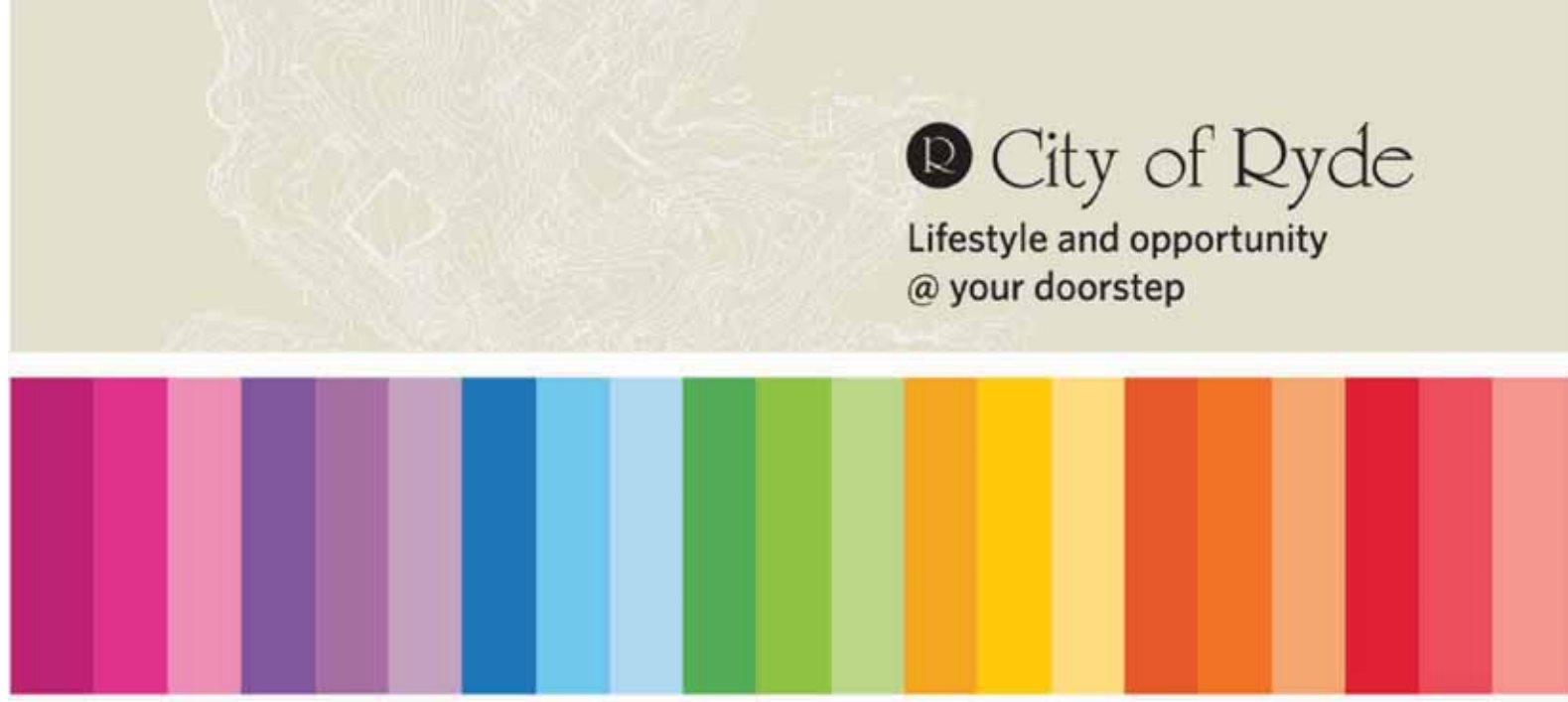


ITEM 11 (continued)

ATTACHMENT 1



Our Financial Future - Part 1

6 August 2013

ITEM 11 (continued)

ATTACHMENT 1

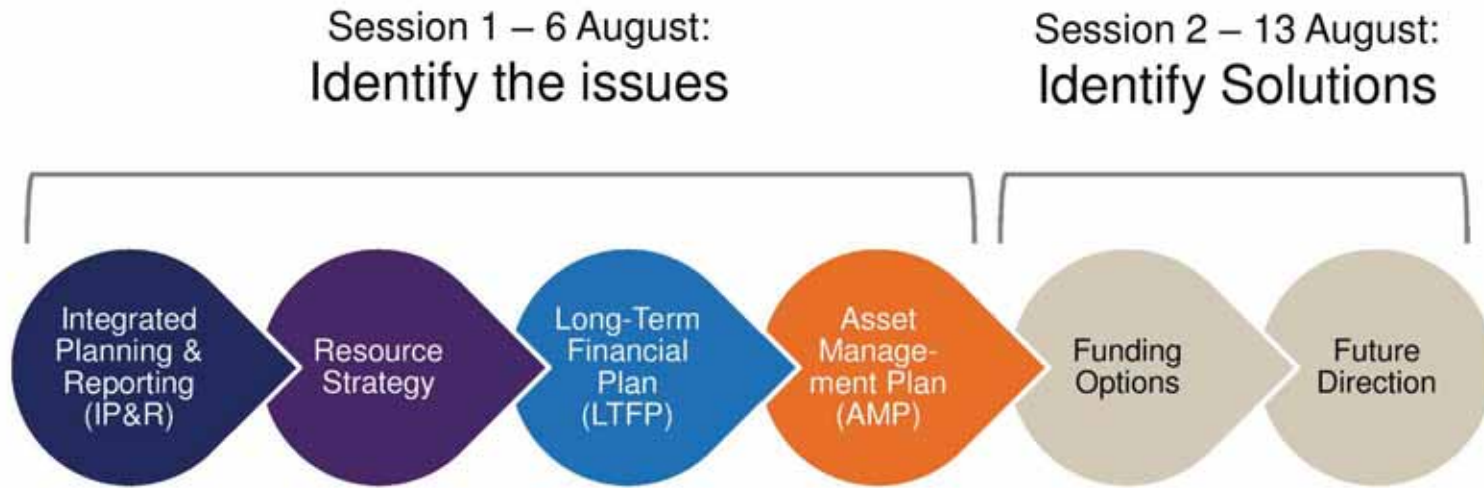
NSROC comparison

Council	Estimated Resident Population within Council Boundaries	Result	Staff/ per 1,000 residents	Total Ordinary Expenses (Excluding Water and Sewerage)	Operating Costs per capita	Asset Renewals (Building and Infrastructure)	Operating Expenditure / Total Expenditure ⁽¹⁾
Hornsby, The Council of the Shire of	164,034	573	3.49	116,389,000	710	8,217,000	0.93
Hunters Hill, The Council of the Municipality of	14,591	59	4.04	13,050,000	894	448,000	0.97
Ku-ring-gai Council	114,142	429	3.76	89,033,000	780	11,265,000	0.89
Lane Cove Municipal Council	33,335	174	5.22	33,198,000	996	3,307,000	0.91
North Sydney Council	64,795	357	5.51	78,491,000	1,211	7,891,000	0.91
Ryde City Council	106,289	486	4.57	84,101,000	791	5,580,000	0.94
Willoughby City Council	70,008	402	5.74	87,840,000	1,255	5,093,000	0.95
TOTAL OF NSROC	567,194	2,480	4.37	502,102,000	885	41,801,000	0.92
(1) - Total Capital Expenditure not readily available, renewal expenditure used.							
(2) - Figures are the latest comparative figures from 2010/2011							

ITEM 11 (continued)

ATTACHMENT 1

The Agenda: Framing Our Financial Future



ITEM 11 (continued)

ATTACHMENT 1

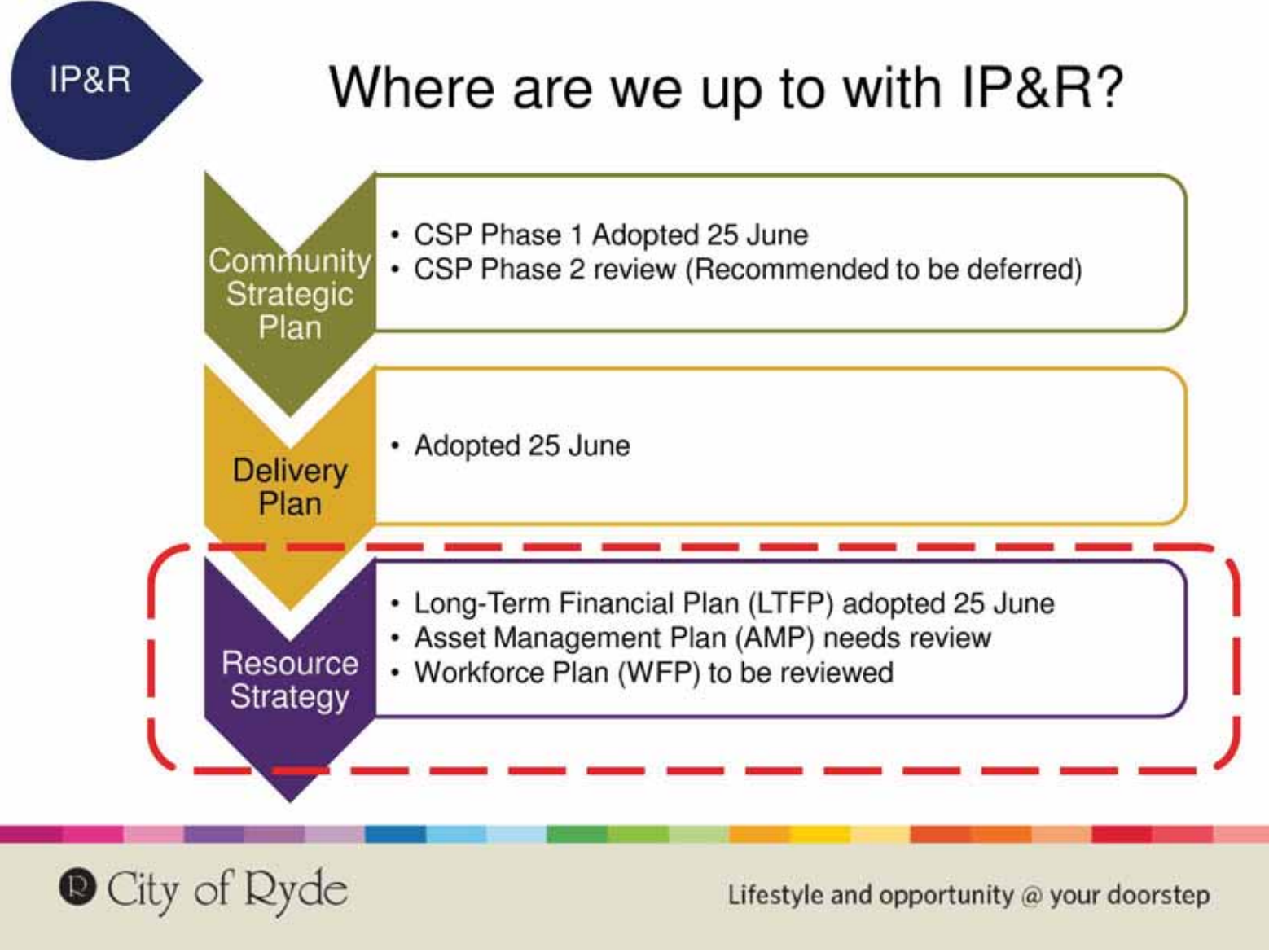


Integrated Planning & Reporting Framework (IP&R)



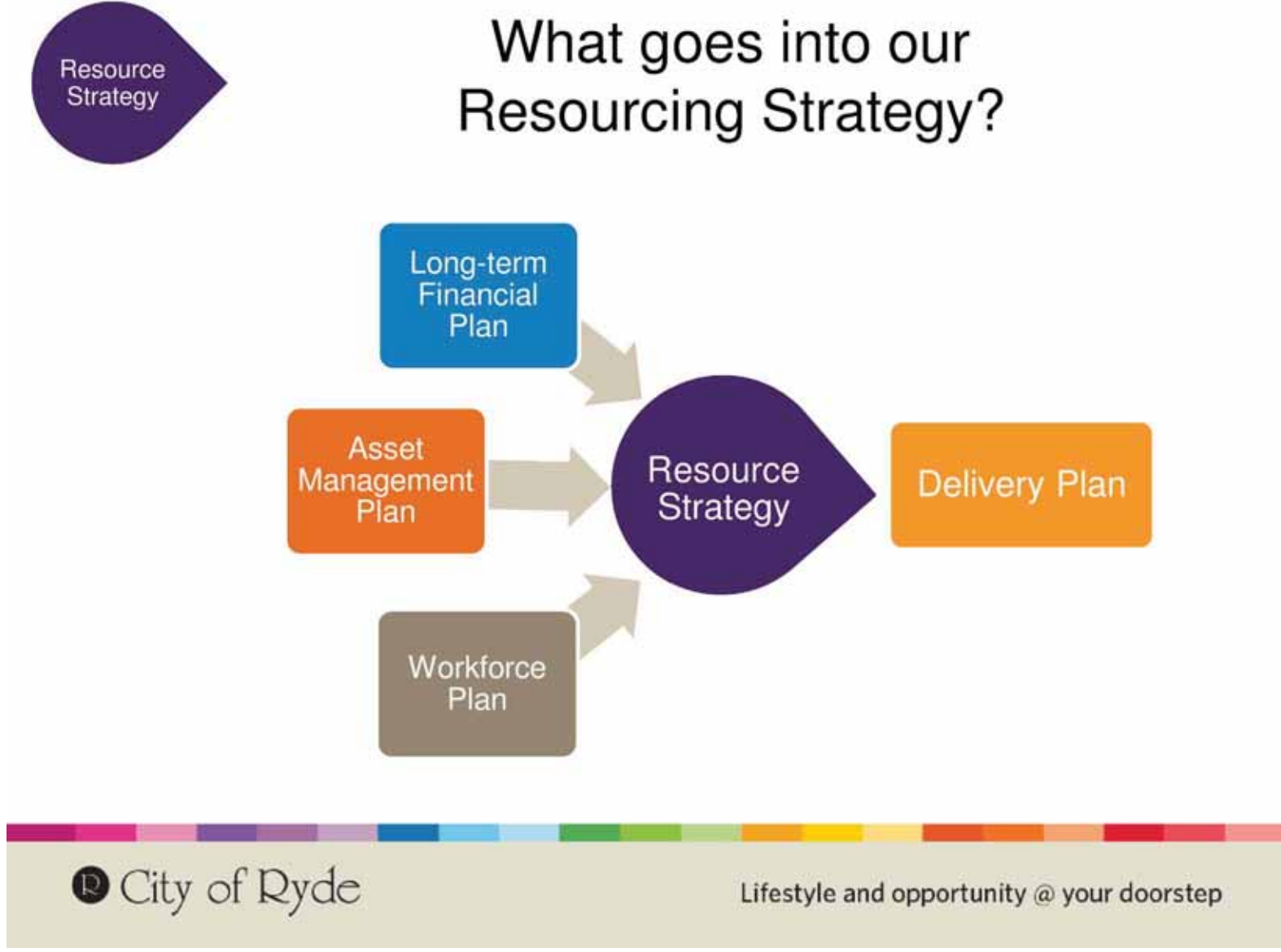
ITEM 11 (continued)

ATTACHMENT 1



ITEM 11 (continued)

ATTACHMENT 1



ITEM 11 (continued)

ATTACHMENT 1



Why are we here?

Our LTFP indicates continuing operating deficits

Deficits will increase the funding gap in our Asset Maintenance and Asset Renewal

If we do not review our funding mix and asset standards we will not be financially sustainable

We have options to increase revenue and reduce expenditure to close the funding gap

Councillors need to provide direction on which options we should take

ITEM 11 (continued)

ATTACHMENT 1



The issue: The pressure point

\$ needed



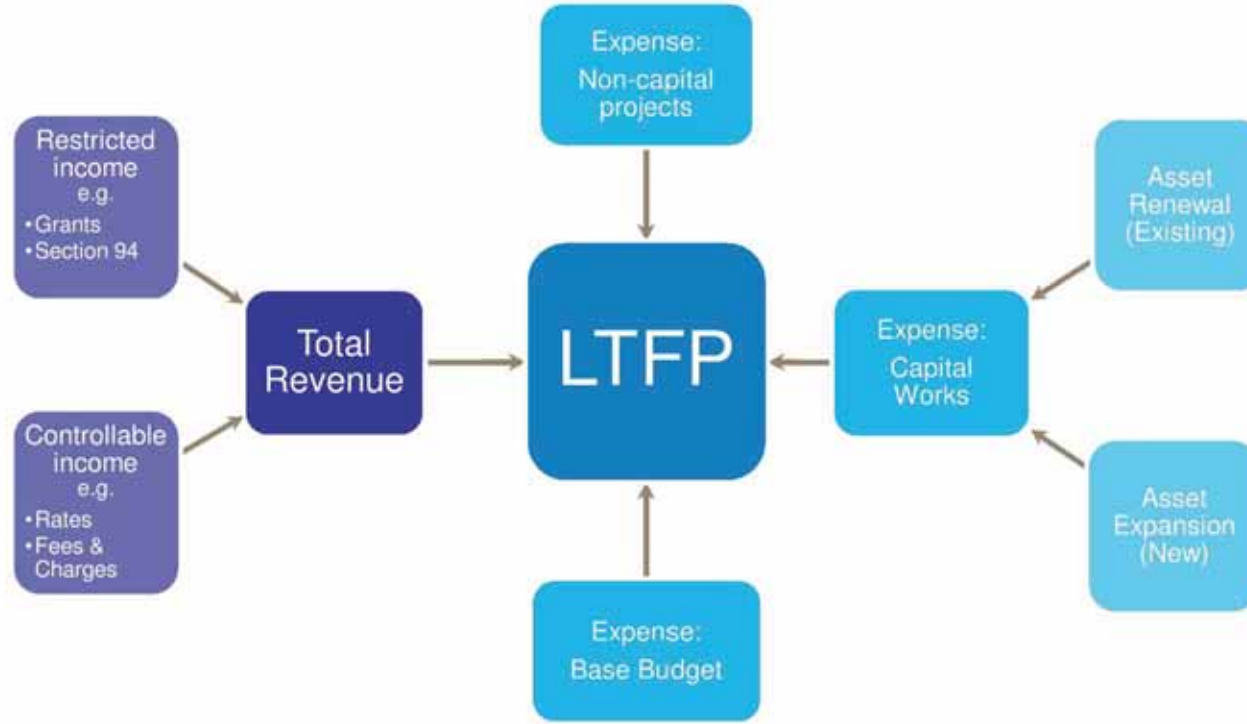
\$ available

ITEM 11 (continued)

ATTACHMENT 1



What goes into developing our Long-Term Financial Plan (LTFP)?



ITEM 11 (continued)

ATTACHMENT 1



What is our current Financial State?

- Annual shortfall of at least \$7 - \$8 million p.a. on Asset Renewal (i.e. The Funding Gap) as per our 2006 LTFP
- Operating Result Before Capital (including depreciation)
 - \$11.82 million deficit for 2012/2013 (actual)
 - \$9.32 million deficit for 2013/2014 (estimate)
 - The deficit increases to \$25.27 million in 2022/2023

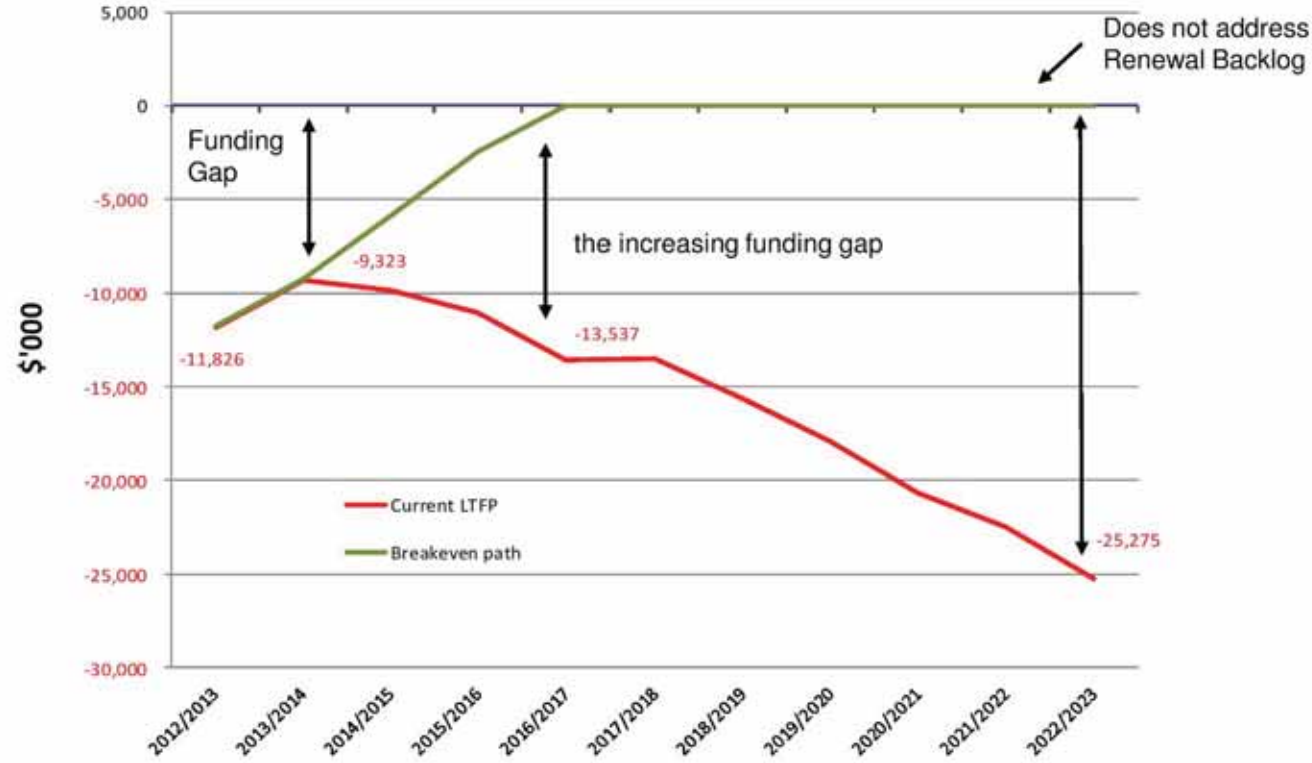
ITEM 11 (continued)

ATTACHMENT 1



Our Operating Result before Capital

2012/13 to 2013/2023 LTFP

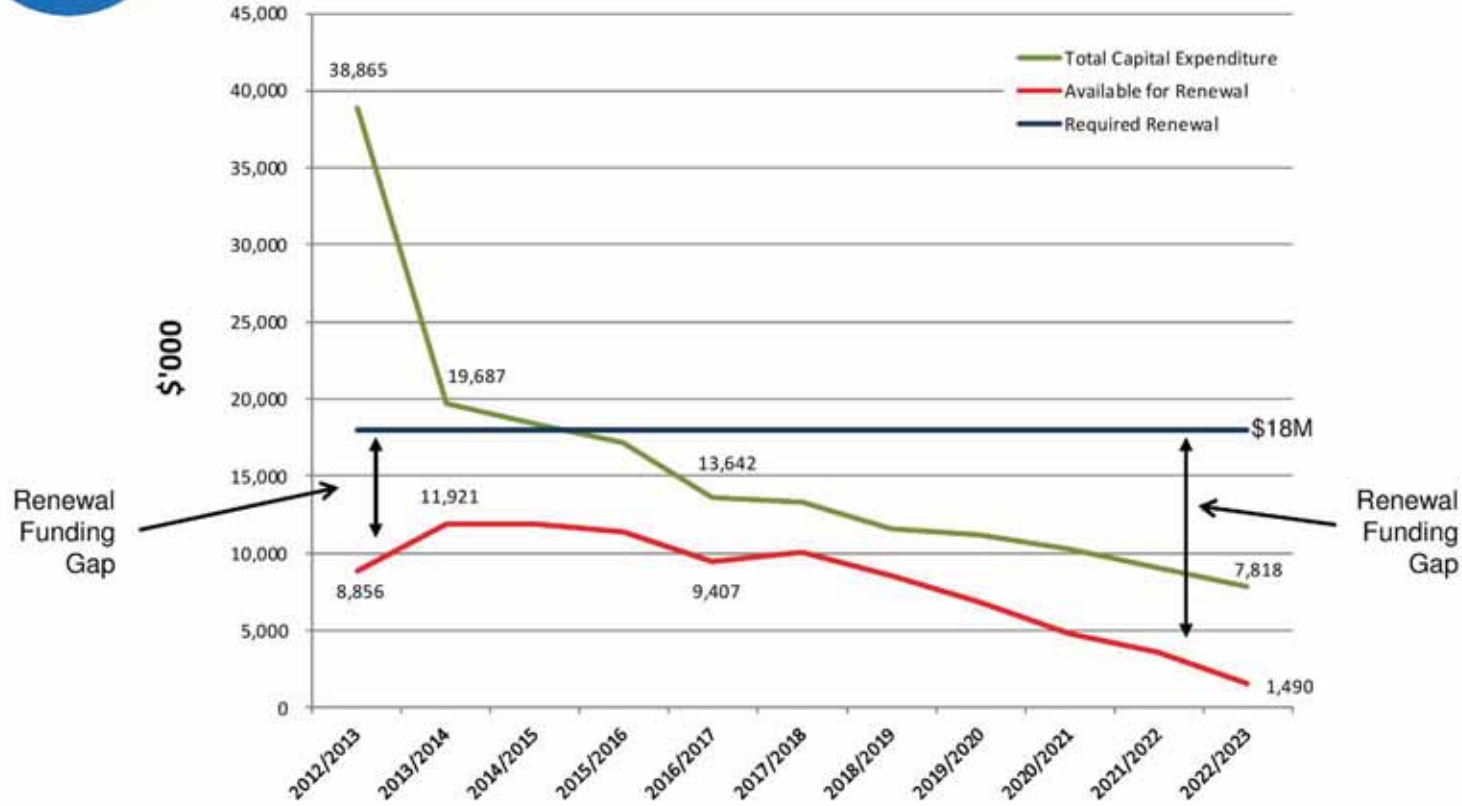


ITEM 11 (continued)

ATTACHMENT 1

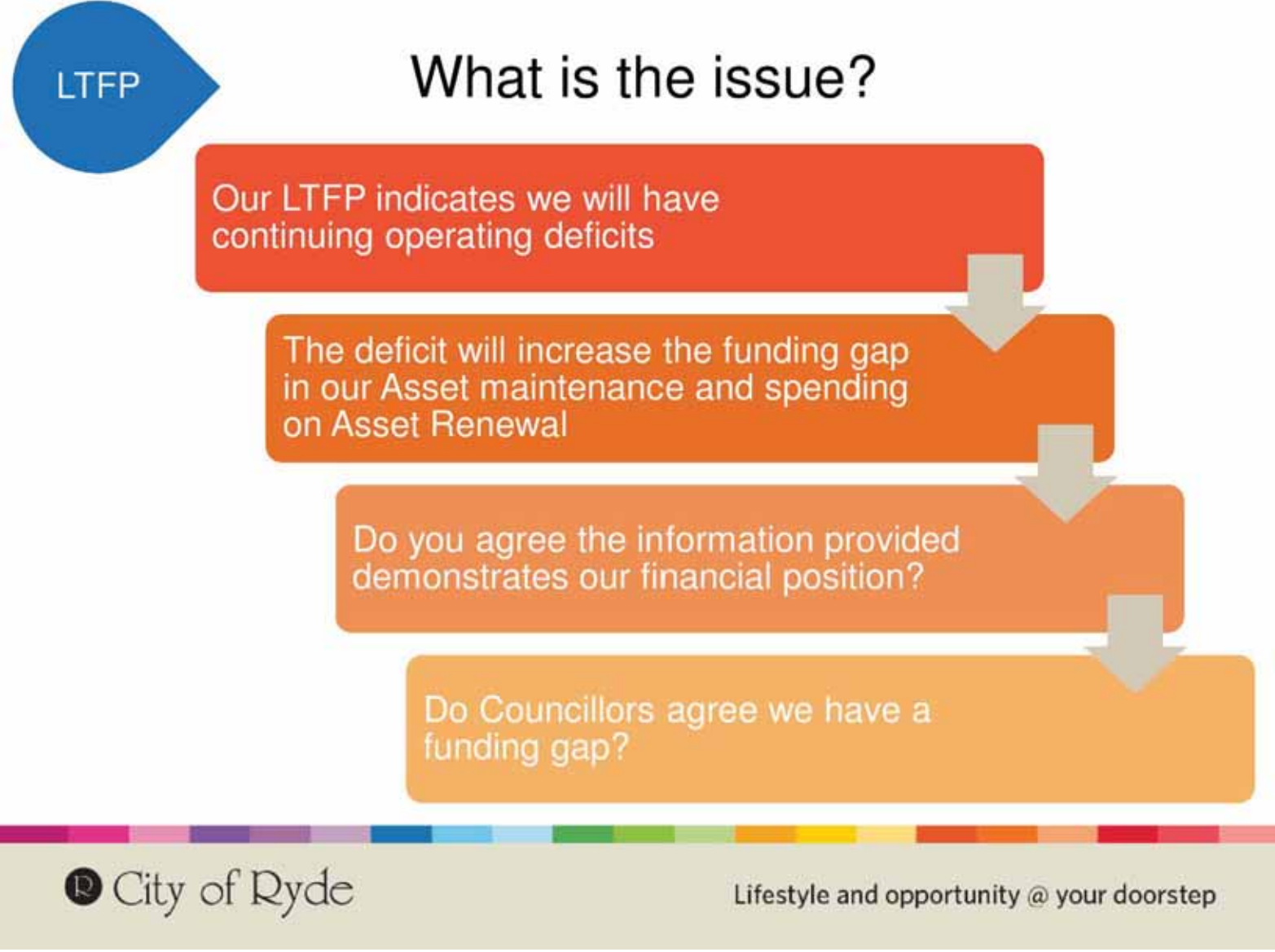


Our Expected Capital Expenditure



ITEM 11 (continued)

ATTACHMENT 1



ITEM 11 (continued)

ATTACHMENT 1



Long Term Financial Plan 2013-2023

- To balance the LTFP we needed to remove:
(i.e. to keep Working Capital above \$3 million and not overdraw the Asset Replacement Reserve)
 - \$31.47 million of capital expenditure funded from Working Capital
 - \$19.68 million of capital expenditure funded from Asset Replacement Reserve
 - \$54.62 million of capital expenditure in total

Note: The decision taken to reduce our capital works program to balance the LTFP is subject to further review by Council during 2013/2014

ITEM 11 (continued)

ATTACHMENT 1

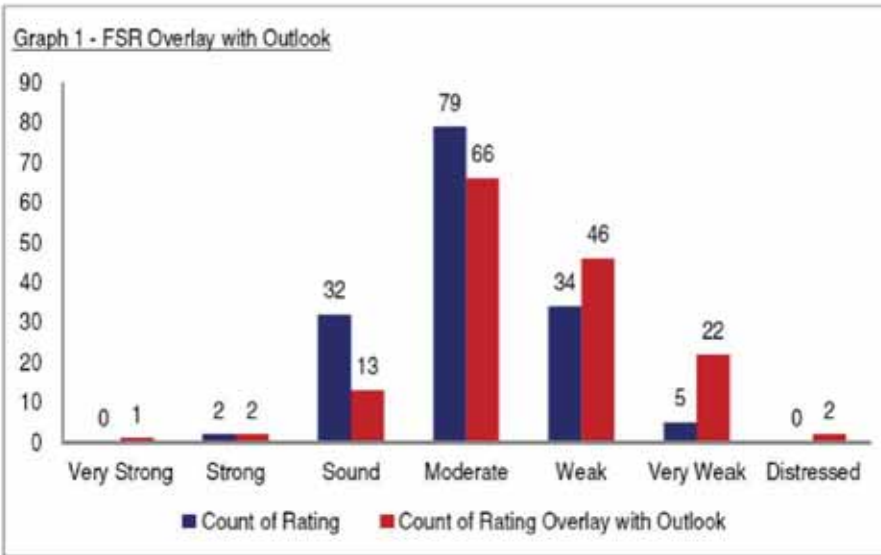


What is our long-term financial picture?

Our financial position, recently assessed by Tcorp (NSW Treasury), as part of Independent Local Government Review Panel's report:

SUSTAINABILITY RATING: SOUND

OUTLOOK: NEGATIVE



SOUND MEANS:

"adequate capacity to meet to meet our financial commitments in short medium and long term"

NEGATIVE MEANS:

there is the potential for deterioration in our capacity to meet financial commitments

ITEM 11 (continued)

ATTACHMENT 1



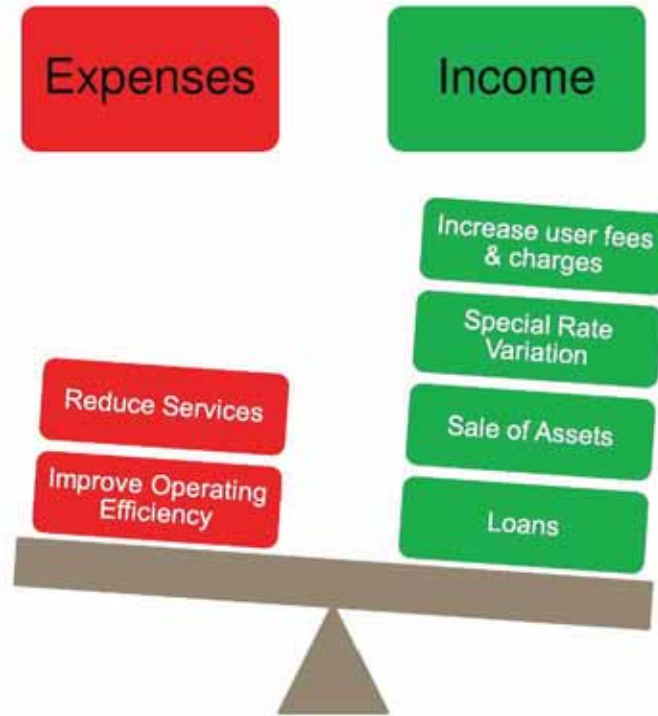
What is causing the pressure point?



ITEM 11 (continued)

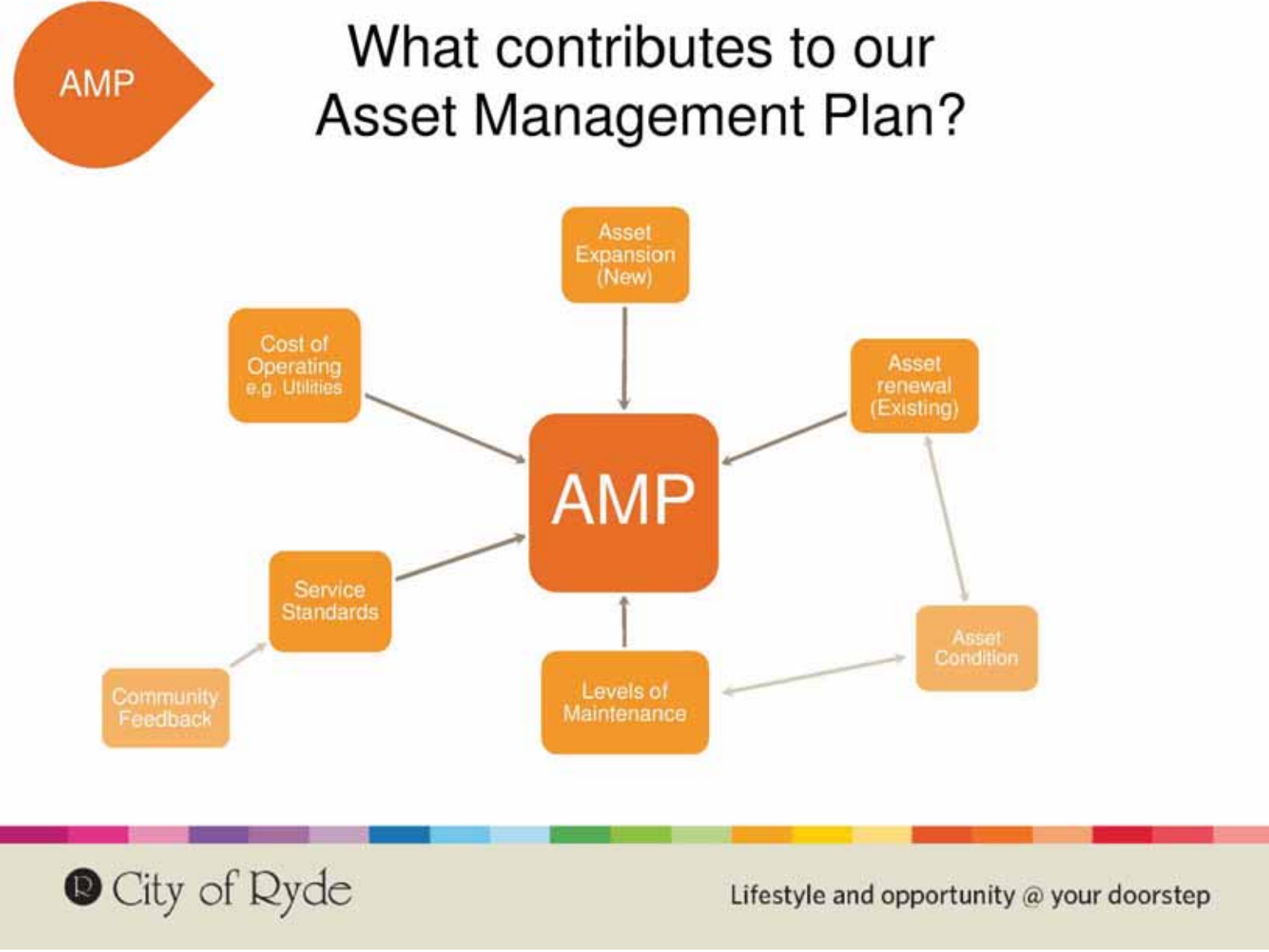
ATTACHMENT 1

What are possible solutions to close the gap?



ITEM 11 (continued)

ATTACHMENT 1

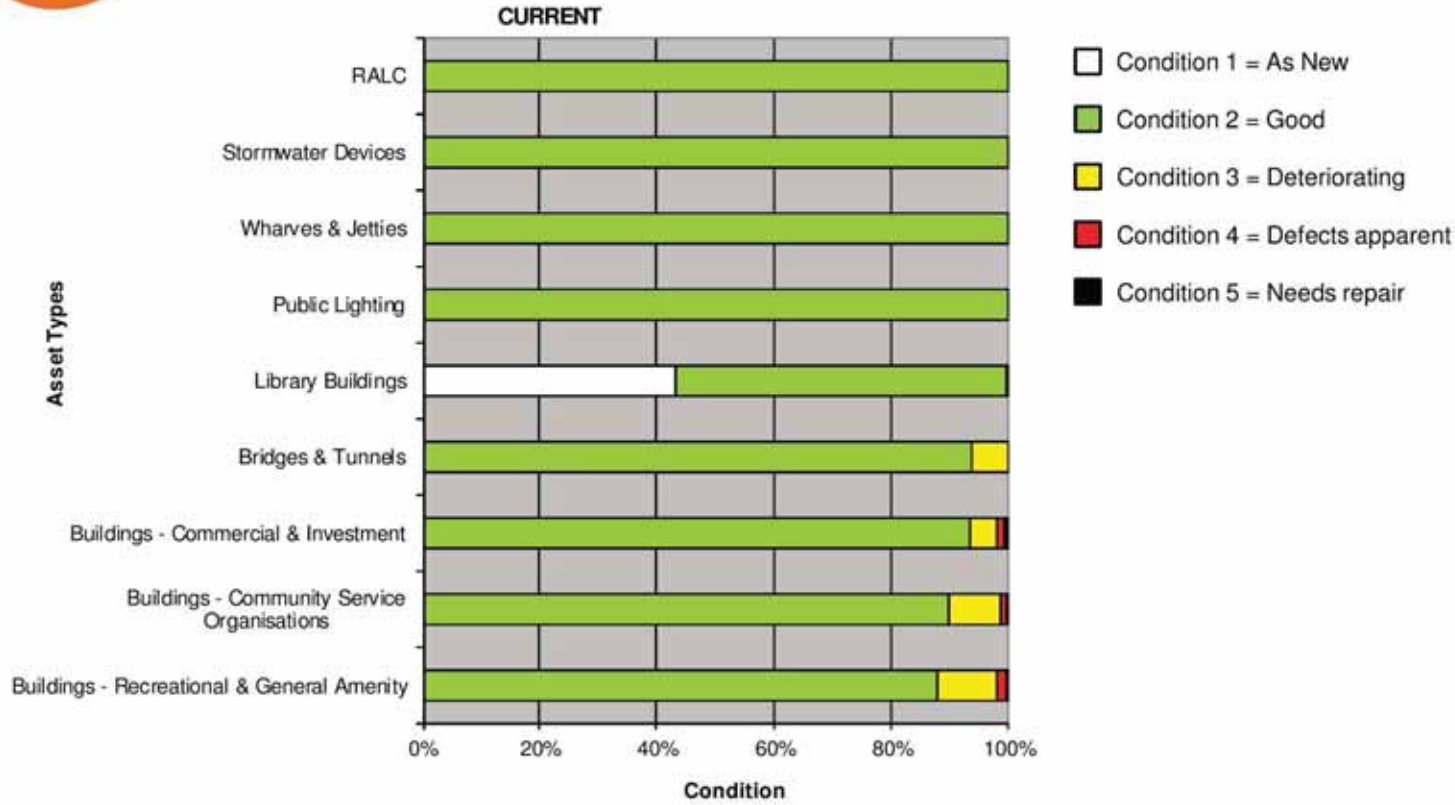


ITEM 11 (continued)

ATTACHMENT 1



What is our current Asset Condition?

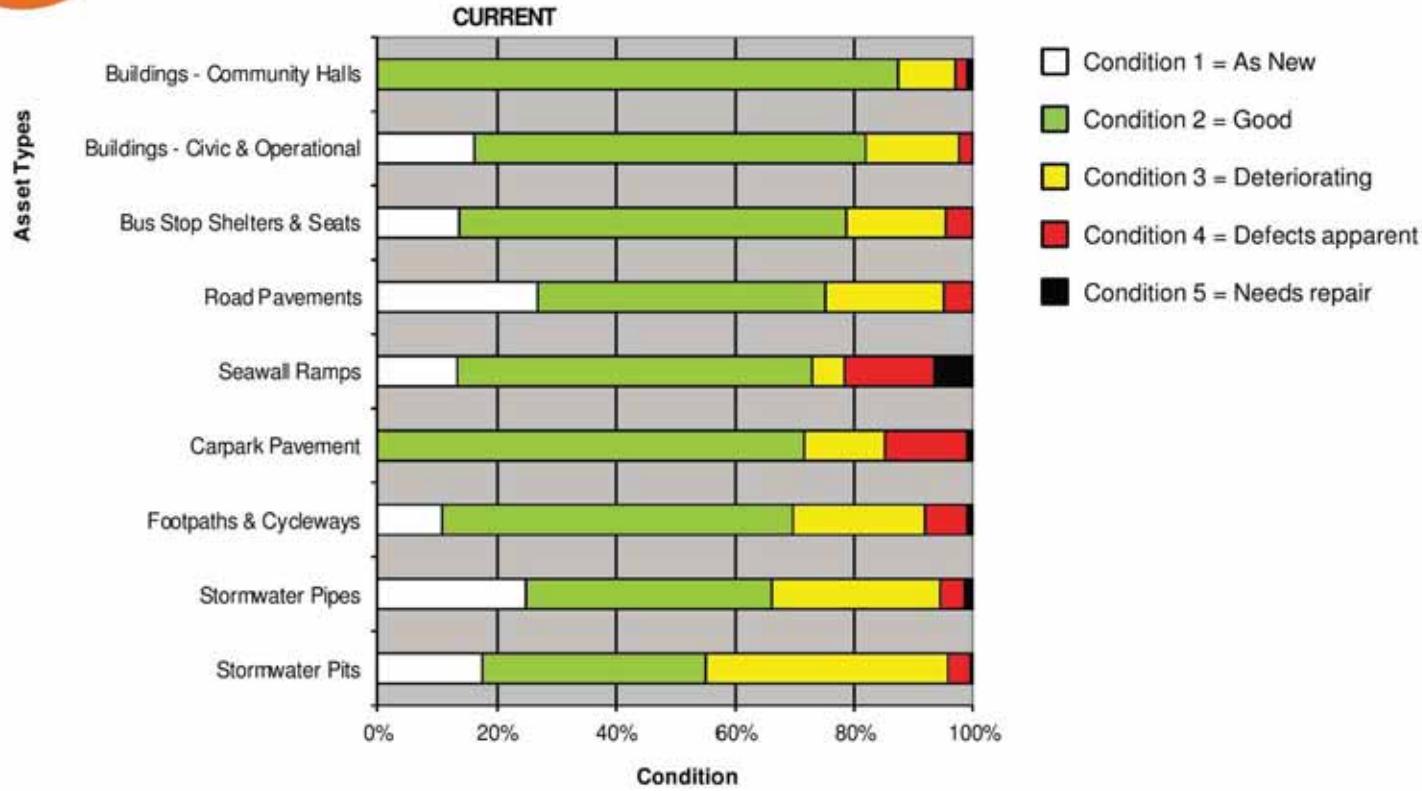


ITEM 11 (continued)

ATTACHMENT 1



What is our current Asset Condition?

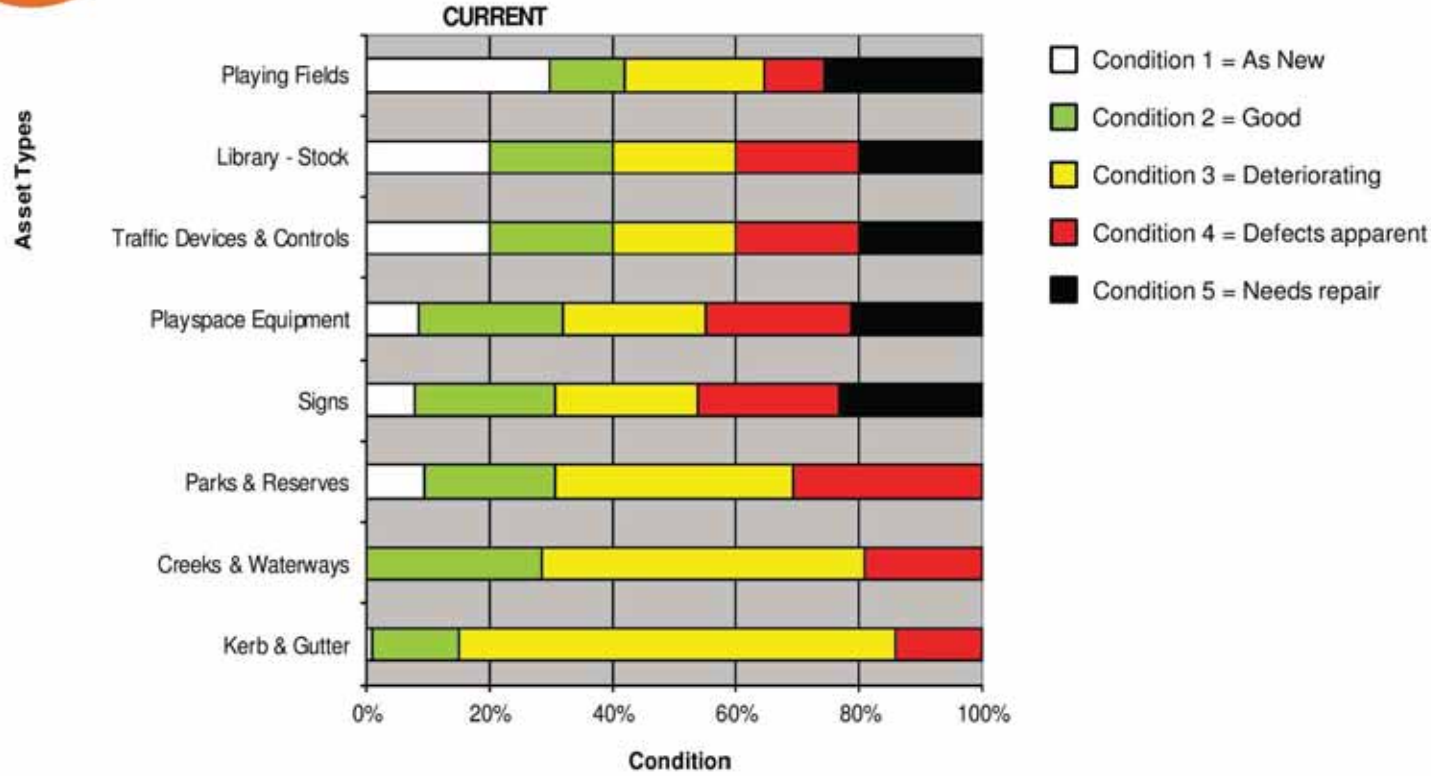


ITEM 11 (continued)

ATTACHMENT 1



What is our current Asset Condition?

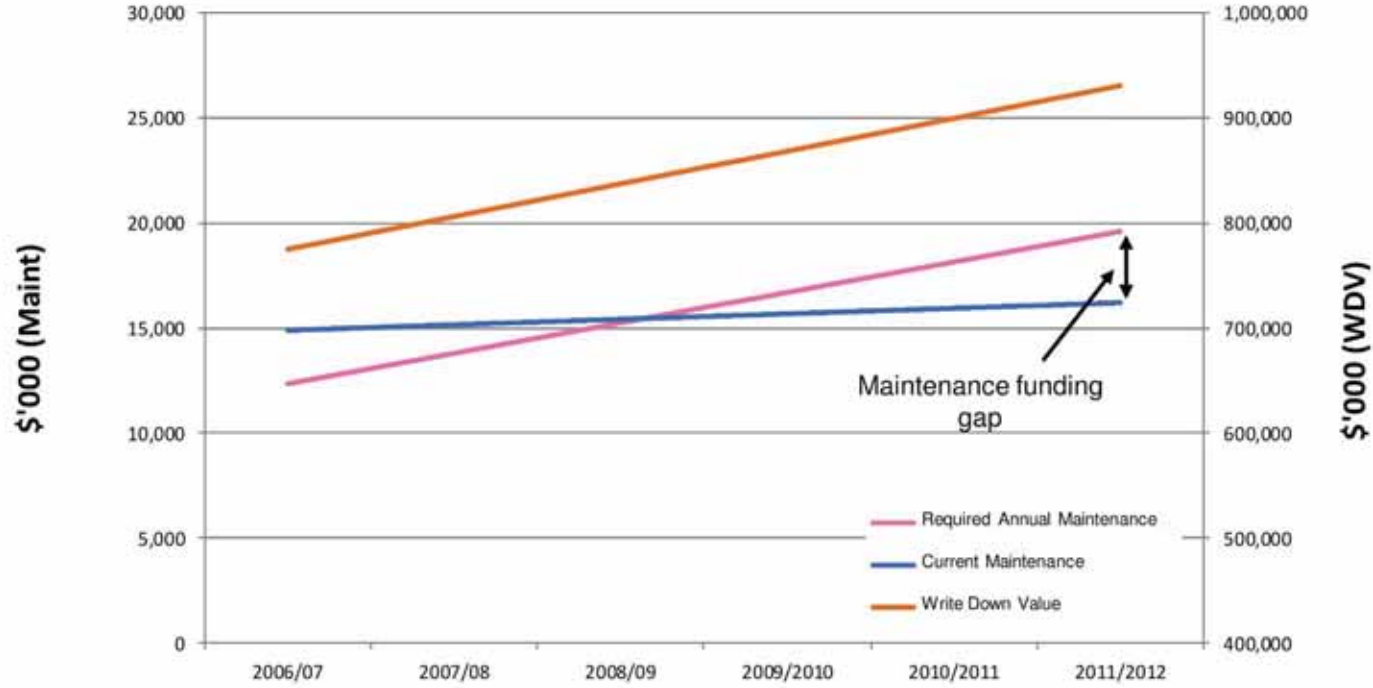


ITEM 11 (continued)

ATTACHMENT 1



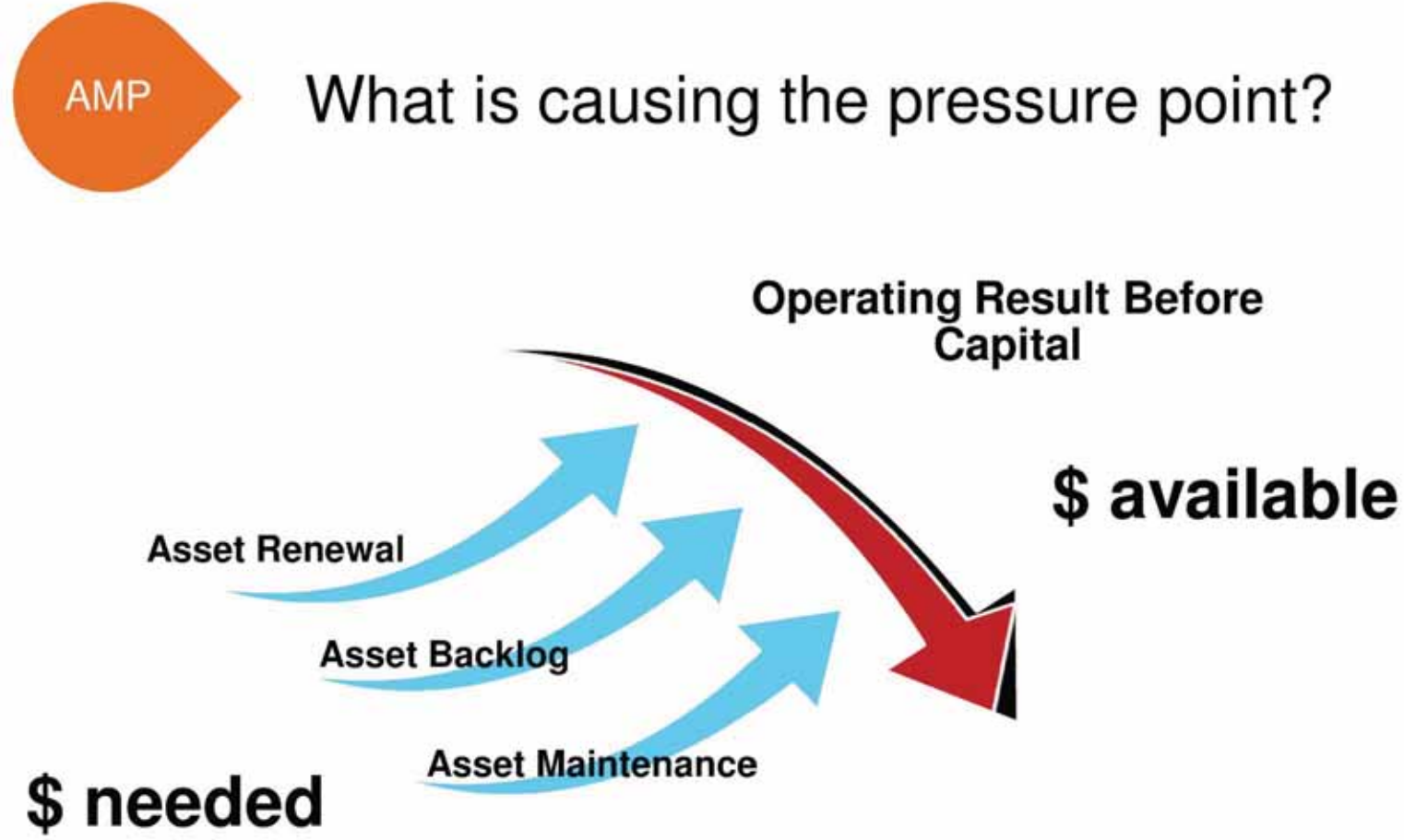
Our Asset Maintenance funding trends



WDV – Written down value, which should reduce over time, due to use/consumption of the assets, renewals would show as increased spikes.

ITEM 11 (continued)

ATTACHMENT 1



ITEM 11 (continued)

ATTACHMENT 1



What do we need from you?

We need Councillors to provide clear direction for our financial future

1. Do you believe that you have been provided with enough information to understand Council's current financial position?
2. Do you agree Council has a funding gap to address?
3. Do you support exploring options to close the funding gap?
4. What are your preferences in doing this?

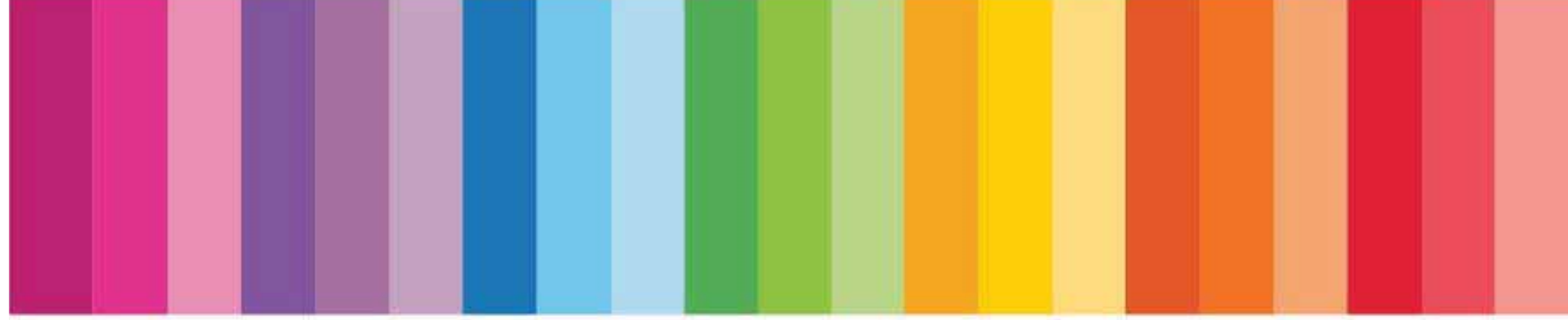
ITEM 11 (continued)

ATTACHMENT 1

Councillor Feedback / Comment Session 1

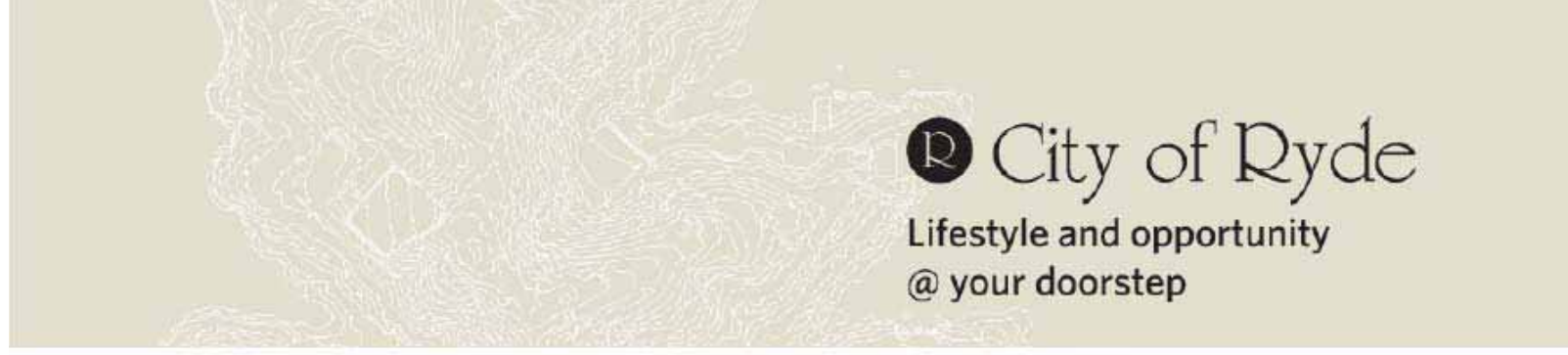
ITEM 11 (continued)

ATTACHMENT 1



Resourcing Strategy – Asset Plan

Photo Examples of Ratings



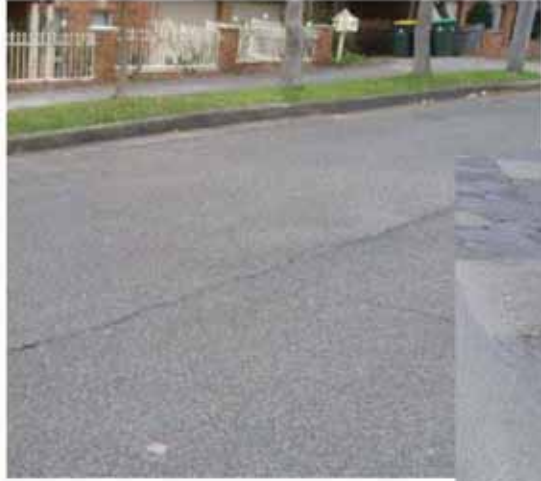
ITEM 11 (continued)

ATTACHMENT 1

AM Plans- Page 16

 City of Ryde

Lifestyle and opportunity @ your doorstep



Condition 3



Condition 4




Condition 5

Pavements

ITEM 11 (continued)

ATTACHMENT 1

AM Plans- Page 16

 City of Ryde

Lifestyle and opportunity @ your doorstep



Condition 3



Condition 4




Condition 5

Kerb & Gutter

ITEM 11 (continued)

ATTACHMENT 1

AM Plans- Page 16

 City of Ryde

Lifestyle and opportunity @ your doorstep



Condition 3



Condition 4




Condition 5

Carparks

ITEM 11 (continued)

ATTACHMENT 1

AM Plans- Page 23

 City of Ryde

Lifestyle and opportunity @ your doorstep



Condition 3



Condition 4



Condition 5

Footpaths & SUPS

ITEM 11 (continued)

ATTACHMENT 1



Condition 3



Condition 4



Condition 5

Bridges

AM Plans- Page 23

ITEM 11 (continued)

ATTACHMENT 1

AM Plans- Page 23



Condition 2 – with banner



Condition 2 – without banner

Lighting

ITEM 11 (continued)

ATTACHMENT 1

AM Plans- Page 23



Condition 3



Condition 4



Condition 5

Shelters & Seats

ITEM 11 (continued)

ATTACHMENT 1

AM Plans- Page 23



Condition 3



Condition 4



Condition 5

Signs

ITEM 11 (continued)

ATTACHMENT 1



Condition 3



Condition 4



Condition 5

Wharves & Jetties

AM Plans- Page 23

ITEM 11 (continued)

ATTACHMENT 1

AM Plans- Page 34



Condition 3



Condition 4



Condition 5

Traffic Devices & Controls

ITEM 11 (continued)

ATTACHMENT 1



Condition 3



Condition 4



Condition 5

Creeks & Waterways

AM Plans- Page 29

ITEM 11 (continued)

ATTACHMENT 1



Condition 3



Condition 4



Condition 5

AM Plans- Page 29

ITEM 11 (continued)

ATTACHMENT 1

AM Plans- Page 29

 City of Ryde

Lifestyle and opportunity @ your doorstep



Condition 3



Condition 4



Condition 5

Road Drainage - Pipes

ITEM 11 (continued)

ATTACHMENT 1



Condition 3



Condition 4



Condition 5

Road Drainage - Pits

AM Plans- Page 29

ITEM 11 (continued)

ATTACHMENT 1

AM Plans- Page 50



Recently installed,
high standard, young
or older age range



In place several years,
variable standard

Playspace Equipment



Older equipment, out of
date standard, low interest
or challenge

ITEM 11 (continued)

ATTACHMENT 1

AM Plans- Page 50

 City of Ryde

Lifestyle and opportunity @ your doorstep



Mid-age



Aging



Oldest

Playing Fields

ITEM 11 (continued)

ATTACHMENT 1



Level 1



Level 2



Level 3



Level 4



Level 5

AM Plans- Page 41

ITEM 11 (continued)

ATTACHMENT 1



Condition 3



Condition 4



Condition 5


Seawalls & Ramps

AM Plans- Page 41

ITEM 11 (continued)

ATTACHMENT 1

AM Plans- Page 59

 City of Ryde

Lifestyle and opportunity @ your doorstep



Condition 3



Condition 4




Condition 5

Buildings – set 1

ITEM 11 (continued)

ATTACHMENT 1

AM Plans- Page 59

 City of Ryde

Lifestyle and opportunity @ your doorstep



Condition 3



Condition 4

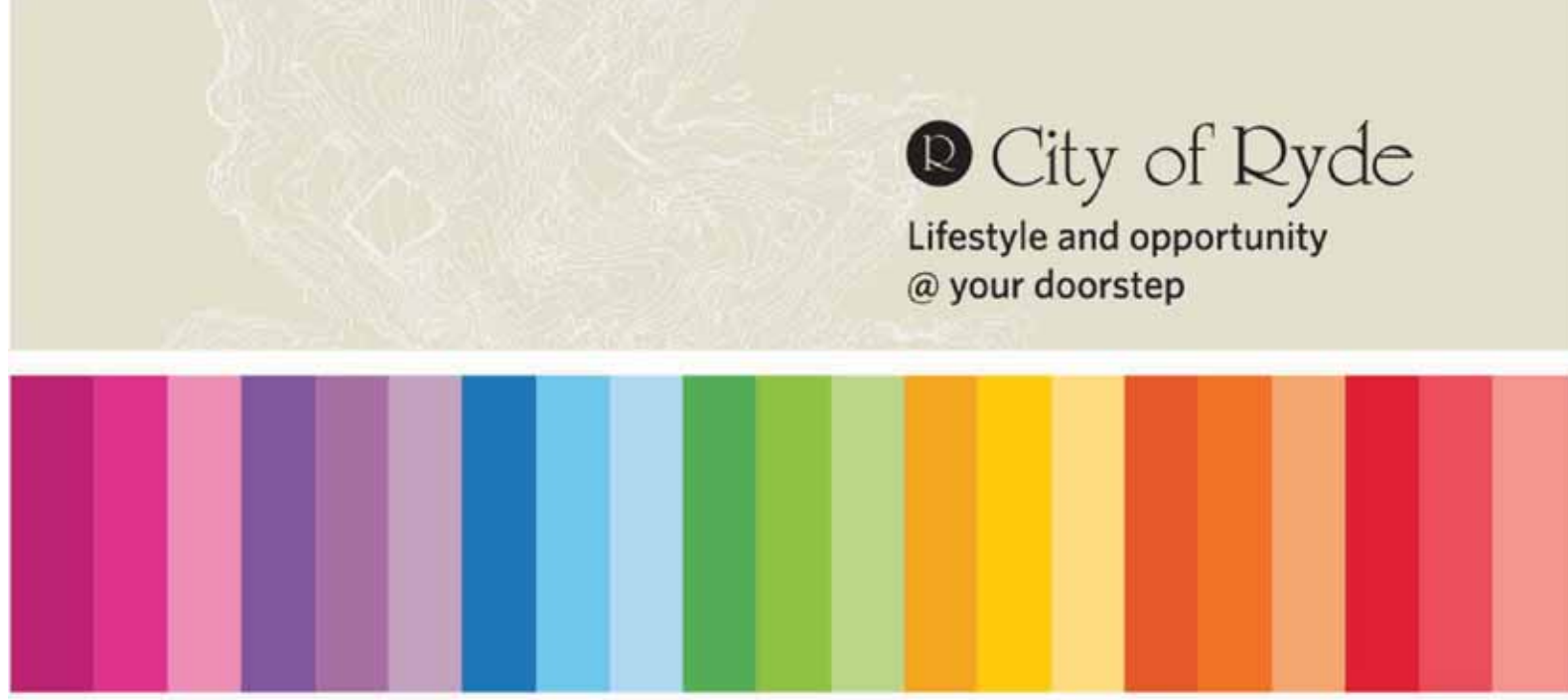


Condition 5

Buildings – set 2

ITEM 11 (continued)

ATTACHMENT 2



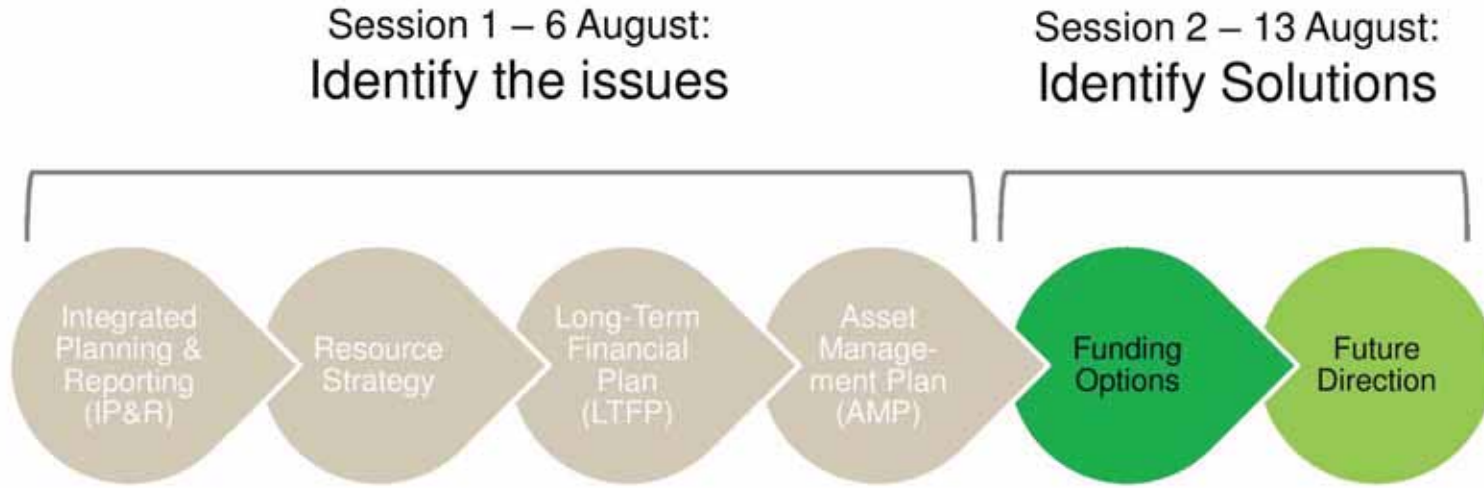
Our Financial Future - Part 2

13 August 2013

ITEM 11 (continued)

ATTACHMENT 2

The Agenda: Framing Our Financial Future



ITEM 11 (continued)

ATTACHMENT 2

Recap

As we identified at our last workshop

Our LTFP indicates continuing operating deficits

Deficits will increase the funding gap in our
Asset Maintenance and Asset Renewal

We have demonstrated a funding gap that needs
to be addressed

It is agreed we have options to increase revenue
and reduce expenditure to close the funding gap

Councillors are now requested to provide
direction on which options we should explore

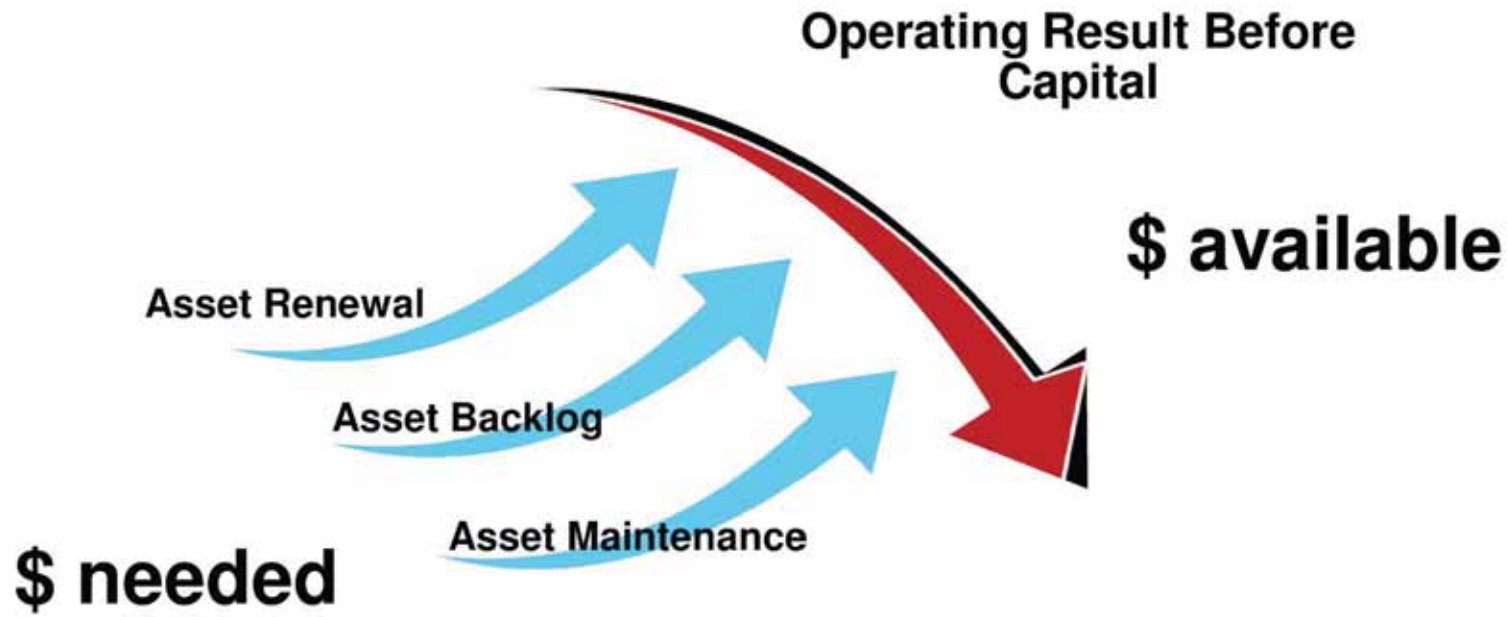
ITEM 11 (continued)

ATTACHMENT 2



Recap

The issue is the pressure point



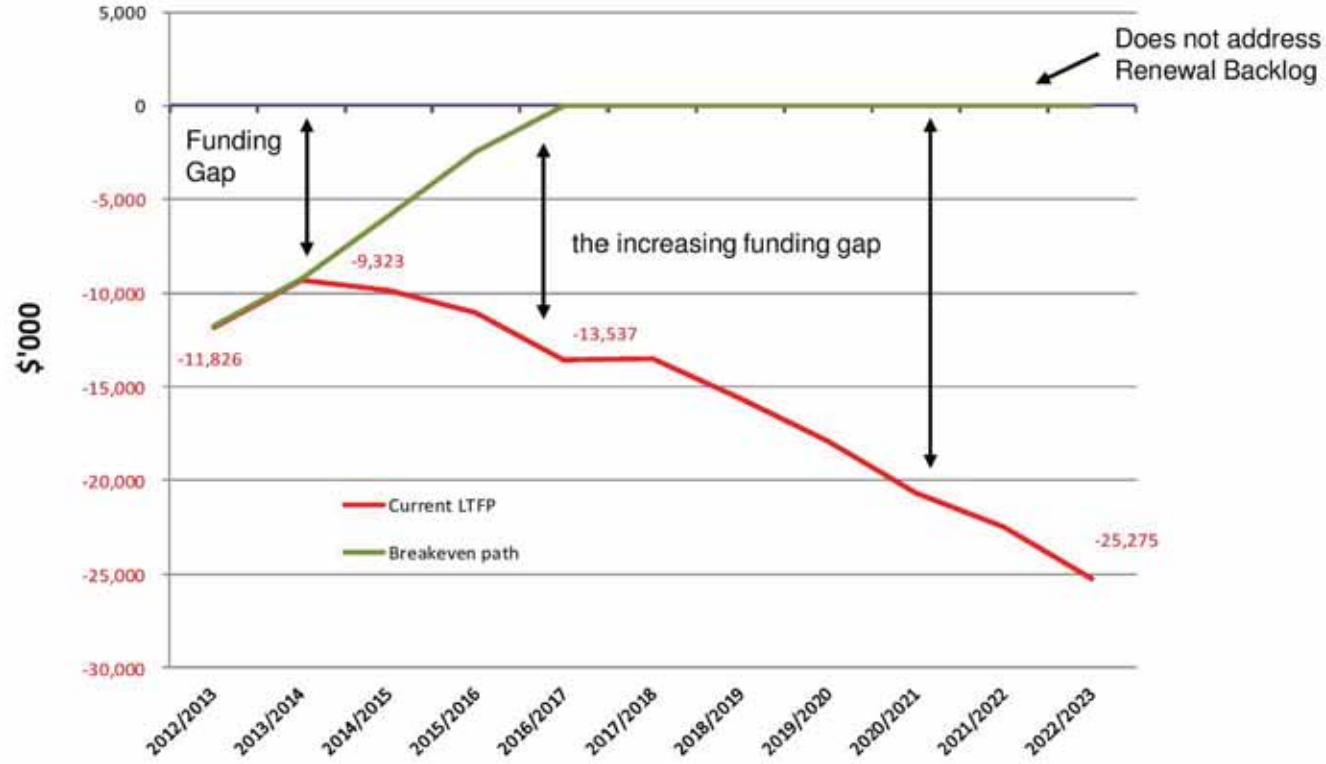
ITEM 11 (continued)

ATTACHMENT 2

Recap

Our Operating Result before Capital

2012/13 to 2013/2023 LTFP

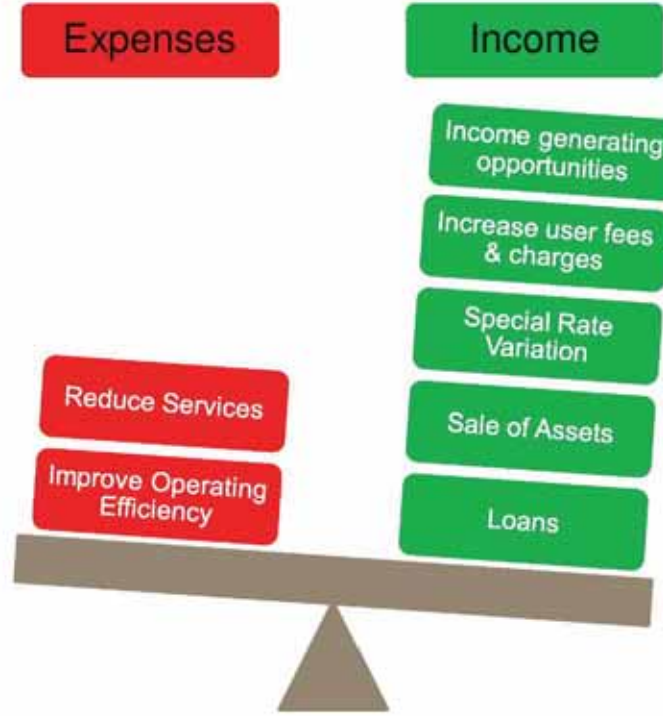


ITEM 11 (continued)

ATTACHMENT 2



What are our options to close the gap?



ITEM 11 (continued)

ATTACHMENT 2



A mix of options will be explored

1. Reducing Costs (Operational / Capital / Non-Capital)
2. Increasing Income
3. Sale of Assets
4. Loans

ITEM 11 (continued)

ATTACHMENT 2



1. Reduce Costs

Operational Costs

- Identify level of service to be reduced or removed from Base Budget
 - Council has 157 services to deliver our 21 programs
- Identify FTE / staff establishment allocated to services
 - Current budgeted FTE 486.9

ITEM 11 (continued)

ATTACHMENT 2



Our Programs

1. Open Space Sport & Recreation Program
2. Roads Program
3. Property Portfolio Program
4. Catchment Program
5. Centres and Neighbourhood Program
(road reserve links and non road reserve links)
6. Library Program
7. Governance and Civic Program
8. Customer & Community Relations Program
9. Community and Culture Program
10. Risk Management Program
11. Paths and Cycleways Program
12. Environmental Program
13. Strategic City Program
14. Land Use Planning Program
15. Traffic & Transport Program
16. Economic Development Program
17. Organisational Development Program
18. Foreshore Program
19. Regulatory Program
20. Waste and Recycling Program
21. Internal Corporate Services Program

ITEM 11 (continued)

ATTACHMENT 2



1. Reduce Costs

Capital Works Costs

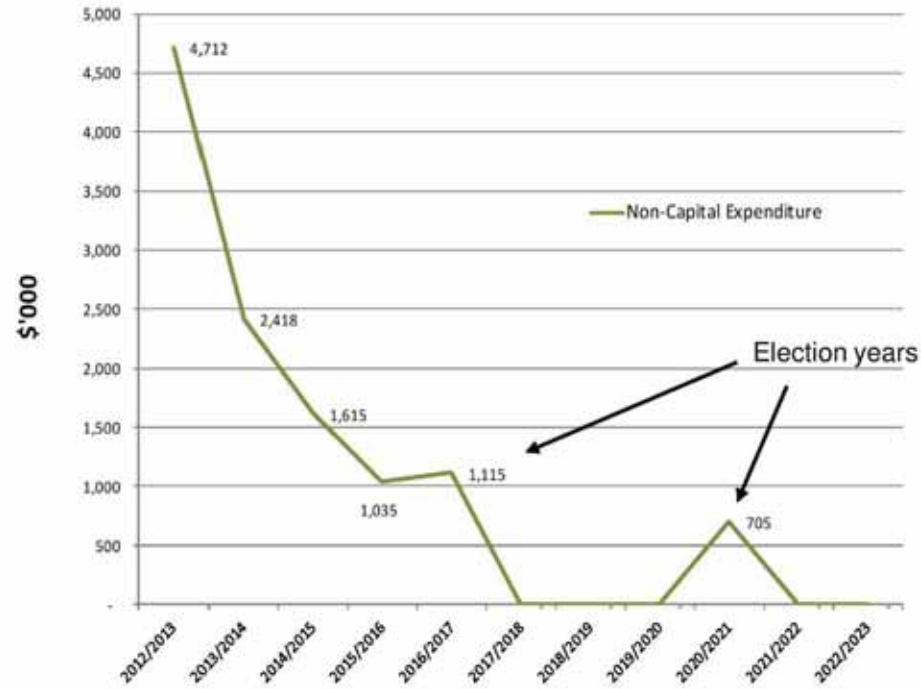
- No new assets from General Revenue - this adds to backlog and increases maintenance gap
- Fund new assets only from external sources
- Focus on existing Infrastructure Renewals only, address current annual underspend.



1. Reduce Costs

Non-Capital Works Costs

- Reduce Non-Capital Works from General Revenue while holding current maintenance Service Levels



ITEM 11 (continued)

ATTACHMENT 2



2. Income

- Increase Rates above rate pegging
- Increase Fees & Charges above IPART – Local Government Cost Index (LGCI)
- Increase Commercial opportunities
 - Income generating assets, i.e. investment property portfolio
 - Redevelopment / optimisation of Council property
 - New commercial initiatives to generate increased revenue

ITEM 11 (continued)

ATTACHMENT 2



Controllable Income

	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023
Controllable Income	57,854	58,587	60,187	61,750	63,354	65,000	66,689	68,421	70,199	72,023	73,894
Rates	44,357	46,050	47,127	48,353	49,610	50,900	52,223	53,581	54,974	56,403	57,870
Ordinary Rates	44,357	46,050	47,127	48,353	49,610	50,900	52,223	53,581	54,974	56,403	57,870
Fees and Charges	6,877	6,210	6,569	6,740	6,915	7,095	7,279	7,469	7,663	7,862	8,067
Other fees	1,886	1,949	2,197	2,254	2,313	2,373	2,435	2,498	2,563	2,630	2,698
Commercial Waste	820	845	867	889	912	936	960	985	1,011	1,037	1,064
Other User Charges	4,171	3,417	3,506	3,597	3,690	3,786	3,885	3,986	4,089	4,196	4,305
Other Revenues	6,620	6,327	6,490	6,658	6,829	7,005	7,186	7,372	7,562	7,757	7,958
Other Revenues	2,056	2,003	2,054	2,106	2,159	2,214	2,270	2,328	2,387	2,448	2,510
Public Road Leasing	95	94	97	99	102	104	107	110	113	116	119
Regulated Parking	3,949	3,739	3,836	3,936	4,038	4,143	4,251	4,361	4,475	4,591	4,711
Telecommunications Facility	214	175	180	185	190	194	199	205	210	215	221
Other Material & Contracts	306	315	324	332	341	350	359	368	377	387	397
Accumulated annual increment			4,029	8,603	13,697	13,829	15,642	17,994	20,485	23,111	25,880
Annual increment			4,029	4,573	5,094	132	1,813	2,351	2,491	2,627	2,768
Percentages											
Controllable Income			6.88%	7.60%	8.25%	0.21%	2.79%	3.53%	3.64%	3.74%	3.84%
Rates			8.75%	9.70%	10.54%	0.27%	3.56%	4.50%	4.65%	4.78%	4.91%
Fees and Charges			64.89%	69.61%	75.58%	1.91%	25.56%	32.30%	33.35%	34.28%	35.21%
Other Revenues			63.69%	70.46%	76.52%	1.94%	25.88%	32.72%	33.79%	34.74%	35.68%

ITEM 11 (continued)

ATTACHMENT 2



3. Sale of Assets

- Gives Council additional income in the year of sale to reduce renewal backlog
- A one off option

ITEM 11 (continued)

ATTACHMENT 2



4. Loans

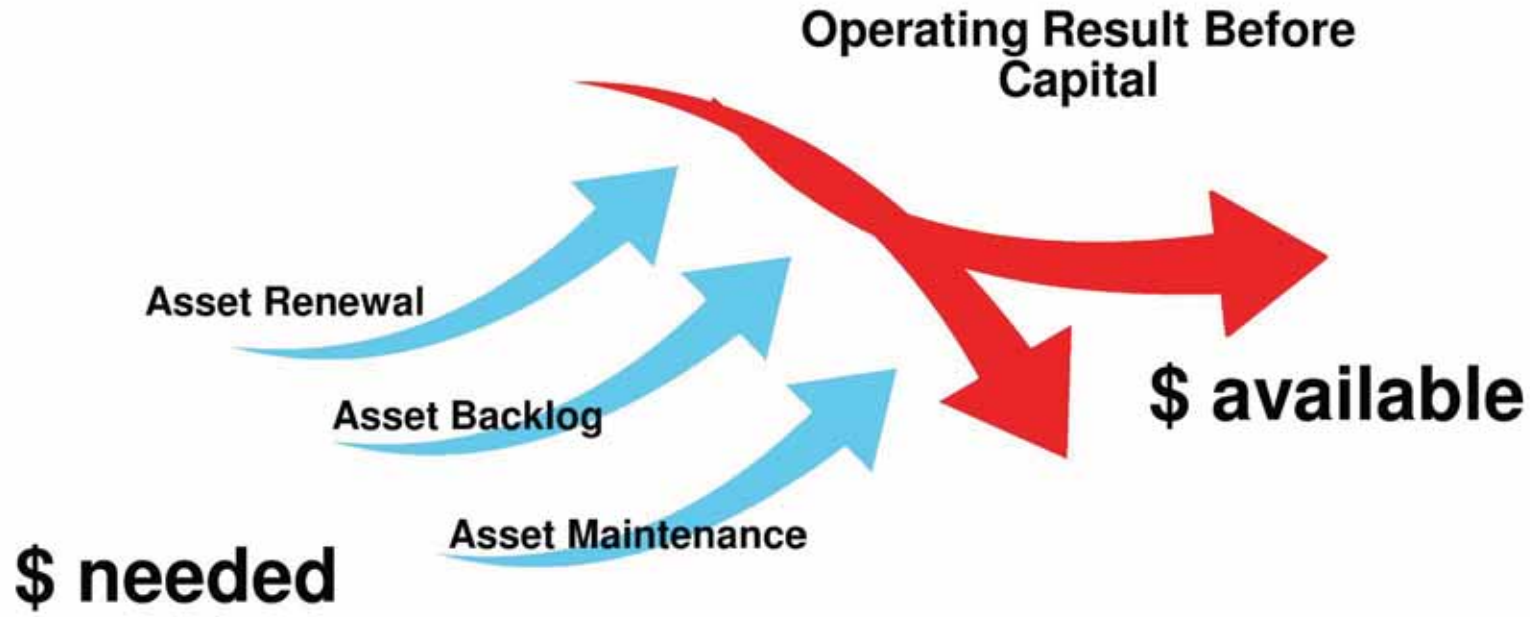
- A funding mechanism, not a source of additional income
- Allows Council to bring forward renewal backlog works, with additional loan costs, to gain economies of scale (e.g. Children's Play Implementation project)
- Our Debt Service Ratio is approx. 1%, which means we could borrow more, HOWEVER we don't currently have the capacity to repay the loan

ITEM 11 (continued)

ATTACHMENT 2



A mix of options can turn this around



ITEM 11 (continued)

ATTACHMENT 2



Can you answer these questions?

1. Do you believe that you have been provided with enough information to understand Council's current financial position? YES
2. Do you agree Council has a funding gap to address? YES
3. Do you support exploring options to close the funding gap?
4. What are your preferences in doing this?
 - Service cuts
 - New revenue opportunities
 - Commercial business ventures
 - Increases in fees and charges
 - Rate increases

ITEM 11 (continued)

ATTACHMENT 2



Options Summary Table

	Reduce Renewal Gap	Reduce Asset Backlog	Reduce Asset Maintenance gap	Close the gap
Reduce Costs – Operational	Yes	No	Yes	Yes
Reduce Costs – Capital	No	No	Yes	No
Reduce Costs – Non-capital	Yes	Yes	Yes	Yes
Income	Yes	Yes	Yes	Yes
Sale of Assets	Yes	Yes	Yes	No
Loans	No	Yes	No	No

Note: “Yes” would require Council to apply savings or funds to that purpose

ITEM 11 (continued)

ATTACHMENT 2



How much do we need to fund?

- Total additional increase in annual Operational Result Before Capital needs to be between \$3–4 Million each year over the next 9 years.

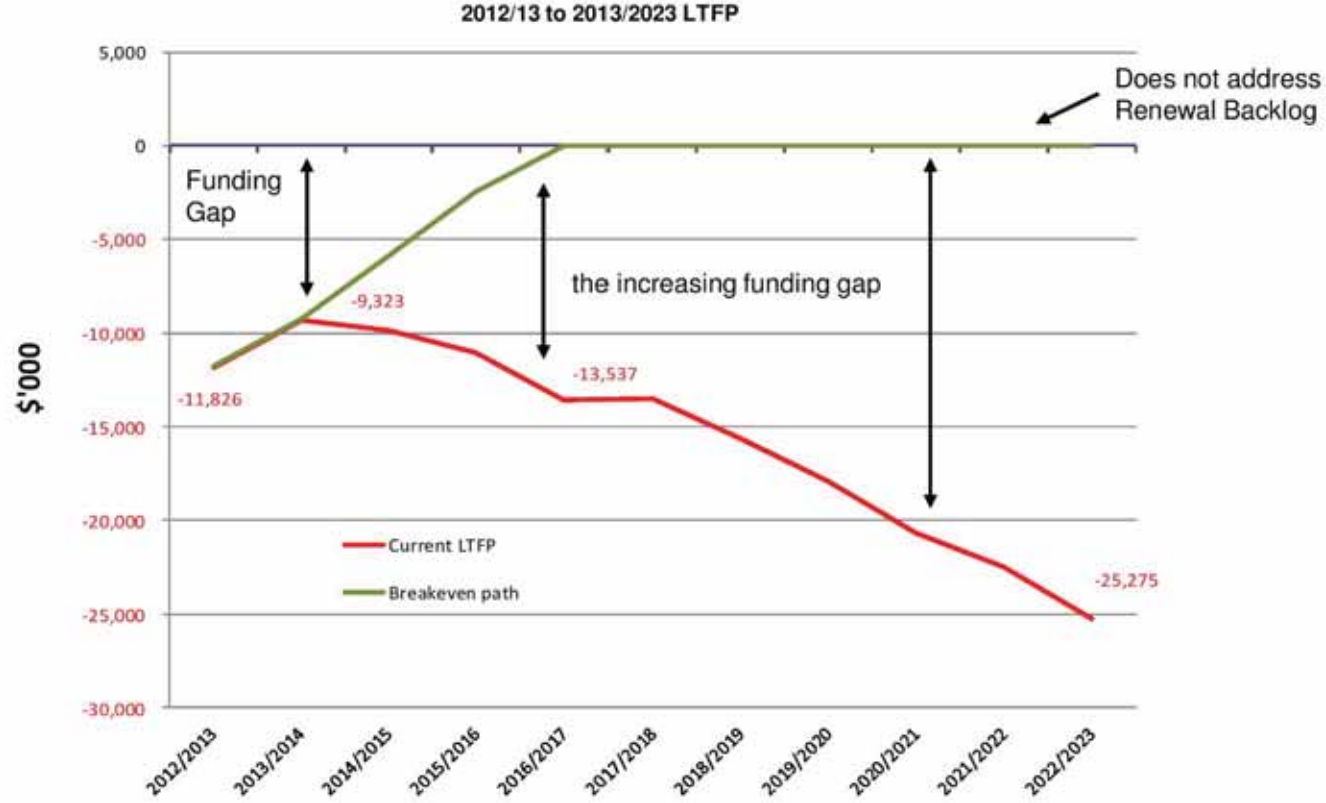
	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023
Accumulated annual increment			4,029	8,603	13,697	13,829	15,642	17,994	20,485	23,111	25,880
Annual increment			4,029	4,573	5,094	132	1,813	2,351	2,491	2,627	2,768
Percentages											
Controllable Income			6.88%	7.60%	8.25%	0.21%	2.79%	3.53%	3.64%	3.74%	3.84%
Rates			8.75%	9.70%	10.54%	0.27%	3.56%	4.50%	4.65%	4.78%	4.91%
Fees and Charges			64.89%	69.61%	75.58%	1.91%	25.56%	32.30%	33.35%	34.28%	35.21%
Other Revenues			63.69%	70.46%	76.52%	1.94%	25.88%	32.72%	33.79%	34.74%	35.68%

ITEM 11 (continued)

ATTACHMENT 2



We need to find \$13.5M by 2016/17



ITEM 11 (continued)

ATTACHMENT 2



Where can we find \$13.5M over 3 years?

	Year 1 potential 2014/15	Year 2 potential 2015/16	Year 3 potential 2016/17	Year 4 potential 2017/18
Services				
Service Standards				
New Revenue				
Commercial Ventures				
Fees and Charges				
Rates				

ITEM 11 (continued)

ATTACHMENT 2



What is our Future Direction?

- A clear direction from Councillors is sought as to how Council can address the funding gap
- Outcomes from this workshop will be reported to Council
- If Councillors agree to explore options, further workshops will be scheduled

ITEM 11 (continued)

ATTACHMENT 2

Councillor Feedback / Comment Session 2

ITEM 11 (continued)

ATTACHMENT 2



Where to from here?

- Future workshops to confirm the impact of the mix of options across:
 - Assets
 - Services
 - Service Standards
 - Confirm all remaining funding gaps
- Sign-off on the mix of options by September 2013
- Confirm desired standards of service by September 2013
- Community consultation will need to commence in October 2013 to ensure these options are captured in our next 4-year Delivery Plan and LTFP.

ITEM 11 (continued)

ATTACHMENT 2

Recommendations from the Independent Local Government Review Panel

COMPARATIVE VIEW – PROPOSED AMALGAMATION COUNCILS

LGA	2013 Forecasted Population	2018 Forecasted Population	5 year growth	TCORP RATING	TCORP OUTLOOK
Ryde	110,157	118,057	7.2%	SOUND	NEGATIVE
Auburn	80,972	90,904	12.3%	SOUND	NEGATIVE
Parramatta	179,163	192,603	7.5%	MODERATE	NEUTRAL
Holroyd	105,772	116,990	10.6%	WEAK	NEUTRAL
AMALGAMATED COUNCIL	476,064	518,554	8.9%		

ITEM 11 (continued)

ATTACHMENT 2

Amalgamation Group

Council	Estimated Resident Population within Council Boundaries	Result	Staff/ per 1,000 residents	Total Ordinary Expenses (Excluding Water and Sewerage)	Operating Costs per capita	Asset Renewals (Building and Infrastructure)	Operating Expenditure / Total Expenditure ⁽¹⁾
Auburn Council	78,597	284	3.61	57,983,000	738	6,775,000	0.90
Holroyd City Council	102,188	446	4.36	78,103,000	764	11,448,000	0.87
Parramatta City Council	172,333	740	4.29	161,173,000	935	8,300,000	0.95
Ryde City Council	106,289	486	4.57	84,101,000	791	5,580,000	0.94
Total of Amalgamation Group	459,407	1,956	4.26	381,360,000	830	32,103,000	0.92
(1) - Total Capital Expenditure not readily available, renewal expenditure used.							
(2) - Figures are the latest comparative figures from 2010/2011							

ITEM 11 (continued)

ATTACHMENT 2

FINANCIAL FUTURE WORKSHOP - QUESTIONNAIRE RESULTS

Tuesday 13 August 2013

Results of the Preference Questionnaire

Preference scores have been determined by consolidating the rating on the 7 submissions received.
Results were weighted High=3, Med=2, Low=1

In order of preference highest to lowest:

Option	Score
1 New revenue opportunities	19
2 Commercial ventures	19
3 Streamline operational costs	14
4 Reduction in Service Levels	12
5 Reduction in Services	10
6 Increase user fees and charges	10
7 Rates Increases	10
8 Sale of assets	8
9 Loans	8

Results of the Program areas to investigate further

Each tick was counted as 1 vote on either reduce or remove. These votes have been consolidated to determine the priority areas for further investigation.

In order of preference highest to lowest:		Total Votes	Reduce	Remove	Comments
21	Internal Corporate Services Program	6	4	2	Operational efficiency, including outsourcing, service sharing; Trim - especially those not reducing op costs
2	Roads Program	5	5		Adjust the service level to an acceptable level (say 2)
4	Catchment Program	5	4	1	
17	Organisational Development Program	5	3	2	
7	Governance and Civic Program	4	3	1	Operational savings; especially election costs
9	Community and Culture Program	4	3	1	No reduction
11	Paths and Cycleways Program	4	3	1	Paths up, Bikes --
12	Environmental Program	4	3	1	
13	Strategic City Program	4	2	2	Electronic, in-house
18	Foreshore Program	4	1	3	
1	Open Space Sport & Recreation Program	3	3		No cuts; Especially sports groups
6	Library Program	3	2	1	Operational savings; status quo - no growth
8	Customer & Community Relations Program	3	2	1	Branding, colour printing, market research
10	Risk Management Program	3	2	1	status quo
14	Land Use Planning Program	3	2	1	
15	Traffic & Transport Program	3	3		Keep; People mover experiments drop, Duplication of public transport
16	Economic Development Program	3	3		Increase this program
19	Regulatory Program	3	2	1	
5	Centres and Neighbourhood Program	2		2	
3	Property Portfolio Program	1	1		No cuts; increase property services portfolio
20	Waste and Recycling Program	1	1		Keep

ITEM 11 (continued)

ATTACHMENT 3



Our Financial Future - Part 3

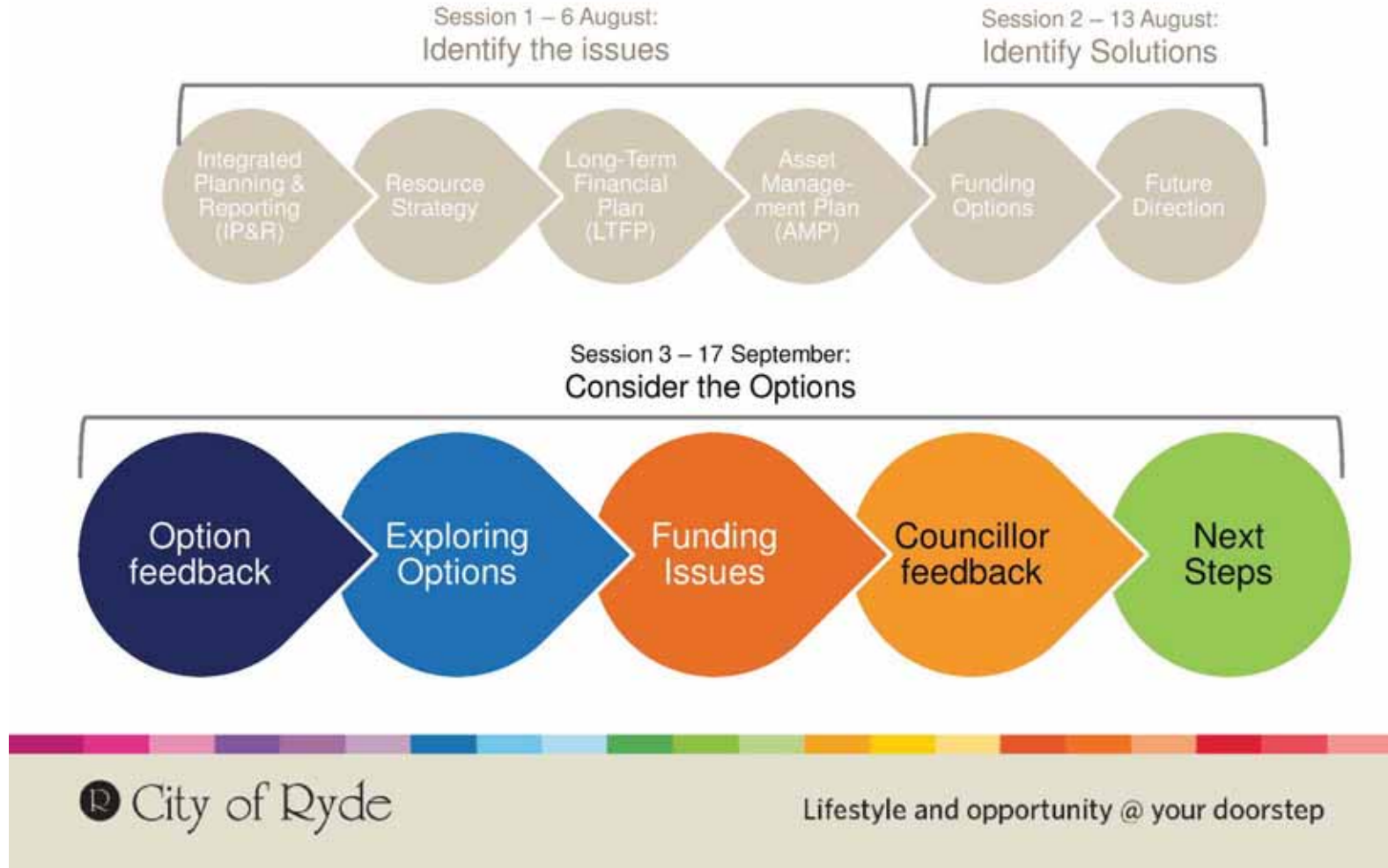
17 September 2013



ITEM 11 (continued)

ATTACHMENT 3

The Agenda: Framing Our Financial Future

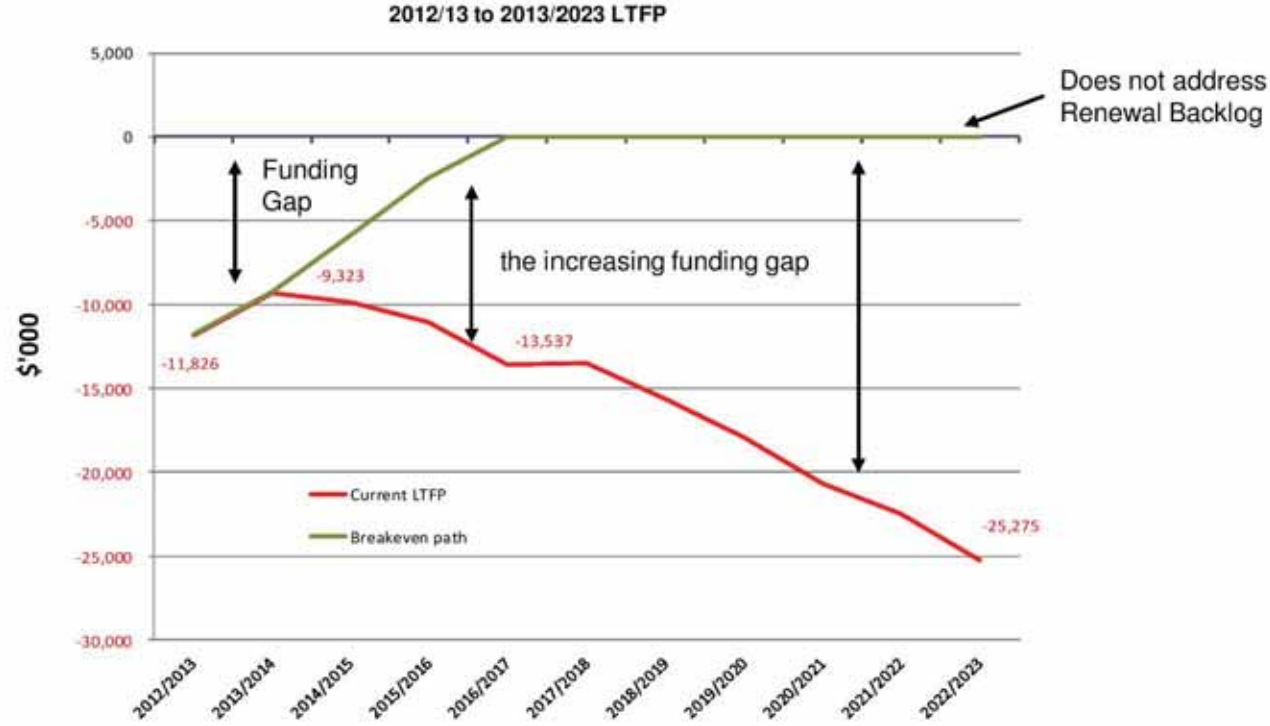


ITEM 11 (continued)

ATTACHMENT 3

Recap

Our Operating Result before Capital



Councillors acknowledged the projection towards a \$25M deficit

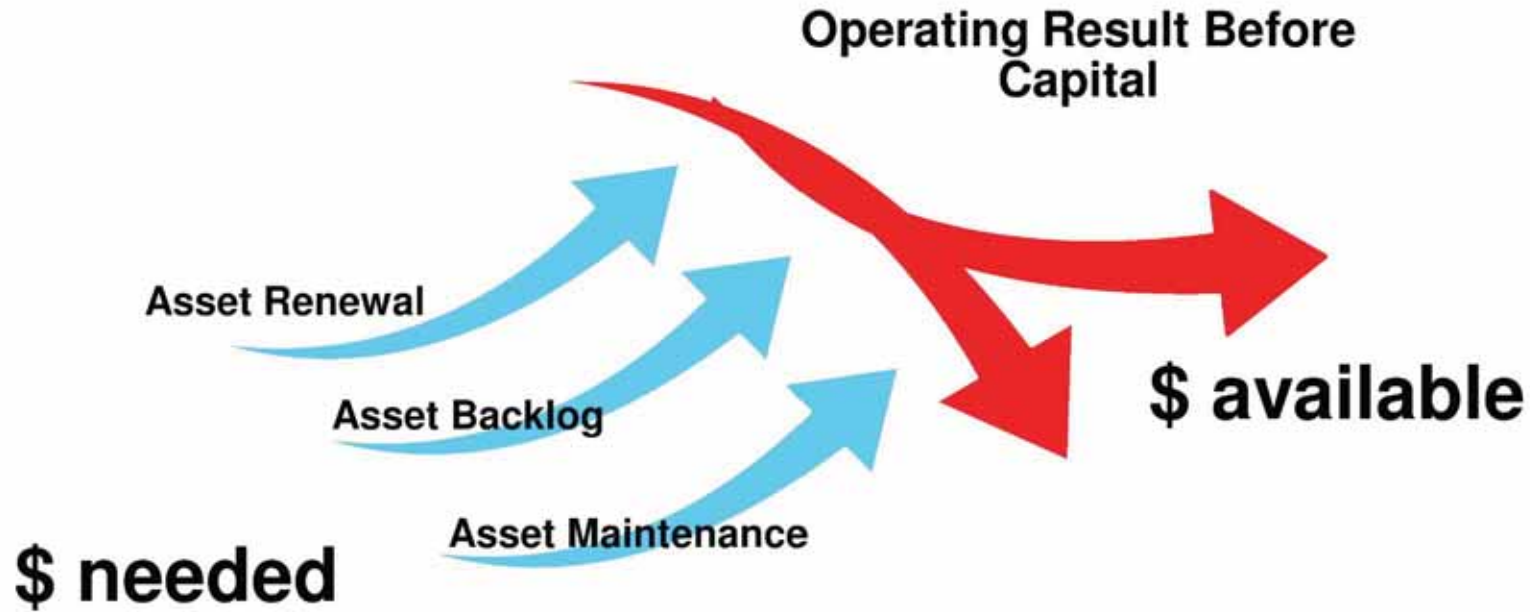
ITEM 11 (continued)

ATTACHMENT 3



Recap

A mix of options can turn this around



Councillors agreed a mix of options would need to be applied to fix the issues

ITEM 11 (continued)

ATTACHMENT 3

Recap

Councillors answered these questions

At the end of the last workshop on 13 August you answered the following:

- | | |
|---|-----|
| 1. Do you believe that you have been provided with enough information to understand Council's current financial position? | YES |
| 2. Do you agree Council has a funding gap to address? | YES |
| 3. Do you support exploring options to close the funding gap? | YES |
| 4. What are your preferences in doing this? | |

Your feedback was as follows...

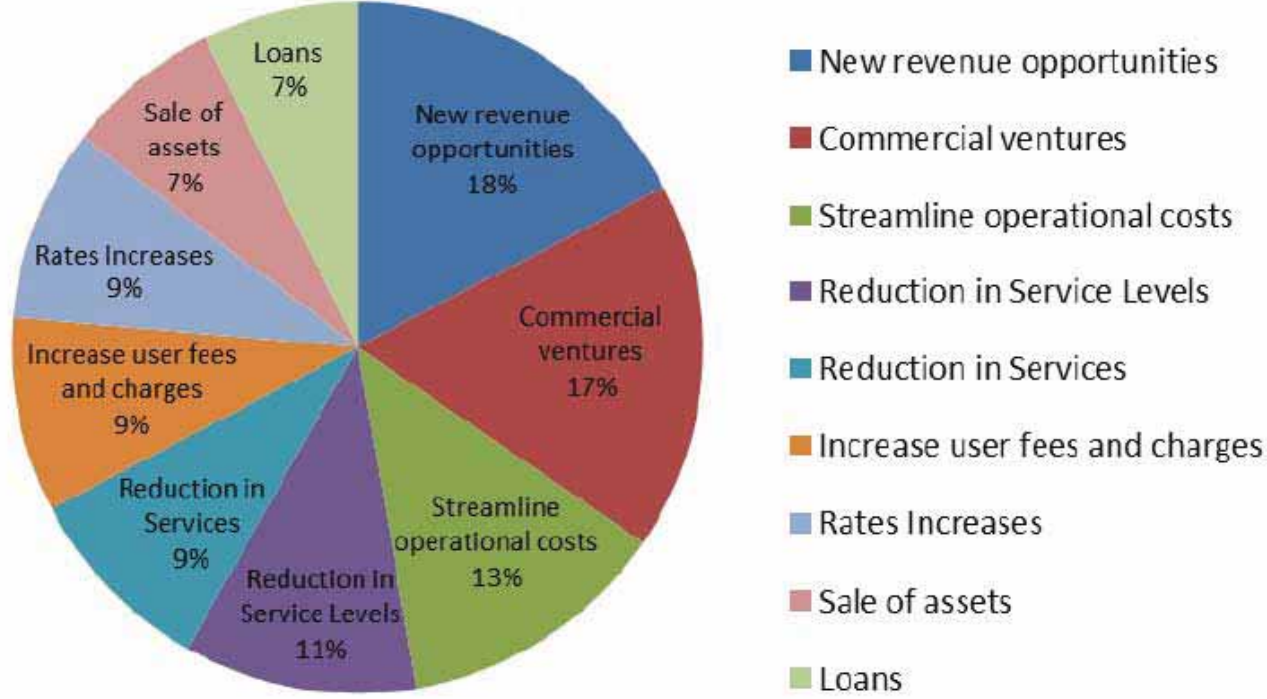
Councillors provided preferences on funding options to investigate further

ITEM 11 (continued)

ATTACHMENT 3



Your preference results



It is clear there is no single solution

City of Ryde

Lifestyle and opportunity @ your doorstep

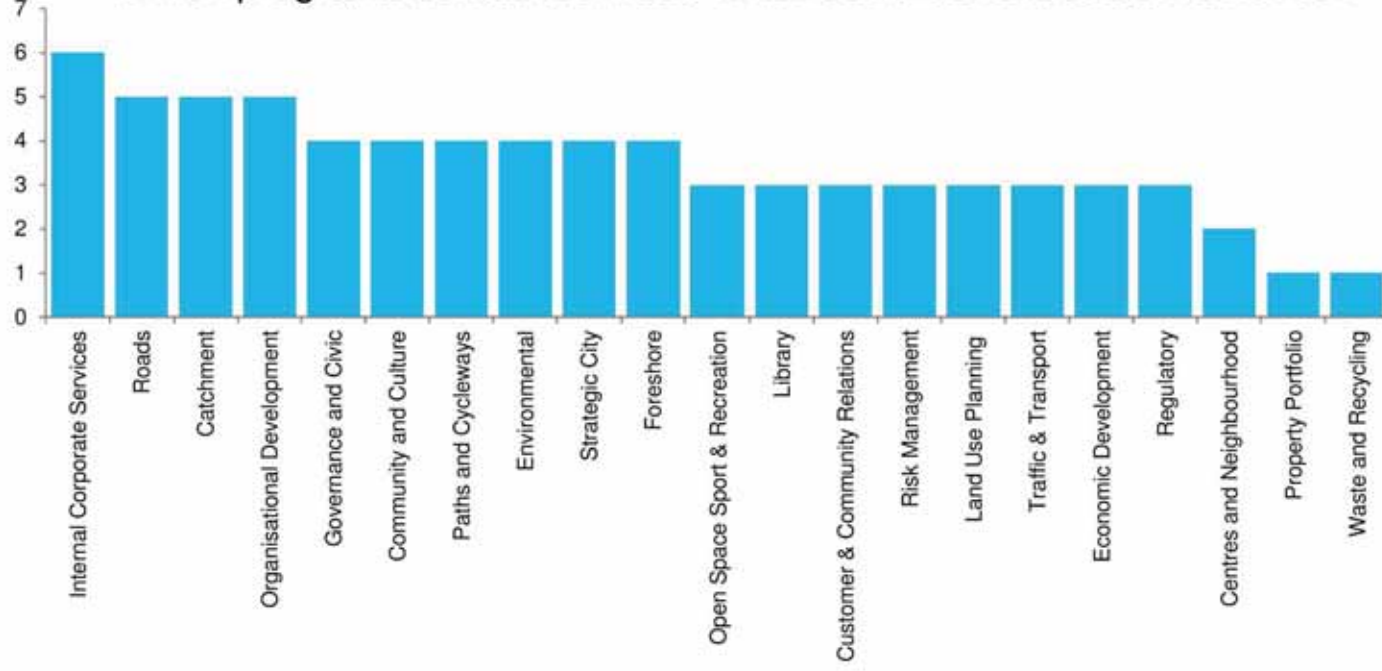
ITEM 11 (continued)

ATTACHMENT 3

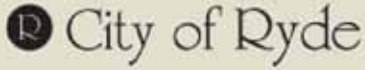


Programs Council identified for further investigation

Which programs contain services which could be reduced or removed?



There is a diversity of opinion regarding where to focus our attention



Lifestyle and opportunity @ your doorstep

ITEM 11 (continued)

ATTACHMENT 3



The funding options we have explored

In order of your preference feedback:

1. New revenue opportunities
2. Commercial business ventures
3. Streamline operational costs
4. Reduce Services or Service Levels
5. Increases in user fees and charges

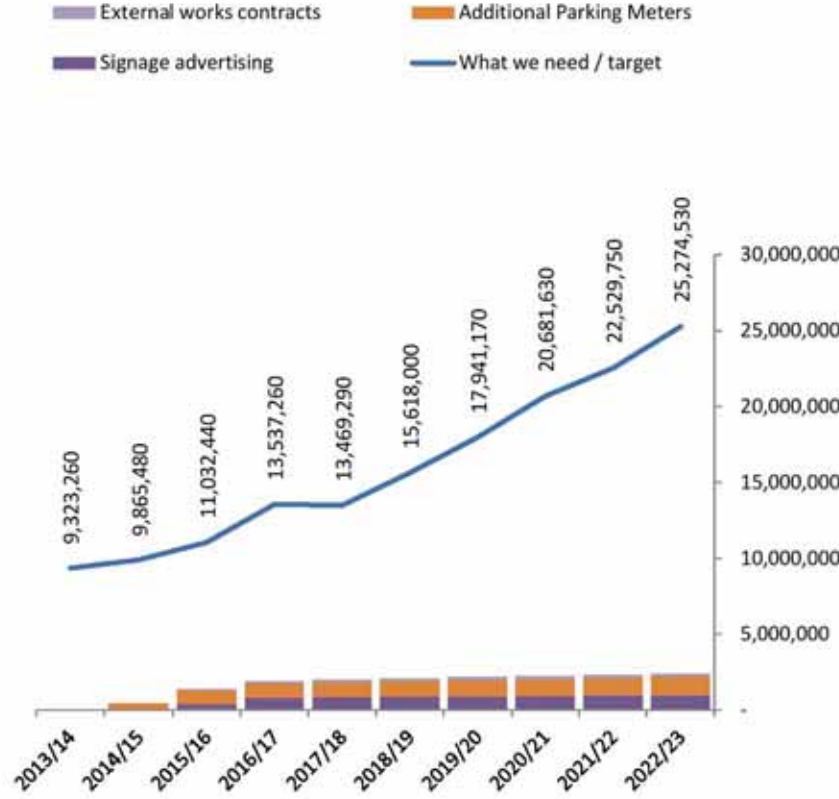
ITEM 11 (continued)

ATTACHMENT 3



1. New Revenue opportunities

- Revenue from advertising signage requires LEP/DCP amendments and DA consent (e.g. Adbooths, Multi-function poles, Bus Shelters, Car Parks)
- Parking Meters (possible trial in Eastwood)
- External works contracts for the Operations Unit of Public Works



ITEM 11 (continued)

ATTACHMENT 3



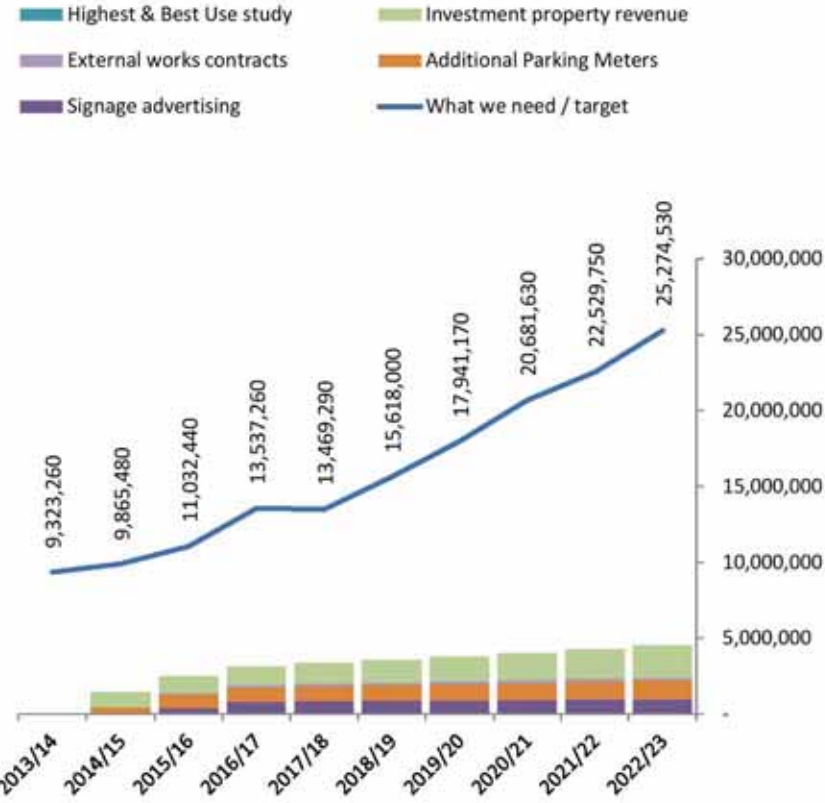
2. Commercial Business Ventures

- Investment Property Reserve – improve returns from the \$10M in Reserve to 10% p.a.
- Highest and Best Use study – Assess key sites and determine priority to explore options (medium to long term)

Priorities:

- Coulter Street Car Park
- Argyle Centre / Ryde Bowling Club

No \$ forecast



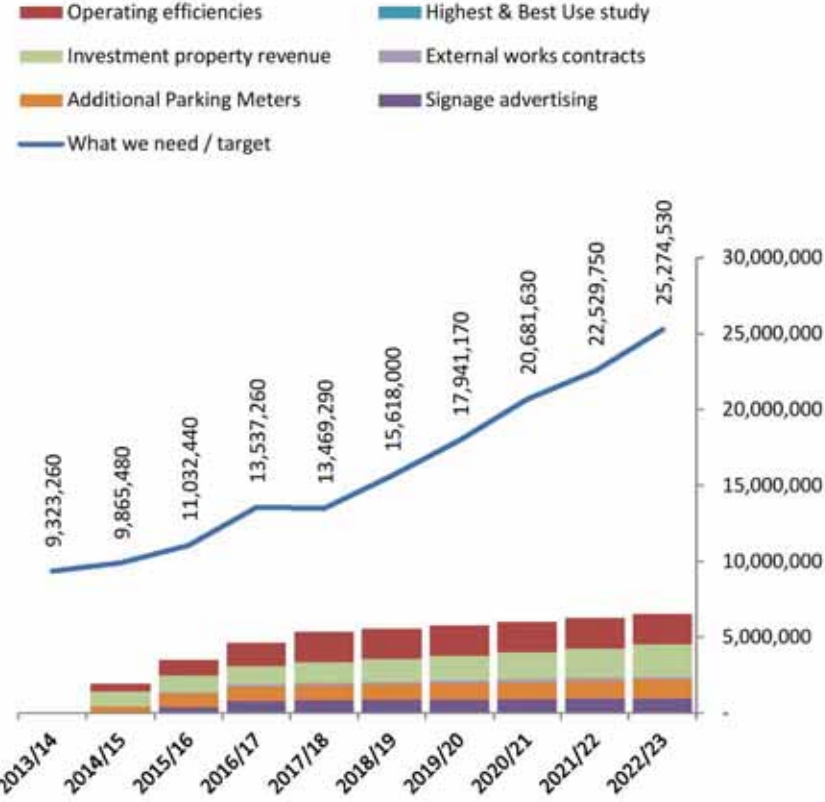
ITEM 11 (continued)

ATTACHMENT 3



3. Streamline Operational Costs

- Review and initiate operational savings
- Estimate up to \$0.5M in year 2 and 3 without reducing current services
- Assess internal corporate services for consideration of shared services with NSROC members
- This could increase this by approx. \$0.5M under a shared service model in years 4 and 5



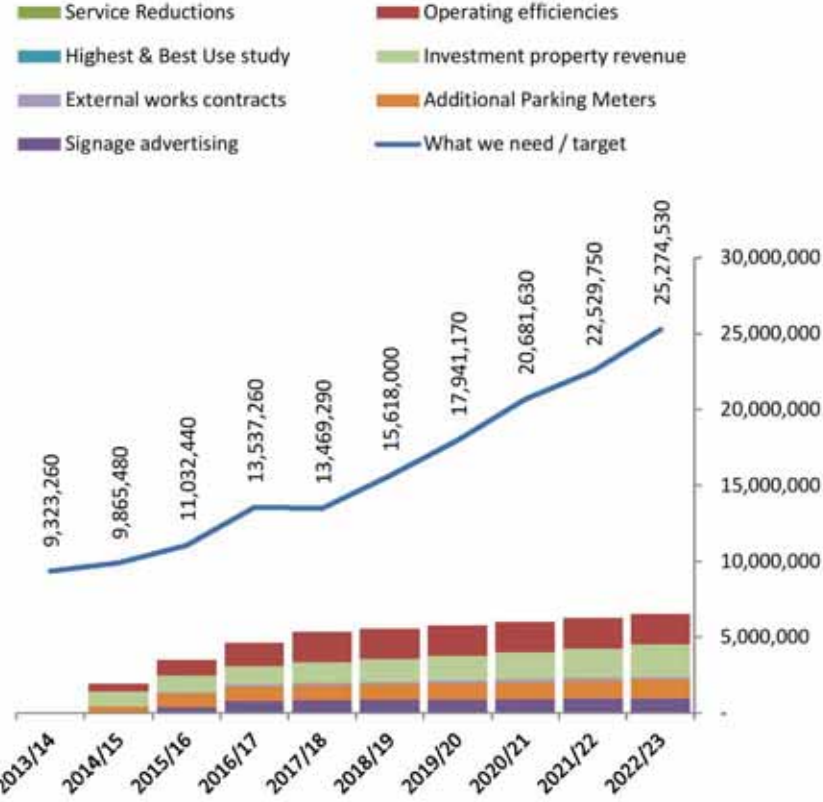
ITEM 11 (continued)

ATTACHMENT 3

Exploring
Options

4. Reduce Services or Service Levels

- Need Councillor and Community input to guide which services and service levels to investigate further and prioritise
- This will be the subject of a future workshop with Councillors
- No \$ forecast



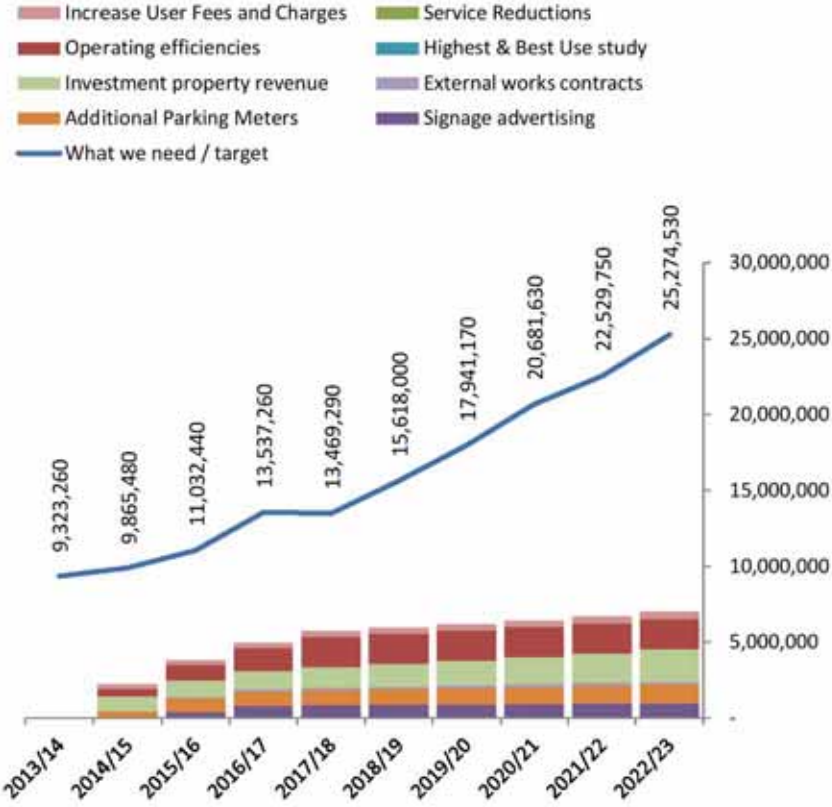
ITEM 11 (continued)

ATTACHMENT 3

Exploring
Options

6. Increases in User Fees and Charges

- Need Councillor and Community input to guide which user fees and charges could be increased
- Councillors already identified community concern about recent increases
- History suggests the most we could expect year on year from an increase in user fees and charges is 5%



ITEM 11 (continued)

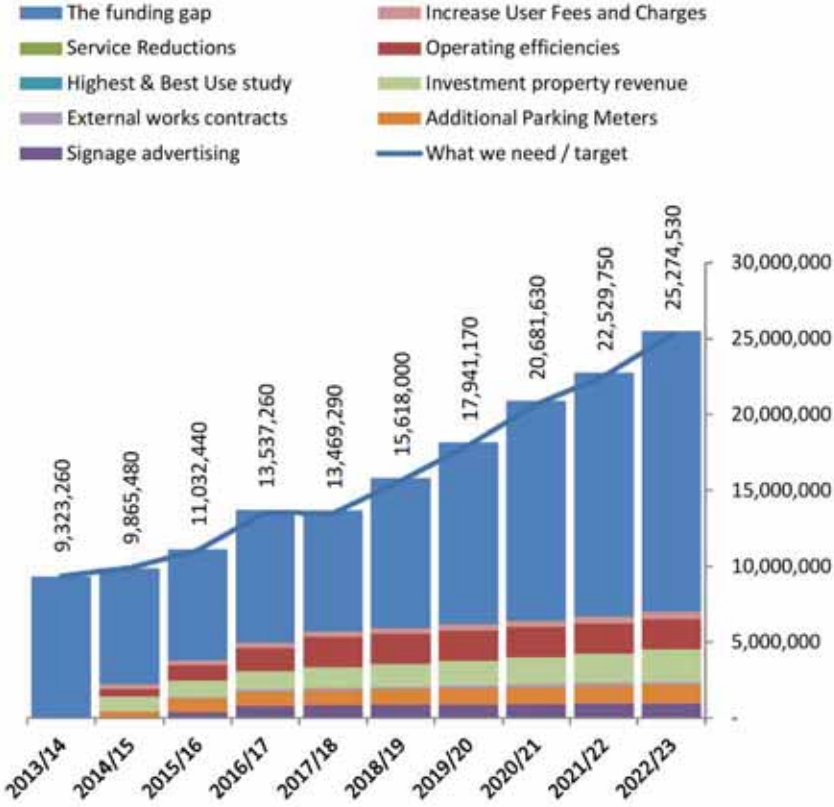
ATTACHMENT 3



After these options there is still a gap

- A rate increase of up to 10% above rate pegging would be needed for the first 3-4 years
- The earliest this could be realised is 1 July 2015

Council's only other option to close the gap is a Special Rating Variation (SRV)



ITEM 11 (continued)

ATTACHMENT 3



Feedback and Questions

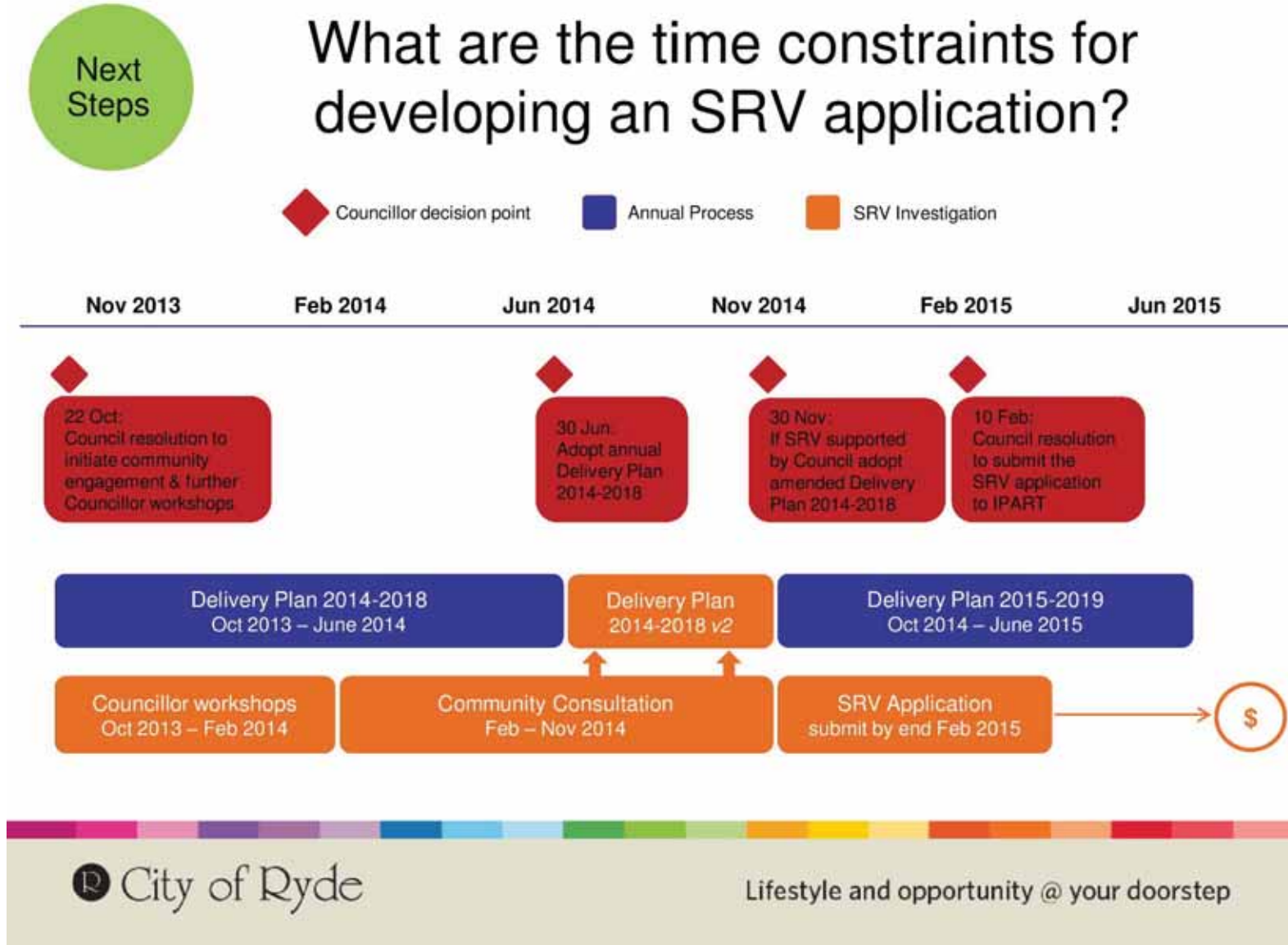
- Can Councillors indicate agreement to further investigate these options, both with Council and the Community?
- Will Councillors consider exploring an SRV application?
- Are there any other issues?

A report will be put to Council on 22 October seeking support for:

- a) further workshops with Councillors and
- b) initiating Community Engagement on services and service standards

ITEM 11 (continued)

ATTACHMENT 3



ITEM 11 (continued)

ATTACHMENT 3

Next
Steps

Where to from here?

- Next Workshop 8 October 2013:
 - Discuss a plan for Councillor workshops, discussion with IPART and more information on timeframes for Community Engagement
 - Present initial Community Feedback on priorities / satisfaction / willingness to pay options
- Future workshops will be scheduled in October and November on:
 - Assets and asset standards
 - Services and service levels
 - Program costs and saving opportunities
- If supported, prepare for and initiate discussions on desired service standards and service levels with the Community to start in Feb 2014

ITEM 11 (continued)

ATTACHMENT 4



Our Financial Future - Part 4

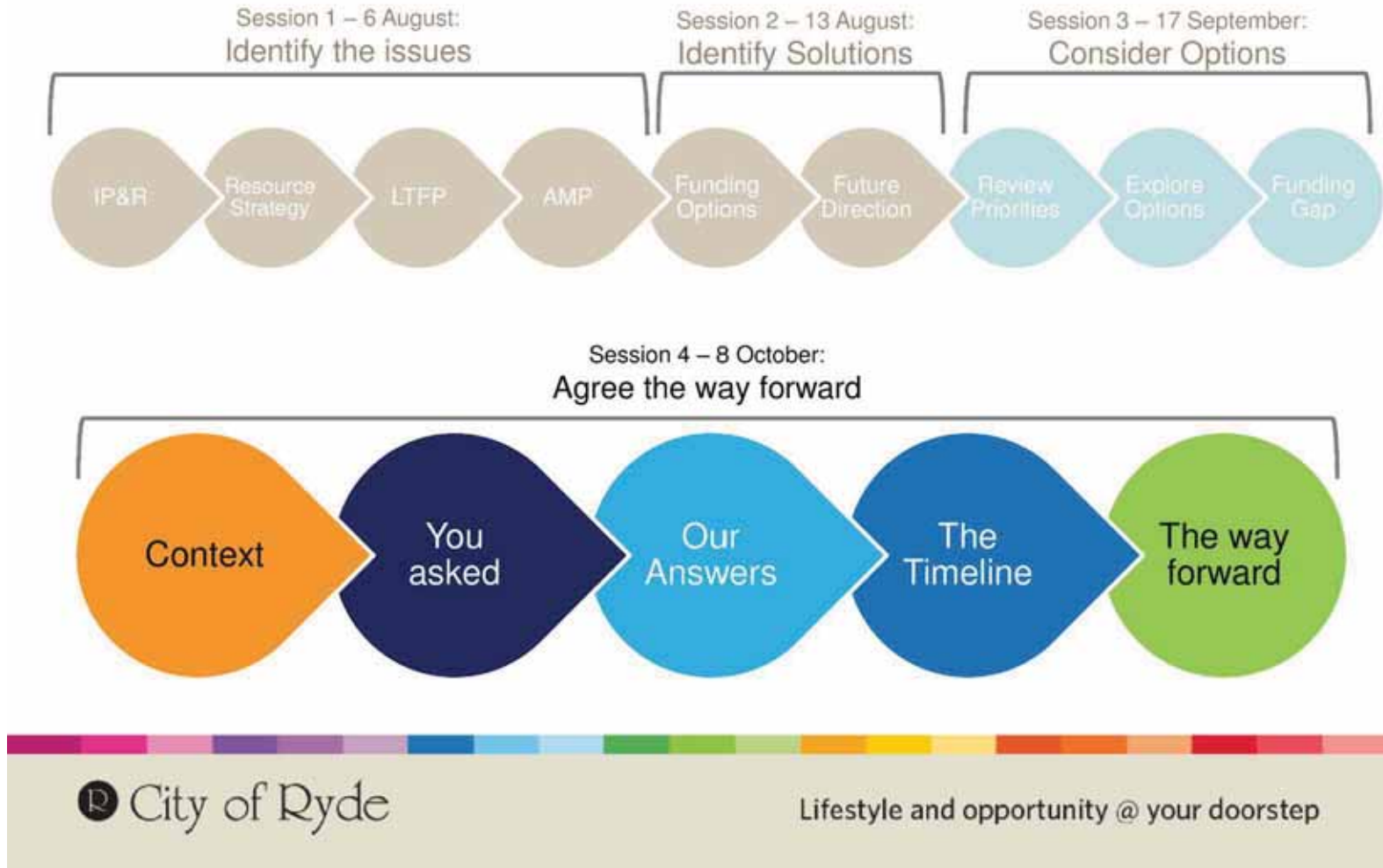
8 October 2013



ITEM 11 (continued)

ATTACHMENT 4

The Agenda: The way forward



ITEM 11 (continued)

ATTACHMENT 4

Context

What is affecting your decision?

State Government Context

- Independent Local Government Review Panel
- Local Government Act Taskforce
- Planning White Paper
- NSROC/SHOROC discussions on Merger
 - Possible Shared Services Model

ITEM 11 (continued)

ATTACHMENT 4



What about Kur-ring-gai?

Council data as at 2010/2011	Est. Resident Population	FTE	FTE / per 1,000 residents	Employee Costs/per 1,000 residents	Materials & Contracts / 1,000 residents	Employees and Contracts costs / 1,000 residents	Total Ordinary Expenses (Excl. Water & Sewerage)	Total Operating Costs per capita	Total Operating Revenue per capita	Interest Revenue
Ku-ring-gai Council	114,142	429	3.76	\$294,773	\$242,855	\$537,629	\$89,033,000	\$780	\$829	\$7,310,000
Ryde City Council	106,289	486	4.57	\$316,533	\$199,315	\$515,848	\$84,101,000	\$791	\$795	\$4,429,000

- Tcorp rating is Sound, Neutral
- Report operating surpluses for the past three years
- Kur-ring-gai run 4 libraries - Lindfield, Gordon, St Ives and Turramurra; and operate the West Pymble pool
- Ku-ring-gai has had two IPART rate increases
 - 7.8% in 2011/12 and 8.4% in 2013/14

Answer:

- Refer to the Background paper page 5

ITEM 11 (continued)

ATTACHMENT 4

NSROC SRV application history

Member Council	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Hornsby Shire Council	7.80%	6.40%	3.90%				
Hunters Hill Council		10.40%	10.67%				
Ku-ring-gai Council	7.80%		8.40%				
Lane Cove Council	10.24%						
North Sydney Council	5.50%	12.34%	14.57%	5.50%	5.50%	5.50%	5.50%
Willoughby Council	2.80% not approved	3.60%					

ITEM 11 (continued)

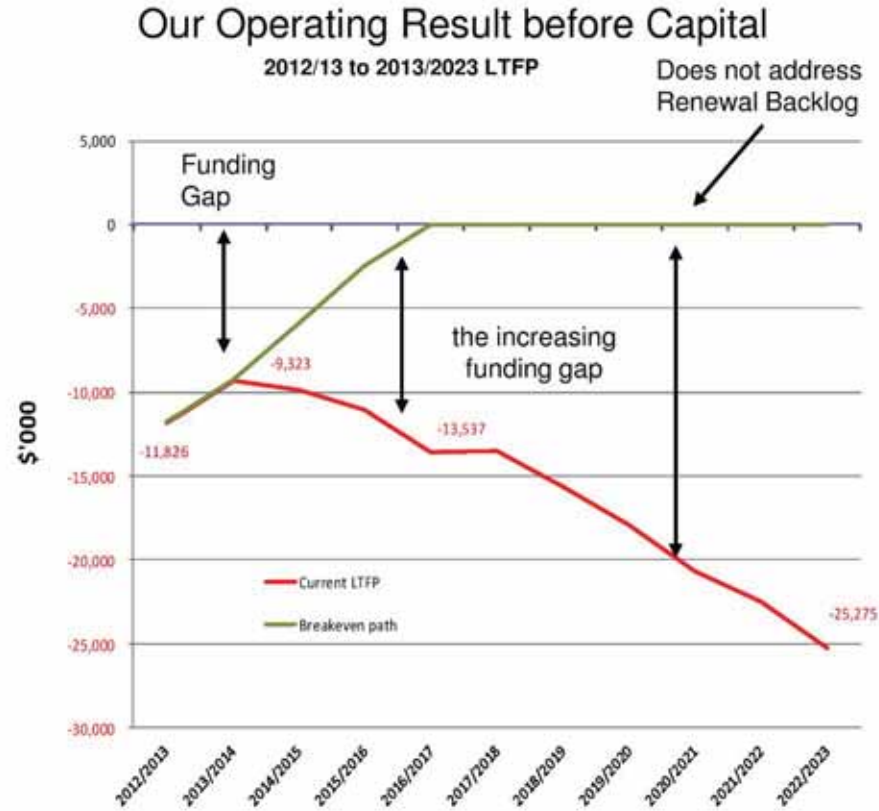
ATTACHMENT 4



Why is the gap to increasing so rapidly?

Answer:

- Refer to the Background paper pages 7-16



ITEM 11 (continued)

ATTACHMENT 4



Key areas driving funding gap

- Depreciation
 - driven by the growing asset base
- Controllable Income
 - Fees and charges are heavily subsidised and have not kept pace with CPI
- Employee costs
 - Award rates have increased by 14.3% over the past 4 years, rate pegging only 13%
- Non-discretionary spending
 - Includes increased maintenance
- Discretionary spending
 - Currently represents only 8% of spending
 - Decreased by 3.57% in real terms from last year

ITEM 11 (continued)

ATTACHMENT 4

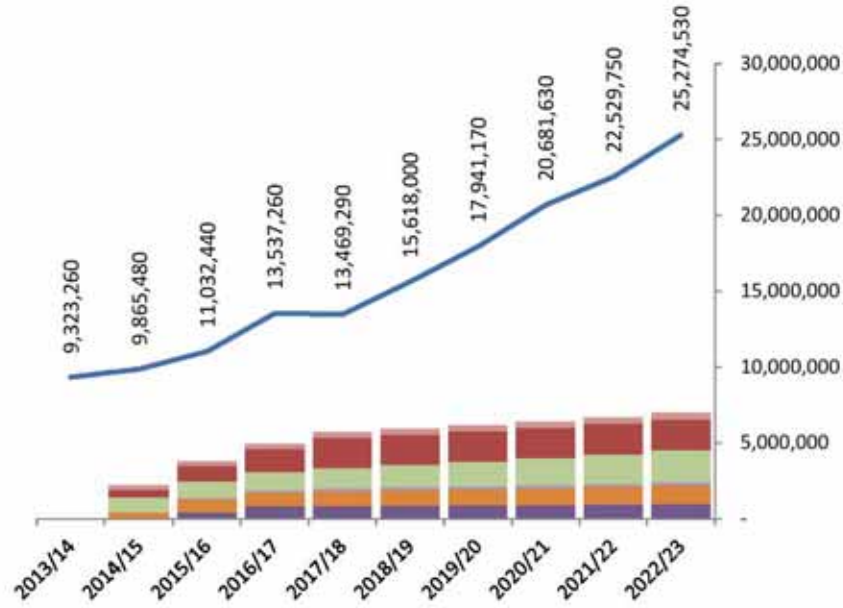


Can we provide detail for the options?

Answer:

- Refer to background paper pages 17-24

- | | |
|----------------------------------|----------------------------|
| ■ Increase User Fees and Charges | ■ Service Reductions |
| ■ Operating efficiencies | ■ Highest & Best Use study |
| ■ Investment property revenue | ■ External works contracts |
| ■ Additional Parking Meters | ■ Signage advertising |
| ■ What we need / target | |



ITEM 11 (continued)

ATTACHMENT 4



Service reductions have already begun

- Operational / maintenance savings are necessary under current budget constraints
- Operations service reductions have already been required
- Operations (inc. maintenance) currently underfunded by \$295K p.a. even after these reductions have been made.
- Refer to background paper page 22

ITEM 11 (continued)

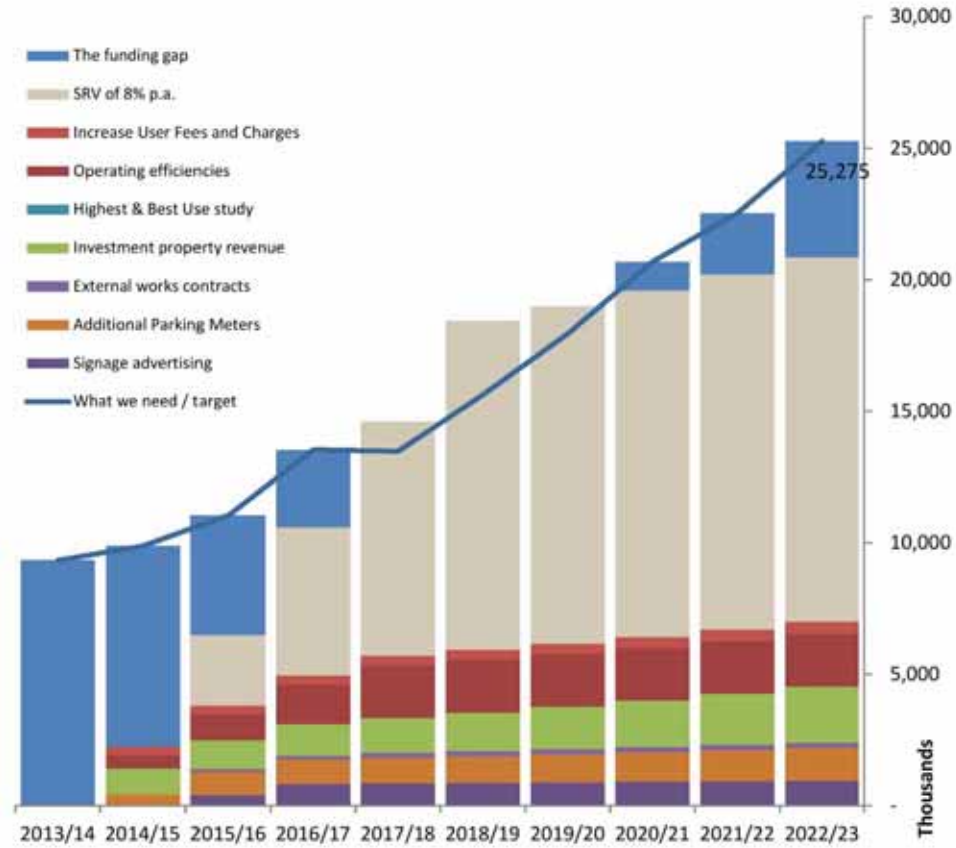
ATTACHMENT 4



Will an SRV cover the remaining gap?

Answer:

- Refer to background paper pages 26-28
- Assumes a permanent increase of notional yield
- Amounts above the line allow for investment in the Renewal Backlog



ITEM 11 (continued)

ATTACHMENT 4



What impact will an SRV have?

- Increase of 8-10% p.a. over 3–4 years to maintain current services

Rate impact – average residential	Annual increase	Per week increase
Current average	\$960	
8 % increase	\$77	\$1.48
10% increase	\$96	\$1.85

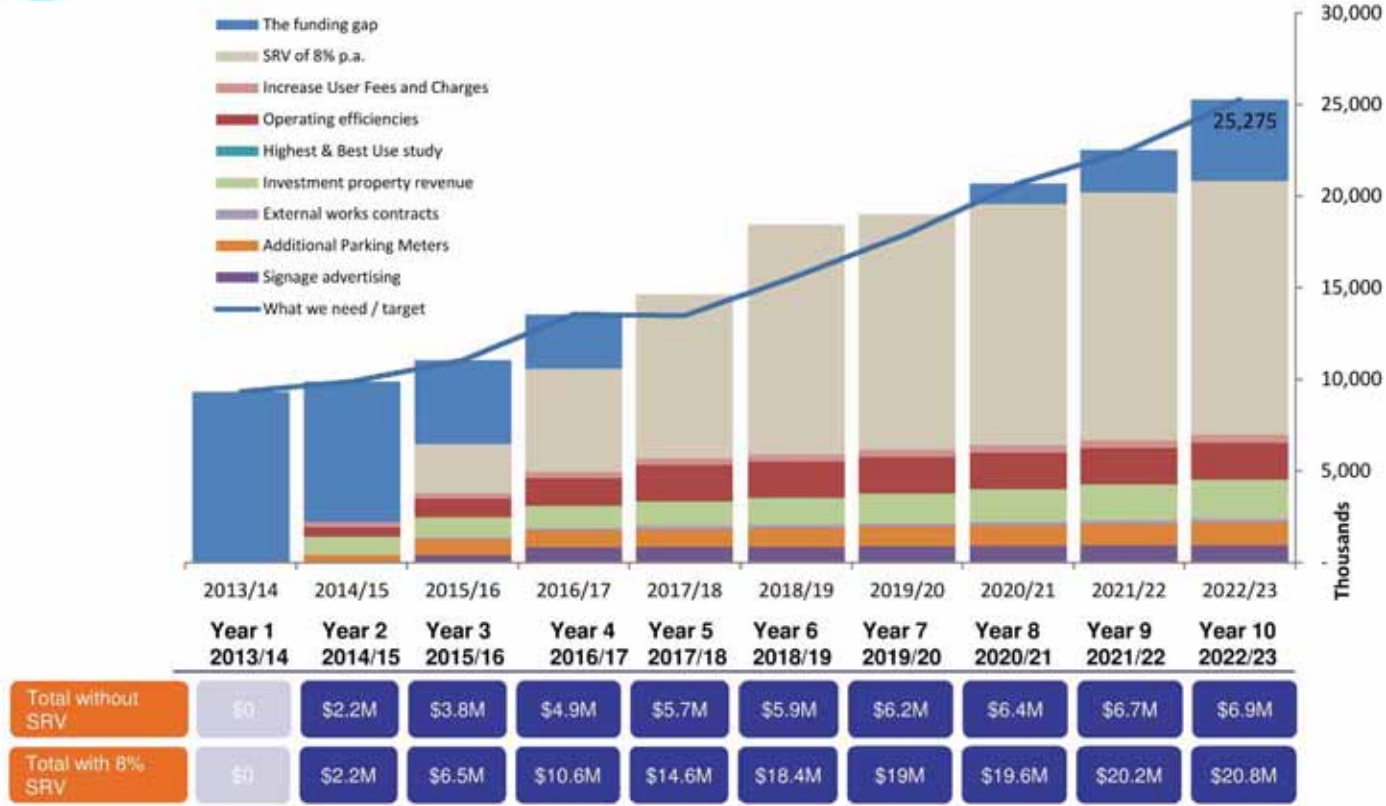
- The impact of amalgamation with Parramatta would see rates increase with a reduction in services
- This question can only really be answered once we have input from the community regarding what they would pay and in what areas they want to see services reduced

ITEM 11 (continued)

ATTACHMENT 4

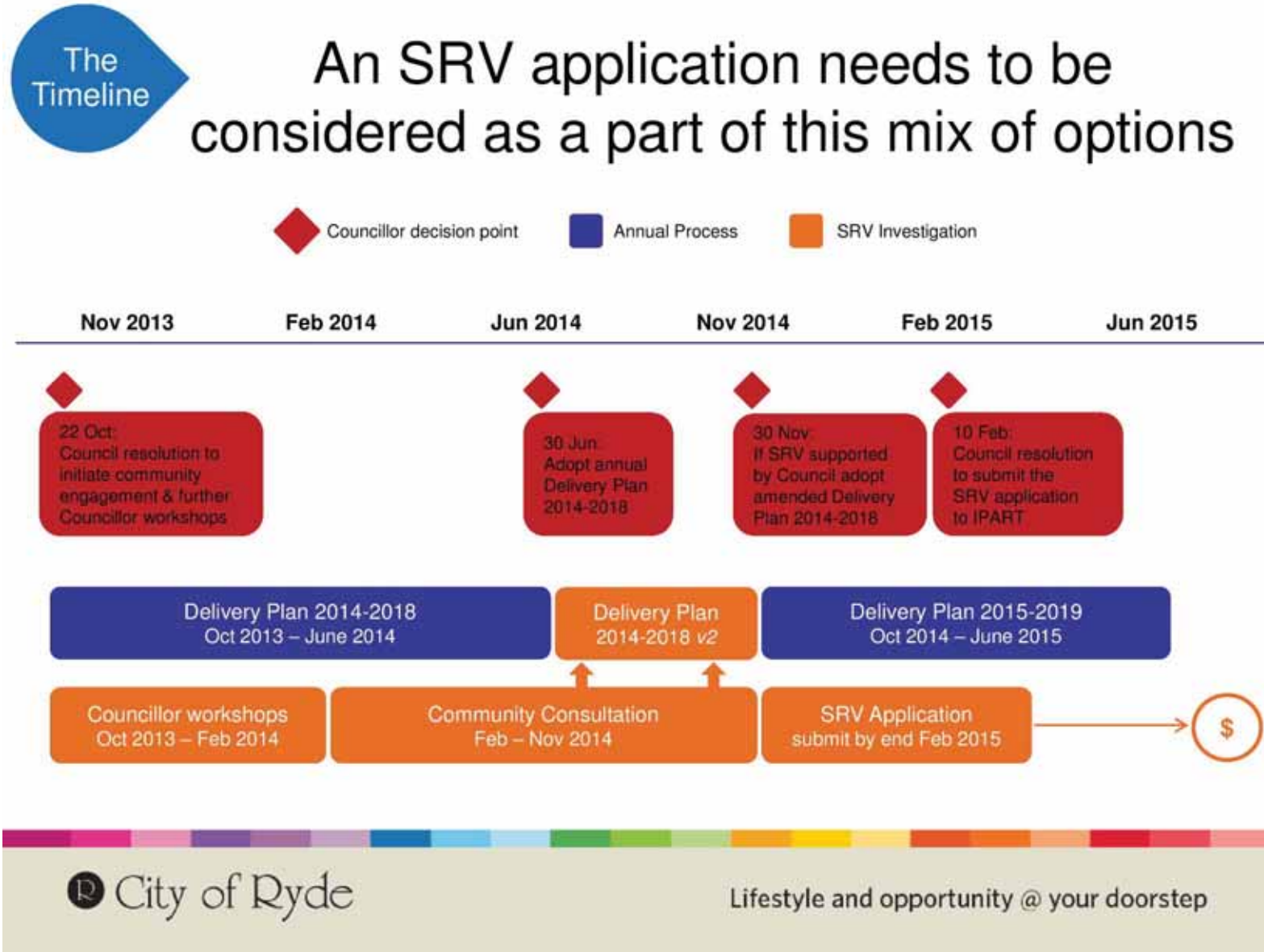


How will this change the outlook?



ITEM 11 (continued)

ATTACHMENT 4



ITEM 11 (continued)

ATTACHMENT 4



Councillor Feedback

- More commercial operations – i.e. parks, river walk, cafes
- Optimise assets
- Reduce operating costs

ITEM 11 (continued)

ATTACHMENT 4



What do the community think?

- ILGRP Polling of over 1,000 Sydney residents and 500 in Hunter region
 - Council rates were fairly good value
 - 'Low' agreement in having Council rate rises kept to a minimum even if it meant local services being cut
 - Residents more likely to disagree with regards to seeing a cut in local services, facilities and infrastructure if it meant they paid less in Council rates.

ITEM 11 (continued)

ATTACHMENT 4



Where to from here?

- Councillors endorse the initiatives to improve operating results plus initial community engagement on possible SRV application
- Future workshops in October and November on:
 - Community Engagement Plan
 - Asset conditions and asset standards
 - Service standards and service levels
 - Operating efficiencies

ITEM 11 (continued)

ATTACHMENT 4

Any Questions?

ITEM 11 (continued)

ATTACHMENT 4

REPORT



To: Councillors
From: Roy Newsome, Acting General Manager
Date: Friday 4 October 2013
Subject: Report on Financial Futures Workshops
8 October 2013



The purpose of this report is to:

- Provide Councillors sufficient background information as requested for the Financial Futures Workshop on 8 October 2013
- Answer queries that have been raised at previous workshops about the detail
- Bring Councillors to a point where they will be able to provide clear direction to staff

It is intended that this matter will be reported to Council's meeting on Tuesday 22 October 2013 along with the public presentation of the Financial Statements and the report on the desktop audit of the Independent Local Government Review Panel's (ILGRP) options.

Workshops already held

Councillors would be aware that there have been three workshops held in relation to this matter in recent months being:

- Workshop 1 – 6 August: Identifying the Issues
- Workshop 2 – 13 August: Identifying Solutions
- Workshop 3 – 17 September: Considering the Options

Outcomes for this meeting

The outcome for this meeting is agreement by Councillors on the following items:

- Agreement to the current financial state of Council and the funding gap
- Agreement to the projected future financial state of Council, based on current spending patterns
- Agreement as to how Council wishes to address closing the funding gap
- Agreement on how Council will advance this matter

ITEM 11 (continued)

ATTACHMENT 4

Report to Council Workshop on Tuesday 8 October 2013

Current Context

Key Elements

- Independent Local Government Review Panel
- Local Government Act Taskforce
- Planning White Paper
- NSROC/SHOROC discussions on Merger – Possible Shared Services Model

Current Status

- Independent Local Government Review Panel: Review of submissions and draft final report to the Minister due September 2013. The Panel have advised the report will be handed to the Minister in late October 2013.
- Local Government Act Taskforce: Currently in Stage 3 of the review which is consideration of the feedback received from both the workshops and written submissions. It also includes preparation of the report to the Minister which is due September 2013.
- Planning White Paper: Around 5,000 submissions were received. As a result of representations by Local Government NSW the tabling of the bill has been delayed.
- NSROC/SHOROC Mayors and General Managers having informal meeting on 10 October 2013 to discuss possible opportunities to merge and explore areas that could create benefits for all Councils.

Independent Local Government Review Panel

Following Council's resolution to request the Acting General Manager arrange an Independent desktop review, SGS Economics and Planning has been appointed.

Council's endorsed review of the ILGRP Structural Changes has shown that the options considered for amalgamations will result in higher average rates per property for residential properties than currently exist for the City of Ryde.

The survey undertaken by the Review Panel showed that a majority of residents did not support amalgamation of Councils due to concerns about local government areas becoming too large and because of the loss of local representation and identity. However, nearly half the respondents thought that amalgamations could lead to cost savings.

The Review Panel's own research has shown that people see Council rates as 'fairly good value' and most respondents to the survey undertaken would rather see rates rise than have cuts to local services. Similarly, most would be willing to pay more in rates if it meant the quality of local services improved.

Planning White Paper

Minister for Planning, Bradley Hazzard made the following statement in respect of the current status on the new Planning legislation.

It was my intention to introduce the bill this week but further consideration of the various issues that we are seeking to address will require a few more weeks, and we are happy to wait. Getting the planning system right and reflecting community needs for protecting the environment, our heritage, ensuring local government is at the centre of the new planning system, and putting a lot more housing into the market are critical issues for New South Wales.

The Government has listened to Local Government NSW and will respond as positively as possible within the Government's overall statements of intent in relation to the planning overhaul.

ITEM 11 (continued)

ATTACHMENT 4

Report to Council Workshop on Tuesday 8 October 2013



Independent Local Government Review Panel – SGS Economics and Planning Report

Councillors have been provided with the whole report, however, below are some of the key aspects with regard to consideration of Council's Financial Future.

The report considered four scenarios as a result of Council and community feedback and made the following conclusions:

Base case: Current local government boundaries continued.

- The current City of Ryde performs better than the options 1 and 2 in regards to TCorp financial sustainability indicators
- Ratio of operating deficit to operating revenue is highest (worst) for City of Ryde compared to options 1 and 2.
- Impact on rates not applicable.

Option 1 (ILGRP proposal): the amalgamation of Auburn, Holroyd, Parramatta and Ryde and moving northern boundary of Parramatta and Western Ryde to M2.

- Option 1 performs worse than option 2 in regards to TCorp financial sustainability indicators (and worse than the base case).
- Ratio of operating deficit to operating revenue is lowest (best) for Option 1 compared to base case and option 2.
- Impact on rates for Ryde area is higher average rates per property for residential and business than grouping of Councils, to maintain total rate income.
- Accessible within 30-45 minutes from the Parramatta CBD, weaker household travel patterns between Ryde and Parramatta, stronger journey to work linkages between NW and Ryde (Macquarie Park in particular).

Option 1A (ILGRP variation): as per option 1 but without the East Ward of Ryde in the amalgamated LGA boundaries.

- Same as above for financial performance
- Financial performance 1A has not been assessed due to lack of sub-LGA information.
- As above, except that east ward in City of Ryde has been linked with North Shore Council grouping.

Option 2 (North shore): the amalgamation of Hunters Hill, Lane Cove, Ryde and Willoughby. This is one of the preferred options identified by the Ryde community in consultations.

- Option 2 performs better than option 1 in regards to TCorp financial sustainability indicators (but not as well as base case).
- Ratio of operating deficit to operating revenue for option 2 is higher (worse) than Option 1 but is lower (better) than the base case.
- Impact on rates for Ryde area is lower average rates per property for residential and business than grouping of Councils, to maintain total rate income.
- Accessible within 30-45 minutes from the Chatswood CBD, stronger household travel patterns

ITEM 11 (continued)

ATTACHMENT 4

Report to Council Workshop on Tuesday 8 October 2013



Independent Local Government Review Panel – IRIS Research Outcomes

An opinion poll was conducted on behalf of the Independent Local Government Review Panel. A total of 1,003 residents were interviewed in the Sydney Region and a further 500 in the Hunter region.

Councillors have been provided with the whole report, however, below are some of the key aspects with regard to consideration of Council's Financial Future.

The largest proportion of residents from both the Hunter and Sydney regions indicated that Council rates were fairly good value.

Residents from both Sydney and the Hunter regions were split with regards to their agreement to the statement "I would rather see Council rates rise than see cuts in local services".

Overall there was 'Low' agreement in having Council rate rises kept to a minimum even if it meant local services being cut.

Residents from both Sydney and the Hunter regions were more likely to agree 'highly' with regards to paying more in Council rates if it meant the quality of local services improved.

Residents from both Sydney and the Hunter regions were more likely to disagree with regards to seeing a cut in local services, facilities and infrastructure if it meant they paid less in Council rates.

Planning White Paper

As stated, this process has been delayed to allow further review. The areas of review are in keeping with the concerns outlined in COR's submission. These are:

- Development Contributions – further tightening of controls and potential loss of unexpended funds.
- That the Community may be disenfranchised from the redevelopment process.
- Unrealistic timeframes and resourcing required to implement the White Paper if the legislation comes into effect.
- Lack of consideration of local issues such as:
 - Direct rezoning of major precincts under a subregional plan
 - The use of fewer land use zones in a local plan
 - The use of building envelopes without the use of floor space ratios to determine urban form
 - Councils being unable to seek exemptions to complying developments.

ITEM 11 (continued)

ATTACHMENT 4

Report to Council Workshop on Tuesday 8 October 2013

Article from the Financial Review 1 October 2013

The below article provides additional context for the current lack of infrastructure investment.

Get focus on infrastructure right: Henry

Jenny Wiggins

Former Treasury secretary **Ken Henry** has accused governments of lacking courage to make infrastructure investment decisions based on rigorous financial analysis, claiming they instead pander to special interests.

Dr Henry, who is chairman of the University of Wollongong's SMART infrastructure group, told *The Australian Financial Review* governments were not undertaking stringent cost-benefit analyses when planning projects.

"Governments are making decisions based on short-term political benefit rather than looking long-term at what's in the national interest," he said, adding they needed to make "brutal assessments" of high priority projects.

Governments were too reluctant to finance projects using public debt, he said. "In many cases, it makes perfectly good sense for public debt to be raised to invest in public infrastructure."

Dr Henry's comments come amid debate over Australia's high infrastructure costs, with academic **Henry Ergas** telling SMART's infrastructure symposium in Sydney that poor project analysis and too much emphasis on tunnelling underground had created "extraordinary" costs in Australia.

"Often there are real problems in the

quality of appraisals," said Professor Ergas, professor of infrastructure economics at SMART and who was also at the university's Business and Policy Dialogue in Sydney on Monday.

Professor Ergas said that while spending on infrastructure remained relatively high, at around \$950 per person in recent years, Australia was not choosing the right projects to invest in. "Our problem is not that we spend too little," Professor Ergas said. "It's that we don't spend well."

As well as having an expensive process for project approvals, including environmental approvals, Australia spent too much money on "extreme solutions" such as underground road tunnels to minimise community opposition to infrastructure projects and because projects were not planned far enough in advance, he said. US cities spent far less on building tunnels.

Dr Henry said Australia could solve some of its growing congestion problems by charging for access to existing infrastructure. He pointed out NSW truck drivers were not allowed to drive across wooden bridges in rural areas.

"I would like to see a system in which a truck driver pays a fee and that fee automatically goes into the account of

the local government," Dr Henry said.

"That would free up a lot of the road network in NSW that is presently just not there for road transport."

"We need to have these things openly discussed so people get used to the idea of costs and benefits."

But **Gordon Noble**, director of investments at the Association of Superannuation Funds, said asking the electorate to pay for roads was difficult.

"We need to recognise the limitations of user-pricing models that charge, for instance, road users to use a toll road," he said. "Support is not inexhaustible and [it is] subject to the budget constraints that families face."

 [Go to tv.afr.com](http://tv.afr.com) Ken Henry backs congestion charges

Key points

Former Treasury boss Ken Henry says governments must look harder at cost-benefits in projects.

Economist Henry Ergas says we do not spend wisely.

ITEM 11 (continued)

ATTACHMENT 4

Report to Council Workshop on Tuesday 8 October 2013

Your questions answered

What about Kur-ring-gai?

The following information is taken from the latest available comparative data provided by the Department of Local Government.

Council as per 2010/11 comparative data	Ku-ring-gai	City of Ryde	NSROC
Estimated Resident Population within Council Boundaries	114,142	106,289	567,194
Number of Equivalent Full Time Staff	429	486	2,480
Staff / per 1,000 residents	3.76	4.57	4.37
Operating Costs per capita	\$780.02	\$791.25	\$885.24
Average rate per residential assessment	\$780.15	\$610.44	\$742.35
Average rate per business assessment	\$3,375.81	\$6,736.96	\$3,744.26
Rates Revenue (Ordinary and Special) and Annual Charges	\$62,780,000	\$56,338,000	
Interest Revenue (incl. Developer contributions interest)	\$7,310,000	\$4,429,000	
Other Revenues	\$7,404,000	\$5,406,000	
Total operating revenue per capita	\$828.60	\$795.46	\$898.84
Total Ordinary Expenditure	\$89,033,000	\$84,101,000	
Materials and Contracts/per 1,000 residents	\$242,855	\$199,315	\$259,543
Employee Costs/per 1,000 residents	\$294,773	\$316,533	\$350,993
Employee and Contracts costs/per 1,000 residents	\$537,629	\$515,848	\$610,535
Revenue from Continuing Operations	\$92,886,000	\$81,090,000	
Community services expenses per capita	\$43.40	\$27.36	\$47.71
Net recreation, leisure and cultural expenses per capita	\$116.55	\$108.46	\$137.90
Housing and community amenities expenses per capita	\$36.82	\$62.65	\$59.61

Whilst at first look, it appears that Kur-ring-gai is more efficient than City of Ryde, with a lower number of staff and employee costs per 1,000 residents based on their FTE, it should be noted that Kur-ring-gai report a higher use of contractors. When employee and contract costs are combined City of Ryde has a lower cost per 1,000 residents.

Kur-ring-gai had two IPART rate increases in the recent past, 7.8% in 2011/12 and 8.4% in 2013/14.

Kur-ring-gai has been reporting operating surpluses for the past 3 years. They run four libraries and the West Pymble Pool.

Kur-ring-gai have a higher revenue results against rates, annual charges, interest and other revenues. The additional \$3 Million in interest revenue relates to \$4 Million from Section 94. When this restricted revenue is removed, the City of Ryde exceeds Kur-ring-gai by \$1.1 Million.

There is a significant difference in the services offered at Kur-ring-gai and City of Ryde that makes these simple comparisons misleading. For example Kur-ring-gai do not have any public amenities buildings listed in Special Schedule 1. A more detailed analysis would require greater investment of time using a consultant to establish where comparisons can be made.

ITEM 11 (continued)

ATTACHMENT 4

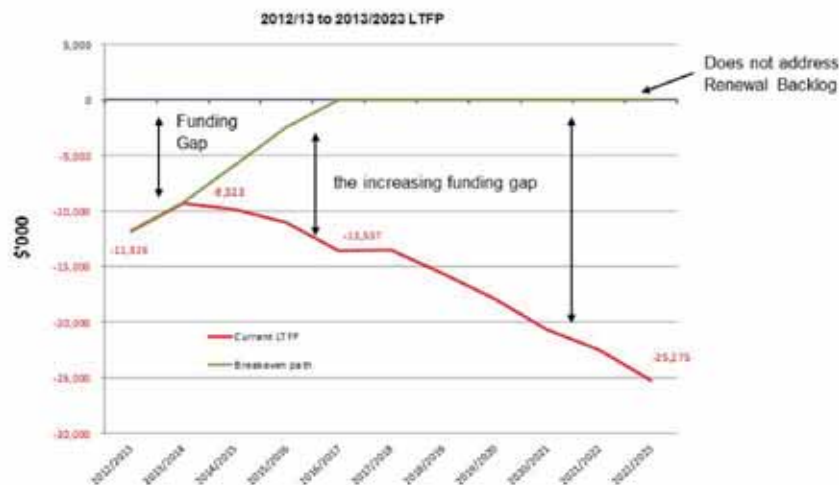
Report to Council Workshop on Tuesday 8 October 2013

Supporting Information: Why is the gap increasing so rapidly?

Financial position/funding gap

Council has an operational deficit, which represents the amount of funds it is short or deficient in allocating to annual asset renewals or towards the asset infrastructure backlog.

Operating Result before Capital



The Operating Result Before Capital represents the amount of depreciation that is not funded from operating income on an annual basis.

Many people consider depreciation only to be a book entry and that it does not represent the use of cash. Depreciation is reflected in the Income Statement as an operational cost. What has to be remembered is that depreciation is the consumption of assets over the life of the asset, NOT the expenditure of cash, BUT it represents the amount of cash that a Council should raise through operational income AND spend on capital annually to renew its assets to keep them at a satisfactory level.

There are philosophical arguments regarding intergenerational payment for infrastructure assets, but whether you borrow to renew infrastructure assets, and have that generation pay the principal and interest or have this generation pay the depreciation, both require approximately the same amount of funding for the capital cost of the renewal.

In the above graph, the red line, as detailed in Council's Long Term Financial Plan (LTFP) shows that the Operating Result Before Capital is set to decline over the next ten years, from a projected deficit in 2013/2014 of \$9.32 million to \$25.27 million in 2022/2023.

This means that there is approximately \$9.32 million that Council should have raised in 2013/2014 to spend on the renewal of its assets in that year. And this will progressively get worse, unless addressed, growing to be \$25.27 million by 2022/2023.

The other effect of not funding asset renewals is that the cost for maintenance will grow. This is due to deteriorating assets requiring more intervention to be capable of being used. This in turn will cause the asset to deteriorate quicker. If left to continue unabated assets will eventually fail, requiring larger injections of funding to renew or they will need to be isolated and not be available for use by the public.

This aspect of asset renewal, intervention points and maintenance is proposed to be further explored by Council in a series of workshops on this topic alone, so that future discussions with the public can be informed.

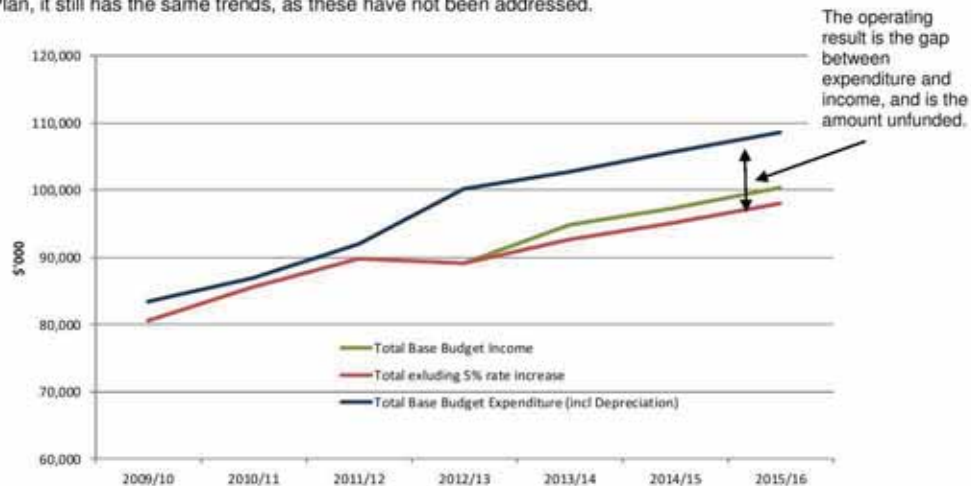
ITEM 11 (continued)

ATTACHMENT 4

Report to Council Workshop on Tuesday 8 October 2013

What is driving this?

The following graph shows the projected income and expenditure over the life of the 2012-2016 Delivery Plan, plus historical income and expenditure back to 2009/2010, and the difference between the lines is the Operating Result Before Capital. Whilst this has not been updated with the latest information from the 2013-2017 Delivery Plan, it still has the same trends, as these have not been addressed.



What the graph shows is that we have been fortunate to be able to drag our expenditure and income almost together over the period from 2009/2010 to 2011/2012. Now that the 2012/2013 statements are almost finalised this has resulted in a deficit of \$5.68 million, which comes back to \$1.44 million deficit when you add back the Loss of disposal of assets.

This means that despite the best efforts of Council staff we have reached a point where operating expenditure is outstripping operating income, which is being driven by the following factors:

- Depreciation
- Controllable Income
- Employee costs
- Non-discretionary spending
- Discretionary spending

ITEM 11 (continued)

ATTACHMENT 4

Report to Council Workshop on Tuesday 8 October 2013

Why do we need to turn this around?



	2008/09	2009/2010	2010/2011	2011/2012	2012/2013	Total
Contributed assets	26,283	5,459	8,340	12,500	0	52,582

In the last few years Council has received an amount of \$52.58 million in contributed assets, including:

- Ryde Library
- Works around Top Ryde Shopping Centre
- West Ryde Community Centre

Council is still to receive the following assets:

- Michael Lardelli Park
- Pedestrian Bridges and tunnels around Top Ryde Shopping Centre

There are also quite a few Voluntary Planning Agreements (VPAs) in the pipeline. All of which give Council a new asset, which does not replace an existing asset, but adds to both the maintenance (repairs etc.) and operating (cleaning etc.) costs, plus depreciation.

Contributed assets simply add to the amount of depreciation and the amount of operating costs that we need to maintain and operate the asset.

Other examples are where Council, as part of its development control plans and its own asset infrastructure renewals, seeks to increase the standard of the asset that currently exists. Examples of this are the replacement of footpaths with granite paving in town and neighbourhood centres and the construction of smart poles. This also adds to the maintenance and operating costs, plus depreciation.

Without sufficient funding to be able to renew assets, maintain them or even to operate them (e.g. cleaning costs \$2.50 extra per sq metre of granite per annum), Council will need to determine which area of assets it will concentrate on: renewal; maintenance, operating or trying to decrease the backlog.

If we follow the current spending pattern and income projections we will get to a point where Council will not be able to afford to undertake any renewal works and will only be able to construct new assets, which will just add to the funding gap spiral.

ITEM 11 (continued)

ATTACHMENT 4

Report to Council Workshop on Tuesday 8 October 2013



TCorp Report

Whilst not all Councillors agree with the TCorp report, it did confirm the views and information that Council staff have been putting to Council for quite a few years, which was the basis for Council seeking a variation above the rate pegging amount in 2006.

TCorp Financial Sustainability Rating = Sound

- A local government with an adequate capacity to meet its financial commitments in the short, medium and long term.
- While it is likely that it may have a record of minor to moderate operating deficits, the local government is expected to regularly report operating surpluses. It is likely able to address its operating deficits, manage major unforeseen financial shocks and adverse changes in its business with minor to moderate revenue and/or expense adjustments.
- The expense adjustments are likely to result in some changes to the range of and/or quality of services offered.
- Its capacity to manage core business risks is sound.

TCorp Outlook = Negative

- As a result of a foreseeable event or circumstance occurring, there is the potential for deterioration in the local government's capacity to meet its financial commitments (short and/or long term) and resulting change in its rating. However, it does not necessarily indicate that a rating change may be forthcoming.

This may on the surface of it appear to give Council a poor report.

Council was one of only 23 Councils across NSW that were rated as sound or above, with the other 133 Councils rated below us.

The issue is not what our rating was, but more importantly what our outlook is projected to be: Negative.

What that means, as highlighted above is that there is a foreseeable event (our declining operating result before capital) which has the potential for deterioration in our capacity to meet our financial commitments.

This does not mean we are going broke. What it does mean is that we will not have the projected financial capacity to undertake the asset renewals and/or maintenance that we should be undertaking.

Some will question what the right level of renewals and/or maintenance is, but this can only be determined by engaging the community in open and frank discussions about what they are prepared to pay for. This is a requirement of the Integrated Planning and Reporting framework (IP&R).

ITEM 11 (continued)

ATTACHMENT 4

Report to Council Workshop on Tuesday 8 October 2013

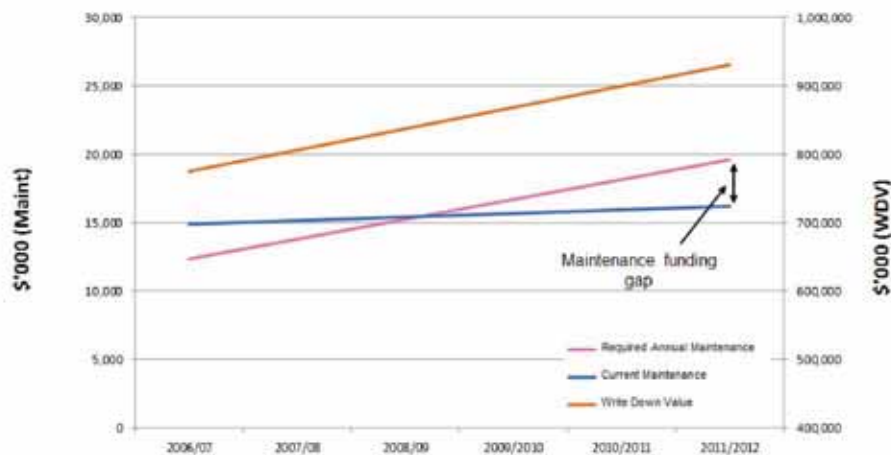
Depreciation

Whilst depreciation is the consumption of an asset over the life of the asset, the life of the asset is shortened where the required maintenance is greater than that spent, this is the maintenance gap.

So if Council does not spend on maintenance, it will have to "pay" through increased depreciation.

The other effect is that the intervention point for renewal comes earlier, and therefore the level of required funds for renewal increases.

This becomes a juggling act between depreciation (to fund renewal) and maintenance, so that there is an optimal point where these balance each other, but requires Council to be able to fund both of these aspects.



What we have seen, as shown in the above graph, due to our increasing asset base, is that we are at a point where the amount of maintenance we are doing is less than what we need to do, and this has created a maintenance gap, which we are not funding.

ITEM 11 (continued)

ATTACHMENT 4

Report to Council Workshop on Tuesday 8 October 2013

Controllable Income

Controllable Income can best be described as that income that Council can directly have some influence over when setting the level of projected income, which includes:

- Ordinary Rates
- Fees
- User Charges
- Leasing
- Regulated Parking
- Materials sold

The level of change in this income has not been as quick as that of expenditure, which is evident from the graph on Page 4.

Ordinary Rates

Whilst it would require Council to make an application for a Special Rating Variation, Council does have the ability to make such an application.

	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023
Controllable Income	57,854	58,587	60,187	61,750	63,354	65,009	66,689	68,421	70,199	72,023	73,894
Rates	44,357	46,050	47,127	48,353	49,610	50,900	52,223	53,581	54,974	56,403	57,870
Ordinary Rates	44,357	46,050	47,127	48,353	49,610	50,900	52,223	53,581	54,974	56,403	57,870
Fees and Charges	6,877	6,210	6,569	6,740	6,915	7,095	7,279	7,469	7,663	7,862	8,067
Other fees	1,886	1,949	2,197	2,254	2,313	2,373	2,435	2,498	2,563	2,630	2,698
Commercial Waste	820	845	867	889	912	936	960	985	1,011	1,037	1,064
Other User Charges	4,171	3,417	3,506	3,597	3,690	3,786	3,885	3,986	4,089	4,196	4,305
Other Revenues	6,620	6,327	6,490	6,658	6,829	7,005	7,186	7,372	7,562	7,757	7,958
Other Revenues	2,056	2,003	2,054	2,106	2,159	2,214	2,270	2,328	2,387	2,448	2,510
Public Road Leasing	85	94	97	99	102	104	107	110	113	116	119
Regulated Parking	3,949	3,739	3,836	3,936	4,038	4,143	4,251	4,361	4,475	4,591	4,711
Telecommunications Facility	214	175	180	185	190	194	199	205	210	215	221
Other Material & Contracts	306	315	324	332	341	350	359	368	377	387	397

Fees

Council has on a number of occasions not increased the level of fees, but in recent years, Council has allowed an increase equivalent to the Local Government Cost Index (LGCI) which allows the fee that has been previously set to keep pace with our costs.

The only issue is that the fees, as set by Council, do not fully recover the costs of the services provided for the fee, the difference is a Community Service Obligation (CSO) which is the inherent subsidy that Council has given to ensure the service is provided to the community.

There is a project in train that will, when completed, give Council a better definition of what the level of CSO is for each fee that is charged, so that Council can make an informed decision about the level of CSO, taking into account the capacity of the person getting the service, to pay for the service. This will not be completed in time to use for the 2014/2015 budget process, but it is hoped that it will be available for the 2015/2016 process.

ITEM 11 (continued)

ATTACHMENT 4

Report to Council Workshop on Tuesday 8 October 2013

Employee costs

These have been driven by two areas:

- Award increases
- Staffing increases

Award increases

The following table compares the award increases that have happened annually to the LGCI and the Rate Pegging amounts. Each year the rate pegging amount is discounted by a productivity factor that Councils are required to find.

The larger increase in 2012/2013 included an advance increase for carbon pricing impacts of 0.40% and in 2013/2014 this was cut by 0.10% on top of the productivity factor. The rate pegging amount just allows us to stay in touch with award increases.

	Award	LGCI ⁽²⁾	Rate Pegging
2010/2011	3.20%		2.60%
2011/2012 ⁽¹⁾	3.88%	3.00%	2.80%
2012/2013	3.25%	3.80%	3.60%
2013/2014	3.25%	3.70%	3.40%

(1) Two increases in the year

1/11/2011	2.60%	1.73%
1/07/2012	2.15%	2.15%
		3.88%

(2) The LGCI only commenced in Dec 2011 issued by IPART

Staffing increases

When the previous General Manager, Michael Whittaker was here, and during the GFC a directive was given to put all recruitment of positions on hold and only essential positions were recruited. This resulted in only having 447.78 FTE being funded in 2010/2011, excluding casuals, but including apprentices.

In 2011/2012 of the positions held 12.66 positions were funded, plus eight additional new positions being funded in the first round of organisational structural changes, giving a total of 468.44 budgeted FTE, excluding casuals, but including apprentices.

In 2012/2013 another seven new positions were funded, using three other positions which were taken from the structure, plus some minor adjustments for an overall increase of 4.86 FTE to 473.30 budgeted FTE, excluding casuals, but including apprentices.

For 2013/2014 a net increase of 13.60 FTE were added to the structure, giving a total of 486.90 budgeted FTE, excluding casuals, but including apprentices.

	FTE	Casuals ⁽³⁾	Total	FTE Increase	Cumulative Increase
2010/2011	447.78	21.08	468.86		
2011/2012	468.44		468.44	20.66	20.66
2012/2013	473.30		473.30	4.86	25.52
2013/2014	486.90		486.90	13.60	39.12

(3) Not included in Delivery Plan figures since 2011/2012

This is within an approved Organisational FTE of 490, which Council had approved, and reconfirmed following the Council election.

As a result of the above, the Acting General Manager is, in conjunction with the Executive Team, reviewing the current establishment to identify where reductions in staff numbers can occur.

ITEM 11 (continued)

ATTACHMENT 4

Report to Council Workshop on Tuesday 8 October 2013

Non-discretionary spending

Non-discretionary spending are those areas of expenditure, other than employee costs, where the individual manager does not have any real control over whether or not they want to spend those funds for the purpose for which they were voted.

Non-Discretionary spending represents between \$58.58 million and \$69.71 million in the Base Budget on an annual basis, based on the actual spending in the three years from 2010/2011 to 2012/2013, which is just over 91% of the total base budget expenditure, excluding depreciation.

As an example this includes such things as the Waste Development Fee that is imposed by the NSW Government. Whilst managers would like to have the option of the use of those funds, they do not have any real discretion as to whether they do or do not spend them.

They are in effect costs that are really beyond our control and include:

- Hidden carbon costs
- Insurance premiums
- Street lighting
- Utility charges
- Telecommunications
- Annual software maintenance costs
- Government contributions
- Some major contracts such as Waste

What we have done during the 2012/2013 year is split out these costs so that we can undertake better analysis of these costs to try and see where we can get either a better deal or more control of the increases.

We also are not able to influence, except through preferred supplier arrangements or tenders, the actual rates or increase that are imposed by the supplier. There are a number of these that Council joins with either NSROC and/or SHROC to gain an economy of scale for the contract to try and bring the price down.

Base	2010/11 Full Year Actuals	2011/12 Full Year Actuals	2012/13 Full Year Actuals	2013/2014 Original Budget	Approved Budget
Discretionary	5,596,825	5,972,064	5,886,897	4,755,490	4,802,761
Non-discretionary	58,585,783	64,199,904	69,707,705	75,788,060	75,799,210
Total	64,182,608	70,171,968	75,594,602	80,543,550	80,601,971
Discretionary	8.72%	8.51%	7.79%	5.90%	5.96%
Non-discretionary	91.28%	91.49%	92.21%	94.10%	94.04%

ITEM 11 (continued)

ATTACHMENT 4

Report to Council Workshop on Tuesday 8 October 2013

Discretionary spending

These are costs where managers have some discretion over whether they do or do not spend the money and thus can make a saving for Council. It includes such things as Overtime, Stationery.

Discretionary spending represents between \$5.59 million and \$5.97 million in the Base Budget on an annual basis, based on the actual spending in the three years from 2010/2011 to 2012/2013, which is just over 8% of the total base budget expenditure, excluding depreciation.

When creating our base budget each year, these have been held at zero, which has meant a cut in spending power in "real terms". This measure has seen a decrease in actual expenditure between 2011/2012 and 2012/2013, with a further reduction for the 2013/2014 financial year.

	LGCI ⁽⁴⁾	Rate Pegging	Real terms
2010/2011		2.60%	
2011/2012	3.00%	2.80%	-2.91%
2012/2013	3.80%	3.60%	-3.66%
2013/2014	3.70%	3.40%	-3.57%

(4) The LGCI only commenced in Dec 2011 issued by IPART

Natural Account	Account Description	Choice	Year 1
OVERALL CPI			
	Individual		
Income	Capital Income		-100.00%
Income	Grants		0.00%
Income	Income		3.00%
Income	Rates - Domestic Waste		2.50%
Income	Rates - Macquarie Park		3.40%
Income	Rates - Ordinary		3.40%
Income	Rates - Stormwater		2.50%
	Building Cleaning		
	Building Security		
	Chemicals		3.00%
	Consultants/Contractors		3.00%
	Depreciation		3.00%
	Electricity/Utilities		15.00%
	Exclude		-100.00%
	Expenditure		3.00%
	Insurance		4.00%
	IT Licensing		3.00%
	Materials		3.00%
	No Indexing		0.00%
	Post/Hqs External		3.00%
	Street Lighting - electricity		3.00%
	Street Lighting - AER		3.00%
	Telecommunications		4.00%
	Wages		3.25%
	Wages - calculated		3.25%
	Wages - Casuals		3.25%
	Waste Contract		3.00%
	Waste Dev Tax		13.85%
		\$95.30	\$108.50

As can be seen above the index is set as "no indexing" and applies to the following expenditure accounts. It should be noted that this list is reviewed each year by ET as part of the budget process.

ITEM 11 (continued)

ATTACHMENT 4

Report to Council Workshop on Tuesday 8 October 2013

Natural Account	Account Description
1009	Advertising
1010	Application/Search Fees (External)
1013	Archiving/Disposal
1019	Contributions & Donations
1025	Couriers
1027	Display/Education Materials
1031	Excursions
1032	Food and Beverages
1051	IT - Maintenance Costs
1061	Marketing Promotions
1069	Printing & Distribution
1070	Printing & Photocopier - Internal
1081	Sponsorships
1083	Stationery
1089	Travelling Expenses
1099	Venue Hire
1119	Staff Health & Wellbeing
1120	OHS Initiatives
1121	Recruitment Advertising
1122	Recruitment Relocations
1123	Recruitment Placement Fee
1125	Recruitment Medicals
1127	Other Employee Costs
1129	Relocation Costs
1524	Overtime
1709	Rewards and Recognition

Some discretionary spending does get indexed, which includes:

Natural Account	Account Description
1001	Consultants Fees
1071	Publications & Subscriptions
1115	Conference Expenses
1764	Consultants Fees - IT
1765	Consultants Fees - Community Engagement
1766	Consultants Fees - Heritage
1767	Consultants Fees - Project Development Design
1768	Consultants Fees - Town Planning
1769	Consultants Fees - Legal Matters
1800	Consultants Fees - Risk Management
1801	Consultants Fees - Staff Survey
1802	Consultants Fees - Health and Wellbeing
1803	Consultants Fees - CHRIS21 and HR21
1804	Consultants Fees - Strategy
1805	Consultants Fees - Organisational Development
1806	Consultants Fees - Annual Report
1807	Consultants Fees - Recruitment
1818	Consultants Fees - Property
1820	Consultants Fees - Investment Services
1824	Consultants Fees - Economic Development
1828	Consultants Fees - Community of Interest Network
1829	Consultants Fees - Community Newsletter
1847	Consultants Fees - Perception Survey
1849	Consultants Fees - Economic Development

ITEM 11 (continued)

ATTACHMENT 4

Report to Council Workshop on Tuesday 8 October 2013



What will close the gap?

Can we provide more detail on the options?

In order of Councillor Feedback on the preference for further investigation:

1. New revenue opportunities
2. Commercial business ventures
3. Streamline operational costs
4. Reduce Services or Service Levels
5. Increases user fees and charges

The intention is to go through each of these with Councillors at the workshop.

ITEM 11 (continued)

ATTACHMENT 4

Report to Council Workshop on Tuesday 8 October 2013

**1. New Revenue Opportunities:
Advertising Signage**

Assumptions:

- Up to 1.5 years before any return
- Allow 3–4 years where consent required
- Council agrees to amend the LEP/DCP

	Assumptions	Constraints	Annual revenue
1. Adbooths	35 booths	Negotiation required	\$21K
2. Car Park Ads	Internal ads only	Nil	\$14.4K
3. Internal Council Buildings	Using 50" LEC screen, 2 packages: Libraries and RALC		\$20K
4. Sponsorship	Possible site access fees		\$5K
5. Adshell & furniture	2 packages: West Ryde Urban village; West Ryde Bus Park – bus shelters	Consent required	\$10K
6. Multi-function poles	50 locations, 4 wk booking turnover, at 50% capacity, \$58K per package	Consent required	\$345K
7. Back-to-back poles	Eastwood Plaza – 4 x 6 sheet poles	Consent required	\$12K
8. Large Outdoor signs	Various locations on buildings, landscaped areas, roundabouts, RALC	Consent required	\$394K

Estimated Revenue

Year 1 2013/14	Year 2 2014/15	Year 3 2015/16	Year 4 2016/17	Year 5 2017/18	Year 6 2018/19	Year 7 2019/20	Year 8 2020/21	Year 9 2021/22	Year 10 2022/23
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1. Adbooth	\$21,000 p.a. Indexed 1.25% CPI								
2. Car parks	\$14,400 p.a. Indexed 1.25% CPI								
3. Internal	\$5,000 p.a. Indexed 1.25% CPI								
4. Sponsorship	\$20,000 p.a. Indexed 1.25% CPI								
5. Adshell	\$10,000 p.a. Indexed 1.25% CPI								
6. Multi-function poles	\$345,000 p.a. Indexed 1.25% CPI								
7. Eastwood poles	\$12,000 p.a. Indexed 1.25% CPI								
8. Large Outdoor signs	\$394,000 p.a. Indexed 1.25% CPI								

Total Estimated Revenue

Year 1 2013/14	Year 2 2014/15	Year 3 2015/16	Year 4 2016/17	Year 5 2017/18	Year 6 2018/19	Year 7 2019/20	Year 8 2020/21	Year 9 2021/22	Year 10 2022/23
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\$0	\$60K	\$417K	\$833K	\$854K	\$875K	\$897K	\$920K	\$943K	\$966K
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ITEM 11 (continued)

ATTACHMENT 4

Report to Council Workshop on Tuesday 8 October 2013

**1. New Revenue Opportunities:
Parking Meters and External Contract Works**

Assumptions:

- Year 1 installation costs of approx. \$400K
- Annual maintenance of \$42K (indexed)
- Car parks filled at 70% capacity
- Fees and Charges increase at 5% per year

	Assumptions	Annual revenue
1. Parking Meters	30 meters installed on western side of Eastwood Town Centre and Rowe Street North	Up to \$1M by year 5
2. External Contract works	Will build up over time, capped at \$200,000 by year 5	Up to \$200K

Estimated Revenue

Year 1 2013/14	Year 2 2014/15	Year 3 2015/16	Year 4 2016/17	Year 5 2017/18	Year 6 2018/19	Year 7 2019/20	Year 8 2020/21	Year 9 2021/22	Year 10 2022/23
1. Parking/	\$881,040 income in year 1 increased by 5% p.a.								
2. External Contract Work	\$100K in year 1, capped at \$200K by year 5								

Total Estimated Revenue

Year 1 2013/14	Year 2 2014/15	Year 3 2015/16	Year 4 2016/17	Year 5 2017/18	Year 6 2018/19	Year 7 2019/20	Year 8 2020/21	Year 9 2021/22	Year 10 2022/23
\$0	\$367K	\$975K	\$1M	\$1.1M	\$1.2M	\$1.26	\$1.3M	\$1.37	\$1.43

ITEM 11 (continued)

ATTACHMENT 4

Report to Council Workshop on Tuesday 8 October 2013

**2. Commercial Business Ventures:
Investment Property Reserve & Highest and Best Use (HBU)**

Assumptions:

- 10% return on \$10M in Reserve
- Option 1: Sell as is for redevelopment
- Option 2: Council act as developer

NOTES:

- Asset sales DO NOT close the gap
- Need to identify on-going revenue opportunities through these developments.

Net profit estimates:	Option 1: Sell 'as is'	Option 2: Council develop	Comments
Argyle Centre	Up to \$3.8M	Up to \$7.5M	Possible, along with Bowling Club Council resolution for no further action
Church St	Up to \$3.9M	Up to \$14.2M	Not ready as requires acquisition of 2 adjoining properties
Constitution Rd	Up to \$22.1M	Up to \$51.8M	Possible but requires move of Ops Centre to Porters Creek
Coulter St	Up to \$8.5M	Up to \$24.5M	Ready for development
Glen St Car Park	N/A	N/A	Not financially viable
John Wilson Car Park	Up to \$3.3M	Up to \$12.5	Requires acquisition of adjoining properties
Rowe St Car Park	\$0	Up to \$1.3M	Not financially viable
741-747 Victoria Rd	Up to \$1.1M	Up to \$4.4M	Requires acquisition of adjoining properties

Estimated Revenue

Year 1 2013/14	Year 2 2014/15	Year 3 2015/16	Year 4 2016/17	Year 5 2017/18	Year 6 2018/19	Year 7 2019/20	Year 8 2020/21	Year 9 2021/22	Year 10 2022/23
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1. Investment	\$881,040 income in year 1 increased by 5% p.a.								
2. Coulter Street – HBU Option 2	Ongoing revenue opportunities to be identified								
3. Argyle Centre – HBU Option 2	Ongoing revenue opportunities to be identified								

Total Estimated Revenue * excludes asset sales

Year 1 2013/14	Year 2 2014/15	Year 3 2015/16	Year 4 2016/17	Year 5 2017/18	Year 6 2018/19	Year 7 2019/20	Year 8 2020/21	Year 9 2021/22	Year 10 2022/23
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\$0	\$1M	\$1.1M	\$1.2M	\$1.3M	\$1.4M	\$1.6M	\$1.7M	\$1.9M	\$2.1M
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ITEM 11 (continued)

ATTACHMENT 4

Report to Council Workshop on Tuesday 8 October 2013

3. Streamline Operational Costs: Operational Savings and Shared Services

The Executive Team (ET) will commit to exploring a review of the organisation structure in particular at the Service Unit Manager level to see what, if any, savings could be made in a restructure of the Council's management.

The Acting General Manager will then brief Councillors on the proposed options.

Assumptions:

- Up to \$0.5M in efficiencies for years 2 & 3 without reducing current services
- Shared services with NSROC generates additional \$0.5M in years 4 & 5
- Efficiencies capped at \$2M from year 5
-

NOTE: Shared Service models still require management of the service.

	Net cost to Council	Comment
1. Internal efficiencies		Investigating efficiencies and possible staff reductions
2. Shared services:		
Internal Corporate Services		
• IT	\$4.59M	
• Human Resources	\$0.78M	
• Procurement	\$0.57M	

Estimated Savings

Year 1 2013/14	Year 2 2014/15	Year 3 2015/16	Year 4 2016/17	Year 5 2017/18	Year 6 2018/19	Year 7 2019/20	Year 8 2020/21	Year 9 2021/22	Year 10 2022/23
1. Efficiencies									
\$0.5M p.a. capped at \$1M after 2 years									
2. Shared services									
\$0.5M p.a. capped at \$1M after 2 years									

Total Estimated Savings

Year 1 2013/14	Year 2 2014/15	Year 3 2015/16	Year 4 2016/17	Year 5 2017/18	Year 6 2018/19	Year 7 2019/20	Year 8 2020/21	Year 9 2021/22	Year 10 2022/23
\$0	\$0.5M	\$1M	\$1.5M	\$2M	\$2M	\$2M	\$2M	\$2M	\$2M

ITEM 11 (continued)

ATTACHMENT 4

Report to Council Workshop on Tuesday 8 October 2013

**4. Reduce Services or Service Levels:
Reduce maintenance standards**

Notes:

The Operations maintenance base budget has been increased over the past 7 years incrementally which is not addressing the expansion of infrastructure.

Refer to Appendix A for a list of current asset logistics > \$2,000,000,000

	Expansion (past 5-7 years)	Reduced Service Levels	Potential for further reductions
Civil Infrastructure	3km new footpath p.a. 2km new cycleway p.a.	Footpath grinding ceased Frequency of Stormwater pit & pipe cleaning Kerb & Gutter repairs limited to urgent	
Public Domain	4 Major Town Centres 8 Neighbourhood centres 330 Multi-function poles 164 Recycle Bin Stations 20 New Bus Shelters	Reduced granite cleaning Essential works only	Reduce weekend servicing in Eastwood Reduce night cleaning Reduce Frequency of bus shelter cleaning
Passive Parks and Streetscapes	5 Major Park upgrades 20 New Playgrounds 130 Recycle stations in parks 11 Off-Leash dog areas 10kms of bush track upgrades (including bridges) 37 Gross Pollutant Traps 5 Bio-retention ponds	Arborist work limited to re-active Urgent repairs to bush tracks and bridges only	Limit playground repair & rehabilitation Limit repairs and maintenance to urgent and dangerous only Cease authorised private nature strip mowing service Selected closure or part closure of facilities
Sports Grounds Regional Parks & Gardens	2 Major Sportsground upgrades 4 Sportsground Floodlighting 3 Sportsground picket fences 8 Netball Courts 2 Stormwater re-use systems		Reduce extent of renovations between seasons Reduce extent of irrigation
Buildings	3 New Large Buildings/Complexes 4 New Minor Buildings/Facilities 3 Buildings transferred to Council 188 CCTV cameras in 18 Locations	Essential cleaning prior to first hall hire only Prioritise maintenance and repairs to urgent/dangerous only	Reduce daily toilet cleaning service to six days per week. Cease Sunday cleans Selected closure or part closure of some low use facilities or heavily vandalised facilities.

Total Estimated Savings

Year 1 2013/14	Year 2 2014/15	Year 3 2015/16	Year 4 2016/17	Year 5 2017/18	Year 6 2018/19	Year 7 2019/20	Year 8 2020/21	Year 9 2021/22	Year 10 2022/23
\$0	\$	\$	\$	\$	\$	\$	\$	\$	\$

ITEM 11 (continued)

ATTACHMENT 4

Report to Council Workshop on Tuesday 8 October 2013

**5. Reduce Services or Service Levels:
Reduce or remove services**

Assumptions:

Net costs reflects the total over the 4 years in the 2013-2017 Delivery Plan

Program	4yr DP Net cost to Council	% of total Expenses	Comments
1. Internal Corporate Services	\$26,094,970	11.1%	\$0.5M efficiencies already discussed
2. Roads Program	\$27,452,320	11.7%	Reduction in service levels offset by increased depreciation and maintenance
3. Catchment Program	\$24,682,205	10.5%	Any reduction in service levels will result in increased depreciation and maintenance
4. Org Development	\$495,460	0.2%	
5. Governance & Civic	\$13,847,181	5.9%	
6. Community & Culture	\$9,897,851	4.2%	
7. Paths & Cycleways	\$2,936,070	1.3%	Any reduction in service levels will result in increased depreciation and maintenance
8. Environment Program	\$2,480,800	1.1%	
9. Strategic City Program	\$143,540	0.1%	
10. Foreshore Program	\$231,543	0.1%	
11. Open Space, Sport & Recreation	\$46,347,890	19.7%	Any reduction in servicing leads to increased risk liability
12. Library Program	\$19,728,942	8.4%	
13. Customer & Comm Rels	\$13,610,103	5.8%	
14. Risk Management	\$7,693,390	3.3%	
15. Land Use Planning	\$3,114,700	1.3%	
16. Traffic & Transport	\$1,223,760	0.5%	
17. Economic Development	\$652,670	0.3%	
18. Regulatory Program	\$2,242,595	1.0%	
19. Centres & Neighbourhood	\$15,821,775	6.7%	
20. Property Portfolio	\$15,408,536	6.6%	
21. Waste & Recycling	\$592,561	0.3%	

Total Estimated Revenue

Year 1 2013/14	Year 2 2014/15	Year 3 2015/16	Year 4 2016/17	Year 5 2017/18	Year 6 2018/19	Year 7 2019/20	Year 8 2020/21	Year 9 2021/22	Year 10 2022/23
\$0	\$	\$	\$	\$	\$	\$	\$	\$	\$

ITEM 11 (continued)

ATTACHMENT 4

Report to Council Workshop on Tuesday 8 October 2013

6. Increase User Fees and Charges:

Assumptions:

History suggests the most we can expect year on year is a 5% increase

Estimated Revenue

Year 1 2013/14	Year 2 2014/15	Year 3 2015/16	Year 4 2016/17	Year 5 2017/18	Year 6 2018/19	Year 7 2019/20	Year 8 2020/21	Year 9 2021/22	Year 10 2022/23
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1. User Fees

5% annual increase

Total Estimated Revenue

Year 1 2013/14	Year 2 2014/15	Year 3 2015/16	Year 4 2016/17	Year 5 2017/18	Year 6 2018/19	Year 7 2019/20	Year 8 2020/21	Year 9 2021/22	Year 10 2022/23
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\$0

\$310K

\$326K

\$342K

\$359K

\$377K

\$396K

\$415K

\$436K

\$458K

ITEM 11 (continued)

ATTACHMENT 4

Report to Council Workshop on Tuesday 8 October 2013

What are the other options left?

After Councillors consider all of the above options, this could yield between \$8 million and \$10 million towards closing the gap.

Unfortunately the gap in 10 years will be \$25 million, which means that Council will still need to consider other revenue or other cost cutting measures to reign in that gap of \$15 million, if it wishes to be financially sustainable in the future.

To be able to generate this, the Council would need to increase its rates by between 8% and 10%, including the rate pegging amount, per annum over a period of three to four years.

Any question of an increase of rates, through a Special Rating Variation (SRV) requires a community engagement process, where they need to be specifically asked the following:

- What level of services do you want Council to provide
- What assets do you want Council to renew and what assets can Council divest itself of
- What are you prepared to pay for these services

Once this is determined, the community would have a number of interactions to be able to pass the requirements for an SRV, as set by IPART and the DLG.

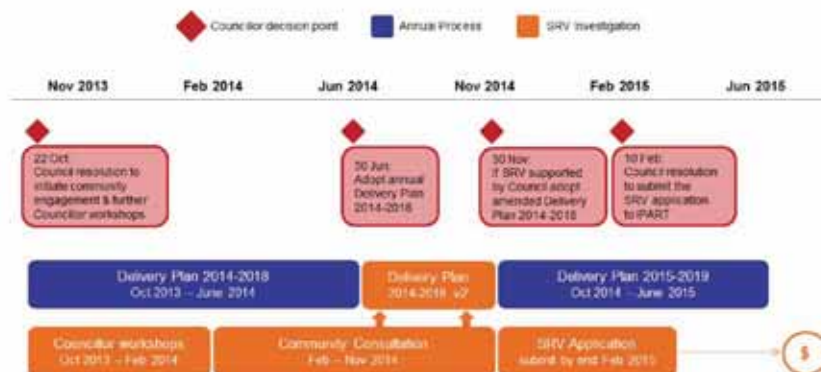
What is being sought from Councillors is the recognition that an application for an SRV is one component amongst a mix of options in addressing our funding gap.

If Councillors agree, this will allow Council to engage with the community in the timeframe reflected below to at least determine the community's response and feedback to such a proposal.

Once Council has the community's feedback it can then determine how it would progress with an SRV application, if at all.

At this stage, it is a matter for Council to determine if this is a path that Council supports.

The figure below shows an indicative timeframe if Council wanted to be able to get an increase from 1 July 2015. There is a long lead time to getting approval for an increase.



The questions that we should be asking are:

- Does the community want to continue paying the same rates for a decline in services?
- Is the community prepared to pay more to continue with the current services?
- Is the community prepared to pay more to continue to maintain current services and also enhance the services in certain areas?

ITEM 11 (continued)

ATTACHMENT 4

Report to Council Workshop on Tuesday 8 October 2013

7. Special Rate Variation:

Assumptions:

A permanent increase over 10 years
8-10% SRV phased in over first 4 years

Scenarios to be modelled

1. Increase rates to maintain services
2. Increase rates and enhance services

	Year 1 (2015/16)	Year 2 (2015/16)	Year 3 (2016/17)	Year 4 (2017/18)
1. 8 % increase	2,676,500	2,960,120	3,268,350	3,603,080
2. 10% increase	3,667,800	4,129,920	4,640,750	5,205,180

Estimated Revenue

Year 1 2013/14	Year 2 2014/15	Year 3 2015/16	Year 4 2016/17	Year 5 2017/18	Year 6 2018/19	Year 7 2019/20	Year 8 2020/21	Year 9 2021/22	Year 10 2022/23
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1. SRV – 8-10%

Estimate 10% above rate pegging for 4 years

Total Estimated Revenue * based on 10% scenario

Year 1 2013/14	Year 2 2014/15	Year 3 2015/16	Year 4 2016/17	Year 5 2017/18	Year 6 2018/19	Year 7 2019/20	Year 8 2020/21	Year 9 2021/22	Year 10 2022/23
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\$0

\$0

\$3.6M

\$7.8M

\$12.4

\$17.6

\$18.1M

\$18.6M

\$19M

\$19.6M

ITEM 11 (continued)

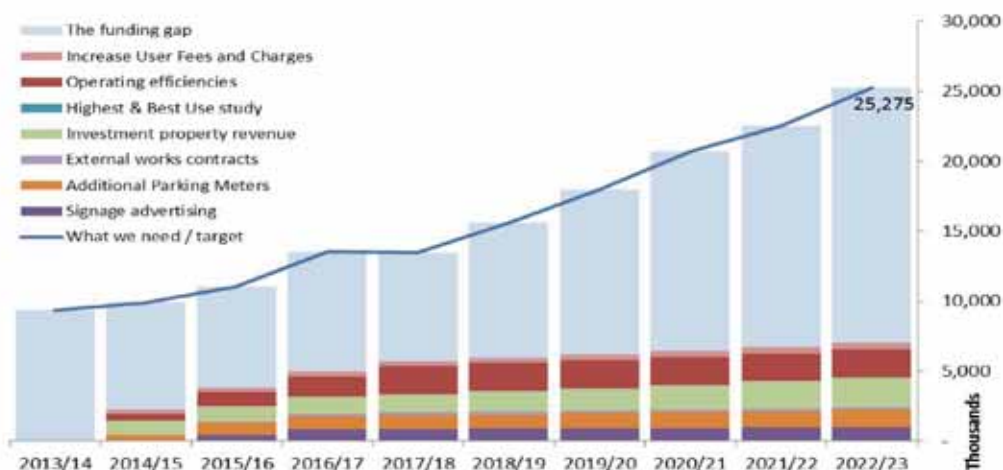
ATTACHMENT 4

Report to Council Workshop on Tuesday 8 October 2013

How will this change the outlook?

Without an SRV

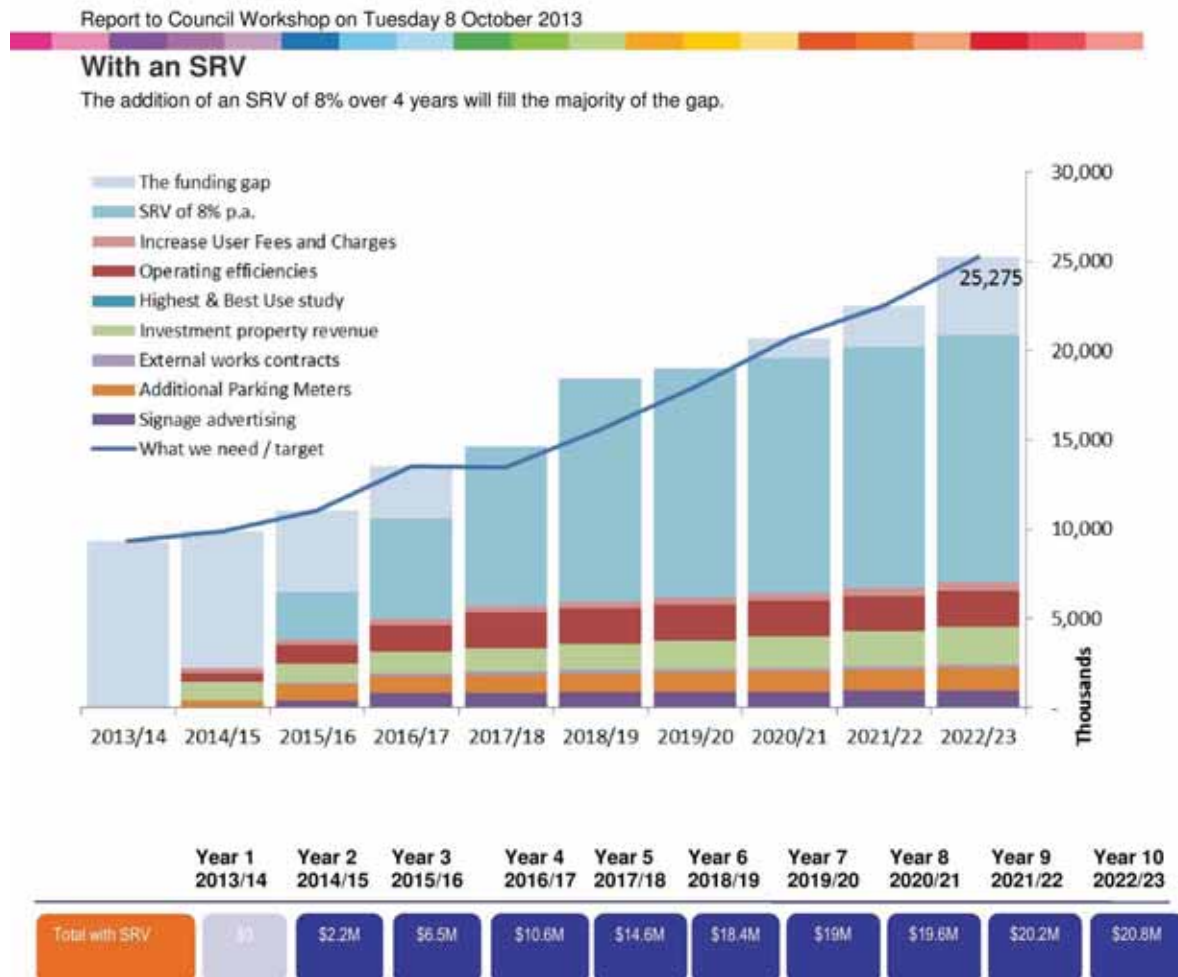
There is still a substantial funding gap even after we apply these initiatives.



	Year 1 2013/14	Year 2 2014/15	Year 3 2015/16	Year 4 2016/17	Year 5 2017/18	Year 6 2018/19	Year 7 2019/20	Year 8 2020/21	Year 9 2021/22	Year 10 2022/23
Advertising	\$0	\$60K	\$417K	\$833K	\$854K	\$875K	\$897K	\$920K	\$943K	\$966K
Parking Meters	\$0	\$367K	\$875K	\$917K	\$963K	\$1M	\$1.06M	\$1.12M	\$1.17M	\$1.23M
External works Contracts	\$0	\$0	\$100K	\$150K	\$200K	\$200K	\$200K	\$200K	\$200K	\$200K
Investments	\$0	\$1M	\$417K	\$833K	\$854K	\$875K	\$897K	\$920K	\$943K	\$966K
HBU: Coulter	\$0	\$0	\$0	\$0	\$0	\$TBD	\$0	\$0	\$0	\$0
HBU: Argyle	\$0	\$0	\$0	TBD	\$0	\$0	\$0	\$0	\$0	\$0
Operational Savings	\$0	\$0.5M	\$1M	\$1.5M	\$2M	\$2M	\$2M	\$2M	\$2M	\$2M
Fees & Charges	\$0	\$310K	\$326K	\$342K	\$359K	\$377K	\$396K	\$415K	\$436K	\$458K
Total without SRV	\$0	\$2.2M	\$3.8M	\$4.9M	\$5.7M	\$5.9M	\$6.2M	\$6.4M	\$6.7M	\$6.9M

ITEM 11 (continued)

ATTACHMENT 4



ITEM 11 (continued)

ATTACHMENT 4

Report to Council Workshop on Tuesday 8 October 2013

Where to from here?

Council meeting – 22 October 2013

It is intended to report this matter to Council as part of the ordinary meeting to be held on Tuesday 22 October 2013, so that Council can make a clear and definitive resolution as to how it wishes to proceed with addressing the issues that have been raised through this series of workshops.

Councillor Workshops

Further Councillor Workshops are planned to be held with Councillors, prior to any community engagement on:

- Asset conditions
- Asset renewals
- Service standards

Community Engagement

The final process for all of these items, once Council has determined its direction, will be to take these matters to the community and engage with them to see if they agree with the direction of Council and their preparedness to pay more for agreed service standards.

Responsible Accounting Officer

Under the Local Government Act and Regulations, the Responsible Accounting Officer is required to report to Council issues with its long term financial sustainability and seeking from Council as to how it intends addressing the issues raised.

The issues raised in this series of workshops, on financial sustainability, will now be reported to Council, showing how Council intends to address the issues.

Key messages from the Workshops

The following are the key messages out of all of the Workshops:

1. Council needs to commit to resolving how it is going to fund or close the gap in relation to its operating result before capital.
2. Council, at this stage, needs to commit to engaging with the community in a discussion about a Special Rating Variation, to address closing the funding gap.
3. Acknowledgement that any SRV will require an increase of between 8% and 10% per annum, inclusive of the rate pegging amount, over three to four years, subject to confirmation of the final community requirements.
4. Council's endorsement to undertake community engagement to have discussions about the issues raised in these workshops, receive their feedback and understand what is important from their perspective in relation to services, facilities etc.

Roy Newsome
Acting General Manager

ITEM 11 (continued)

ATTACHMENT 4

Report to Council Workshop on Tuesday 8 October 2013

Appendix A:

Asset Logistics > \$2,000,000,000

As at 2013

Pavement	310 km – 2,650,000 sqm
Kerb & Gutter	620 km
Footpaths and cycleways	402 km – 529,000 sqm + 2yrs
Bridges	26 Foot, 17 culverts, 1 Road (excludes Top Ryde)
Street Lights	8,100 – 310 MFPs
Furniture	191 shelters, 150+ seats
Signage & Line marking	30,000 km approx. signs and Lines TBD
Street Trees	20,000 approx.
Jetties and Wharves	3 & 2
Traffic and Parking Facilities	1,029 Tot = 770 direction, 105 Ped.Xing, 99 Roundabouts, 55 speed
Carparks	86 – 120,000 sqm
Parking Meters	76
Creeks and Waterways	TBD
Formalised drainage	11,100 Pits, 250,000 m Pipes, 19 Basins, 32 Devices
Play Equipment	Between 94 & 107 sets
Reserves / Playing Fields	237
Seawalls	49
Buildings	128 + RALC

ITEM 11 (continued)

ATTACHMENT 4

**FINANCIAL FUTURES
BASE BUDGET – SERVICE LEVELS**

Asset Type	Quantity	Works	Service Standard (2012)	Current reduction or potential future reduction in services
CIVIL INFRASTRUCTURE Total Budget = \$1.46 M				
Roads	310 Kms	Pot hole repairs	Urgent/Dangerous = 2hrs Major Route = 2 days Residential = 10 days	
Footpaths and Cycleways	402 Kms	Repair failed slabs and trip points (includes footpath grinding)	Urgent/Dangerous, make safe = 2hrs Major route = 5 days Residential = 40 days	Budget constraints has resulted in trip point intervention level increasing to greater than 20mm. Response times increasing, creating backlog.
Kerb & Gutter	620Kms	Repair failed kerb and gutter, laybacks and pedestrian ramps.	Urgent/Dangerous, make safe = 4hrs Major route = 20 days Residential = 40 days	Budget constraints has resulted in response times increasing, creating backlog.
Car parks	85	Pavement, K&G repairs, line marking and signs	Town Centres/Sports grounds = 10 days Others = 20 days	
Stormwater pipelines and culverts	250 Kms	Inspect and clear pipelines by CCTV and pipe jetting equipment.	As detected when blockages become evident. Urgent/Flooding potential = 2 days Routine = 2 weeks	Budget constraints are resulting in reactive clearing following flooding incidents.
		Pipeline repairs (collapsed pipes,	Urgent/Flooding potential = 2 days Routine = 2 weeks	Backlog occurring

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ITEM 11 (continued)

ATTACHMENT 4

Asset Type	Quantity	Works	Service Standard (2012)	Current reduction or potential future reduction in services
		joints, etc.)		
Stormwater Pits	11,000	Inspect and Clean Pits	Sag and Trunk Drainage = 6 monthly Others = Annually	Budget constraints resulting all pits cleaned annually Backlog occurring
		Pit repairs	Urgent/Flooding potential = 2 days Routine = 2 weeks	
PUBLIC DOMAIN Budget = \$2.15M				
Signs – Street and Regulatory		Replace faded, damaged or missing signs	Urgent = 5 days Routine = 20 days	
Street furniture and guard rails		Repair and replace damaged, tables, seats, balustrading, guard rails, etc.	Urgent = 5 days Routine = 15 days	Budget constraint is resulting in rationalisation the need for replacement.
Bus Shelters	Council = 148	Cleaning of Council Owned Shelters Repairs	Weekly 15 Days	Budget availability only allows for fortnightly cleaning
	Adshel = 175	Cleansing Repairs	Weekly 2 days	
Traffic Facilities and Line marking		Repairs to damaged facilities and repainting of lines	Urgent = 5 days Routine = 20 days	
Street sweeping		Shopping Centres Residential areas	6 nights per week 6 week cycle	
Graffiti Removal		Remove graffiti and repaint when required from Road Reserve including utilities and selected private property	Offensive = 6 hrs. Other = 3 days	

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ITEM 11 (continued)

ATTACHMENT 4

Asset Type	Quantity	Works	Service Standard (2012)	Current reduction or potential future reduction in services
		fronting the street.		
Town Centres	Major = 4	Ongoing inspection, cleaning, etc.	6 days per week (Eastwood = 7)	Budget constraints needing to review frequency (Eastwood).
	Neighbourhood = 8	Ongoing inspection, cleaning, etc.	5 days per week	
		Granite/Decorative paving cleaning	High traffic areas = 6 monthly Other = Annually	Budget Constraints reduced to essential areas only.
		Multi-Function Poles (330)	Urgent = 5 days Audited/Repair = 6 monthly	
		Gardens/Landscaping	Routine maintenance = monthly Replenish = 6 monthly (seasonal)	
Jetties and Wharves	4	Inspection and clean	Weekly	
Launching Ramps	3	Pressure Clean	Summer = 2 weeks Winter = monthly	
Passive Parks & Streetscapes Budget = \$2.66M				
Passive Parks	210	Mowing, general maintenance and playground monitoring:- Premier Parks Neighbourhood Parks Local Parks Natural Areas	2 weekly 3 weekly 4 weekly 6 weekly	Budget constraints could result in a review of some local parks and other areas to be converted to low maintenance options

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ITEM 11 (continued)

ATTACHMENT 4

Asset Type	Quantity	Works	Service Standard (2012)	Current reduction or potential future reduction in services
Nature strips	1,000 +	Mowing of nature strips adjacent to council property, government authorities and development sites	4 weekly	
		Approved mowing of private nature strips (130)	4 weekly	Budget constraints require a review of Council's obligation to maintain private nature strips
Playgrounds	97	Inspect playground safety (checklist)	2 to 4 weekly, dependent on mowing cycle	
		Replenish soft-fall	Annually or as required	
		Compliance - External Audit	6 monthly	
Off Leash Dog Exercise areas	11	Empty doggy bins	Weekly or as required	
Bush Regeneration Areas	27 locations	Weed management and selective planting	3 weekly	
Water Quality	Gross Pollution Traps = 37	Remove sediment and minor repairs	3 to 6 monthly depending on device and location	Budget constraints is impacting on frequency of maintenance
	Bio Retention Basins =5	Remove Sediment, weeds and litter	6 monthly	
Bush Tracks and Bridges		General maintenance and clearing to retain safe access. Essential repairs to structures only	As required	Budget constraints restricted to urgent works only. Longevity of some bridges is

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ITEM 11 (continued)

ATTACHMENT 4

Asset Type	Quantity	Works	Service Standard (2012)	Current reduction or potential future reduction in services
				questionable and may result in some track closures
Street Trees	20,000 +	Mainly reactive works (dead, dying & dangerous). Minimal pro-active maintenance works	As required following requests or council resolution	Budget constraints impact on minimal pro-active works being undertaken and backlog of re-active works
Chipping Service (private property)	Approx. 25 locations per week.	Provide chipping/mulching service as booked by resident	Weekly (2 days)	
SPORTSGROUNDS Total Budget = \$2.52M				
Sportsgrounds	54 locations	Mowing and preparation of playing surfaces	Tier 1 = Weekly Tier 2 = Weekly Tier 3 = Monthly or as required	Budget constraints, increased usage, short changeover period are impacting on quality of some surfaces
		Surface renovations (Topsoil, turfing, etc.) – selective locations	Annually (Seasonal)	
		Weed/pest control, aeration and fertilizing	6 monthly	Increase in water charges may impact on amount of irrigation
		Seasonal changeover	6 monthly	
Turf Wickets	4	Wicket preparation	Weekly (Summer)	
Floodlighting	26 locations	Luminaire replacement, electrical upgrades & repairs.	As required	Budget constraints are not keeping pace with increases in power costs. Review user fees

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ITEM 11 (continued)

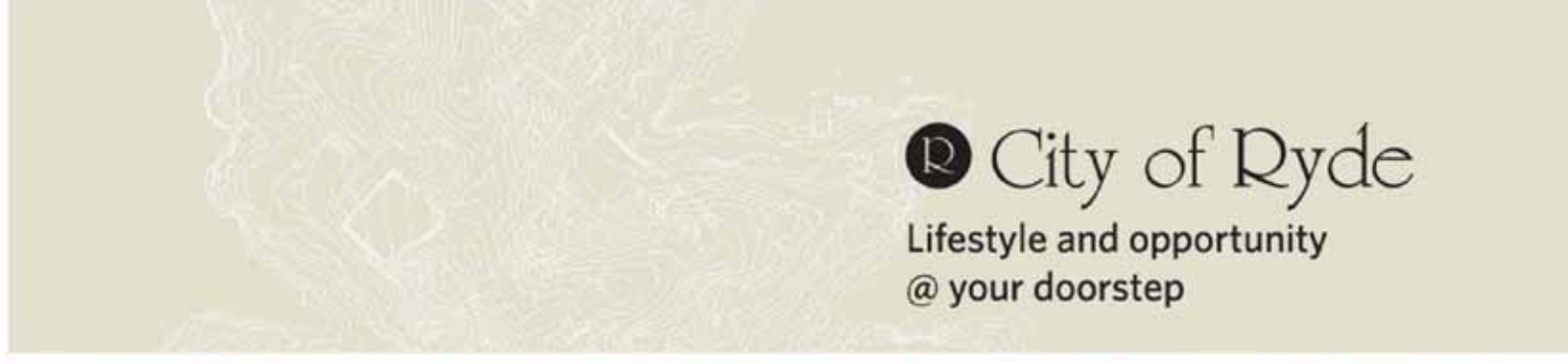
ATTACHMENT 4

Asset Type	Quantity	Works	Service Standard (2012)	Current reduction or potential future reduction in services
Sportsground Infrastructure		Maintenance and Repairs to:- Irrigation Barbeques/shelters, etc. Fences/gates/nets Park Lighting	As required	
BUILDINGS Budget = \$4.50M				
Buildings	120	Maintenance & Repairs comprising:- Cleaning (incl. public toilets) Waste Collection Security and access Building Compliance audits and maintenance Utility charges General repairs and maintenance	Depending on whether Council 'occupied and operated' or lease conditions.	Budget constraints due to expansion in number of buildings and facilities and a sharp rise in utility costs and insurance. May require some actions as follows:- <ul style="list-style-type: none"> • Review of lease and hire fees. • Enforcing tenant maintenance obligations. • Rationalise low use facilities • Decommission heavily vandalised buildings/amenities. • Reduce frequency of public toilet cleaning from daily.

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ITEM 11 (continued)

ATTACHMENT 5



Our Financial Future

- Part 5 Assets and Levels of Service

7 November 2013

The Agenda: Assets and Levels of Service

The previous workshops



Part 5 – 7 November:
Assets and Service Standards



ITEM 11 (continued)

ATTACHMENT 5



Key Asset Types for review

ASSET PLAN		ASSET TYPES
	Road Pavement	Pavements, Kerb & Gutter, Carparks
	Roadside	Footpaths including Cycleways, Bridges & Tunnels, Street Lights, Furniture, Signage, Jetties & Wharves
	Traffic & Parking	Devices & Controls including signs lines & meters
	Stormwater	Creeks & Waterways, Trunk drainage, Road drainage
	Playspaces & Fields	Playing Fields, Playground Equipment
	Reserves	Landscaping & Gardens, Furniture, Trees, Seawalls including Ramps
	Buildings	Civic & Operational, Sport & Recreation (including Toilets), Community, Cultural Facilities, Community Halls

ITEM 11 (continued)

ATTACHMENT 5

Context

Defining our Assets Services








ITEM 11 (continued)

ATTACHMENT 5

Context

How do we rate our Asset condition?

- Condition ratings based on physical condition or age

Condition 1	Condition 2	Condition 3	Condition 4	Condition 5
				
As new	No visible defects	Some visible defects – e.g. cracks, potholes	Reduced capacity e.g. lots of cracks, deformation,	Unsafe to use in sections e.g. pavement breaking up

ITEM 11 (continued)

ATTACHMENT 5



What are Councillors considering tonight?

1. Our current condition standard for each asset
2. Our current levels of service for each asset
3. Our options for closing the funding gap and reducing the renewal backlog
4. How to engage with the community on our asset conditions and levels of service

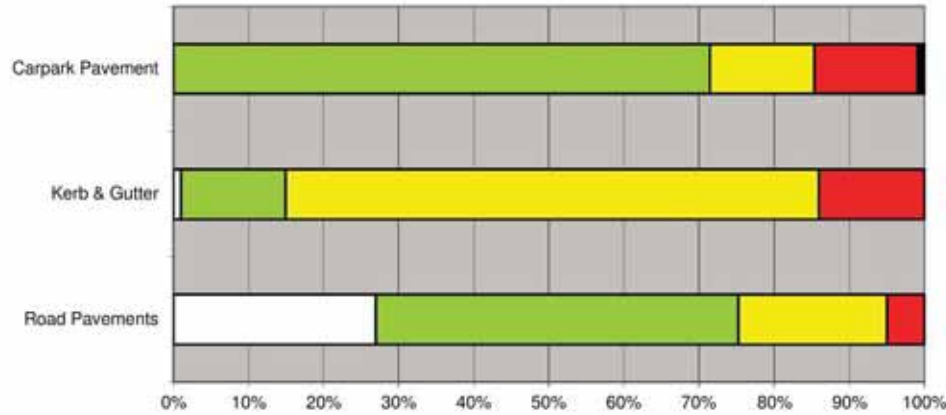
ITEM 11 (continued)

ATTACHMENT 5



Roads

- Condition 3** - Some visible cracks, small pothole & patch repairs, bits breaking off
- Condition 4** - Areas of lots of cracks, surface deformation, lifting, rolling, missing chunks
- Condition 5** - Pavement breaking up, areas of potholes, interfering with driving or flows, unsafe to step over



ITEM 11 (continued)

ATTACHMENT 5



Carpark Pavement

Major cause of wear:

- Sunlight, water penetration



Condition 3
To renew \$12.2M



Condition 4
To renew \$2.75M



Condition 5
To renew \$0.11M

ITEM 11 (continued)

ATTACHMENT 5



Kerb & Gutter

Major cause of wear:

- Tree roots, kerb side traffic



Condition 3
To renew \$68.2M



Condition 4
To renew \$13.5M



Condition 5
Currently no assets

ITEM 11 (continued)

ATTACHMENT 5



Road Pavement

- Major cause of wear:
- Sunlight & vehicle weight



Condition 3
To renew \$56.3M



Condition 4
To renew \$13.9M



Condition 5
Currently no assets

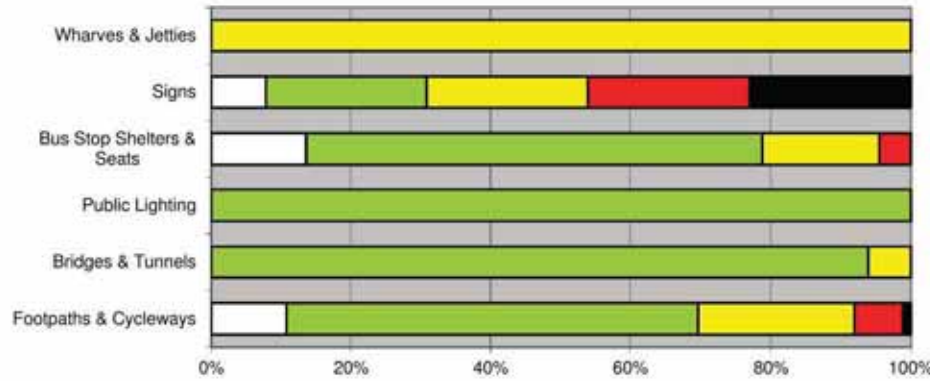
ITEM 11 (continued)

ATTACHMENT 5



Roadside

- Condition 3** - Some visible cracks, small pothole & patch repairs, bits breaking off, weathered material
- Condition 4** - Areas of lots of cracks, surface deformation, lifting, rolling, missing chunks, decay, components not secure, faded, some rust
- Condition 5** - Pavement breaking up, areas of potholes, interfering with driving or flows, unsafe to step over, deterioration of structural elements, risk of failure, illegible



ITEM 11 (continued)

ATTACHMENT 5



Wharves & Jetties



Condition 3
To renew \$1.8M



Condition 4
Currently no assets



Condition 5
Currently no assets

Major cause of wear:

- Marine conditions

ITEM 11 (continued)

ATTACHMENT 5



Signs



Condition 3
To renew \$0.45M



Condition 4
To renew \$0.45M



Condition 5
To renew \$0.45M

Major cause of wear:

- Sunlight

ITEM 11 (continued)

ATTACHMENT 5



Shelters & Seats



Condition 3
Shelter

Condition 3
To renew \$0.67M



Condition 3
Seat

Major cause of wear:
• Corrosion, weathering



Condition 4
To renew \$0.18M
Condition 5
Currently no assets

ITEM 11 (continued)

ATTACHMENT 5



Bridges



Condition 3
To renew \$1.68M



Condition 4
Currently no assets



Condition 5
Currently no assets

Major cause of wear:

- Weathering

ITEM 11 (continued)

ATTACHMENT 5



Footpaths & Cycleways

Major cause of wear:

- Tree roots, soil conditions



Condition 3
To renew \$45.2M



Condition 4
To renew \$3.34M



Condition 5
To renew \$0.34M

ITEM 11 (continued)

ATTACHMENT 5



Lighting - MFPs

Note: Currently all condition 2

Major cause of wear:

- Wind, corrosion



Condition 2 – with banner



Condition 2 – without banner

ITEM 11 (continued)

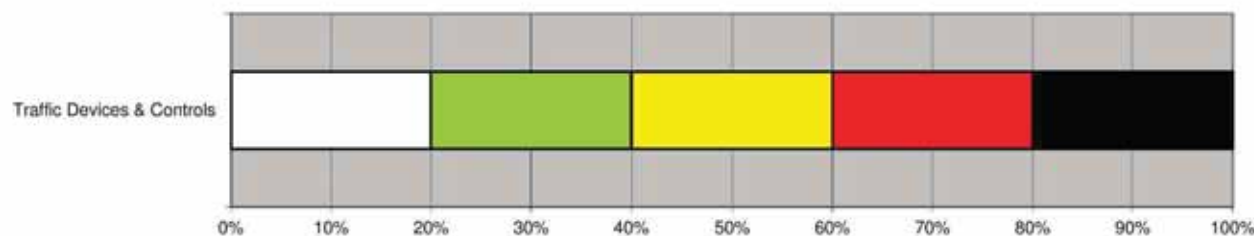
ATTACHMENT 5



Traffic Devices & Controls

- Condition 3** – signs of wear and tear, parts of device missing e.g. posts
- Condition 4** – localised cracking with some subsidence
- Condition 5** – extensive cracking, subsidence, temporary measures need to be taken

Note: Aged based condition rating – detailed condition assessments not yet completed



ITEM 11 (continued)

ATTACHMENT 5



Traffic Devices & Controls

Major cause of wear:

- Impact
- Concentrated wheel tracking



Condition 3
To renew \$1.3M



Condition 4
To renew \$1.3M



Condition 5
To renew \$1.3M

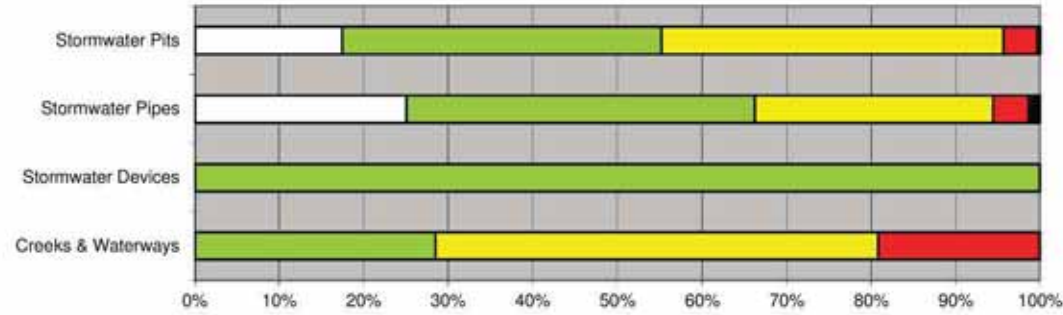
ITEM 11 (continued)

ATTACHMENT 5



Stormwater

- Condition 3** – localised cracking, rust, scour, compacted sediment, missing parts
- Condition 4** – subsidence, joint movement, erosion affecting flows, holes, partial blockage, damaged lintels
- Condition 5** – extensive cracking, mis-alignment and trench erosion, blockage, risk of or actual collapse, broken lids



ITEM 11 (continued)

ATTACHMENT 5



Road Drainage - Pits



Condition 3
To renew \$23.78M



Condition 4
To renew \$2.46M



Condition 5
To renew \$0.23M

Major cause of wear:

- impact

ITEM 11 (continued)

ATTACHMENT 5



Road Drainage – Pipes

Major cause of wear:

- Soil movement, dumping, tree roots



Condition 3
To renew \$45.8M



Condition 4
To renew \$7.36M



Condition 5
To renew \$1.8M

ITEM 11 (continued)

ATTACHMENT 5



Stormwater Devices

Note: Currently all condition 2

Major cause of wear:

- Debris, storms



Condition 3
Currently no assets



Condition 4
Currently no assets



Condition 5
Currently no assets

ITEM 11 (continued)

ATTACHMENT 5



Creeks & Waterways

Major cause of wear:

- Creek flows



Condition 3
To renew \$6.3M



Condition 4
To renew \$2.29M



Condition 5
Currently no assets

ITEM 11 (continued)

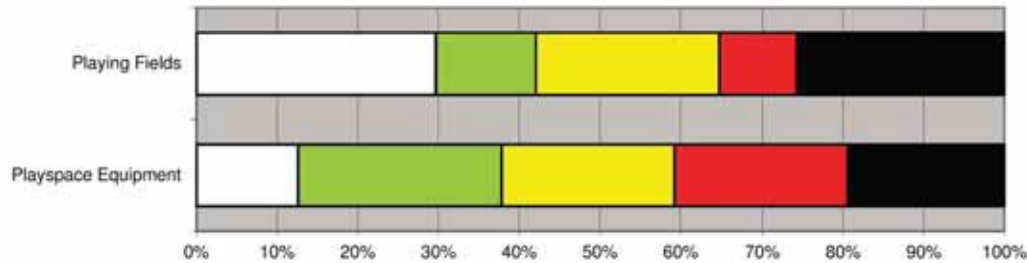
ATTACHMENT 5



Play Spaces & Fields

- Condition 3** – signs of wear and tear, parts of device missing e.g. posts, low turf growth in some areas
- Condition 4** – localised cracking with some subsidence, no turf
- Condition 5** – extensive cracking, subsidence, components need removing, compacted or infertile soils

Note: Aged based condition rating



ITEM 11 (continued)

ATTACHMENT 5



Playing Fields

Major cause of wear:

- Use
- Underlying conditions



Condition 3: Mid-age
To renew \$1.8M



Condition 4: Aging
To renew \$0.77M



Condition 5: Oldest
To renew \$2.07M

ITEM 11 (continued)

ATTACHMENT 5



Play Equipment



Condition 2:
Recently installed,
high standard,
young or older age
range



Condition 3:
In place several years,
variable standard
To renew \$3.3M



Condition 4 To renew \$3.3M








Condition 5:
Older equipment, out of date
standard, low interest or challenge
To renew \$3.0M

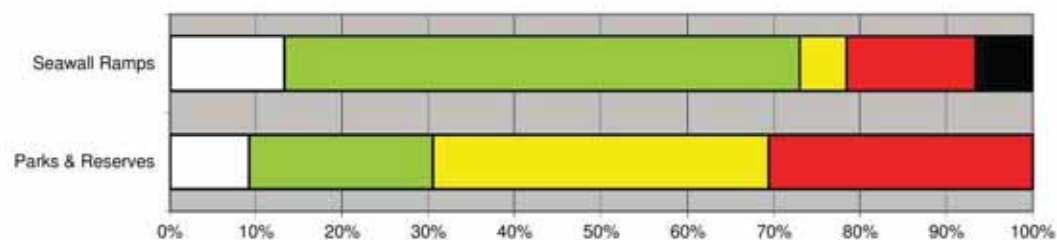
ITEM 11 (continued)

ATTACHMENT 5



Parks and Reserves

-  **Condition 1** – Large, well landscaped areas and gardens, trees, quality facilities, shade shelters, seats, etc
-  **Condition 2** – Some facilities and landscaping, trees, medium sized
-  **Condition 3** – Low maintenance gardens, shrubs, located near features such as playgrounds and seating, top parts of the wall falling off
-  **Condition 4** – Natural areas or a created native garden bordered by only periodically cut grassed areas, footing failures and cavities
-  **Condition 5** – Very low frequency maintenance, collapsed wall & bank erosion



ITEM 11 (continued)

ATTACHMENT 5



Seawalls and Ramps



Condition 3
To renew \$0.17M



Condition 4
To renew \$0.48M

Major cause of wear:

- Storms, tides, salt water



Condition 5
To renew \$0.2M

ITEM 11 (continued)

ATTACHMENT 5



Reserves Inc. Landscaping, Gardens Furniture

Major cause of renewal:

- Decision on standard



Condition 1



Condition 2



Condition 3



Condition 4



Condition 5

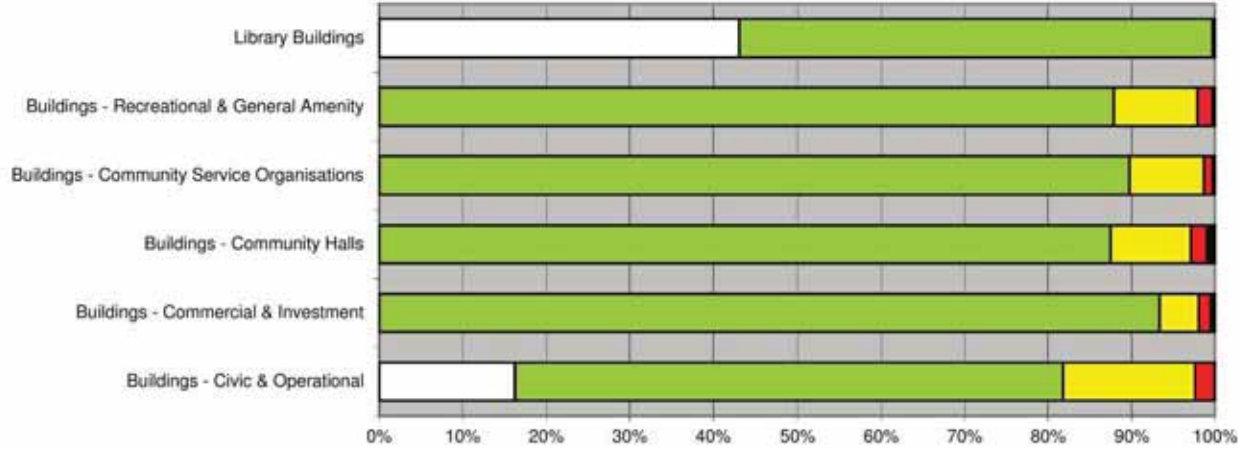
ITEM 11 (continued)

ATTACHMENT 5



Buildings

- Condition 3** – signs of wear and tear, parts of device missing e.g. posts
- Condition 4** – localised cracking with some subsidence
- Condition 5** – extensive cracking, subsidence, temporary measures need to be taken



ITEM 11 (continued)

ATTACHMENT 5



Buildings



Condition 3
To renew \$9.74M



Condition 4
To renew \$1.74M



Condition 5
To renew \$0.34M

Major cause of wear:

- Corrosion, weathering, construction methods & materials

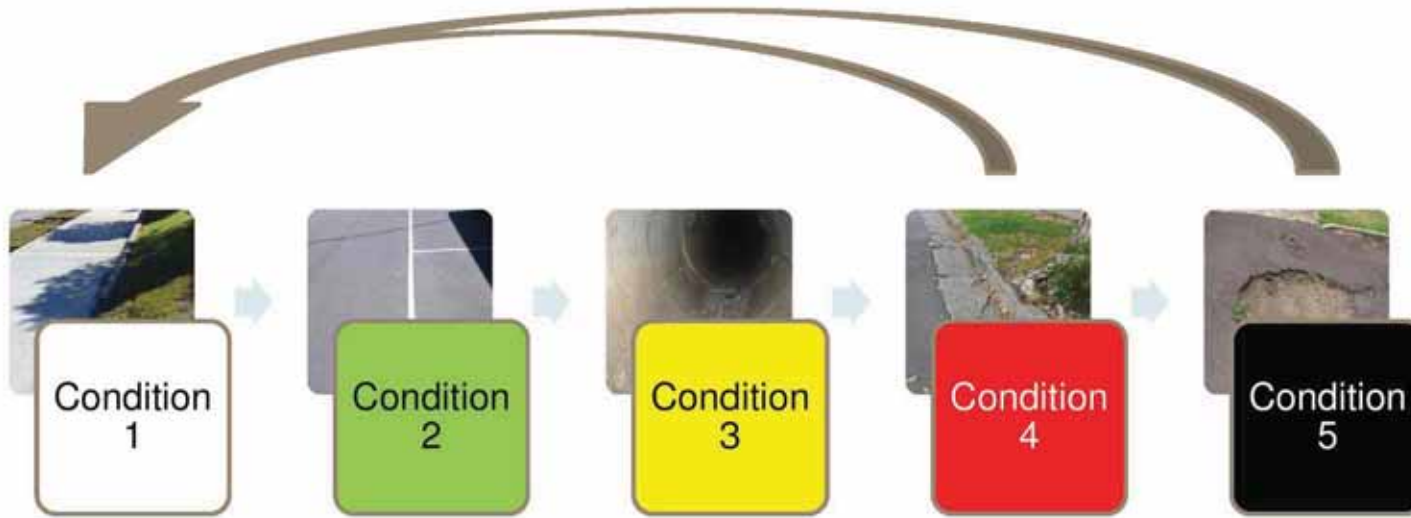
ITEM 11 (continued)

ATTACHMENT 5



What is the 'Renewal Backlog'?

- Condition 4 & 5 (red & black)
- 'Renewal' returns an asset to condition 1










ITEM 11 (continued)

ATTACHMENT 5



What is the total cost to renew key assets?

Total Renewal Cost by Asset Plan Category:		Condition 5	Condition 4		Condition 3	
		\$	\$	5 + 4	\$	5 + 4 + 3
	ROADS	\$0.11M	\$30.15M	\$30.27M	\$136.7M	\$166.97M
	ROADSIDE	\$1.0M	\$4.32M	\$5.32M	\$16.3M	\$21.62M
	TRAFFIC AND PARKING	\$1.3M	\$1.3M	\$2.6M	\$1.3M	\$3.9M
	STORMWATER	\$2.03M	\$12.11M	\$14.14M	\$75.9M	\$90.0M
	PLAY SPACES & FIELDS	\$5.07M	\$4.07M	\$9.14M	\$5.1M	\$14.24M
	RESERVES	\$0.2M	\$5.52M	\$5.72M	\$9.77M	\$15.49M
	BUILDINGS	\$0.34M	\$1.74M	\$2.08M	\$9.74M	\$11.82M
TOTAL RENEWAL		\$10.05M	\$59.21M	\$69.26M	\$254.8M	\$324.07M

Note: Refer to page 2 of the supporting document for an explanation of the variance of these figures to the \$55.2M in Special Schedule 7

Some of these assets will move into Condition 4 during this term of Council

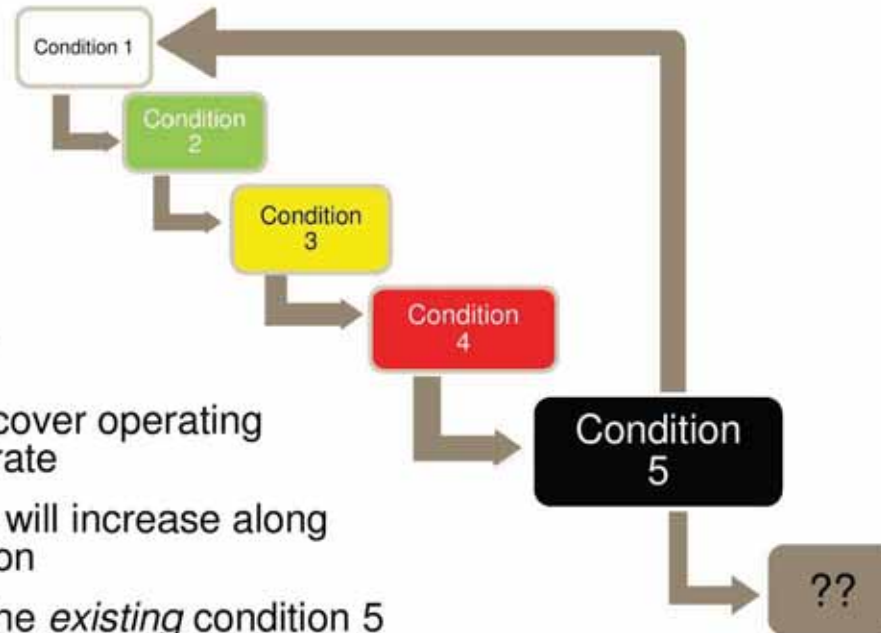
ITEM 11 (continued)

ATTACHMENT 5



Option 1: Continuing asset decline

- If we continue to underfund depreciation
 - condition 3 become 4
 - condition 4 become 5
 - condition 5 will increase beyond capacity to renew
- If maintenance is deferred to cover operating costs these trends will accelerate
- The demand for maintenance will increase along with increased use/deterioration
- We can only afford to renew the *existing* condition 5 not future increases
- No funding for renewal of condition 4
- The renewal gap will increase as will Council's liability exposure



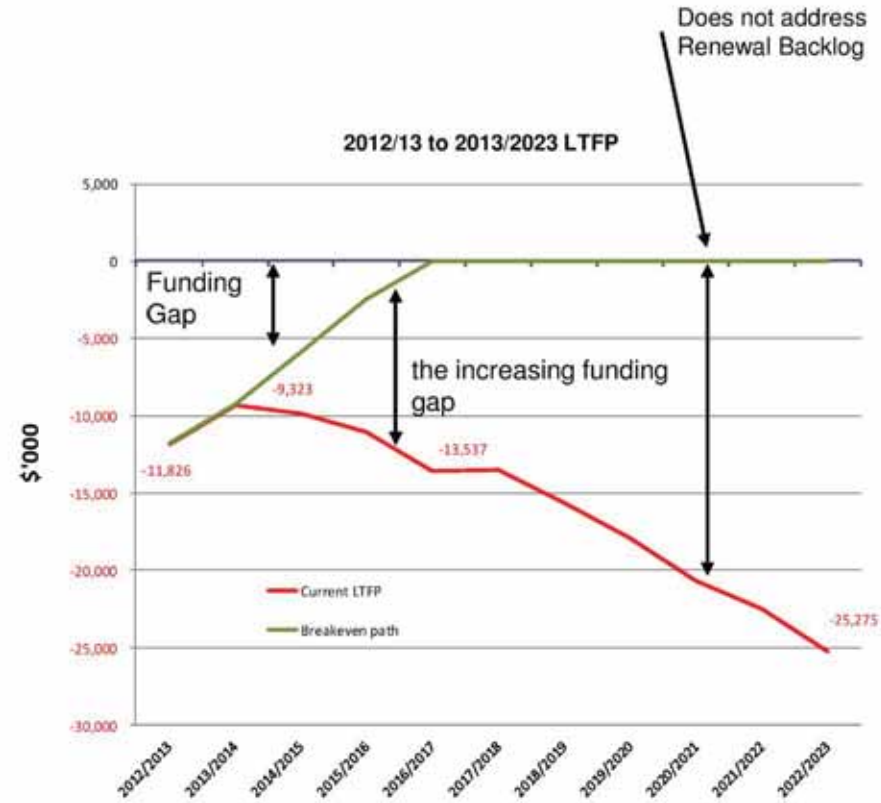
ITEM 11 (continued)

ATTACHMENT 5



Option 2: Close the gap not the backlog

- A \$9M increase per annum will hold the current Asset condition profile
- This does not address the 'Renewal Backlog' of condition 4 and condition 5 assets



ITEM 11 (continued)

ATTACHMENT 5



Option 3: Close the gap and the backlog

This will require \$9M to close the gap plus additional funds to reduce Council's current renewal backlog.

Benefits will be:

- Reduce maintenance costs
- Reduce our public liability risk
- Improve our asset condition profile
- Source funding (from a variety of areas) to fund the renewal backlog
 - Loans
 - Sale of assets
 - Property development
 - SRV

ITEM 11 (continued)

ATTACHMENT 5



Level of Service

- Asset Levels of Service have already been reduced since 2012 due to budgetary pressures
- There is potential for targeted reductions across all service areas
- Feedback is required as to where and how much to reduce service levels
- Reduction in renewal works will add to the underfunding of assets and lead to an increase in required maintenance
- Reduced service levels will accelerate the decline in asset condition (i.e. increase condition 5)



ITEM 11 (continued)

ATTACHMENT 5



Where to from here?

- Future workshops in November on:
 - Operating efficiencies (19 Nov)
 - Community engagement process

ITEM 11 (continued)

ATTACHMENT 5



Any Questions?

ITEM 11 (continued)

ATTACHMENT 6



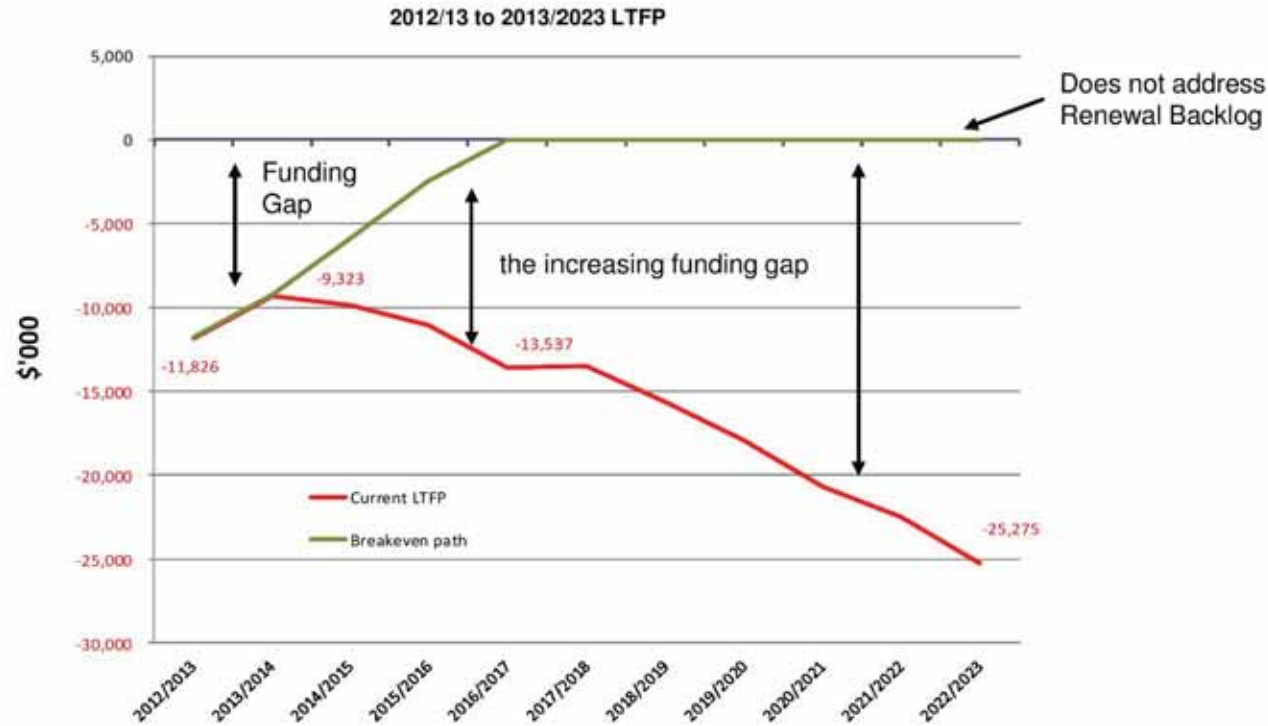
Our Financial Future - Part 6

19 November 2013

ITEM 11 (continued)

ATTACHMENT 6

Our Operating Result before Capital










Councillors acknowledged the projection towards a \$25M deficit

ITEM 11 (continued)

ATTACHMENT 6

What is the total cost to renew key assets?

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TOTAL RENEWAL		\$10.05M	\$59.21M	\$69.26M	\$254.8M	\$324.07M

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