PENRITH

RESOURCING STRATEGY 2016

PENRITH
CITY COUNCIL

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INTRODUCTION

This is Penrith City Council's Resourcing Strategy prepared under the requirements of the Integrated Planning and Reporting provisions within the Local Government Act, 1993.

This document outlines our approach to managing our assets, workforce and finance over the next 10 years. How we manage our resources is critical to delivering on the commitments we've made to our community in the Community Strategic Plan, Delivery Program and Operational Plan.

This document has been updated independently of our other strategic planning documents to support our application for a Special Rate Variation due to be submitted to the Independent Regulatory and Pricing Tribunal in February 2016. The version of the Resourcing Strategy reflects significant work done over the past 2 years as part of an organisation wide Capacity Review, and also draws on financial modelling done as part of our Fit for the Future Improvement Plan.

CAPACITY REVIEW

Penrith City Council identified a need to improve productivity in 2013 and established a series of Corporate Priority Project Teams to review key aspects of business, Information Technology, Performance Management, Decision Making, Priority Setting and Long Term Financial planning, in response to a request from our Councillors to increase our capacity to deliver city shaping projects. A Financial Capacity Review commenced to look specifically at whether our current long term financial strategies were appropriate to meet both our current and long term needs. The initial results of this review indicated that, although we could continue to meet day to day operational costs, addressing the infrastructure backlog and planning for larger capital projects presented a challenge.

In response, an organisation wide Capacity Review commenced in July 2014 that incorporated all key areas of Council's operations. A dedicated team was established to review Council's 44 services and look at which of our business processes cross multiple service boundaries and therefore provide the most opportunity for savings and productivity improvements. We also examined our procurement practices and processes. This work is still ongoing and is expected to deliver both improved customer service and significant productivity gains as we focus our efforts on those areas of most importance to our community now and going forward. An essential part of this organisation wide review has been transformational change in our Information Communication Technology (ICT) environment. This has included activation of a new senior body to oversee implementation of a new ICT structure and direction over the next 2 years. This has already resulted in major upgrades to our security, operating and phone systems, improved mobile capability and streamlining of key services. As further improvements roll out we will be able to leverage the full benefit of the National Broadband Network, providing our customers with better access to information and introducing streamlined business practices which will allow us to cater for expected growth with minimal increase in resources.

An Asset Review has also been undertaken, with the dual aims of updating the Asset Management Policy, Strategy and Plans, and of examining whether our processes and responsibilities around asset management were the most appropriate given the growth in assets expected over the next 10-15 years. A new Asset Management Policy and Strategy have been developed, and form the basis of the assets component of this document. Asset Management Plans are now being updated which will guide day to day practices across all asset classes.

A community engagement program commenced in November 2014 to help determine how we engage with our community, general principles for reinvestment of funds gained through the sale of assets and a clearer idea of our communities priorities over the next 10 years. The Penrith Community Panel was part of this engagement, delivering their report *"The City We Want"* in February 2016. The recommendations of the Panel will inform not just the Asset Management Strategy and Plans, but also the development of our new Community Strategic Plan.

THE BIGGER PICTURE

Effective resource management has two key components. Firstly, an organisation must understand the resources available to it and secondly how they can be best used to deliver the services and functions the organisation needs to carry out its day to day business. Effective use of our assets, workforce and finances are the primary focus of this document, with details about the current state and likely future risks and opportunities for each appearing in the following chapters.

Penrith City Council does not, however, exist in isolation, so we must look at how we use our resources in the context of the bigger picture – external factors beyond our control that may present opportunities and threats in the future. As a local council, we must also look at what our community needs and how those needs are changing. Although we cannot always predict these things accurately, looking at the issues currently facing both local government as an industry and Penrith as a community will put us in a better position to respond quickly to changes in community expectations and opportunities and threats as they emerge.

The past few years have seen significant investigation by the State Government into how local government operates, the role it plays in its community and how to make it sustainable in the long term. This has set the stage for a period of potentially unprecedented reform that will impact every community across NSW. We need to work with the State Government, our community and our neighbours to determine how this will impact on Penrith, and what we need to do to respond.

This chapter of our Resourcing Strategy sets the broad external context for the chapters that follow. It briefly discusses the priorities for Penrith identified by our community (discussed in more detail in the Community Plan) and the priorities we have set ourselves as an organisation. It looks at the major external influences that could present challenges or opportunities over the next few years, and how they are relevant to either Council or the Penrith community. In some cases we can be proactive in planning for or mitigating these factors, in others we can only consider how we might react should they occur. A broad outline of the investigations we are currently undertaking into achievable and measurable productivity improvements over the next 4 years is also provided.

COMMUNITY PRIORITIES

During early 2012, Council undertook a comprehensive community engagement program to give people who live and work in Penrith the opportunity to tell us what is most important to them, and what they want Council to work on. The details of the process and results are provided in the Community Plan and Community Engagement Strategy. In summary our community identified the following priorities:

- improve access to local jobs
- manage future growth, so that the services people need are provided as the population grows
- improve our roads and public transport system
- create clean and safe public spaces
- look after the environment, particularly our waterways
- encourage health and wellbeing in the community and help Penrith stay a safe, friendly community even as we grow
- lobby other levels of government for infrastructure and services, and ensure that Council's finances are sustainable.

Councillors are a key link between the organisation and our Community. Our elected representatives shared the community's view about the long term priorities for the City and identified specific actions for their term in office to work towards the community outcomes:

- focussing on investment and growth in the City's key centres
- creating opportunities for activities on and around the Nepean River; and
- working with the State government to implement the Penrith Lakes Parklands and unlock the development potential of Penrith Lakes.

Council has an obligation to respond to the priorities identified by our community and elected representatives; however we have a finite resource base of people, assets and finances. We cannot deliver on everything, so we need to be careful in choosing where we focus our efforts.

Penrith Community Panel

In order to assist in this process, the Penrith Community Panel went through an in depth consultation process from September to December 2015, considering the question:

"What services and facilities do we need in Penrith?"

Drawn from a statistically representative sample of our community, with a diverse range of backgrounds and from all across our City, the Panel identified a total of 81 recommendations across 7 categories. These recommendations focus on specific areas where service levels need to change to better meet community needs. With timeframes ranging from now to 10 years Council will need to determine how to proceed and the potential implications for service delivery.

ORGANISATIONAL PRIORITIES

The Community and Councillors set priorities for the services we deliver, and the level to which we deliver them. How we operate as an organisation also influences how we deliver services, and our priorities as an organisation will influence how well we can respond to community expectations.

1. Ensure we are sustainable in the long term as a stand-alone Council

Meet the 7 criteria set by the State Government as part of the Fit for the Future reform agenda by 2018-19. This includes improving asset management and demonstrating a decreased cost for service delivery over time.

2. Use increased productivity to accommodate the demands of growth

Penrith is growing and over time this creates an increased demand for services and facilities. Servicing growth is not just about providing and maintaining new assets such as roads and parks, but also creates an increased demand for existing services, Rangers, Libraries, Waste Collection and Development Approval and Compliance are all services that will experience significant increases in demand as our population grows. Our aim is to use improved processes and technology to deliver these services more efficiently, allowing us to accommodate the growth in demand without an increase in resources.

3. Improve customer service

All of our services have customers – some services such as Libraries, Children's Services and asset maintenance have community based customers, others such as Workforce, Finance and Information Technology have customers based within the organisation. Regardless of where a customer sits, it is important that all of our services consider their needs and strive to meet them as best they can. Improving customer service and meeting reasonable customer expectations is the starting point for how we consider service delivery and how we focus our priorities.

4. Improve how we measure our performance in delivering services

If we are to genuinely seek to improve accurate measurement of the quality of the services we deliver and what it costs us to deliver them is critical. Without data on what we do and how much it costs we can never really set targets for improvement or be sure we have met them. Performance measures need to be simple and reflect what is most important about a service, but collecting the data to report on them must also be efficient and cost effective. Reviewing all our performance measures will be a vital part of our improvement journey over the coming years.

Future Proofing Penrith City

In addition to the ongoing provision of services and infrastructure, it is imperative that Council looks to the future to see what trends are likely to influence the way we operate and the services we provide.

In November 2015 Civica Local Government Solutions released *'The changing landscape for local government in Australia and New Zealand',* a report based on feedback from more than 250 senior local government leader across the two countries. The report aimed to understand how local government will tackle the challenge of delivering more services to meet the changing needs of its communities with fewer resources. One of the key findings of the research process was today's decisions have longer term impact, and that in order to remain sustainable in the long term local government must shift its thinking, focussing not just on the present but also on developing longer term plans that assume a different future. Local government needs to "think beyond simply delivering services more efficiently, and instead look towards helping their communities become more resilient in and uncertain and turbulent world."

This report identified five key defining forces that will shape the councils of 2025.

1. The Changing Citizen

   The population of Penrith is predicted to increase from 198,162 in 2015 to 256,051 in 2036. While Penrith currently has a higher than average proportion of preschoolers and a lower than average proportion of people over 65, the Australian Bureau of Statistics forecasts that by 2026 the population of people at retirement age will increase by 91.2%, making up a total of 14.3% of our population. Coupled with longer lifespans this means not only greater demand on services for older people but also a higher proportion of multigenerational families. Our cultural diversity is also set to increase, both through migration and population growth.

   Our future citizens will be connected, with our residents already becoming increasingly focussed on digital and mobile service options. Listening posts conducted within the community in November 2014 indicated that 53% of respondents felt the easiest way for Council to get their feedback was through an online survey. This is a significant shift and means that, at least for the next few years, we will need to use multiple channels including web based, mobile based and paper based to ensure everyone has the opportunity to participate.

   As digital technology increases, many in our community will expect to be able to use self-service facilities. Community expectations are already changing, with a significant proportion of our customers expecting to be able to access information on demand or receive a response to an inquiry within 24 hours. Our processes, procedures and how we measure our performance all need to change to meet this expectation.

2. The role of the Council

   Maintaining and providing appropriate infrastructure will remain a top priority for councils, with the report indicating that by 2025 many key infrastructure assets managed by local government will have reached their use-by dates and require replacing. We have recently reviewed our Strategic Asset Management Plan, which showed a need for increased expenditure on asset maintenance and renewal from 2016 through to 2018 to address backlog, with steady expenditure from then on to maintain our assets in a serviceable condition. This additional expenditure is reflected in our long term financial plan.

   We also need to look carefully at the role our assets play in delivering services to the community – are they configured to meet not just current but future needs? Developing a process to continually review community needs and how we can meet them is critical in the next year or so, as this will provide guidance on whether we need to rationalise, expand, renew or change the configuration of our assets.

   In addition to traditional roles around service delivery and asset maintenance, there is likely to be an expectation for councils to be more involved in activities such as developing the local economy, guarding natural resources, providing support for an ageing population and providing cultural and educational opportunities. These sorts of things will be critical in developing resilient communities however they will also place competing demands on limited resources.

All councils will experience increased pressure on finances and resources which will create a need to look at new ways of delivering services and ways to reduce operational costs. This many include developing and utilising strategic partnerships and alliances with other Councils and private business, reviewing the level of service we provide; and choosing which services we continue to provide and which ones are better delivered by the private sector, community organisations (with council support) or other levels of government. Our recent Capacity Review has identified a number of opportunities to look at how we deliver our services without compromising on service delivery. We will be investigating these over the next few years.

3. The future form of local government

   With the changing population, community expectations, increased technology and limited resources, it is expected the way local government is structured will need to change. The State Government has recently announced a range of amalgamations for NSW local government, which will reduce the number of councils across the state from 152 to 112 by 2017 through forced amalgamations primarily of smaller councils. As well as creating larger councils the reforms also look at joint organisations and strategic partnerships as ways to gain economies of scale and cooperative service delivery.

   With reduced available resources and increasing demands for services councils will need to look at different models of service delivery, including self-funding services. This has an impact on the skills needed within local councils, with a greater emphasis on commercial business skills and understanding the needs of the customer than has traditionally been the case in local councils. Staff will also need to be multi skilled to work within cross functional teams and respond to changing expectations.

   Our workforce planning reflects this changing environment. The next few years will see a focus on multiskilling, flexible work practices and enhanced business skill development to help us position Penrith to operate in the new local government environment.

4. Leadership

   Future local councils will require leaders who are strategic, visionary and flexible. Leaders need to move from a project management or administrative management skills base to one which incorporates the elements of strategic management, long term thinking and collaboration to help councils deliver a vision for the future. Communication skills will be critical in senior management, with middle management responsible for technical expertise as well as a higher level of business level management skills.

   Strong communication will be key to enabling leaders to collaborate with others, and to drive change through the council.

   Penrith has consistently invested in leadership, communication and management skills and will continue to do so. Initiatives being explored through the capacity review will give managers more freedom and more responsibility for delivering services in an efficient way and responding to the needs of their customers. This will give senior management more capacity to focus on strategic projects, collaboration and building our place in the region.

5. Future Technology

   Technology keeps evolving with more opportunities and challenges being presented to councils on a regular basis. Mobile technology allows for more flexibility in working conditions including remote working options; and also promises significant efficiency through process improvement as currently manual process steps can be automated. Increased usage of digital platforms such as social media and information portals will mean more communication channels, helping councils provide faster, more accurate information to all of their customers.

Penrith has already started to realise efficiencies and has identified extensive opportunities available through modernising our ICT systems and products through an extensive ICT strategy developed in early 2015. We have already started to migrate to cloud based technologies and has upgraded our phone system to an online Skype platform that provides better data which we can use to improve customer service. GPS units have been installed in many of our plant items, recording location and usage. This will allow us to plan maintenance much more efficiently, and is an important safety feature for plant operators.

Councils need to work now to remove barriers to change and set themselves up with the processes, roles, skills and structures that will enable them to transform into the local government of the future. The report identifies six steps to achieve this:

1. Understand your community
2. Have clear, achievable goals that reflect citizen needs
3. Set out best practice in service delivery
4. Pilot new models of service delivery
5. Scale up and transition to new service models (once proven successful through the pilot)
6. Review, revise and renew

Through the Capacity Review, Fit for the Future (FFF) and the Community Panel Penrith is well on the way to completing step two and has commenced step three. Our Fit for the Future Improvement Plan and Capacity Review implementation will continue to move us through the 6 steps, positioning Penrith well to meet the challenges ahead.

Productivity Improvement

Over the last 18 months Council has undertaken an organisation wide capacity review to look at our services, assets and finances. The review focussed on priority setting, procurement, asset management and service delivery and has identified a number of initiatives that will be implemented over the next few years. Although commenced before the State Government announced Fit for the Future, the scope and purpose of the review fitted well with the overall reform agenda of securing long term financial sustainability and placed us in a strong position to meet the required standards.

Council's anticipated performance against each of the indicators is shown in the following table, along with the underlying assumptions.

	FFF	2016-17	2017-18	2018-19	2019-20	2020-21
Operating performance ratio *Greater or equal to break even average over 3 years* ***Meet by 2018-19***	-4.3%	1.24%	-0.55%	1.08%	1.96%	2.57%
Own source revenue *Greater than 60% average over 3 years* ***Benchmark met. Performance maintained***	65.7%	73.89%	76.39%	76.85%	77.50%	78.61%
Building and Asset Renewal Ratio *Improvement within 5 years, towards greater than 100% average over 3 years* ***Ongoing improvement from 2016-14***	44.4%	45.16%	45.68%	48.28%	55.64%	62.93%
Infrastructure Backlog Ratio *Less than 2%* ***Meet by 2016-17***	4.43%	1.22%	1.15%	1.03%	0.92%	0.86%
Asset Maintenance Ratio *Greater than 100% average over 3 years* ***Benchmark met. Performance maintained***	114.1%	111.92%	110.88%	110.56%	110.31%	110.00%
Debt service ratio *Greater than 0% and less than or equal to 20% average over 3 years* ***Benchmark met. Performance maintained***	7.03%	7.27%	7.43%	7.34%	7.10%	6.34%
Real operating expenditure *A decrease in Real Operating Expenditure per capita over time* ***Ongoing improvement from 2019-20***	0.86	0.91	0.89	0.87	0.85	0.83

The following assumptions underpin the above results:

1. The Asset Renewal and Established Areas Strategy Special Rate Variation (AREAS SRV) will continue beyond 30 June 2016, at its current rate
2. An additional 508(A) Special Rate Variation above the estimated rate peg will be approved for each of the four years from 1 July 2016, after which time this increase will be permanently included in the rate base (this increase is included in the LTFP)
3. The following business improvements will be implemented:
    a. Service specifications including service level agreements
    b. Allocation of resources required to realise savings from the business process review
    c. Proposals for mutually beneficial shared services through the strategic alliance
    d. Changes to the organisational structure that have been investigated to ensure they deliver expected benefits
    e. Reinvestment of capacity generated to areas of greatest organisational need that will generate further efficiencies or improvements in service delivery
    f. Levels of service as agreed with the community through community engagement
4. Transport assets (roads, footpaths etc.) grow by no more than 1%-2% per year
5. Managed growth in building and open space assets (additional assets received are partly offset by rationalisation of or existing assets; consideration is given to upgrade of existing assets as an alternative to provision of new assets)
6. Financial Assistance Grants will remain at the current level and indexed at 2.5% from 2017-18
7. Annual IPART determined rate peg in the 1.8%-3% range
8. $4 million per year will be added to the current allocation for building asset renewal for the first 8 years, giving a total building asset renewal budget per annum of $6 million. This is to be funded in conjunction with the proposed Special Rate Variation in addition to the renewal of the

existing AREAS SRV. The program will address backlog, renewal, compliance and agreed upgrade; with backlog and renewal works identified by the Asset Management Plan taking priority.

9. Asset renewal is defined as follows:

   Asset renewal is any capital expenditure on an asset which does not increase its capacity or service level, including capital works which bring it into compliance with current construction standards (e.g. replacing a toilet with an accessible toilet, and associated works to make the building accessible)

10. Funding asset renewal to the same level as anticipated depreciation is not reasonable for Penrith City Council at this time, given the age, expected useful life and growth in assets arising from development of new release areas. This position will be reviewed as part of reviewing the Asset Management Strategy and Asset Management Plans and an appropriate target set to ensure renewal funding is sufficient to reduce or eliminate backlog.
11. Asset backlog is defined as follows:

    Asset backlog is unfunded high residual risk associated with assets essential to achieving the outcomes stated in Council's Community Strategic Plan

12. In addition to the general assumptions previously listed, calculation of this benchmark is based on the population growth projections prepared by the Department of Planning, as follows:

Total population

2011	2016	2017	2018	2019	2020
184,600	203,950	207,940	211,930	215,920	219,910

Key activities planned for the next few years which are expected to deliver productivity improvements are outlined below. Progress towards each will be reported through regular progress reporting, including the Annual Report, required under the Integrated Planning and Reporting legislation. In addition to the below, Council will be looking to review and refine its policies on cost recovery, grow our own source revenue base and review the organisational structure for potential efficiency gains.

Outcome	Milestone
Service reviews completed for all services and recommendations adopted	All reviews complete - December 2015 First stage implementation – June 2016
Service level agreements in place for all identified service relationships	December 2016
New service specifications in place for all services	June 2017
Business process review completed and recommendations adopted	First stage implementation – December 2015 All key processes reviewed by June 2017
Endorsement of the Asset Management Strategy, including risk, priorities, critical assets and levels of service	Endorsed by 31 March 2016
Endorsement of Asset Management Plan, including maintenance expenditure, renewal expenditure and anticipated backlog	By 30 June each year
An agreed program and mechanism to rationalise identified open space and building assets including options for reinvestment of funds	By June 2016
Budget adopted and resources allocated for implementation of the remainder of the ICT Strategy	By June 2016
Endorsement by all three councils of the scope of benefit to be explored through the Strategic Alliance	First meeting – 21 May 2015 Areas for investigation for potential mutual benefit agreed – October 2015
Priority setting framework identified and ready for testing in budget process	By December 2015

Penrith City Council recognises that the journey towards a financially sustainable, efficient Council delivering the services required to support a resilient community is a long one, however the actions taken over the past few years and planned for the next few years place us well on the way. The following sections of this document provide more details on how we will manage our assets and workforce to deliver on the commitments outlined above. The final section includes our long term financial modelling, based on the information and assumptions outlined in this document.

Given the rapid pace of change in our council, local government as a whole and the broader environment continual review and adjustment is needed to ensure that we remain on track. This document will therefore be reviewed and refreshed as part of the development of the new Community Strategic Plan and Delivery Program following the next Councillor election.

ASSETS

INTRODUCTION

Council has a significant asset portfolio, primarily consisting of roads, paths, bridges, community buildings, drainage, land, fleet, parks and sportsgrounds. Smaller asset categories include books, IT equipment and office furniture. This asset portfolio has grown from a replacement value of $1,516,723,668 in 2009 to $2,205,126,000 in 2015. This growth comes with growth in the City, particularly new release areas, which add particularly to the roads, pathways, drainage and open space assets. Council's assets are a critical part of what we do; we cannot deliver services to our community without them. Some of Council's assets provide a service in themselves, as is the case with roads, footpaths, drains and parks; others, like our fleet, are used to help provide a service. Different categories present different challenges in terms of maintenance, risks and life cycle management. All assets, however, are managed according to Council's overarching asset management policy.

Council is responsible for managing its assets to deliver the level of service required by our community in a cost effective manner for present and future residents and customers. The key elements of our asset management policy are:

To ensure adequate provision is made for the long-term replacement of major assets by:

- Ensuring that Council's services and infrastructure are provided in a sustainable manner, with the appropriate levels of service to residents and visitors
- Safeguarding Council assets including physical assets and employees by implementing appropriate asset management strategies and appropriate financial resources for those assets
- Creating an environment where all Council employees take an integral part in overall management of Council assets by creating and sustaining an asset management awareness throughout the organisation by training and development
- Meeting legislative requirements for asset management
- Ensuring resources and operational capabilities are identified and responsibility for asset management is allocated
- Demonstrating transparent and responsible asset management processes that align with demonstrated best practice

We are committed to monitoring how much our assets are used and what they are used for, to ensure we are buying the right assets and using them in the right way to get value for money.

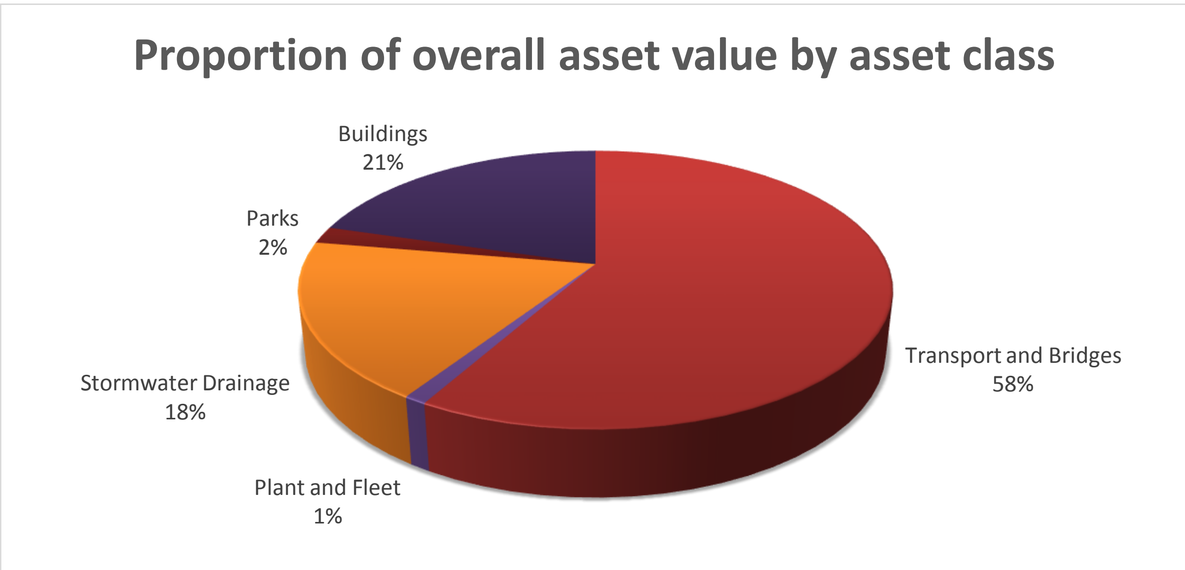


Figure 1 - Asset value by asset class

Why is asset management important?

Asset management covers maintenance, renewal, expansion and upgrade of assets, and must take into account the estimated lifespan of an asset, the level of service it is expected to provide and any costs associated with disposal.

Maintenance

Expenditure on an asset which allows it to continue to be used, but does not increase its service potential or life.

Renewal

Expenditure on an asset which increases the service potential or extends the life of the asset.

Expansion

Providing an asset to an area not currently serviced, but at the same level of service as is provided elsewhere in the community.

Upgrade

Expenditure on an asset to improve its level of service or extend its life.

Asset management, particularly maintenance and renewal of key infrastructure (primarily roads, drains and buildings) is a significant issue for local government. Many of our key infrastructure assets are a part of people's everyday lives and are most noticeable only when they start to deteriorate or the level of service they provide declines. This makes it easy to reduce spending on infrastructure maintenance in favour of providing more prominent services when there are competing demands for limited funds. In some cases this reduced spending can continue for several years before any significant impact is noticed.

The difficulty with this approach is that a poorly maintained asset will have a significantly shorter lifespan – delaying spending on maintenance will cost the community more both in terms of a reduced level of service, and additional costs to either bring an asset back up to standard or replace it entirely. There may also be other, hidden costs of inadequate spending on asset maintenance. A poorly maintained public domain can lead to the community feeling unsafe and makes an area less attractive for investors. This then limits jobs, housing choice and economic growth. Poorly maintained parks can have long term heath impacts by discouraging an active lifestyle. Roads which are not upgraded to meet traffic demands result in traffic congestion, longer travel times and less time for family and leisure activities.

The importance of consistent allocation of funds to asset renewal is reflected in the inclusion of the Building and Asset Renewal Ratio, Infrastructure Backlog Ratio and Asset Maintenance Ratio as part of the assessment of whether Councils are financially sustainable. Penrith's current and projected performance against these ratio, based on the asset management assumptions and long term financial planning included in this document, appears below:

	FFF	2016-17	2017-18	2018-19	2019-20	2020-21
Building and Asset Renewal Ratio *Improvement within 5 years, towards greater than 100% average over 3 years* ***Ongoing improvement from 2016-17***	44.4%	45.16%	45.68%	48.28%	55.64%	62.93%
Infrastructure Backlog Ratio *Less than 2%* ***Meet by 2016-17***	4.43%	1.22%	1.15%	1.03%	0.92%	0.86%
Asset Maintenance Ratio *Greater than 100% average over 3 years* ***Benchmark met. Performance maintained***	114.1%	111.92%	110.88%	110.56%	110.31%	110.00%

How is Council working to improve asset management?

Asset Review

Physical assets – roads, footpaths, drainage systems, parks, and buildings are a crucial part of the delivery of Council's services to the community. Our community depend on these assets and we have a moral and legal obligation to manage and maintain them to ensure that they remain safe and fit for use. Asset management, particularly the management of infrastructure backlog and allocation of sufficient funding to asset maintenance and renewal, has been an area where local government overall has been found lacking in the past few years. A review of councils asset management documents, responsibilities and processes has significant scope for building capacity now and into the future, both in terms of current increased efficiencies and reduction in future liabilities.

Council identified a need to improve productivity and efficiency in 2013 and an organisation wide Capacity Review to examine all key areas of Council's operations. One of the major components of the Capacity Review was the Assets Review, the purpose of which was to both review current asset management practices and develop and maintain a contemporary, comprehensive asset management strategy. The new Asset Management Strategy, adopted by Council in February 2016, applies to all council's assets and incorporates anticipated future supply; risk; and actions / funding required to address any backlog in maintenance. The Strategy sets the direction for asset acquisition, maintenance, renewal and disposal into the future and will be supported by individual asset management plans for each major asset class, including public art and buildings managed by the property department.

Key future actions

A number of immediate actions have come out of the Asset Review that will be implemented over the next two years. Progress on these actions will be reported through Council's normal reporting process.

Outcome	**Milestone**
Service reviews completed for all services and recommendations adopted	All reviews complete - December 2015 First stage implementation – June 2016
Service level agreements in place for all identified service relationships	December 2016
New service specifications in place for all services	June 2017
Business process review completed and recommendations adopted	First stage implementation – December 2015 All key processes reviewed by June 2017
Endorsement of the Asset Management Strategy, including risk, priorities, critical assets and levels of service	Endorsed by 31 March 2016
Endorsement of Asset Management Plan, including maintenance expenditure, renewal expenditure and anticipated backlog	By 30 June each year
An agreed program and mechanism to rationalise identified open space and building assets including options for reinvestment of funds	By June 2016

Levels of Service

Levels of service for individual asset classes are discussed in more detail later in this section. All levels of service are set from a starting point that all assets are maintained to a level that enables them to perform their expected role safely. Assets are not allowed to deteriorate below this level.

As part of the community engagement program committed to in the Fit for the Future Improvement Plan the Penrith Community Panel considered the question "What services and facilities do we need in Penrith?" The Panel prepared a report entitles "The City We Want" which includes 81 recommendations on various council services and initiatives. The recommendations that relate to levels of service for assets will be considered over the next 12 months and implemented where feasible.

Section 94 of the Environmental Planning and Assessment Act

Section 94 of the Environmental Planning and Assessment Act allows Council to charge contributions on new development to provide land and infrastructure needed as a result of that new development. In Penrith City, contributions are levied for both greenfield development (new residential or employment estates) and for redevelopment of established suburbs. Contributions are most commonly used to provide parks and recreation facilities, community and cultural facilities, roads and drainage to meet the additional demand arising from new communities and to maintain our current rates of facility provision.

Section 94 can only be applied, however, to capital costs. This means it can fund the initial construction of a road or building or acquisition of land, but cannot fund the ongoing maintenance of these facilities. Maintenance costs are expected to be funded by rate revenue from the new community. To ensure the suitability of new facilities funded by development contributions, Council seeks to ensure the works are high quality, robust and minimise ongoing maintenance costs.

In 2013 the State Government announced proposed changes to the section 94 development contributions process in a Planning System White Paper. The draft changes would affect the type of local infrastructure for which Council could levy and the contribution charge. Section 94 was proposed to be replaced by local infrastructure contributions, which would only include essential infrastructure directly attributable to the new development, being local roads and traffic management; local open space and embellishment; basic community facilities (land and capital) and the capital costs of drainage. The costs of the infrastructure that we could include in a local infrastructure plan was to be benchmarked across NSW and applied based on a unit charge (e.g. per lot or per square metre of development). The Independent Pricing and Regulatory Tribunal was also to play a role in reviewing plans proposed by Council.

The impact of the White Paper proposed changes on existing contributions plans which have either commenced delivering infrastructure or which are repaying advance-funded infrastructure was unclear. We have sought confirmation from the Minister that the new Planning Bill legislation will ensure existing section 94 Plans can continue unaffected. While the Bill was introduced into the NSW Parliament in 2014, it was not passed and the proposed changes have not taken effect. There has been no announcement from the NSW Government or the Minister for Planning regarding the Planning Bill and its changes to contributions planning and local infrastructure delivery.

If implemented as drafted, the proposed new approach to contributions planning would have several significant consequences, including not permitting funding for car parking, district open space, cultural facilities or drainage land. This would result in an infrastructure funding gap exceeding $110 million in the case of Penrith City. We have consistently lobbied the Minister on the adverse implications of this shortfall since the announcement of the White Paper and have received support for our initiatives on this issue from our local Members of Parliament, neighbouring councils and WSROC, most recently in November 2015, when WSROC broached the issue with the Minister. The future of the new Planning System Bill and changes to contributions planning is uncertain, but it appears that changes are more likely to be evolutionary rather than as dramatic as proposed in the White Paper.

The Minister's $30,000 cap on residential development contributions continues to apply in the Werrington Enterprise Living and Learning (WELL) Precinct, however Council's resolution in response to the cap (requiring roads and drainage to be delivered by developers) and entering Voluntary Planning Agreements with developers of dwellings, has ensured we continue to deliver all essential local infrastructure and minimise the impact on general revenue.

Council is expecting a number of assets of different types to be transferred or enhanced through section 94 plans and planning agreements over the next five years. These include:

Section 94 contributions plans	
District Open Space	District facilities upgrades and embellishments
Local Open Space	Local open space improvements
WELL Precinct (Werrington, South Werrington and Caddens)	Drainage Facilities; local roads; local open space (active and passive); footpaths and cycle ways
Waterside	Local open space improvements
Claremont Meadows Stage 2	Conservation Land and embellishment; Local Open Space – passive park; additional childcare places
District Open Space	District facilities upgrades and embellishments
Planning agreements	
St Marys (Jordan Springs and Central Precinct)	Drainage Facilities; local roads; local open space (active and passive); footpaths and cycle ways; community facility
Glenmore Park Stage 2	Riparian and Drainage Reserves
Caddens Release	Riparian Reserves
Caddens Knoll	Hilltop park (including embellishments), shared pathway, Caddens road upgrade.

Key opportunities and risks

Service delivery is dependent on our assets, so poor asset management presents a significant risk to our service delivery. This in turn presents risks to the organisation associated with resident dissatisfaction and loss of reputation, as well as potentially not meeting legislative obligations. There are also more immediate personal risks associated with asset failure. Clearly, it is vital that this plan is used to minimise these risks as far as possible within the available budget. There are, however, also opportunities associated with improved asset management, including cost saving and improved customer service.

We have identified a number of significant opportunities for improvement in both asset management and the delivery of asset based services. These opportunities were endorsed by Council in June 2015 for implementation as part of the Fit for the Future Improvement Plan and have been updated in this plan. We will monitor each of these actions and report our progress each year in our Annual Report.

1. Confirmation of service levels following comprehensive community engagement

   The results of the Community Panel and extensive community consultation occurring in late 2015 and early 2016 will provide Council with up to date, detailed information on the levels of service the community expects from assets and services. This will help inform resource allocation.

2. Resolution of key issues identified through the Assets Review
   - Definition of and allocation of responsibility for Strategic Asset Management, through creation of a team with responsibility for all assets and have strong linkages with Integrated Planning and Reporting and financial planning
   - Up to date Asset Management Plan prepared and adopted for all asset classes, including those not currently included in asset management plans. These plans to include improved information on value, remaining useful life, maintenance and renewal requirements for all asset classes
   - Accurate planning for maintenance and renewal of all asset classes, including those not currently included in asset management plans

3. Introduction of a comprehensive asset management strategy that includes rationalisation of assets

4. Scaling of asset standards and levels. The Asset Management improvement process will identify assets that are critical to the council's operations; expenditure will be in proportion to standard, level and risk rating

5. Implement the Building and Infrastructure Asset Renewal program

- Improve tracking / allocation of asset maintenance and renewal expenditure to ensure that information on expenditure for asset maintenance and asset renewal is accurate
- Work with industry to assess the appropriateness of depreciation rates for asset classes and individual components within asset classes
- Continue to include modifications to assets required for compliance reasons (e.g. kitchen upgrades) in the renewal program

6. Completion of a number of other, related projects that will impact on either the asset portfolio itself, levels of service or community expectations. These include:
   - Completion of the Public Open Space Reinvestment Project
   - Finalisation of the Neighbourhood Facilities Management Study and endorsement of an action plan
   - Completion of a Recreation Study to clarify recreational needs of the community

There are also a number of risks associated with this plan, the above strategies and asset management in general. Risks identified included strategic risks to the reputation and profile of council if assets used by the community were non-compliant with relevant standards, operational risk associated with physical failure of assets and financial risk associated with unexpected major expenditure to maintain assets in working condition. The most immediate, relevant risks identified to this asset management plan in the future are:

1. Failure to gain a clear message around priorities and levels of service from the community

   The benefits of effective community engagement are clear – understanding what the community values and the expectations they have for various asset classes will enable council to prioritise works and allocate funding to meet those needs. There are also a number of risks, however, which will limit the usefulness of the engagement program and mean that council is unable to develop a targeted works program that allocates resources to respond to community expectations. These include:

   - Conflicting or inconsistent messages from different sections of the community around priorities for asset provision or expected standards
   - High community expectations without an associated willingness to fund higher levels of service
   - Community priorities that are inconsistent with political priorities

   These risks are best managed through clear communication and ensuring that engagement is meaningful and representative.

2. Failure to gain community or political support for disposal of assets

   Disposal of assets, although generating an income, also comes at a cost. Significant investigation and community engagement is required both to identify assets for disposal and appropriate use of funds. There is also a risk of community backlash around the potential rationalisation of assets, resulting in a separate risk of lack of political will to implement the findings of the Open Space Reinvestment Project and the Neighbourhood Facilities Review.

3. Failure to implement recommendations of the Assets Review and relevant service reviews

   The Assets Review was a comprehensive review process which, together with the service reviews of asset based services, identified a number of key areas for improvement in asset management within Council. If implemented, the recommendations have the potential to increase efficiency of service provision, increase quality of service and reduce costs. Although the key findings of the asset review and relevant service reviews have been endorsed for action, implementation will require allocation of time and resources which has not yet been confirmed.

Physical risks that apply to all asset classes are:

1. Failure to allocate sufficient resources to asset maintenance and renewal

   If insufficient funds are allocated to maintenance and renewal the level of service provided by assets will fall and maintenance costs will increase disproportionately over time, resulting in a greater than predicted lifecycle cost and a shorter than predicted useful life from some assets.

   This risk will be mitigated through careful planning and ensuring that decisions on funding and budget allocation are taken with an awareness of long term and cumulative impacts. Tracking of asset based financial indicators will also help mitigate this risk.

2. Failure to adequately plan for and mitigate the impacts of climate change

   There are a number of potential risks to assets associated with changing weather patterns. These include:

   - More hot days and fewer cold nights will result in faster deterioration of buildings, roads and other assets;
   - Reduction in available water coupled with increased demand will likely result in the prohibition of the use of potable water for playing fields;
   - All council assets, particularly structures, will be more at risk due to an increase in extreme bushfire danger days;
   - Drainage assets are likely to be under more stress due to increased intensity of short duration rainfall events
   - Council buildings will be more subject to storm damage if storm severity increases.

   General mitigation strategies already in place or underway include:

   a. Asset deterioration:
      - assessing the adequacy of Council's construction standards and maintenance regimes,
      - use of more durable external materials and / or designing the fixing of external material to facilitate more frequent replacement.
      - regular monitoring of building foundations to determine the impact of a drier climate
      - monitoring of roads to determine the impact of increased rainfall.

   b. Storms:
      - alternate power supplies for critical buildings during power failure;
      - business continuity plans are in place that will reduce the interruption to Council business caused by storms

   c. Water shortage:
      - Increased use of stormwater harvesting and reuse for irrigation of sporting fields,
      - identify an alternative to potable water for filling swimming pools.

   d. Bushfire:
      - the most bushfire prone Council buildings have been mapped

   e. Flood:
      - updated design procedures will be applied to all hydraulic structures to maintain current level of protection;
      - flood studies for the CBD and St Marys have recently been updated
      - monitoring of flood effects on road pavement and sub structure

3. Failure to plan for the impact of increased salinity in soil

An increase in the salinity of groundwater can have a significant impact on underground assets made of porous materials – this includes building footings, roads and car parks. At this stage Council is already aware of salinity issues in parts of St Marys.

Generally, salinity affectation in roads and car parks results in a need for more frequent maintenance. Salinity affectation of building footings can be more serious, as it can lead to damage and subsequent weakening of the footings. Council's current risk management strategy for salinity is to monitor assets in affected areas and carry out maintenance as required. As salinity becomes a more significant issue in Penrith, a specific salinity action plan may need to be prepared.

4. Failure to adequately plan for and mitigate the impacts of vandalism

   Buildings and other structures (including fences, light poles and flood lights) are vulnerable to vandalism and potentially theft. Designs for new structures include reducing the potential for vandalism as a consideration. Although the damage caused is generally insurable, an affected asset may deliver a lower than expected level of service or no service at all while repairs are carried out. In some cases, for example CCTV cameras, this can have broader implications.

   This risk is mitigated through design, involvement of user groups in reporting suspicious activity and inclusion of specific anti-vandal elements in a building wherever possible and practical. Vandalism rates and the impact both on maintenance costs and levels of service will continue to be monitored.

5. Failure to adequately plan for and mitigate the impacts of fire

   Fire risk comes from both bush fires and town fires. Both bush and town fires predominantly present a risk to above ground structures – buildings, fences, play equipment etc. Fire risk to roads and drainage networks are not as significant, though there is a risk to road furniture such as street signs and street trees, and roads can be closed if other infrastructure (power lines in particular) are unsafe as a result of a fire.

   As these risks already exist, in general Council already has management strategies in place. These range from installation of smoke detectors to emergency lighting, evacuation procedures and sprinkler systems. New assets comply with all relevant standards and existing assets are upgraded on a rolling program to ensure compliance. Council also has insurance to cover damage or loss of assets from fire.

6. Failure to adequately plan for and mitigate the impacts of flood events

   Flood is probably the risk which is easiest to quantify but most difficult to predict and it affects all categories of Council asset. The damage to buildings will vary depending on the level of submergence and the velocity of water flow. Drainage systems can be highly affected by floods which go beyond the design capabilities. This is particularly relevant as although flood risk can be updated as new information and models are developed, it is often difficult to modify drainage infrastructure to reflect a change in potential flood levels.

   Although there are few structures associated with parks and ovals, they can be at significant risk from floods as many are located in natural or artificial detention basins. Ovals in particular may be submerged for extended periods, meaning they cannot be used and will occasionally require returfing or seeding. Roads can generally accommodate limited submergence, but can be significantly affected if submerged for a long time. Extended periods of rain also frequently result in an increase in unplanned maintenance (e.g. potholes) which must be addressed if additional damage to the subsurface of the road is to be avoided.

   As flooding is a known risk in the Penrith area, Council already has risk management strategies in place. New fixed assets (particularly buildings) are not constructed within a flood prone area, and drainage assets are sized based on likely flood volume and frequency to minimise damage. Where possible and practical, assets are upgraded in response to a change in flood potential.

Infrastructure risk management plans for risks relevant to specific asset classes are summarised with risk management activities and resource requirements incorporated in the relevant asset management plans.

Council will prioritise maintenance, operations, renewal, upgrade and new asset works to obtain the maximum benefits from its available resources. The asset management plans are based on balancing service performance, cost and risk to provide an agreed level of service from available resources in our long-term financial plan.

Critical risks that will result in loss or reduction in service from infrastructure assets or a 'financial shock' to the organisation will be identified in individual asset management plans as they are prepared. The risk assessment process identifies credible risks, the likelihood of the risk event occurring, the consequences should the event occur and looks at options to treat risks to reduce them to an acceptable level

OUR TRANSPORT NETWORK

Council's transport network includes the sealed and unsealed roads, footpaths and cycle ways, kerb and gutters, traffic facilities such as roundabouts and crossings, bridges and road furniture such as street signs, regulatory signs, line markings etc. that are under the care and control of Council. It does not include state roads or classified roads which are the responsibility of the NSW Road and Maritime Services (RMS).

"Getting around our City" is one of the seven outcomes of the Community Plan. The provision and maintenance of Council's transport network is the main way we can deliver on this outcome, as well as advocating for better state and regional roads, and better public transport.

The transport network is one of the most extensively used Council's assets as it is used by everyone who lives in, works in or visits the City. We need to ensure we maintain these assets so that they are safe, usable and provide a satisfactory level of service. It is also Council's most valuable asset class, accounting for almost 58% of our asset replacement value.

The majority of Council's transport assets are in good condition, which means they are serviceable but require more than just preventative maintenance. The life cycle sustainability index of 0.87 indicates there is currently a shortfall in the optimum maintenance and renewal expenditure each year, though this must be considered in the context of a 10 year planning cycle – road assets have a long life so expenditure can vary without resulting in a decline in condition. .

Asset value	$1,049,122,00
Life cycle cost	$24,403,000
Life cycle expenditure	$21,121,000
Life cycle sustainability index	0.87

Asset condition

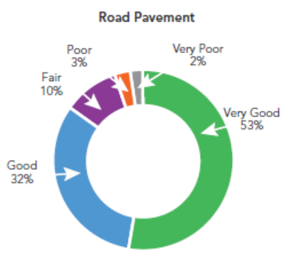


Figure 2 - Road pavement condition

Figure 4 - Condition of Pathways

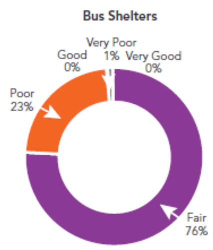


Figure 6 - Condition of Bus Shelters

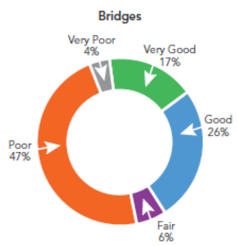


Figure 3 – Condition of Bridges

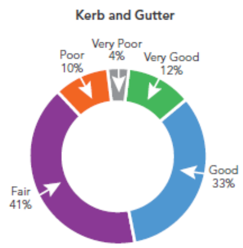


Figure 5 - Condition of Kerb and gutter

Asset Category	Dimension
Sealed road pavement	1,062 km
Unsealed road	14 km
Kerb and gutter	1,510 km
Paved pathways and cycleways	599 km
Bridges	98
Carparks	162
Road Furniture	1,041
Traffic facilities	Data currently not available
Bus Shelters	204
Regulatory Signs	24,000

Level of service

Council has endorsed the following levels of service for our infrastructure assets. Maintaining these levels forms the basis for current budget allocations in the long term financial plan. The community engagement process being undertaken in late 2015 and early 2016 may provide information that will lead to the development of alternate levels of service. These will be negotiated with the community, key asset users, Councillors and asset management experts. If required, budget allocations in the long term financial plan will be adjusted accordingly.

- Maintain 1,062 kms of road networks; 599 kms of pathways, 1,510 kms of kerb and guttering, 162 car parks, 98 bridges and 2 underpasses
- Maintain 24,000 regulatory and street name signs; and 1,041 pieces of road furniture
- Respond to emergency call-outs within 1hour
- Carry out permanent repairs to footpaths within 30 days of receiving restoration order from service authority
- Carry out emergency repairs to hazardous road defects within 12 hours of inspection
- Priority intervention for any road, footpath, sign or drainage defect which causes a hazard to motorists or pedestrians
- Respond to hazardous storm damage on road network within 2; 4; 6 or 8 hours (busier roads = faster response)
- Repair non-hazardous potholes within 5; 7; 10 or 15 days (busier roads = faster response)
- Repair non-hazardous footpath and kerb and gutter defects within 14; 30; 60 or 90 days (busier paths = faster response)
- Repair / replace regulatory and warning signs within 28 days

Council regularly undertakes a community satisfaction survey to give our community the chance to tell us which issues are most important to them and how well we are performing. The results of this survey give us an idea of the level of service our community expects. The two charts below show the satisfaction rating of respondents in relation to the maintenance or provision of transport infrastructure.

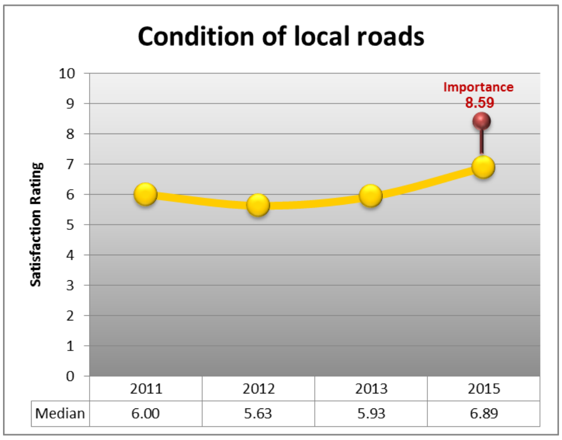


Figure 7 - Satisfaction with the condition of local roads

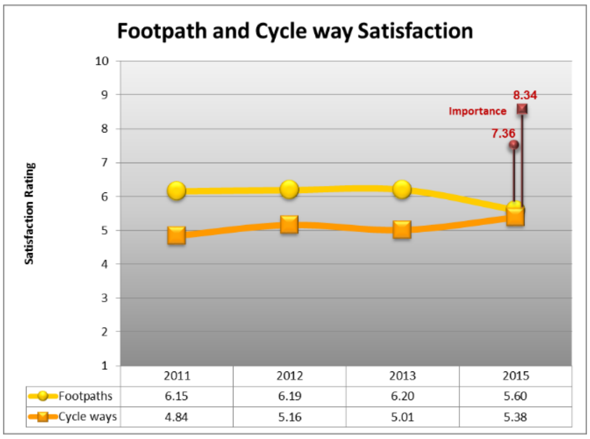


Figure 8 - Satisfaction with the condition footpaths and cycleway

These results correlate strongly with the results of the community engagement Council undertook in early 2012. When given options around things Council should do to create a more liveable city, three out of four people listed either roads or public transport as a top priority.

The analysis from the 2015 Community Survey identified that the community felt Council should focus on improving its performance of the 'condition of local roads'. According to the 2015 Community Survey nearly one in five (18.5%) respondents identified 'Improved traffic management / flow / road infrastructure' as one of the top priorities for Council over the next four years, followed by 'Maintenance of local roads to scope with increased traffic' (12.9%) and 'Ensuring Infrastructure keeps up with the growing community and the airport' (11.9%). The two highest responses both referred to roads and traffic and between them accounted for 31.4% of total responses.

Risks

The key risks for roads are salinity, storm, flood and increased traffic loadings. Salinity in the soil or ground water attacks the subsurface of the road, requiring more frequent maintenance if an adequate level of service is to be maintained. The risk of salinity in Penrith varies; it is high in St Marys in particular and generally higher around creek lines and water courses.

The risk to roads from storms and floods arises from excess water over the road surface. If there are weak areas on the road surface caused by vibration, normal wear and tear or other factors, water will create potholes, allowing water to enter the subsurface structure which can cause significant damage. This risk is higher if a road is submerged during the flood, rather than water running across the road surface.

An increase in the density of development or a change in land use can mean more vehicles using the road than was originally planned, or a change in the type of vehicles using a road (e.g. more trucks). This will cause the road pavement to deteriorate faster than expected, requiring additional maintenance and eventual reconstruction.

Future demand

Two of the three most popular priorities identified in the 2015 Community Survey was 'maintenance of local roads to cope with increased traffic' (12.9%) and 'ensuring infrastructure keeps up with the growing community and the airport' (11.9%).

Future demand for transport assets will come primarily from population growth. Transport assets in new urban areas should be provided as part of estate development, and include the road (plus signage and linemarking), footpaths, kerb and guttering and bridges. Future demand in new urban areas is a consideration for future maintenance and renewal programs. There is a projected 1% - 2% growth in transport network per year, meaning greater traffic congestion on existing roads and additional road networks to maintain. If growth rates exceed this the quality of the network will decline unless additional funding is allocated. This rate of growth has been included in the asset maintenance and renewal allocations calculated for the long term financial plan.

The ongoing development within our City not only means more roads, but more cars on the road. In 2014–15 there has been an additional 14.6 km of roadway and 35.8km of pedestrian and shared pathways constructed that will need to be maintained into the future.

OUR BUILDINGS

Council's buildings include community centres, public halls, public amenities and child care centres, as well as the main Council offices in Penrith and St Marys, and the Joan Sutherland Performing Arts Centre.

The delivery of many of our services relies on our buildings. Our community told us that ensuring services keep up with population growth is a top priority, along with safe, vibrant places, encouraging our residents to be healthy and building on our strong community spirit.

Our built assets are a critical part of delivering on the community outcomes of "We plan for our future growth"; "We have safe, vibrant places" and "We are healthy, and share strong community spirit".

The majority of Council's building assets are in good or very good condition, meaning they are serviceable but still require maintenance. The life cycle sustainability index of 0.63 indicates that there is currently a shortfall in the optimum maintenance and renewal expenditure each year. If this continues, asset condition will decline, resulting in a lower level of service. It also means that current users are not paying their full share of the cost of maintaining our buildings, and future users will need to pay substantially more to bring the assets up to a serviceable condition..

Asset value	$367,690,000
Life cycle cost	$10,066,000
Life cycle expenditure	$9,806,000
Life cycle sustainability index	97%

Asset condition

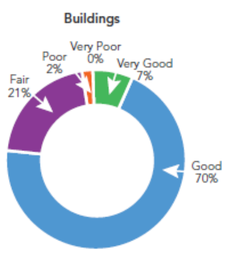


Figure 9 – Condition of Buildings

Asset Category	Quantity
Sporting facility	105
Public toilets	28
SES and bush fire sheds	11
Administration and operation (includes Penrith and St Marys library)	25
Community uses	12
Senior citizen centres	2
Childcare	27
Property Development (These are not included in AMP)	32
Halls	12
Neighbourhood Centres	23

Libraries (formerly Emu Plains library)	1
Theatres & Galleries	7
Youth centres	2
Total	293

Level of service

Council has endorsed the following levels of service for our infrastructure assets. Maintaining these levels forms the basis for current budget allocations in the long term financial plan. The community engagement process being undertaken in late 2015 and early 2016 may provide information that will lead to the development of alternate levels of service. These will be negotiated with the community, key asset users, Councillors and asset management experts. If required, budget allocations in the long term financial plan will be adjusted accordingly.

- Manage the planned and unplanned maintenance for 293 Council buildings
- Respond to approximately 2,600 building maintenance requests each year
- Coordinate approximately 9,000 scheduled tasks across buildings annually
- Inspect buildings every 2 years
- Conduct 25 Work Health Safety inspections and 761 pre-event inspections annually
- Coordinates 24 infrastructure improvement projects annually

Council regularly undertakes a community satisfaction survey to give our community the chance to tell us which issues are most important to them and how well we are performing. The results of this survey give us an idea of the level of service our community expects. The two charts below show the satisfaction rating of respondents in relation to the maintenance or provision of key building assets and the services they help deliver.

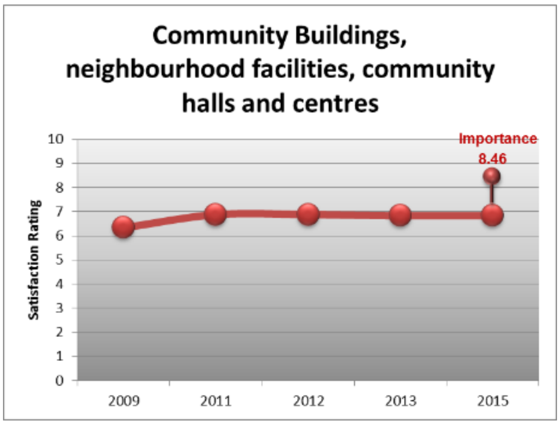


Figure 10 - Satisfaction with Community Buildings

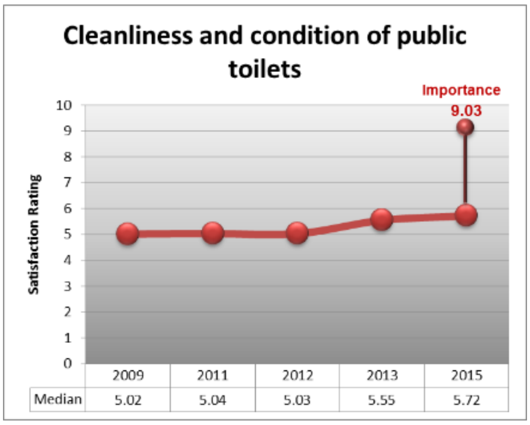


Figure 11 - Satisfaction with cleanliness of public toilets

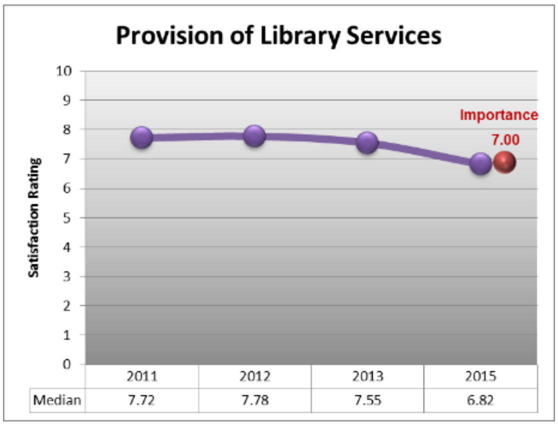


Figure 12 - Satisfaction with the provision of libraries

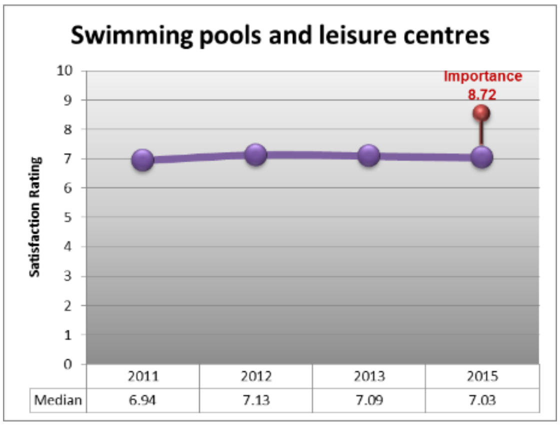


Figure 13 - Satisfaction with swimming pools and leisure centres

Council's Building Asset Renewal program is still ongoing and provides for the replacement or refurbishment of major building components such as plant, roofing, floor coverings and paintwork. The special initiative allocation to this program in 2014–15 was more than $1 million with $800,000 expended. Key projects undertaken in 2014-15 were:

- Amenities and canteen upgrades at Hunter Fields and Leonay Oval sporting facilities.
- Judges Carpark painting and toilet upgrade.
- Ripples Swimming Centre works to address build-up of condensation in the ceilings.
- Installation of greasetrap at the Lewers Gallery kitchen.

Risk

The main risks for Council's building assets are vandalism and fire. Vandalism can range from graffiti and minor damage to major damage to all or part of a building. Even though buildings that have been vandalised are often still usable, graffiti, broken fittings and other minor damage will affect the appearance and feel of a building, making it less pleasant to use and causing a perceived reduction in the service it provides. Critical work is assessed and responded to within 24 hours.

Vandalism and fire are both best managed by prevention through the initial design of the building and then through security systems – vandal resistant fittings, fire and smoke alarms, fire extinguishers and sprinkler systems. These measures are installed and tested regularly to ensure they are providing the maximum possible protection.

Future demand

Demand for new services or higher levels of service will be managed through a combination of managing existing assets, upgrading existing assets, providing new assets and demand management. Demand management practices include non-asset solutions, insuring against risks and managing failures.

Future demand for buildings comes from new development and from changes to the way our buildings are used. As new communities are developed, associated community facilities should be provided as part of estate development, either through the provision of new assets or through payment to extend or otherwise increase the capacity of nearby assets. Future demand in new urban areas is a consideration for future maintenance and renewal programs. We need to ensure that the necessary funds for maintenance and renewal of new assets are allocated once the hand over process is complete.

Future demand in existing areas comes from community expectation of improved services or changes to the way our communities use our buildings. Council's challenge is to ensure our buildings remain fit for contemporary use. This may require building asset renewal to take changing needs into account, rather than maintaining the building in its original layout.

Council has also identified a need to fully assess the accessibility of our buildings to ensure all members or our community can participate in events or activities. A study has been undertaken to assess the work required to make all of our public buildings more accessible. These works will be prioritised and either incorporated into the building asset renewal program or completed as stand along projects as funding becomes available.

OUR DRAINAGE NETWORK

Council's drainage network includes our stormwater transportation system, which includes pits, pipes, culverts and headwalls. It also includes gross pollutant traps, dry retarding basins and litter baskets.

The drainage assets owned and maintained by Council represent our commitment to provide our communities with reliable storm water transportation, reduce risk from flooding and water overflow, and to protect our rivers, lakes and creeks by capturing pollutants that might otherwise enter our waterways.

The life cycle sustainability index of 0.58 indicates a shortfall in renewal/ maintenance expenditure. Despite the low sustainability index due to the long life of drainage assets (on average around 100 years) minimal expenditure is needed on major asset renewal. Although the monetary rate of depreciation is quite large, the condition of these assets does not make it necessary for major renewal works to be scheduled. When only the maintenance and minor renewal expenditure required is compared to the life cycle expenditure the sustainability index would be equal to 0.75.

There is no annual shortfall for drainage assets. Condition rating for drainage assets is primarily based on age as regular inspection of assets below ground is both costly and generally unnecessary. Older assets are automatically rated as 'poor' even if there is no evidence of failure to deliver the expected service. The 14% of drainage assets rated in 'very poor' condition relates to drainage infrastructure constructed pre-1969. All drainage assets are still operating and hence not considered to have a 'backlog'.

Asset value	$331,577,000
Life cycle cost	$3,641,000
Life cycle expenditure	$2,122,000
Life cycle sustainability index	58%

Asset condition

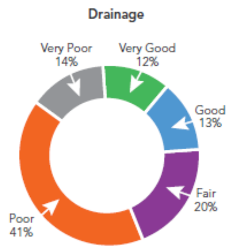


Figure 14 – Condition of Drainage

Asset Category	Length/number
Pipelines	616 km
Drainage pits	23,462
Headwalls	2021
Culverts (box and pipes	9.6km
Concrete channel	5.0km
Prescribed dams	3

Dry retarding basins	111
Gross pollutant traps	95
Litter baskets	89
Levee banks	2

Level of Service

It is difficult to determine a level of service for our drainage network as these assets are not used by the community in the same way parks and roads are used. While Council regularly undertakes a community satisfaction survey to give our community the chance to tell us which issues are most important to them and how well we are performing, the last two community surveys did not discuss the drainage network.

Council has endorsed the following levels of service for our drainage network. Maintaining these levels forms the basis for current budget allocations in the long term financial plan.

- Maintain 616 kms of pipelines, 23,462 drainage pits, 2,021 headwalls, 2 prescribed dams and 111 dry retarding basins to design capacity
- Maximise the design life of 95 Gross Pollutant Traps (GPTs); 89 litter baskets and 2 levy banks
- Clean Gross Pollutant Traps within 7 days once volume reduced by more than 20%
- Clean Gross Pollutant Traps on average every 3 months, plus additional cleaning as required (e.g. after a major storm event)

Risk

Generally, the location of drainage assets below ground means that they are subject to fewer risks than other assets. Key risks are accidental damage as part of construction works, damage from natural causes such as tree roots and drying soils and damage or failure in extreme rainfall events. Tree roots can cause significant damage to pipes, resulting in blockages, cracks and potentially breaks. Careful selection of tree species for street trees and use of crack resistant materials for pipes reduces this risk.

Future Demand

Future demand in drainage assets will primarily come from the development of new urban areas and in areas that have old drainage lines that need replacement or upgrading. These demands will be driven by developers in new areas, and developers and other authorities in existing areas. Some parts of Penrith are located in a flood plain, placing pressure on drainage assets.

General changes in the environment and growth in urban areas will also put some strain on drainage assets. As housing becomes denser the drainage network in our existing urban areas will become more heavily used and subject to higher volume flows of stormwater and increased pollutants, particularly litter, that can clog the drainage system causing overflow. Added to this is the current trend for fewer, more intense rainfall events. As subdivisions develop and the climate changes Council will need to allocate more resources to maintain and repair drainage assets to maintain a reasonable level of service.

OUR FLEET

Council's fleet is a significant part of our overall asset portfolio and plays a key role in the delivery of many of our services. Our fleet and plant supports construction and maintenance of many of our other assets including parks, roads, pathways, buildings and drains. They also assist in the presentation of our City, including street sweeping, graffiti removal and high pressure cleaning. Our light vehicle fleet provides transport for staff to undertake building and development inspections and investigate complaints. Services such as the mobile play van, public domain maintenance and Rangers also rely on fleet to operate. Proper maintenance of our plant and fleet is therefore important.

Asset value	$19,100,000
Life cycle cost	$11,287,000
Life cycle expenditure	$10,359,000
Life cycle sustainability index	92%

There is no annual shortfall for fleet assets, however there is a range of plant currently retained for longer than industry standard. A Plant Optimisation Project is currently in progress to inform future plant purchases and GPS units have been installed in all major plant items to assist with scheduling servicing and plant replacement.

Fleet and plant must be maintained properly as if maintenance is inadequate running costs significantly increase. Similarly, if fleet and plant items are not renewed as needed maintenance costs will significantly increase. An increase in running and maintenance costs means that either the works program will need to be reduced to reflect the higher cost, or projects which rely on fleet and plant will run over budget.

Plant in poor condition is considered inoperable or un-registerable. No plant is allowed to deteriorate to this point.

Asset condition

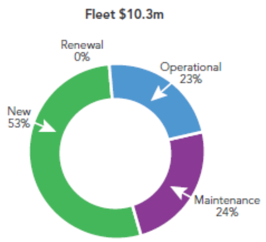


Figure 15 - Condition of Fleet

Asset Category	Number
Light vehicles (passenger cars, utilities etc but not trade staff utilities and vans)	220
Registered plant (street sweepers, buses, trucks, tractors and trade staff utilities and vans	208

Unregistered plant (ride on mowers, small rollers- driven to work sites on other vehicles)	33
Equipment valued at $2000 and over	63
Emergency vehicles(utes, trucks etc. used by the SES and RFS)	16
TOTAL	500

Level of Service

Our community does not generally have expectations on level of service from fleet and plant, so there are no survey questions in the community survey relevant to this class of asset.

Plant utilisation is the most effective measure of service levels provided by our fleet and plant, and these will be able to be more effectively measured as the new asset management system and procedures recommended by the study are put into place.

Council currently replaces its light vehicle fleet based on their age. Replacement vehicles are ordered at 2 years and 6 months for changeover at 2 years and 9 months. This ensures that the vehicles continue to provide a high level of service, balanced by a reasonable resale value.

Council has endorsed the following levels of service for our infrastructure assets. Maintaining these levels forms the basis for current budget allocations in the long term financial plan.

- Maintain 360 items of major plant
- Maintain 600 minor plant items
- Maintain 180 light vehicles
- Maintain 208 items of registered plant
- Maintain 33 items of unregistered plant
- Maintain 63 large items of equipment
- Maintain 16 emergency vehicles
- Undertake unscheduled repairs on all plant and equipment as required
- Dispose of and replace plant and equipment as required

Risk

Collisions are the primary risk specific to fleet and plant. Driver and operator education and training are the key ways Council can mitigate this risk. Our fleet is also fully insured, to reduce the financial impact to the organisation when incidents do occur. Failure to perform scheduled maintenance increases risks associated with fleet and plant, as does retaining fleet and plant items beyond the optimal replacement date.

Assessment of this type of risk also needs to consider the impact of having that vehicle or plant item unavailable for use while it is repaired or, in some cases, replaced. Processes are in place to either shift workloads to other items of plant or fleet that can perform the same function, or to accelerate the replacement of critical items when required.

Future Demand

Future demand for fleet and plant will be driven by increase in demand for services and growth in other asset classes. For example new release areas add to the asset portfolio in all areas, additional fleet and assets may be required to cater to the additional demand.

Growth in some assets has been accounted for as part of the financial modelling for this plan.

If Council acquires additional parks we need to acquire more mowers, or different types of mowers that are more efficient, in order to maintain them. A higher expectation around the maintenance of our public domain increases the need for sweepers and cleaning trucks. More buildings means more trucks for maintenance crews.

Ensuring that we get good utilisation rates from each of our assets is a key part of achieving our organisational goal of financial sustainability. The Plant Optimisation Study will assist in ensuring that existing plant items are fully utilised and that new plant purchased is appropriate for a range of uses. Before Council purchases or leases an item of fleet or plant, we need to be sure that it is suitable for the intended use and there is sufficient demand for that item to make acquiring it cost effective.

PARKS, PLAYGROUNDS AND SPORTS FIELDS

Council's key open space assets include sports grounds, reserves and parks, natural areas and a broad range of open spaces (including drainage reserves) used for a variety of community purposes. Park assets include skate parks, fitness equipment, bubblers, signage, fencing, lighting etc. Park paths can be concrete or asphalt. Play equipment includes all equipment located in parks for children's play e.g. swings, slides, as well as surrounding soft-fall areas. The importance of physical activity in maintaining a healthy lifestyle is well understood and important to our community.

Asset value	$35,300,000
Life cycle cost	$12,744,000
Life cycle expenditure	$11,250,000
Life cycle sustainability index	88%

While there is an annual shortfall in asset renewal funding it should be noted that since the introduction of the Parks Asset Renewal Program in 2009 that a significant and ongoing upgrade of parks assets has occurred resulting in the reconstruction of over 30 playing fields, 40 playgrounds and a range of associated infrastructure such as floodlighting, irrigation systems, seating and shelters.

Council's parks, playgrounds and sports field assets are valued at $35.3 million and include:

Asset Category	Dimension/Number
Playground equipment	142*
Skate parks	4
Field lighting	365
Park lighting	102
Irrigation	33
Signage	251
Furniture and seating	480
Structures	13
Litter bin and storage units	382
BBQs	7
Fencing/bollards	36.8km
Bubblers and taps	9
Fountains and pumps	7
Sporting field surfaces – grass	132

Netball court surfaces	51 (sealed) 14 (grass)
Tennis court surfaces – plexi pave	10
Tennis court surfaces – synthetic grass	33
Synthetic cricket wickets	36
Synthetic run up surfaces	13
Turf wickets	7
Cricket practice nets	12
Cricket sight screens	14
Throwing cages	13
Backstops and dugouts	17
Goal posts – sets	78
Landscaping and gardens	775,000m2

Asset condition

As with all our assets, parks, sports fields and playgrounds are not allowed to deteriorate to the point where they are unsafe to use. Assets in 'poor' or 'very poor' condition are therefore still providing a service, but are due for replacement.

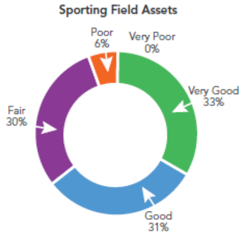


Figure 16 - Condition of sporting fields

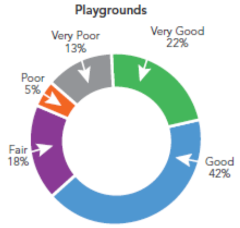


Figure 17 - Condition of playgrounds

Levels of Service

Council has endorsed the following levels of service for our parks, sports fields and reserves. Maintaining these levels forms the basis for current budget allocations in the long term financial plan. The community engagement process being undertaken in late 2015 and early 2016 may provide information that will lead to the development of alternate levels of service. These will be negotiated with the community, key asset users, Councillors and asset management experts. If required, budget allocations in the long term financial plan will be adjusted accordingly.

- Maintain 233 hectares of community use areas
- Maintain 274 hectares of natural areas

- Maintain 340 hectares of sports grounds to a level that allows effective competition
- Maintain 426 hectares of parks and reserves
- Provide horticultural services and technical advice to other sections of Council

Service frequencies vary in response to seasonal and climatic conditions. As an example, in summer, sporting fields are mowed on a weekly basis in response to rapid grass growth, whilst in winter they are mowed every two to three weeks or as needed. These variations occur across all of our parks, sports fields and reserves.

Council conducts a regular community satisfaction survey. As shown by the graphs below, satisfaction with the condition of parks, playgrounds and reserves has increased since 2011.

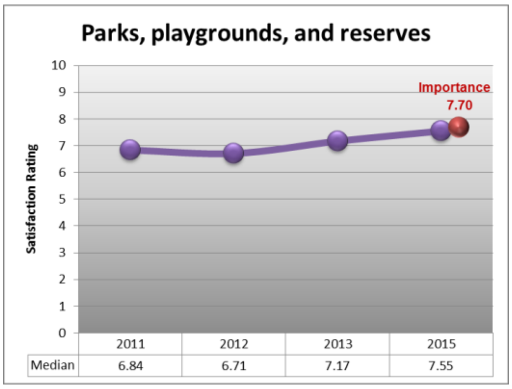


Figure 18 - Satisfaction with parks, playgrounds and reserves

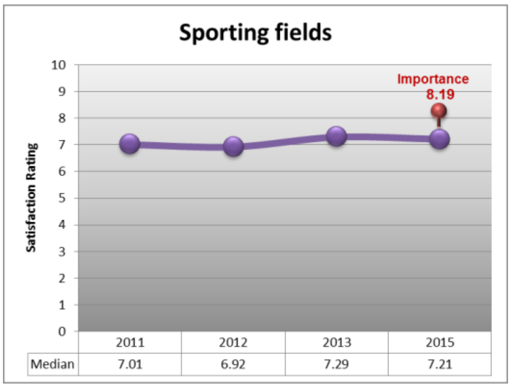


Figure 19 - Satisfaction with sporting fields

Overall there has been an increase of 19.4% since 2013 in the number of residents who participate in some form of sports or recreation, with a total of 73.4% of respondents participating in sporting or recreation activities at least once a month.

In 2014–15 major works and enhancements have been completed across the LGA such as:

- construction of the River walk
- new and upgraded playgrounds
- upgraded sports grounds with improved facilities.

Risk

There are a range of risks that need to be managed to ensure the effective provision and utilisation of parks assets.

Climate has a significant impact on the condition of parks assets with sporting grounds in particular susceptible to damage through prolonged drought or wet weather. Council has been attempting to mitigate these risks through the identification of non-potable water sources (bores), improved irrigation efficiency and an oval reconstruction program designed to create sustainable playing surfaces. Vandalism, particularly of playground assets, continues to be a major risk. These risks are managed through a regular inspection program and the allocation of resources to repair any damaged equipment.

Future Demand

The demand for quality parks and recreational space will increase over time as the population increases and all levels of government encourage communities to participate in sporting and active leisure pursuits for their quality health and social outcomes. Increases in population densities will see the value of open space significantly increase as the 'traditional' backyard becomes smaller. Council will be under increasing pressure to provide quality facilities and ensure existing assets are well maintained and contemporary.

WHO ARE OUR PEOPLE?

This section is Council's Workforce Plan, prepared in accordance with the provisions of the Local Government (Planning and Reporting) Act 2009 and the associated guidelines and manual. The Workforce Plan is a key element of the Resourcing Strategy and will be reviewed every four years to ensure that it continues to appropriately respond to Council's commitments in each successive Delivery Program, including the appropriate alignment of the workforce to deliver Council's priorities.

INTRODUCTION

Our people represent our most valuable asset – the human capital that provides the knowledge, skill, labour and innovation to deliver services to our community. Without our staff we can do nothing, so it is vital that we care for our staff as well as possible. We also need to plan our staffing into the future, to make sure we have the right number of people, with the right skills in the right jobs. We need to plan for retirements, changes in legislation that might require a change in qualifications, increased staff needs in key service areas and increased flexibility in staff levels and skills so we can respond to changes in community expectations or other external factors.

Workforce planning is the process of identifying current and future staffing needs. It identifies the skills we need to provide the services our community needs. By preparing a workforce plan we not only analyse our current staffing levels but also identify those areas that will need specific strategies to ensure that we have the skills we need. Those strategies may include training, succession planning, attracting new employees and identifying how best to retain existing employees.

The Workforce Plan provides a framework for aligning decisions about human resources (such as recruitment, development, and internal deployment) with the community outcomes and related strategies in our Community Plan. It is a key element of our Resourcing Strategy, both being informed by and informing our long term financial planning (overall Employee Benefits and On- Costs) and our Asset Management planning in terms of the skills required now and in future.

Workforce planning and management fits within the Community Plan, Delivery Program and Operational Plan 2016-17 as follows:

Community outcome 7 "We have confidence in our council"

Strategy 7.1 Demonstrate transparency and ethical behaviour

7.1.16 Provide a Human Resources management service that responds to contemporary and emerging workforce and workplace issue through strategy and policy development

7.1.17 Support the organisation to meet statutory and regulatory requirements for employee relations, EEO and WH&S

Strategy 7.2 Ensure our finances and assets are sustainable and services are delivered efficiently

7.2.9 Provide a Human Resources management service that responds to contemporary and emerging workforce and workplace issue through strategy and policy development

7.2.10 Provide staff with opportunities for learning and development

7.2.11 Manage Council's Workers Compensation and Injury Management

Delivery of workforce planning and workforce services over the next few years must respond to the challenges that face Penrith City Council in particular and local government in general. Broader challenges include the changing nature of local government, state government focus on efficiency in service delivery and long term financial sustainability, and increased customer expectations. Challenges we face more specific to Penrith include responding to issues raised in the Workforce Effectiveness Survey; increasing the flexibility of our workforce to meet the demands of growth; changing the structure of our workforce to better position us for the future; and providing staff with the tools and empowerment needed for them to identify issues and implement solutions with greater speed.

All of this must be achieved within the framework of the State Government's Fit for the Future initiative which sets out a path for local councils to take to increase the long term financial sustainably of the sector as a whole.

Council supports three entities – Ripples St Marys, Penrith Performing &Visual Arts and Penrith Whitewater Stadium. The workforce data provided in this strategy excludes Council's entities.

Objectives, purpose and scope of this Workforce Plan

The purpose of this Workforce Plan is to ensure Council's workforce is structured appropriately to respond to the community outcomes in the Community Plan and the commitments we have made to deliver on those outcomes contained in the Delivery Program 2013-17 - the right people in the right places with the right skills doing the right jobs. It gives us a platform to identify and consider the issues we are facing now as well as the challenges we may experience in the future. We must develop strategies to support our staff particularly in terms of learning and development and strengthening workplace equity, diversity and governance.

The key objectives of the Workforce Plan are to identify:

- gaps between current workforce capability and likely future needs
- issues arising from a changing external environment that require a workforce response
- strategies to address the gaps and mitigate risk to service delivery.

The Workforce Plan has been developed through the following key steps:

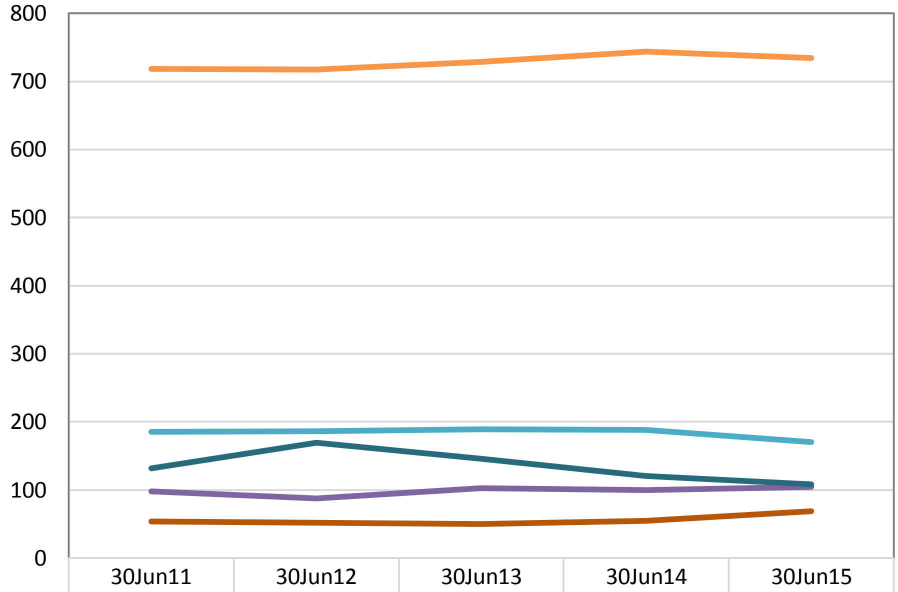
1. Workforce analysis: An examination of the existing workforce in relation to local and national trends.
2. Forecast Future Needs: Establishing the future profile of the workforce based on the business direction over the mid to long term.
3. Gap Analysis: Understanding the gap between our existing workforce and the future profile of our workforce.
4. Develop Strategies and Action Plans: Establishing strategies to attract, retain and develop skills that match the future needs.
5. Implement Strategies: Delivery of the specific programs and projects required to develop and maintain the capability and capacity of the workforce.
6. Determine the effectiveness of the strategies and provide for continual improvement.

OUR WORKFORCE

In accordance with the provisions of the Local Government Act, the General Manager reviews the organisational structure of Council following each general election of Councillors. The revised structure shown below is current as at 8 Feb 2016.

General Manager	**Alan Stoneham**
Assistant General Manager	**Craig Butler**
Office of the General Manager	**Stephen Britten**
Corporate Governance	Glen Schuil
Council and Corporate Support	Glenn McCarthy
Legal Services Records Management	Matthew Bullivant
Risk Management and Insurance	Ken Muir
City Partnerships Marketing Communications Customer Service	Barbara Magee
Executive Manager Corporate	**Vicki O'Kelly**
Financial Services Purchasing and Supply	Andrew Moore
Workforce Development	Sandy Davies
Organisational Performance and Development	Sandy Davies
Property Development	Andrew Moore
Information and Communications Technology	Ron Payne (consultant)
Executive Manager City Assets	**David Burns**
City Works *Building Maintenance & Construction* *Civil Construction & Maintenance* *Emergency Services Management* *Fleet & Plant Maintenance*	Hans Mejier
Parks *Bushland Management* *City Parks*	John Gordon
Recreation	Andrew Robinson
Major Projects	Michael Jackson
Public Domain, Amenity and Safety *Cemeteries* *Neighbourhood Facilities Management* *Community Safety* *Public Domain Maintenance*	Murray Halls
Executive Manager City Planning and Community	**Ruth Goldsmith**
Economic Initiatives	Kylie Powel
Libraries	Colin Stevenson
Community and Cultural Development	Erich Weller
Place Management	Jeni Pollard
Strategic Planning *City Planning* *Regional Planning & Advocacy*	Paul Grimson
Children's Services	Janet Keegan
Executive Manager Environment and City Development	**Wayne Mitchell**
Development Services and Environmental Health *Development Applications* *Environmental Health*	Paul Lemm
Engineering Services *Development Engineering* *Floodplain & Stormwater Management* *Traffic Management, Parking & Road Safety*	Adam Wilkinson
Waste & Community Protection *Fire Safety, Certification & Compliance* *Regulatory Control* *Waste Management*	Tracy Chalk

Council's workforce is a significant part of our City and our communities. Of our 1186 employees 58% live in Penrith. Council has a workforce of 1186 staff, of which 734 are full time permanent; 170 are part time; 174 are temporary and 107 are casual employees.



	30Jun11	30Jun12	30Jun13	30Jun14	30Jun15
1. Permanent Full Time	718	717	729	744	734
1. Permanent Part Time	185	186	189	188	170
2. Temporary Full Time	98	88	103	100	105
2. Temporary Part Time	54	52	50	55	69
4. Casual Casual	132	169	146	121	108

Figure 20 - Number of employees from 2011 to 2015

Around one third of Council's workforce is involved in constructing and maintaining the City's assets and infrastructure such as roads, drains and parks. Council is one of the largest local government providers of children's services in NSW, with around one third of our staff employed in this area, including a large proportion of the casual and temporary employees. The remaining third carry out a range of professional and administrative duties such as planning and engineering.

Full time equivalent positions

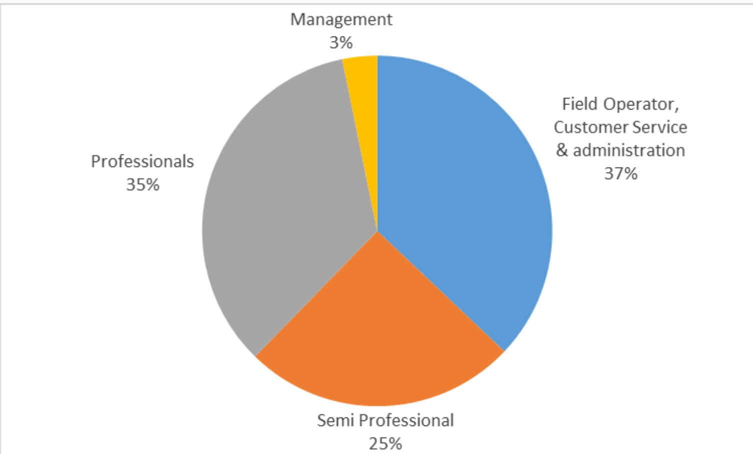


Figure 21 - Level of staff

Across all areas of our operations, approximately 35% of our full time equivalent positions are occupied by professionals and 3% by Directors, Managers and other senior staff members. Close to one third are semi professionals, such as trades people, and 37% fill positions as field operators, customer service and administrative staff.

The nature of our workforce – age, diversity, skill level – and the behaviour of our workforce – turnover, promotion and training, recruitment – all impact on the nature of our organisation and the way we deliver services. Who our people are can present both opportunities and challenges, and it is important that we recognise and respond to both in the coming years.

The following are some key statistics around Penrith City Council's workforce together with what impact they may have on how we deliver our services. This data is drawn from the NSW Local Government operational and management effectiveness report, FY 14 for Penrith City Council. This research was conducted by Price Waterhouse Coopers and compares Penrith City Council to an overall survey population of 78 local councils from across NSW. Penrith City Council participates in this survey to gain a better appreciation of how we are performing both against ourselves over time and when compared to local government overall. The information received provides direction on the areas of workforce, finance and governance in which we perform significantly different to other similar councils. This helps us identify areas on which to focus.

Age

The age profile of our workforce is important to ensure that we have a good balance of experience and energy, and to be sure we are offering the right work environment to attract and retain staff. It also helps us plan for retirements.

Nearly 7% of our workforce is under 25, however this is higher than in many areas due to our extensive trainee program, which provides opportunities for school leavers to gain skills in a number of different areas either before or during formal study. Trainees generally leave council after one year to pursue other opportunities.

	2011-12	2012-13	2013-14	2014-15
15–24	56	56	74	62
25–34	198	202	208	209
35–44	205	216	196	195
45–54	237	226	229	218
55–64	182	194	200	192
65+	25	24	25	28

Overall our workforce is ageing, with more than 36% of our staff over 50 years old and over half of all staff in team leader positions and above falling within the 'baby boomer' category. In some areas this is not a concern, however there are some services where a significant proportion of staff will look to retire or at least reduce their hours within the next 5 years. Areas affected include libraries, children's services, city works, property, public amenity and community safety; waste and community protection and community and cultural development. These services are all important to delivering on our community outcomes.

We also have a higher than average proportion of managers and senior managers who will be eligible to retire between now and June 2024. Issues around an ageing workforce will affect most employers in Australia and in similar countries across the world. Legislative changes are likely to see a gradual increase in the pensionable retirement age and even before this comes into effect there is a trend for people to work longer. Whilst this has benefits in terms of retaining skills and knowledge in the short term, strategies around phased-in retirement and succession planning will be critical to ensure Council does not face a sudden loss of highly experienced and knowledgeable staff.

People choosing to remain in the workforce beyond retirement age has other implications. Council will need to review its work safety procedures to ensure that they are appropriate for an older workforce. Older employees are more likely to stay with Council until they retire, which, if this is later than usual, could limit opportunities for promotion for other staff. Council may see increased employee dissatisfaction leading to higher turnover at the junior manager or senior professional level as younger staff are forced out of the organisation to further their careers. Potential high turnover at this level may mean that the organisation loses significant knowledge and experience, reducing our internal capacity to fill the gap when senior staff do retire.

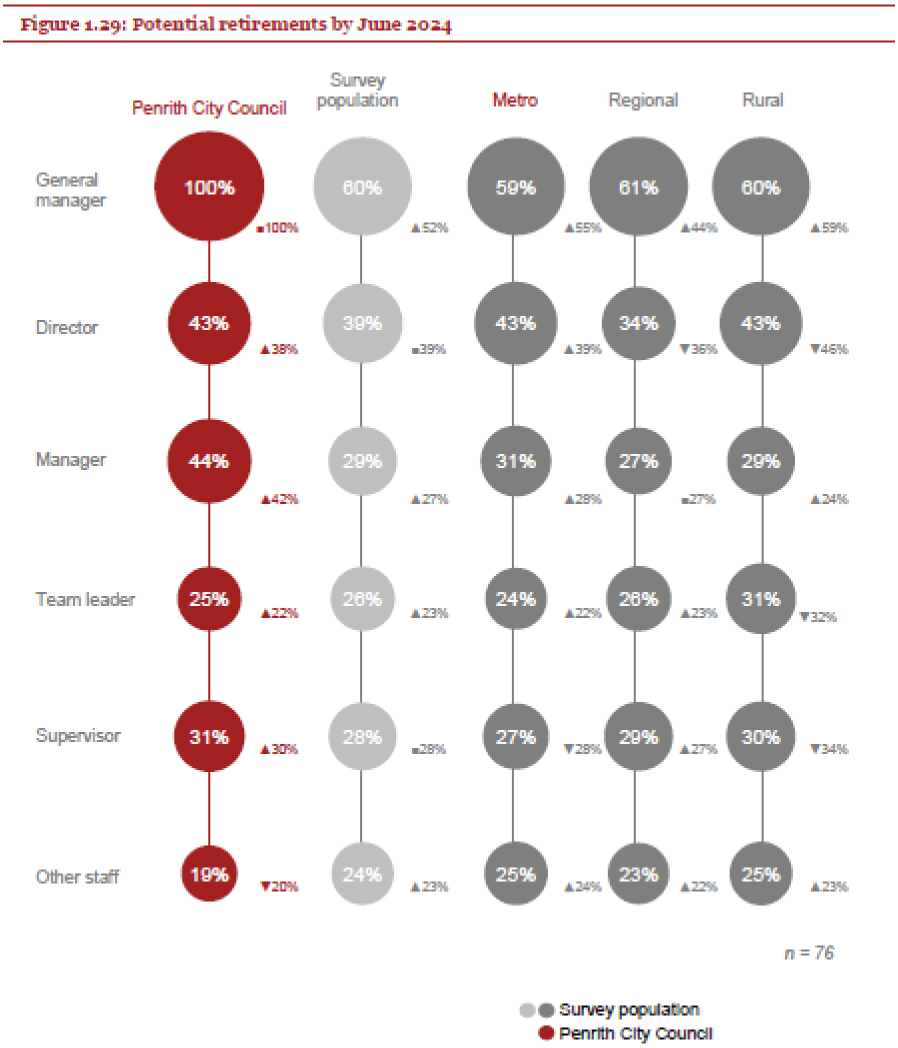


Figure 22 - Potential retirement as per PWC NSW Local Government Operational and Management Effectiveness Report

Turnover

Staff turnover refers to the number of people who left the organisation, expressed as a percentage of total headcount at the beginning of the reporting period. Penrith's staff turnover rate in 2013-14 was 10.7%, unchanged from the previous year. This result was equal to the median result for the sector but slightly lower than other metropolitan councils.

High staff turnover rates can cost organisations significant amounts in recruitment, induction and site specific skills training and may also indicate issues with culture or work conditions. Although not attracting these costs, low turnover rates can also present issues as it limits opportunities for promotion for existing staff, plus it may also mean an organisation does not benefit from the new ideas and different experiences which come with new employees.

Our overall turnover is high enough not to cause concern but low enough that we are not experiencing significant costs associated with continual recruitment. Our next step will be to examine turnover rates within individual departments and experience levels to determine whether there are any specific areas of concern. For example, our turnover rates in Children's Services are high compared to the rest of the organisation, but this is consistent with the nature of this industry and the age profile of the staff. Of more concern is that our turnover rates in management positions are lower than average. Although this has the advantage of providing steady, consistent leadership, it does also mean that those looking for more senior positions may have limited opportunities without leaving the organisation.

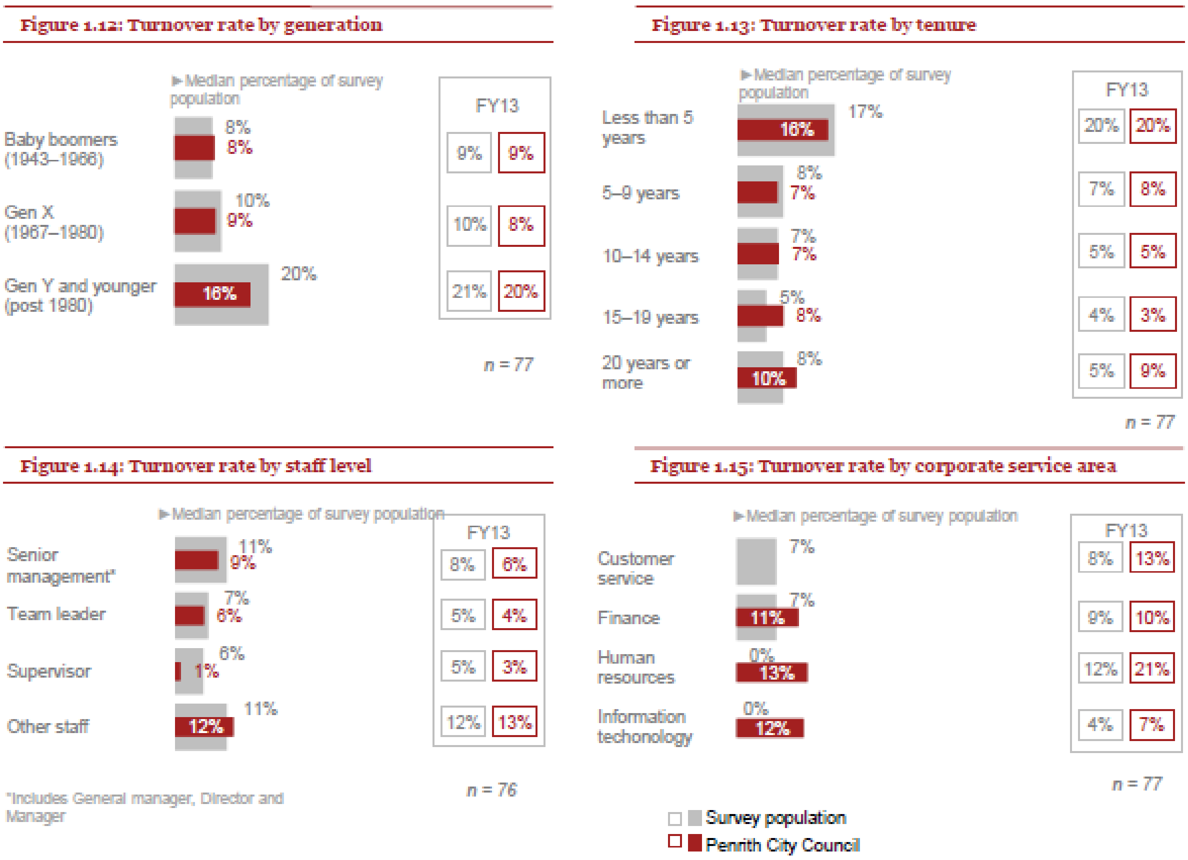


Figure 23 - Turnover rates as per PWC NSW Local Government Operational and Management Effectiveness Report

Training

Council's annual training spend of just under $500 per FTE is below both the median training budget of $1,108 and the median actual training spend of $935 per FTE. Part of this is due to some training costs being allocated to other budget areas within departments, but it also indicates that we may be under-investing in our staff. This will be reviewed in the coming months to determine a more accurate picture of actual spend and then assess whether this is adequate, given other training opportunities available such as educational assistance, scholarships and temporary secondments that allow for on-the-job learning.

Traineeships

Council's annual traineeship program covers a wide variety of skills including business administration, child care, hospitality, sport and recreation and information technology. Traineeships last 12 months and provide applicants with the chance to learn about specific positions within local government and gain a nationally accredited qualification. We have two positions targeted for people of Aboriginal and Torres Strait Islander background and people with a disability.

During 2011-12 we offered a total of 45 traineeships and 27 of the graduates from this program secured permanent work with Council. Others went on to university or further study. The traineeship program is not only a key part of providing employment opportunities for our local residents, but will also help to offset the implication of an ageing workforce with most trainees being within the younger age demographic.

Recruitment

An efficient recruitment service not only saves an organisation money but provides a positive first impression to prospective employees. Council introduced online recruiting some time ago which generated a substantial cost saving and reduced the time taken to fill an open position, however there is still room for improvement. We also need to ensure that we strike the right balance between filling a position with an internal candidate – which usually provides an opportunity for promotion or career development –and bringing new ideas into the organisation through external candidates. This is an ongoing challenge we will continue to monitor.

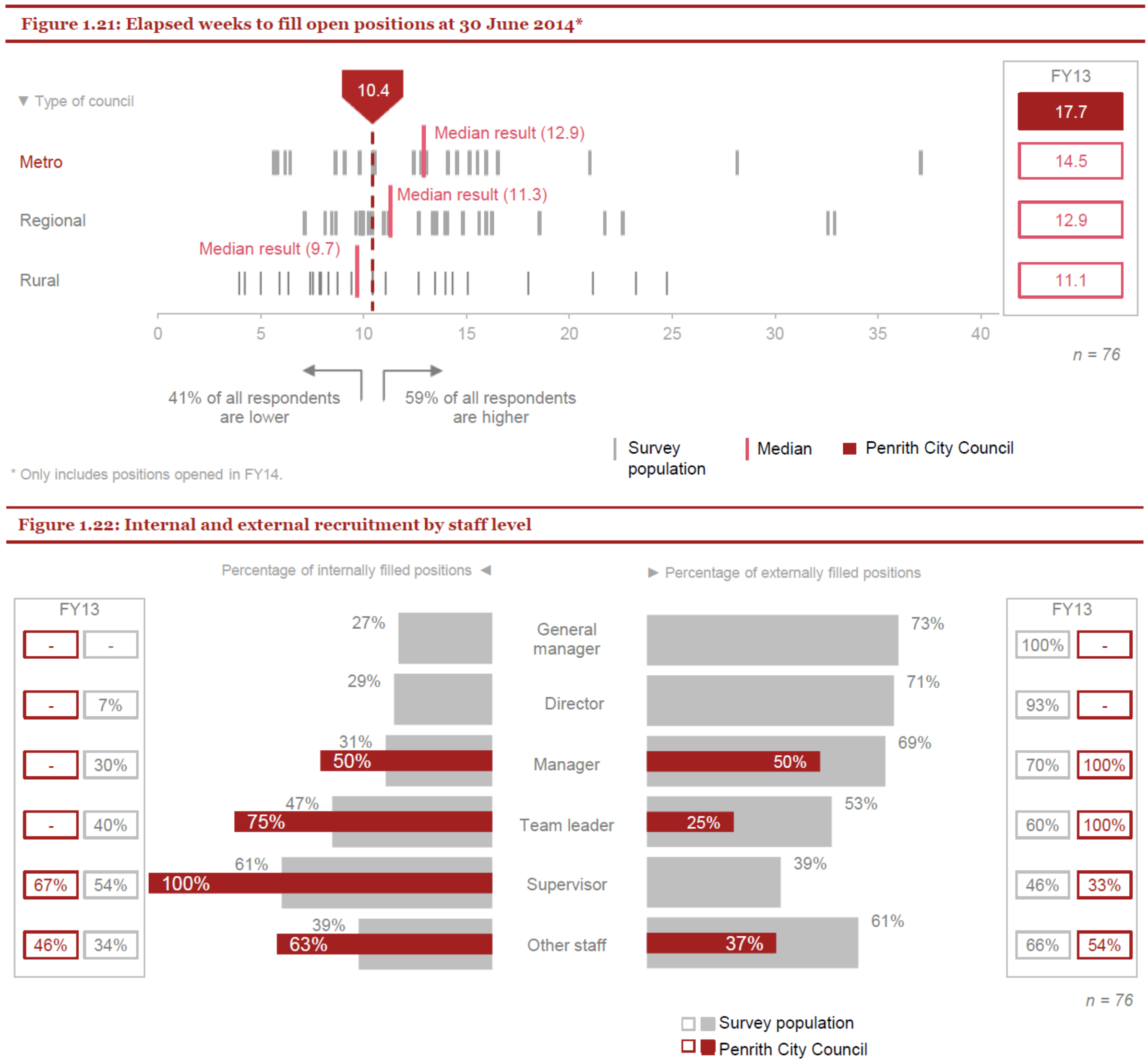


Figure 24 - Recruitment stats as per PWC NSW Local Government Operational and Management Effectiveness Report

WHAT ARE WE DOING?

Beyond the standard functions and services associated with running a business of this size Council also provides a number of additional services to benefit our staff. We believe investing in our staff is vital for long term success, particularly as so many of them are part of the local community. We want our staff to think of Council as a good place to work. Examples of services, programs and policies we have implemented to improve Penrith Council as a place to work are outlined below.

Attract and retain

To provide the best services to our community and position ourselves to meet future challenges it is important that we attract and retain the right staff. To make Penrith Council an attractive place to work, we offer industry leading flexible work practices which give our staff the opportunity to manage the competing demands of work and life. These include options to work from home, flexible start and finish hours, part-time and job share positions and flex-time available to all staff.

We also undertake reviews into the salaries and benefits we offer, to be sure they reflect the expectations of the market without unreasonably increasing work costs. We also provide opportunities for staff to act in higher roles and take longer term secondments into areas of interest to grow and diversify their skills.

Develop, grow and support

As the expectations on our performance as an organisation increase so too do our expectations of our staff. We need to be sure that we are providing them with opportunities to improve their knowledge and develop their skills, and that we support them to take on new challenges.

Council has recently introduced an E-Learning system that will enable staff to complete mandatory training and software upskills at their own pace. This will give staff more flexibility to explore areas of interest or improve their day to day skills. As we develop the E-Learning program more courses will be added providing opportunities for staff to cross train and multiskill, increasing the flexibility of our workforce.

Council also offers an Educational Assistance Program to help staff undertake longer term formal education in areas that benefit the organisation. The program provides assistance through partial reimbursement of fees, leave to attend classes or study leave. Courses studied may either be directly relevant to a staff member’s current job, be an area of skills shortage or be part of career development or succession planning. Scholarships are also offered for shorter term courses, conferences or workshops.

Council piloted a Mentoring Program some years ago has continued to run, but at a reduced level. This program is due to be reviewed and expanded. Mentoring provides staff with the opportunity discuss issues, concerns, ideas and opportunities with more experienced staff. It has been demonstrated as a vital and effective way to both develop junior staff and allow senior staff to pass on knowledge and expertise, providing benefits to both the individuals involved and the organisation as a whole.

Also aimed at helping senior staff pass on knowledge and experience is the phased in retirement policy. This allows staff nearing retirement to reduce their hours gradually rather than forcing a sudden stop to work. This helps the staff member adjust to the change in life stage and help train their replacement. The organisation retains the benefit of experienced staff for longer, and it provides a much smoother transition between roles.

Health and Wellbeing

The health and wellbeing of our staff is important to us. As an employer we have a legal obligation to provide a workplace safe from bullying and harassment, discrimination and physical danger. We feel our responsibility goes beyond this however, and provide additional program for our staff to build health and wellbeing. Programs run in the past 12 months include:

- ongoing access for all employees to the Employee Assistance Program which provides a free, confidential counselling service for work or personal problems
- Free health talk and health check for Depot staff, including cholesterol check, blood pressure check and talks on weight loss and mental health
- Quit smoking seminar for Depot staff
- Pilates and Yoga classes available during lunchtime at the Civic Centre for staff on a salary sacrifice basis

These programs are all set to continue, with the addition of a mental health awareness program for Civic Centre and Depot staff.

Gender Equity and Diversity

With 57% of permanent employees being female, the representation of women in the organisation exceeds the community profile statistics and also industry averages. The predominantly female workforce within children's services is balanced by the predominantly male outdoor staff. Council's ability to attract and retain women can be partly attributed to our broad range of flexible working options and other employment initiatives.

The need to recognise, value and promote women in leadership roles within local government is as great as ever. Currently, 29% of our senior management and 32% of our middle management are female, which just meets the Council of Australian Governments (COAG) target of 30% and is slightly above the industry average. With more people set to retire over the next decade, the participation of women in local government will become increasingly critical, particularly ensuring that women have the opportunity to progress to management and senior management positions.

Council maintains policies, systems and procedures which are aimed at helping all employees achieve work life balance. These include:

- Paid Parental Leave to 14 weeks
- up to 2 years parental leave available under the Parental Leave Policy
- flexi-time policy which includes flexible working hours for part time staff
- flexible work practices available for suitable positions, including reduced working hours, job share, part time work, short term contracts and working from home arrangements

Although these apply to all staff, they are generally more attractive to women or sole caregivers, as a higher proportion of our female employees work part time or have primary caregiver responsibilities.

Penrith City Council is committed to developing and supporting an inclusive workplace culture that displays fair practices and behaviours. Programs have been established to work towards eliminating discrimination and harassment in the workplace. This has included identification and elimination of barriers to employment.

In addition, specific programs have been implemented to improve employment access and participation for Equal Employment Opportunity (EEO) groups identified as:

- women
- Aboriginal and Torres Strait Islander people
- people with a disability (including those requiring adjustment at work), and
- people from culturally and linguistically diverse backgrounds.

Council continues to monitor strategies, including designated traineeship positions, which provide additional employment opportunities within the organisation for people with a disability. Of the staff members that have disclosed having a disability, 25% also require workplace adjustments such as modified work spaces, computer accessories/modifications and the accommodation of companion animals.

The representation of people who speak a language other than English is below that of the community profile. Council has established a Diversity Reference Group to promote leading practice in the implementation of access and equity in Council's service delivery for Culturally and Linguistically Diverse (CALD) residents. As an organisation our experiences with staff from different cultures and those who speak different languages has helped to inform Council's processes of engagement with residents.

Council will continue to monitor and report on how well our workforce reflects the demographics of our local community. Ongoing actions that support and enhance workforce diversity involve promoting:

- increased representation of women in Council, particularly at management level, and remove barriers to participation
- equity and diversity
- opportunities for people with a disability
- opportunities for people of Aboriginal and Torres Strait Island background.

WHAT DOES IT COST?

Employee costs are the highest of Council's operating costs and for many services their only significant area of expenditure. Employee costs include salaries; 'on-costs' such as superannuation and leave entitlements; IT and workforce support; training; and so on. Overall, employee costs are over 40% of our budget. This may seem like a large proportion of our income to spend on employee costs, however it must be remembered that many of these costs are governed by the Local Government (State) Award. In fact, Penrith is one of only 3 metropolitan councils whose workforce costs grew by less than their revenue between 2012-13 and 2014-15, with only 26% of councils falling within this category across the state. This demonstrates our commitment to keeping employee costs down despite the need to service a growing population.

Key elements of employee costs are shown in the table below:

	2012-13	2013-14	2014-15
Salaries and wages	59,163	61,109	63,582
Travelling	10	12	13
Employee Leave Entitlements	9,667	11,396	11,698
Superannuation (Guarantee levy)	4,923	5,343	5,703
Superannuation (Defined Benefits Plans)	2,640	2,578	2,436
Workers Compensation Insurance	1,236	1,469	919
Fringe Benefits Tax (FBT)	88	170	155
Payroll Tax	101	138	138
Training Costs	287	283	284
Other	229	179	198
TOTAL	78,344	82,677	85,126

(Figures are in $'000s)

	2012-13	2013-14	2014-15
Income	217,163	214,801	244,956
Employee costs	78,344	82,677	85,126

Employee costs as a % of income	36.1%	38.5%	34.7%

(Figures are in $'000s)

Council's Long Term Financial Plan has factored in predicted average increases to the employee costs budget based on standard increases in wages and minimal increase in staff. The forecast includes predicted legislative requirements including Award increases and progressive increases to the Superannuation Guarantee levy.

Employee costs and leave liabilities represent a challenge as they increase costs but do not necessarily increase our ability to deliver services. Further detail regarding Council's management strategies for employment costs can be found in the Our Finances section of this Resourcing Strategy.

Work Health and Safety

Having an engaged, safe workforce is a key organisational priority for us, beyond the normal obligation of any employer to provide a safe workplace for their staff. Over the past 3 years we have appointed a dedicated Work Health and Safety (WH&S) Officer and undertaken a site audit program to address safety issues. Changing workers compensation insurance models has also resulted in a significant reduction in our insurance premium.

Leave liability

Leave liability represents a potential cost to council if excessive periods of leave are accrued, as if staff take long term leave Council must pay to have that position filled so that the service provided is not impacted. Most teams can absorb short periods of leave (1-4 weeks) without additional staff, but if someone goes on leave for longer than this the position needs to be backfilled. Staff not taking appropriate leave can also lead to health issues and loss of productivity, which can also impact on service levels.

Council has actively sought to contain its annual leave liability over the past few years by encouraging staff to ensure their annual leave balance remains less than 8 weeks. Strategies have also been put in place to manage significant termination payments of retiring staff inclusive of Long Service Leave entitlements. This avoids having to reserve money for significant leave payouts when staff retire or resign.

CHALLENGES

Council's ability to ensure our workforce is well placed to respond to the changing needs and aspirations of the community will be impacted by a range of internal and external factors. The best way to manage this is to look at the likely challenges we will face over the coming years and develop strategies that will help us meet them. We are working to ensure Council's workforce is sustainable into the future and that we can continue to deliver services to our community.

Penrith will continue to grow with more housing, residents, investments and infrastructure, however our revenue base does not always increase at the same rate. This means we need to find innovative ways to minimise the additional resources required to provide our services at current standards. We need to plan how we will maintain our assets and continue to deliver value for our residents, ratepayers, businesses and stakeholders.

Our people are our most valuable resource in responding to the challenges of the future. They understand how we operate as an organisation and will often have clear ideas about how we can improve. Generally, our employees value the opportunity to serve the people of Penrith and we need to be sure that, as an organisation, we value them in turn. Our staff need to be engaged with the organisation, looking for ways to improve the way we deliver our services and representing Council with pride. They need the opportunity to be educated, both in essential skills and procedures such as first aid, safe working processes and governance procedures, but also in areas of interest, to assist with their current role, or as a part of building for the future.

Our organisation needs to be sure we meet the needs of our staff, understanding that different people in different life stages will have different needs, and that those needs will change over time. We also need to plan for the future. Although there will always be things we cannot anticipate, we need to put the planning in place to meet challenges and opportunities that we can predict.

Under our Fit for the Future Improvement Plan, Council endorsed the following strategy and associated action in relation to workforce planning:

Strategy: Improvement plans in place to increase productivity and efficiency in service delivery and asset management

Action	Outcome	Milestone
Develop a Workforce Strategy that identifies training and skill needs, job descriptions, demographic trends, barriers and opportunities to increase the flexibility and responsiveness of the workforce	Workforce needs identified and planned for.	Complete by June 2017 and integrated into Asset Management and Long Term Financial Planning through Resourcing Strategy

In meeting our workforce needs for the future there are a number of specific challenges we have identified that we need to address. These are outlined below.

Changing nature of local government

What is the challenge?

As the nature of local government changes to become more competitive and more businesslike, we need to be sure that our technology, future planning, culture, responsiveness and attitude give us the best opportunity to adapt. Change is rarely a comfortable process and although our staff are committed to delivering the best services for our community it can be difficult to adapt to new ways of doing things as our communities expectations change.

How are we planning for it?

During 2014 and 2015 Council undertook an organisation wide capacity review, looking at how we manage our assets and finances, how we deliver our services and how we make decisions. We also commenced transformational change in our Information and Communications Technology environment, upgrading software, hardware and skills with a focus on systems integration, cloud based delivery and improved customer service. During 2015 we also appointed an external facilitator to run a Community Panel – 35 residents from across the City who came together to consider the question *"What services and facilities does Council need going into the future?"*

Together, these projects have given us a clear idea of the services we're providing now, the services we would like to provide and what the community expects. We are now using this information to plan our finances, asset management and service delivery; and as a basis for looking at our structure, the skills of our workforce and how we allocate resources to find the right balance between what our communities expect and what we can deliver. These reviews have generated a number of recommendations around changes to the way we work that will better position us for the next 10 years. The changes we have made in ICT are providing the platform for more responsive customer service, better tracking of performance and channels of communication that meet the needs of today's residents.

Organisational culture will be critical to ensure that the changes we have already introduced deliver as expected, and that we can continue to change as we need to. We know from Employee Opinion Surveys conducted in 2010 and 2012 that our staff care about the organisation and its future direction; they are committed to customer service and want to continue to develop our skills. We also know that we need to improve communication, workload distribution and performance management.

Since 2012 we have introduced regular Organisational Forums which provide an opportunity for all managers and senior managers to discuss challenges and opportunities going forward, current issues, and resourcing. In 2015 we also formed a Services Review Communications Panel of 30 staff drawn from across the organisation who met each month for an update on the progress of the Capacity Review and discuss any issues of concern raised by their colleagues. The panel members then provided another means of communicating this information back to their workplaces.

Towards the end of 2015 four organisational wide staff forums were held, providing the General Manager the opportunity to present his vision for the future, discuss the changes and challenges ahead and answer questions direct from staff. These staff forums will continue into 2016 as we move from the research and investigation phase of the Capacity Review to staged implementation of recommendations.

Council has also commenced a Certificate IV in Competitive Systems, with 24 staff due to complete the program in 2016. This qualification will provide staff with the expertise to understand inefficiencies in business processes and make improvements as part of day to day work activities. Staff who have completed the program will help train others in their work area so that, over time, we reduce wastage through inefficient processes.

The need for organisational structural change

What is the challenge?
As the nature of our work changes we need to be sure that the way we are structured helps us respond. In the past few months Council has identified a need to change our structure to clarify responsibility for the strategic management of our assets, centralize procurement, change the way ICT services are delivered and introduce a customer contact centre. Work currently being undertaken on better ways to deliver some services may also create a need for structural change.

How can we plan for it?
Structural change, although vital in some cases, can be disruptive to staff and services. This makes it important that we plan it carefully and communicate with affected staff before, during and after the changes. Knowing that there are a number of changes to come in the near future, our Workforce and Workplace Department are reviewing how structural change is managed to minimize concerns and make sure people know where they can find out what is going on. We will also carefully plan structural change before we implement it. This will reduce the chances that we need to revisit change, and will also allow us avoid continuous change that can be very disruptive.

Span of control

What is the challenge?
'Span of control' relates to organisational structure and measures the number of employees as a ratio to the management population (including supervisors, managers, senior manager and leadership) The main impact of an organisation having a higher level of coordinators is on staff costs, which are likely to be higher than average reflecting more people on higher salaries. There may also other impacts if decision making cannot occur efficiently due to too many layers of approval. If an organisation has too few managers then not only will this lead to overwork, but it may mean that managers are fully occupied with 'day to day' operational activities, leaving no time for training, mentoring, organisational development and performance management. There is no 'right' number of employees per manager, this will vary with the nature of the work, however it is possible to look at the overall average across an organisation and compare it with the rest of the industry.

Based on industry average, Penrith Council has fewer employees per manager than other councils the same size, as shown below:

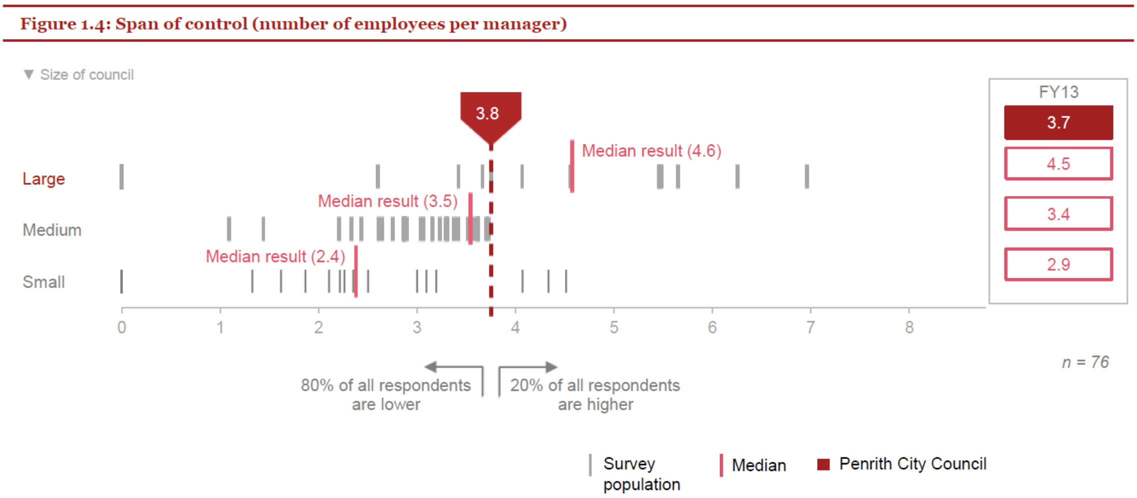


Figure 25 - Span of control from PWC NSW Local Government Operational and Management Effectiveness Report

Given growth pressures, however, the role of managers may grow naturally, addressing span on control over time without the need to change the structure.

How are we planning for it?
As part of restructuring the organisation described above, the span of control of all managers is being carefully reviewed. There is no plan to make staff redundant, however over time, through natural attrition, it is planned to increase the span of control to industry standard. This will require readjustments by staff and managers, and plans are in place to provide support through increased training and skills development.

Need for multiskilling to increase flexibility of the workforce

What is the challenge?
In order to respond quickly to changing needs our staff need to be able to be flexible in what they do. Having multi-skilled staff will give us the flexibility to reallocate staff in response to high workloads without necessarily increasing our overall workforce. It also gives staff the opportunity to learn new skills and provides more options for career progression.

How are we planning for it?
Over time, position descriptions and team structures will be reviewed to increase overall workforce flexibility. Training and skills development opportunities will be provided so all staff taking on a more flexible role have the knowledge to do it well. We will make sure that staff have ample opportunity to provide feedback on how it's working, so as we introduce the changes we can improve.

Performance management (as an existing and recurring challenge)

What is the challenge?

In an organisation of this size there will always be people who do not deliver on expectations. Managing staff who are not performing to the expected level is an ongoing challenge for any organisation. Poor performers not only fail to deliver value for money in terms of salaries and benefits, but they can impact the performance and morale of those around them. Managing poor performers effectively is thus very important for an organisation to perform well.

How are we planning for it?

The initial step in managing someone whose performance is not to the expected level is to look at what may be causing the problem to see if there are ways to fix it. Poor performance may be linked to a skills or knowledge gap, personal issues, misunderstanding of expectations or other things which can be addressed by the person and organisation together. Plans and milestones for improved performance can be set to provide a pathway to a better outcome for the employee and the organisation.

Managers and supervisors have had, and will continue to have, training and support in holding conversations with staff who are not performing well to help them through the process of determining causes and developing solutions. Should solutions not be able to be developed, or performance does not improve, managers are also provided support for implementation of disciplinary procedures and, if required, negotiating for the employee to leave the organisation.

LONG TERM FINANCIAL PLAN

This is Penrith Council's Long Term Financial Plan (LTFP), prepared in accordance with the provisions of the Local Government Act, Regulations and relevant accounting standards. The aim of the LTFP is to ensure that Council identifies financial issues at an early stage and reviews their effect on future activities. This plan is prepared as part of Council's Annual Operational Plan and was used as an integral part of Council's Fit for the Future Improvement Plan. The plan is based on a number of assumptions around rate increases, grant funding, population growth and productivity improvements and is continually monitored and updated as these assumptions change.

LONG TERM FINANCIAL PLAN PROCESS AND MODEL

The LTFP process involves four main elements:

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

Council's LTFP and model is capable of extrapolating the current year base budget, incorporating current projects, future capital projects and associated recurrent costs, debt servicing, rates projections, and has the capacity for a number of budget variables to be applied. Future years' forecasts are linked to the current budget and provide a means of assessing the long-term financial implication of current year decisions. The model is able to hold multiple views of possible future outcomes with each view representing a particular set of assumptions and what the outcomes would be if these assumptions happen to occur.

Penrith City Council has long been faced with the challenge of establishing and maintaining long term financial sustainability. The last five years has seen an increasing focus on the overall financial sustainability of local government in NSW, with our vulnerability to changes in the financial climate highlighted by the Global Financial Crisis (GFC), that saw both investment losses, reduced income and an increased contribution required by the Local Government Super Scheme (LGSS) for the Defined Benefits Scheme (DBS); Penrith's 'weak' rating as part of the TCorp review of local government financial sustainability; the review of the Federal Assistance Grants; and proposed changes to section 94 developer contributions. The Asset Renewal & Established Areas Strategy (AREAS) Special Rate Variation (SRV) which is also set to end in 2015-16.

The combination of these factors triggered a review of Council's financial capacity ahead of the announcement of Fit for the Future. Consequently over the past 12-18 months detailed discussions have been occurring with management, the Finance Working Party (FWP), Councillors and the Community as we review Council's financial capacity. The review to date has focused on our current sustainable position, established following the now completed implementation of the 2011-12 SRV, and also considered future aspirations that are outside our current capacity along with structural budget changes that will better secure our long term financial future.

A key and immediate element of the Financial Capacity Review has been the development of a revised borrowing strategy. The revised strategy will reduce Council's annual general infrastructure borrowings from $3.2m to nil over 5 years, with the implementation commencing with the draft 2015-16 budget and the full strategy being incorporated into the base scenario of the LTFP.

In addition, the ongoing potential legislative changes that have been proposed by the NSW Government in relation to the planning legislation are yet to be fully confirmed, however two of the known issues Penrith City Council will face in the very near future are the termination of the Cultural Facilities Plan, and challenges collecting contributions for the Lambridge Industrial Estate Plan, which are both supporting external loans that delivered works in advance of contributions. The LTFP has acknowledged these additional demands on general revenue with the following strategies incorporated into the base scenario.

Implemented Strategy	Impact ('000)	From	Comment
Cultural Facilities Plan	$630	2019-20	Over 10 years
Lambridge Industrial Estate	$361	2017-18	Over 10 years

The base scenario for this model incorporates the renewal of the AREAS SRV, the revised Borrowings Strategy and implemented strategy to address s94 deficits that are unlikely to be recovered. The base scenario has the following assumptions

Major Assumptions

- Rate Peg of 1.8% in 16/17, 2.5% in 17/18, 18/19 & 19/20 & 3.0% thereafter
- New Rate Growth is estimated between $500k - $550k
- Current Asset Renewal and Established Areas Special Rate Variation is not continued
- Financial Assistance Grant is maintained at current level and indexed at 2.5% from 17/18
- Salaries & Wages increase by 2.8% in 16/17 & 3.0% thereafter
- Indexation for expenditure ranges between 1.8% & 5.0% based on expenditure type
- Current Asset Maintenance is indexed at same rates as rate peg
- Loan Borrowing Program reduced to nil over 5 years

The following outlines the projected performance against the Fit for the Future indicators, based on modelling incorporating the above strategies. The detailed base scenario for the Long Term Financial Plan is provided on the following pages

Fit for the Future Indicators – Base Scenario

	FFF	2016-17	2017-18	2018-19	2019-20	2020-21
Operating performance ratio *Greater or equal to break even average over 3 years*	-4.3%	0.93%	-1.43%	-0.83%	-1.19%	-1.55%
Own source revenue *Greater than 60% average over 3 years* ***Benchmark met. Performance maintained***	65.7%	73.63%	75.77%	75.79%	76.17%	77.13%
Building and Asset Renewal Ratio *Improvement within 5 years, towards greater than 100% average over 3 years*	44.4%	43.83%	42.98%	36.61%	36.37%	36.15%
Infrastructure Backlog Ratio *Less than 2%* ***Meet by 2016-17***	4.43%	1.22%	1.15%	1.09%	1.03%	0.97%
Asset Maintenance Ratio *Greater than 100% average over 3 years* ***Benchmark met. Performance maintained***	114.1%	111.70%	110.43%	109.89%	109.64%	108.45%
Debt service ratio *Greater than 0% and less than or equal to 20% average over 3 years* ***Benchmark met. Performance maintained***	7.03%	7.38%	7.40%	7.03%%	6.45%	5.57%
Real operating expenditure *A decrease in Real Operating Expenditure per capita over time* ***Ongoing improvement from 2017-18***	0.86	0.88	0.86	0.84	0.82	0.80

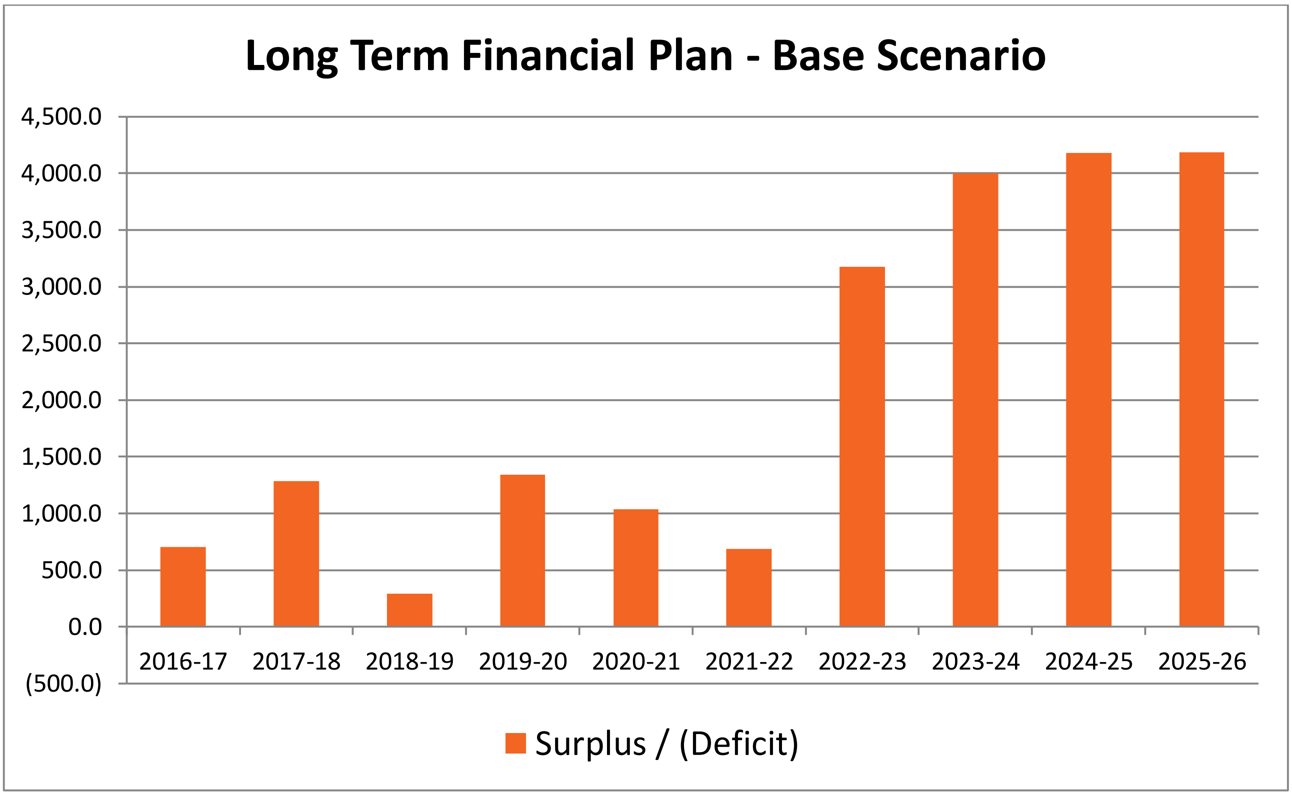


Figure 26 - Long Term Financial Plan - Base scenario

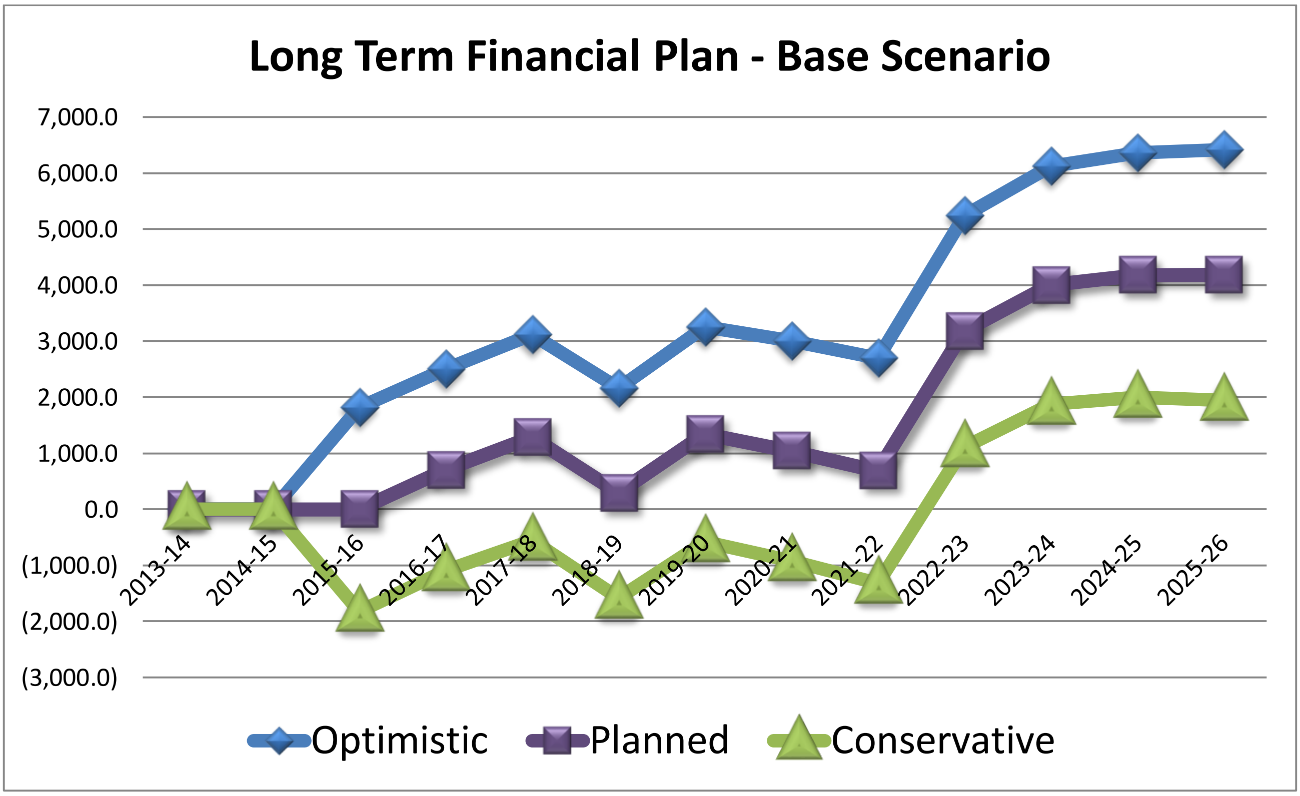


Figure 27 - Long Term Financial Plan with Optimistic and conservative comparison

Long Term Financial Plan Base Scenario

OPERATIONS FROM ORDINARY ACTIVITES	Base	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26
Operating Revenue											
Rates & Annual Charges	123,217.3	121,807.2	124,751.4	127,788.9	130,926.1	134,566.8	138,332.5	142,227.3	146,255.7	150,422.1	154,731.1
User Charges & Fees	5,641.9	5,641.9	5,641.9	5,641.9	5,641.9	5,641.9	5,641.9	5,641.9	5,641.9	5,641.9	5,641.9
Fees for Commercially Available Services	32,049.4	32,567.3	33,137.0	33,723.8	34,328.3	34,950.9	35,592.1	36,252.6	36,933.0	37,633.8	38,355.6
Interest Income	2,187.5	2,165.5	2,174.9	2,184.5	2,194.5	2,205.9	2,217.8	2,230.1	2,242.8	2,255.9	2,269.5
Other Operating Revenues	1,877.7	1,877.7	1,877.7	1,877.7	1,877.7	1,877.7	1,877.7	1,877.7	1,877.7	1,877.7	1,877.7
Operating Grants	23,875.9	24,116.9	24,354.6	24,598.1	24,847.4	25,110.2	25,379.5	25,655.3	25,937.9	26,227.3	26,523.9
Operating Contributions	2,856.3	2,856.3	2,856.3	2,856.3	2,856.3	2,856.3	2,856.3	2,856.3	2,856.3	2,856.3	2,856.3
Profit on Sale of Assets	(485.9)	(485.9)	(485.9)	(485.9)	(485.9)	(485.9)	(485.9)	(485.9)	(485.9)	(485.9)	(485.9)
TOTAL OPERATING REVENUE	**191,220.1**	**190,546.9**	**194,307.9**	**198,185.3**	**202,186.3**	**206,723.8**	**211,411.9**	**216,255.3**	**221,259.4**	**226,429.1**	**231,770.1**
Operating Expenditure											
Employee Costs	(87,507.2)	(89,906.7)	(92,896.7)	(95,525.9)	(98,853.3)	(102,174.4)	(105,983.9)	(109,946.9)	(114,071.0)	(118,364.4)	(122,835.6)
Employee Costs - ELE	(2,731.6)	(2,731.6)	(2,731.6)	(2,731.6)	(2,731.6)	(2,731.6)	(2,731.6)	(2,731.6)	(2,731.6)	(2,731.6)	(2,731.6)
Interest Charges	(3,326.8)	(2,636.0)	(2,331.7)	(1,931.5)	(1,780.5)	(1,413.3)	(1,030.1)	(765.6)	(562.5)	(399.6)	(274.3)
Depreciation & Amortisation	(22,796.4)	(22,685.9)	(22,994.5)	(23,307.5)	(23,624.8)	(23,946.6)	(24,273.0)	(24,604.0)	(24,939.6)	(25,279.9)	(25,625.0)
Materials	(29,539.3)	(23,219.7)	(23,766.9)	(24,383.9)	(25,055.7)	(25,747.7)	(26,102.2)	(27,194.4)	(27,950.5)	(28,729.3)	(29,531.5)
Contracts	(34,836.8)	(34,582.1)	(35,075.4)	(35,916.6)	(36,790.2)	(37,697.3)	(38,639.4)	(39,617.9)	(40,634.3)	(41,690.2)	(42,787.2)
Other Operating Expenses	(15,732.9)	(15,745.0)	(15,984.6)	(16,267.6)	(16,566.6)	(16,874.6)	(17,192.0)	(17,519.0)	(17,855.9)	(18,203.0)	(18,560.6)
Other Expenses - Internal Charges	304.2	304.2	305.0	305.0	305.0	305.0	305.0	305.0	305.0	305.0	305.0
TOTAL EXPENDITURE	**(196,166.8)**	**(191,202.8)**	**(195,476.4)**	**(199,759.6)**	**(205,097.7)**	**(210,280.5)**	**(215,647.2)**	**(222,074.4)**	**(228,440.4)**	**(235,093.0)**	**(242,040.8)**
Operating Result before Capital	**(4,946.7)**	**(655.9)**	**(1,168.5)**	**(1,574.3)**	**(2,911.4)**	**(3,556.7)**	**(4,235.3)**	**(5,819.1)**	**(7,181.0)**	**(8,663.9)**	**(10,270.7)**
Grants & Contributions											
Capital Grants and Contributions	23,232.6	23,971.3	28,852.7	24,268.1	23,261.8	23,221.6	22,572.7	28,600.7	20,988.3	20,152.4	20,152.4
OPERATING RESULT	**18,285.9**	**23,315.4**	**27,684.2**	**22,693.8**	**20,350.4**	**19,664.9**	**18,337.4**	**22,781.6**	**13,807.3**	**11,488.5**	**9,881.7**
FUNDING STATEMENT (Source & Application)											
Add back non funded Expenses - Depreciation	22,796.4	22,685.9	22,994.5	23,307.5	23,624.8	23,946.6	24,273.0	24,604.0	24,939.6	25,279.9	25,625.0
Add back non funded Expenses - ELE	2,731.6	2,731.6	2,731.6	2,731.6	2,731.6	2,731.6	2,731.6	2,731.6	2,731.6	2,731.6	2,731.6
Funds Received from Sales of Assets	7,396.0	7,396.0	7,396.0	7,396.0	7,396.0	7,396.0	7,396.0	7,396.0	7,396.0	7,396.0	7,396.0
Loans Received	8,136.9	5,290.8	2,411.9	6,107.0	1,311.9	211.9	211.9	211.9	211.9	211.9	211.9
3803 - Budget Surplus	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Funds Transferred (to) / from Reserves held	6,835.3	(2,202.9)	2,921.8	(2,726.2)	4,397.7	10,747.8	1,770.8	7,480.9	4,218.6	5,390.9	5,021.4
Net Fund Available	**66,182.1**	**59,216.8**	**66,140.0**	**59,509.7**	**59,812.4**	**64,698.8**	**54,720.7**	**65,206.0**	**53,305.0**	**52,498.8**	**50,867.6**
Application of Funds											
Asset Acquired (non current)	(54,888.2)	(47,130.0)	(53,071.3)	(47,222.5)	(48,896.7)	(55,566.9)	(45,866.8)	(57,147.2)	(45,311.9)	(45,392.2)	(44,731.7)
Loan Repayments Made	(11,293.9)	(11,382.1)	(11,785.8)	(10,995.0)	(9,572.4)	(8,093.1)	(6,165.8)	(4,880.3)	(3,991.9)	(2,927.9)	(1,952.7)
Total Application	**(66,182.1)**	**(58,512.1)**	**(64,857.1)**	**(58,217.5)**	**(58,469.1)**	**(63,660.0)**	**(52,032.6)**	**(62,027.5)**	**(49,303.8)**	**(48,320.1)**	**(46,684.4)**
Net Cost funded from Rates & Other Income	**0.0**	**704.7**	**1,282.9**	**1,292.2**	**1,343.3**	**1,038.8**	**2,688.1**	**3,178.5**	**4,001.2**	**4,178.7**	**4,183.2**

ALTERNATE SCENARIO

The progress of the Financial Capacity Review has seen a number of financial initiatives identified that will strengthen our long term financial position including fundamental changes to service cost alignments, Property Development "dividends" and increased investments in Asset Management, ICT and Major Project funding and design.

These initiatives have been incorporated into an alternate scenario which models financial outcomes based on a series of assumptions and implementation of initiatives. Recommended strategies are summarised below:

Continuation of AREAS

The continuation of the AREAS SRV underpins a projected investment of $5.7m in 2016-17 however the SRV application does not fully fund the program. The proposed scenario of the LTFP has been developed to incorporate the funding gap through other initiatives of the Financial Capacity review including productivity savings and reform.

Continuation of AREAS	Impact ('000)	From	Comment
Road Asset Renewal	$2,457	2016-17	Ongoing
Building Asset Renewal	$1,057	2016-17	Ongoing
Established AREAS Revitalisation	$2,217	2016-17	Ongoing

Asset Management, Renewal and backlog

The 2011-12 SRV strengthened asset renewal funding for all asset classes, though due to the full SRV not being approved at the time the programs have been funded at reduced levels and recast over a longer timeframe. A detailed review of our programs has been undertaken, looking at the impact of reduced asset renewal funding, the impact of accelerating the reduction of the current backlog and what maintenance provisions will be needed to accommodate the growth of the City.

Council commissioned an independent review of our Asset Management Plans, underlying assumptions and costings. This has confirmed Council's estimates that a further $4m of annual funding (for 8 years) will be required for the Building Asset Renewal Program to address the backlog, accessibility and compliance requirements and to continue a sustainable Asset Renewal program. In addition, the current $650,000 annual contribution to the Building Asset Renewal Program from the Property Development Reserve will not be sustainable beyond 2015-16. The alternate scenario of the LTFP recommends the following additional funding allocations of:

Recommended Strategy	Impact ('000)	From	Comment
Address Buildings Backlog and compliance	$1,500	2018-19	Over 8 years
Additional Building Renewal	$2,500	2018-19	Ongoing
Alternate source for renewal funds (Reduce reliance on Property Development Reserve)	$650	2016-17	Ongoing

Realign Service Costs

A comprehensive service review has been completed, including realignment of all service costs, where required. A key influence on this recommendation has been the Property

Strategy that has been developed by the Finance Working Party and is to be implemented over the coming months. Refocusing the activities of Council's Property Development function to ensure that an alternate and sustainable revenue stream is provided has been central to the work done by the Finance Working Party and to achieve this capacity must be built. This is forecast to enable the payment of an annual dividend of $1.8m back to Council's general operations from 2021-22 to support service delivery. In addition this strategy recommends that the bulk of parking enforcement activities be funded from general revenue, thereby leaving revenue in the Parking Reserve to help finance future parking infrastructure. The alternate scenario of the LTFP recommends the following additional funding allocations of:

Recommended Strategy	Impact ('000)	From	Comment
Property			
Property Development "Dividend"	$1,800	2021-22	Ongoing
Fund subsidised rental	($775)	2016-17	Ongoing
Loan for 'City Park' property	($384)	2016-17	2018-19
Car Parking			
Re-establish Parking proceeds Reserve	($815)	2016-17	Ongoing
Construction of Multi Deck Car Park	$1,527 $2,563	2017-18 2018-19	Pending EOI

Productivity Initiatives

New savings resulting from the service review and continuous improvement have been targeted by this strategy which has also recognised the need for increased investment in ICT to drive productivity initiatives. The alternate scenario of the LTFP recommends the following additional funding allocations/ (savings) of:

Recommended Strategy	Impact ('000)	From	Comment
Operational Budget savings – 0.5%	($1,000)	2016-17	0.25% in 2015-16
Increased base investment in ICT	$200	2016-17	Ongoing
Once off ICT investment	$1,500	2016-17	Over 2 years

Major Projects and Regional City infrastructure

As our City grows and matures into a Regional City capacity will need to be established for both project planning and implementation to ensure that we are in the best position to obtain the expanded infrastructure we will require. Detailed options will need to be modelled to create this capacity and ensure that our City's needs are identified and mapped, particularly over a 5-10 year horizon. The alternate scenario of the LTFP recommends the following additional funding allocations of:

Recommended Strategy	Impact ('000)	From	Comment
Major Projects Contribution	$1,500	2018-19	$3.3m from 2021-22
Design cost allowance	$200	2016-17	Ongoing

Accommodating responsiveness

As the demands on the organisation grow it will be essential that the budget has capacity to quickly respond to any emerging priorities and opportunities as they arise. A number of initiatives have been developed to provide that flexibility and respond to the pressures of the day. The alternate scenario of the LTFP recommends the following additional funding allocations of:

Recommended Strategy	Impact ('000)	From	Comment
Annual once off Project allocation	($450)	2016-17	Ongoing
Recurring costs (Service adjustments)	($106)	2017-18	Cumulative/ongoing
Surplus Budget	($1,000)	2020-21	0.5% Op Ex

In addition to the proposed strategies discussed above, which include some funding mechanisms, the Alternate scenario for the LTFP acknowledges that additional revenues will be required to provide a long term financially sustainable position. The alternative scenario assumes a Special Rate Variation including the rate peg of 9.09% in 16/17 (including AREA's renewal), 5.0% in 17/18, 5.2% in 18/19 and 5.4% in 19/20. This is necessary to ensure Council is well placed to address our obligations to the Community and fulfil the requirements of our Fit For the Future Improvement Plan.

The following outlines the projected performance against the Fit for the Future indicators, based on modelling which incorporates the above strategies. The detailed alternate scenario for the Long Term Financial Plan is provided on the following pages.

Fit for the Future Indicators – Alternative Scenario

	FFF	2016-17	2017-18	2018-19	2019-20	2020-21
Operating performance ratio *Greater or equal to break even average over 3 years* ***Meet by 2018-19***	-4.3%	1.24%	-0.55%	1.08%	1.96%	2.57%
Own source revenue *Greater than 60% average over 3 years* ***Benchmark met. Performance maintained***	65.7%	73.89%	76.39%	76.85%	77.50%	78.61%
Building and Asset Renewal Ratio *Improvement within 5 years, towards greater than 100% average over 3 years* ***Ongoing improvement from 2016-17***	44.4%	45.16%	45.68%	48.28%	55.64%	62.93%
Infrastructure Backlog Ratio *Less than 2%* ***Meet by 2016-17***	4.43%	1.22%	1.15%	1.03%	0.92%	0.86%
Asset Maintenance Ratio *Greater than 100% average over 3 years* ***Benchmark met. Performance maintained***	114.1%	111.92%	110.88%	110.56%	110.31%	110.00%
Debt service ratio *Greater than 0% and less than or equal to 20% average over 3 years* ***Benchmark met. Performance maintained***	7.03%	7.27%	7.43%	7.34%	7.10%	6.34%
Real operating expenditure *A decrease in Real Operating Expenditure per capita over time* ***Ongoing improvement from 2019-20***	0.86	0.91	0.89	0.87	0.85	0.83

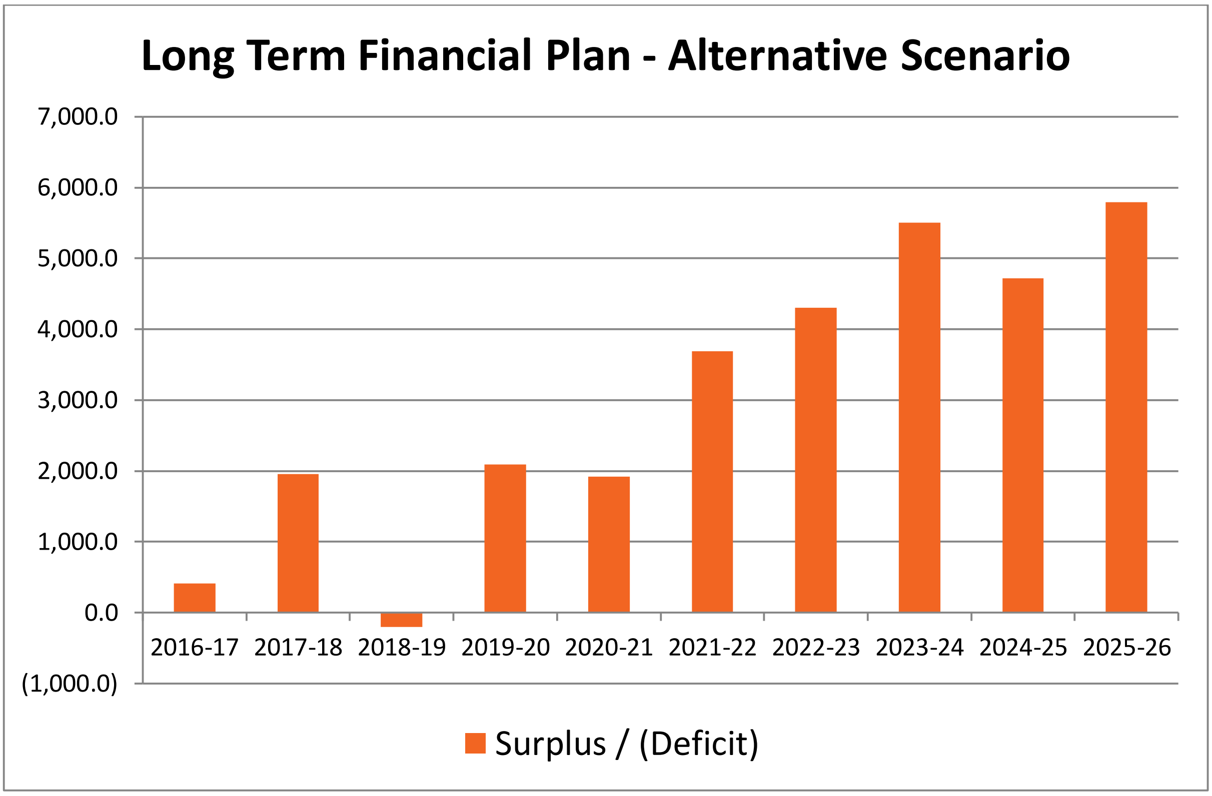


Figure 28 - Long Term Financial Plan - Alternative scenario

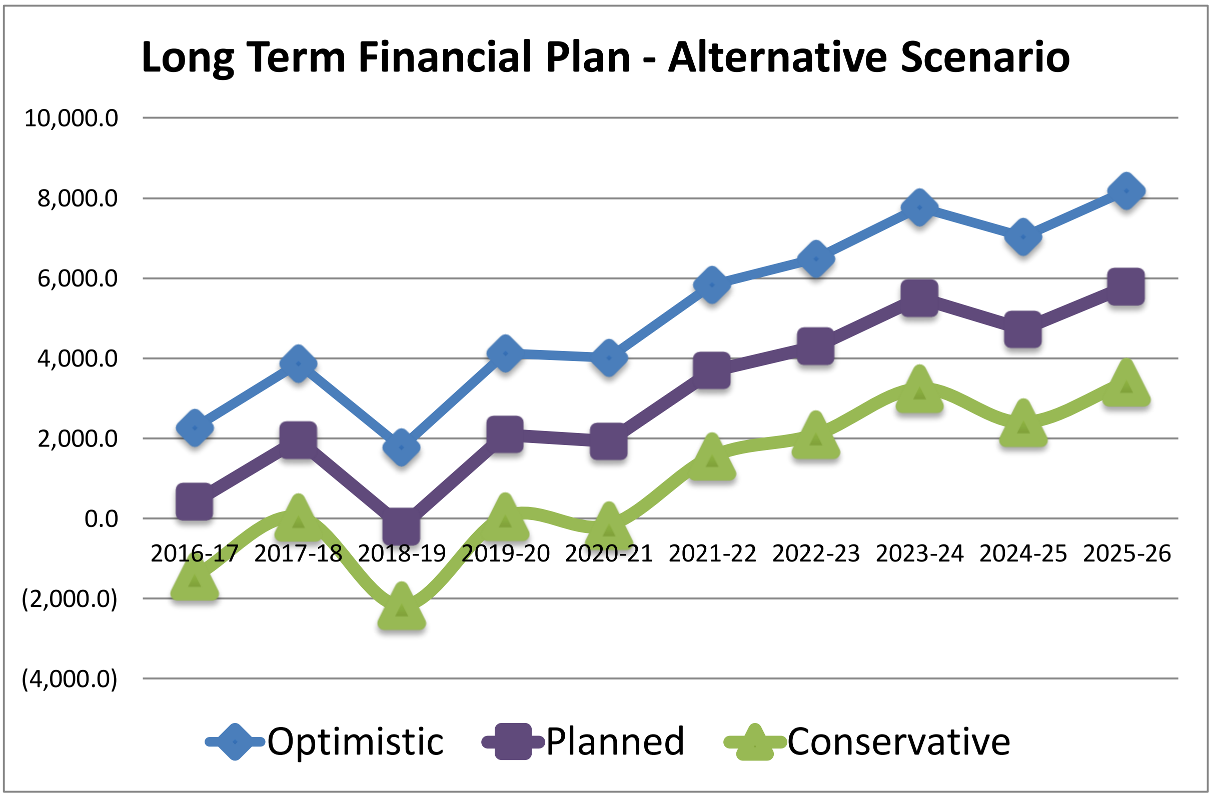


Figure 29 - Long Term Financial Plan with Optimistic and conservative comparison

Long Term Financial Plan Alternative Scenario

OPERATIONS FROM ORDINARY ACTIVITIES	Base	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/16
Operating Revenue											
Rates & Annual Charges	123,217.3	128,996.5	134,703.0	140,918.0	147,692.5	151,836.2	156,119.9	160,548.4	165,126.4	169,858.9	174,751.0
User Charges & Fees	5,641.9	5,641.9	5,641.9	5,641.9	5,641.9	5,641.9	5,641.9	5,641.9	5,641.9	5,641.9	5,641.9
Fees for Commercially Available Services	32,049.4	32,567.3	33,137.0	33,723.8	34,328.3	34,950.9	35,592.1	36,252.6	36,933.0	37,633.8	38,355.6
Interest Income	2,187.5	2,186.8	2,204.3	2,223.3	2,244.0	2,257.0	2,270.3	2,284.2	2,298.5	2,313.3	2,328.7
Other Operating Revenues	1,877.7	1,877.7	1,877.7	1,877.7	1,877.7	1,877.7	1,877.7	1,877.7	1,877.7	1,877.7	1,877.7
Operating Grants	23,875.9	24,116.9	24,354.6	24,598.1	24,847.4	25,110.2	25,379.5	25,655.3	25,937.9	26,227.3	26,523.9
Operating Contributions	2,856.3	2,856.3	2,856.3	2,856.3	2,856.3	2,856.3	2,856.3	2,856.3	2,856.3	2,856.3	2,856.3
Profit on Sale of Assets	(485.9)	(485.9)	(485.9)	(485.9)	(485.9)	(485.9)	(485.9)	(485.9)	(485.9)	(485.9)	(485.9)
TOTAL OPERATING REVENUE	**191,220.1**	**197,757.5**	**204,288.9**	**211,353.2**	**219,002.2**	**224,044.3**	**229,251.8**	**234,630.5**	**240,185.8**	**245,923.3**	**251,849.2**
Operating Expenditure											
Employee Costs	(87,507.2)	(90,306.2)	(93,420.4)	(96,187.5)	(99,668.3)	(103,159.7)	(107,157.3)	(111,327.3)	(115,681.2)	(120,224.8)	(124,751.8)
Employee Costs - ELE	(2,731.6)	(2,731.6)	(2,731.6)	(2,731.6)	(2,731.6)	(2,731.6)	(2,731.6)	(2,731.6)	(2,731.6)	(2,731.6)	(2,731.6)
Interest Charges	(3,326.8)	(2,636.0)	(3,224.6)	(3,440.7)	(3,239.8)	(2,820.3)	(2,382.3)	(2,060.4)	(1,797.2)	(1,571.3)	(1,379.9)
Depreciation & Amortisation	(22,796.4)	(22,685.9)	(22,994.5)	(23,307.5)	(23,624.8)	(23,946.6)	(24,273.0)	(24,604.0)	(24,939.6)	(25,279.9)	(25,625.0)
Materials	(29,539.3)	(27,275.0)	(27,940.9)	(28,689.2)	(29,505.5)	(30,346.3)	(30,854.1)	(32,104.3)	(33,023.0)	(33,969.4)	(34,944.4)
Contracts	(34,836.8)	(35,532.1)	(36,025.4)	(36,116.6)	(36,990.2)	(37,897.3)	(38,839.4)	(39,817.9)	(40,834.3)	(41,890.2)	(42,987.2)
Other Operating Expenses	(15,732.9)	(15,774.6)	(16,015.0)	(16,298.8)	(16,598.7)	(16,907.7)	(17,226.1)	(17,554.1)	(17,892.1)	(18,240.3)	(18,599.0)
Other Expenses - Internal Charges	304.2	304.2	305.0	305.0	305.0	305.0	305.0	305.0	305.0	305.0	305.0
TOTAL EXPENDITURE	**(196,166.8)**	**(196,637.2)**	**(202,047.4)**	**(206,466.9)**	**(212,053.9)**	**(217,504.5)**	**(223,158.8)**	**(229,894.6)**	**(236,594.0)**	**(243,602.5)**	**(250,713.9)**
Operating Result before Capital	**(4,946.7)**	**1,120.3**	**2,241.5**	**4,886.3**	**6,948.3**	**6,539.8**	**6,093.0**	**4,735.9**	**3,591.8**	**2,320.8**	**1,135.3**
Grants & Contributions											
Capital Grants and Contributions	23,232.6	23,971.3	28,852.7	24,268.1	23,261.8	23,221.6	22,572.7	28,600.7	20,988.3	20,152.4	20,152.4
OPERATING RESULT	**18,285.9**	**25,091.6**	**31,094.2**	**29,154.4**	**30,210.1**	**29,761.4**	**28,665.7**	**33,336.6**	**24,580.1**	**22,473.2**	**21,287.7**
FUNDING STATEMENT (Source & Application)											
Add back non funded Expenses - Depreciation	22,796.4	22,685.9	22,994.5	23,307.5	23,624.8	23,946.6	24,273.0	24,604.0	24,939.6	25,279.9	25,625.0
Add back non funded Expenses - ELE	2,731.6	2,731.6	2,731.6	2,731.6	2,731.6	2,731.6	2,731.6	2,731.6	2,731.6	2,731.6	2,731.6
Funds Received from Sales of Assets	7,396.0	7,396.0	7,396.0	7,396.0	7,396.0	7,396.0	7,396.0	7,396.0	7,396.0	7,396.0	7,396.0
Loans Received	8,136.9	25,290.8	15,411.9	6,107.0	1,311.9	211.9	211.9	211.9	211.9	211.9	211.9
3803 - Budget Surplus	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Funds Transferred (to) / from Reserves held	6,835.3	(3,587.9)	1,532.3	(4,870.8)	1,191.2	7,535.5	(1,447.4)	4,256.5	988.0	1,382.4	1,777.6
Net Fund Available	**66,182.1**	**79,608.0**	**81,160.5**	**63,825.7**	**66,465.6**	**71,583.0**	**61,830.8**	**72,536.6**	**60,847.2**	**59,475.0**	**59,029.8**
Application of Funds											
Asset Acquired (non current)	(54,888.2)	(67,810.5)	(66,788.2)	(51,979.5)	(53,697.9)	(60,413.7)	(50,760.5)	(62,089.2)	(50,023.6)	(50,435.3)	(49,827.5)
Loan Repayments Made	(11,293.9)	(11,382.1)	(12,419.9)	(12,048.5)	(10,676.0)	(9,248.9)	(7,376.5)	(6,148.3)	(5,320.1)	(4,319.1)	(3,409.9)
Total Application	**(66,182.1)**	**(79,192.6)**	**(79,208.1)**	**(64,028.0)**	**(64,373.9)**	**(69,662.6)**	**(58,137.0)**	**(68,237.5)**	**(55,343.7)**	**(54,754.4)**	**(53,237.4)**
Net Cost funded from Rates & Other Income	**0.0**	**415.4**	**1,952.4**	**(202.3)**	**2,091.7**	**1,920.4**	**3,693.8**	**4,299.1**	**5,503.5**	**4,720.6**	**5,792.4**