income	-	-	-	-	-	-	-	-	-	-
Payments:										
Employee Benefits	- 1,243,000	- 1,274,075	- 1,305,927	- 1,338,575	- 1,372,039	- 1,406,340	- 1,441,499	- 1,477,536	- 1,514,475	- 1,552,337
Materials and Contracts	- 1,541,000	- 1,574,902	- 1,609,550	- 1,644,960	- 1,681,149	- 1,718,134	- 1,755,933	- 1,794,564	- 1,834,044	- 1,874,393
Other Expenses	- 252,000	- 257,544	- 263,210	- 269,001	- 274,919	- 280,967	- 287,148	- 293,465	- 299,922	- 306,520
Net cash provided (or used in) operating activities	1,518,000	1,559,100	2,730,680	4,491,801	1,814,691	2,732,585	1,912,773	1,939,382	1,979,510	1,984,196
Cash Flows from Investing Activities										
Payments:										
Purchase of infrastructure, plant and equipment	- 698,000	- 766,700	- 1,626,368	- 7,143,016	- 690,987	- 2,504,938	- 1,194,484	- 3,350,905	- 1,073,413	- 6,004,533
Net cash provided (or used in) investing activities	- 698,000	- 766,700	- 1,626,368	- 7,143,016	- 690,987	- 2,504,938	- 1,194,484	- 3,350,905	- 1,073,413	- 6,004,533
Cash Flows from Financing Activities										
Receipts:										
Borrowings and Advances	-	-	-	1,857,000	-	-	-	-	-	801,000
Payments:										
Repayment of Borrowings and Advances	- 427,094	- 424,677	- 423,215	- 553,046	- 534,147	- 585,778	- 469,548	- 514,825	- 559,724	- 669,175
Net cash provided (or used in) financing activities	- 427,094	- 424,677	- 423,215	1,303,954	- 534,147	- 585,778	- 469,548	- 514,825	- 559,724	131,825
Net (increase) / decrease in cash	392,906	367,723	681,098	- 1,347,261	589,557	- 358,131	248,741	- 1,926,348	346,372	- 3,888,513

Consolidated Income Statement (General + Water + Sewerage Funds) — Planned Scenario

Account Description	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Income										
Rates, Levies & Annual Charges	17,840,082	16,824,123	17,287,587	17,767,984	18,260,458	18,716,970	19,184,894	19,664,516	20,156,129	20,660,033
User charges and fees	8,796,335	9,339,166	10,372,645	11,331,961	11,615,260	11,905,642	12,203,283	12,508,365	12,821,074	13,141,601
Interest & Investment Revenue	865,000	864,443	828,211	709,119	673,260	712,932	766,548	843,443	905,529	908,399
Grants, subsidies, contributions - Operating	10,282,380	10,540,875	10,805,904	11,077,636	11,356,241	11,641,895	11,934,779	12,235,079	12,542,983	12,858,688
Grants, subsidies, contributions - Capital	5,377,000	125,050	1,542,318	4,009,264	4,109,495	1,008,085	141,483	1,378,875	148,645	152,361
Other Income	1,152,064	1,180,870	1,210,395	1,240,660	1,271,680	1,303,477	1,336,068	1,369,475	1,403,716	1,438,814
Total Income	44,312,861	38,874,526	42,047,059	46,136,622	47,286,394	45,289,000	45,567,055	47,999,753	47,978,077	49,159,896
Expenses										
Employee Benefits	15,589,324	16,195,325	16,459,708	16,728,593	17,002,062	17,500,572	18,013,749	18,464,093	18,925,695	19,398,837
Materials & Contracts	9,742,400	7,619,525	8,123,983	8,635,111	8,825,083	9,019,235	9,217,658	9,420,446	9,627,696	9,839,506
Depreciation & Amortization	11,047,000	11,223,175	11,503,754	11,791,348	12,086,132	12,388,285	12,697,992	13,015,442	13,340,828	13,674,349
Other Expenses	3,831,640	3,915,936	4,002,087	4,090,133	4,180,115	4,272,078	4,366,064	4,462,117	4,560,284	4,660,610
Interest on Loans	499,732	418,922	341,883	409,234	482,205	450,391	428,635	406,693	382,153	421,053
Total Expenses	40,710,096	39,372,884	40,431,415	41,654,419	42,575,597	43,630,561	44,724,098	45,768,791	46,836,656	47,994,355
Operating Result - Surplus/(Deficit)	3,602,765	- 498,358	1,615,644	4,482,203	4,710,798	1,658,439	842,957	2,230,961	1,141,421	1,165,541
Surplus/(Deficit) after Capital Grants	- 1,774,235	- 623,408	73,327	472,940	601,302	650,354	701,474	852,086	992,776	1,013,180

Consolidated Balance Sheet

Account Description	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Current Assets										
Cash and cash equivelents	10,133,005	10,063,259	9,991,708	9,918,303	9,842,997	9,765,742	9,686,488	9,605,182	9,521,771	9,436,203
Current Investments	29,393,931	28,897,554	26,341,339	24,104,358	27,492,846	28,902,255	32,803,803	35,536,374	36,978,217	37,020,982
Current Receivables	3,625,823	3,716,469	3,809,380	3,904,615	4,002,230	4,102,286	4,204,843	4,309,964	4,417,713	4,528,156
Total Current Assets	43,152,759	42,677,282	40,142,427	37,927,275	41,338,073	42,770,283	46,695,134	49,451,519	50,917,702	50,985,341
Non Current Assets										
Infrastructure, Property, Plant and Equipment	568,524,547	567,310,080	570,265,337	577,849,657	580,061,605	579,676,171	576,221,746	575,264,485	574,398,274	575,644,733
Total Non Current Assets	568,524,547	567,310,080	570,265,337	577,849,657	580,061,605	579,676,171	576,221,746	575,264,485	574,398,274	575,644,733
Total Assets	611,677,306	609,987,361	610,407,764	615,776,932	621,399,678	622,446,454	622,916,880	624,716,005	625,315,976	626,630,074
Current Liabilities										
Current Payables	950,000	970,900	992,260	1,014,090	1,036,399	1,059,200	1,082,503	1,106,318	1,130,657	1,155,531
Current Borrowings	1,340,062	1,347,365	1,125,899	1,059,746	775,283	540,173	603,600	717,436	832,756	948,429
Current Provisions	5,103,000	5,230,575	5,361,339	5,495,373	5,632,757	5,773,576	5,917,916	6,065,863	6,217,510	6,372,948
Total Current Liabilities	7,393,062	7,548,840	7,479,498	7,569,208	7,444,440	7,372,949	7,604,018	7,889,617	8,180,922	8,476,907
Non Current Liabilities										
Non Current Borrowings	7,831,340	6,483,975	5,358,076	6,155,330	7,192,047	6,651,874	6,048,275	5,330,839	4,498,084	4,350,655
Total Non Current Liabilities	7,831,340	6,483,975	5,358,076	6,155,330	7,192,047	6,651,874	6,048,275	5,330,839	4,498,084	4,350,655
Total Liabilities	15,224,402	14,032,815	12,837,574	13,724,538	14,636,487	14,024,823	13,652,293	13,220,456	12,679,006	12,827,563
Net Assets	596,452,904	595,954,546	597,570,190	602,052,394	606,763,191	608,421,631	609,264,587	611,495,549	612,636,970	613,802,511
Equity										
Council equity	596,452,904	595,954,546	597,570,190	602,052,394	606,763,191	608,421,631	609,264,587	611,495,549	612,636,970	613,802,511
Total Equity	596,452,904	595,954,546	597,570,190	602,052,394	606,763,191	608,421,631	609,264,587	611,495,549	612,636,970	613,802,511
Total Equity	596,452,904	595,954,546	597,570,190	602,052,394	606,763,191	608,421,631	609,264,587	611,495,549	612,636,970	613,802,511
Check Balance (should be nil)	-	-	-	-	-	-	-	-	-	-

Consolidated Cash Flow

Account Description	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Cash Flows from Operating Activities										
Receipts:										
Rates, Levies & Annual Charges	17,840,082	16,824,123	17,287,587	17,767,984	18,260,458	18,716,970	19,184,894	19,664,516	20,156,129	20,660,033
User charges and fees	8,796,335	9,339,166	10,372,645	11,331,961	11,615,260	11,905,642	12,203,283	12,508,365	12,821,074	13,141,601
Interest & Investment Revenue	865,000	864,443	828,211	709,119	673,260	712,932	766,548	843,443	905,529	908,399
Grants, subsidies, contributions - Operating	1,206,064	10,540,875	10,805,904	11,077,636	11,356,241	11,641,895	11,934,779	12,235,079	12,542,983	12,858,688
Grants, subsidies, contributions - Capital	10,348,380	125,050	1,542,318	4,009,264	4,109,495	1,008,085	141,483	1,378,875	148,645	152,361
Other Income	5,257,000	1,180,870	1,210,395	1,240,660	1,271,680	1,303,477	1,336,068	1,369,475	1,403,716	1,438,814
Payments:										
Employee Benefits	- 15,389,324	- 16,067,750	- 16,328,944	- 16,594,560	- 16,864,677	- 17,359,753	- 17,869,410	- 18,316,145	- 18,774,048	- 19,243,400
Materials and Contracts	- 9,742,400	- 7,619,525	- 8,123,983	- 8,635,111	- 8,825,083	- 9,019,235	- 9,217,658	- 9,420,446	- 9,627,696	- 9,839,506
Other Expenses	- 3,831,640	- 3,915,936	- 4,002,087	- 4,090,133	- 4,180,115	- 4,272,078	- 4,366,064	- 4,462,117	- 4,560,284	- 4,660,610
Net cash provided (or used in) operating activities	15,349,497	11,271,314	13,592,046	16,816,819	17,416,519	14,637,934	14,113,924	15,801,044	15,016,049	15,416,381
Cash Flows from Investing Activities										
Payments:										
Purchase of infrastructure, plant and equipment	- 24,223,277	- 10,008,708	- 14,459,012	- 19,375,668	- 14,298,080	- 12,002,851	- 9,243,568	- 12,058,181	- 12,474,617	- 14,920,807
Net cash provided (or used in) investing activities	- 24,223,277	- 10,008,708	- 14,459,012	- 19,375,668	- 14,298,080	- 12,002,851	- 9,243,568	- 12,058,181	- 12,474,617	- 14,920,807
Cash Flows from Financing Activities										
Receipts:										
Borrowings and Advances	-	-	-	1,857,000	1,812,000	-	-	-	-	801,000
Payments:										
Repayment of Borrowings and Advances	- 1,816,732	- 1,758,984	- 1,689,248	- 1,535,133	- 1,541,951	- 1,225,674	- 968,808	- 1,010,293	- 1,099,588	- 1,253,809
Net cash provided (or used in) financing activities	- 1,816,732	- 1,758,984	- 1,689,248	321,867	270,049	- 1,225,674	- 968,808	- 1,010,293	- 1,099,588	- 452,809
Net (increase) / decrease in cash	- 10,690,512	- 496,377	- 2,556,214	- 2,236,982	3,388,488	1,409,409	3,901,548	2,732,571	1,441,843	42,765

2.5 Unsustainable Scenario

As noted at the start of section 2, the Unsustainable Scenario shows the implications of a 'do nothing' approach on Council's financial performance over the next 10 years.

As noted in section 2.3, it is assumed that Council will not seek a new Special Rate Variation to replace revenues lost when the existing one for the former Tumut Shire expires in 2020.

Other key assumptions are relative to those for the Planned Scenario (section 2.4):

- employee costs will increase by 2.5% p.a. with the Award (there will be no reductions as assumed under the Planned Scenario), although there will be no increase in employee costs associated with civil contracting activities (this is why employee costs are lower in the unsustainable scenario 2020/21 than in the planned scenario)
- materials and contracts will increase by 2.2% p.a. in line with CPI, although there will be no further increase associated with civil contracting activities
- no increase in revenues under user fees and charges either from civil contracting activities or taking a 'user pays' approach to more Council services
- no decrease in depreciation associated with disposal of under-utilised assets.

It is important to understand the implications of the ongoing operating deficit forecast in the Income Statement for this scenario which, after 10 years, is over $2M p.a.

It is important to note that the Council's reserves are forecast to be almost halved over the 10 years compared to the Planned Scenario ($16.1M compared to $30.3M). This would be further exacerbated if Council was to increase its rate of asset renewal which is significantly less than depreciation ($84M compared to $97M) because its assets are in generally good condition (section 3.3).

Over the longer term, as these assets (currently in good condition) deteriorate, Council will need to increase its investment in renewals (spending equal to or more than depreciation) and to do so it will need to draw on its reserves which, over time will become depleted.

This is why this scenario is **unsustainable**: over the long term Council will be unable to afford to generate the funds required to provide the level of services and infrastructure agreed to with the community.

It is notable that this fails to apply another key principle of sound financial management in section 8B of the Local Government Act: part (d) states that Councils should have regard to achieving intergenerational equity, including ensuring that the current generation funds the cost of its services.

In summary, the unsustainable scenario fails to meet both of the key objectives for the LTFP defined in section 2.2: Council won't achieve an operating surplus and, over the longer term, Council won't be able to adequately fund the renewal of its assets.

Based on feedback from the community received as part of the Service Level Review Project (section 1.5), Council does not believe that the community will be willing to accept reduced service levels and declining infrastructure, either.

Unsustainable Scenario – Primary Financial Reports

Following are the reports for General Fund as well as a Consolidated model. Note that Water and Sewerage Funds do not change under the unsustainable scenario.

General Fund Income Statement — Unsustainable Scenario

Account Description	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Income										
Rates, Levies & Annual Charges	12,443,082	11,415,377	11,700,761	11,993,281	12,293,113	12,600,440	12,915,451	13,238,338	13,569,296	13,908,528
User charges and fees	5,558,335	5,697,293	5,839,726	5,985,719	6,135,362	6,288,746	6,445,964	6,607,114	6,772,291	6,941,599
Interest & Investment Revenue	518,000	506,493	476,489	390,538	369,363	377,041	372,040	396,659	418,649	411,491
Grants, subsidies, contributions - Operating	10,226,380	10,482,040	10,744,090	11,012,693	11,288,010	11,570,210	11,859,466	12,155,952	12,459,851	12,771,347
Grants, subsidies, contributions - Capital	5,255,000	-	-	-	-	-	-	-	-	-
Other Income	1,150,064	1,178,816	1,208,286	1,238,493	1,269,455	1,301,192	1,333,722	1,367,065	1,401,241	1,436,272
Total Income	35,150,861	29,280,018	29,969,352	30,620,723	31,355,302	32,137,629	32,926,643	33,765,128	34,621,329	35,469,237
Expenses										
Employee Benefits	13,496,324	13,810,000	14,224,300	14,651,029	15,090,560	15,543,277	16,009,575	16,409,814	16,820,060	17,240,561
Materials & Contracts	7,000,400	4,531,047	4,630,730	4,732,606	4,836,724	4,943,132	5,051,881	5,163,022	5,276,608	5,392,694
Depreciation & Amortization	8,742,000	8,960,550	9,184,564	9,414,178	9,649,532	9,890,771	10,138,040	10,391,491	10,651,278	10,917,560
Other Expenses	3,199,640	3,270,032	3,341,973	3,415,496	3,490,637	3,567,431	3,645,915	3,726,125	3,808,099	3,891,878
Interest on Loans	140,638	108,347	86,581	77,552	72,690	67,975	63,332	58,408	53,184	47,643
Total Expenses	32,579,002	30,679,976	31,468,148	32,290,861	33,140,143	34,012,585	34,908,742	35,748,860	36,609,230	37,490,336
Operating Result - Surplus/(Deficit)	2,571,859	-1,399,958	-1,498,796	-1,670,138	-1,784,841	-1,874,956	-1,982,099	-1,983,732	-1,987,901	-2,021,098
Surplus/(Deficit) after Capital Grants	-2,683,141	-1,399,958	-1,498,796	-1,670,138	-1,784,841	-1,874,956	-1,982,099	-1,983,732	-1,987,901	-2,021,098

General Fund Balance Sheet

Account Description	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Current Assets										
Cash and cash equivelents	8,350,000	8,333,400	8,316,322	8,298,754	8,280,680	8,262,088	8,242,963	8,223,289	8,203,052	8,182,237
Current Investments	18,759,000	17,647,730	14,464,369	13,680,097	13,964,475	13,779,261	14,691,090	15,505,509	15,240,397	16,096,863
Current Receivables	1,500,000	1,537,500	1,575,938	1,615,336	1,655,719	1,697,112	1,739,540	1,783,029	1,827,604	1,873,294
Total Current Assets	28,609,000	27,518,630	24,356,629	23,594,187	23,900,874	23,738,462	24,673,593	25,511,827	25,271,053	26,152,394
Non Current Assets										
Infrastructure, Property, Plant and Equipment	454,026,000	453,376,458	454,739,538	453,805,013	451,787,574	450,149,716	447,320,760	444,586,545	442,926,471	440,110,186
Total Non Current Assets	454,026,000	453,376,458	454,739,538	453,805,013	451,787,574	450,149,716	447,320,760	444,586,545	442,926,471	440,110,186
Total Assets	482,635,000	480,895,087	479,096,168	477,399,200	475,688,448	473,888,178	471,994,353	470,098,372	468,197,525	466,262,580
Current Liabilities										
Current Payables	950,000	970,900	992,260	1,014,090	1,036,399	1,059,200	1,082,503	1,106,318	1,130,657	1,155,531
Current Borrowings	488,430	452,248	182,693	85,605	88,934	79,368	84,011	88,932	94,159	99,700
Current Provisions	5,103,000	5,230,575	5,361,339	5,495,373	5,632,757	5,773,576	5,917,916	6,065,863	6,217,510	6,372,948
Total Current Liabilities	6,541,430	6,653,723	6,536,292	6,595,067	6,758,091	6,912,144	7,084,429	7,261,113	7,442,326	7,628,179
Non Current Liabilities										
Non Current Borrowings	1,989,570	1,537,322	1,354,629	1,269,024	1,180,090	1,100,722	1,016,711	927,779	833,620	733,920
Total Non Current Liabilities	1,989,570	1,537,322	1,354,629	1,269,024	1,180,090	1,100,722	1,016,711	927,779	833,620	733,920
Total Liabilities	8,531,000	8,191,045	7,890,921	7,864,091	7,938,181	8,012,866	8,101,140	8,188,892	8,275,946	8,362,099
Net Assets	474,104,000	472,704,042	471,205,246	469,535,108	467,750,268	465,875,312	463,893,213	461,909,480	459,921,579	457,900,481
Equity										
Council equity	474,104,000	472,704,042	471,205,246	469,535,108	467,750,268	465,875,312	463,893,213	461,909,480	459,921,579	457,900,481
Total Equity	474,104,000	472,704,042	471,205,246	469,535,108	467,750,268	465,875,312	463,893,213	461,909,480	459,921,579	457,900,481
Total Equity	474,104,000	472,704,042	471,205,246	469,535,108	467,750,268	465,875,312	463,893,213	461,909,480	459,921,579	457,900,481
Check Balance (should be nil)	-	-	-	-	-	-	-	-	-	-

General Fund Cash Flow

Account Description	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Cash Flows from Operating Activities										
Receipts:										
Rates, Levies & Annual Charges	12,443,082	11,415,377	11,700,761	11,993,281	12,293,113	12,600,440	12,915,451	13,238,338	13,569,296	13,908,528
User charges and fees	5,558,335	5,697,293	5,839,726	5,985,719	6,135,362	6,288,746	6,445,964	6,607,114	6,772,291	6,941,599
Interest & Investment Revenue	518,000	506,493	476,489	390,538	369,363	377,041	372,040	396,659	418,649	411,491
Grants, subsidies, contributions - Operating	1,150,064	10,482,040	10,744,090	11,012,693	11,288,010	11,570,210	11,859,466	12,155,952	12,459,851	12,771,347
Grants, subsidies, contributions - Capital	10,226,380	-	-	-	-	-	-	-	-	-
Other Income	5,255,000	1,178,816	1,208,286	1,238,493	1,269,455	1,301,192	1,333,722	1,367,065	1,401,241	1,436,272
Payments:										
Employee Benefits	-13,296,324	-13,682,425	-14,093,536	-14,516,996	-14,953,176	-15,402,458	-15,865,236	-16,261,866	-16,668,413	-17,085,123
Materials and Contracts	-7,000,400	-4,531,047	-4,630,730	-4,732,606	-4,836,724	-4,943,132	-5,051,881	-5,163,022	-5,276,608	-5,392,694
Other Expenses	-3,199,640	-3,270,032	-3,341,973	-3,415,496	-3,490,637	-3,567,431	-3,645,915	-3,726,125	-3,808,099	-3,891,878
Net cash provided (or used in) operating activities	11,654,497	7,796,514	7,903,114	7,955,625	8,074,766	8,224,609	8,363,612	8,614,114	8,868,208	9,099,543
Cash Flows from Investing Activities										
Payments:										
Purchase of infrastructure, plant and equipment	-22,925,277	-8,311,008	-10,547,645	-8,479,652	-7,632,093	-8,252,913	-7,309,084	-7,657,276	-8,991,204	-8,101,274
Net cash provided (or used in) investing activities	-22,925,277	-8,311,008	-10,547,645	-8,479,652	-7,632,093	-8,252,913	-7,309,084	-7,657,276	-8,991,204	-8,101,274
Cash Flows from Financing Activities										
Payments:										
Repayment of Borrowings and Advances	-589,638	-596,777	-538,829	-260,245	-158,295	-156,909	-142,700	-142,419	-142,116	-141,802
Net cash provided (or used in) financing activities	-589,638	-596,777	-538,829	-260,245	-158,295	-156,909	-142,700	-142,419	-142,116	-141,802
Net (increase) / decrease in cash	-11,860,418	-1,111,270	-3,183,360	-784,272	284,378	-185,214	911,829	814,419	-265,113	856,466

Consolidated Income Statement (General + Water + Sewerage Funds) — **Unsustainable Scenario**

Account Description	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Income										
Rates, Levies & Annual Charges	17,840,082	16,824,123	17,287,587	17,767,984	18,260,458	18,716,970	19,184,894	19,664,516	20,156,129	20,660,033
User charges and fees	8,796,335	8,689,166	8,906,395	9,129,055	9,357,281	9,591,213	9,830,994	10,076,768	10,328,688	10,586,905
Interest & Investment Revenue	865,000	864,443	824,867	684,070	609,634	602,774	607,348	632,585	640,352	586,133
Grants, subsidies, contributions - Operating	10,282,380	10,540,875	10,805,904	11,077,636	11,356,241	11,641,895	11,934,779	12,235,079	12,542,983	12,858,688
Grants, subsidies, contributions - Capital	5,377,000	125,050	1,542,318	4,009,264	4,109,495	1,008,085	141,483	1,378,875	148,645	152,361
Other Income	1,152,064	1,180,870	1,210,395	1,240,660	1,271,680	1,303,477	1,336,068	1,369,475	1,403,716	1,438,814
Total Income	44,312,861	38,224,526	40,577,465	43,908,668	44,964,790	42,864,414	43,035,565	45,357,299	45,220,513	46,282,934
Expenses										
Employee Benefits	15,589,324	15,955,325	16,423,258	16,904,961	17,400,840	17,911,314	18,436,813	18,897,734	19,370,177	19,854,431
Materials & Contracts	9,742,400	7,333,371	7,494,705	7,659,589	7,828,100	8,000,318	8,176,325	8,356,204	8,540,041	8,727,922
Depreciation & Amortization	11,047,000	11,323,175	11,606,254	11,896,411	12,193,821	12,498,667	12,811,133	13,131,412	13,459,697	13,796,189
Other Expenses	3,831,640	3,915,936	4,002,087	4,090,133	4,180,115	4,272,078	4,366,064	4,462,117	4,560,284	4,660,610
Interest on Loans	499,732	418,922	341,883	409,234	482,205	450,391	428,635	406,693	382,153	421,053
Total Expenses	40,710,096	38,946,729	39,868,188	40,960,328	42,085,081	43,132,768	44,218,971	45,254,160	46,312,351	47,460,205
Operating Result - Surplus/(Deficit)	3,602,765	- 722,204	709,278	2,948,340	2,879,708	- 268,354	- 1,183,405	103,139	- 1,091,838	- 1,177,272
Surplus/(Deficit) after Capital Grants	- 1,774,235	- 847,254	- 833,040	- 1,060,924	- 1,229,787	- 1,276,438	- 1,324,888	- 1,275,736	- 1,240,483	- 1,329,633

Consolidated Balance Sheet

Account Description	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Current Assets										
Cash and cash equivelents	10,133,005	10,063,259	9,991,708	9,918,303	9,842,997	9,765,742	9,686,488	9,605,182	9,521,771	9,436,203
Current Investments	29,393,931	28,773,708	25,413,627	21,747,845	23,412,932	23,005,930	24,994,257	25,714,975	25,042,428	22,864,220
Current Receivables	3,625,823	3,716,469	3,809,380	3,904,615	4,002,230	4,102,286	4,204,843	4,309,964	4,417,713	4,528,156
Total Current Assets	43,152,759	42,553,436	39,214,715	35,570,762	37,258,160	36,873,958	38,885,587	39,630,120	38,981,912	36,828,579
Non Current Assets										
Infrastructure, Property, Plant and Equipment	568,524,547	567,210,080	570,062,837	577,542,094	579,646,354	579,150,538	575,582,973	574,509,742	573,524,663	574,649,281
Total Non Current Assets	568,524,547	567,210,080	570,062,837	577,542,094	579,646,354	579,150,538	575,582,973	574,509,742	573,524,663	574,649,281
Total Assets	611,677,306	609,763,515	609,277,552	613,112,857	616,904,513	616,024,496	614,468,560	614,139,863	612,506,575	611,477,860
Current Liabilities										
Current Payables	950,000	970,900	992,260	1,014,090	1,036,399	1,059,200	1,082,503	1,106,318	1,130,657	1,155,531
Current Borrowings	1,340,062	1,347,365	1,125,899	1,059,746	775,283	540,173	603,600	717,436	832,756	948,429
Current Provisions	5,103,000	5,230,575	5,361,339	5,495,373	5,632,757	5,773,576	5,917,916	6,065,863	6,217,510	6,372,948
Total Current Liabilities	7,393,062	7,548,840	7,479,498	7,569,208	7,444,440	7,372,949	7,604,018	7,889,617	8,180,922	8,476,907
Non Current Liabilities										
Non Current Borrowings	7,831,340	6,483,975	5,358,076	6,155,330	7,192,047	6,651,874	6,048,275	5,330,839	4,498,084	4,350,655
Total Non Current Liabilities	7,831,340	6,483,975	5,358,076	6,155,330	7,192,047	6,651,874	6,048,275	5,330,839	4,498,084	4,350,655
Total Liabilities	15,224,402	14,032,815	12,837,574	13,724,538	14,636,487	14,024,823	13,652,293	13,220,456	12,679,006	12,827,563
Net Assets	596,452,904	595,730,700	596,439,978	599,388,318	602,268,027	601,999,673	600,816,268	600,919,407	599,827,569	598,650,297
Equity										
Council equity	596,452,904	595,730,700	596,439,978	599,388,318	602,268,027	601,999,673	600,816,268	600,919,407	599,827,569	598,650,297
Total Equity	596,452,904	595,730,700	596,439,978	599,388,318	602,268,027	601,999,673	600,816,268	600,919,407	599,827,569	598,650,297
Total Equity	596,452,904	595,730,700	596,439,978	599,388,318	602,268,027	601,999,673	600,816,268	600,919,407	599,827,569	598,650,297
Check Balance (should be nil)	-	-	-	-	-	-	-	-	-	-

Consolidated Cash Flow

Account Description	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Cash Flows from Operating Activities										
Receipts:										
Rates, Levies & Annual Charges	17,840,082	16,824,123	17,287,587	17,767,984	18,260,458	18,716,970	19,184,894	19,664,516	20,156,129	20,660,033
User charges and fees	8,796,335	8,689,166	8,906,395	9,129,055	9,357,281	9,591,213	9,830,994	10,076,768	10,328,688	10,586,905
Interest & Investment Revenue	865,000	864,443	824,867	684,070	609,634	602,774	607,348	632,585	640,352	586,133
Grants, subsidies, contributions - Operating	1,206,064	10,540,875	10,805,904	11,077,636	11,356,241	11,641,895	11,934,779	12,235,079	12,542,983	12,858,688
Grants, subsidies, contributions - Capital	10,348,380	125,050	1,542,318	4,009,264	4,109,495	1,008,085	141,483	1,378,875	148,645	152,361
Other Income	5,257,000	1,180,870	1,210,395	1,240,660	1,271,680	1,303,477	1,336,068	1,369,475	1,403,716	1,438,814
Payments:										
Employee Benefits	- 15,389,324	- 15,827,750	- 16,292,494	- 16,770,928	- 17,263,456	- 17,770,495	- 18,292,474	- 18,749,786	- 19,218,530	- 19,698,994
Materials and Contracts	- 9,742,400	- 7,333,371	- 7,494,705	- 7,659,589	- 7,828,100	- 8,000,318	- 8,176,325	- 8,356,204	- 8,540,041	- 8,727,922
Other Expenses	- 3,831,640	- 3,915,936	- 4,002,087	- 4,090,133	- 4,180,115	- 4,272,078	- 4,366,064	- 4,462,117	- 4,560,284	- 4,660,610
Net cash provided (or used in) operating activities	15,349,497	11,147,468	12,788,179	15,388,019	15,693,118	12,821,523	12,200,703	13,789,191	12,901,658	13,195,408
Cash Flows from Investing Activities										
Payments:										
Purchase of infrastructure, plant and equipment	- 24,223,277	- 10,008,708	- 14,459,012	- 19,375,668	- 14,298,080	- 12,002,851	- 9,243,568	- 12,058,181	- 12,474,617	- 14,920,807
Net cash provided (or used in) investing activities	- 24,223,277	- 10,008,708	- 14,459,012	- 19,375,668	- 14,298,080	- 12,002,851	- 9,243,568	- 12,058,181	- 12,474,617	- 14,920,807
Cash Flows from Financing Activities										
Receipts:										
Borrowings and Advances	-	-	-	1,857,000	1,812,000	-	-	-	-	801,000
Payments:										
Repayment of Borrowings and Advances	- 1,816,732	- 1,758,984	- 1,689,248	- 1,535,133	- 1,541,951	- 1,225,674	- 968,808	- 1,010,293	- 1,099,588	- 1,253,809
Net cash provided (or used in) financing activities	- 1,816,732	- 1,758,984	- 1,689,248	321,867	270,049	- 1,225,674	- 968,808	- 1,010,293	- 1,099,588	- 452,809
Net (increase) / decrease in cash	- 10,690,512	- 620,223	- 3,360,081	- 3,665,782	1,665,087	- 407,002	1,988,327	720,718	- 672,547	- 2,178,207

2.6 Sensitivity Analysis

Both the planned and unsustainable scenarios have been evaluated in relation to their sensitivity to changes in the assumptions.

Employee Costs

Council's ability to realise the savings proposed in relation to employee costs will obviously have a major impact on future performance. As discussed in section 2.4, a key issue is the level of capitalisation (allocating employees to capital works programs rather than maintenance) and also the level of resourcing required for civil contracting activities.

Future increases (indexation) of employee costs due to award increases and progression of staff through the salary system will too, given that employee costs make up over 40% of all ongoing expenditure. If employee costs were to increase on average by 3% p.a. rather than 2.5% as assumed (as a basic index before actions to reduce costs), then over 10 years this has an $800,000 impact to the operating result.

Interest Rates

While Council has minimal amounts of borrowing and loans are decreasing over time, interest received on investments will have a significant impact on operating results, particularly in later years as Council's reserves increase as they build up prior to expending them on assets when they reach the point at which they need considerable renewal (in excess of depreciation expenses).

It is notable that a 0.5% decrease in interest rates will significantly impact Council's operating result, decreasing the surplus by around $80,000 p.a. in 5 years (dropping it very slightly into deficit) and by $150,000 p.a. in 10 years (with a small surplus of $170,000 remaining).

Capital Works Programs

If Council was to ramp up its capital works programs over and above what is proposed in the current LTFP (section 2.8), it will reduce its reserves and so interest revenues.

If Council was to increase spending on asset renewals sufficient to match depreciation it would spend another $13M over the 10 years of the LTFP, thereby using up a considerable portion of the reserves it will otherwise accrue over this period.

The associated drop in interest revenues would mean the operating surplus in 10 years will be virtually eliminated (reducing it from $320,000 to only $30,000) which means Council has basically no capacity to absorb other negative impacts (e.g. a reduction in revenues from grants) and remain in a financially sustainable position.

Grant Programs

As noted in section 2.1, more than a third of Council's operating revenues (around $10.5M p.a.) come from grants. If such grants were to be reduced or discontinued, Council would have to generate considerably more revenues from other sources.

2.7 Measuring Financial Performance

As discussed in section 2.1, Council's key objectives in developing this LTFP were to achieve an operating surplus within 5 years and to adequately fund asset renewals. Both of these are achieved under the planned scenario.

However, there are a range of industry benchmarks that Council is required to report on as part of its annual report. These are discussed below, along with forecast performance.

Operating Performance Ratio (Benchmark > 0%)

This is the core measure of financial sustainability. It indicates Council's capacity to meet its ongoing expenditure requirements (whether it is 'spending more than it earns') by comparing operating revenues with operating expenses (i.e. excluding capital grants and contributions).

Council does not reach the benchmark until 2023/24 in the planned scenario.

Own Source Revenue (Benchmark > 60%)

This ratio is an indicator of Council's ability to control its own operating performance and financial sustainability. It compares operating revenues gained from sources other than any grants and contributions to its total operating revenues including capital grants and contributions. The higher a council's own source revenue, the greater its flexibility to address issues as they arise.

Due to the extraordinary number of grants received in 2019/20 Council fails to meet the benchmark in this year, but it meets it in all future years.

Building and Infrastructure Renewals Ratio (Benchmark > 100%, 3 year average)

This ratio measures whether Council is renewing its assets faster than they are being consumed (as measured by depreciation expenses).

Industry experts have argued against the use of this indicator for long lived assets, which make up the majority of Council's asset portfolio. Experience in South Australia was cited where results were found to be 'meaningless'.[4]

The key issue is that if assets are new, renewal needs are low (relative to depreciation) whereas if assets are old, renewal needs may be far higher than depreciation. Section 3.3 highlights that the vast majority (90%) of Council's assets are in good condition, a further 9% are satisfactory (not requiring renewal) and only 1% are poor (needing renewal) and none very poor (in urgent need of renewal). It is notable that Council should always have *some* assets in poor condition, which will be those that it plans to renew in the short term.

Infrastructure measures in Service Dashboards (top of the second page of each) address this issue by reporting the following against asset *categories* not the entire asset *portfolio*:

- consumption ratio (indicating whether the assets are new or old)
- backlog ratio (indicating the existence of any high-risk assets in need of renewal)
- renewal ratio (planned renewal expenditure over the next 4 years relative to depreciation).

By reporting at asset category level, Council is able to differentiate between short-lived assets (the most important one being sealed road surfacing) and long-lived assets (which make up the majority of Council's asset portfolio e.g. sealed road pavements which may last 60 or 80 years and concrete bridges, which may last 100). The benchmark's 3 year average is far too short to pick up 'peaks and troughs' in long-lived asset renewal requirements.

[4] Refer comments on page 2 by John Comrie (independent tribunal member, IPART Fit for the Future assessments) https://www.lgnsw.org.au/files/imce-uploads/90/LGNSW%20Submission%20-%20Independent%20Review%20of%20FFTF%20Criteria%20%28Comrie%20Supplemen%20%20%20.pdf

Council should aim to meet the 100% benchmark for short-lived assets, but renewal of long-lived assets may fall well short of it if they are relatively new (as indicated by the consumption ratio). The backlog ratio provides a 'backstop' by highlighting the existence of any high-risk assets and so the urgent need for renewals, as discussed below.

It is likely that Council's renewal spend in some areas (particularly buildings and recreational assets) will increase following the completion of a needs analysis and consultation with users, which is proposed to be undertaken by the end of 2019.

However, it is quite likely that Council will not meet the benchmark consistently over the next 10 years. Council would need to spend an extra $13M on asset renewals to match depreciation, and this is simply not required given most assets are in good condition.

It is important to note that because Council is appropriately accounting for asset depreciation and working towards an operating surplus, will generate considerable reserves over the next 10 years when asset renewal requirements are relatively low (under the planned scenario, investments in the General Fund increase from $18.7M to $30.3M over 10 years, while borrowings also decrease). These reserves will then mean it has plenty of capacity to renew its assets in the longer term (beyond 10 years) when it may need to spend considerably more than depreciation as its assets (currently in good condition) deteriorate over time.

Infrastructure Backlog Ratio (Benchmark < 2%)

The infrastructure renewal backlog ratio is an indicator of the cost to bring Council's assets up to a satisfactory condition (condition of assets is discussed in section 3.3).

The *Local Government Code of Accounting Practice and Financial Reporting* ('the Code') issued by NSW Government prescribes two alternatives for calculating the backlog:

- the cost to bring assets up to a condition rating of 2 out of 5 (good)[5] or
- the cost to bring assets to an alternative standard agreed with its community.

It is important to note this specifically excludes assets deemed unsatisfactory because they need to be upgraded (e.g. widening or sealing of a road, adding better play equipment).

Council undertook extensive consultation about all its services and infrastructure in the context of the costs of providing them via the Service Level Review Project (section 1.5). Council concluded that the community is generally satisfied with the current level of services provided (i.e. the proportion of 'unsatisfactory' assets is very minimal), although it has also acknowledged that further consultation will be required in future as Council's strategic planning for infrastructure assets (documented in Service Management Plans) matures.

Council has also recognised, though, that even if the community deems its infrastructure to be 'satisfactory', particular assets may be 'unsatisfactory' in situations where a lack of funding for maintenance and/or renewal gives rise to an unacceptable level of risk. Service Management Plans (section 3.4) include a table identifying key risks relating to the service and treatment methods Council has in place. Where funding for risk management activities is inadequate, this will be identified along with the costs of implementing further actions, which will be reported as 'backlog' or 'required maintenance' as appropriate. This risk-based reporting methodology is established in Council's Asset Management Policy (section 3.2).

[5] Refer section 3.3. Ironically, condition 3 out of 5 (satisfactory) is 'unsatisfactory' by this method. In practice, an asset in condition 3 wouldn't be renewed as by definition it needs maintenance, not renewal.

The lack of consistency in reporting on the backlog (as well as maintenance and renewal ratios) has been highlighted in various reports over many years.[6] The lack of auditing is often cited as a primary cause of the problems. The management systems approach in section 3.5 is intended to help address this and improve Council's ability to satisfy audits of its reporting on its infrastructure.

Cost to Bring Assets to Agreed Level of Service Ratio (no Benchmark)

The Agreed Level of Service Ratio was introduced in the Code after the Fit for the Future assessment process undertaken by IPART. The benchmark for the 'agreed level of service' is much the same as the second option for calculating the backlog (above), i.e. 'satisfactory' condition is the condition level agreed with the community.[7]

However, Council makes an important distinction in its reporting on the two measures:

- the *backlog* only includes those assets that are 'unsatisfactory' because inadequate funding has given rise to an unacceptable level of risk (all other assets are deemed satisfactory so long as the current level of service is maintained) whereas
- the *agreed level of service* includes assets that have deteriorated below the condition-based intervention level set by Council in consultation with the community.

An example of the application of this approach is a road that has deteriorated to a condition below that which Council has set as its intervention level (say, it is condition 4 out of 5, in poor condition) however it does not represent an unacceptable level of risk. Therefore, the cost to renew it would be reported under the 'agreed level of service' but not the backlog.

It is Council's intention to keep its reported backlog at zero (i.e. to effectively manage risk), and to keep its proportion of assets below the agreed level of service at a level set in Service Dashboards (e.g. to have less than 5% of its road pavements rated as being in condition 4).

Asset Maintenance Ratio (Benchmark > 100%)

The asset maintenance ratio indicates whether or not the actual expenditure on maintenance is equal to or greater than what is 'required'. The Code states that the required maintenance is the cost identified in Council's Asset Management Plans (i.e. Service Management Plans – section 3.4) of routine activities that should be undertaken to sustain the asset in a functional state.

It is important to note that maintenance requirements are heavily influenced by weather (e.g. wet weather increases number of potholes on roads and growth of grass on sportsgrounds).

As with the backlog, Council's Asset Management Policy establishes a risk-based approach to calculating the required maintenance: unless a shortfall in spending gives rise to an unacceptable risk, the actual maintenance will be reported as what is required.

The Council Improvement Plan includes an action to define maintenance management systems (discussed in section 3.4.1) including clarifying the relationship between funding and service levels and highlighting any risks of under-funding maintenance. It is important that Council undertakes further engagement about service levels in future, particularly once

[6] A significant example was IPART's 2015 *Fit for the Future Assessment Methodology* (page 44) https://www.ipart.nsw.gov.au/files/sharedassets/website/trimholdingbay/assessment_methodology_-_methodology_for_assessment_of_council_fit_for_the_future_proposals_-_june_2015.pdf One of the earliest was the Independent Inquiry into the Financial Sustainability of Local Govt. (2006 by Percy Allen) https://www.lgnsw.org.au/files/imce-uploads/35/final-report-findings-and-recommendations.pdf

[7] Other differences between the two: the denominator in the backlog is written down (depreciated) value whereas ALoS uses gross replacement cost; the backlog uses the cost to bring assets to a particular level of service whereas the ALoS uses the cost of the work that would actually be done.

maintenance management systems (particularly understanding what is possible with available funding) are better defined.

Debt Service Ratio (Benchmark < 20%)

IPART described the Debt Service Ratio as an indicator of 'whether the council is using debt wisely to share the life-long cost of assets and avoid excessive rate increases'[8] however the reality is that the ratio only establishes the proportion of operating revenues going to interest and principal repayments on loans. Council is well within the benchmark over the next 10 years under on the planned scenario.

Industry experts have been critical of this indicator for a number of reasons.[9]

Council acknowledges the importance of borrowing to fund long-lived infrastructure (so the current generation pays the cost of its services and such investments are not unnecessarily delayed), however in the current situation – where Council is planning on spending less than depreciation on asset renewals and so accruing reserves, as discussed above – means that borrowing is not required at this time. Council will review its need to utilise borrowings for future infrastructure investments, in particular for water supply and sewerage funds.

Real Operating Expenditure Per Capita (Benchmark: Decreasing Over Time)

The final performance measure established under the Fit for the Future program is the Real Operating Expenditure Per Capita Ratio (it is notable that unlike the other measures in this section, Council does not have to report on this in its annual financial statements).

IPART acknowledged that for merged councils, meeting the efficiency criterion 'may not be practical over the short term',[10] but suggested these councils should be able to demonstrate operational savings over 5 years. As discussed in section 2.4, Council has identified a number of actions that it intends to take to pursue operational efficiencies and has set targets to do so.

When Council is reporting against this measure, it is important to distinguish actual efficiency savings from reductions in service levels or, conversely, to distinguish increases in operating expenses due to valid pursuits (such as increased civil contracting activities to generate additional external revenues) from increases due to inefficiencies in operations.

Unrestricted Current Ratio (Benchmark > 1.5)

This ratio is an indicator of Council's ability to meet short term obligations as they fall due. Council is able to meet the ratio throughout the period of the LTFP.

Cash Expenses Cover Ratio (Benchmark > 3 months)

This ratio is an indicator of Council's liquidity. It determines the number of months a Council can continue paying for its immediate expenses without additional cash flow. This benchmark is expected to be achieved over the life of the LTFP.

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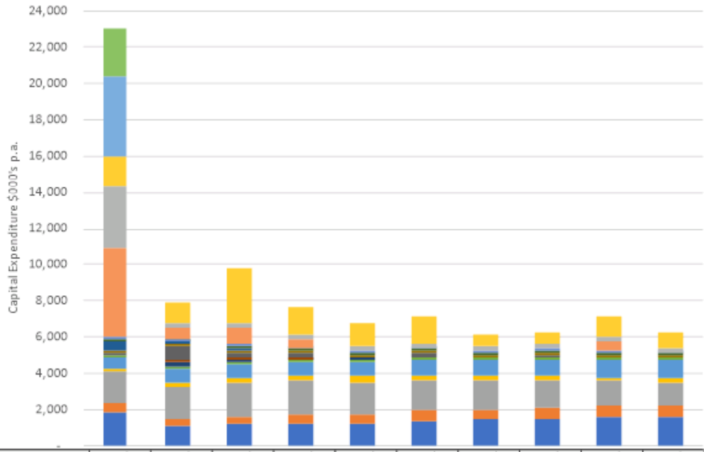
[8] Refer p44 of link at note 6.
[9] Refer link at note 4 above. Comrie's concerns are firstly, that the benchmark favours less use of debt (and the financial and asset management challenges of many councils are to a large degree due to making too little use of debt); secondly, that it is inconsistent with encouraging the use of accrual accounting data (principal repayments are a capital cost, not an accrual accounting operating expense) and thirdly that it discourages improved treasury management practices (e.g. it is generally sensible for councils to apply cash on hand to reducing outstanding debt where possible).
[10] Refer p47 of link at note 6.

Rates and Annual Charges Outstanding (Benchmark < 10%)

This ratio assesses the impact of uncollected rates and annual charges on liquidity and the adequacy of recovery efforts. It is expected to be achieved over the life of the LTFP.

2.8 Capital Works Program

The chart below shows Council's planned capital expenditure for General Fund assets over the next 10 years based on the analysis and planning in the Service Management Plans.



	Asset category	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	Street beautification & amenity	2,575									
	Tumba-Rosewood rail trail	4,500									
	Plant and equipment	1,606	1,157	3,013	1,486	1,263	1,409	640	634	1,227	854
	Buildings renewals (later yrs TBD)	3,452	250	250	250	250	250	250	250	250	250
	Specific open space, pools & buildings	4,866	600	1,000	500					500	
	General open space asset renewals	90	100	100	100	100	100	100	100	100	100
	Urban stormwater drainage	200	100	100	100	100	100	100	100	100	100
	Rural culverts	400	100	100							
	Footpaths	245	100	100	100	100	100	100	100	100	100
	Timber bridge replacements	75	700	350	250		230		150		
	Project development		200	100	100						
	Road upgrades		250	100	50	100					
	Unsealed pavement regional	110	127	133	133	129	127	122	117	113	111
	Unsealed pavement local	576	678	742	747	851	886	933	970	994	988
	Sealed surface regional	245	281	297	305	316	302	286	265	241	233
	Sealed surface local	1,660	1,786	1,855	1,841	1,730	1,666	1,548	1,452	1,371	1,304
	Sealed pavement regional	570	384	429	474	498	520	554	599	631	650
	Sealed pavement local	1,833	1,095	1,171	1,238	1,277	1,403	1,470	1,505	1,553	1,597
	TOTAL CAPITAL WORKS (GENERAL FUND)	**22,180**	**7,908**	**9,839**	**7,674**	**6,714**	**7,094**	**6,103**	**6,242**	**7,180**	**6,287**
	CPI FACTOR (@2.5% p.a.)	1	1.025	1.051	1.077	1.104	1.131	1.160	1.189	1.218	1.249
	TOTAL CAPITAL WORKS WITH CPI	**22,180**	**8,106**	**10,338**	**8,264**	**7,411**	**8,027**	**7,077**	**7,420**	**8,748**	**7,852**

In future, the Service Management Plans (sections 1.5 and 3.4) will identify the particular projects to be undertaken within each of these program areas (e.g. particular roads that will be renewed as part of the sealed roads renewal program in year 4).

Indexation

Figures in Service Management Plans *exclude* CPI so comparisons about relative spending over time can be made on an 'apples and apples' basis (e.g. it is clear if Council is spending more on reseals in year 8 than it was in year 3). However, in order to include these figures in the LTFP, a CPI factor of 2.5% has been applied as shown in the bottom line above.

An analysis of road and bridge construction indices in NSW for the last 10 years[11] shows variations from 1.01% to 6.1%, with an average of 2.7%. Future revisions of Service Management Plans will include a review of applicable indices for inclusion in the LTFP.

[11] Table 17 of Producer Price Indexes
https://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6427.0Dec%202018?OpenDocument

3. Strategic Asset Management Plan

3.1 Key Findings

Council's $550M physical asset portfolio is generally in good condition (this dollar figure includes infrastructure, buildings, plant and equipment but not land).

Last year, Council reported **only 1% of assets in 'poor' condition** and so in need of renewal. This is very good compared to most councils. Analysis suggests *none present an unacceptable level of risk* if they remained in service for the medium term.

In order to sustain its infrastructure asset portfolio, Council basically needs to:

- look after (*adequately maintain*) the assets it has now,
- formulate *robust plans for future renewals* (backed by reliable data) and
- *carefully consider the need for new or upgraded assets* based on an analysis of user needs and bearing in mind the additional costs (operations, maintenance and future renewal) that come with them.

Asset Maintenance

A review of maintenance activities suggest that budgets are sufficient for water, sewerage and transport assets, but *buildings and open space may need additional funds*. This will be examined in detail during preparation of Service Management Plans for these assets.

Council has excellent maintenance management systems in place in some areas (i.e. undertaking asset inspections, prioritisation and responding to defects), although these need bedding down consistently across the local government area. Doing so will improve service levels and reduce risks, as well as generating significant efficiencies.

Renewals and New/Upgraded Assets

Transport assets (roads, bridges, footpaths, kerb) are the only area with real concerns about the quality of the condition data, and a program is scheduled in late 2019 to address this. Analysis of current data suggests renewal budgets are sufficient over the medium term (10 years) but over the longer term, renewal needs will ramp up as these assets that are generally in good condition deteriorate. Meanwhile, Council must continue to invest in resealing sealed roads as this keeps the water out and avoids premature pavement failure.

Programs also need to be developed for new and upgraded assets (widening narrow roads, building new kerb or footpaths, main street beautifications) and considered alongside renewal works based on clear priorities such as safety, traffic volumes and community need.

Council has good data about the condition of above-ground **water and sewerage** assets. There is a need for some renewals (mostly short-lived mechanical and electrical equipment) and future budgets cater for this. The systems likely to require significant investment are Tumbarumba water supply (water security is an issue), Khancoban sewage treatment plant (which is reaching the end of its service life), Cloverdale water supply (which has a number of operational issues as well as ageing infrastructure) and Tumut water supply (which has a shortage of capacity at the treatment plant in peak periods). These will be evaluated as part of Integrated Water Cycle Management Strategy which is currently being prepared. This will also consider the provision of water supply and sewerage services at Rosewood.

Council has an ongoing program with sufficient budgets for CCTV inspection and relining of sewerage pipelines to keep up with lines needing work (i.e. with a history of repeated sewer chokes or at risk of failure). New technologies are available to assess the condition of water pipes, and a program is being prepared to assess those at higher risk of failure to identify future renewal priorities. Currently, there are few pipes with a history of repeated breaks. While the majority of Council's **buildings** are in good condition, there are a number of public halls, public toilets/amenities and community buildings identified as being in poor condition. A needs analysis will be undertaken to evaluate the need for renewal (considering usage, availability of alternative facilities, opportunities for disposal) and also identify where upgrade works are required to improve functionality and meet user needs. This analysis will include a prioritised list of projects based on defined criteria, but it is likely that Council will need to consider allocating additional resources (as well as pursuing grants) if it wants to undertake significant works.

Similar issues exist with **open space and recreation** assets: there are a number of assets identified in poor condition, but capital works programs need to consider the need for upgraded or new assets alongside renewals. As with buildings, funding will need review (as well as pursuing grants) if Council is to make progress given the size of current budgets.

An extensive program to gather better condition data on **stormwater drainage** assets is nearing completion. While this has identified a number of pipes and pits needing refurbishment or replacement, adequate funds are available to undertake this work. There is a need to undertake analysis to determine urban stormwater catchments in need of upgrade works to address local flooding issues.

Council's **plant, vehicle and equipment fleet** is in generally good condition, with a robust system in place to establish hire rates and program replacements to ensure that Council maintains a safe, reliable and efficient fleet to support service delivery.

Future Improvements

Council's Asset Management Policy establishes its commitment to the effective management of its assets and acknowledges a number of elements – stakeholder engagement, leadership, planning, resources and support, operational controls as well as performance review and improvement – need to come together to achieve this.

A key challenge for Council at this stage is establishing **meaningful performance measures** for its asset management activities linked to the available budgets.

In relation to *maintenance*, systems need to be in place to measure defects (grass needing mowing, potholes needing filling, unsealed roads needing grading), to evaluate what Council can afford to do and to track how long it takes to respond. In relation to *capital works*, Council needs to know what it will cost to fix (for example) all roads when they reach a particular condition-based intervention level (e.g. a measure of roughness) now and in future and consider the condition of the network and rate of deterioration. Similarly, Council needs to set standards for *upgrade works* such as road widths on major routes.

Once this work is undertaken, Council will be well positioned to undertake more meaningful **community engagement about infrastructure related service levels and budgets**, including consideration of the reallocation of funds between asset classes.

Other issues to be considered by the Asset Management Steering Group in future (with advice to be provided to Council's Executive Leadership Team and potentially to Council itself) include: documentation, control and monitoring of key processes; increased use of technology and scenario modelling as part of renewals planning.

3.2 Introduction

Council's financial sustainability is impacted not only by the way it manages its finances (e.g. reducing expenditure or increasing revenues) but by the way it manages its infrastructure and other physical assets (plant and equipment, buildings, office equipment, etc.).

Managing cash alone won't ensure financial sustainability because these physical or 'non-cash' assets make up over 90% of all assets Council is responsible for, as shown below.

	Cash	12,674
	Investments	34,963
	Receivables	6,837
	Inventories, intangibles & other assets	1,516
	Infrastructure, property, plant and equipment	570,637
	Total Assets ($'000)	**626,627**

Source: Council's 2017/18 Financial Statements (Statement of Financial Position)

These assets are also *critical to the delivery of most, if not all, Council services*. Transport, open space and recreation, water supply and sewerage are all 'asset intensive' services while assets such as Council's administration buildings support all its services.

Council has prepared an **Asset Management Policy** (extract follows, full version on Council's website) to document its intentions and direction to managing its assets. In particular, this involves *a systematic approach based on ISO 55001:2014* (international standard for asset management systems) as discussed in section 3.7.

This **Strategic Asset Management Plan** is key to applying the Policy. It includes:

- an overview of Council's *building and infrastructure asset portfolio*
- a summary of Council's approach to *planning for asset management activities***,** which is centred around the preparation of **Service Management Plans**
- a description of Council's *asset management system,* how it supports the achievement of its objectives and key areas for improvement.

Extract of Snowy Valleys Council Asset Management Policy

1 PURPOSE

Council recognises that the way it manages its assets has a major impact on:

- the quality of the services it delivers to the community,
- its financial sustainability and
- its corporate risks.

This policy:

- confirms Council's commitment to effectively managing its assets,
- establishes a framework to do so and
- a means of monitoring performance and driving continuous improvement.

2 SCOPE AND APPLICATION

This policy applies to all buildings and infrastructure assets either owned by or under Council's control (e.g. where Council is trustee) as well as Council's plant and vehicle fleet.

3 DEFINITIONS

Asset management: coordinated activities to realise value from assets.

Asset management system: interrelated elements of an organisation (stakeholder engagement, leadership, organisational structure, planning, resourcing, process control, performance review and improvement) to establish policies and objectives and processes to achieve those objectives.

Lifecycle: stages involved in managing an asset through planning, design, construction, operation, maintenance, rehabilitation and disposal.

Service Management Plan: a document equivalent to a conventional 'Asset Management Plan', but applied to all Council services.

4 CONTENT

Council will implement a systematic approach to managing its assets based on best practice as defined ISO 55001:2014 (international standard for asset management systems), the Integrated Planning and Reporting (IP&R) Framework and other relevant requirements.

Council's approach will be applied consistently across all its services/functions as far as possible, even though it is focused on 'asset intensive' services like transport and water supply.

The Director Assets and Infrastructure will ensure a Strategic Asset Management Plan is prepared as part of Council's Resourcing Strategy and reviewed as required to explain how Council:

- establishes objectives for its services / functional areas
- prepares Service Management Plans (discussed below) that specify the activities, resources and timescales required to achieve those objectives
- utilises its asset management system to support the achievement of those objectives.

An Asset Management Steering Group, comprising staff across Council with a lead role in asset management, will be established to:

- ensure that Council's asset management system supports the achievement of its objectives, particularly in relation to 'asset intensive' service areas
- identify improvement projects, coordinate actions across functional areas and monitor and review progress
- report on Council's asset management performance to the Executive Leadership Team and also to Council as part of the IP&R process.

Service Management Plans will be prepared for all Council services that detail the activities, resources and timescales to achieve Council's objectives. Key asset management principles applied via these Plans include:

- assets exist only to provide value to stakeholders (primarily, services to the community): the justification for Council to build and maintain assets is driven by Council's service priorities determined via community engagement
- objectives are set having regard to the strategic objectives in the Community Strategic Plan, legislation/regulations, industry standards, community engagement about the services Council provides and an analysis of what is achievable within the funds available and defined in a way that is SMART (specific, measurable, achievable, realistic and time-based)
- a lifecycle approach: asset management activities are planned having regard to the stage of the asset in its lifecycle (e.g. increasing maintenance costs as it ages); costs of an asset over its entire lifecycle are considered in capital decisions (renewal, new assets and/or disposal)
- a risk-based approach: while Council's focus is providing assets that meet its performance objectives ('levels of service'), Council underpins this by identifying and assessing risks associated with assets in poor condition and/or in need of additional maintenance; where such issues give rise to an unacceptable level of risk, the cost to address this risk is reported in annual 'state of the assets' reports in terms of 'backlog' and 'required maintenance'
- renewals over new assets: while Council acknowledges that new or upgraded assets are often warranted to meet community needs and expectations, it is committed to prioritising the appropriate management of its existing assets over building new ones if there are insufficient resources to do both.

5 RESPONSIBILITIES /ACCOUNTABILITIES

Mayor and Councillors	To lead discussions with the community in the understanding of this policy and the overall asset management framework To communicate the policy to the community To receive regular updates on its implementation
General Manager and Directors	To lead staff in their understanding of this policy and to monitor its relationships with other areas of council activity
Division Managers	To communicate, implement and comply with this policy and the overall asset management framework
All Council Officials	To implement this policy and related procedures To comply with this policy and consider its implications for related projects and programs

6 RELEVANT LEGISLATION

NSW Local Government Act 1993

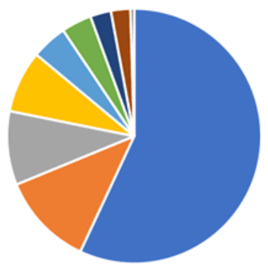
NSW Civil Liability Act 2002

7 RELATED POLICIES/DOCUMENTS

Strategic Asset Management Plan
Service Management Plans
Terms of Reference for Asset Management Steering Group

3.3 Council's Building and Infrastructure Asset Portfolio

The largest portion of Council's infrastructure, property, plant and equipment asset portfolio is transport (primarily roads), as shown below.[12]



Asset Class	Replacement Value	Depreciated Value
Transport	458,300	341,695
Sewerage	95,264	64,990
Water supply	75,302	47,836
Buildings	63,333	37,570
Stormwater drainage	36,427	21,240
Open space, recreation, other infrastructure	30,891	22,902
Operational and community land	21,264	21,264
Plant and equipment	19,955	11,513
Other assets (office equipment, etc.)	3,742	1,627
TOTAL ($ 000's)	**804,478**	**570,637**

Source: Council's 2017/18 Financial Statements, Note 10a.

This Strategic Asset Management Plan focuses on buildings and infrastructure. It includes plant and equipment but does not consider land or office equipment.

The **Service Dashboards** provide further details regarding the categories of assets that make up each of these asset classes including forecast renewal requirements.

Under NSW Government requirements, all councils must report on the state of their infrastructure on as scale of 1 (very good) to 5 (very poor). As shown below, Council's buildings and infrastructure assets are generally in good condition.

	Transport	Sewerage	Water supply	Buildings	Stormwater drainage	Open space, rec., other	ALL BLDGS & INFRAST.
5 (very poor)	0	0	0	0	0	0	0
4 (poor)	0	3	2	5	0	7	1
3 (satisfactory)	6	16	9	24	1	18	9
2 (good)	21	42	43	27	20	8	26
1 (very good)	73	39	46	45	80	67	64

Source: Council's 2017/18 Financial Statements, Special Schedule 7.

The fact that Council's assets are in generally good condition means that renewal needs are relatively low at this time. However, it is important to note that in future Council will need to spend more than it currently is on asset renewal as these newer assets deteriorate. This issue is discussed in detail in section 2.7 in relation to the renewal ratio.

Council may also choose to spend more on renewals and some upgrades based on a needs analysis and consultation with users, in particular relating to recreational and building assets.

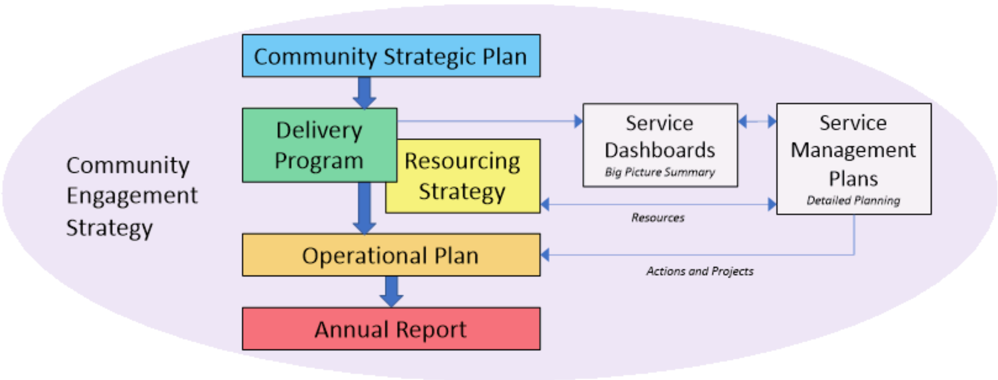
[12] Note: 'replacement cost' is to build or buy an asset, depreciated value is what it is currently worth.

3.4 Planning for Asset Management Activities

Council has recognised the benefits of a consistent, service-based approach to business planning (section 1.5) and of a systematic approach to managing its assets based on the international standard for asset management, ISO 55001 (section 3.2).

ISO's broad definition of **asset management** – *coordinated activity to realise value from assets for an organisation and its stakeholders* – applies equally well to services not heavily reliant on Council's infrastructure (like tourism) as it does to services that are (like roads).

In recognition of this, Council has prepared **Service Management Plans** for all its activities that satisfy ISO requirements for *asset management plans.* Council has also prepared **Service Dashboards** that present a 'big picture summary' of the detail in the Service Management Plans. The relationship between these and the rest of Council's documents prepared under the Integrated Planning and Reporting (IP&R) Framework is shown below.



It is notable that Service Dashboards are arguably an alternative way of presenting the **Delivery Program**,[13] the key difference being that Council's current DP is structured around the *five themes in the Community Strategic Plan*, whereas the Service Dashboards are grouped by *service areas / functions which, critically, align with Council's budget*. The Council Improvement Plan (section 1.1) identifies the opportunity to move to a service-based structure for Council's IP&R documents as part of the full revision in 2020.

Until Council's next review of IP&R, Service Dashboards supplement current documents by providing a *big picture summary* of everything Council does. The Dashboards are also designed to facilitate a conversation about *reallocating resources between service areas* via 'traffic lights' highlighting issues of concern with the value provided now and in future.

Service Management Plans provide the detail behind the Dashboards, identifying:

- *resource requirements* (people, assets, finances) to inform the **Resourcing Strategy** and vice versa (identifying priority actions within available resources) and
- *key actions and projects* (along with budgets) to inform the **Operational Plan**.

The following section provides an overview of the contents with a focus on requirements for physical assets, but the key issues addressed in the Plans apply to all services:

- what are Council's performance objectives for this service area / function?

[13] The definitions in the NSW LG Act align closely with ISO (which defines AM in terms of 'activities' and the 'value' realised for stakeholders). s404 of the Act says the DP is to detail the *principal activities* Council will undertake to perform its functions within available resources, and s8A says these functions are to be carried out to *deliver the best possible value* to residents and ratepayers.

- what does Council need to do to achieve these, when, and what will this cost? (this also includes identifying improvement actions / projects).

3.4.1 Contents of Service Management Plans (SMPs)

As discussed in relation to the Council Improvement Program in section 1, Council is still in a transitional phase, establishing its new organisation. The first version of SMPs is focusing on describing the current service delivery activities and the resources allocated to those as well as opportunities to improve along with any investment required to do so.

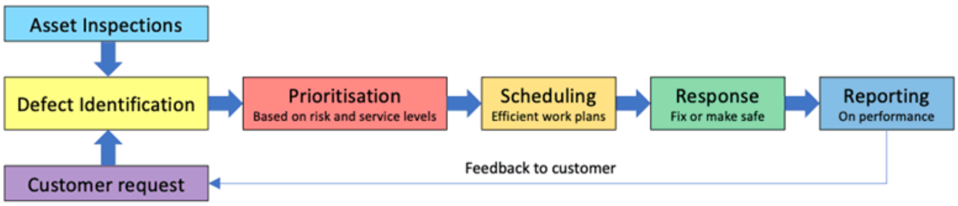
Service delivery activities are firstly split in the Plans into operations and capital, which are accounted for separately: capital works involve renewed, upgraded or new assets.

Operational Programs

For *asset-related services*, operations include (for example) the operation of water and sewage treatment plants as well as **maintenance activities** which can be:

- *scheduled or planned* either on:
  - a *preventative* basis (e.g. servicing sewage pumps every 1,000 hours – like changing the oil in a car every 10,000km) or
  - a *corrective* basis (e.g. mowing grass when it reaches a certain height, grading a road when it reaches a certain level of roughness)
- *reactive* which is generally for higher risk issues where scheduled maintenance is either not possible or inefficient (e.g. clearing a blocked sewer main or a fallen tree)

The figure below summarises the corrective maintenance process. This is the main type of maintenance activity Council undertakes across roads, parks, buildings and some aspects of water supply and sewerage infrastructure. Inspection schedules and target response times (based on the risks associated with a defect as well as adopted service levels) need to be defined across all areas having regard to what is possible with available resources.



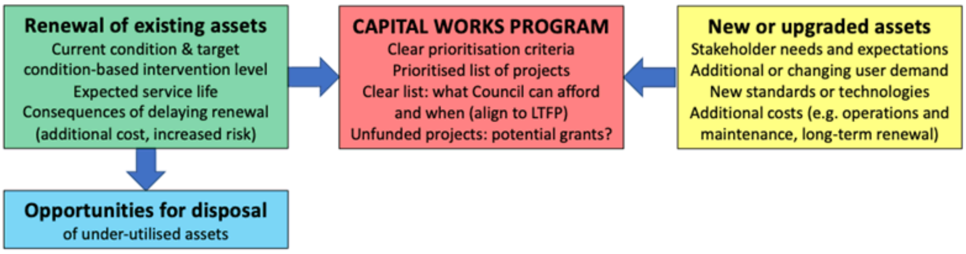
For *services not heavily reliant on assets*, operational activities are described in SMPs in terms of the key *processes and performance objectives* (e.g. customer service is focused on resolving customer requests as easily, consistently and reliably as possible; the key measure is the number of calls that are resolved at the first point of contact, rather than these needing to be referred to other staff).

These key operational program areas, performance measures, budgets and responsibilities for these functions are also summarised in *Service Dashboards.*

Where activities – either ongoing programs or one-off projects – are recommended to be undertaken (e.g. as part of a Council strategic plan for the service) but are currently unfunded, a budget estimate is provided in the SMP along with information supporting the *business case* to undertake it, with particular reference to issues relating to Council's objectives and the effective management of risk (see below). These 'budget bids' will be considered annually when Council is formulating its Operational Plan.

Capital Works Programs

Capital works are specifically related to renewing or disposing of existing assets or building new ones. There are several key elements to formulating such programs:



There is work to be done on each of these elements:

- improving information on *existing assets*: reliable asset registers (capturing all assets), current condition, expected service life, condition-based intervention levels (when work will be done), clarifying consequences of delaying renewal
- evaluating stakeholder needs, changing demands and new standards giving rise to the need for *new or upgraded assets* as well as evaluating the costs of these
- identifying opportunities to *dispose* of under-utilised assets and engaging users regarding alternative means of meeting their needs
- developing clear *prioritisation criteria* for capital works programs, and aligning renewal needs with what is possible based on funds available in the LTFP. This must also facilitate prioritisation *between asset classes* (e.g. roads vs. buildings).

Again, in many cases, this exercise has identified the *need for improvements*. Key actions are identified in the Council Improvement Plan in section 1.1.

It is notable that each SMP includes details of the current status of the **asset register** (what information is available, when and by whom it was collected, confidence in the data) and proposed actions to update and/or improve it. This is foundational for capital works programs, but also financial reporting on assets (valuation, depreciation, etc.).

Key capital works program areas, prioritisation criteria, performance targets and budgets are also summarised in *Service Dashboards*.

Risk Management

Risk management underpins all aspects of SMPs including both operations and capital programs. Each SMP includes a table identifying the key risks relating to the service and treatment methods Council has in place. Where funding for risk management is inadequate, the costs of implementing necessary actions are included. For asset intensive services, this is defined in terms of the '*renewal backlog*' (cost of renewing high risk assets) and '*required maintenance*' (additional cost over actual maintenance to appropriately manage risk).

It is noted that there are no high/extreme (unacceptable) risks identified in any of the SMPs.

It is a requirement of ISO 55001 as well as NSW Government IP&R Guidelines that SMPs identify critical assets and methods to manage the risks associated with these. Virtually all Council's assets are critical to users of those assets, hence the comprehensive approach to identifying risk management methods outlined above. However, the significance of asset failures varies based on the number of users, impacts on users, etc. Each SMP thus includes an asset hierarchy that underpins operations (maintenance) and capital works programs, and so programs are established having regard to associated risks.

Risks are also considered on the first page of *Service Dashboards*, with issues of concern highlighted via the 'traffic lights' with a short summary of the details.

Performance Measures and Targets

Performance measurement and reporting is a key opportunity for improvement across the organisation generally, as noted in the Council Improvement Plan in section 1.1.

In many cases, SMPs identify the need to formalise systems to *measure current outputs* before Council can set targets and monitor and report on future performance. In some cases, there is investment required in improvement projects and/or new technologies to achieve this (in such cases, the budget estimate is included).

Alignment with Long Term Financial Plan

Last but not least, the *Service Dashboards* include a table summarising projected revenues and expenditures relating to the service aligned with figures in the LTFP.

3.5 Council's Asset Management System

As noted in section 3.2, Council's Asset Management Policy identifies its intention to implement a systematic approach to managing its assets based on ISO 55001 (international standard for asset management systems).

The *management systems approach* reinforces the fact that a number of elements must come together to deliver effective asset management outcomes, as shown below.

Council's Asset Management System ISO 55001: elements of a system to effectively manage assets		
Context of Organisation Internal and external issues Stakeholder expectations Scope of AM system	**Leadership** Policy Roles and responsibilities	**Planning** Identify risks and opportunities AM objectives and plans to achieve them
Support Adequate resources Competence, awareness, communications, control of documented information	**Operations** Process control Assessing risks of changes Outsourced activities	**Performance Evaluation** Monitoring, measurement, analysis and evaluation Internal audits Management review
Improvement Response to nonconformity, Preventative action, Continual improvement		

As noted in section 2.7, taking a management systems approach will position Council well to be able to satisfy audits of reporting on its infrastructure assets (in particular, reporting on backlog, maintenance and renewal ratios).

Council's focus is applying this system to asset intensive services. The opportunity to apply it more broadly to other services will be considered in future.

3.6 Asset Management Steering Group: System Monitoring and Improvement

Council's Asset Management Policy nominates the *Asset Management Steering Group* as the primary driver of improvements to its asset management system.

The Group includes all key staff with leadership roles in critical elements of AM. Terms of Reference for the Asset Management Steering Group set out below reinforce the role of the group as the driver of improvements in Council's asset management system and also in providing advice to Council's Executive Leadership Team.

Terms of Reference for Asset Management Steering Group

<u>Purpose</u>

Council has established the AMSG under the AM Policy to monitor and review the implementation and improvement of the AM system to ensure Council's AM objectives are met.

The AMSG will also provide a cross-functional forum for planning and coordinating AM activities, including raising awareness of and communicating about AM issues.

Technical AM documents that do not require formal adoption by Council may be tabled at the AMSG for feedback and, potentially, endorsement.

<u>Membership</u>

- Director Assets and Infrastructure
- Division Manager Finance and IT
- Division Manager Assets, Planning and Design
- Division Manager Infrastructure Works
- Coordinator GIS and Asset Systems

<u>Agenda Items</u>

Standard agenda items will include the following:

- Clarity of roles and responsibilities with respect to AM
- Need for increased awareness of AM issues and how these should be communicated
- Adequacy of resources (including competencies) and processes to support the implementation of the AM system
- Problems or potential problems identified with Council's assets, AM or AM system; actions to correct and control or prevent them; review effectiveness of actions taken
- Proposed changes to AM system and assessment of associated risks
- Proposed outsourcing of AM activities, controls and monitoring required
- Internal AM audit program

Additionally, each 6 months the AMSG will undertake management review of the AM system (timed to coincide with performance reporting for Council's Delivery Program) addressing the following:

- Status of actions from previous management reviews
- Changes in external and internal issues that are relevant to the AM system
- Information on AM performance including trends in nonconformities and corrective actions, monitoring and measurement results, audit results
- AM activities undertaken
- Opportunities for continual improvement
- Changes in the profile of risks and opportunities

Outputs of the management review will include decisions related to continual improvement opportunities and any need for changes to the AM system.

Minutes of the AMSG will be tabled for information at Executive Leadership Team meetings.

3.7 Maturity Assessment against ISO 55001: Identifying Improvements

While Council is not considering certification against the ISO 55001 standard at this time, it is used by the Asset Management Steering Group (as set out in the Terms of Reference) as a benchmark of 'good practice' to evaluate the current level of system maturity and to identify and prioritise improvements.

An assessment of Council's compliance against the standard has been undertaken. At this stage, this was limited to the mandatory requirements ('shall' statements), but further detail will be considered in future reviews.

The table below summarises the key findings in terms of current status and priorities for improvement. Specific actions are included in the Council Improvement Plan in section 1.1.

Summary of Maturity Assessment Against ISO 55001

ISO 55001 Requirement	Current Status	Priorities for Improvement
4. Context of Organisation Internal and external issues Stakeholder expectations Scope of AM system	Generally covered in SMPs and AM Policy	Refine information in future revisions of SMPs
5. Leadership Policy, roles & responsibilities	Fundamentals in place	Continue to raise awareness of importance of AM Clarify roles & responsibilities
6. Planning Identify risks & opportunities AM objectives and plans to achieve them	SMPs have established the fundamentals	Refining information on risks and opportunities Defining SMART objectives and reviewing SMPs
7. Support Adequate resources Competence, awareness, communications, control of documented information	Fundamentals in place	Better definition of competency requirements, continued communication
8. Operations Process control Assessing risks of changes Outsourced activities	Limited documentation and formal control of processes Assessment of risks of changes is largely informal Outsourced activities generally well controlled	Develop and implement controls on priority processes Formalise risk assessments on changes Review controls for outsourced activities
9. Performance Evaluation Monitoring, measurement, analysis and evaluation Internal audits Management review	Various M, M, A & E activities in place No internal audits AMSG established for management review	Need to review what M, M, A & E activities are required Conduct internal audits (when AM system more mature) Continue AMSG
10. Improvement Response to nonconformity Preventative action Continual improvement	Response to nonconformity and preventative action currently ad hoc Continual improvement now underpinned by SAMP, SMPs and AMSG	Consider formalising nonconformance & preventative action processes as documentation improves Continue to support AMSG

4. Workforce Management Plan

4.1 Introduction

Workforce planning is the process of translating strategic and operational objectives into workforce requirements then developing a range of strategies to ensure that workforce composition matches requirements over time and that Council can be responsive to change and emerging needs.

Like any other resource, Council needs to ensure that its people are being managed and utilised efficiently, effectively and sustainably.

Councils Delivery Program identifies a number of priority focus areas for the planning period 2018 – 2021. The workforce specific focus areas are:

- The effective and efficient use of internal resources to deliver quality services to our community
- Cutting red tape and renewing focus on delivering excellent customer service
- Delivering major projects program on time and within allocated budgets
- Developing and integrating standardised work practices across the organisation
- Ensuring transparent and accountable leadership

These focus areas provide the foundation for the following principles utilised to develop this Workforce Plan:

Sustainable Workforce
To have a workforce that is sustainable financially as well as continuing to be sustainable in the delivery of services over time and be responsive to the changing environment, increased demands and ever-expanding functionality of Council

Capable Workforce
To have a workforce with the capability to achieve our objectives through effective attraction, recruitment, retainment and development of our people and capacity to deliver through effective systems, processes and resources.

Agile Workforce
Structure our organisation and manage our people, systems and tools to enable business continuity, mobility, collaboration and responsiveness to change.

4.2 Overview

Council's workforce is experiencing significant challenges and pressures. Transitioning to one Council organisation, large volume of projects and a high level of community expectation and scrutiny have required the workforce to adapt rapidly to a new environment. Council's workforce is also ageing, with considerable numbers at or nearing retirement age, and attracting new staff is not easy as a result of skills shortages in the industry generally.

Critical barriers that are currently inhibiting the workforce include:

- Business integration and technology implementation
- Scaling up of the workforce to cope with increased project work
- Capability of staff in relation to skills and experience, and expectations
- Expectation of seamless transition and maintaining business as usual

On top of this, Council's LTFP (section 2) proposes considerable reductions in employee costs to improve Council's financial sustainability from a combination of a one-off realignment of resources and several years of reductions as a result of natural attrition (i.e.

not replacing all positions when they become vacant, but rather reviewing these on a case by case basis).

It is vital that actions to reduce employee costs are considered in the light of current and emerging challenges associated with the workforce, and that Council invests in developing its staff and their systems of work so that it achieves its financial objectives without impacting on the services delivered to the community or the risks to its organisation.

4.2 Council's Workforce

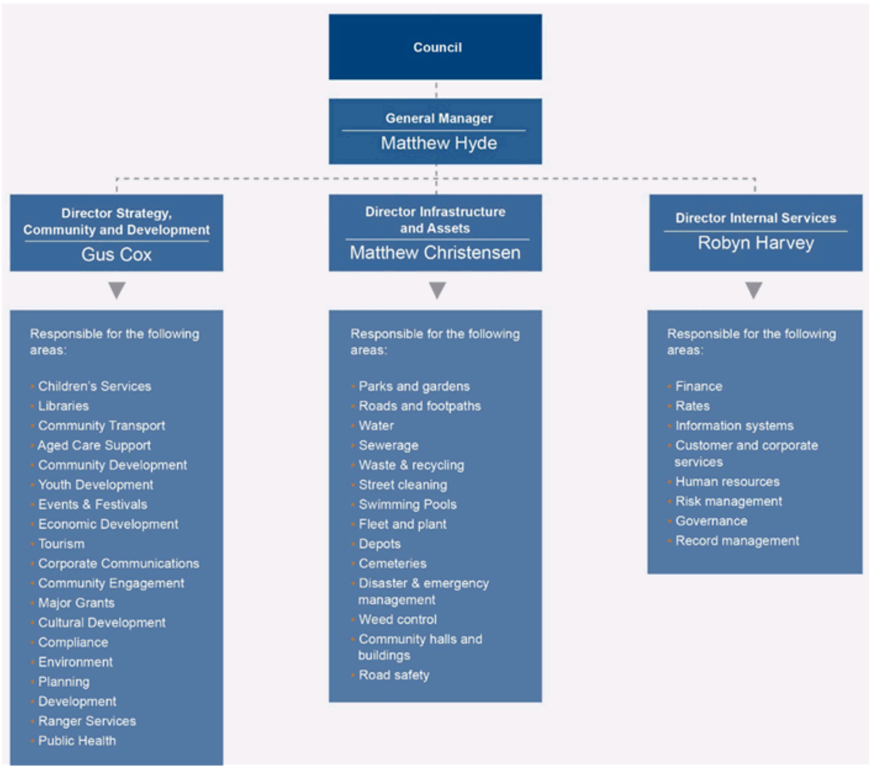
Key aspects of Council's workforce are outlined below.

4.2.1 Structure and Size

Council employs 240 Full Time Equivalent (FTE) staff, which equates to 283 people working in a mixture of permanent full-time, part-time and casual roles.

Of this employee headcount, 6 people working are employed in temporary roles relating to the merger implementation or other specific project work, under fixed term contract.

Council's organisational structure is shown below.



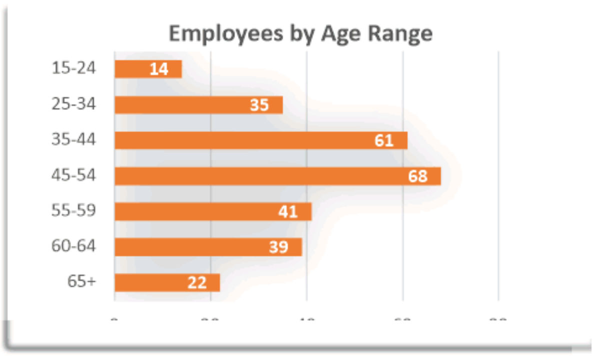
4.2.2 Workforce Profile

DIVERSITY

45% Female

55% Male

0.4% persons of Aboriginal or Torres Strait Islander descent
1.4% persons from non-English speaking background
0.7% persons with a disability.



22 staff
are aged 65+ right now
a further
39 staff
will reach this age bracket within 10 years

These projections are based on retirement age of 65 years which is expected to increase over time.

10 years
Average time of service

6%
Annual Turnover Rate

DEVELOPMENT

Council has 4 apprentices: 3 studying Heavy Vehicle Mechanics and 1 studying Horticulture.

Avg Training Spend $973/ FTE compared to NSW Avg $1125/FTE

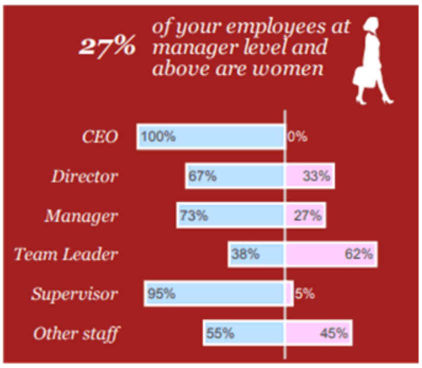
HEALTH & SAFETY

Councils Integrated Management System which includes Safety, Quality and Environmental management was re-accreditation in October 2018 following a stringent assessment against Australian Standards.

Council achieves very good safety performance and offers a range of well-being initiatives to support our people which we are adding to on an ongoing basis.

LTI **39 days**/100 employees compared to **88 days**/100 for NSW Councils
1.85% avg premium rate
Regional avg 2.32%
OLG avg 3.09%

$7,052 avg claim cost
Regional avg $12,012
OLG avg $14,962
Ref: StateCover Audit 2018.



Council's age profile statistics indicate the nearing retirement of a large proportion of the workforce. Snowy Valleys Council workforce *currently* comprises 22 staff over the age of 65, and a further 39 due to reach 65 within the next five years. Turnover for Council was 6% last financial year, which represents approximately 9 Full Time Equivalent positions per annum. Historically, turnover has been up to 11% per year.

The position types which will be most impacted by retirements will be:
- Works Officers and Field Based Team Leaders
- Trade Positions
- Leadership Positions
- Technical Positions

Divisions most impacted will be:
- Community Services
- Infrastructure Works
- Development and Environment and People
- Culture and Governance (to a lesser degree)

Given that some of these retirements represent a loss in leadership and supervision within the workforce there will be a need to concentrate on building leadership capabilities within the workforce now, to build the capability and capacity of current leaders and to develop potential future leaders.

The organisation maintains a strong balance between maintaining the historical knowledge and identity with bringing in new ideas, approaches and attitudes, through a healthy composition of long serving staff and new recruitment.

4.2.3 Employment Costs

As discussed in the LTFP (section 2), employee costs are a major component of Councils fixed expenditure representing over 40% of operating expenditure. These costs increase annually in line with Award based increases which are generally around 2.5% each year applied to all rates. Additionally, the compulsory superannuation costs will increase 0.5% annually from the current rate of 9.5% until they reach 12% in 2025.

Given Council's number of long serving employees combined with high workload requirements leading into and since merger, Council maintains a high employee Leave Liability, with 23% of staff having in excess of 12 weeks leave accrued. Council's financial reserve to fund this leave being taken was $1.7M as at June 2018.

Council is currently implementing an Excess Leave Management Strategy to reduce leave liability. This will be addressed within the Council Improvement Plan (section 1.1).

4.3 Workforce Challenges

Key challenges identified through Council's strategic planning processes and consultation with key staff are outlined below.

4.3.1 The Need to Reduce Employee Costs to Improve Financial Sustainability

Council's LTFP (section 2) highlights that Council needs to reduce its operating expenditure in order to be financially sustainable over the long term. Given that employee costs make up almost half of all expenses and other items such as depreciation are not easily changed, Council has little option but to pursue savings in relation to its employee costs.

However, the issue cannot be considered in isolation as simply reducing positions or salaries to reduce expenditure. A number of risks to this approach exist, including:

- Maintaining service levels expected by the community
- Attraction and retention of high quality staff
- Maintaining legislative employment protections

Additionally, a large volume of project work has come about due to the awarding of grants to deliver a significant infrastructure program. This program has diverted significant resources away from what would be considered as 'business as usual'.

Further, the organisation is still in a phase of transition in many of its business functions, which requires intensive staff involvement to complete, and is a highly important function to lay the groundwork for business improvement.

Initial consultation with key staff in regard to workloads and efficiencies highlights that there will be considerable challenges to realising savings while still delivering on community expectations, legislative requirements, etc.

It will be important that any such changes are made following consideration of actual service delivery activities, current resources, risks and opportunities that will be identified as part of business planning in Service Management Plans (sections 1.5 and 3.4). This issue is also highlighted in the Council Improvement Plan (section 1.1).

4.3.2 Skill Shortages

The '*Local Government Workforce and Future Skills Report NSW 2018*' reports the following professional shortages:

- Engineers
- Project Managers
- Building Surveyors
- Environmental Health Officers
- Urban/Town Planners
- Technical and Trade Positions

Additional 'difficult to recruit' positions specific to Snowy Valleys Council are:

- Early Childhood Teachers
- GIS Officers
- Economic Development Officers
- Specialist Plant Operators

Council is already facing challenges in relation to attracting qualified, skilled and experienced applicants due to skills shortages / availability as well as other factors including salary rates and the remote/regional location. Where some shortages exist, options are available to contract specific services, however, skilled staff are still required to critically assess, implement and monitor the outputs of these contracted services.

Council's attraction and recruitment methods need to be reviewed to identify opportunities for improvement and innovation as well as investigating options for shared or alternative service delivery methods in these areas.

4.3.3 Capability and Capacity

Council provides a very broad range of services across its operations which require skilled, qualified and engaged workers to ensure the safety of staff and the public, quality of services and value. Given the relatively small size of Council's workforce this requires the organisation to develop and retain people who are adaptable and multi-skilled, to meet obligations in the various service areas and to have business continuity.

The workforce is currently being impacted by high work demands and recent turnover in staffing due to retirements and resignations. Turnover is not necessarily a negative for organisations as it brings in new ideas, approaches and capabilities however it does involve a period of development before new staff become fully productive in their roles.

Council is asking more of its people in terms of strategic planning, report preparation and analytical thinking as well as use of technology and is expecting its people to adapt and perform at a high level in the core capabilities required for their role. This requires a strategic learning and development program and high level communication and leadership skills.

Programs have been implemented to upskill workers in preparation for these impacts, with more to be achieved in this area starting with an audit of the skills and qualifications register to update and complete data for future planning.

4.4 Operating Environment

Change in the sector has been significant over the past five years due to the implementation of the 'Fit for the Future' reform in New South Wales. Based on research and consultation with key stakeholders the following environmental factors have been identified which have the potential to impact on Councils operations and ability to achieve its objectives as planned in the short term. These are discussed below.

4.4.1 External Factors

- Continuing significant community division regarding acceptance of merger impacting on the workforce culture and staff morale;
- Upcoming election at Federal level may increase or decrease funding which will impact projections in the resourcing strategy;
- Increases or decreases to funding from RMS for continued RMCC and project work affects Council financially as well as operationally.
- Implementation of Snowy 2.0 could result in loss of employees from Council to higher paid work with Snowy Hydro (although it may also create a local market of desirable skills at the end of the project);
- Requirement for engineers to become certified which could impact on Councils current engineering workforce and the competition in the market for engineers;
- New legislative requirements being imposed on Council to comply with or administer;
- Pace of technological change leading to faster redundancy of current systems as well as increasing pace in new technological developments e.g. Smart Cities
- Increasing costs and requirements for training in relation to licencing and compliance areas is decreasing the amount of funds available for development of staff;
- Increased focus on safety systems review / audit due to penalties in place including prison sentences for 'senior officers' failing to ensure a safe place of work.
- It is expected that climatic changes will, over time, impact on Council's workforce in terms of core working hours and hazard mitigation relating to extreme weather conditions especially for field based workers.
- Ageing population as well as increased rates of health conditions in younger generations (e.g. obesity) will impact the capability and capacity of available people

4.4.2 Internal Factors

- Extended vacancies in key areas due to difficulties in attracting suitable applicants puts a strain on the ability to deliver for affected Divisions;
- Gaps in data available within systems to allow us to provide analytics and reports in an efficient and timely manner to support decision making;
- Refinement to the current organisation structure to allow the structure to be realigned with strategic objectives;

- Leadership capability and capacity including identification and development of 'future leaders';
- Delivery deadlines for NCIF projects adding to regular work.
- Enhancement in access to technology, information and the current functionality and of our systems and user capabilities are reducing efficiency and increasing risk;
- Evolution to electronic communication and record keeping will require dedicated resources in the short term to convert current hard copy records to electronic files and to consolidate existing electronic records.

4.4.3 Longer Term

Current research outlines the major predictions of how the future of work will change over the next 10 years as:

- Rapid technological transformation will change the way data is stored and accessed, the equipment and technology currently used and its functionality.
- Artificial intelligence and robotic technology are predicted to impact on Councils as costs reduce and uses expand.
- Five generations within the workforce bringing the need to be innovative and to have systems and processes which can be suited to the difference needs, drivers and expectations of these generations.
- Ageing workforce and population affecting availability of workers and competition for talent.
- Shorter retention periods and a rise in the 'gig economy' which will require different systems and approaches over time.
- Changes in the focus on leaders to harness 'soft skills' to improve people outcomes rather than the more traditional leadership programs. *The World Economic Forum predicts emotional intelligence will be one of the top 10 skills for employees by 2020.*
- Changes in customer expectations for service levels, to be kept informed, have instant access to information, to be able to use online services to make payments and complete applications etc. (reductions in face to face contact)

These predictions provide opportunities and threats to Council's workforce and need to be considered through any workforce restructure, staff training and development, staff attraction and retention or systems implementation.

4.5 Future Focus

Council's people are key to the achievement of its strategic objectives, therefore effective workforce management and planning for future needs is critical.

This process allows Council to consider and be prepared for workforce changes including potential retirements, changes in legislation that might require a change in qualifications or workload, increased staff needs in key service areas or new service areas emerging / former service areas reducing.

Council can then be prepared and implement strategies prior to the changes to reduce the risk and impact on service levels and capabilities.

4.5.1 Our People

In terms of the future needs in terms of our people, overall we need people who are resilient, adaptable, diverse and accountable. The one certainty is that our future workforce will face ongoing change, which will be at times fast paced particularly in terms of technological development. Council will need to place an emphasis on attracting and retaining staff through a mixture of employment conditions, stimulating opportunities and building a positive organisational reputation.

With four existing apprenticeship positions, Council is in a position to review its appetite and Corporate Social Responsibility with a mind to increasing this number to offset the expected turnover of the next five years. An apprenticeship program presents a good opportunity for succession planning and developing staff to suit organisational need. Positional development around knowledge and skills that will reflect the future of the Council and the industry, will provide Council with a more agile and capable workforce.

To deliver on the ongoing requirements of Council we need the following.

Leaders with the capability and capacity to:

- Communicate, influence and collaborate with the community and other stakeholders;
- Understand community expectations and priorities;
- Translate this understanding into options with business cases and recommendations;
- Carry out high level planning, translating this into strategies and actions to drive delivery of Councils strategic objectives.

People with the capability and capacity to:

- Use technology effectively to improve business outcomes
- Be multi-skilled, innovative, flexible and responsive
- Apply effective project management skills
- Work to deadlines and achieve targets and objectives
- Troubleshoot and problem solve within the scope of their work
- Document, analyse and improve business processes
- Utilise metrics and business analytics effectively to support good decision making

Systems with the capability and capacity to:

- Be accessed from anywhere
- Evolve with Councils changing needs over time
- Be flexible and allow for innovation and improvement
- Allow Council to meet service levels and legislative compliance

It is expected that Councils investment in its major software system Technology One will be in place for at least the next 10-15 years so there is a need to ensure that Council is investing in getting optimal functionality from this system.

4.5.2 Our Culture

It is vital that Council fosters a systems thinking approach within the organisational culture to encourage employees to develop new ways of working and make more sustainable and efficient use of resources. We need to assess the options and adopt a simple, low resource method which is simple to apply and relatable to staff therefore becomes part of the 'way we do things' rather than an approach that needs to be highly resourced to be effective.

To be successful and aligned to business needs, our culture needs a transparent, consistent approach that focuses on the vision and strategies for the Council and how those within the organisation can contribute to that goal.

4.5.3 Opportunities

In addition to challenges, Council has the opportunity to increase income through marketing specialist services to other Councils and organisations. This could be done either as fee for service or via a resource sharing program between Councils where specialist skills are increasingly difficult to attract and retain from the market.

Council has people with marketable skills and knowledge and there have already been instances of our people providing assistance or specialist services in the areas of Project Management, Building & Development, Auditing and Safety System establishment.

There are many more areas that we can develop to allow income to Council in the future if we are able to create depth in our organisation to allow us to operate effectively with these people not working on our systems.

Other areas of potential include software and App development, design work and event planning. There is also potential for us to develop training programs delivered internally in areas that we are currently facing market shortage of trainers e.g. grader operations, chainsaw operations.

A further source of opportunity is our recent membership approval to the Canberra Joint Organisation and building strong relationships within that group to develop our approaches and to gain cost savings through cooperative arrangements and knowledge sharing.

4.6 Path to Improvement

Following consultation with leaders and key staff, industry research and analysis of our current and predicted future workforce requirements key challenges or gaps have been identified which will be the focus of actions within this workforce management plan.

These will be based around the three major themes of this Workforce Management Plan:

1. Sustainable Workforce
2. Capable Workforce
3. Agile Workforce

These areas are outlined in the following table which outlines the challenge or gap identified, the objective, planned actions, timing and estimated cost.

Improvement Actions for Council's Workforce Management

SUSTAINABLE Workforce

A workforce that is sustainable financially as well as continuing to be sustainable in the delivery of services over time and be responsive to the changing environment, increased demands and ever-expanding functionality of Council

Gap / Challenge	Objective	Actions	Timing	Reference
Effective and efficient use of internal resources to deliver quality services	Strategically plan expenditure within the learning & development budget to gain the best use of this investment	Develop and implement a targeted Learning and Development strategy including an annual costed program within budget	by June 2019 and ongoing	WFP-19-01
Effective Excess Leave Management	Continue to manage excess leave liability on an ongoing basis	Build effective leave management into the performance appraisals for all supervisors based on business improvement plan targets and report monthly	June 2019 and ongoing	WFP-19-02
Diversity and Inclusion Management	A respectful, fair workplace that values diversity	Develop an updated EEO Management Plan outlining programs to facilitate increased representation of target groups	June 2019 and ongoing	WFP-19-03
Maintaining the Health and Wellbeing of our people	To promote active, healthy lifestyle choices within our organisation, support staff and contribute to their individual well-being	Implement the SVC Well-being Program 'Eat Well, Move Well, Live Well'	June 2019 and ongoing	WFP-19-04
Improve our ability to attract, retain talented people	Implement contemporary recruitment, selection and appointment practices	Implement the Recruitment and Selection Policy and Procedure	May 2019	WFP-19-05
		Train leaders and recruitment panel members	By July 2019	WFP-19-06
	Develop our talent management capabilities and systems including transition to Tech1 Talent Management Module	Establish a talent management program that identifies talent gap analysis aligned with succession planning strategy, retention strategy and leadership growth program	By June 2020	WFP-19-07
Ageing Workforce / Retirements	Establish and implement an Entry level program to support succession planning and local opportunities for young people	Establish the framework for traineeships, apprenticeships, cadetships and work experience programs	By June 2020	WFP-19-08

SUSTAINABLE Workforce

A workforce that is sustainable financially as well as continuing to be sustainable in the delivery of services over time and be responsive to the changing environment, increased demands and ever-expanding functionality of Council

Gap / Challenge	Objective	Actions	Timing	Reference
	To build a sustainable and effective succession program	Establish the succession planning framework in alignment with the Council Improvement Program and Service Management Plans	Commence May 2019	WFP-19-09
		Prepare succession plans for identified High Risk / Hard to Fill Positions	By January 2020	WFP-19-10

CAPABLE Workforce

To have a workforce with the capability to achieve our objectives through effective attraction, recruitment, retainment and development of our people and capacity to deliver through effective systems, processes and resources.

Gap / Challenge	Objective	Actions	Timing	Reference
Business Integration and technology implementation and transition to paperless office principles	Reduction in paper based processes	Implement on line lodgement of hazard and incident reports as part of the Tech1 transition to CiA environment	By Mar 2020	WFP-19-11
	Implement the E-Recruitment module within Tech1 which will reduce paper-based processes by 80%	Transition our E-Recruitment to Tech1 to improve integration and allow us access to increased functionality around on-boarding	By June 2019	WFP-19-12
Effective, transparent and accountable leadership (Delivery Program)	Leaders who are managing achievement of targets, aligning their staff and work processes to the strategic objectives	Develop a Leadership development program for office based Leaders Including a tertiary qualification and targeted development in core capabilities including: reporting writing, business case development, financial management	Commence May 2019 – June 2020	WFP-19-13
		Develop a Leadership development program for field based leaders	Commence November 2019	WFP-19-14

CAPABLE Workforce

To have a workforce with the capability to achieve our objectives through effective attraction, recruitment, retainment and development of our people and capacity to deliver through effective systems, processes and resources.

Gap / Challenge	Objective	Actions	Timing	Reference
		Including targeted development in core capabilities including: resourcing, planning, delegating, quality control		
Building capability and capacity of our people	Establish Capability as the basis for performance appraisal	Implement the Local Government Capability Framework within the transition to online performance appraisal (including training of leaders and staff)	By December 2019	WFP-19-15
Increasing cost of training and development as well as reduction in locally based providers	To increase access to on-site training for staff in core skills	Implement E-Learning software to allow flexibility and access to learning of core concepts for on-boarding, development and compliance	By May 2020	WFP-19-16

AGILE Workforce

Structure our organisation and manage our people, systems and tools to enable business continuity, mobility, collaboration and responsiveness to change.

Gap / Challenge	Objective	Actions	Timing	Reference
Improvements required in communication and engagement of staff and contribute to positive culture (Internal Communication Review)	An agile, engaged, informed and accountable workforce	Implement actions within the adopted Internal Communications Framework 'Belong, Mobilise and Represent'	Commence May 2019 and ongoing	WFP-19-17
Loss of talented staff due to higher rates of pay/better conditions available in the market	Improve attraction and retention capabilities	Establish and implement a rewards and recognition program strongly linked to performance and achievement of strategic objectives	By June 2021	WFP-19-18
Effective performance management and appraisal mechanisms	To improve the outcomes from the performance planning and review process	Transition our performance planning and review process onto the Tech1 'Talent Management' module	June - Dec 2019	WFP-19-19

AGILE Workforce *Structure our organisation and manage our people, systems and tools to enable business continuity, mobility, collaboration and responsiveness to change.*				
	To improve the outcomes from the performance planning and review process	Establish a development and progression plan for all relevant positions	By June 2019	WFP-19-20
Improve the effectiveness of our on-boarding and exit processes	An agile, engaged, informed and accountable workforce.	Develop and implement an engaging, innovative on-boarding process utilising various modes of delivery. Including a 3-6 monthly 'corporate' induction	December 2019	WFP-19-21
		Develop team/section based induction programs for all areas to ensure a successful transition of new staff into their work areas following the initial induction	June 2020	WFP-19-22
		Improve the exit process to improve information collected and the use of information to identify issues and areas for improvement	December 2019	WFP-19-23
Lack of accurate / complete data is some areas and varied storage methods	To build complete information relating to employee qualifications, skills and capabilities	Complete a skills audit and training needs analysis for all positions entering data back into Tech1 for reporting, gap analysis and future planning	By June 2019 and ongoing	WFP-19-24
Lack of role clarity and clear accountabilities within some areas	To build role clarity and accountability	Review all positions descriptions in alignment with the structure review / and efficiency program.	Refer to BIP	WFP-19-25
Ability to 'scale up' as required through casual, contract, consultancy, temporary arrangements	To build a network of available people to undertake casual work	Implement an open casual employment mechanism via Councils website linked to Tech1 E-Recruitment	By June 2019 and ongoing	WFP-19-26
	To utilise various networks to access specialist skills as required	Utilise procurement / government contracts as well as continuing to build relationships and contacts with consultants and contractors to assist with peak workloads as required	Ongoing	WFP-19-27