2017

RESOURCING STRATEGY

Managing our assets, people and finances to deliver on our commitments.

PENRITH
CITY COUNCIL

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TABLE OF CONTENTS

INTRODUCTION

This is Penrith City Council's *Resourcing Strategy*, prepared in accordance with the requirements of the Integrated Planning Framework provisions in the *Local Government Act 1993 (NSW)*.

This document outlines how we'll manage our assets, people and finances to ensure we have the capacity to deliver on the strategies and actions we've identified in the *Delivery Program* and *Operational Plan*. Through these strategies and actions, we will make progress towards the seven Outcomes our community has identified as the best way to make Penrith a better place to live, work and visit.

LEGISLATIVE FRAMEWORK

The NSW Integrated Planning and Reporting Framework requires that Council prepare:

- A 10 year ***Community Plan*** to be developed in consultation with the community, State Government agencies and other relevant stakeholders. The purpose of the plan is to identify the community's main priorities (Outcomes) for the future and the strategies for achieving these goals.
- A four year ***Delivery Program*** that details the service activities Council will be committing to over the next four years to work towards achieving the Outcomes as documented in the *Community Plan*.
- An annual ***Operational Plan*** that specifies actions Council will undertake during the year, together with details of income and expenditure estimates for the year.
- A ***Resourcing Strategy*** which is aimed at ensuring that the resources – time, money, assets and people – required to deliver on the *Community Plan* are available as and when required.

COMMUNITY OUTCOMES

Council has engaged extensively with the community to develop seven Outcomes to guide Council's activities to make Penrith a better place. Effective management of our resources will be vital to enable us to deliver on the Outcomes.

Outcome 1: We can work close to home

Helping our community find a local job that suits them.

Outcome 2: We plan for our future growth

Making sure that services and infrastructure keep up as Penrith grows

Outcome 3: We can get around the city

Making sure we can get from place to place safely and easily, whether we drive, walk or ride the train or bus

Outcome 4: We have safe, vibrant places

Making sure our public spaces are safe, pleasant places to be

Outcome 5: We care for our environment

Protecting our air and water quality, and our natural areas

Outcome 6: We are healthy and share strong community spirit

Supporting the physical and mental health of our community

Outcome 7: We have confidence in our Council

Putting our values into action:

We are accountable
We show respect
We encourage innovation

EMERGING ISSUES AND PRIORITIES

Effective resource management has two key components. An organisation must understand firstly the resources available to it and secondly how they can best be used to deliver the services and functions the organisation is responsible for. Effective use of our assets, workforce and finances is 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 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, opportunities and threats as they emerge.

In recent years the State Government has looked closely into how local government operates, the role it plays in local communities and how to make it sustainable in the long term. The community clearly expects that local government will manage its organisational resources to deliver community services.

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 four years is also provided.

WHAT HAS OUR COMMUNITY TOLD US?

Council seeks innovative ways to engage our diverse community through various levels, types and tools of engagement. The approach varies from one engagement activity to another, depending on what the engagement is for, who the target audience is, and the level of urgency or priority.

In addition to engagement that is required by legislation, such as the public exhibition of certain documents, plans and development applications, Council takes a proactive approach to engaging our community across various services. We regularly provide opportunities for our residents, workers, visitors, businesses and other stakeholders to be informed, involved and have their say.

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 our *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.

These priorities form the basis of our Community Outcomes.

More recently, we undertook two targeted engagement activities to check in with our community that we were on the right track:

- a **Community Panel** – a panel of independently and randomly selected community members to consider 'What services and facilities do we need in Penrith, to what level, and how should we fund them?'
- an **Online Survey** – completed by more than 550 residents, visitors, government agencies and businesses between June and September 2016 to identify existing and emerging priorities.

PENRITH COMMUNITY PANEL

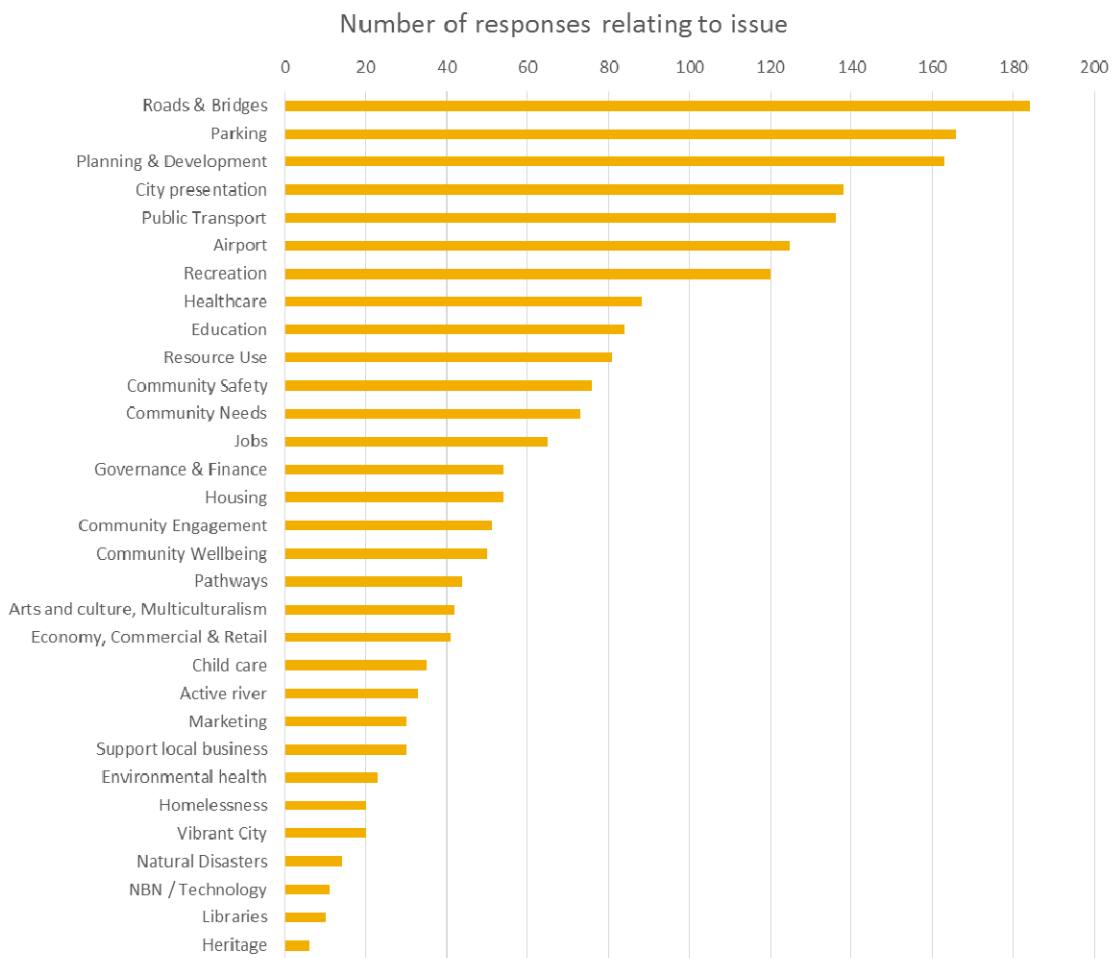
The Penrith Community Panel was brought together in September 2015 as part of the engagement process for the Planning Our Future Special Rate Variation. The Panel was run under a deliberative democracy model and coordinated independently by not-for-profit research organisation newDemocracy Foundation.

The panel was made up of 34 everyday people who were randomly selected from across our City. It was important that the panel members were representative of our residents but also were regular people with no special knowledge of Council. The panel was asked to consider the questions 'What local services and infrastructure do we need in Penrith? What should we do, to what level of quality, and how should we pay for it?'

The panel delivered its final recommendations in early 2016. The recommendations told us what the community sees as the priorities for our City and how we can deliver the services and infrastructure Penrith needs. They reflect the panel's in-depth research and discussions, and provide a perspective on Council's role in the community that draws from a variety of backgrounds, experiences and aspirations. The Panel's recommendations will be incorporated into our Operational Plans over the next four years, starting with 2017-18. A good number of the recommendations have also influenced workforce and asset planning, as we work to deliver the services our community wants.

ONLINE SURVEY

Council also conducted an online survey to see whether the Outcomes were still relevant and what issues our community saw as being important over the next few years. The following graph shows what the community saw as emerging issues in the online survey. Although some are not within our direct control, clearly the community still has high expectations of our asset portfolio, and service delivery. Again, these issues have been considered in developing this Resourcing Strategy.



OUR COUNCILLORS

As representatives elected by our community, our Councillors are also a valuable source of information on what our community expects and what we need to deliver over the next four years. Our Councillors have identified four key priorities and four key projects they wish to see significant progress on over the course of their term. These are listed below, and discussed in more detail in the *Delivery Program*.

Key Projects

- Regatta Park
- City Park
- Gipps St sporting fields
- Multi deck carpark in the Penrith City Centre

Key priorities

- Better footpaths in established areas
- Better infrastructure in development hot spots
- Streamline development applications process
- Better communication with our community

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. Continue to ensure we are sustainable in the long term

Continue to meet the seven Fit for the Future indicator targets. This includes improving asset management practices and demonstrating efficiencies 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 significantly increases demand for existing services such as Rangers, libraries, waste collection and development approvals. 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 and meet their needs as well as possible. Improving customer service and meeting reasonable customer expectations is the starting point for how we operate and 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 and targets will be a vital part of our improvement journey over the coming years.

WHAT RISKS AND OPPORTUNITIES DO WE FACE?

Our world is changing rapidly and we must be ready to respond to new opportunities and new challenges. All around the world, governments and businesses must respond to changes in climate, economics, technology and social issues. The World Economic Forum has prepared a Global Risk Report every year since 2006. The report discusses the likelihood and possible impact of worldwide risks based on a survey of 750 experts from business, government, academia and civil society from all over the world. Although these risks are looked at in terms of global impact, many have specific relevance to Penrith.

CLIMATE

Climate risks are being recognised as 'foreseeable, material and actionable now' not just by scientists but also by major financial institutions and businesses. Changes in our weather are undeniable – Penrith has seen more hot days in the past two years than at any other time in our history. Extreme weather events, particularly storms, are also on the rise, with 'extreme weather' identified as one of the top two risks most likely to occur for the past three years.

A changing climate presents physical risks to our assets, particularly extreme weather events like storms and bushfires. Although insurance will cover direct costs, there is the more general cost to our community when roads, buildings or sports fields are damaged or unsafe to use. Climate change can also change the assets the community needs – splash pads are now very popular with our residents as a way to cool down in the heat and Council is looking to build more to satisfy a demand that didn't exist three years ago.

The impact of climate change is now being reflected through changes in law and government policy, as well as in economic markets and technology. Council has committed to a number of actions to understand and then reduce our impact on climate change, both as an organisation and as a City. We will also look to reduce the impact of extreme heat on our City, particularly in vulnerable areas, and will consider climate change when reviewing our operational and strategic risks.

ECONOMIC

Economic risks affect both our income and our expenditure. Rising costs of electricity and petrol and employee costs are all out of our control but have a significant impact on the cost of delivering our services. Similarly, the speed of development and rate peg increases are dependent on the property market and on the NSW Independent Pricing and Regulatory Tribunal (IPART), so although we can forecast expected income we can't control it. Decisions made by the State Government about the services we deliver can also affect how we spend our money.

We can minimise these risks through careful and responsible financial planning, using conservative forecasting and making sure that we have enough in reserves to cover unexpected costs. Council's long term financial plan is reviewed every year, with our expected income and expenditure updated after careful consideration of existing and likely financial trends and policy decisions.

TECHNOLOGICAL

The speed of technological change presents both a challenge and an opportunity - how do we embrace new technology fast enough to enjoy the benefits, but slow enough to properly understand and address the risks, and not leave members of the community and our staff behind?

Technological change is not just creating new types of jobs and destroying old ones, but it's also impacting the way we work. People are more connected to their workplace than ever before, and there is a growing expectation that 'nine to five' no longer applies. People are both working from home, sending and responding to emails and messages at all times of the day and on weekends; and 'homing from work' – using the internet to do a range of personal tasks during work hours. Maintaining a balance between work and personal time is becoming an issue all employers must address.

Technological changes also affect how we engage with our community. The days of relying on mail and newspaper ads are gone. Council now updates our website and social media daily, and sends emails and SMS reminders to let our community know what we are doing. We must also, however, keep up with more traditional ways of communicating, as these still suit some members of our community best.

Although technology provides many opportunities to improve our performance and customer service, it also presents challenges. The infrastructure that supports it is vulnerable to the same physical risks as other infrastructure, particularly from extreme storm events. There is also the risk of cyber-attacks and viruses which are uniquely technologically based. The more dependent we become on technology to deliver our services, the more vulnerable we are to this type of threat.

SOCIAL

Rapid changes of attitudes around gender, sexual orientation, race, multiculturalism, environmental protection and human rights has left many people feeling left behind in their own countries. This is creating social and political division, as different people within one community may have very different views and may not always be willing or able to discuss them peacefully. This creates a challenge in itself, but conflict within our communities can also make responding to other challenges difficult.

Expectations around government's role are also changing. Issues like homelessness, physical and mental health, poverty and community resilience have traditionally not been a local government responsibility, but there is increasing pressure on Council to step in and protect the welfare of the most vulnerable people in our society. The growth of social media, although a technological change, has created an expectation that Council will respond to issues or questions from our community within a very short timeframe, sometimes just a few hours. Both of these changes place pressure on our resources, meaning that, to respond, we must continually find better ways to deliver our more traditional services.

As an employer, Council must also meet the expectations of its employees and these too are changing. 'Millennials', born in the early to mid-1980s, may look for different opportunities, fulfilment and flexibility from their jobs than the older generations that tend to represent management. This can present challenges in attracting and keeping younger staff.

On a global scale, cooperation between countries is becoming less common. Britain's vote to exit the European Union, and the potential split of the United Kingdom as a result, is one example. Locally, we have the opportunity to challenge this trend through our Strategic Alliance with Blue Mountains City Council and Hawkesbury City Council. This alliance offers the potential to share resources and skills, and cooperation will help us address other regional challenges. The impact of extreme weather, and social issues such as health and homelessness for example do not stop at local government boundaries. The Strategic Alliance provides the opportunity to maximise the skills, knowledge and innovation of all three councils to tackle the big issues facing our communities in the coming years.

FUTURE PROOFING PENRITH CITY

In addition to the ongoing provision of services and infrastructure, Council must look 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 less 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, through both immigration 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. The review of our Strategic Asset Management Plan carried out in 2015 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 reducing operational costs. This may include developing strategic partnerships and alliances with other Councils and private business, choosing which services we continue to provide and to what level, and identifying services better delivered by the private sector, community organisations (with council support) or other levels of government. The Capacity Review we carried out from 2014-15 identified a number of opportunities to change how we deliver our services without compromising on their quality for the community. Productivity will be a particular focus for 2017-21 as we work to realise these opportunities.

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. We have formed a Strategic Alliance with Blue Mountains and Hawkesbury Councils, with a focus on potential resource sharing, cooperative service delivery and ways to gain economies of scale.

With less resources available 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 organisation.

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. Strategic human resource management, particularly succession planning for critical positions across the organisation, will ensure the benefits of this investment continue.

5. Future Technology

Technology keeps evolving, regularly presenting local government with new opportunities and challenges. Mobile technology allows for more flexibility in working conditions including remote working options; and promises to save time and money through automation of inefficient manual processes. 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 and staff.

In recent years, Penrith has transformed our Information and Communications Technology (ICT) environment under a comprehensive ICT strategy developed in early 2015. We have upgraded our ageing infrastructure and systems to provide more reliable, integrated, efficient and flexible tools. This has already started to reap benefits for our customers and staff, and has paved the way for our organisation to continue to improve the way we work and to embrace future technologies.

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) processes and the Community Panel Penrith is well on the way to completing step two and has started step three. Our FFF Improvement Plan and Capacity Review implementation will continue to move us through the six steps, positioning Penrith well to meet the challenges ahead.

PRODUCTIVITY IMPROVEMENT

Several years ago, our Council recognised that local government would increasingly be expected to deliver more services to meet the needs of growing and changing communities, with less resources. We recognised that we needed to make some changes and find ways to 'work smarter'.

Our 'productivity journey' so far has involved a range of in-depth investigations into our organisation's finances, structure, assets and workflows. It has involved engaging with our communities and staff, encouraging both groups to have their say on a range of issues and share their ideas about what we should do, when and how, to make sure Penrith thrives into the future.

	FFF	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%	-0.41%	1.31%	2.64%	3.57%
Own source revenue Greater than 60% average over 3 years Benchmark met. Performance maintained	65.7%	76.98%	77.77%	78.70%	79.88%
Building and Asset Renewal Ratio Improvement within 5 years, towards greater than 100% average over 3 years Ongoing improvement from 2017-18	44.4%	53.70%	56.45%	63.83%	63.34%
Infrastructure Backlog Ratio Less than 2% Meet by 2016-17	4.43%	1.44%	1.28%	1.17%	1.09%
Asset Maintenance Ratio Greater than 100% average over 3 years Benchmark met. Performance maintained	114.1%	102.31%	100.72%	100.74%	100.64%
Debt service ratio Greater than 0% and less than or equal to 20% average over 3 years Benchmark met. Performance maintained	7.03%	7.34%	6.92%	6.29%	5.37%
Real operating expenditure A decrease in Real Operating Expenditure per capita over time Ongoing improvement from 2018-19	0.86	0.88	0.86	0.84	0.82

A number of assumptions underpinned our financial modelling. Each assumption, and how it is tracking currently, appears below:

1. The Asset Renewal and Established Areas Strategy Special Rate Variation (AREAS SRV) will continue at its current rate

   This was confirmed as part of the approval for the Special Rate Variation granted in May 2016.

2. Incorporates the ongoing approved additional 508(A) Special Rate Variation

This was confirmed as part of the approval for the Special Rate Variation granted in May 2016.

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 (FAG) will remain at the current level and indexed at 2.5% from 2017-18

   In 2016-17 year, the Turnbull Government will allocate $2.29 billion in FAG for local government services to the community. After extensive lobbying, indexation on FAG will resume in 2017-18, however the rate of indexation will not be announced until December 2017. Modelling will be updated at this stage if the indexation varies substantially from the assumption.

7. Annual IPART determined rate peg in the 1.8%-3% range

   The rate peg for 2017-18 was set at 1.5%. This is a minor variation on the assumption and still falls within the variance allowed for within the financial modelling.

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.

   The assumptions in the FFF improvement plan about increases to the Building Asset Renewal budget were delayed for 2 years to fund the multi deck carpark as part of the SRV application. Accordingly, the Building Asset Renewal budget for 2017-18 is $2.17m, this increases to approximately $6.1 million for 2018-19. This is in line with the modelling.

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 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

The above three assumptions are all incorporated into the Asset Management Strategy.

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

Estimated residential population for Penrith as of the 30 June 2016 was 202,076, slightly lower than the original projection. Census data will be released on 27th June, 2017, providing a more accurate picture of total population.

OUR ASSETS

Council prepared a new *Asset Management Strategy* and refreshed this chapter of the *Resourcing Strategy* as part of the application for a Special Rate Variation in 2016. Since that time our City Assets Division, responsible for asset planning and maintenance, has been significantly restructured, and internal responsibilities have been realigned to increase efficiency of service delivery, allow for increased focus on asset management and provide a single point of contact for all customers using Council facilities.

Given the complexity of this change it has taken some time to finalise the detail of the City Assets structure and confirm exact responsibilities, resourcing and budget allocations. The majority of this work is now complete, levels of service, performance measurement and internal processes are all being reviewed over the next 12 months as part of both finalising the structure and delivering on our stated commitments to productivity improvements.

Council is also in the process of undertaking a number of reviews that will impact the approach both asset management and future planning for a number of asset classes. These include:

- The Sport, Recreation, Play and Open Space Strategy, due for completion in late 2017, is looking at Penrith sport, recreation and play needs now and in the future. The findings of the investigation phase and the recommendations of the strategy will set the direction for recreational assets of all types for the next 10 years.
- The Cemeteries Review is looking at future demand and supply within existing cemeteries and how to best maintain financial sustainability while providing an affordable service for residents.
- The Neighbourhood Facilities Review is looking at how we ensure our community buildings meet the changing needs of our community while maintaining financial sustainability.
- Plant utilisation study is looking at how plant is used, options to improve efficiency and alternative methods of plant supply.

Given all of the above, and that the current strategy is just over 12 months old, preparing a new *Asset Management Strategy* is not an efficient use of resources at this time. The existing strategy will provide sufficient guidance for work programs and risk mitigation while this work is undertaken. Accordingly, the following Chapter of this *Resourcing Strategy* remains substantially as it was adopted by Council in April 2016, with minor updates only to the introduction, including information on section 94 of the Environmental Planning and Assessment Act, and design improvements.

INTRODUCTION

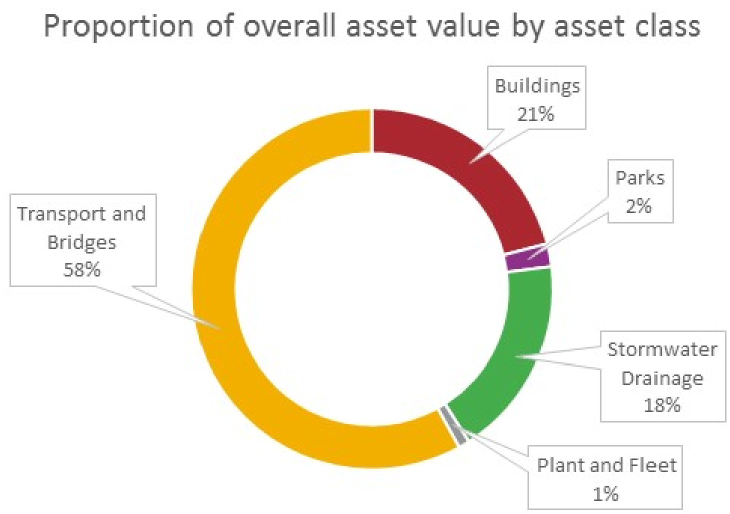
Council has a significant asset portfolio, primarily consisting of roads, paths, bridges, community buildings, drainage, land, fleet, parks and sportsgrounds. Smaller asset categories include books, IT equipment and office furniture. This asset portfolio has grown to a replacement value of $2,205126,000 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.



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	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 2017-18	44.4%	53.70%	56.45%	63.83%	63.34%
Infrastructure Backlog Ratio Less than 2% Meet by 2016-17	4.43%	1.44%	1.28%	1.17%	1.09%
Asset Maintenance Ratio Greater than 100% average over 3 years Benchmark met. Performance maintained	114.1%	102.31%	100.72%	100.74%	100.64%

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 1979 (NSW)* (s94) 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.

S94 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 s94 development contributions process in a Planning System White Paper. The draft changes would affect the type of local infrastructure for which Council could levy the contribution charge. It proposed replacing s94 with 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 were to be benchmarked across NSW and applied based on a unit charge (eg 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.

It was unclear how the proposed changes would affect existing contributions plans which have either started delivering infrastructure or which are repaying advance-funded infrastructure. Council has sought confirmation from the Minister that the new Planning Bill legislation will ensure existing s94 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. As at June 2017 there has been no announcement from the NSW Government or the Minister for Planning regarding 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. 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 for new release areas will continue to apply until 31 December 2017. Council lobbied consistently over the past 6 years for abandonment or indexation of the cap. The cap will be increased by $5,000 on 1 January 2018, 1 July 2018 and 1 July 2019. At the end of 2019-20 the cap will be removed entirely. In Penrith City the cap applies only to 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. Without indexation of the cap, Council would have experienced significant infrastructure funding shortfalls associated with residential development in the WELL Precinct.

Council is expecting a number of assets of different types to be transferred or enhanced through s94 plans and planning agreements over the next five years. These include:

Section 94 contribution 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.
Sydney Science Park	Subject to resolution of management plans, facilities may include, open space, community/cultural facilities, affordable housing and some engineering works
Caddens East (Legacy Properties site)	This VPA is still under negotiation, but includes new public facilities including a sportsfield and a hilltop park
Great Western Highway/French Street - Werrington Mixed Use Area	Cycleways, stormwater management facilities, environmental conservation areas

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).

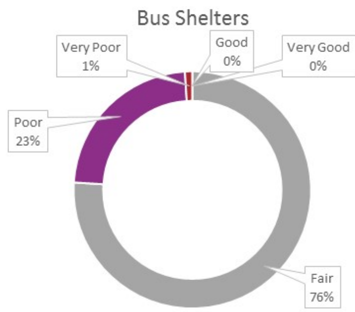
“Getting around our City” is one of the seven outcomes of the Community Plan. The provision and maintenance of Council’s transport network is the main way we can deliver on this outcome, as well as advocating for better state and regional roads, and better public transport.

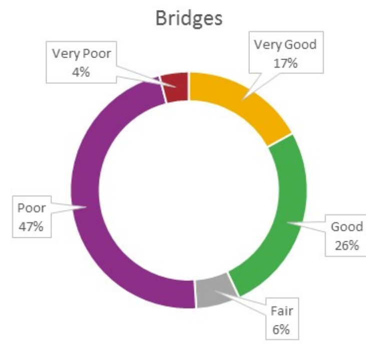
The transport network is one of the most extensively used Council’s assets as it is used by everyone who lives in, works in or visits the City. We need to ensure we maintain these assets so that they are safe, usable and provide a satisfactory level of service. It is also Council’s most valuable asset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

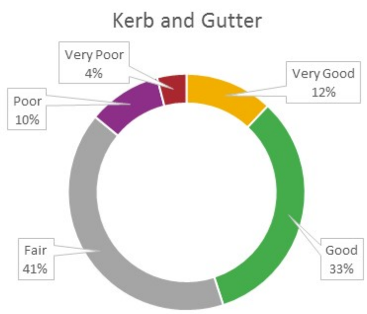
The majority of Council’s transport assets are in good condition, which means they are serviceable but require more than just preventative maintenance. The life cycle sustainability index of 0.87 indicates there is currently a shortfall in the optimum maintenance and renewal expenditure each year, though 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	$1,068,275,000
Life cycle cost	$24,403,000
Life cycle expenditure	$21,121,000
Life cycle sustainability index	0.87

ASSET CONDITION







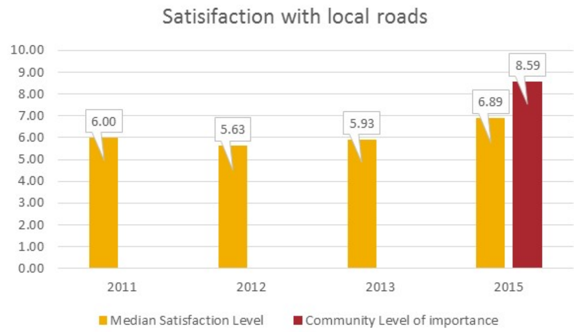
Asset Category	Dimension
Sealed road pavement	1,062 km
Unsealed road	14 km
Kerb and gutter	1,510 km
Paved pathways and cycleways	599 km
Bridges	98
Carparks	162
Road furniture	1,041
Traffic facilities	*Data currently not available*
Bus shelters	204
Regulatory signs	24,000

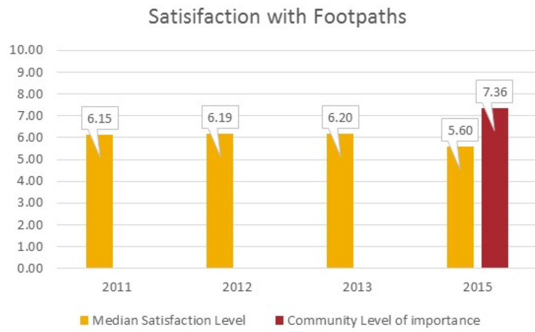
LEVEL OF SERVICE

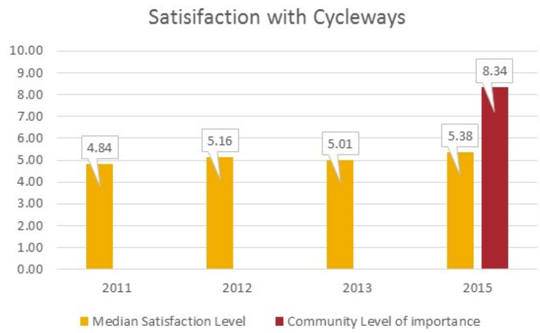
Council has endorsed the following levels of service for our infrastructure assets. Maintaining these levels forms the basis for current budget allocations in the long term financial plan. The community engagement process being undertaken in late 2015 and early 2016 may provide information that will 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 charts below show the satisfaction rating of respondents in relation to the maintenance or provision of transport infrastructure.







**Survey carried out every two years. Next survey is scheduled for 2017.*

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 cope 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 line marking), 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.

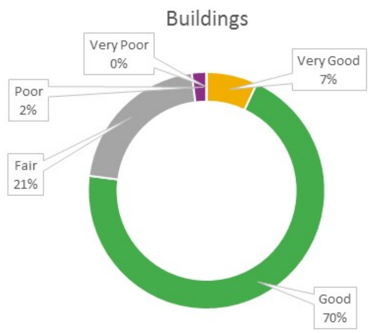
The delivery of many of our services relies on our buildings. Our community told us that ensuring services keep up with population growth is a top priority, along with safe, vibrant places, encouraging our residents to be healthy and building on our strong community spirit.

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 0.97 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	**$375,718,000**
Life cycle cost	$10,066,000
Life cycle expenditure	$9,806,000
Life cycle sustainability index	.97

ASSET CONDITION



Asset Category	Quantity
Sporting facility	105
Public toilets	28
SES and bushfire 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 and galleries	7
Youth centres	2
Total	293

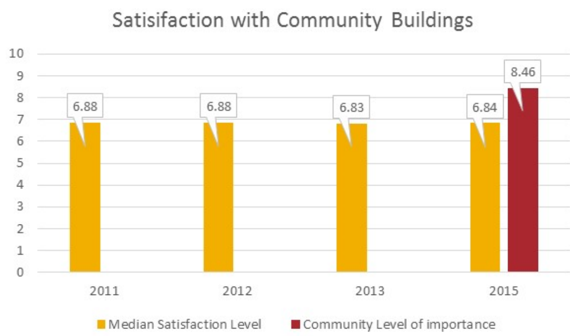
LEVEL OF SERVICE

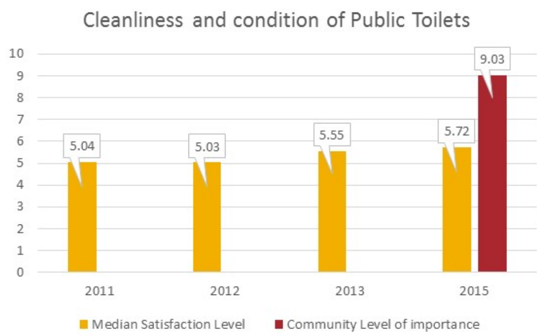
Council has endorsed the following levels of service for our infrastructure assets. Maintaining these levels forms the basis for current budget allocations in the long term financial plan. The community engagement process being undertaken in late 2015 and early 2016 may provide information that will 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.





**Survey carried out every two years. Next survey is scheduled for 2017.*

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 $1million 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.

RISKS

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.

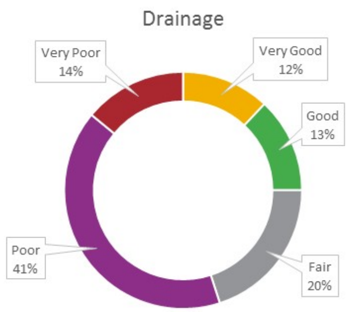
The drainage assets owned and maintained by Council represent our commitment to provide our communities with reliable storm water transportation, reduce risk from flooding and water overflow, and to protect our rivers, lakes and creeks by capturing pollutants that might otherwise enter our waterways.

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	**$348,543,000**
Life cycle cost	$3,641,000
Life cycle expenditure	$2,122,000
Life cycle sustainability index	0.58

ASSET CONDITION



Asset Category	Length / number
Pipelines	616 km
Drainage pits	23,462
Headwalls	2,021
Culverts (box and pipes)	9.6 km
Concrete channel	5.0 km
Prescribed dams	3
Dray 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 km 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 (eg after a major storm event)

RISKS

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	**$16,405,000**
Life cycle cost	$11,287,000
Life cycle expenditure	$10,359,000
Life cycle sustainability index	0.92

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.

ASSET CONDITION

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 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

RISKS

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.

OUR PARKS, PLAYGROUNDS & SPORTING 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	0.88

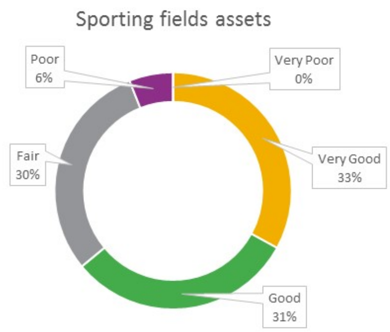
While there is an annual shortfall in asset renewal funding it should be noted that since the introduction of the Parks Asset Renewal Program in 2009 that a significant and ongoing upgrade of parks assets has occurred resulting in the reconstruction of over 30 playing fields, 40 playgrounds and a range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

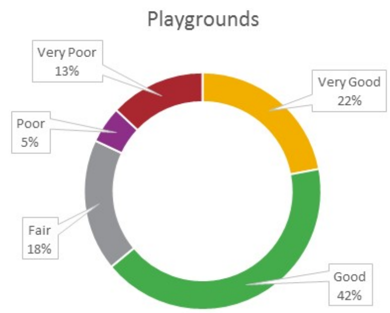
Council's parks, playgrounds and sports field assets are valued at $35.3 million and include:

Asset Category	Division / 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	36.8 km
Bubblers and taps	9
Fountains and pumps	7
Sporting field surfaces - grass	132
Netball court surfaces – grass	14
Netball court surfaces – sealed	51
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	775,000 m2

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.





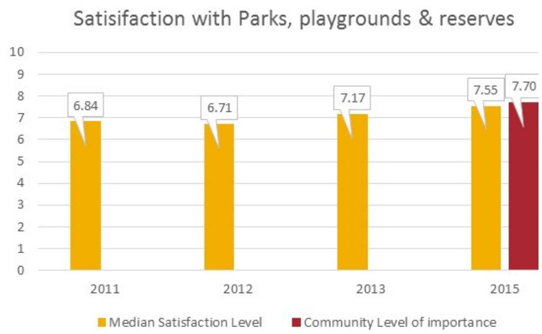
LEVEL OF SERVICE

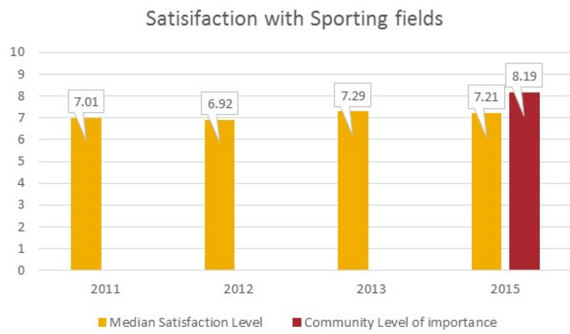
Council has endorsed the following levels of service for our parks, sports fields and reserves. Maintaining these levels forms the basis for current budget allocations in the long term financial plan. The community engagement process being undertaken in late 2015 and early 2016 may provide information 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.





**Survey carried out every two years. Next survey is scheduled for 2017.*

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.

RISKS

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.

OUR PEOPLE

INTRODUCTION

This is Penrith City Council's *Workforce Strategy* for 2017-21, which has been developed to ensure that our human resources – our most valuable asset – are well positioned to both deliver on the current commitments and respond to challenges as they arise.

Our people are the human capital that provides the knowledge, skills, labour and innovation to deliver services to our community. A workforce strategy helps us ensure we have the right number of people with the right skills in the right jobs and at the right time to enable Council to perform our legislative functions and deliver on the commitments in our *Community Plan* and *Delivery Program*.

This strategy helps us identify the best way to manage the challenges we face now and into the future. It considers the skills and capability we need to effectively deliver quality and value-for-money services that meet community needs. By preparing a workforce strategy we analyse our current staffing levels and identify areas that will need specific strategies to ensure we have the skills we need. We can then monitor the ever-changing workforce environment and make adjustments where required.

The key strategies that we will pursue over the next four years appear in our 2017-21 Delivery Program as Strategy 7.5 *"Invest in our people"*. We will monitor and report on our progress against this strategy as part of our regular 6 monthly reporting on the Delivery Program, and in our Annual Report. This document sets out additional detail on the challenges and issues that we have identified as critical over the next few years, and provides the background explaining why we believe the actions we have planned will ensure we are able to respond to the changing nature of both the environment in which we work, and the people that we work to serve.

BACKGROUND

The way we manage our workforce 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.

When developing any strategic response to an issue, it is important to understand the external environmental landscape within which the response will have to operate. During the course of the last four-year delivery program period (2013-17) the Office of Local Government supported the establishment of a high level Workforce Strategy for local councils in NSW. Developed by Local Government NSW (the peak industry association representing the interests of NSW local councils) and published in October 2016, the document provides a strategic summary of the current environment in NSW for local government and confirmed:

> *"In research undertaken with NSW Councils in November 2015, the greatest challenges facing councils in developing their workforce for the future were (in descending order):*
>
> 1. *Ageing workforce*
> 2. *Uncertainty due to possible future local government reforms*
> 3. *Skills shortages in professional areas*
> 4. *Limitations in leadership capability*
> 5. *Gender imbalance in senior roles*
> 6. *Lack of skills and experience in workforce planning*
> 7. *Lack of workforce trend data*
> 8. *Difficulty in recruiting staff*
> 9. *Resistance to more flexible work practices*
> 10. *Lack of cultural diversity*[1]*"*

The National Local Government Workforce Strategy details eight strategic themes as responses to these issues:

1. Improving workforce planning and development
2. Promoting local government as a place-based employer
3. Retaining and attracting a diverse workforce
4. Creating a contemporary workforce
5. Investing in skills
6. Improving productivity and leveraging technology
7. Maximising management and leadership
8. Implementation and collaboration

The document confirms 43 planned actions that will be undertaken over the four-year period 2017-21 under each of these strategic themes.

During the analysis phase of preparing this Workforce Strategy, the issues, strategic themes and actions identified by Local Government NSW were examined to see how relevant they were for our organisation. Although all are relevant to some extent, the key issues which we believe have most relevance are an ageing workforce, skills shortages in professional areas and gender imbalance in senior roles. The development of particular strategies and actions

[1] Page 5 NSW Local Government Workforce Strategy 2016-2020 Local Government NSW 2016

for the Penrith Workforce Strategy has taken into consideration what will be delivered through the 43 broader industry actions, to leverage of the investment made and resources that will become available. This will compound the value that can be achieved with the local investment and actions undertaken on behalf of Penrith City residents and ratepayers.

Over the course of this plan, progress on the actions in the National Workforce Strategy and our own workforce trend data will be monitored to understand how they are progressing. This will enable us to determine any potential impact on service delivery that may emerge over the course of the 2017-21 *Delivery Program* due to existing or emerging workforce issues.

DEVELOPMENT OF THIS WORKFORCE STRATEGY

We have developed this strategy through the following steps:

1. Workforce analysis: An examination of the existing workforce in relation to local and national trends
2. Future needs forecasting: 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 desired future profile
4. Developing strategies and action plans: Establishing strategies to address the issues that have been identified, and ensure our staff have the skills that match the anticipated future needs
5. Implementing strategies: Delivery of the specific programs and projects required to develop and maintain the capability and capacity of the workforce.
6. Review: Look at the effectiveness of the strategies and provide for continual improvement.

Specific challenges our Council faces include 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. These are in addition to the broader challenges faced by local government of an ageing workforce, skills shortages in professional areas and gender imbalance in senior roles.

At the commencement of strategy, the local government labour market in NSW is still impacted by the outcomes of the Fit for the Future program undertaken by the NSW State Government, and the transition of councils into their new amalgamated structures. With Penrith being deemed a ‘fit for the future’ Council, there is no immediate impact upon the current workforce, however recruitment and retention data is being monitored to ensure that any consequent impact can be identified early should circumstances change. The overall direction of Fit for the Future, however, of increasing the long term financial sustainably of the sector as a whole, must still be taken into consideration as we implement this strategy.

OUR WORKFORCE

Council delivers services to the community through seven divisions. Each Council division consists of units responsible for delivering services in line with key directions from the *Community Plan*. The structure of the organisation, including Divisions, Department and Functions is detailed in the Delivery Program, however a summary of the services delivered by each Division is provided below:

City Assets

The City Assets Division includes Asset Management; City Presentation; Design and Projects and Facilities Management. This Division looks after Council's assets including planning, acquisition, construction, renewal, maintenance and disposal.

Community

The Community Division includes Children's Services, Community and Cultural Development and Library Services. This Division looks after most of Council's community based services and liaises with other community service providers.

City Economy and Planning

The City Economy and Planning Division includes City Planning, Economic Initiatives and Place Management. This Division is focussed on helping create local jobs, creating great public spaces and planning for the growth of the City.

Office of the General Manager

The Office of the General Manager includes Governance and Legal Services. This Division primarily services internal customers, and looks after meeting practice, code of conduct, risk management, internal audit and legal services.

People and Capability

The People and Capability Division includes Customer Experience, Sustainability and Workforce and Organisational Development. This Division looks after our front counter and contact centre, all areas of human resources and promotes sustainable practices in the organisation and the City as a whole.

Environment and City Development

The Environment and City Development Division includes Development Services, Engineering Services, Environmental Health and Compliance; and Waste and Resource Recovery. This Division looks after the regulation of development across the City, including approvals and compliance, along with our Rangers and our waste and recycling operations.

Chief Financial Officer

The Chief Financial Officer's Division includes Corporate Planning, Financial Services, Information and Communication Technology; and Property Development and Management. This Division looks after all Council's financial planning and budgeting, property management and investment, information systems and software, strategic planning and reporting to the community.

Council also supports three entities – Ripples Leisure Centre St Marys & Penrith, Penrith Performing & Visual Arts and Penrith Whitewater Stadium. The workforce data in this Strategy excludes the workforce of Council's entities.

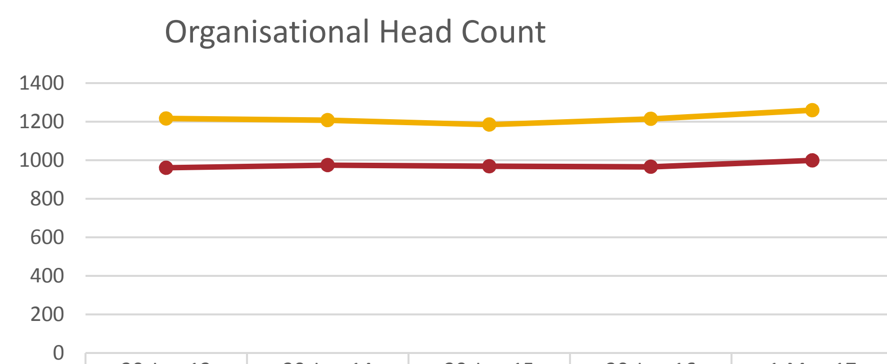
WORKFORCE PLANNING CONSIDERATIONS

We can only plan effectively to ensure our organisation has the capacity to deliver what we have said we will in the Community Plan and Delivery Program if we have 'enough of the right people in the right roles at the right times'. Effective workforce planning requires us to understand the characteristics of our workforce (such as size, gender and diversity) as well as issues such as staff turnover, skills development, and health and safety. Our Workforce Strategy considers all these issues in light of data specific to our organisation as well as wider social and industry trends, to help us respond to the challenges we face.

THE SIZE OF OUR WORKFORCE

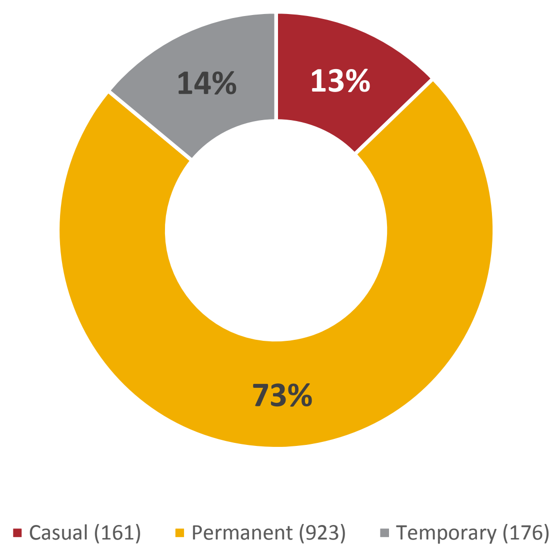
The profile of our workforce gives us important demographic information that helps us plan what we need to do to support our staff and can provide early indications of issues that may arise in the future. When considering workforce data, we look at both Full Time Equivalent (FTE) and Headcount (HC). FTE is the number of positions Council has established within the organisational structure to complete the work we need to do. Head Count (HC) is the number of individual people employed within those positions, and will vary from FTE to account for situations such as job-sharing, part time and casual employment.

Council's general workforce has remained relatively stable over the period from 30 June 2013 to 1 May 2017 with total FTE increasing by 3.97% and HC increasing by 3.53%.



	30-Jun-13	30-Jun-14	30-Jun-15	30-Jun-16	1-May-17
Full Time Equivalent	961.12	974.48	968.82	965.97	999.25
Headcount	1,217	1,208	1,185	1,215	1,260

Total Workforce as at 1 May 2017



Across all areas of our operations, approximately 30% of our FTE positions are occupied by professionals and 3% by Directors, Managers and other senior staff members. Semi-professionals (such as tradespeople, para professional and administrative officers) represent 29% of staff and the remaining 39% is made up of field operators, customer service and clerks.

The nature of our workforce (age, diversity, skill level) and the behaviour of our workforce (turnover, promotion and training, recruitment) 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 continually recognise and respond to both.

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 carries out a range of professional and administrative duties such as customer service, planning and engineering.

AGE

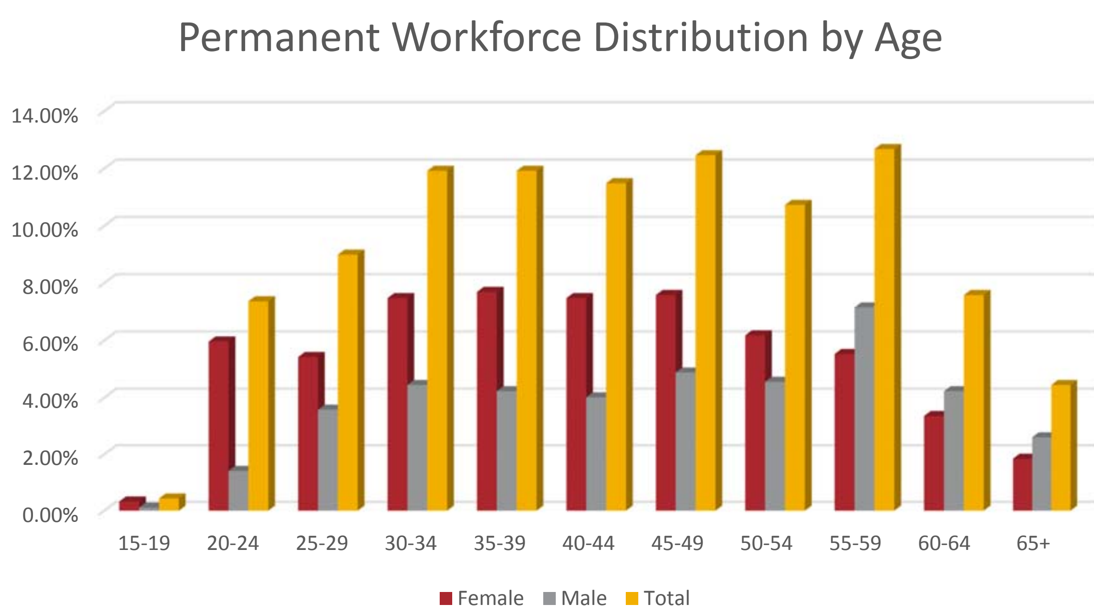
Looking at the age profile of our workforce is important to ensure we have a good balance of experience and skills. We need to avoid losing valuable knowledge that staff build up over time and to be sure we are offering the right work environment to attract and retain quality staff. We also need to ensure that we have new skills and new experience that a younger generation may contribute.

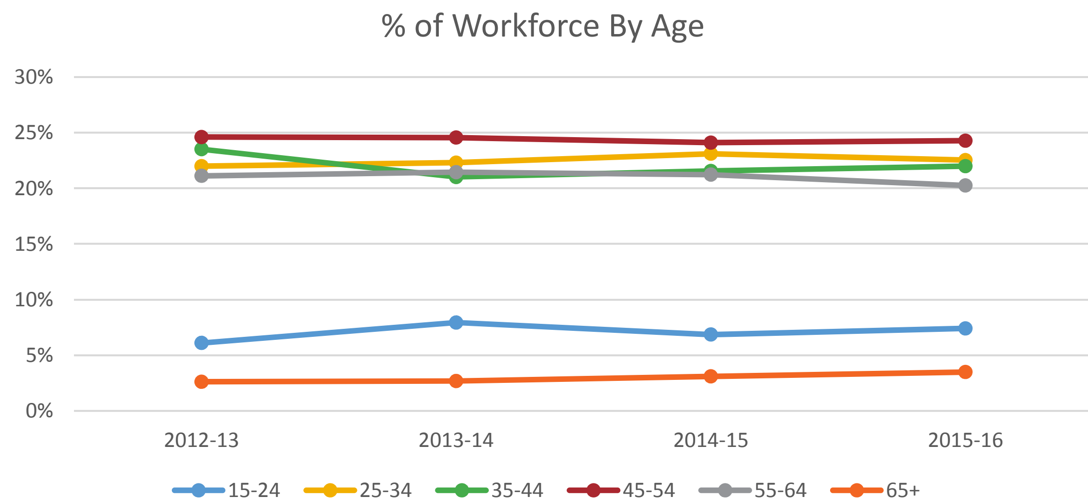
Over 7% of our workforce is under 25. This is higher than in many areas due to our extensive traineeship program, which provides opportunities for school leavers to gain skills in a number of different areas either before or during formal study. Trainees are often able to secure permanent employment at the conclusion of their traineeship, however this is dependent on available positions.

Overall, however, our workforce is ageing, with nearly 24% of our staff over 55 years old, including over half of all staff in team leader positions and above. A significant proportion of our manager and senior managers are also eligible to retire within the next seven years. 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 five years. Departments affected include Library Services, Children's Services, City Presentation, Property Development and Management, Asset Management, Regulatory Control and Community and Cultural Development. These services are all important to delivering on our Community Outcomes, with many staff building up strong relationships with other service providers which will be difficult to replace.

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. While 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, and may need to look for ways to retrain older staff if they become less physically able to undertake their normal duties. 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.





The graph details the four-year trend of age profile within the organisation. It confirms that the challenge of managing our ageing workforce will continue to be a challenge for the foreseeable future.

Part of implementing this workforce strategy will be to undertake more detailed analysis of the data we have available both for our own organisation and more broadly across local government. This will help us identify areas that may be particularly affected by an ageing workforce, and develop effective strategies to address any skills gaps. This analysis will include understanding:

- whether there are particular skills affected by ageing broadly across local government, as this will impact recruitment and retention strategies
- whether some skills or areas within Council are likely to be particularly affected
- average age at recruitment and exit, to see whether there are particular age groups we have difficulty attracting
- length of employment by age, as this will also impact recruitment and retention practices
- whether there are differences based on gender, and
- whether issues raised in the Employee Opinion Survey are consistent across age groups, which may help us understand whether there are issues we need to address for particular age groups.

GENDER

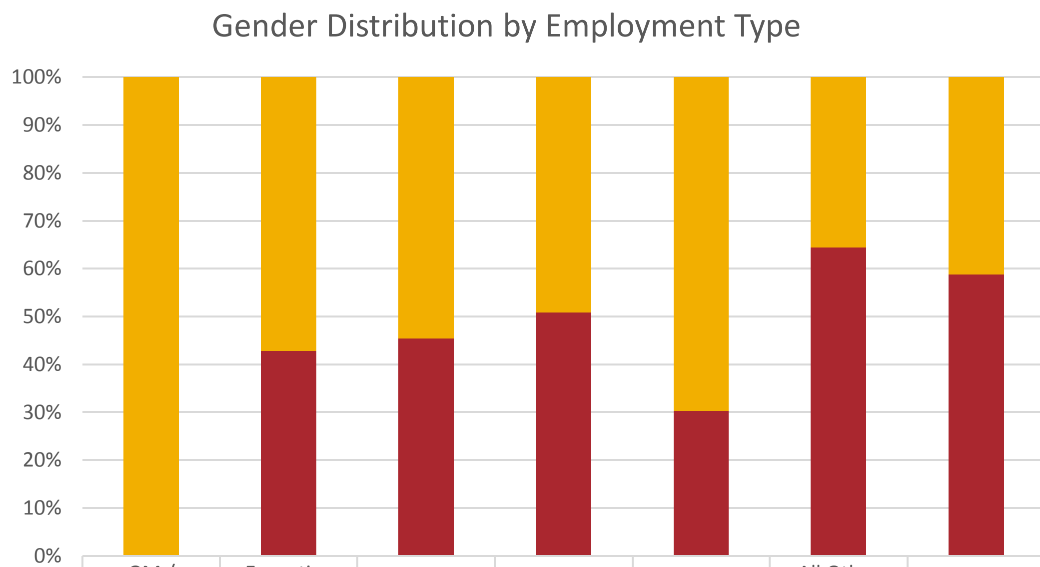
Gender equity is a key issue for Council. We have a range of flexible working options and other employment initiatives, including programs around returning to work following maternity leave. This has contributed to 58% of our permanent workforce being female, which is above industry average. Within the organisation, however, we must still manage issues arising from a single gender dominated workforce, as our Children's Services workforce is predominantly female and our outdoor workforce is predominantly male. We have implemented a number of programs in recent years to address this, and will continue to do so.

Participants in the Children's Services male staff mentoring program.

The need to recognise, value and promote women in leadership roles within local government is as great as ever. Currently, 33% of our senior management and 41% of our middle management are female, which 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 aimed at helping all employees achieve a healthy work/life balance. These include:

- paid parental leave
- ability to take up to two years off for parental leave
- flexible working hours policy
- flexible work practices including job sharing, part time work and working from home arrangements, and
- Breastfeeding Statement of Support and facilities for working mothers



	GM / Assistant GM	Executive Managers	Managers	Coordinators	Supervisors	All Other Staff	All of Council
Male	2	4	12	54	62	247	380
Female	0	3	10	56	27	447	543

This graph demonstrates the proportion of women and men permanently employed across the different levels within Council. Approximately even numbers of men and women in Coordinator, Manager and Executive Manager roles is a positive feature of our workforce, with the significantly lower number of women in supervisor roles a reflection of the predominantly male outdoor workforce.

Our strategic work to address the challenge of gender equity has been recognised with a Silver Award in the national accreditation process by *5050 Vision Councils for Gender Equity*. Our Gender Equity Steering Committee by conducting focus groups to ensure that the strategies we implement are delivering improved outcomes.

DIVERSITY

Council is committed to developing and supporting an inclusive workplace culture that displays fair practices and behaviours. We have established programs to identify and remove barriers to employment and work towards eliminating discrimination and harassment in the workplace. In addition, specific programs have been implemented to improve employment access and participation for the following Equal Employment Opportunity (EEO) groups:

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

The table below shows the percentage of employees identifying as belonging to each EEO group over the past four years.

Diversity Group	2012-13	2013-14	2014-15*	2015-16*
Aboriginal and Torres Strait Islander people	1.1	1	1 (2.03)	1.2 (1.73)
Women	55.6	56.01	57.3 (61.97)	58.12 (63.67)
People who speak a language other than English	8.9	10.1	9.73 (9.62)	9.49 (10.54)
People with a disability	3.4	3.2	3.3 (2.8)	2.84 (2.47)

* Figures in brackets include temporary employees

Not everyone who has a disability will disclose it, making reporting of exact numbers difficult. Council continues to implement strategies, including designated traineeship positions, which provide additional employment opportunities within the organisation for people with a disability. Our EEO management plan also includes an objective to increase the number of people employed by Council with a disability, and we will also undertake projects to support local businesses to increase employment of people with a disability. Of the staff members that have disclosed having a disability, we have provided reasonable workplace adjustments such as modified work spaces and computer accessories or modifications wherever needed.

As a public service organisation, we recognise the special value of staff from different cultures and understand that having people that speak different languages can help us to be more effective in engaging with and understanding the needs of our community. It is difficult to implement specific strategies to encourage cultural diversity, however we will continue to look at ways to ensure that our workforce encourages people from different backgrounds, particularly those that exist in our community. Ongoing actions that support and enhance workforce diversity involve:

- implementing our EEO management plan to ensure that our practices around recruitment, training and opportunities for promotion remain fair for everyone, and do not discriminate on the grounds of race, sex, marital or domestic status and disability, and
- promoting equal employment opportunity for women, members of racial minorities and people with disabilities.

We have also introduced a program for reskilling our ageing workforce into areas of skills shortage, to help prevent age from becoming a barrier to ongoing employment for those involved in physical work.

STAFF TURNOVER

Staff turnover refers to the number of people who left the organisation over a period of time (usually annually), expressed as a percentage of total head count at the beginning of the reporting period. 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. Recruitment and retention are significant issues for any local government organisation, given these costs and the impact of high staff turnover on service delivery.

A low turnover rate can also present issues as it limits opportunities for promotion of existing staff, and may mean an organisation does not benefit from the new ideas and different experiences that come with new employees. Penrith's staff turnover rate averaged over the three-year period from 2012-13 to 2015-16 was 8.8% which compares favourably with other NSW councils.

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 stable, consistent leadership, it does mean that staff looking for more senior positions may have limited opportunities without leaving the organisation.

WORK HEALTH AND SAFETY

Providing a safe workplace is our most important duty as an employer. Everyone who works for Council deserves to know that we will do all we can to ensure that they return home safe from work each day.

The four-year trend data from 2012-13 to 2015-16 shows that worker's compensation claims have increased, as have the number of days lost per claim, which is concerning. Council's reporting of near misses and incidents (285 in 2016) continues to provide a good source of information to develop improvement plans to address areas where the number of incidents is growing. Near misses in particular can help us understand where intervention in the form of training, new procedures or better equipment may prevent an incident before it occurs.

As part of a refreshed commitment to WHS, Council has adopted a new workforce initiative called *Council Safe, Home Safe – Towards Zero.* Our focus is on ensuring all our employees go home the same way they arrived, and we will implement this through a safety program that is lead from the top of the organisation and extends to employees at every level. Part of this will be the development of a 'commitment to safety' program which will clearly articulate the role that employees play in WHS and ensure that all employees understand what is expected of them day to day to ensure their safety at work.

Over the next year we will be reviewing our safety related key performance indicators, including how we collect and report this data, to ensure that they can be used to proactively improve the overall WH&S performance of the organisation. We will increase our focus on safety accountability around root cause analysis on safety incidents.

There are a number of initiatives that will be implemented or refreshed over the next four years. These include:

- digitalising a WHS management system
- improved WHS leadership and culture
- integration of WHS auditing on major project works for early intervention
- mental health strategies, as mental health is also important for a safe workplace
- WHS records management plan
- targeted initiatives to reduce the impact of injury / illness, and
- ensuring return to work practices are maintained

Our Work Health and Safety Committee is focused on conducting workplace inspections and identifying opportunities to improve safety in the organisation. To complement the activities of the Committee, a program of safety walks and talks will be implemented for all leadership levels, ensuring that everyone is aware of and committed to providing a safe workplace.

Council is continually looking for ways to improve safety in the workplace. Most recently we have started an education program to highlight the new Globally Harmonised System of Classification and Labelling of Chemicals (GHS). This international effort to standardise chemical classification, labelling and safety data sheets in the workplace took effect in Australia on 1 January 2017.

We are also committed to more general activities to help our employees lead healthier lives. Every year we support the Global Corporate Challenge, entering teams in a virtual trek around the world aimed at improving the activities levels of our staff. We have run quit smoking courses and regular Pilates classes, and recently entered teams in the Corporate Triathlon. With mental health as important as physical health, we provide all our staff with free access to a counselling service, and will develop a mental health and wellbeing strategy for employees over 2017-18.

TRAINING AND SKILLS DEVELOPMENT

Council supports the view that education and training is a lifelong process and a key strategy in both retaining staff and providing a workplace that is challenging and rewarding. For this reason, employees are encouraged to participate in courses of study that will improve their vocational knowledge and skills and help them become more effective members of the workforce.

Our education assistance program supports over 100 staff each year, providing them with the ability to access special leave and financial assistance to obtain qualifications across a broad range of fields applicable to the local government industry. Staff are currently studying to complete qualifications that are either relevant for their current job, or that will help them move into an area of identified skills shortage. Courses include everything from Certificate 3 vocational courses through to Masters degrees.

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 offer successful applicants the chance to learn about specific positions within local government and gain a nationally accredited qualification. Our traineeship program includes two positions targeted for people of Aboriginal and Torres Strait Islander background and people with a disability.

The capability of our leadership team across the organisation continues to be a focus. It is vital that Council continues to provide training to ensure that everyone that has a role in people management has the skills they need to effectively carry out this part of their job. We have invested in technology around succession planning which will enable us to better manage talent within the business, ensuring that skills are available within the organisation to fill critical positions, and that staff have an understanding of career opportunities.

RECRUITMENT PROCESS

Efficient recruitment saves an organisation money and gives a positive first impression to prospective employees. It helps ensure that new employees are a good fit for a vacant position, benefitting both the employee and Council. We have invested in a new online recruitment system and on-boarding system for new employees to improve our overall service, help attract the best candidates and save valuable time in inducting new starters.

WHAT OUR STAFF THINK

Council has undertaken several employee opinion surveys to "take the pulse" of our organisation and give our people a formal opportunity to have their say. The first survey was conducted in 2006, with additional surveys conducted in 2012 and 2013. The surveys provide an opportunity for staff to provide feedback on a range of issues including increasing efficiency, workplace practices, leadership, decision making and long term organisational goals. The survey is confidential, so we know that feedback from staff is honest and open.

The surveys are a valuable source of information, and create a framework for improving employee satisfaction, engagement and building a high-performance culture. Key issues raised in the 2013 survey included reward and recognition; communication; and information technology.

As addressing these issues is clearly important to ensure we have motivated and engaged employees we have taken a number of actions in response, including:

- investing significantly in our ICT systems and processes to improve functionality and improve productivity
- introducing regular staff forums, which include a question and answer session with the General Manager
- introducing a new performance management system
- conducted a number of leadership workshops for managers and senior managers; and
- started scoping a reward and recognition program and a salary structure review to ensure we are competitive in the market

We are also about to roll out a comprehensive suite of eLearning modules and a new Learning Management System as a clear commitment to investing in ongoing learning and development opportunities for our people.

A new survey was conducted in June 2017, which will assist us to focus our efforts on our key strengths and also help us identify opportunities for improvement. The 2017-18 Operational Plan includes an action around responding to the issues raised in the survey.

OUR PLANS FOR THE NEXT FOUR YEARS

Council's Workforce and Organisational Development Manager is responsible for developing a response to issues raised through the workforce data analysis. A series of strategies have been defined to guide our workforce planning over the next 4 years with a preliminary set of actions identified for each strategy. Our workforce plan appears in the *Delivery Program 2017-21* as shown below:

Strategy No.	Strategy Name ***Service Activity***	Service
7.5	Invest in our people *7.5.1 Future proof for tomorrow's success. Build partnerships, improve productivity and make the best use of technology* *7.5.2 Penrith City Council – Make your mark. Build a values based organisation, that engages our workforce and develops their talents and capabilities* *7.5.3 "Council safe; Home safe – towards Zero". Ensure our safety systems provide and respond to the current needs of both our staff and our organisation*	Workforce and Organisational Development
7.6	Work with our alliance partners, Blue Mountains City Council and Hawkesbury City Council, to share skills, knowledge and resources and find ways to deliver services more efficiently. *7.6.1 Identify and explore employee and resource opportunities within the Alliance*	Workforce and Organisational Development

Each year, specific actions will be included in the Operational Plan under these strategies to deliver the key aspects of each. Before including specific actions in the Operational Plan, we will consider organisation wide issues such as availability of resources, anticipated return on investment and overall organisational priority. Proposed actions will be reviewed each year, as part of ongoing analysis of workforce characteristics, to ensure they are still relevant and respond to the most pressing issues.

In addition, over the course of this *Delivery Program* a targeted engagement process will be undertaken with all managers to understand the impact of the issues outlined in this strategy on individual work teams. This will mean we are able to develop specialised action plans for work teams which will ensure each team is well placed to respond to those issues of most relevance to them, in a way that fits with the needs of the team as a whole and the individual staff within it.

We will report on the success of our actions, and the areas of improvements, as part of our regular six-monthly performance reporting and our Annual Report. This Workforce Strategy will also be reviewed when critical asset reviews are complete, and each year as part of refreshing the Long Term Financial Plan. Changes will be made when required, to ensure that our staff remain able to deliver services we need, as efficiently as possible, and within the capabilities of our financial resources.

LONG TERM FINANCIAL PLAN

INTRODUCTION

This *Long Term Financial Plan* (LTFP) has been prepared as part of Council's 2017-18 budget. The objective of this document is to give our community a clear overview of Council's current capacity and information about how Council's finances will operate over the next 10 years in line with the different choices that can be made.

Penrith Council had been preparing an LTFP as part of setting the budget each year well before the Integrated Planning and Reporting Framework was implemented. It is a critical part of understanding the long term financial implications of policy and project decisions and assessing the sustainability of our service levels and asset renewal programs. Understanding our assets, people and finances together gives us a clear picture of our organisational capacity – the services we can provide and the level to which we can provide them.

This LTFP takes a number of challenges into account. We are under no illusions about the financial difficulties faced by Local Government in NSW. While it is easy to say that councils should be run more like multi-million dollar companies, we often have no choice in the services we provide and will continue to provide services that are simply not profitable because our community needs them. Financial sustainability in the NSW Local Government sector is not an easy thing to achieve, but we understand it is essential and are already making changes to maintain it.

FINANCIAL SUSTAINABILITY

Council continues to work hard to ensure a City with a secure future; a regional city with healthy financial prospects and everything it needs to be a safe, healthy and rewarding place to be.

The journey ahead is about maintaining our good performance and having the capacity to set clear priorities. Through realising efficiencies, advocating effectively for our community's needs, responsible budgeting and creating a unique identity, Penrith can realise dynamic and sustainable growth and development.

The most recent steps in this journey began in April 2014 with a Financial Capacity Review (undertaken by management, refined by the Finance Working Party and endorsed by Council) and have continued with a review of our organisational capacity. These reviews highlighted the challenge Council faces. The reform of financial structures and the continued pursuit of productivity were identified as integral steps in delivering the community and Council's aspirations.

Penrith's journey started before the NSW Government's *Fit for the Future* reform agenda, and with our work so well advanced Council was in an enviable position among our peers to respond to *Fit for the Future.* Council had seized the opportunity that the 2011 Special Rate Variation (SRV) had delivered, to continue to maintain and fund existing services and service levels within the LTFP, initiate asset renewal programs across all asset classes and drive investment in our City Centres. This provided for a sustainable future, but would not provide capacity to meet the community's aspirations for the Penrith of the Future and invest in the new infrastructure that will be required by our growing population.

Penrith was deemed fit for the future by the Independent Pricing and Regulatory Tribunal (IPART), providing an independent validation of Council's current and future financial strategies and confirming for Council that we are on the right path. Penrith's submission to IPART included a proposal to continue the Asset Renewal and Established Areas Strategy (AREAS) SRV which was introduced in 2006 for 10 years. AREAS provided essential funding for infrastructure renewal, public domain maintenance and programs in the City's older areas.

Continuation of AREAS and an additional four year SRV were assumptions underpinning the financial modelling. This was part of a suite of initiatives being implemented to reform our finances, with the SRV funding the additional commitment to building asset renewal, investment in our ICT infrastructure, building capacity for major projects and realignment of a number of our service costs including the funding of subsidised rents and the re-establishment of the car parking reserve. Council's subsequent SRV application was approved by IPART and forms an integral part of ensuring Council continues to be financially sustainable into the future.

ESTIMATES, ASSUMPTIONS AND FORECASTS

The LTFP is a financial projection that quantifies the cost of Council's services for the next 10 years, given certain assumptions and estimates. Council's base scenario is modelled on the approved 2016-17 SRV.

All LTFPs must be based on a set of assumptions, which generally relate to those things which are most likely to affect the overall outcome of the LTFP. The following assumptions have been considered, discussed and ultimately used as a basis to forecast Council's long term financial position over the 10 year plan.

INFLATION AND INDEXATION

A number of indices are used throughout the LTFP to forecast the movement in both expenditures and revenues. An estimate of these indices over the life of the LTFP is provided below:

Year	LGCI (%)	Rate Index incl SRV (%)
2018-19	2.5	5.2
2019-20	2.5	5.4
2020-21	3.0	2.5
2021-22 and thereafter	3.0	2.5

CURRENT SPECIAL RATE VARIATION

Elements of the 2016-17 SRV included in the LTFP include:

- continuing Asset Renewal and Established Areas Strategy (AREAS)
- addressing building asset management, renewal and backlog
- realigning service costs
- finding productivity savings
- establishing capacity for Major Projects and Regional City Infrastructure, and
- accommodating responsiveness.

REVENUE

RATING

Under the *Local Government Act (NSW) 1993* (the Act), Council can choose to structure its rates in a number of ways. We have elected to use the ad valorem with a minimum rating structure and have applied three rate categories – Residential, Farmland and Business with two business sub categories – Penrith CBD Rate and St Marys Town Centre Rate. This means that rates are based on the land value of the property with the property valuations provided by the NSW Valuer General, usually on a three year cycle. Growth within the city from subdivisions and new land releases increases Council's rates base. Council's rating structure is reviewed annually but is assumed to remain the same over the life of the LTFP.

The following table provides an overview of each rate category and subcategory in the context of Council's overall rates revenue for 2017-18.

Rate Category	Ad Valorem Rate in $	Minimum Rate $	Total Anticipated Gross Revenue $'000s	Number of Properties
Residential	0.00343687	1,007.00	87,516	67,984
Farmland	0.001718435	1,007.00	1,779	427
Business	0.0061189	1,214.15	17,382	2,713
Business - Penrith CBD Rate	0.0069449	1,214.15	2,792	410
Business - St Marys Town Centre Rate	0.00940774	1,214.15	846	234
Total			$110,316*	71,768

** The revenues identified in this section represent the gross anticipated revenues from the Rates Levy before the application of Pensioner Subsidies, Provision for Doubtful debts and abandonments.*

Rate Pegging

Since 1977, the regulation of council rates in NSW has been largely based on an approach known as 'rate pegging'. Each year the appropriate authority (currently IPART) determines the maximum amount by which councils can increase their annual general income. Individual councils can then adjust their rates and annual charges so their general income increases up to this maximum amount, or seek a special rate variation to exceed the amount. A Local Government Cost Index, less a productivity coefficient, forms the basis for the rate peg each year.

Rates Affordability

- **Hardship Policy**

  Council recognises that customers may at times experience difficulty in paying rates and charges. The policy provides procedures to be followed, in accordance with the options available under the Act, when giving assistance to those customers in genuine financial hardship. This policy was adopted by Council's Finance Working Party and was reviewed by IPART as part of Council's 2016-17 SRV.

- **Rates Arrears**

  As at June 2016, outstanding rates and annual charges totalled $3.9m, resulting in an outstanding rates ratio of 3.00%. This result is below the Office of Local Government's benchmark of 5%. This demonstrates Council's responsible approach in assisting ratepayers to address any arrears.

- **Pensioner Subsidy**

  Council policy provides for all eligible pensioners to receive a 50% rebate of rates and domestic waste charges to a maximum of $250. Of this discount, 55% is funded by a NSW Government grant with 45% being recovered across the remaining rating base. Over recent years our City has seen an increase in the number of pensioners and given the ageing population and demographic projections, this trend is expected to continue. Council continues to lobby other levels of government for a funded increase to the pensioner subsidy. This LTFP assumes a 2.0% increase in pensioners per year.

- **Farmland Rate**

  In recognition of the rural nature of parts of our City and the important contribution agricultural activities make to the City's economy, Council sets the Farmland Rate at 50% of the residential rate. The LTFP assumes this will continue for the life of the plan.

Rating Revenue Estimates

The rate revenue outlined in the LTFP has been estimated in line with the parameters and assumptions detailed above. The following indexation has been applied, which includes Council 2016-17 SRV.

Year	% Rate Index Applied
2018-19	5.2
2019-20	5.4
2020-21	2.5
2021-22	2.5

This indexation together with the estimated growth through development has produced the following rate revenues.

	17-18	18-19	19-20	20-21	21-22	22-23	23-24	24-25	25-26	26-27
	$'m									
Rates	107.9	114.4	121.5	125.3	129.1	133.0	137.0	141.1	145.3	149.7

DOMESTIC WASTE

Residential properties in Penrith City are required to be charged for domestic waste services under the Act. All non-vacant single and dual occupancy properties in the urban areas of the City are provided with an organic, recycling, and residual garbage service. All non-urban properties, including multi-unit dwelling properties, are provided with a garbage and recycling service. The domestic waste function is required to be self-funding and annual charges are calculated to cover operational costs and to provide a contribution towards the funding of future waste service technologies. Residents can select from a number of service combinations within their service type, with each combination having its own fee.

In 2009, the State Government introduced a new waste levy structure targeting landfill disposal rates to try to reduce the amount of waste taken to landfill. Council's *Domestic Waste Strategy* and 3-bin system are minimising residents' exposure to the waste levy and contribute to the overall affordability of Penrith Council rates.

It is important to note that any future years' increases have no impact on the LTFPs stated available funds as domestic waste surpluses and deficits are transferred to and from the Waste Management Reserve.

INTEREST ON INVESTMENTS

Council has an investment portfolio that varies in size from year to year. These funds are a mixture of unspent loans and grants, reserve funds and general revenue with the income generated frequently being tied to the source of funds. All investments are placed in accordance with the Minister's Order and Council's adopted Investment Policy.

Interest earnings form a significant part of Council's revenue each year and are subject to fluctuations in interest rates as they respond to economic conditions. The estimated return on invested funds has been set at 2.25% for 2016-17. The level of income has been maintained in LTFP.

FEES, CHARGES AND OTHER INCOME

Council is a multi-disciplinary organisation that provides extensive services to the community and this category of income provides approximately 17.4% of Council's total revenue. This category of income includes statutory charges and user fees and charges, including those for commercial activities, but excludes domestic waste charges.

Statutory fees charged by Council are subject to direction through regulation and other state government controls. Council does not set these fees and does not have the power to vary the fee set. Examples of statutory fees include development assessment fees, planning certificates and building certificates. The majority of statutory charges do not provide for annual increases in line with CPI or the cost of providing the service and therefore, excluding development related income, no growth in these fees has been included in the LTFP.

User fees and charges include a diverse range of services from traditional local government services including development related activities, swimming pools, sporting facilities and hall hiring to other more commercial activities including children's services and property development activities. A number of these revenues are subject to fluctuations particularly as a response to economic conditions. All fees in this category are annually reviewed and some of the general considerations for setting these fees include:

- Cost of the service or operation
- Consumer Price Index
- Other revenue sources which may fund the service
- Laws and Regulations
- Ability of the persons/group using the service to pay
- Benefit to the community (possible subsidy)
- Benchmarking with others providing similar services.

CHILDREN'S SERVICES

Council operates 26 services providing long day care, before and after school, pre-school and vacation care services. The majority of these services are managed by the Penrith City Children's Services Co-operative. The Children's Services activities of Council are largely self-funded by user fees however there are a small number of areas where Council has taken a policy decision to provide a valuable service to the community at a subsidised cost. Total revenues from Children's Services in 2017-18 are estimated to be $24.6m. The LTFP assumes that any increase in expenditure is offset by an increase in user fees and charges thus maintaining Council's subsidy at the 2017-18 level.

RIPPLES, WHITEWATER STADIUM, PERFORMING & VISUAL ARTS

Council operates three separate companies limited by guarantee that are administered by independent Boards. The entities operate Ripples, Penrith Whitewater Stadium, Joan Sutherland Performing Arts Centre and Penrith Regional Gallery & Lewers Bequest. The setting of fees in relation to these facilities is the responsibility of the individual entities and any surpluses generated do not contribute to Council's general revenue and are retained by the companies. Accordingly, revenue projections, along with any Council contribution to these facilities, have not been indexed in the LTFP.

DEVELOPMENT SERVICES

This area of Council's income is particularly subject to fluctuations in response to economic conditions and government actions. Income projections have given consideration to the estimated growth through development and have been included in the LTFP.

Increases in individual fees and charges vary and as discussed a number of fees have not been indexed in the LTFP, however overall the average annual increase in user fees and charges is 1.4% over the life of the LTFP. The income projected within the LTFP for total fees and charges is outlined in the following table.

	17-18	18-19	19-20	20-21	21-22	22-23	23-24	24-25	25-26	26-27
	$'m									
Fees & Charges	45.3	45.5	46.2	46.8	47.5	48.3	49.1	49.9	50.7	51.5

GRANTS AND CONTRIBUTIONS (INCLUDING SECTION 94 CONTRIBUTIONS)

Grants and contributions provide a significant source of funds for Council and account for 26.7% of expected revenues in 2017-18. These revenues are split into two categories - general and specific purpose.

General Purpose

Council receives two general purpose grants in the form of the Financial Assistance Grant and Pensioners Rates Subsidy.

The Financial Assistance Grant is an annual allocation from the Federal Government and represents Council's allocation of general taxation revenues. The 2017-18 budget has an estimated budget of $10.6m with the LTFP assuming a 1.5% for future years.

Specific Purpose

These grants and contributions can be either operating or capital in nature and are tied to specific works or programs.

With the exclusion of development contributions this income has been assumed to be maintained at 2017-18 levels. A number of these grants and contributions have defined end dates and as such these have been removed from the LTFP in the appropriate years with corresponding adjustments being made to the works or programs they are funding. Development contributions have been indexed and the timing of these payments has been considered in line with expected development and agreements within the individual contribution plans. The following table shows the estimated income included in the LTFP.

	17-18	18-19	19-20	20-21	21-22	22-23	23-24	24-25	25-26	26-27
	$'m									
Financial Assistance Grant	10.6	10.7	10.9	11.1	11.2	11.4	11.6	11.7	11.9	12.1
Total Grants & Contributions	69.4	75.0	52.6	53.0	55.6	50.9	45.8	45.2	50.9	45.0

EXPENSES

EMPLOYEE COSTS

Employee costs are Council's single biggest area of expenditure each year with approximately 1,195 Full Time Equivalent (FTE) staff delivering 48 diverse functions. This includes an approximate estimate of 109 FTE for entity staff (eg Ripples Leisure Centres) due to seasonal variances. This LTFP has factored in an estimated overall average annual increase of 2.7% to the employee costs budget. This forecast reflects known and predicted award increases and continued increased superannuation contributions, the impact of Worker's Compensation, employee leave entitlements and staff progressing through the salary system.

The overall employee costs budget calculation includes a number of assumptions in relation to the key underlying elements. A summary of these elements and assumptions is provided below.

Salaries and Wages

Budgeted staff numbers are based on the approved organisational structure and any known proposed changes. Projections for overtime, allowances and casual staff are included in estimates. Details of other considerations in determining the overall change in Salaries & Wages are included in this section.

The draft Local Government (State) Award 2017 outlines wage movements for local government employees over three years. The first year of the draft award (2017-18) provides for a 2.35% increase with a minimum payment of $20.40 per week. These draft award increases have been factored into the LTFP with estimates for future year increases as below.

Award Increase	%
2018-19 (Award)	2.5
2019-20 (Award)	2.5
2020-21 and thereafter (estimated)	2.5

Council gives staff the opportunity to advance through the salary system by a skills and knowledge assessment. Each year a provision (usually 1.8%) is incorporated in the Salaries and Wages budget for staff progression through the salary system and 1% for bonus payments when staff achieve agreed performance targets.

Superannuation

The minimum level of superannuation for employees who are not members of the Local Government Superannuation Scheme (LGSS) Defined Benefit Scheme (DBS) will be 9.5% of wages in 2017-18. As per government legislation the Superannuation Guarantee Levy (SGL) will increase as shown in the following table to 12% by 2025-26 and has been factored into the LTFP.

Year	%
2018-19	9.5
2019-20	9.5
2020-21	9.5
2021-22	10.0
2022-23	10.5
2023-24	11.0
2024-25	11.5
2025-26 and thereafter	12.0

Council currently has 82 employees covered by the DBS which requires members to contribute a percentage of their salary to superannuation. This percentage is reviewed and varied by employees on an annual basis. Council's contribution is calculated based on the percentages nominated by employees. An increase in the percentages nominated by employees will result in an increase in superannuation costs for Council. The DBS remains negatively impacted from the Global Financial Crisis (GFC). Council has been required to make increased contributions to the fund to make up for the deficits and liabilities of the fund as a result of the GFC. LGSS has a revised methodology for calculating the additional contribution, which is no longer only based on the individual contributions of employees but also includes a flat annual contribution.

Council's annual superannuation expense is impacted by a combination of general wage increases, salary system progression, position regrading/market forces reviews and the retirement of members of the DBS with new staff members being transitioned to the less expensive SGL. The below projections are not expected to vary between scenarios.

	17-18	18-19	19-20	20-21	21-22	22-23	23-24	24-25	25-26	26-27
	$'m									
Superannuation	7.8	8.0	8.2	8.3	8.9	9.5	10.2	10.9	11.6	11.9

Termination Payments

Council's Employee Leave Entitlements (ELE) reserve is used to fund unanticipated changes in termination payments each year. The number of staff who might leave is difficult to predict, and the LTFP's funding builds to $3m annually, representing the projected levels of retirements in an ageing workforce.

Council policy is to maintain an amount of 20%, averaged over three years, of leave entitlements (excluding annual leave) in the ELE reserve. The balance of the ELE reserve as at 30 June 2016 was 20.16% ($4.7m) of entitlements. Council has endorsed a program whereby all salary savings identified during the management of the annual budgets, net of those retained to deliver agreed services levels, will help cover leave entitlements and remaining funds at year end will be transferred to the ELE reserve. It is estimated that at least 20% of entitlements will be maintained in the ELE reserve over the life of the LTFP.

INTEREST ON BORROWINGS

Council has a loan portfolio of $55m with the LTFP including any new borrowings in accordance with Council's Borrowing Strategy. A number of current borrowings have been set to renew after a certain period to take advantage of the current economic climate. The interest rates associated with these loans have also been updated in the LTFP. The LTFP applies a 0.5% increase per year on the estimated 2016-17 borrowings interest rate of 3.5% for new loans and 4.2% for renewal loans. Council's current LTFP has no new loans or renewal loans from 2020-21 onwards.

DEPRECIATION

Depreciation has been included in the LTFP based on the estimated remaining life of existing and new assets.

MATERIALS AND CONTRACTS

Expenditure on all major expenditure items, including materials and contracts for asset maintenance (including roads, buildings and parks) has been increased from 2017-18 levels by the estimated Local Government Cost Index (LGCI) each year. Council's waste services have primarily been indexed by the LGCI, with an allowance for growth. In addition, an allocation has been made for the predicted asset maintenance and renewal of new buildings, parks and infrastructure assets.

	17-18	18-19	19-20	20-21	21-22	22-23	23-24	24-25	25-26	26-27
	$'m									
Materials & Contracts	86.0	88.9	78.2	75.3	73.6	75.8	78.1	80.5	82.9	85.5

OTHER EXPENSES

Utilities including water/sewerage and telephone have been increased by the LGCI annually while some major increases for electricity and street lighting have been factored into 2018-19 and 2019-20 with annual increases of 5.0% thereafter. This is primarily due to the current Local Government Procurement contract expiring on 31 December 2018, however the LTFP will be updated as further information becomes available during the tendering processes for these services. Where deemed appropriate other items of expenditure in this category including contributions to other level of governments and authorities and sporting groups have been indexed annually by the LGCI.

	17-18	18-19	19-20	20-21	21-22	22-23	23-24	24-25	25-26	26-27
	$'m									
Other Expenses	14.9	15.1	15.8	16.1	16.4	16.7	17.1	17.4	17.8	18.2

Capital Expenditure Program

The LTFP's projections for capital expenditure assume a continuation of Council's 2017-18 recurrent capital programs and projects projected by separate models for section 94 projects, Property Development Projects and City Significant/Major Projects along with any known grant funding. Items included in Council's 2016-17 SRV have also been added to the LTFP.

It is likely that the total actual capital expenditure will be higher than that stated and the LTFP will be updated as project estimates become available. The majority of the additional expenditure will have associated funding sources such as development contributions, reserve transfers or special purpose grants, or will have a particular funding strategy to enable their admission into the budget.

The impact of all ongoing operational and maintenance costs for these projects has been included in the LTFP. As new projects are identified and included the allocation for these increased costs will be adjusted accordingly.

Loan Borrowings

A key and immediate element of Council's recent Financial Capacity Review and 2016-17 SRV application was the development of a revised borrowing strategy. The revised strategy was to reduce Councils reliance on general purpose borrowings. The revised policy reduces Council's annual general infrastructure borrowings from $3.2m to nil over 5 years, with the implementation commencing in the 2015-16 budget and the full strategy being incorporated into the LTFP.

Any other specific purpose borrowings must be in line with Council's borrowing policy and accordingly are required to be undertaken only if a funding source for the loan repayment is associated.

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

	17-18	18-19	19-20	20-21	21-22	22-23	23-24	24-25	25-26	26-27
	$'m									
Loan Borrowings	3.9	5.9	1.1							

Property Development Activities

Property development plays an important part in Council's financial strategy. Funds received from property development activities are transferred to the property development reserve. Property Development activities include:

- the acquisition, development and disposal of properties to achieve a profitable return that ensures a consistent supply of funding for Council's use. Properties that are surplus to current requirements can be sold, contributing to Council's financial capacity.
- compulsory acquisition of private land to assist the implementation of planning schemes, in particular, purchases for road widening, open space, drainage, car parking, neighbourhood centres and children's centres.
- acquisition of private property, while discretionary, when necessary to facilitate or encourage development. Council property developments can influence the form of future city developments. Traditionally Council has relied on property development activity to contribute to the funding of major projects.

In 2014 Council endorsed a contemporary Property Strategy that documents the agreed principles for why Council is involved in property development and outlines how the property portfolio will be used to achieve Council objectives. The strategy is to assist Council in developing an alternative income stream through the use of the property development reserve and the use of dividends. Where appropriate these measures have been incorporated into the LTFP.

MONITORING OUR FINANCIAL PERFORMANCE

As part of its *Fit for the Future* reforms, the State Government developed a number of ratios to indicate if councils were on the path to or already achieving financial sustainability. It is considered appropriate to use these indicators when assessing Penrith Council's financial performance. We have also included a number of other ratios we believe are relevant.

Indicator	17-18	18-19	19-20	20-21
Operating Performance Ratio *Greater or equal to break even average over 3 years*	1.58%	2.81%	2.68%	3.73%
Own Source Revenue Ratio *Greater than 60% average over 3 years*	71.16%	71.14%	74.97%	77.24%
Building and Infrastructure Asset Renewal Ratio *Greater than 100% average over 3 years*	53.87%	51.76%	56.51%	56.68%
Infrastructure Backlog Ratio *Less than 2%*	1.16%	1.09%	0.99%	0.88%
Asset Maintenance Ratio *Greater than 100% average over 3 years*	105.63%	101.91%	98.49%	97.65%
Debt Service Ratio *Greater than 0 and less than or equal to 20% average over 3 years*	6.61%	6.02%	5.51%	4.83%
Real Operating Expenditure per Capita *Decrease over time*	0.96	0.93	0.92	0.89

DEFINITION OF INDICATORS

Operating Performance Ratio
This measure aims to provide an indication of how Council generates revenue and allocates expenditure. It is an indication of continued capacity to meet ongoing expenditure requirements.

Own Source Revenue Ratio
Own source revenue measures the degree of reliance on external funding sources (eg grants and contributions). It is an indicator of fiscal flexibility and robustness. Financial flexibility increases as the level of own source revenue increases. It also gives councils greater ability to manage external shocks or challenges.

Building and Infrastructure Asset Renewal Ratio
The building and infrastructure renewals ratio represents the replacement or refurbishment of existing assets to an equivalent capacity or performance. The ratio compares the proportion spent on infrastructure asset renewals and the asset's deterioration.

Infrastructure Backlog
The infrastructure backlog ratio indicates the proportion of backlog against the total value of Council's infrastructure assets. It is a measure of the extent to which asset renewal is required to maintain or improve service delivery in a sustainable way.

Asset Maintenance Ratio
The asset maintenance ratio reflects the actual asset maintenance expenditure relative to the required asset maintenance. It aims to measure the rate of asset degradation or renewal.

Debt Service Ratio
This ratio measures debt servicing costs against operating revenues excluding grants and contributions.

Real Operating Expenditure per Capita
It is challenging to measure productivity changes over time but this ratio attempts to achieve this. Assuming that service levels remain the constant a decline in this ratio indicates efficiency improvements.

MANAGEMENT REPORTING

In accordance with the Act and *Local Government (General) Regulation 2005* (the Regulation), Council is required to establish and maintain a system of budgetary control that will enable Council's income and expenditure to be monitored each month and to be compared to the estimates.

The mechanism by which this requirement is achieved by Council is the Monthly Health Report which is reported to the Corporate Management Team. This report includes a comparison of year-to- date budget to actual with comments provided for all variances over $200K, and any variance less than 10% and greater than 15% (if greater than $10K).

This report also provides information and commentary relevant to assessing financial performance including investments, receivables, payables, reserve balances, inventories, balance sheet and an income statement.

QUARTERLY REVIEWS

At the end of each quarter a Quarterly Budget Review is undertaken which represents the mechanism whereby Councillors and the community are informed of Council's progress against the operational plan original budget and the last revised budget. Variations to budget are identified and proposals made as part of the Review, including revotes where projects are not able to be completed in the current year. Council is presented with these proposals for budget variations and once approved Council's budget is adjusted to reflect these changes.

This review process is carried out in accordance with Clause 203 of the Regulation which specifies the following requirements:

- Not later than 2 months after the end of each quarter (except the June quarter), the responsible accounting officer of a council must prepare and submit to the council a budget review statement that shows, by reference to the estimate of income and expenditure set out in the statement of the council's revenue policy included in the operational plan for the relevant year, a revised estimate of the income and expenditure for that year.
- A budget review statement must include or be accompanied by:
  - a report as to whether or not the responsible accounting officer believes the statement indicates that the financial position of the council is satisfactory, having regard to the original estimate of income and expenditure
  - if that position is unsatisfactory, recommendations for remedial action
  - any information required by the Code to be included in such a statement.

In relation to the June Quarterly review, the regulations refer to the timeframe for the preparation of the annual financial statements with section 416 of the Local Government Act 1993 stating that "a council's financial reports for a year must be prepared and audited within the period of 4 months after the end of that year." However, at Penrith Council the Quarterly Review for June follows the same timeframe of reporting within 2 months after the end of the quarter that applies to all other quarters, with the Review presented to Council in August and Annual Statements presented in September.

The Integrated Planning and Reporting (IP & R) framework provides further reporting requirements with the Division of Local Government providing minimum requirements for documents that must be included as part of the quarterly budget review process. These minimum requirements are included in the Code of Accounting Practice and Financial Reporting and form part of the legislative framework in accordance with clause 203 (3) of the Regulations. These documents are known collectively as the Quarterly Budget Review Statement (QBRS) and include:

- Statement by the responsible accounting officer on Council's financial position at the end of the year based on the information in the QBRS
- Budget Review Income and Expenses Statement
- Budget Review Capital Budget
- Budget Review Cash and Investment position
- Budget Review Key Performance Indicators
- Budget Review Contracts and Other Expenses

SENSITIVITY ANALYSIS AND RISK ASSESSMENT

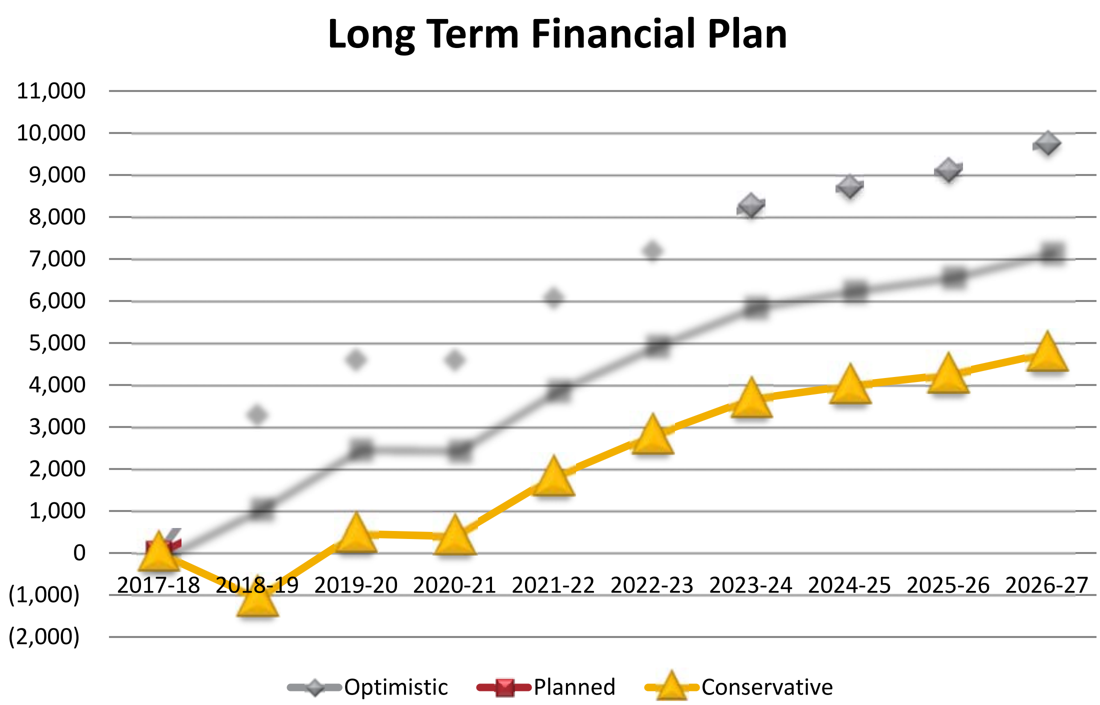
The LTFP contains a number of assumptions based on various sources such as legislation, inflation, current service provisions and wage markets. Variations in these assumptions during the life of the plan may have a significant impact on Council's future financial plans. The LTFP is continually updated as the assumptions change in line with the latest information available.

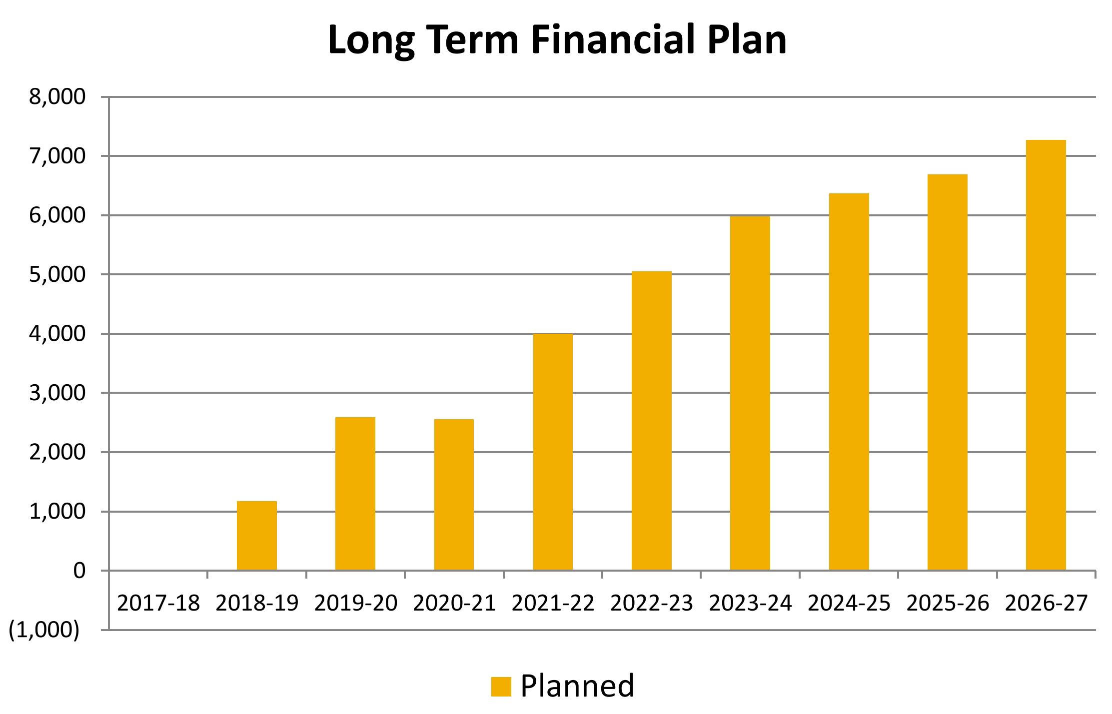
A sensitivity and risk assessment is included as part of the LTFP. The key assumptions considered in the sensitivity analysis and risk assessment include:

- Interest rates for investments and borrowings
- Local Government Cost Index
- Inflation

- Employee costs
- Population growth
- Grants

Consideration of these assumptions has developed the Planned, Optimistic and Conservative outcomes for the LTFP.





Long Term Financial Plan Base

OPERATIONS FROM ORDINARY ACTIVITIES	Base	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27
Operating Revenue											
Rates & Annual Charges	139,220.2	141,601.7	149,255.1	157,564.0	162,536.9	167,648.9	172,853.0	178,215.7	183,741.8	189,436.1	195,303.8
User Charges & Fees	6,857.7	6,957.7	6,686.6	6,793.4	6,903.3	7,016.6	7,133.2	7,253.4	7,377.1	7,504.6	7,635.9
Fees for Commercially Available Services	36,039.2	36,207.5	36,744.9	37,308.8	37,833.5	38,460.4	39,106.6	39,772.7	40,459.2	41,166.8	41,820.3
Interest Income	3,001.2	2,994.5	3,048.9	3,067.5	3,077.4	3,087.7	3,098.1	3,108.7	3,119.7	3,131.0	3,142.7
Other Operating Revenues	2,130.7	2,144.1	2,061.4	2,061.4	2,061.4	2,061.4	2,061.4	2,061.4	2,061.4	2,061.4	2,061.4
Operating Grants	25,352.9	25,546.9	25,575.8	21,026.0	21,211.8	21,407.8	21,606.9	21,809.2	22,014.7	22,223.4	22,435.4
Operating Contributions	15,108.9	14,802.4	19,559.2	1,799.1	1,799.1	1,799.1	1,799.1	1,799.1	1,799.1	1,799.1	1,799.1
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	**227,224.9**	**229,768.9**	**242,446.0**	**229,134.3**	**234,937.5**	**240,996.0**	**247,172.4**	**253,534.3**	**260,087.1**	**266,836.5**	**273,712.7**
Operating Expenditure											
Employee Costs	(93,557.9)	(94,893.8)	(96,594.5)	(98,830.9)	(101,520.0)	(104,544.2)	(107,807.8)	(111,168.1)	(114,627.9)	(118,190.5)	(121,402.3)
Employee Costs - ELE	(3,143.1)	(3,143.1)	(3,143.1)	(3,143.1)	(3,143.1)	(3,143.1)	(3,143.1)	(3,143.1)	(3,143.1)	(3,143.1)	(3,143.1)
Interest Charges	(2,344.2)	(2,133.4)	(1,840.0)	(1,659.3)	(1,288.0)	(912.1)	(657.6)	(468.7)	(325.8)	(226.2)	(147.5)
Depreciation & Amortisation	(25,419.4)	(25,419.4)	(25,715.6)	(25,431.5)	(26,855.4)	(27,172.2)	(27,492.9)	(28,038.3)	(28,373.5)	(29,296.8)	(29,649.8)
Materials	(42,418.5)	(44,299.4)	(47,931.4)	(29,995.0)	(31,865.8)	(29,898.6)	(30,982.6)	(32,098.5)	(33,247.3)	(34,430.1)	(35,647.8)
Contracts	(41,716.5)	(41,688.4)	(40,993.9)	(48,160.5)	(43,474.0)	(43,731.8)	(44,858.5)	(46,030.0)	(47,248.3)	(48,515.2)	(49,832.8)
Other Operating Expenses	(14,983.4)	(15,226.9)	(15,398.6)	(16,077.1)	(16,389.0)	(16,711.4)	(17,044.7)	(17,389.4)	(17,745.8)	(18,114.6)	(18,496.0)
Other Expenses - Internal Charges	304.2	304.2	304.2	304.2	304.2	304.2	304.2	304.2	304.2	304.2	304.2
TOTAL EXPENDITURE	**(223,278.8)**	**(226,500.2)**	**(231,312.9)**	**(222,993.2)**	**(224,231.1)**	**(225,809.2)**	**(231,683.0)**	**(238,031.9)**	**(244,407.5)**	**(251,612.3)**	**(258,015.1)**
Operating Result before Capital	**3,946.1**	**3,268.7**	**11,133.1**	**6,141.1**	**10,706.4**	**15,186.8**	**15,489.4**	**15,502.4**	**15,679.6**	**15,224.2**	**15,697.6**
Grants & Contributions											
Capital Grants and Contributions	29,100.4	29,100.4	29,867.7	29,747.5	29,968.5	32,343.3	27,490.4	22,200.2	21,355.3	26,842.8	20,742.7
OPERATING RESULT	**33,046.5**	**32,369.1**	**41,000.8**	**35,888.6**	**40,674.9**	**47,530.1**	**42,979.8**	**37,702.6**	**37,034.9**	**42,067.0**	**36,440.3**
FUNDING STATEMENT (Source & Application)											
Add back non funded Expenses - Depreciation	25,419.4	25,419.4	25,715.6	25,431.5	26,855.4	27,172.2	27,492.9	28,038.3	28,373.5	29,296.8	29,649.8
Add back non funded Expenses - ELE	3,143.1	3,143.1	3,143.1	3,143.1	3,143.1	3,143.1	3,143.1	3,143.1	3,143.1	3,143.1	3,143.1
Funds Received from Sales of Assets	5,502.5	5,518.5	1,912.5	1,912.5	1,912.5	1,912.5	1,912.5	1,912.5	1,912.5	1,912.5	1,912.5
Loans Received	4,224.0	4,224.0	6,219.1	1,424.0	324.0	324.0	324.0	324.0	324.0	324.0	324.0
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	(10,297.1)	(8,846.2)	(10,216.2)	(6,800.1)	(3,676.6)	(27,716.8)	(22,706.4)	(4,029.1)	(18,972.9)	(25,225.6)	26,705.7
Net Fund Available	**61,038.4**	**61,827.9**	**67,774.9**	**60,999.6**	**69,233.3**	**52,365.1**	**53,145.9**	**67,091.4**	**51,815.1**	**51,517.8**	**98,175.4**
Application of Funds											
Asset Acquired (non current)	(49,188.1)	(49,871.0)	(55,327.5)	(48,547.4)	(58,354.2)	(42,034.4)	(43,062.0)	(56,940.0)	(42,395.4)	(42,524.1)	(89,437.3)
Loan Repayments Made	(11,850.3)	(11,956.9)	(11,281.1)	(9,866.1)	(8,322.8)	(6,335.0)	(5,031.8)	(4,175.1)	(3,059.0)	(2,305.5)	(1,471.8)
Total Application	**(61,038.4)**	**(61,827.9)**	**(66,608.6)**	**(58,413.5)**	**(66,677.0)**	**(48,369.4)**	**(48,093.8)**	**(61,115.1)**	**(45,454.4)**	**(44,829.6)**	**(90,909.1)**
Net Cost funded from Rates & Other Income	**0.0**	**0.0**	**1,166.3**	**2,586.1**	**2,556.3**	**3,995.7**	**5,052.1**	**5,976.3**	**6,360.7**	**6,688.2**	**7,266.3**