

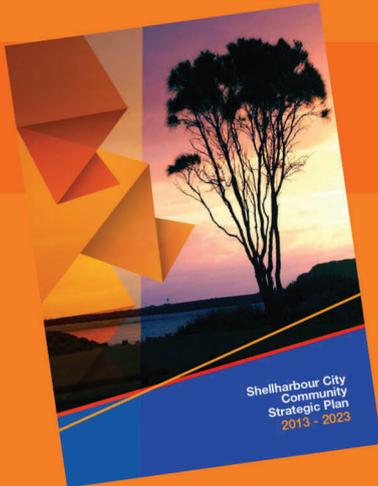


Shellharbour
CITY COUNCIL

Resourcing Strategy

INTEGRATED PLANNING & REPORTING FRAMEWORK

The Integrated Planning and Reporting Framework is a legislative requirement for all NSW Councils. It aligns organisational planning, processes, and performance to the Community Strategic Plan 2013-2023. Ultimately, the Framework provides greater accountability and transparency.



COMMUNITY STRATEGIC PLAN (10 YEARS)

What you want

Reflects the community's vision for the City and outlines the key long-term Objectives which sets the direction for the future. It is developed and delivered as a partnership between Council and the community.



YOU
ARE
HERE

RESOURCING STRATEGY (10 YEARS)

How will we deliver what you want

Contains information on the time, money, assets and people required by Council to progress the Strategies within the Delivery Program and move towards achieving our community Objectives. It is made up of the following three key components:

- Long Term Financial Plan;
- Asset Management Plan; and
- Workforce Management Plan.



COMBINED DELIVERY PROGRAM (5 YEARS) AND OPERATIONAL PLAN (1 YEAR)

What we will do

Details Strategies and individual Actions across the full range of Council operations, that Council will undertake to achieve the community Objectives.

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Resourcing Strategy

The Resourcing Strategy is an essential element of the Integrated Planning and Reporting (IP&R) framework. It ensures there is an appropriate mix and delivery of infrastructure services combined with the availability of sufficient financial and human resources to deliver the Strategies and Actions within the Delivery Program and Operational Plan. It is made up of the following three components: Long Term Financial Plan, Asset Management Plan, and Workforce Management Plan.

Sustainable Financial Strategy

Council's key objective when managing its financial resources is to remain financially sustainable. Council's Long Term financial Plan (LTFP) needs to ensure financial sustainability for Council and demonstrate our long term capacity to deliver the strategic Objectives in the Community Strategic Plan (CSP), Delivery Program and Operational Plan.

It is essential the LTFP adopted by Council provides a level of certainty to the community that it is not only a sustainable financial model, but also represents an acceptable balance in the context of meeting community expectations, sound financial management, and the achievement of strategic objectives within supported rate increases, outcomes that are clear and measurable, and have community and council support.

Long term financial sustainability is important if Council is to deliver the services and programs expected by the community. It is also important that community assets are maintained so that the cost does not become a burden for future rate payers. Financial sustainability is achieved when service and infrastructure levels are delivered according to a long term plan without the need to significantly increase rates or significantly reduce services.

The Strategy included outlines five key Strategies, corresponding Actions and financial indicators for future operational and capital expenditure.

Long Term Financial Plan (LTFP)

The Long Term Financial Plan (LTFP) is an important part of Council's strategic planning process, as it is used as a decision making and problem solving tool to model different scenarios. It is also used to inform and guide future action and to allow Council to identify financial issues at an earlier stage. The LTFP provides a means to forecast Shellharbour City Council's capacity to provide financial resources to meet the Objectives of the Community Strategic Plan.

The LTFP is developed in conjunction with the Asset Management Plans and Workforce Management Plan and incorporates the strategies and actions contained within Council's Delivery Program.

The LTFP is for a period of ten years and includes the following:

- the planning assumptions used to develop the plan
- projected income and expenditure, balance sheet and cash-flow statement
- sensitivity analysis
- monitoring financial performance and sustainability

The primary purpose of this LTFP is to facilitate effective financial decision-making which is informed by the short, medium and long term expectations of the community.

The LTFP is reviewed on an annual basis, with a major review process undertaken in line with the review of the Community Strategic Plan.

Asset Management Plan (AMP)

The AMP sets a framework for the sustainable management of current and future assets so that Council can continue the delivery of services from infrastructure that is provided in a financially sustainable manner.

The Asset Management Framework is made up of 3 components: The **Asset Management Strategy**, an **Asset Management Policy** and a number of **Asset Management Plans** for each of Council's asset classes.

It provides information about our assets, provides evidence of responsible asset management and compliance with regulatory requirements and summarises information with regard to funding aimed at bringing assets to a desirable level of service.

Council is the custodian of infrastructure assets valued at over \$424 million dollars. These assets have been acquired by purchase, contract, construction by staff or assets constructed and transferred by developers. Shellharbour City Council's primary objectives in managing these are:

- to be sustainable in the management of all assets
- to provide a desirable level of service for the assets under its stewardship for the existing and future community

Workforce Management Plan (WMP)

In order to meet the priorities and needs of the community identified in the CSP, Council must ensure that it has the right mix of people, skills and resources to use when and where they are needed. This document considers both the medium and long term needs of the organisation and provides a framework for dealing with immediate challenges in a consistent way.

Key priorities for Council over the life of the plan include:

- Recruitment and retention of staff
- Performance improvement
- Career planning and professional development
- Rewards and recognition
- Employee engagement
- Leadership and development.

The Plan endeavours to build an organisational culture which continues to attract and retain the best staff possible.

Moving towards a more financially sustainable future

At its meeting on 28 February 2012, Council adopted recommendations from the report, “A Financial Strategy for the Council”. This report introduced a number of strategies and associated actions to assist Council in ensuring its financial sustainability in the future. Those strategies continue to be used today in the formulation of annual budgets and long term financial plan documents.

In September 2014, the New South Wales State Government introduced “Fit for the Future” reforms to help create financially stronger councils, improve council performance and strengthen the system of local government so that councils can deliver quality services and infrastructure to their communities.

Councils were required to prepare roadmaps for becoming “Fit for the Future” by 30 June 2015. The roadmaps were assessed by the Independent Pricing and Regulatory Tribunal (IPART) and determinations were made regarding whether councils were fit or not fit. Shellharbour City Council’s roadmap was declared as being not fit.

Since that time Council has implemented a large number of initiatives to turn that position around. They include the continuation of the four year Special Rate Variation, first introduced in the 2013/14 financial year, which has resulted in a significant increase in rate income for the funding of asset renewal programs.

A comprehensive two stage review of depreciation costs resulted in some modifications to expected asset useful lives along with the componentisation of various infrastructure asset classes. This work led to a reduction in annual depreciation costs.

Council has also put in place an ongoing internal efficiency program with emphasis on reducing day to day expenses and increasing income.

The continuing adherence to Council’s adopted financial sustainability principles and the implementation of the above initiatives resulted in Council meeting IPART’s benchmark requirements for all seven of the “Fit for the Future” ratios in its 2015/16 financial reports. That positive trend is also forecast to continue in the current 2016/17 and future years with Council continuing to explore further initiatives to making the organisation more sustainable.



**Sustainable
Financial
Strategy**
2011-2018

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Introduction

Council's key objective when managing its financial resources is to remain financially sustainable. Council's Long Term Financial Plan (LTFP) needs to ensure financial sustainability for Council and demonstrate our long term capacity to deliver the strategic objectives in the Community Strategic Plan, Delivery Program and Operational Plan.

It is essential that the LTFP adopted by Council provides a level of certainty to the community that it is not only a sustainable financial model, but also represents an acceptable balance in the context of meeting community expectations, sound financial management, and the achievement of strategic objectives within supported rate increases, outcomes that are clear and measurable, and have community and council support.

Long term financial sustainability is important if Council is to deliver the services and programs expected by the community. It is also important that community assets are maintained so that the cost does not become a burden for future rate payers. Financial sustainability is achieved when service and infrastructure levels are delivered according to a long term plan without the need to significantly increase rates or significantly reduce services.

The purpose of this document is to provide direction for prioritising and allocating financial resources at a high level. This Strategy will guide Council in the development of the Long Term Financial Plan and provide a decision making and problem solving tool for deciding how best to achieve Council's objectives while addressing its long term challenges. The Strategy is not intended to indicate what services should be allocated funds, but rather Council's ability to fund its services and capital works. This Strategy outlines five key strategies, associated actions, and financial indicators for future operational and capital expenditure.

Current financial situation - where we are today

The Long Term Financial Plan (LTFP) is a planning tool used to express, in financial terms, the activities that the Council proposes to undertake over the medium to longer term to achieve its stated objectives. It calculates the future intended outlays and anticipated revenues identifying the accumulating overall financial implications and, if warranted, proposed future activities to be revised. Each year, Council's Long Term Financial Plan is revised to outline how Council is progressing.

In September 2014, The NSW State Government announced its "Fit for the Future" (FFTF) reform with the aim to ensure all NSW councils are sustainable, efficient, can effectively manage infrastructure and deliver services for communities. Council has gradually seen its culture change to the point where FFTF is considered in most of the decisions made across the organisation, with Council staff looking for opportunities to improve financial sustainability on an ongoing basis.

In terms of the current and forecast future financial position, the updated LTFP indicates Council is expecting to have surplus net operating results (before capital grants and contributions) over the next 10 years. In addition to this, the Operating Performance Ratio forecast is greater than the FFTF benchmark ratio of 0% over the same period. The significant turnaround in both of these key financial indicators can be attributed to an organisation wide improvement program that has seen efficiency gains, increases in rates revenue via a Special Rate Variation (SRV) application and a significant reduction in depreciation expenses through reviews of asset useful lives and componentisation.

These initiatives have also assisted Council in exceeding benchmarks for the asset based FFTF ratios. The Special Rates Variation (SRV) and efficiency gains has enabled additional funds to be spent on the maintenance and the renewal of Council assets, while depreciation costs are a key component in most of the ratio calculations. Council also continues to maintain its focus on asset renewal rather than the creation of new assets.

Five Key strategies and actions are outlined below as part of Council's Sustainable Financial Strategy to ensure Council continues to remain sustainable in the long term.

Future Direction - where we want to be

Key Strategy 1 - Recurring income must exceed recurring expenditure

Actions

1.1 Ensure that budgets and monitoring reports are able to identify the degree to which recurring income meets and exceeds recurring expenses.

1.2 Council aims to maintain an annual operating statement surplus before capital, on an ongoing basis. The achievement of this aim is incorporated into future Long Term Financial Plans.

1.3 Any surpluses of unrestricted income over unrestricted expenditure to be applied to (in order of priority) one-off or extraordinary costs, and unrestricted reserves

How are we planning on achieving this?

Work streams focusing on financial sustainability

A cross organisational team has been in place for a number of years within Council with its main task being to ensure the financial sustainability of the organisation into the future.

Work streams from within the cross organisational team have been setup to look at particular areas of Council's operational expenditure as well income, with a focus on the identification of productivity/efficiency improvements.

Procurement initiatives

Council will continue to progress its Procurement Roadmap program initiatives, assessing and benchmarking current practices to ensure that all procurement activities result in the best possible outcomes for the community. Positive progress has been made through implementing effective practice concepts. Savings initiatives will continue to be sought via this procurement roadmap.

Efficiencies through regional procurement initiatives via the Illawarra Pilot Joint Organisation (IPJO) continue to be a main focus for Council's Procurement Team. The progression through a program of joint tenders for large service spend areas will continue ensuring the four regional councils are receiving the best value for their service spends.

Budgeting for outcomes

Council will continue with the 'Budgeting for Outcomes' model. This model will ensure that Council is able to efficiently and effectively deliver the objectives of the Community Strategic Plan (CSP) by providing the organisation with a compatible budgeting method. It is important that the budget reflects the CSP and enable its priorities to be delivered. As a result all actions within the Operational Plan will have a corresponding budget that enables Council to monitor the cost of delivering the actions and provides the ability to examine the true cost of achieving the community's objectives.

Service reviews across Council

Council still is in the process of undertaking a number of service level reviews with the aim of achieving effective and efficient service provision. This process will provide an opportunity to examine whether services are being delivered in a manner that best meets the community's needs and provides "value for money". The reviews will

cover a range services currently delivered by Council to achieve an overall understanding on what we deliver.

The actions undertaken to achieve the other key strategies below will also play a major role in achieving this key strategy.

Key Strategy 2 - Each of Council's service delivery activities is to be cost and quality competitive

The strategy establishes a comparative approach to benchmark the appropriate levels of cost and quality for each of Council's service delivery activities. For services that are uniquely provided by Local Government, we will review how our resident's rate these services and also how they compare with the services provided by other Councils.

This will generate further assessment of ways to improve quality and cost of service levels for both uniquely provided Local Government services and services that Council provides that are also commercially available in the marketplace.

How are we planning on achieving this?

Service planning

Council exists to provide services to its community. Council has to be able to demonstrate that the cost and value of its services is comparable to what can be obtained by the private sector. So while Council is not a business, service delivery should be in a businesslike way.

Key Strategy 3 - Asset renewal must have a higher priority than the creation of new assets

Asset renewal will continue to receive a higher priority than capital investment. Application of this strategy will ensure Council is able to better maintain and sustain its existing assets.

Actions

3.1 Ensure the appropriate classification of asset renewal expenditure and asset maintenance expenditure

3.2 Establish annual investment targets in renewal or refurbishment of existing assets, to ensure the FFTF infrastructure renewal ratio benchmark is met, over the next 10 years

3.3 Asset renewal programs are to be prioritised on the basis of condition rating

How are we planning on achieving this?

Special Rate Variation

Additional funds raised from the Special Rate Variation will be allocated for the renewal of the following infrastructure:

- Roads and footpaths
- Stormwater and drainage; and
- Community buildings and amenities (including sporting and other recreational facilities).

Key Strategy 4 - Capital investment (expenditure) must be financed from a mix of reserves, grants, contributions and loans, but not operational income.

This strategy will continue to be a focus and has the effect of limiting capital expenditure on new assets, while making additional resources available for recurrent operating expenditure, including asset maintenance.

Actions

- 4.1 All capital works in excess of \$5000 to be funded as above
- 4.2 Monitoring of the Debt Service Ratio to ensure levels of borrowing remain at appropriate levels
- 4.3 Council to establish a scheduled approach to acquiring and retiring such debt

How are we planning on achieving this?

Debt Management Strategy

Council recognises that loan borrowings for capital works are an important funding source for Local Government and that the full cost of infrastructure should not be borne entirely by present day ratepayers, but be contributed to by future ratepayers who will also benefit.

Therefore Council will utilise loan funds to undertake capital works only when the asset is of a long term nature. The term of the Loan will not exceed the useful life of the asset. Council will raise all external borrowings at the most competitive rates available and from sources available as defined by legislation. Loan draw downs will be timed to optimise cash flow and minimise interest expenses.

Key Strategy 5 - Optimise returns from Council's commercial property holdings

Council has a number of commercially valuable assets, such as Shell Cove, the Illawarra Regional Airport and The Links Golf Course. The management of these assets will continue be conducted in a more commercial manner and optimisation of business returns will be a priority.

How are we planning on achieving this?

The Links Shell Cove

The development of a business plan for the Links Shell Cove has been an important initiative. Council is currently working through a large number of recommendations from the Business Plan to ensure returns from the business are optimized in the future. Works to date include modifications to the Hotel building to allow the introduction of gaming machines and liquor outlet, along with the reconfiguration of the golf course, which has enabled the creation of a 45 lot subdivision.

Illawarra Regional Airport

The Illawarra Regional Airport (IRA) is a profitable Council asset that generates income from leases and other fees and charges on the airfield.

Council is currently investigating opportunities associated with the return of regular passenger transport to the airport. This is one of the many strategies identified as part of the IRA's Strategic and Business Plan.

Other Council Business operations

Council is responsible for the management of a number of commercial business enterprises including a Wholesale nursery and the Shellharbour Tourist Caravan Park. Council continues to investigate opportunities to maximise Council's return on investment.

Measuring financial sustainability

An acceptable target has been set for each of the indicators which will need to be achieved in order for this Council to remain financially sustainable.

1) Unrestricted Current Ratio

This ratio is used to assess the adequacy of current assets and the ability of council to satisfy its short term obligations for the unrestricted activities of Council.

If the Council has a ratio greater than 1.5 then it is considered financially secure in the short term. If the ratio is less than 1.5 then it has a short term funding issue.

Target $\geq 1.5\%$	Target results for each year:			
	2017/18	2018/19	2019/20	2020/21
	$\geq 1.5\%$	$\geq 1.5\%$	$\geq 1.5\%$	$\geq 1.5\%$

2) Operating Performance Ratio

Operating Performance Ratio is the net operating result (excluding capital items) as a percentage of operating revenue (excluding capital items)

This indicator measures Council's ability to fund operations through the achievement of containing operating expenditure with operating revenue.

A ratio above zero indicates that the City is generating an underlying surplus (after adjustments for items such as capital revenue, net sale of assets and revaluations) which means that positive revenue is being generated to provide for operating expenses including the depreciation of assets.

Target $\geq 0\%$	Target results for each year:			
	2017/18	2018/19	2019/20	2020/21
	$\geq 0\%$	$\geq 0\%$	$\geq 0\%$	$\geq 0\%$

3) Rates, annual charges, interest and extra charges outstanding percentage

This ratio is used to assess the impact of uncollected rates and annual charges on liquidity and adequacy of recovery efforts. A ratio less than 5% indicates the effectiveness of Council in recovering debts legally owed to it.

Target $< 5\%$	Target results for each year:			
	2017/18	2018/19	2019/20	2020/21
	$< 5\%$	$< 5\%$	$< 5\%$	$< 5\%$

4) Debt Service Ratio

This ratio is used to assess the impact of loan principal and interest repayments on the discretionary revenue of Council. It can be calculated by taking the loan principle and interest divided by operating revenue (after capital grants and contributions, and specific purpose operating grants).

Target
> 0% <20%

Target results for each year:

2017/18	2018/19	2019/20	2020/21
> 0% <20%	> 0% <20%	> 0% <20%	> 0% <20%

5) Infrastructure Renewal Ratio

This ratio measures the extent to which assets are being renewed compared to the amount of consumption (depreciation). A ratio of greater than 1.00 (or 100%) means that Council is investing in renewal of its assets to a degree that offsets the current consumption of its assets.

Target
> = 100%

Target results for each year:

2017/18	2018/19	2019/20	2020/21
> = 100%	> = 100%	> = 100%	> = 100%

Long Term Financial Plan

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Introduction

The Long Term Financial Plan (LTFP) is an important part of Council's strategic planning process, as it is used as a decision making and problem solving tool to model different scenarios. It is also used to inform and guide future action and to allow Council to identify financial issues at an earlier stage. The LTFP provides a means to forecast Shellharbour City Council's capacity to provide financial resources to meet the Objectives of the Community Strategic Plan.

The LTFP is developed in conjunction with the Asset Management Plans and Workforce Management Plan and incorporates the strategies and actions contained within Council's Delivery Program.

The LTFP is for a period of ten years and includes the following:

- the planning assumptions used to develop the plan
- projected income and expenditure, balance sheet and cash-flow statement
- sensitivity analysis
- monitoring financial performance and sustainability

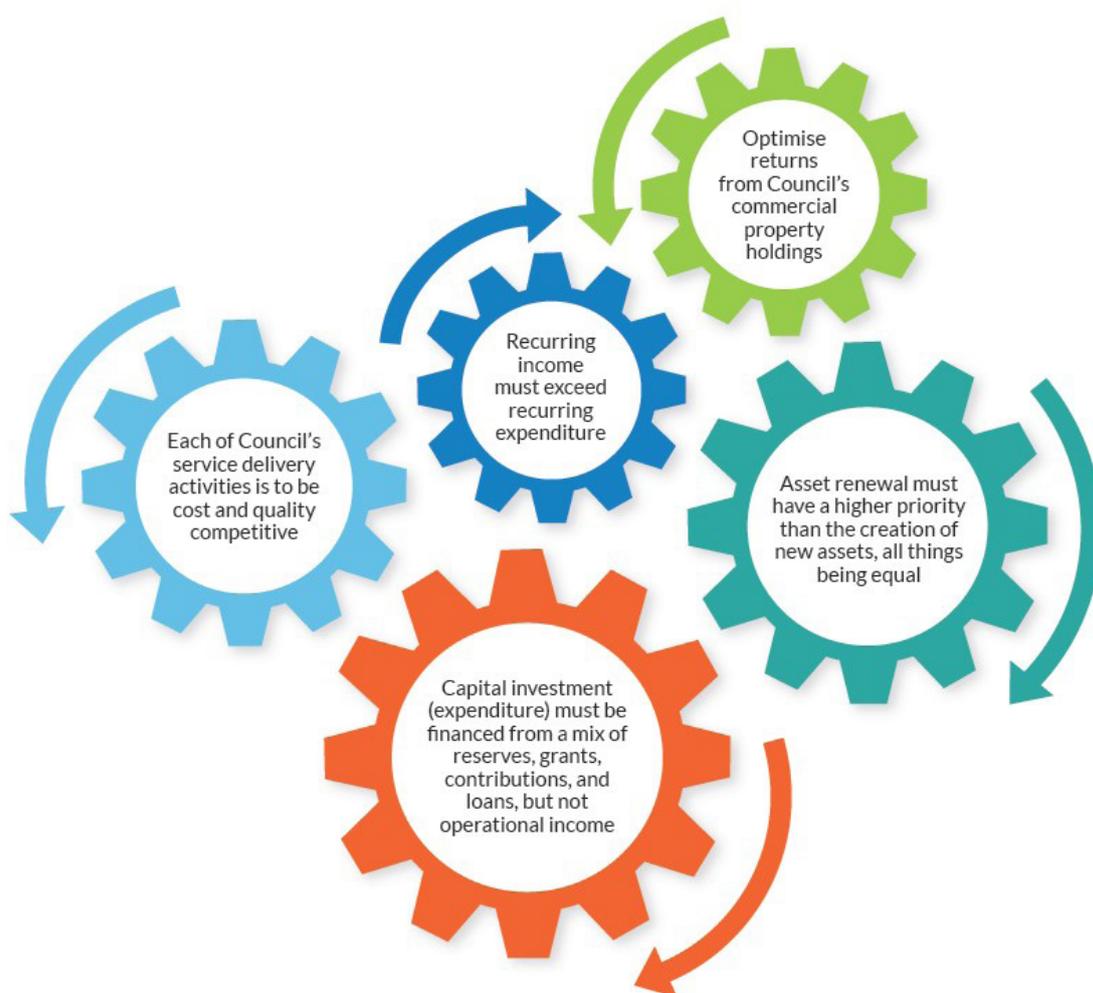
The primary purpose of this LTFP is to facilitate effective financial decision-making which is informed by the short, medium and long term expectations of the community.

The LTFP is reviewed on an annual basis, with a major review process undertaken in line with the review of the Community Strategic Plan.

Moving toward a Financially Sustainable Future

Council's key objective is financial sustainability in both the medium and longer term. At its meeting on 28 February 2012, Council adopted recommendations from the report "A Financial Strategy for the Council". This report introduced strategies and associated actions to inform the LTFP and ensure Council is financially sustainable. At a high level, this allows Council to plan for a sustainable organisation structure, schedule affordable and realistic annual budgets and program capital works for new, replacement and renewal of assets that are prudent in the short, medium and longer term.

As a part of the 2017/18 Operational Plan, many initiatives to increase income, reduce costs and increase productivity over the short and longer terms continue to be implemented and are outlined in each of the key strategies below and demonstrate how Council is going about achieving financial sustainability.





Recurring income must exceed recurring expenditure

The aim of this Strategy is for Council to continue to meet the Fit for the Future Operating Performance Ratio benchmark. This is a break even level or 0%. Initiatives that have enabled Council to operate in a more efficient manner include:

Procurement initiatives

Council continues to work through its Procurement Roadmap program which has led to the organisation working through a number of key actions, which continue to provide recurrent operational savings. These savings have been reflected in the 2017/18 estimates and have been maintained in future years in the LTFFP.

Efficiencies through regional procurement initiatives via the Illawarra Pilot Joint Organisation (IPJO) continue to be a main focus for Council's Procurement Team. The progression through a program of joint tenders for large service spend areas will continue ensuring the four regional councils are receiving the best value for their service spends.

Budgeting

It is important that the budget reflects the priorities included in the Community Strategic Plan. Council's Financial Management Information System directly links the financial data and the Strategies and Actions in the Delivery Program, enabling Council to monitor the true cost of achieving the community Objectives.

The preparation of the 2017/18 budget was divided into two main stages. The first being to compile the estimates for income and some of the main fixed costs including salaries and wages and depreciation. Once that stage had been completed, Finance staff calculated what was left to be spent on the remaining expenditure estimates to ensure an Operating Performance Ratio surplus (recurring income exceeded recurring expenditure) was achieved at the conclusion of stage two.

Service Reviews

A number of service reviews continue to be undertaken with the aim of achieving effective and efficient service provision. The objective of these reviews is to examine whether services are being delivered in a manner that best meets the community needs and provides value for money.

Fit for the Future Work Groups

To ensure Council continues to maintain its internal efficiency program and thus remain Fit for the Future, seven separate work groups continue to meet. The work groups are aligned with the main components of Council's income statement including areas like employment costs, materials and contracts and revenue, with the objective of each group being to either reduce recurring expenditure or increase recurring income.

A graphical representation of Council's projected Operating Performance Ratio result over the LTFP timeframe is contained in the Financial Performance and Sustainability section of this document.



Each of Council's service delivery activities is to be cost and quality competitive

This strategy establishes a comparative approach to benchmark the appropriate levels of cost and quality for each of Council's service delivery activities.

Service Level Agreements

Council exists to provide services to its community. Council has to be able to demonstrate that the costs and value of its services is comparable to what can be obtained by the private sector. So while Council is not a business, service delivery should be in a businesslike way.



Capital investment (expenditure) must be financed from a mix of reserves, grants, contributions and loans, but not operational income

The Strategy continues to apply and has had the effect of limiting capital expenditure on new assets, while making additional resources available for recurrent operating expenditure, including asset maintenance.

Debt Management Strategy

With the adoption and implementation of financial strategies by Council, loan borrowings are now replacing the use of operating income for some of these capital projects enabling works to be carried out in a more efficient manner. This also allows the funding to be spread over future generations rather than existing ratepayers bearing the full cost of the capital infrastructure and frees up operational funding for asset maintenance and service provision.

Council receives a rebate on the interest payable for borrowings associated with road renewal works. Council will continue to seek opportunities to minimise the interest expense associated with loan borrowings. The level of borrowings drawn each financial year is carefully monitored through long-term financial modelling to ensure affordability.



Optimise returns from Council's Commercial property holdings

Council has a number of commercially valuable assets, such as the Shell Cove Project, the Illawarra Regional Airport, the Shellharbour Beachside Tourist Park and The Links Shell Cove Golf Course. The management of these assets has been reviewed and strategies are in place to conduct their operation in a more commercial manner, as the optimisation of business returns is a priority.

Council continues to work through the large number of recommendations from the The Links Shell Cove Business Plan to ensure returns from the business are optimised in the future. Works to date include modifications to the Hotel building to allow the introduction of gaming machines and liquor outlet, along with the reconfiguration of the golf course, which has enabled the creation of a 45 lot subdivision.

Council is currently investigating opportunities associated with the return of regular passenger transport to the Illawarra Regional Airport. This is one of the many strategies identified as part of the airport's Strategic and Business Plan.



Asset renewal must have a higher priority than the creation of new assets, all things being equal

The application of this strategy will in time lead to Council being able to better maintain and sustain its existing assets.

Additional funds raised from the Special Rate Variation (SRV) which commenced in 2013/14 for a four year period, continue to enable Council to maintain and sustain its existing assets and assists Council in meeting the Fit for the Future, Infrastructure Renewals Ratio.

Additional funds raised from the SRV will be allocated for the renewal of the following infrastructure:

- Roads and footpaths
- Stormwater and drainage; and
- Community buildings and amenities (including sporting and other recreational facilities).

A graphical representation of Council's performance for the Infrastructure Renewals Ratio is contained in the Financial Performance and Sustainability section.

Fit for the Future

In September 2014, the New South Wales State Government introduced “Fit for the Future” reforms to help create financially stronger councils, improve council performance and strengthen the system of local government so that councils can deliver quality services and infrastructure to their communities.

Councils were required to prepare roadmaps for becoming “Fit for the Future” by 30 June 2015. The roadmaps were assessed by IPART and determinations were made regarding whether councils were fit or not fit.

The preparation of the LTFP focusses heavily on ensuring Shellharbour City Council is “Fit for the Future”.

Fit for the Future Assumptions

The LTFP has been prepared in line with the requirements under the ‘Fit for Future’ reforms. Council continues to seek out opportunities to improve its financial position and long term sustainability.

Council’s LTFP factors in the holding of costs below inflation for the in materials and contracts and other expenses categories as a result of expected productivity efficiency gains. The following initiatives will assist in achieving these savings:

Fit for the Future Work Groups

To ensure Council continues to maintain its internal efficiency program and thus remain Fit for the Future, seven separate work groups continue to meet.

The work groups are aligned with the main components of Council’s income statement including areas like employment costs, materials and contracts and revenue, with the objective of each group being to either reduce recurring expenditure or increase recurring income.

Plant/Fleet Management

A comprehensive review of this area was undertaken in 2015/16 financial year. The review highlighted areas of improvement that has led to the Council’s motor vehicle fleet being outsourced.

Procurement

The continuation of regional procurement initiatives, primarily joint tendering with nearby Councils as part of the Illawarra Pilot Joint Organisation (IPJO) will remain the key objective in this area. The work will focus on large spend category areas which will allow efficiency gains through the pooling of resources and greater buying power.

Service Reviews

A number of service reviews continue to be undertaken with the aim of achieving effective and efficient service provision. The objective of these reviews is to examine whether services are being delivered in a manner that best meets the community needs and provides value for money.

Planning Assumptions

The LTFP contains a number of assumptions, including some that are beyond the control of Council, such as interest rates and State Government waste levies. Variations in these assumptions during the life of the plan may have a significant impact on Council's future financial planning. The LTFP is updated annually in conjunction with preparation of the Operational Plan and Budget, which responds to the four year Delivery Program and Shellharbour's 10 year Community Strategic Plan, to ensure the assumptions are continually updated with the latest information available.



Inflation

The LTFP has been prepared using 'real dollars' methodology. All estimates are reflective of today's (2017) values, which removes the effect of inflation on forecasted figures.

An assumption of 2.5% inflation has been used as per Reserve Bank forecasts. Any changes in amount reflect growth or increases that are estimated to exceed forecast inflation.



Service Priorities

Council's objective is to ensure 'value for money' for ratepayers. Council also aims to deliver long-term financial sustainability, ensuring services remain relevant and align with the 'needs and wants' of the local community. Extensive consultation was conducted as part of the development of the Community Strategic Plan to determine the range and priority of services desired by the community.

Increase in dwellings

"Residential development forecasts assume the number of dwellings in Shellharbour City will increase by an average of 349 dwellings per annum to 33,467 in 2036"

Source: .id forecast, Nov 2014



Business
1%



Residential
1.32%



Farmland
0.0%

Anticipated annual growth by Rate Category

Population

Demographic profiling was conducted for Shellharbour City Council by demographic specialists Informed Decisions in November 2014. Their results forecast population increases for Shellharbour.

“Between 2011 and 2036, the population for Shellharbour City is forecast to increase by 19,044 persons (28.76% growth), at an average annual change of 1.16%”



Population 2017
70,335

Population 2036
85,262

Change 2017-2036
21.22%



Revenue Forecasts

The sources of funds for Council are varied and the following shows the breakdown of revenues budgeted for Council for 2017/18. This is expected to remain an indicative breakup of sources of revenue for the term of the LTFP.



Rates & Annual Charges

Rating is a major component of Council's revenue base. A 1.5% rate peg has been assumed for 2017/18, while the remainder of the LTFP is assumed to be in line with the inflation level of 2.5%.

The increase to rates post the SRV will be retained permanently in Council's rate base and will be utilised to improve infrastructure renewal. Council continues to work towards meeting community expectations to adequately maintain and renew assets.

User Charges and Fees

Many of the services provided by Council are offered on a 'cost recovery' basis to allow a 'user pays' principle to be applied. Other considerations when determining user charges and fees include: Regulated charges, Market price, Community Service requirements and Section 94 Developer Contributions (discussed separately). The 2017/18 Operational Plan includes information on Council's pricing policies for its user charges and fees.

Grants

Council receives a Financial Assistance Grant from the Commonwealth Government and anticipates the continuation of this grant. Other budgeted grants are generally for specific purposes and projects, with the grant monies assumed to be expended in the year it is provided. In preparing the LTFFP, Council has assumed that it will continue to receive grants. Should these grants and subsidies be reduced, Council's ability to provide the same level of service will be impacted.

\$4.9m
Federal Assistance Grant

Development Contributions

Council collects contributions from new development toward funding the cost of additional infrastructure required as a result of the development. These contributions include cash, land and other assets and are collected through Council's Section 94 Contributions Plan, Works in Kind Agreements and/or Planning Agreements (also known as VPA's). Funds collected from developers are restricted and are allocated to projects in line with the relevant Section 94 Contributions Plan or Planning Agreement.

3.8%


Interest and Investments

Based on advice from Council's investment advisors, existing term deposits held and taking into consideration the 10 year Australian Bond rate, interest rates have been included at 3.25% for 2017/18 and 3.8% for future years. The balance of funds available for investment has been calculated after taking into account cashflow forecasts.

Expenditure Forecasts

The Community Strategic Plan has given Council an indication of the communities' expectations for the future. In developing expenditure forecasts Council has considered, not only the new expenditure in the Community Strategic Plan, but also Council's existing commitments, much of which is regular and ongoing. Extensive consultation with staff occurred during the preparation of the LTFFP. All categories of expenditure have been examined and projections included have been based on varying factors, including historical averaging or staff projections in many cases.

Employee Costs



Wages for 2017/18 are based on an award increase and salary system movements of 2.55% before being reduced for inflation (an effective increase in 2017 real dollars). A vacancy factor of 3% is built into the 2017/18 budget and this is included in all later year projections. Staffing levels have been assumed as being stable apart from new positions associated with the new City Library and new positions in Parks and Gardens. Calculations for this large expenditure category was also informed by the Workforce Management Plan, as well as legislative requirements for superannuation increases and changes to workers' compensation legislation.



Depreciation

Depreciation estimates have been based on current levels along with factoring in costs associated with future capital expenditure and the anticipated sale of any assets.

Borrowing Costs

Section 621 of the Local Government Act 1993 allows the Council to borrow at a level determined by the Council via approval of the Revenue Policy contained within the annual Operational Plan. Borrowing to build, renew and upgrade community assets is recognised across the industry as a prudent financial strategy when used to fund the cost of long life assets. Also referred to 'intergenerational equity', it spreads the cost of financing assets across generations and the community likely to use the infrastructure.

Repayments currently included in the LTFP include:

Road Renewal

Borrowings from 2012/13 under the Local Infrastructure Renewal Scheme (LIRS) – Round 1 for \$3m expenditure on the renewal of Council's road infrastructure. The term of this loan is 10 years.

Shellharbour Beachside Tourist Park Amenity Improvement

Borrowings from 2014/15 for \$600K, with repayments to be funded from the Crown Reserve Restriction. The term of this loan is 10 years and is for the renewal of the existing amenities building and delivery of a camp kitchen.

A further loan of \$400K was taken out to fund the installation of additional cabins. The term of this loan is also 10 years.

Stadium roof replacement

Borrowings were drawn down in 2014/15 for the Stadium Roof replacement for \$987K. The term of this loan is 10 years.

Civic Centre

Loan borrowings are scheduled to commence late in 2016/17 for the Civic Centre project, with other funding sources being made up of sale of assets and developer contributions. The LTFP has included borrowings with a 20 year term to support the completion of the Civic Centre project. The borrowing amount is expected to be \$12.75m for the 2016/17 financial year. Refer to Major Project's section for further information on the project.

New loans proposed for 2017/18 are for the Tripoli Way project and The Links 45 lot Subdivision Development.

Tripoli Way

The Tripoli Way project continues in 2017/18 with \$1.2m allocated in Council's capital works program for land acquisitions and the design phase. This work is to be funded from a mix of developer contributions \$141,610 and loan borrowings. Loan borrowings of \$1.05m are scheduled in 2017/18. The LTFP also factors in further borrowings in future years for the construction works.

The Links 45 Lot Subdivision

Loan borrowings are scheduled to commence in 2017/18 for The Links 45 lot land subdivision works. The LTFP has included borrowings of \$6.0m over a two year term to support the completion of the subdivision project.

Capital Expenditure

The capital expenditure items included in the LTFP, are primarily for the renewal of existing assets. These costs have been included in real dollars and are informed by the information contained in Council's Asset Management Plan. Any expenditure on new assets is normally associated with Council's obligations as part of its Section 94 Contributions Plan.

Major Projects

Shell Cove Project

The Shell Cove Project is a regionally significant tourism infrastructure and residential development, with over 3,000 lots/dwellings in a master-planned community.

At February 2017, there were 2,079 housing lots and homes sold. Further vacant residential lots and new houses are to be produced and sold. Community facilities delivered include a public school, interim community centre, cycleways, extensive public open space, sporting facilities and a corner store. A par 71 quality golf course and associated clubhouse facilities – “The Links Shell Cove” – opened in 2004.

The centrepiece of Shell Cove is The Waterfront, a 20-hectare ocean-accessed man-made harbour, 300 berth world-class marina and facilities, charter operations, boat storage, maintenance facilities and a public boat ramp. A 1.5km public promenade/boardwalk surrounds the harbour. The Town Centre will be a vibrant people place that includes a plaza, hotel, supermarket, contemporary library/community centre, shops, restaurants and cafes, tavern, harbour-side parks and a variety of coastally-inspired residences.

Construction work on the harbour, foreshore edges and major breakwaters commenced in early 2013, with completion expected in March 2019. The Waterfront precinct works and sales commenced in 2015 and will be ongoing till December 2024. The first stage of the Town Centre is expected to be open in June 2018.

Shell Cove is being delivered via a financial and legal agreement between Council and Australand (a part of the world-wide Frasers Property Group who are the project manager and financial partner). Council will receive 50% of the net profits, with the profit distributions not expected before 2020.

Council's LTFP includes revenue from the Shell Cove Project (Administration Fees) on the sales of property, with no provision for profit distribution in this current iteration.

The latest triennial Feasibility Study (and its independent review) have been completed and adopted by Council, and will be included in the LTFP in due course.



Shellharbour Civic Centre

Construction of the Shellharbour Civic Centre commenced in late 2015 with the main focus on bulk excavation and civic works.

The Shellharbour City Civic Centre in 2017 sees the building form and shape becoming apparent. This period sees the completion of the construction phase, the opening of the building and the handover of the facility to Council and the Community.

Prior to the completion of the construction phase, there will be extensive preparation undertaken by Council staff on relocation, change management and operational tasks. As well as part of the “build”, there will be training, commissioning and handover sessions held to ensure the smooth transition of Council operation into the new facility.

Following the handover of the Civic Centre by the construction contractors, ADCO Constructions Pty Ltd will continue their contractual obligations under the “defects liability period”.

This period will entail rectification of any identified defects as well as monitoring and tuning of the building via the BMS “Building Management System”. The BMS will provide data to ensure that the building is running efficiently from an energy and performance perspective.

Continuing Council's commitment to environmental sustainability, the building to date has achieved a 5 star Green Star rating for Public Buildings (Australian Excellence) in Design. During 2017/18 the process involved in achieving 5 star Green Star rating for Public Buildings – As Built will be completed.



Warilla Library

The new Warilla Branch Library will provide a contemporary and vibrant library space for the community, with meeting rooms, study areas, new technologies and indoor/outdoor space. The new Library will continue to offer a range of collections and resources as well as library programs.

The new branch library will be located within Keith Fletcher Park at the corner of Woolworths Ave and Commerce Drive, Warilla and will open by 2018.



Tripoli Way

The proposed Tripoli Way Extension is a road which runs parallel to Tongarra Road. It commences at the Illawarra Highway (east) through to the Illawarra Highway/Broughton Avenue intersection. The new road will allow traffic from the proposed M1 bypass of Albion Park Rail to bypass the Albion Park commercial area and connect to the Illawarra Highway west of Albion Park, as well as the land developments at Calderwood and Tullimbar.

The Tripoli Way Extension has been included in Council's Section 94 Contributions Plan since 1993 and contributions have been collected from developers since that time.

Studies by the Roads and Maritime Service indicated that the Tripoli Way Extension is essential for a northbound exit ramp from the proposed M1 bypass of Albion Park Rail to the township of Albion Park. Without the Tripoli Way Extension there would be unacceptable traffic congestion along Terry Street and Tongarra Road within Albion Park.

Land acquisition and investigations for the new road commenced in late 2015.

Stage 2 of the project is estimated to fall outside the 10 year LTFP timeframe. No estimates have been included for stage 2.

The Links Shell Cove 45 Lot Subdivision

The Links Business Plan has set out a number of initiatives to improve the business sustainability and fund development. These include re-routing the golf course to make way for the ability to develop 45 residential lots. A Development Application was approved for the subdivision of land along Dunmore Road. The subdivision will occur in 2017/18.



Sensitivity Analysis

LTFPs are inherently uncertain. They contain a wide range of assumptions, including assumptions about interest rates and the potential effect of inflation on revenues and expenditures. Some of these assumptions will have a relatively limited impact if they are wrong. Others can have a major impact on future financial plans.

Those matters that may have moderate impact on the LTFP have been included below as a part of the risk management and risk assessment processes.

Risk Management

A risk assessment has been performed on the LTFP by examining at a high level the impact of inaccurate projected estimates of operational items and capital expenditure. This risk assessment is applicable to all scenarios and has been created using the attached risk matrix. The severity and frequency of each risk was examined to establish a risk rating for each category. Risk treatments and mitigation strategies were then detailed to identify the best methods to help eliminate and or minimise the potential impacts arising out of the identified risks.

It is important to note that the risk ratings listed below relate only to the inherent risk for each item. Residual risk Ratings are determined when the effectiveness of the risk treatments and mitigation strategies are considered.

Frequency/Likelihood

A - Almost certain - could happen at any time
 B - Likely - Will probably happen in most circumstances
 C - Possible - May occur at sometime
 D - Unlikely - Could happen but unlikely
 E - Rare - May occur in exceptional circumstances

Consequence

1 - Insignificant - financial loss up to 0.3% of Council's Budget
 2 - Minor - financial loss (up to 0.8% of Council's Budget)
 3 - Moderate - financial loss up to 1.5% of Council's Budget
 4 - Major - financial loss up to 5% of Council's Budget
 5 - Catastrophic - Extensive financial loss up to 10% of Council's Budget

Frequency or Likelihood	Severity / Consequences				
	Catastrophic 5	Major 4	Moderate 3	Minor 2	Insignificant 1
A Almost Certain	E	E	H	H	M
B Likely	E	E	H	M	M
C Possible	E	H	M	M	L
D Unlikely	H	H	M	L	I
E Rare	H	M	L	I	I

E Extreme Risk

Immediate action required (SWMS required)

H High Risk

Senior management attention needed (SWMS required)

M Moderate Risk

Management responsibility must be specified (SWMS required)

L Low Risk

Manage by routine procedures and monitoring

I Insignificant Risk

Continue current controls and procedures

LTFP Risk Assessment

Inaccurate Projected Estimates of Income	Severity	Frequency	Risk	Risk Treatments / Mitigation Strategies
Rate pegging lower than 1.5%	Minor	Unlikely	Moderate	<ul style="list-style-type: none"> Review of Service Levels Identify other possible business investment opportunities
Uncertain Financial Assistance Grant Estimate	Moderate	Possible	Moderate	<ul style="list-style-type: none"> Maintain existing estimate for the life of the plan
Negative effects of limited investment opportunities and low interest rate environment	Minor	Likely	Moderate	<ul style="list-style-type: none"> LG investment order SCC investment Policy Utilisation of financial advisors Forecast adjustments
Development Contributions from the Section 94 Plan and the Calderwood Planning Agreement	Moderate	Possible	Moderate	<ul style="list-style-type: none"> Monitor contributions levied and received Monitor trends in the development industry and economy in relation to housing supply and delivery Liaise generally with development industry

Inaccurate Projected Estimates of Expenditure Capital & Operational	Severity	Frequency	Risk	Risk Treatments / Mitigation Strategies
Employee Wages	Major	Possible	High	<ul style="list-style-type: none"> • Forecast adjustments • Approval from Management Executive required for all new positions • Allocating all staff costs to actions • Use of budgeting software • Introduction of procedures and review of policies • Ongoing review of Workforce Management Plan
Wages Liabilities Super % increase to 12% by 2025/2026	Insignificant	Likely	Moderate	<ul style="list-style-type: none"> • Forecast adjustments • Manage leave entitlement in accordance with the Award • • Monitored by Manex on a Quarterly basis
Retirement/Exit Liabilities/ Entitlements/Sick leave	Moderate	Likely	High	<ul style="list-style-type: none"> • Restricted cash to cover provision for leave entitlements • Consider increasing restricted cash to cover provision for leave entitlements
Workers Compensation	Minor	Possible	Moderate	<ul style="list-style-type: none"> • Proactive management of workers comp claims and return to work programs • Amendments to the Workers Compensation Act • Forecast adjustments
Unfunded maintenance on additional assets (growth assets, such as Shell Cove and Calderwood)	Moderate	Possible	Moderate	<ul style="list-style-type: none"> • Refine Service Level Agreements • Identify growth assets and forecast additional maintenance expenditure • Review existing maintenance budgets and processes to achieve efficiencies • Detail future growth in Asset Management Plans and Long Term Financial Plan • Investigate Partnerships with not-for-profit and private sector for the delivery of services

Inaccurate Projected Estimates of Expenditure Capital & Operational	Severity	Frequency	Risk	Risk Treatments / Mitigation Strategies
Unfunded renewal and depreciation costs – Asset backlog	Moderate	Possible	Moderate	<ul style="list-style-type: none"> • Rationalise assets • Operating Performance surpluses to be directed to Asset Renewal where possible • Enhanced processes and procedures for asset management, including review of useful lives • Forecast adjustments • Maximise grant funded opportunities for shovel ready projects to leverage our available budget • Improve forecast renewals in a 10 year plan • Include forecast renewals in the Asset Management Plans and Long Term Financial Plan
Waste Levy Costs – uncertainty about ongoing increases	Minor	Likely	Moderate	<ul style="list-style-type: none"> • Pursue waste management and recycling initiatives • Improve processes to reduce levy applicable to operations • Introduction of Food Organics and Garden Organics
Climate Change Adaptation & Sea level rise and how it is impacting on Council's Infrastructure and Land Use Planning over the next 10 years	Moderate	Possible	Moderate	<ul style="list-style-type: none"> • Redirection of Capital and maintenance budgets • Climate Change Risk assessment • Asset rationalisations • Reconstruct infrastructure • Monitor and contribute to the setting of sea level benchmarks • Design new lots and earthworks at Shell Cove with consideration for sea level benchmarks
Purchasing of equipment and supplies for day to day operations	Moderate	Possible	Moderate	<ul style="list-style-type: none"> • Continue the implementation of The Procurement Road Map • Refinement of service level agreements and service reviews • Development of new procurement policies • Council to continue the work with the Illawarra Pilot Joint Organisation in creating procurement efficiencies
Operation of Council's Business units – including but not limited to The Links, Airport, and Tourist Park	Minor	Likely	Moderate	<ul style="list-style-type: none"> • Implement, monitor & review Business Plans annually

Key Capital Projects	Severity	Frequency	Risk	Risk Treatments / Mitigation Strategies
Calderwood Development Impact of infrastructure provision and maintenance resulting from this large scale development	Moderate	Possible	Moderate	Work with developers during the approvals process to create a sustainable asset base
Shellharbour Civic Centre Funding	Moderate	Possible	Moderate	Close monitoring of actual expenditures Minimise use of contingency Monitor the funding strategy
Shellharbour Civic Centre Actual cost exceeds budget	Moderate	Possible	Moderate	Maintain adequate project contingency Project management plan and associated sub plans Monthly review of actual costs Monitor project through Contract Project Control Group Project risk assessment
Tripoli Way Funding	Moderate	Possible	Moderate	Produce update estimates at key milestones, the next being Concept Design Engage Quantity Surveyor to prepare estimates

Scenario Development

Scenario – Shell Cove Wet and Dry Marina Business Investment

A point in the Shell Cove Project has been reached where Council has the opportunity as per the Management Agreement between Council and Australand, to purchase parcels of harbor front land linked to the operations of various businesses.

Council at its Committee of the Whole (Confidential) Council meeting on 28 February 2017 made the following resolution:

“That Council:

1. Confirm its consideration of the guidelines issued by the NSW government in accordance with Section 23A of the Local Government Act, 1993, in resolving on this matter.
2. Pursue opportunities to invest in the Wet and Dry Marina combined business as identified within the report.
3. Not pursue an investment into the Tavern Business and not exercise its first-purchase of Harbour land right under the Shell Cove Management Agreement for the proposed Tavern site as outlined in this report and, thereby, not retain the lot to be created in Precinct D.

The LTFP does not reflect any assets, liabilities, expenses or revenue, which may result from Council pursuing the opportunity in investing in the Wet and Dry Marina businesses, as part of the overall Shell Cove development. When there is more certainty around these initiatives, estimates will then be incorporated into future LTFP iterations.

Scenario – Regular Passenger Transport (RPT) – Illawarra Regional Airport

Council is currently investigating opportunities associated with the return of RPT services to the Illawarra Regional Airport. This is one of the many strategies identified as part of the airport’s Strategic and Business Plan.

Council at its Committee of the Whole (Confidential) Council meeting on 7 February 2017 made the following resolution:

“That Council:

1. Confirm its consideration of the guidelines issued by the NSW Government in accordance with Section S23A of the Local Government Act, 1993, in resolving on this matter.
2. Endorse Council officers entering into negotiations with an appropriate Regional Airline Operator/s to secure RPT services under Option 1a of the Business Case for Regular Passenger Transportation Services at Illawarra Regional Airport.
3. Subject to a further resolution of the Council appointing Regional Airline Operator/s to provide RPT services at the Illawarra Regional Airport, endorse the introduction of Regular Passenger Transport Service to the Illawarra Regional Airport as per Option 1a of the Business Case for Regular Passenger Transportation Services at Illawarra Regional Airport at a budget start-up cost of \$770k borrowed from Terminal Building Insurance reserve funds.
4. Endorse Council officers to proceed with a grant application to the NSW government outlining the full Regular Passenger Transport business case including infrastructure requirements as per Option 1b in the Business Case for Regular Passenger Transportation Services at Illawarra Regional Airport, which provides for complete infrastructure renewal including new Terminal building.

5. Endorse Council officers to proceed with a grant application to the Federal Government Better Building Fund as per Option 1b in the Business Case for Regular Passenger Transportation Services at Illawarra Regional Airport, which provides for complete infrastructure renewal including new Terminal building.
6. Endorse Council officers to proceed with design and DA approval work associated with implementing Option 1b with a capital project budget of \$200,000 for this purpose. Funding to be sourced from the reserve created from the proceeds from sale of Lot 5 Hargraves Ave, Albion Park.
7. A further report to Council be prepared once the trigger point identified in this report is reached for the consideration of funding of Option 1b.
8. That Council Officers prepare information which is available on Council's website by the end of February 2017 for public viewing which excludes those parts of the council report which are commercial in confidence and which excludes the attachments

The LTFP does not reflect any assets, liabilities, expenses or revenue, which may result from Council entering into negotiations with an appropriate Regional Airline Operator to provide RPT services at the Illawarra Regional Airport (see points 3 and 4 above). The LTFP also does not reflect estimates for the provision of complete infrastructure renewal at the airport (see points 4 and 5). When there is more certainty around these initiatives, estimates will then be incorporated into future LTFP iterations.

Financial Performance and Sustainability

Sustainability



Operating Performance Ratio

How well is Council managing its finances in terms of containing operating expenditure within operating revenue?

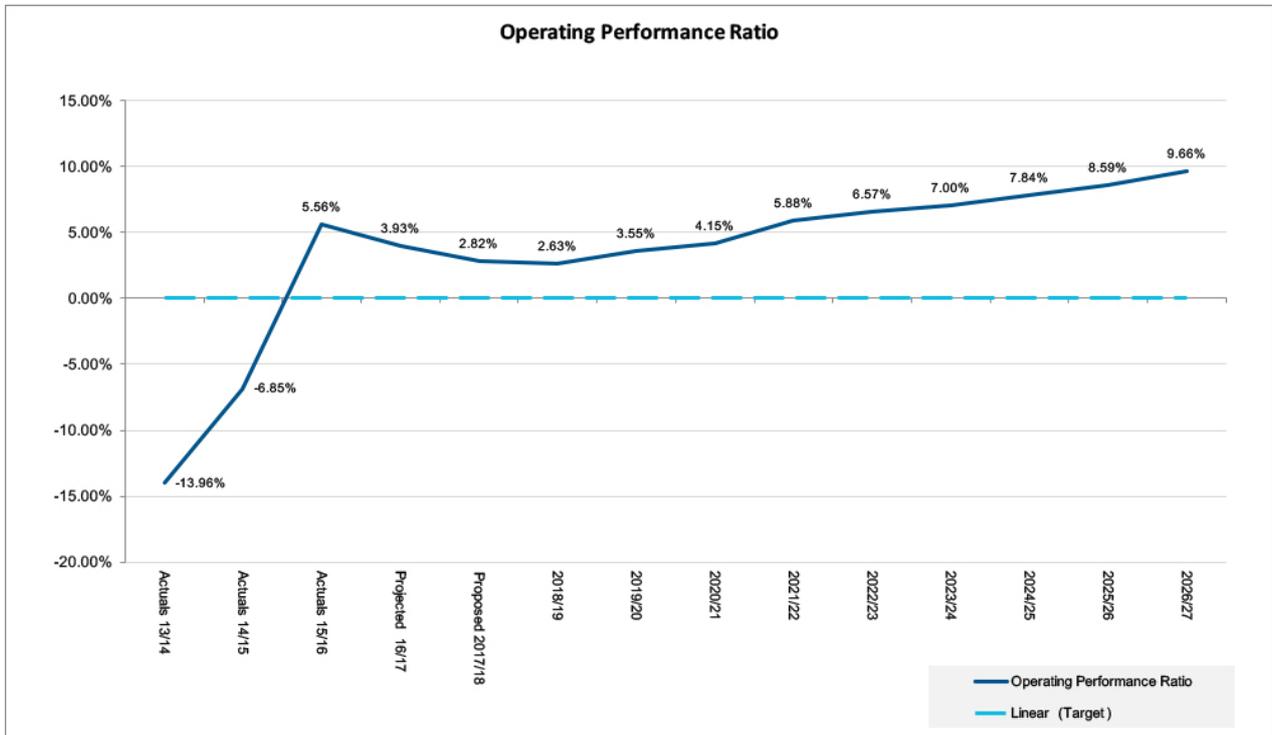
Operating performance ratio is an important measure as it provides an indication of whether a Council is containing its operating expenditure within its operating revenue.

Ratio = Operating revenue excluding capital grants and contributions less operating expenses divided by Operating revenue excluding capital grants and contributions

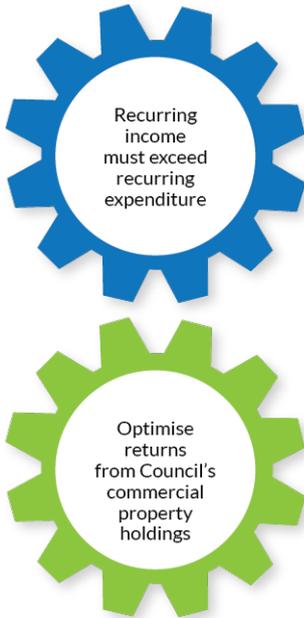
What do the results tell us?

Council has made substantial progress in the improvement of this ratio. This turnaround can be attributed to the four year special rate variation, review of depreciation and internal efficiency program.

Benchmark is an average of 0%



Sustainability



Own Source Revenue Ratio

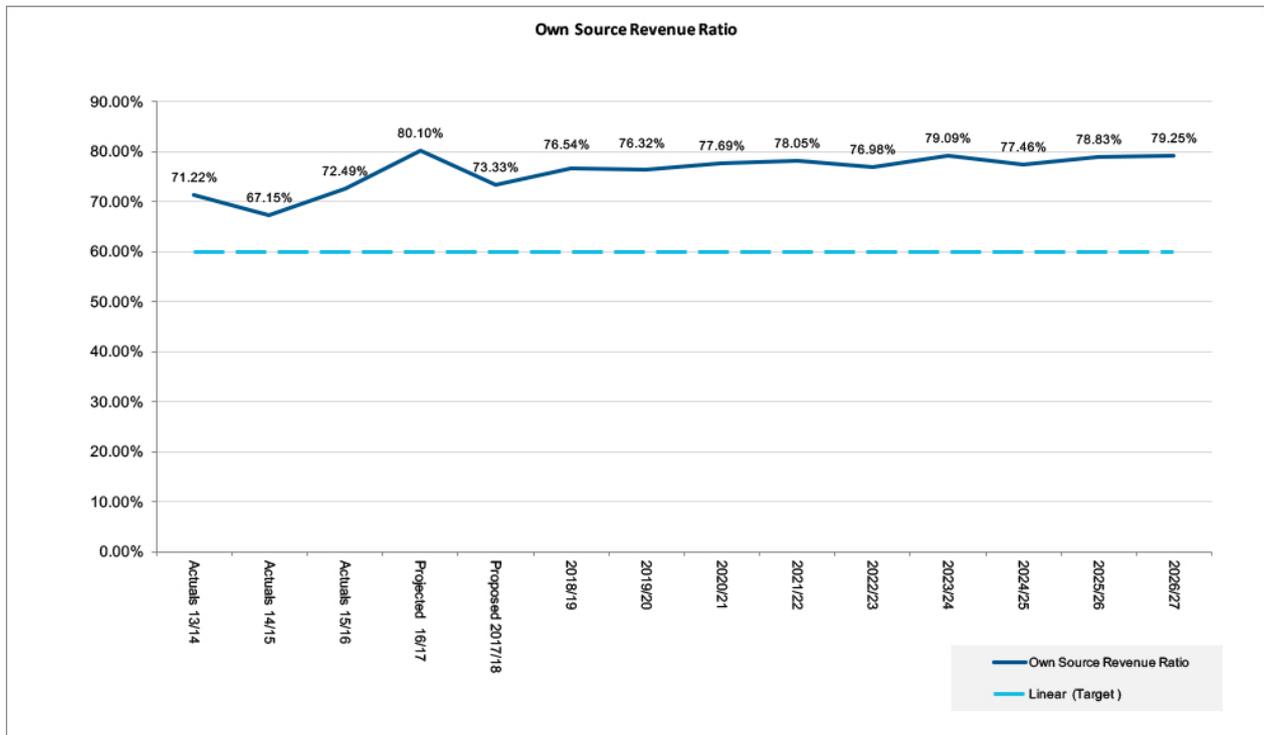
How reliant is Council upon external funding sources such as Operating Grants and Contributions?

Own source revenue measures the degree of reliance on external funding sources (eg. Grants and Contributions). Financial flexibility increases as the level of own source revenue increases and gives Council greater ability to respond to external shocks or challenges.

Ratio = Total revenue (excluding grants and contributions) divided by total operating revenue (inclusive of capital grants and contributions)

What do the results tell us?

Council comfortably meets the benchmark for this indicator and is projected to continue to do so in the future. The result indicates that Council has sufficient financial flexibility due to its levels of discretionary revenue.



Sustainability



Infrastructure Renewals Ratio

Is Council renewing existing infrastructure?

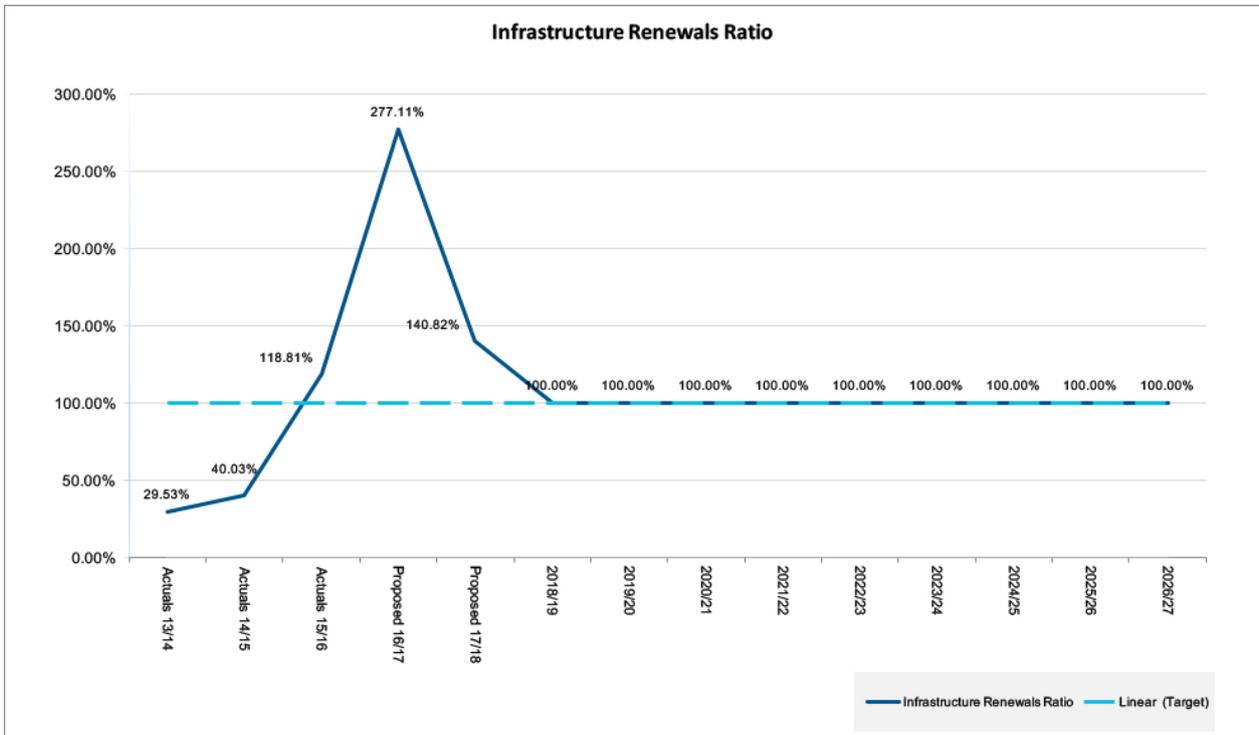
The Infrastructure and Renewals ratio assesses the rate at which assets are being renewed against the rate at which they are depreciating.

Ratio = Asset renewals (building, infrastructure and other structures) is divided by Depreciation, Amortisation and Impairment (building, infrastructure and other structures).

What do the results tell us?

The ratio peaks in 2016/17 due to the annual renewal program funded from the special rate variation along with the renewal works of major capital projects. The ratio then reverts to the benchmark of 100% from 2018/19 onwards for the remainder of the LTFP based on the required amount of additional funds coming from the Operating Performance Ratio surplus.

Benchmark: greater than 100%



Infrastructure and Service Management



Debt Service Ratio

What impact is loan repayments (principle & interest) having on the discretionary Revenue of Council?

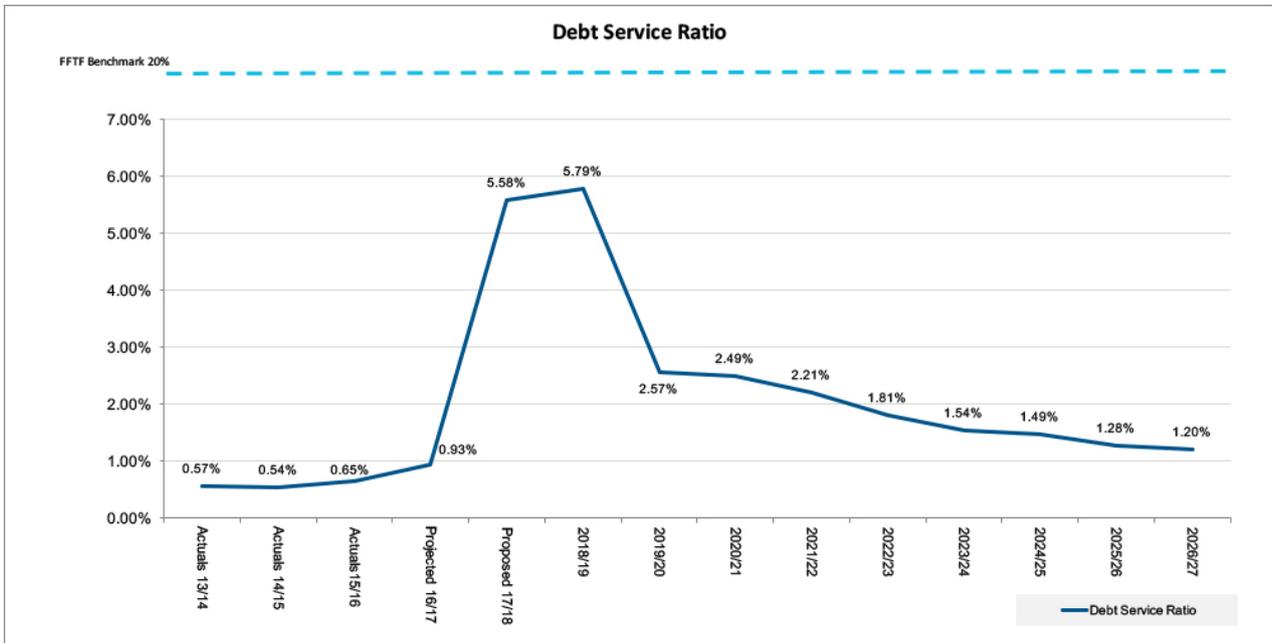
Prudent and active debt management is a key part of Council's approach to funding and managing infrastructure over the longer term.

Ratio = Total of Loan repayments is divided by income from continuing operations excluding capital grants and contributions.

What do the results tell us?

Council's debt levels are relatively low when compared to the Fit for the Future maximum benchmark for this ratio of 20%. This peaks in 2017/18 for two years based on repaying a short term loan. Loan borrowings are used to smooth funding costs and equitably spread the cost of assets across current and future generations of users and rate payers.

Benchmark is greater than 0% but less or equal to 20%



Income Statement

Account Description	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27
Income										
Rates & Annual Charges	56,596	57,313	58,040	58,775	59,520	60,273	61,037	61,809	62,592	63,384
User Charges & Fees	22,167	22,528	22,708	22,879	23,051	23,224	23,398	23,573	23,750	23,927
Interest & Investment Revenues	2,374	2,485	2,367	2,456	2,464	2,486	2,665	2,885	3,125	3,129
Other Revenues	3,448	2,849	2,914	3,063	3,415	3,256	3,124	2,782	2,528	2,533
Operating Grants & Contributions	7,823	7,119	7,113	7,107	7,102	7,097	7,103	7,111	7,119	7,127
Capital Grants & Contributions	22,870	18,932	19,524	17,861	17,723	19,531	16,699	19,323	17,536	17,165
Net Gains from Disposal of Assets	9,018	16,810	138	186	149	113	81	188	285	244
Total Income	124,296	128,036	112,803	112,327	113,424	115,980	114,106	117,671	116,935	117,509
Expenses										
Employee Benefits & Oncosts	33,769	33,850	33,931	34,012	34,107	34,201	34,295	34,389	34,484	34,565
Borrowing Costs	1,182	1,246	1,187	1,108	1,024	950	892	838	785	738
Materials & Contracts	24,189	23,995	23,848	23,854	23,583	23,423	23,675	23,129	23,520	23,278
Depreciation & Amortisation	14,604	15,191	15,880	16,461	16,757	17,030	17,304	17,411	17,546	17,616
Other Expenses	15,862	15,389	14,793	14,741	14,272	14,214	14,163	14,513	14,080	14,048
Total Expenses	89,606	89,671	89,640	90,176	89,744	89,818	90,329	90,280	90,415	90,246
Net Operating Surplus/(Deficit)	34,690	38,365	23,164	22,151	23,680	26,162	23,777	27,391	26,520	27,264
Net Operating Surplus/(Deficit) Before Capital	11,820	19,433	3,640	4,290	5,957	6,631	7,079	8,068	8,985	10,098

Balance Sheet

Account Description	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27
Current Assets										
Cash & Cash Equivalents	6,985	6,595	6,711	6,852	7,007	7,026	7,087	7,067	7,138	7,362
Current Investments	52,896	59,602	52,654	58,642	66,397	65,965	70,609	74,544	80,825	92,767
Current Receivables	6,574	6,705	6,839	6,976	7,116	7,258	7,403	7,551	7,702	7,856
Inventories	700	700	700	700	700	700	700	700	700	700
Other Current Assets	568	568	568	568	568	568	568	568	160	160
Non-current assets classified as held for sale	0	0	0	0	0	0	0	0	0	0
Total Current Assets	67,722	74,170	67,472	73,738	81,788	81,518	86,367	90,430	96,526	108,845
Non Current Assets										
Non-current investments	31,000	46,000	51,000	51,000	51,000	61,000	71,000	81,000	91,000	91,000
Non-current Receivables	1,178	1,237	1,299	1,364	1,432	1,504	1,579	1,658	1,741	1,828
Infrastructure, Prop, Plant & Equip	782,697	797,988	821,701	836,526	850,895	866,214	874,320	887,002	896,760	911,169
Investment Property	19,708	19,905	20,104	20,306	20,509	20,714	20,921	21,130	21,341	21,555
Intangible Assets	3,511	3,335	3,168	3,010	2,860	2,717	2,581	2,452	2,329	2,213
Total Non Current Assets	838,095	868,466	897,273	912,205	926,695	952,148	970,400	993,242	1,013,171	1,027,764
Total Assets	905,817	942,636	964,744	985,944	1,008,482	1,033,666	1,056,768	1,083,671	1,109,697	1,136,609
Current Liabilities										
Current Payables	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000
Current Borrowings	4,380	1,512	1,541	1,386	1,089	909	923	788	770	786
Current Provisions	12,462	12,524	12,587	12,650	12,713	12,777	12,841	12,905	12,969	13,034
Total Current Liabilities	23,842	21,036	21,128	21,036	20,802	20,686	20,764	20,693	20,740	20,820
Non Current Liabilities										
Non-current Borrowings	19,856	20,798	19,327	18,139	16,893	15,688	14,584	13,811	12,905	12,101
Non-current Provisions	15,856	16,173	16,496	16,826	17,163	17,506	17,856	18,213	18,577	18,949
Total Non Current Liabilities	35,712	36,971	35,824	34,965	34,056	33,194	32,440	32,024	31,482	31,050
Total Liabilities	59,553	58,007	56,952	56,000	54,859	53,880	53,204	52,717	52,222	51,871
Net Assets	846,264	884,629	907,792	929,944	953,624	979,786	1,003,563	1,030,955	1,057,475	1,084,738
Equity										
Retained Earnings	473,212	511,577	534,740	556,892	580,572	606,734	630,511	657,903	684,423	711,686
Revaluation Reserves	373,052	373,052	373,052	373,052	373,052	373,052	373,052	373,052	373,052	373,052
Total Equity	846,264	884,629	907,792	929,944	953,624	979,786	1,003,563	1,030,955	1,057,475	1,084,738
Total Equity	846,264	884,629	907,792	929,944	953,624	979,786	1,003,563	1,030,955	1,057,475	1,084,738

Statement of Cashflow

Account Description	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27
Cash Flows from Operating Activities										
Receipts:										
Rates & Annual Charges	56,596	57,313	58,040	58,775	59,520	60,273	61,037	61,809	62,592	63,384
User Charges & Fees	22,167	22,528	22,708	22,879	23,051	23,224	23,398	23,573	23,750	23,927
Interest & Investment Revenues	2,374	2,485	2,367	2,456	2,464	2,486	2,665	2,885	3,125	3,129
Other Revenues	3,048	2,449	2,514	2,663	3,015	2,856	2,724	2,382	2,128	2,133
Operating Grants & Contributions	7,823	7,119	7,113	7,107	7,102	7,097	7,103	7,111	7,119	7,127
Capital Grants & Contributions	5,086	4,308	4,920	5,014	4,876	5,263	3,852	4,035	4,278	4,318
Payments:										
Employee Benefits & Oncosts	(33,299)	(33,379)	(33,459)	(33,539)	(33,633)	(33,725)	(33,818)	(33,911)	(34,005)	(34,085)
Borrowing Costs	(880)	(943)	(884)	(805)	(722)	(647)	(589)	(535)	(482)	(435)
Materials & Contracts	(24,189)	(23,995)	(23,848)	(23,854)	(23,583)	(23,423)	(23,675)	(23,129)	(23,520)	(23,278)
Other Expenses	(15,862)	(15,389)	(14,793)	(14,741)	(14,272)	(14,214)	(14,163)	(14,513)	(14,080)	(14,048)
Net cash provided (or used in) operating activities	22,865	22,497	24,677	25,955	27,819	29,190	28,533	29,708	30,905	32,172
Cash Flows from Investing Activities										
Receipts:										
Sale of infrastructure, property, plant and equipment	24,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	25,000
Sale of Real Estate	3,990	0	0	0	0	0	0	0	0	0
Sale of Investments	7,330	17,178	138	186	149	113	81	188	285	244
Payments:										
Purchase of infrastructure, property, plant and equipment	(41,729)	(33,036)	(25,126)	(18,625)	(18,427)	(18,194)	(12,644)	(14,993)	(14,331)	(19,422)
Purchase of Investments	(20,000)	(25,000)	(21,000)	(26,000)	(28,000)	(30,000)	(35,000)	(34,000)	(36,000)	(37,000)
Net cash provided (or used in) investing activities	(26,409)	(20,858)	(25,989)	(24,439)	(26,278)	(28,081)	(27,563)	(28,806)	(30,046)	(31,178)
Cash Flows from Financing Activities										
Receipts:										
Proceeds from Borrowings & Advances	7,050	2,351	2,939	167	0	0	0	0	0	0
Payments:										
Repayment of Borrowings and Advances	(4,277)	(4,380)	(1,512)	(1,541)	(1,386)	(1,089)	(909)	(923)	(788)	(770)
Net cash provided (or used in) financing activities	2,773	(2,029)	1,427	(1,375)	(1,386)	(1,089)	(909)	(923)	(788)	(770)
Net (increase) / decrease in cash	(771)	(390)	116	141	155	19	61	(21)	72	223
Cash & cash equivalents at beginning of reporting period	7,756	6,985	6,595	6,711	6,852	7,007	7,026	7,087	7,067	7,138
Net (increase) / decrease in cash	6,985	6,595	6,711	6,852	7,007	7,026	7,087	7,067	7,138	7,362



Asset Management Plan

2013-2018

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Asset Management Planning (AMP)

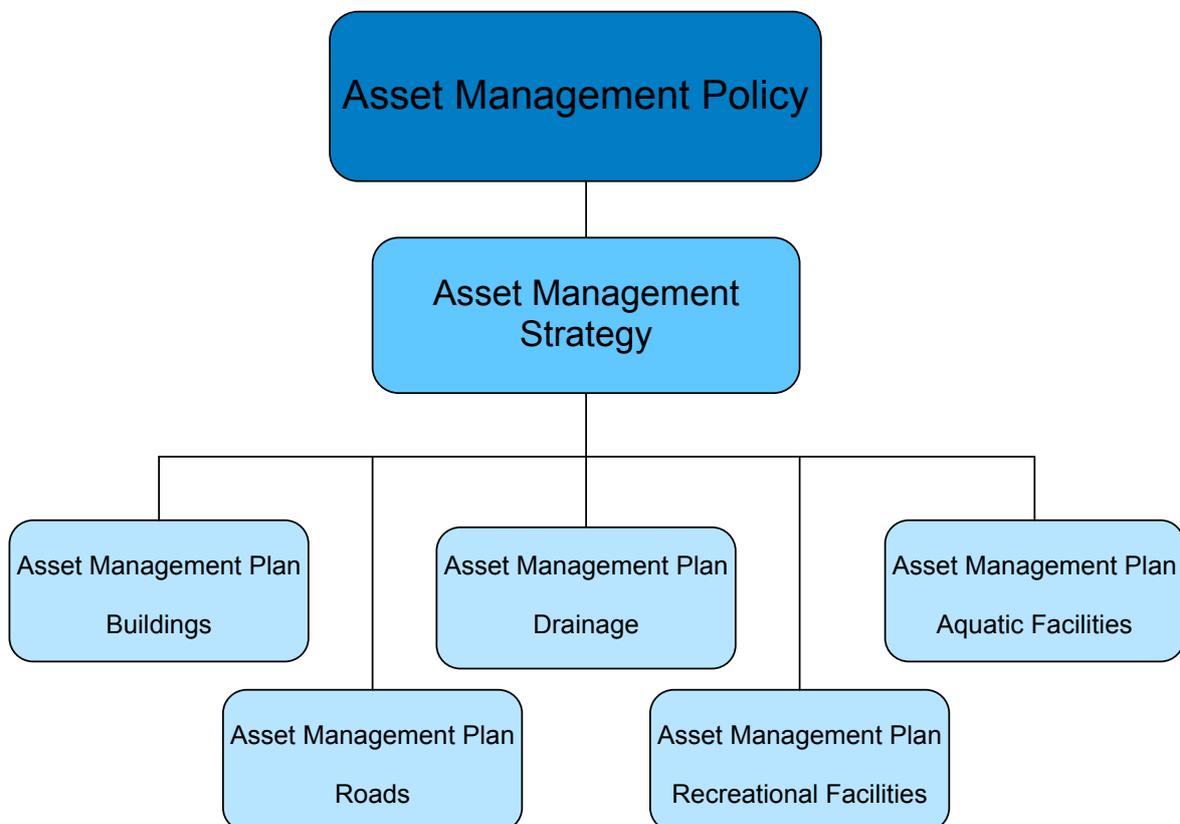
Council exists to provide services to the Shellharbour community and many of these services are provided by infrastructure assets. Council is the custodian of infrastructure assets valued at over \$424 million dollars. These assets have been acquired by purchase, contract, constructed by staff, or have been constructed and contributed by developers.

Shellharbour City Council's primary objectives in managing these are:

- to be sustainable in the management all assets
- to provide a desirable level of service for the assets under its stewardship for the existing and future community

The Asset Management Framework is made up of three components:

1. Asset Management Policy – sets the framework for undertaking asset management.
2. Asset Management Strategy – enables Shellharbour City Council to show how its asset portfolio support the delivery service needs for the community now and into the future.
3. Asset Management Plans – are tactical plans outlining particular actions and the resources required to provide desired levels of service for each class of assets under Council's control.



The Asset Management Policy

Council's Asset Management Policy, along with the Strategy, sets the framework for undertaking asset management. The policy aims to ensure Council has information, knowledge and understanding about the long term and cumulative consequences of being the custodian of community assets. This will be achieved by ensuring systems, processes and people are able to make informed decisions on the most efficient option for the delivery of services.

Council is committed to implementing a systematic asset methodology in order to apply appropriate asset management practices across all areas of Council. Asset management practices impact directly on the core business of Council and appropriate asset management is required to achieve the strategic objectives as outlined in the Shellharbour Community Strategic Plan (CSP) and Long Term Financial Plan (LTFP).

The Asset Management Strategy

The Asset Management Strategy forms a part of the Resourcing Strategy and is a structured set of actions aimed at improving Council's asset management capability and projected resource requirements for the coming 10 years. The purpose of the Asset Management Strategy is to specify objectives and outcomes that provide the link between the high-level aspirations and guiding principles articulated in the Asset Management Policy and the operational and tactical aspects of Council's asset management framework (especially the development of Asset Management Plans). It does this by specifying asset management outcomes and timeframes of what Council proposes to achieve. These activities form the basis of the Asset Improvement Program, which is a part of the Capital Works Program.

The objectives of Council's asset management system are:

- to sustainably manage all of Shellharbour City Council's assets and achieve an asset renewal ratio greater than 1.0.
- to provide the desired level of service for the assets under its stewardship for existing and future customers.

The Key Strategies identified for Shellharbour City Council's Asset Management Strategy have been provided in **Table 1** below. Certain key strategies have been largely achieved for most of the asset classes, though require some additional information for full accomplishment. Those strategies which have been partially achieved are currently being undertaken as a priority by Council's Asset staff. Whilst for these strategies there has been a substantial body of work undertaken in the previous years, only 'core' level information is available.

In the previous three years, Council has:

- Implemented an integrated financial and asset system as part of the Technology One enterprise solution
- Facilitated and undertaken financial reporting on asset condition, value and performance
- Complied with all regulatory requirements for Asset Management
- Developed Asset Management Plans identifying critical assets and appropriate risk management strategies
- Identified additional funding sources to address any life cycle 'gaps' for key assets

Shellharbour City Council is continually refining the currently achieved Strategies and undertaking works to accomplish all the identified strategies to an advanced level.

Table 1: Key Strategies

		Complete	Significant Progress	Partial Progress
Key Strategy 1	Integrate the financial and maintenance aspects of asset management		✓	
Key Strategy 2	Facilitate management of the total asset lifecycle for all assets and any new assets be supported by a 'whole of life' cost analysis.		✓	
Key Strategy 3	Establish levels of service and develop consistent work management processes that achieve these levels of service and ensure operational efficiencies			✓
Key Strategy 4	Optimise the life of assets through better forecasting of required maintenance for the total lifecycle of the asset (i.e. from planning through to disposal)			✓
Key Strategy 5	Provide information to support replacement versus rehabilitation decisions		✓	
Key Strategy 6	Enable the business to evolve from reactive to programmed maintenance where possible			✓
Key Strategy 7	Facilitate reporting on asset condition, value and performance	✓		
Key Strategy 8	Comply with regulatory requirements	✓		
Key Strategy 9	Ensure that all of Council's Assets are identified and have in place Asset Management Plans that are consistent with Council's Assets Management Policy, contemporary asset management practice and the Shellharbour CSP.		✓	
Key Strategy 10	Asset Management section of Council to be resourced to reflect the service and operational needs of Council. This may take the form of separate planning, budgetary, data collection and asset management system functions within this role.		✓	
Key Strategy 11	Increase the appropriate usage and implementation of Council's Asset Management System to enable it to become a 'corporate' tool supporting the Council's Asset Management Plans.		✓	
Key Strategy 12	Continue to evaluate the condition of Council's assets so that the useful life of these assets can be more accurately estimated. This may take the form of geotechnical assessments of Council's road pavements or remote video footage of Council's drainage pipelines.		✓	

		Complete	Significant Progress	Partial Progress
Key Strategy 13	Align the level of services when maintaining Council's asset inventory with the community objectives contained in the CSP. This will ensure that the assets Council has stewardship of are well maintained and appropriate to the community's needs.		✓	
Key Strategy 14	That the consideration of any new assets be supported by a 'whole of life' cost analysis.		✓	
Key Strategy 15	That Asset Management Plans identify critical assets and associated risk management strategies.		✓	
Key Strategy 16	Identify additional sources of funding which can be used to narrow the life cycle 'gap' for Council's key assets. This may be in the form of grants or loan funds for specific renewal works.	✓		

The Asset Management Plans

The objective of an Asset Management Plan is to outline the particular actions and resources required to provide a defined level of service in the most cost effective manner. The Asset Management Plans will take a long term snapshot, linking the first 10 years into the LTFFP. Council has completed core Asset Management Plans for the following asset classes:

- Roads & Transport
- Drainage
- Buildings
- Recreational Facilities
- Aquatic Facilities

It is anticipated Council's Asset Management Plans will help to determine the levels of service needed by the community and document the levels of service we currently provide, and enable Council to allocate funding in accordance with community priorities and willingness to pay. In preparing the Asset Management Plans, Council has used the templates produced by NAMS.PLUS. Plans will continue to evolve and become more comprehensive through a process of continual improvement.

Current Assets

Council is the custodian of infrastructure assets valued at over \$424 million dollars. This figure has been revised after Council undertook a revaluation of its Assets in 2015 and reduced its liabilities. The infrastructure assets are broken into the six categories shown in **Table 2** below to align with Council's annual reporting requirements:

Shellharbour City Council completed a revaluation of all assets, effective 1 July 2015. Jeff Roorda and Associates (JRA) were engaged to conduct an initial critical review of the valuation data and provide recommendations for improvement. The primary finding by JRA was that the overall depreciation was being overstated with a benchmark figure of 1-1.5% compared to Council's 1.84%. This was primarily attributed to the useful lives and unit rates of footpaths and kerb and gutter being overly conservative, along with the road asset structure no longer reflecting current engineering practices. The recommendations of JRA were accepted by Council and a revaluation was undertaken resulting in an annual depreciation of 1.52%.

Table 2: Asset categories

Asset Class	Asset Class Fair Value (as at 30 June 16)	Written Down Value (as at 30 June 16)	Annual Depreciation Expense (as at 30 June 16)
Buildings	\$99,218,000	\$52,423,000	\$2,875,000
Other Structures	\$1,736,000	\$932,000	\$83,000
Roads & Transport	\$240,943,000	\$187,068,000	\$3,514,000
Stormwater & Drainage	\$240,732,000	\$167,559,000	\$2,053,000
Open Space & Recreational	\$20,563,000	\$9,812,000	\$655,000
Other Infrastructure Assets	\$7,008,000	\$6,228,000	\$95,000
Total	\$610,200,000	\$424,022,000	\$9,275,000

Asset Management Plans have been prepared at an asset class level and incorporated the following assets as shown in table 3 below:

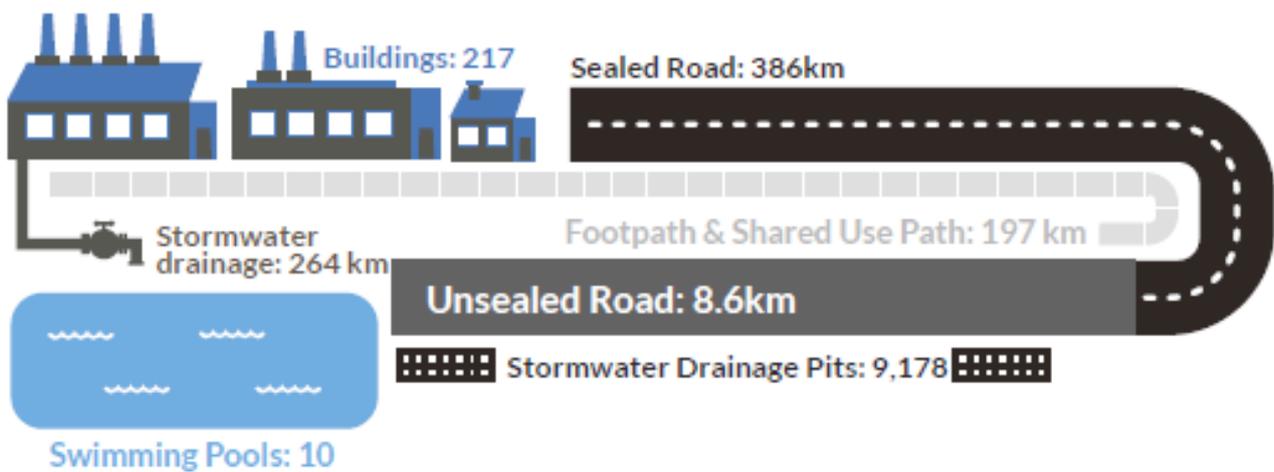
Table 3: Asset class

Asset Class	Council Assets (Owns, Manages, Is Custodian of)	Services Provided
Buildings	Amenities / Toilets Child Care Community Centres Libraries and Museum Council Buildings Sport and Recreational Buildings	<ul style="list-style-type: none"> • Direct service provision for the general community, and including specific services to target groups such as older people, people with a disability, children, young people, people from disadvantaged socio-economic background • Provision of sporting amenities and canteen facilities to local clubs and sporting associations • Provision of Tourist Information Centres
Other Structures	Other Structures	
Roads & Transport	Guardrails, Barriers and Street Furniture Bridges Car Parks Footpaths & Cycleway Roads	<ul style="list-style-type: none"> • Provide a transport network of roads and pathway
Stormwater & Drainage	Culverts and Headwalls Drainage Pits and Pipes Kerb & Gutter Open Drains Pollution Traps	<ul style="list-style-type: none"> • Control localised flooding • Improve road safety • Protect local environment from stormwater run off • Protect the environment from pollution
Open Space & Recreational	Other Council Structures Parks & Reserves Sport & Recreation Swimming Pools	<ul style="list-style-type: none"> • Provide sport and recreation choices • Provide passive recreational opportunities
Other Infrastructure Assets	Other Infrastructure Airport Runways	

Assets held by Council at the end of 2015-2016

Infrastructure assets managed by Council include sealed and unsealed local roads, stormwater drainage, recreation facilities and public buildings. The diagram below summarises the asset portfolio currently held by Council at the end of the 2015-2016 financial year.

Assets held by Council at the end of 2015/16



2015-16 Capital Works Summary

Overall Council delivered a strong focus on the whole of life management of its infrastructure considering the planning stage, construction, maintenance and operation. Over the last year, the majority of the programmed Asset Improvement Program (AIP) and Special Rate Variation (SRV) work including road renewals and externally funded work has been completed.

Asset Improvement Plan Projects included further progress on the roof replacement works at Oakleigh Park Hall, John O'Dwyer amenities and Roo Theatre. Renewal works were also completed at the Shellharbour City Stadium. Recreation renewal works involved the replacement of damaged sections of tennis court and fencing at Graham Park and the replacement of play equipment at Gear Circuit, Albion Park. A highlight involved the structural renewal of the heritage protected Slater's Bridge at Oak Flats with decking and structural elements replaced. Works also commenced on the infilling of roundabouts to reduce the costs associated with ongoing maintenance. A contract for asphalt resurfacing was awarded that will enable commencement of approximately \$3.6 million in works.

Maintenance and operational activities on roads and associated assets (within the road reserve) have been undertaken. Road works involved routine and planned road, bridge and footpath maintenance. Routine maintenance including the sweeping of roads and footpaths, asphalt repairs with major works on Calderwood and North Macquarie Roads and replacement of signage. Priority footpath maintenance was also undertaken. The overall network performance of all the road assets (including kerb & gutter, footpaths and pavements) according to condition assessment findings is considered to be above average.

Four individual asset management plans for: roads, stormwater drainage, open space, and buildings asset classes have been produced at core level. Further improvements to the documents need to be undertaken before they can be formally endorsed by Council. Work has started on making improvements to asset data, and condition assessment (and evaluated data), that would eventually increase integrity and accuracy of the Asset Management Plan.

Buildings

Councils building category is made up of libraries, community and child care centres, toilets and amenities and recreational buildings just to name a few. The breakup of building categories, based on values, is shown in **Figure 1** below.

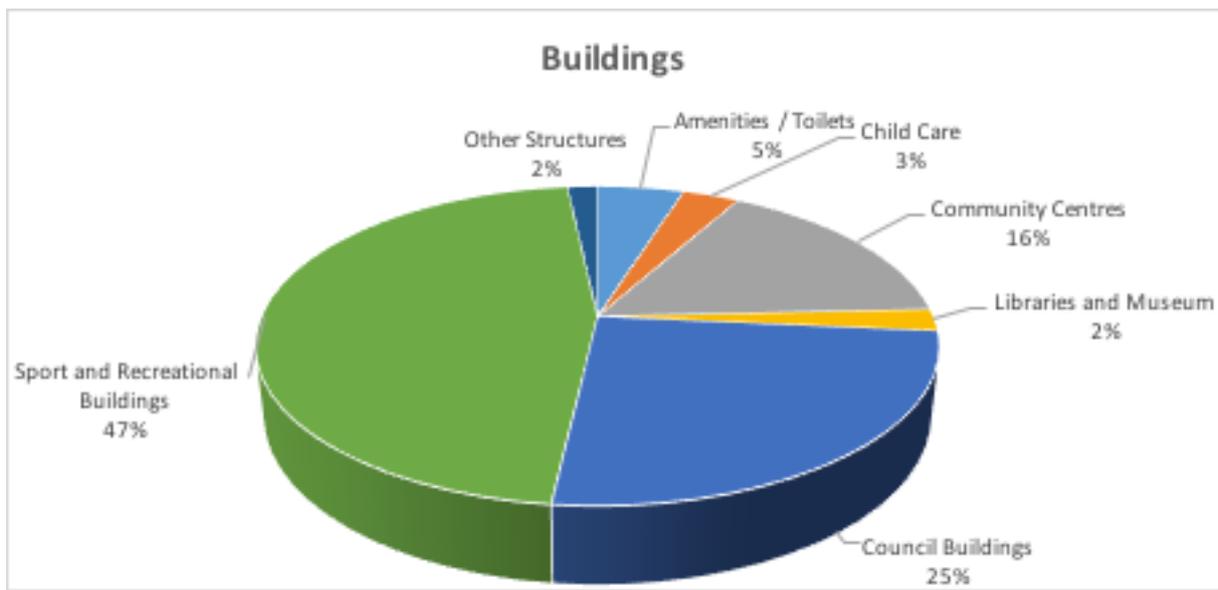


Figure 1: Building categories

The investment into many of these assets occurred over 40 years ago when some of the area's original subdivisions were established, with a significant portion added to Council's portfolio in the last 20 years. Consequently, some of the older assets are starting to require increased levels of maintenance and this trend is only going to continue.

The required cost to bring Council's community buildings to a satisfactory standard as detailed in the 2015-2016 Financial Statements is over \$1.6 million. Council apportions its Asset Improvement Program in accordance with the backlog amounts reported in Special Schedule 7 of the Financial Statements.

To ensure the community's assets are managed and maintained for current and future generations, condition assessments of Council owned and managed buildings have been undertaken. This work has been contracted to Public Works, NSW, on phase-by-phase basis. Initially the highest priority assets are being progressed. Findings from this exercise will enable the Council to properly plan future upgrade/renewal and maintenance needs and help minimise potential risks.

Civic Centre

The Civic Centre project has achieved significant progress in the preceding four years. Construction commenced in 2015, with the majority of the superstructure constructed in 2016 and construction to complete in the second half of 2017. Funding implications, including the Operations and Maintenance costs are accounted for in Council's LTFFP.

Warilla Library Relocation

The Warilla Library Relocation project is in Council's 2016-2017 Operational Plan. The Warilla Library Relocation will provide a contemporary library that is welcoming, flexible and accessible, offer meeting spaces and study areas, programs and a range of technology. Currently in the Development Application stage, construction is expected to commence in 2017-2018 financial year. The Operation and Maintenance of the new Library is to be considered by Council's Asset Management team as part of Development process, and to be incorporated into future Building Asset Management Plans.

Shellharbour Beachside Tourist Park

Council actively pursues opportunities for its businesses to achieve their economic strategies to provide the community with a broad range of quality infrastructure, assets and facilities delivered in a cost-effective and sustainable manner. During the 2016-2017 financial year, the construction of the Amenities building at the Shellharbour Beachside Tourist Park was completed, with cabins to be constructed in the second half of the year. The Tourist Park has enjoyed very strong occupancy all year as a result of continually improving infrastructure combined with the quality customer service experience for the clients. The 2015/16 financial result was a record high for the Park operation. The result was 28% higher than last year and 12% higher than the previous best financial result ever achieved by the Park.

Roads and Transport

Council's Roads and Transport asset category is made up of roads, bridges, footpaths and shared use paths, signs, and traffic measures as indicated in the **Figure 2** below.

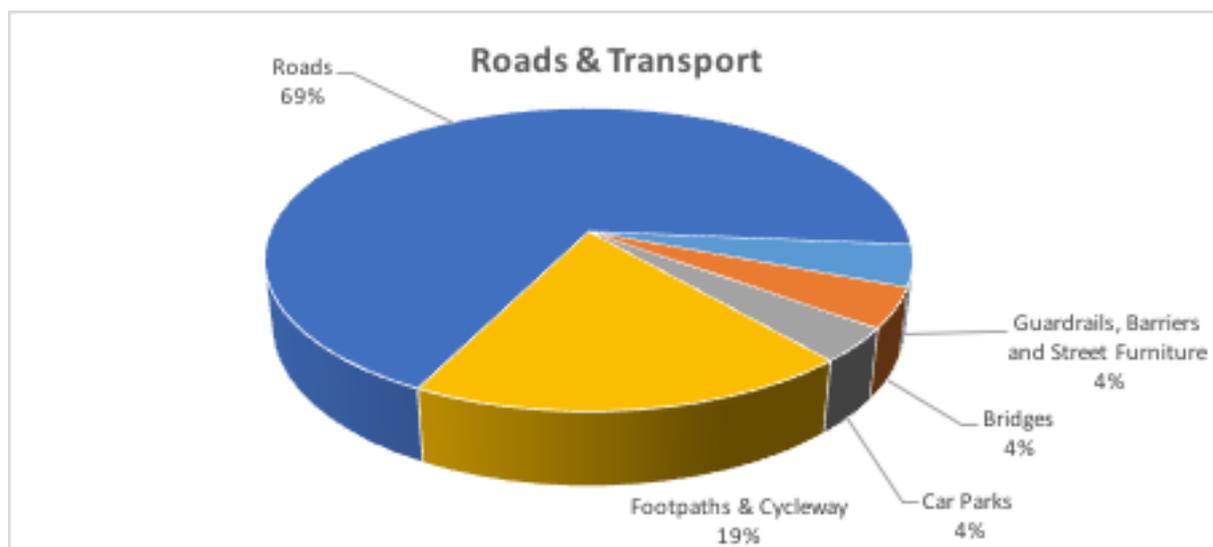


Figure 2: Road and Transport Asset Categories

Council's road network has undergone significant improvement in the preceding years. As reported in Council's Annual Report, Council expended \$5,025,000 on the Renewal of Road Infrastructure Assets as well as receiving \$526,932 of Roads and Footpath Assets contributed by developers from subdivisions and developments handed to Council. The implication of these assets will be incorporated in future Roads Asset Management Plans (AMP).

There are 66 road resurfacing and footpath replacement projects proposed. Road resurfacing and patching is a large focus of the program given the scale of the road network relative to other asset classes. Key road resurfacing projects include Burroo Street Albion Park Rail, Yellow Rock Road Tullimbar and Blackbutt Way Blackbutt.

Shellharbour City Council has achieved a significant turnaround in the condition of the road network and previous backlog through effective allocation of funding and improved Asset Management practises. The current Asset Condition distribution of Road Assets is provided in the **Figure 3** below, with an estimated cost to bring assets to a satisfactory standard of \$4,418,000, down significantly from \$25 million in 2013. This is an excellent result and outlines Council's commitment to renewing its Infrastructure Assets.



Figure 3: Asset Condition

Condition Grading	Description of Condition of the Asset
1	Very Good: only planned maintenance required
2	Good: minor maintenance required plus planned maintenance
3	Fair: Significant maintenance required
4	Poor: significant renewal/rehabilitation required
5	Very Poor: physically unsound and/or beyond rehabilitation

Description of Condition of the Asset (Institute of Public Works Engineering Australasia (IPWEA), 2014)

Drainage

Council's drainage network includes various stormwater drainage assets, including pits, pipes, and open drains, pollution control devices and kerb and guttering as indicated in **Figure 4** below.

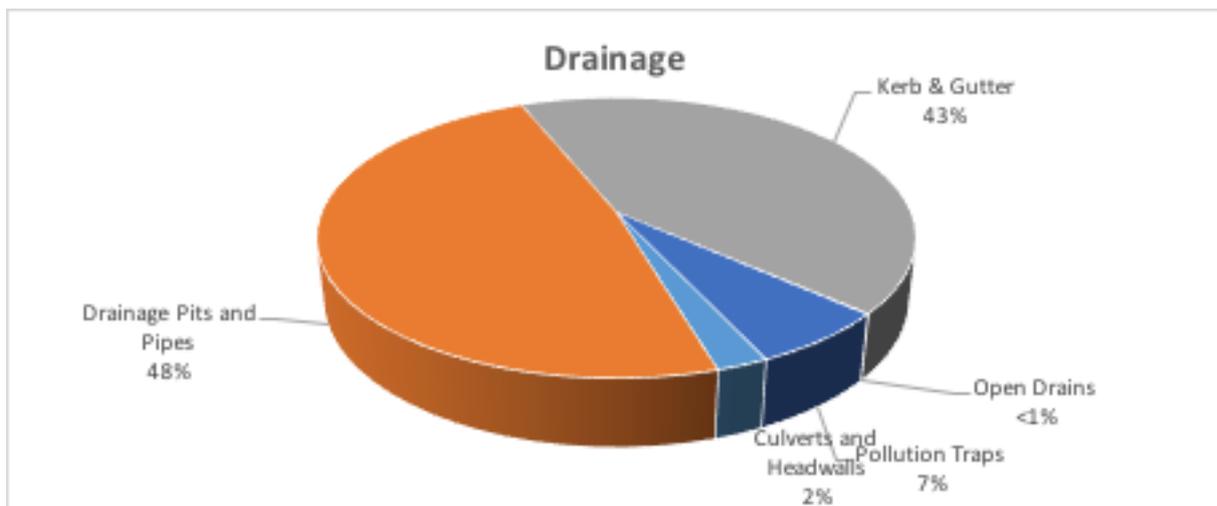


Figure 4: Drainage classes

Council's adopted Stormwater Management Service Charge Program incorporates the highest priority improvement projects as nominated in the strategies in addition to flood mitigation and stormwater harvesting works. Some of the works included several stormwater pit and pipe renewal and/or upgrade projects; upgrade to stormwater infrastructure; and stormwater pipe relining projects were completed in locations across the City. The total annual charge collected for stormwater management services \$602,000 in 2015/16.

A key project this year has been the undertaking of condition assessments for the stormwater network. Areas completed to date include Central Ave Oak Flats, areas of Shellharbour and Barrack Point. The data received from these inspections will inform future renewals and upgrades. The service charge continues to supplement State Government grants for the Macquarie Rivulet Flood Study and Oakey Creek Flood Study as well as the Horsley Creek Floodplain Risk Management Study. Flood mitigation measures identified in Plans, once adopted, will be incorporated into the Stormwater Program on a priority basis. In Conjunction with above, a Service Levels group has been set up within Council to determine the optimal Levels of Service and will allow Council to undertake appropriate Risk Management actions.

Recreational Facilities

Council provides parks and reserves to enable a diverse range of quality passive and active recreation and leisure opportunities (see **Figure 5** below). Council owns and or manages in excess of 300 recreational facilities, all of which require a level of maintenance.

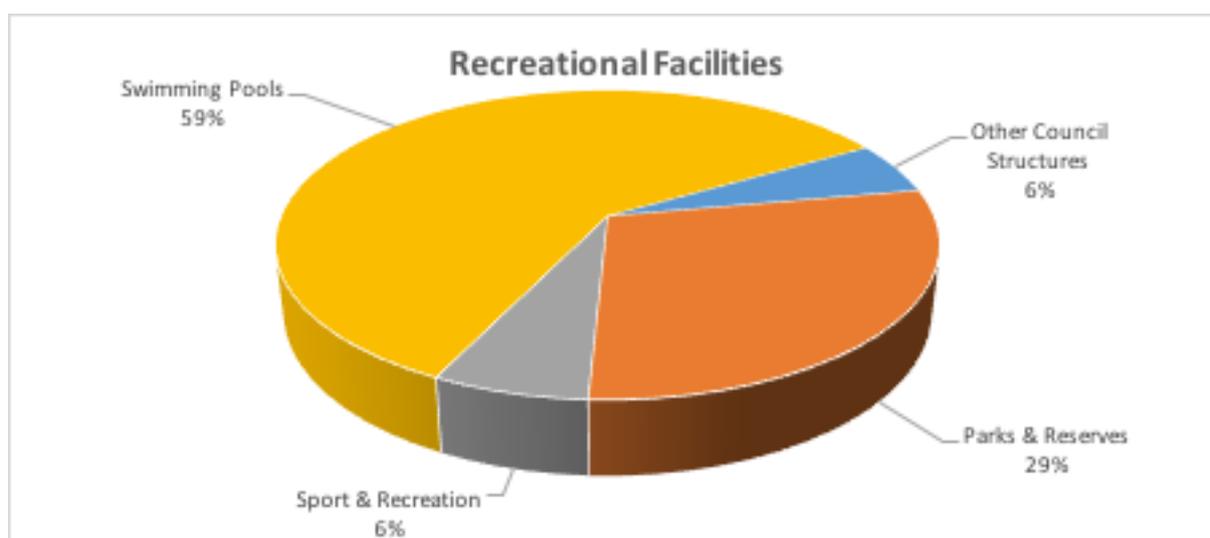


Figure 5: Recreational facilities

Aquatic Facilities

Council owns and operates four aquatic facilities that have a Capital Replacement Value (CRV) of \$8 million (as at 2011). The four facilities were built about 40 years ago and have been well maintained. Although the facilities are generally in a good condition (as at June/July 2011), there are a number of performance issues that may need to be addressed to achieve a desired Quality Standard or level of service.

The pool structures were assessed to be in a good condition and based on the deterioration model applied they have about half of their lives remaining. Although this could be unexpected due to their age, there is little evidence of cracking or movement which would downgrade the condition. Water leakage can also be used to indicate the structural integrity of the pools, however the volume of pool water leakage has yet to be measured - if leakage is significant, this would be an indicator to a potential poorer condition. Although the pool filtration and treatment equipment meet statutory requirements, many components are old and have become unreliable.

Where the facilities can continue to be maintained to achieve a reasonable condition standard, the key issue could be more associated with the declining demand for the facilities based on the increasing expectations from the community that have other options available to them such as beaches and other nearby modern aquatic facilities.

The 10-year Asset Plan provides a summary of the operational maintenance expenditure that could be required over the next 10 years to address current backlog, to renew and replace assets and to maintain the facility.

The renewal and replacement analysis considers the deterioration and age of all assessed components. The analysis is based on modern like for like replacements and excludes upgrading pool plant with additional capacity or additional functionality. The annual average expenditure over 10 years (including backlog) is about 1.0% of CRV, which is aligned with expectations for these types of facilities.

Parks and Open Spaces

Council's Asset Team has identified as a current priority, the need to accurately model the additional maintenance expected from Parks and Open Space Assets that are to be contributed to Council from larger sub-divisions. Whilst Council has benefited immensely from improving asset data as part of the work that was undertaken for the implementation of the TechnologyOne upgrade, as well as in the preparation of the Fit for the Future submission, there are still some gaps in the information available to update the Asset Management Plan. For 2017 Council will be undertaking a data improvement program for all current and future Parks and Open Space assets, which will better enable Council to accurately plan and prepare for the addition of these assets. The future additional maintenance investigation will examine assets contributed from the below sub-divisions:

- Calderwood (Stages 3/5 Wetlands & Parklands)
- Shell Cove
- Tullimbar
- Seacrest
- Whistlers Run
- Shellharbour Heights

In conjunction with the data improvement regime, Council will undertake a service levels review for current Parks and Open Space assets, as well as those expected to be managed by Council in future years. This is part of a review of Council's current service levels for all Asset classes, and is discussed separately in a later chapter. Another risk to Council identified to be incorporated in the above is the management of wetlands. Council's current and future wetlands form a necessary part of Council Park's water management, as well as an end-point of certain Council stormwater networks. As such, there are key environmental implications that to be addressed will apply a financial burden if they are to be managed effectively. Current proposals before Councils will investigate the use of novel construction techniques, such as with floating wetlands, and will examine any potential cost savings for Council's parks maintenance program.

With Shellharbour being a growing City, the mowing and maintenance area Council is responsible for increases every year. The Parks & Gardens team worked over the winter months on efficiencies to enable the maintenance of this land at a reduced budget in balance with responding to the various changes in demands of service levels by our community. Council now publishes a weekly mowing schedule on Council's website to ensure a proactive communication approach with the community. Communication to residents and sporting clubs about our mowing schedules is very important to enable our crews to actively respond to these expectations.

Programmed Additions

In the coming years there will be significant Assets additions being constructed by and handed to Council. These projects will provide substantial maintenance and renewal requirements to Council and will need to be accounted for in future Asset Management strategies. A brief outline of each project has been provided below, as well as actions Council are taking.

Special Projects

Shell Cove Marina and Subdivision

The Shell Cove boat harbour and its surrounds will continue to dramatically take shape in the 2016-2017 financial year. The excavation of the inner harbour will be completed and the edges formed on the 20-hectare harbour. The first shops will be built, including a supermarket and approximately 10 speciality shops in the town centre, known as The Waterfront, Shell Cove. Access will be provided with the development of roads and infrastructure creating a public domain near the foreshore.

Construction will begin on the first residential subdivision within The Waterfront precinct and include the development of medium density housing. The new main road - Harbour Boulevard - connecting The Waterfront to Shellharbour, will be built to the Wattle Road intersection during this phase of the development.

This will provide a direct link to the safe ocean accessed harbour that will accommodate 300 berths, charter operations, boat facilities and public boat ramp. It will incorporate a 1.5 km public promenade and sit beside a vibrant town centre that includes supermarket, shops, restaurants, cafes, tavern, community centre, library, and hotel.

Airport

There has been significant progress with the implementation program for the Strategic and Business Plan for the Illawarra Regional Airport. One of the key strategies from the Strategic and Business Plan is to develop a funding model to best leverage Council funds and partnerships to attract external funding for the development of the Airport. This Strategy was continued with the preparation of designs and associated documents required for submission of an application to the National Stronger Region Fund (NSRF).

Maintenance works continue to be undertaken including resurfacing of part of runway 08/26 and taxiway H to extend its service-life. Other works undertaken during the period included minor maintenance and works on obstacle lighting. These works are helping Council address items on the corrective action list and move towards better compliance with regulations.

Calderwood Voluntary Planning Agreement

On 15 September 2014 Council entered into a Planning Agreement with Lend Lease Communities (Australia) Limited for the provision of all Shellharbour City Council local infrastructure contributions that are necessitated by the development of the Calderwood Urban Development Project.

Under this Planning Agreement the developer will provide approximately \$20m in monetary contributions toward both local and citywide infrastructure (in lieu of Section 94 Contributions) and deliver onsite infrastructure including a community centre, parks, sportsfields, road upgrades and land dedications to the value of approximately \$50m. The development is expected to occur over the next 20-25 years and will significantly increase both the population of the City's West and Council's asset base.

The Planning Agreement was applied to the Stage 2A and Stage 2B development applications in lieu of the Section 94 Contributions Plan. Contributions including cash and non-cash were received from the Stage 1A development.

Dunmore Resource Recovery Redevelopment

During 2016-2017 works have progressed on the redevelopment of the Dunmore Recycling & Waste Disposal Depot. The Redevelopment includes the relocation of the existing Transfer Station and the establishment of an organics processing facility that is capable of processing food and garden organics.

The redevelopment will assist Council meeting its vision for waste management, a community that generates minimal waste and considers the waste that is produced as a valuable resource to be managed sustainably, by:

- Providing facility users with greater ability to recover and recycle material leading to greater resource recovery rates;
- Ensuring the NSW Waste Levy is only paid on material going to landfill;
- Providing a safer environment for facility users and staff
- Providing weekly collection of resident's green lidded organics bin once the organics processing facility is operational.

Works associated with the relocation of the existing Transfer Station will be complete prior to the end of 2016-2017. The contract for the construction and operation of the organics processing facility was awarded to ReGroup. It is anticipated that the organics processing facility will be operational by July 2017.

Summary of Assets acquired by Council during 2015-2016

Assets are added to Council's asset register on an ongoing basis through private development and works carried out by Council as part of its adopted Capital Works Program. The total value of asset additions associated with Council capital works amounts to \$26.95 million for the 2015-2016 financial year. The works carried out by Council include both the construction of new assets and the renewal or upgrade of existing infrastructure. Further details of these works can be found in the following sections: Special Variation Expenditure and Works Completed and In Progress.

Assets acquired through private development includes the handover of assets constructed through major subdivisions, works in kind and user groups of Council land. For 2015-2016, the total value assets acquired from subdivisions was \$3,995,856 as shown in **Table 5** below. This largely came from new sections of Shell Cove being handed over, as well as the renewal of Shandan Circuit. The figure above equates to approximately 0.94% of the total Carrying Value of Council's Infrastructure Assets and will be accounted for in our Asset Management Strategy.

Table 5: Assets Contributed by Developers and Others

Asset Class	Quantity	Unit	Value
Roads	24,135	m2	\$510,674
Kerb & Gutter	2,960	m	\$655,307
Stormwater Pipes/Culverts	1,911	m	\$1,202,879
Stormwater Pits	82	ea	\$143,500
Gross Pollutant Traps (GPT)	3	ea	\$1,087,998
Headwalls	6	ea	\$25,982
Footpaths	106	m2	\$16,258
Contributed Land	4	ea	\$369,000

Lifecycle Costing

Lifecycle costing expresses the cost of providing the service as an annual amount (see **Table 6** below). Lifecycle cost refers to the total cost of ownership over the life of an asset including; planning, design, construction/acquisition, operations and maintenance, renewal/rehabilitation, the cost of consumption measured by depreciation expense, finance and disposal costs. These figures are as per Council's Special Schedule 7 return and Annual Report

Table 6: Lifecycle Costing

Asset Class	Annual Required Maintenance Expense	Average Annual Depreciation Expense	Lifecycle Cost
Buildings	\$1,634,000	\$2,875,000	\$4,509,000
Other Structures	\$0	\$83,000	\$83,000
Roads & Transport	\$2,022,000	\$3,514,000	\$5,536,000
Stormwater & Drainage	\$355,000	\$2,053,000	\$2,408,000
Open Space & Recreational*	\$5,176,000	\$655,000	\$5,831,000
Other Infrastructure Assets	\$0	\$95,000	\$95,000
Total	\$9,187,000	\$9,275,000	\$18,462,000

*Recreational facilities includes pools

This can be compared to lifecycle expenditure to give an indicator of sustainability in service provision. Lifecycle expenditure is current expenditure required to provide the service including annual operations and maintenance expenditure, plus the cost of renewal/replacement of assets. The lifecycle expenditure will vary depending on the timing of assets renewals.

Table 7: Lifecycle Expenditure

Asset Class	Maintenance Expense	Capital Renewal	Lifecycle Expenditure
Buildings	\$1,676,000	\$4,250,000	\$5,926,000
Other Structures	\$0	\$452,000	\$452,000
Roads & Transport	\$2,158,000	\$5,025,000	\$7,183,000
Stormwater & Drainage	\$468,000	\$581,000	\$1,049,000
Open Space & Recreational*	\$5,618,000	\$712,000	\$6,330,000
Other Infrastructure Assets	\$0	\$0	\$0
Total	\$9,920,000	\$11,020,000	\$20,940,000

*Recreational facilities includes pools

The lifecycle costs and lifecycle expenditure comparison summaries in **Table 7** above, highlights any difference between present outlays and the average cost of providing the service over the long term. If the lifecycle expenditure is less than lifecycle cost, it is most likely that outlays will need to be increased or cuts in services made in the future. A shortfall between lifecycle cost and lifecycle expenditure gives an indication of the lifecycle gap to be addressed in the Asset Management and LTFFP.

The average annual year combined operations, maintenance and renewal funding allocation is approximately \$20.9 million and an annual depreciation expense of \$9.3 million. Based on the straight line depreciation and reviewed operations and maintenance needs, the required funding level exceeds \$18.5 million resulting in a surplus of \$2.4 million.

The 'gap' between life cycle costs and life cycle expenditure gives an indication as to whether present consumers are paying their share of assets they consume. The lifecycle gap and estimated asset renewal ratio for Council's asset based services is summarised in **Table 8** below.

Table 8: Lifecycle Gap

Asset Class	Lifecycle Cost	Lifecycle Expenditure	Lifecycle Gap
Buildings	\$4,509,000	\$5,926,000	\$1,417,000
Other Structures	\$83,000	\$452,000	\$369,000
Roads & Transport	\$5,536,000	\$7,183,000	\$1,647,000
Stormwater & Drainage	\$2,408,000	\$1,049,000	-\$1,359,000
Open Space & Recreational*	\$5,831,000	\$6,330,000	\$499,000
Other Infrastructure Assets	\$95,000	\$0	-\$95,000
Total	\$18,462,000	\$20,940,000	\$2,478,000

*Recreational facilities includes pools

Linking service levels and cost of service delivery

The linking of service levels and the cost of service delivery is an essential component of strategic asset management. It is essential that the Council knows the true cost of service delivery, priorities placed by the community on infrastructure, the service levels that are desired by the community and what level they are willing to pay for.

Council's asset management plans are based upon the recommended 'core' Asset Management structure contained in the International Infrastructure Management Manual. These plans have been prepared at a network level and aim to document the costs incurred to maintain current service levels of existing infrastructure. Periodical review and continuous improvement will be carried out as more information is gathered. The core asset management plans were prepared with minimal community consultation; they did provide an excellent basis to start the conversation with the community.

Council has identified undertaking a comprehensive review of our Service Levels as an important initiative. This has been identified as a high priority by Council's Asset Management staff and endorsed by the General Manager. This review will incorporate the use of internal (staff) expertise, and external (consultants) when required.

Council's Service Levels are informed primarily by the data held against the Assets. As such, the first component of the review is a data review and improvement strategy, which is currently being undertaken. This review will identify what data is essential for undertaking Strategic Asset Management, any gaps in the current data, and how Council is to proceed with data acquisition.

Once data is quantified and lifecycle costs established, community consultation is the next step. Options will be provided and feedback sought from Council and Community to inform future Asset Management strategies. Undertaking this will ensure Council sustainably delivers its strategies as identified in the CSP, fulfil all legislative requirements, and achieve advanced Asset Management as identified within the International Infrastructure Management Manual.

Should the community be prepared to accept lower levels of service, the responsibilities of Council will be reduced. Conversely, if the current Levels of Service are found to be inadequate, the Asset Management team would need to develop Asset Management Plans identifying how to achieve the Communities expected Levels of Service. The cost of service delivery will either be higher to achieve the required levels of service, or efficiencies within Council will need to be found

Where do we want to be?

The Resourcing Strategy outlines Council's contribution to achieving the Objectives and Strategies from the Community Strategic Plan 2013-2023 and the Delivery Program 2013 - 2018. **Table 9** below outlines the Objectives and Strategies that this Asset Management Strategy will contribute to achieving:

Table 9: Objectives and Strategies

Objectives	Strategies
1.1 Vibrant, safe and inclusive City	1.1.4 Have accessible community and cultural facilities available for current and future community members
1.2 Active and healthy community	1.2.1 Provide residents access to a range of services and facilities that are relevant and responsive to health and wellbeing
1.2 Active and healthy community	1.2.2 Provide diverse opportunities for recreation and enjoyment in the city's parks and open spaces
2.1 Protects and promotes its natural environment	2.1.1 Manage catchments effectively to improve the cleanliness, health and biodiversity of creeks, waterways and oceans
2.3 A liveable city that is connected through places and spaces	2.3.6 Deliver sustainable management of the community's assets for current and future generations
3.1 Infrastructure is planned and managed in a way that meets the community's needs	3.1.1 Provide the community with a broad range of quality infrastructure, assets and facilities delivered in a cost-effective and sustainable manner
3.1 Infrastructure is planned and managed in a way that meets the community's needs	3.1.2 Improve the city's ageing assets, infrastructure and facilities to meet the needs of the community now and into the future

As part of Fit For the Future response, Council undertook analysis of current status and developed strategies to move toward a financially sustainable future. Council had previously addressed how it will meet and exceed the Infrastructure Asset Performance Indicators. The indicators are comprised of three ratios used to determine Council's performance in managing its infrastructure and long-term sustainability. The Finance team in conjunction with the Assets team have now finalised Council's submission of the Infrastructure Asset Performance Ratios and are displayed in **Table 10** below.

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2016

\$ '000	Amounts 2016	Indicator 2016	Prior periods	
			2015	2014
Infrastructure asset performance indicators * consolidated				
1. Infrastructure renewals ratio				
Asset renewals ⁽¹⁾	11,020	118.81%	40.03%	29.53%
Depreciation, amortisation and impairment	9,275			
2. Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard	8,964	2.06%	2.30%	11.13%
Carrying value of infrastructure assets	434,141			
3. Asset maintenance ratio				
Actual asset maintenance	9,920	1.08	0.92	0.58
Required asset maintenance	9,187			

Table 10 - Shellharbour City Council Special Schedule 7 Infrastructure Asset Performance Ratios

The Infrastructure Renewal Ratio for 2015-2016 is above the minimum benchmark of 100%. This can be attributed to the additional funds now being available from the Special Rate Variation (SRV) for asset renewal. The other reason relates to a large amount of renewal expenditure linked to a major capital project. A ratio over 100% indicates that Council is spending on its assets at a rate greater than they are being consumed.

Council's result for Infrastructure Backlog Ratio has further improved in 2015-2016 as a result of the additional funding Council has committed to asset renewal. The extra renewal expenditure can be confirmed through the result for the Infrastructure Renewals Ratio. As expenditure has increased to renew those assets which have reached their intervention level (Backlog), this has had the effect of improving the overall condition of Council assets.

The Asset Maintenance Ratio has continued to improve as Council gets a better understanding of its required maintenance levels while at the same time meeting community expectations. The result for 2015-16 exceeds the suggested benchmark for this ratio. The required maintenance for this year has been determined by considering community expectations as well as best practice. This has allowed for greater confidence with measuring required maintenance levels.

Council is now achieving two of the ratios and is only marginally outside the performance benchmark set for Infrastructure Backlog Ratio. Given Council's greater Infrastructure Renewal expenditure than current Depreciation levels as shown in the first ratio, it is expected for Council to achieve under the 2% performance benchmark in the 2016-2017 Special Schedule 7 report. The Assets team are also updating the condition of Council assets as renewal work is undertaken, which will reflect the lower level of Council's Infrastructure Backlog throughout the year. The results achieved for 2015-2016 have shown improvement across the three Infrastructure Asset Performance Ratios, as was previously forecast. The ratios provide a healthy assessment of Council's performance in managing its Infrastructure Assets, and indicate the sustainability of Shellharbour City Council.

Linking Asset Management to the Long Term Financial Plan (LTFFP)

As discussed in the LTFFP, the underlying drivers for future years Asset Management Strategies, which inform the Asset Management Plans, have been derived from Council's key objective of financial sustainability in both the medium and longer term. The key strategies identified in the LTFFP provide the clear objectives for the Asset Management Policy, filtering through to all Asset Management planning documents. These strategies coincide with the Fit For the Future targets and those strategies developed to achieve the performance benchmarks.

Recurring income must exceed recurring expenditure

This theme is echoed throughout all of Council's Asset Management documents, as well as the LTFFP. It has been addressed within the Fit For the Future ratios, as well as through initiatives within our Asset Management Plans. Council has benefited immensely from the Asset Team updating asset conditions, in an effort to reflect the true condition of our assets. By doing this, it ensures only Assets that require renewal are renewed, and the depreciation of our Assets is truly reflected. True condition monitoring allows Council to shift away from a 'paper' based renewal planning approach, and actually considering the validity of any renewal project. This marries up with the Key Asset Management Strategies 5 and 12 discussed earlier.

Each of Council's service delivery activities is to be cost and quality competitive

When developing our Operation Plan, Council's Asset team is always aiming to deliver projects that combine the optimal blend of quality and cost effectiveness. For each project, Council considers the required service levels of the corresponding asset class, ascertains the necessity for Asset renewal and considers the 'whole of life' costs. This allows Council to optimise the life of our Assets and reduce the total cost of ownership. When considering how the identified projects are to be delivered, Council considers for each case the cost and capability for the project to be delivered internally, or if greater value can be achieved through the use of external contractors. This practice aligns with industry best practice and addresses the Key Strategies 3, 4 and 14 identified earlier.

Capital investment (expenditure) must be financed from a mix of reserves, grants, contributions and loans, but not operational income

Shellharbour City Council utilises many sources of funding for Capital Works, with over \$6.7 million of external funding to be utilised for the 2016-2017 Capital Works Program. This is a fantastic result for Council and ensures that the value of Council expenditure is maximised, helping to also address the strategy above of being cost and quality competitive. The Special Rate Variation has also been utilised to undertake substantial renewal of Council assets, reducing Council's current backlog as mentioned above. The SRV was introduced due to Council better understanding the true cost of owning its assets from improved asset management practices. This focus on acquiring funds from alternative sources is directly aligned with the asset management Key Strategy 16.

Asset renewal must have a higher priority than the creation of new assets, all things being equal

Council's asset management plans carefully consider the expansion requirements for the network of assets through analysis and measures such as population growth, serviceability, capacity and utilisation. As such, Council can be sure that current assets are adequate for their use, and new assets are not constructed unnecessarily, nor unsustainably. The asset management plans consider the sustainability fundamental to all decisions undertaken by Council and undertakes substantial data collection for Council assets to allow Council to make informed choices. The above measures are undertaken via Key Strategies 5 and 7.

APPENDIX 1

Asset Management Policy

Asset Management Policy

Policy Name: Asset Management Policy	Policy Number: POL-0037-V04
Date Adopted: 13 June 2017	Review Date: June 2018
Policy Owner: Team Leader Asset Management	

Contents:

1. POLICY STATEMENT

The objective of this policy is to:

- Ensure that Asset Management and the importance of managing Council's infrastructure assets for present and future generations is clearly understood and recognised by Council and its Community
- Provide a broad framework and rationale for best practice asset management decision making and inform the organisation on how it will maintain its assets to deliver a level of service that meets community expectations and value for money
- Develop required strategies in order to implement & manage assets & services.

2. SCOPE

This policy applies to all infrastructure and assets under the care and control of Shellharbour City Council.

3. REFERENCES

NSW Local Government Act 1993 (as amended)
International Infrastructure Management Manual
Civil Liabilities Act 2002
Australian Accounting Standards
OHS Act 2000 and Regulations
Shellharbour City Council Procurement Policy

4. DEFINITIONS

Asset Management Plan

Is a tool that has been developed for the management of one or more infrastructure assets that combines multi-disciplinary management techniques (including technical and financial) over the lifecycle of the asset in the most cost effective manner to provide a specified level of service.

Asset Management Plan contains the following information:

- quantum and performance level of assets & services

- management techniques
- future demands
- risk factors & respective mitigation measures
- predictions
- financial forecasts
- plan improvement needs

Disposal

Activities necessary to dispose of decommissioned assets.

Fair Value

The amount for which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction.

Infrastructure Assets

Physical assets that contribute to meeting the needs of an organisation or need for access to major economic and social facilities and services. e.g. roads (Including bridges and footpaths), drainage, buildings.

These are typically large, interconnected networks or portfolios of composite assets.

The components of these assets may be separately maintained, renewed or replaced individually so that the required level and standard of service from the network of assets is continuously sustained.

Generally, the components, and hence the assets, have long lives. They are fixed in place and often have no separate market value.

Level of Service

The defined service quality for a particular activity (e.g. roads) or service area (e.g. mowing) against which service performance may be measured.

Service levels usually relate to:

- quality
- quantity
- reliability
- responsiveness
- environmental impact
- acceptability
- cost

Lifecycle Cost

The total cost of an asset throughout its life including:

- planning
- design
- construction
- acquisition
- operation
- maintenance
- rehabilitation
- depreciation & disposal costs

Otherwise referred to as "whole of life cost".

Rehabilitation

Works to rebuild or replace parts or components of an asset.

To restore an asset to a required functional condition and extend its life, which may incorporate some modification.

This process generally involves repairing the asset to deliver its original level of services using available techniques and standards, without resorting to significant upgrading or renewal.

Renewal

Works to OR to replace existing facilities, with facilities of equivalent capacity or performance capability.

Improvement

Works to improve OR upgrade assets in order to lift service standards and/or to address future growth needs.

This is also referred to as an 'Upgrade'.

Useful Life

May be expressed as either:

- The period over which an asset is expected to be available for use by an entity, or
- The number of production or similar units (eg intervals, cycles) expected to be obtained from the asset by the entity.

5. VARIATION AND REVIEW

This policy will be reviewed every three years by relevant employees.

Review History

Date Policy first adopted - Version 1	1 July 2008
Date amended adopted - Version 2	14 June 2011
Date amended - Version 3	10 June 2013
Date adopted - Version 4	13 June 2017

6. POLICY

Council recognises its obligation to act as custodian of public assets and infrastructure in accordance with Section 8 of the Local Government Act. This includes ensuring that assets are planned, created, operated, maintained, renewed and disposed of in accordance with Council's service delivery. It also recognises all relevant legislative requirements together with political, social and economic environments that are to be taken into account in the management of assets.

Council is committed to implementing a systematic asset management methodology in order to apply appropriate asset management practices across all areas of Council.

Asset management practices impact directly on the core business of Council. And appropriate asset management is required to achieve our strategic delivery objectives, and is linked directly to Council's Strategic Plan and Long Term Financial Plan.

A strategic approach to asset management ensures that the Council delivers the highest appropriate level of service through its assets. This provides positive impact on:

- Members of the public and staff
- Council's financial sustainability
- The ability of Council to deliver the expected level of service and infrastructure
- The political environment in which Council operates
- The statutory obligations and liabilities of Council.

In order to achieve the objectives of this policy, Council will fulfil its obligation to manage its assets in accordance with recognised best practice.

6.1 Understanding Customer Expectations

- An inspection regime will be used as part of asset management to ensure agreed service levels are maintained, and to identify asset renewal priorities
- Level of service for Infrastructure assets will be periodically reviewed to ascertain the Community's expectations. Service levels can relate to fit for purpose, aesthetics, environmental acceptability, safety, utilisation and cost
- Council will employ a range of community engagement techniques to capture the views, opinions and expectations of the community in relation to asset quality, maintenance, improvement and renewal priorities and standards.

6.2 Asset Planning, Financing and Budgets

- Asset management principles will be integrated within existing planning and operational processes
- Council will adopt the 'life cycle cost analysis' for the management of infrastructure assets
- Council will consider using various funding sources, including loan funds that address the principles of intergenerational equity to:
 - improve the condition of its asset
 - extend their useful life
- The Capital Works Programme and Asset Improvement Programme shall be subjected to technical and financial evaluation, and prioritised using pre-determined criteria and the principles outlined in Council's Asset Management Plans
- Council will regularly review its asset inventory and identify opportunities for asset rationalisation
- Whenever possible, predictive modelling will be used to develop and implement preventative maintenance and renewal programs to ensure:
 - The lowest net lifecycle cost is achieved
 - The asset potential is optimised.

6.3 Asset Operations and Management

- A consistent Asset Management Strategy must exist for implementing 'systematic asset management' and appropriate asset management' best practice' throughout all divisions of Council
- Maintenance management plans (or operational asset management plan) shall be developed using asset condition data, and shall incorporate a cost-benefit analysis
- All services shall be regularly benchmarked to ensure Council is meeting best practice standards
- All outsourced services are to be procured through a competitive process
- Performance driven approaches to be adopted for operational and maintenance work.

6.4 Management of Risk

- Council will maintain a program of regular inspection of assets under its control to minimise risks to people, the assets, finances and the environment
- Council will implement the principles contained in ISO 31000:2009 when identifying, analysing, evaluating and treating risks presented by Council assets and infrastructure
- Council will maintain an Occupational Health and Safety management system which will address the safety of its employees and contractors working on Council assets
- Council shall consider all of the environmental, social, operational and financial risks when developing sustainable design options for new assets and asset renewals.

6.5 Asset Accounting and Costing

- Systematic and cyclic reviews will be applied to all asset classes to ensure that the assets are managed, valued and depreciated in accordance with appropriate best practice Australian Standards
- Council will maintain a detailed asset management system of all owned assets
- Useful lives will be given to each of these asset with the written down value determined in accordance with the current applicable accounting regulations
- Depreciation charges will be calculated using a method that reflects the true consumption of the asset. It indicates future cash flows necessary to sustain the asset condition and to maintain the required service level. Wherever possible, condition based depreciation method will be used to determine written down value
- Council will value all these current assets at 'Fair Value'.

6.6 Asset Management Plans

- Council will develop Asset Management Plans for each asset Class
- Asset Management Plans will establish:
 - Levels of service
 - Future Demand
 - Life Cycle Principles & Management Plans
 - Financial Projections
 - Risk Management
 - Performance Monitoring and Improvement
- Asset renewal programmes will be developed and implemented progressively based on agreed service levels, and in accordance with renewal intervention strategies for respective asset categories within the respective asset class
- Asset Management Plans will be linked to the Strategic Plan and Long Term Financial Plan
- The Asset Management Plan will be subject to periodic review, usually every three years and updated annually

6.7 Developer Contributions, Dedications and Works in Kind

- Council receives land dedications and assets through works-in-kind, and Council's Section 94 Plan
- Acceptance of land and assets will be in adherence to the standards and typology requirements as outlined in the Section 94 Plan.

6.8 Asset Management Working Group

- A multi-disciplinary and cross-functional Asset Management Working Group will be established to assist with the strategic asset management planning. This group will include input from various interested sections including:
 - Asset Management
 - Planning, Community Development
 - Operation & Maintenance
- Staff responsibilities for asset management activities shall be included in the:
 - Asset Management Plans
 - And reflected in individual position descriptions.

7. RESPONSIBILITIES

7.1 The Council

Councillors are responsible for adopting the policy and in ensuring that sufficient resources are applied to manage the assets.

7.2 The General Manager

The General Manager has the overall responsibility for developing an asset management strategy, plans and procedures and reporting on the status and effectiveness of asset management within Council.

7.3 Directors and Managers

- Are responsible for the implementation of the Asset Management Policy and Procedures
- Must fulfil responsibilities under the Civil Liabilities Act and relevant Accounting Standards
- Must ensure consultation occurs within the various Council Divisions involved in Asset Management
- Are required to set appropriate levels of service and manage risk and cost standards
- Are to provide linkage between the community, key stakeholders and the Council on the management of Council's assets
- Must monitor the performance of staff in relation to implementing asset management.

7.4 Team Leader Asset Management

Is to manage the asset management functions identified in the asset management framework, and to achieve optimum outcomes and fulfil Council objectives and goals.

7.5 Staff

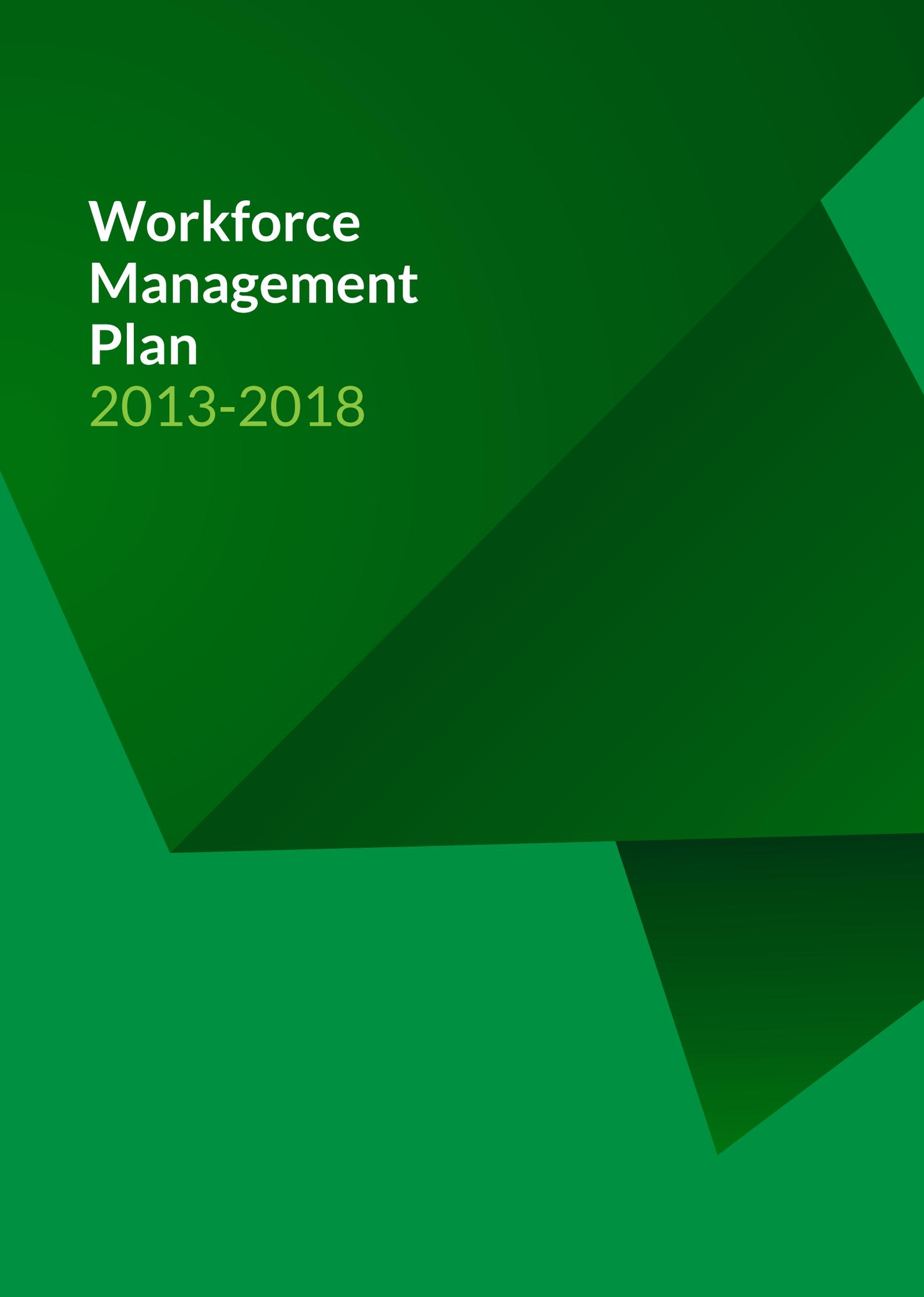
- Are to conduct all work in accordance with relevant standards and direction of their supervisor

- Are to provide all relevant information on the usage and condition of Council's assets for inclusion into the Corporate Asset Management System.

Policy Authorised by:

Name: Group Manager Asset Strategy

Date: 13 June 2017



Workforce Management Plan

2013-2018

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Introduction

Workforce planning is an important element of the Integrated Planning and Reporting framework implemented across Local Government in NSW. In order to meet the priorities and needs of the community Council must have a workforce plan (the plan) to ensure that it has the right mix of people, skills and resources to use when and where they are needed. This will enable Council to plan its future workforce needs to place Council in the best position to deliver on the objectives outlined in the Community Strategic Plan.

Council's Workforce Plan will endeavour to build an organisational culture which continues to attract and retain the best staff possible. By developing a high performing culture we will work with staff, the community and other partners to deliver service efficiency to a high standard. Nonetheless, Council will need to adapt to the projected financial constraints and meet the challenges the organisation will face in the coming years which may impact on the success of the delivery plan and the services provided to the community.

Our Organisational Structure

The organisational structure is based on three principles

Outcome driven → **Policy led** → **Services: businesslike**

So what do each of these phrases mean?

Outcome driven

This means to have a very clear understanding of what we want to achieve. This is achieved by engaging with our community to understand its aspirations, needs and expectations. The results of this engagement are articulated in the community strategic plan, the delivery program and the operational plan.

Policy led

This means pursuing our objectives in a consistent rather than an ad-hoc manner and using policy, practice and continuous improvement to deliver the elements of the community strategic plan.

This enables the whole organisation to make decisions based on sound strategy and policy. It also assists in making confident decisions that reflect the community's views. We must therefore have clear organisational policies, and ensure we follow them.

Services: businesslike

Increasingly in recent years, there has been a common perception that public services, including Council operations, will be more cost effective if they are tendered and out-sourced.

The challenge is not to determine whether to tender or not, that is a means to an end but not an end in and of itself rather, the challenge is to ensure we have to be able to demonstrate that the cost and value of our services is the very best it can be for our community who are the sponsors of the work council undertakes and so has a right to value and service.

Translating the Organisational Principles into an Organisational Structure

The challenge was then to apply those drivers to shape a new organisational structure. To help focus that approach, three key ideas have been applied:

Group 'like with like'

Similar activities should be managed together. Those similarities may be based on a number of things such as: community outcomes; mode of operation; professional discipline; and so on. We should avoid the temptation to group 'like with unlike'.

One function: one boss

While various parts of the same activity may be delivered from different sections of the organisation, it's important that various roles are clarified and there is a central source of authority: that for each function there's only one boss.

Specialisation, not duplication

This is similar to the group 'like with like' idea. When it comes to communications, corporate design and advertising, it is all done through one place: Media and Communication. By doing this it results to a consistent message being delivered. This is a result of 'specialisation, not duplication'.

When the principle-driven framework is applied, the organising principle

Outcome driven → **Policy led** → **Services: businesslike**

clearly lends itself to a three Directorate structure i.e. one Director that is focused on outcomes and strategy; one on corporate policies, and one on operational delivery.



59% of employees live in the Shellharbour Local Government Area

The median age of employees is

46



80% of employees are employed full time

20% employed part-time



25% of employees (not including casuals) are employed in a management or supervisor role

Males



58%



Females

42%

BABY BOOMERS 30.19%

GEN X 35.58%

GEN Y 32.88%

GEN Z 1.35%



9.31%

staff turnover in 2016

8.5%

were voluntary resignation

13.16%

had more than 10 years' service

Workforce Profile

Council's permanent workforce comprises 308.00 full time equivalent (FTE) employees. Council also provides temporary and casual employment. Council's temporary workforce comprises 34.16 FTE employees. Council has a large casual pool of staff who work in areas such as pools, beaches and bush regeneration as well as supplementing operations for the libraries, customer service, parks and gardens, and youth work.

Gender Distribution

Of Council's permanent staff the gender distribution is 55% male and 45% female, this is consistent with the NSW average. NSW Council's on average have a distribution of 57.74% males and 42.26% females. Of Council's permanent/temporary staff 42% work outdoors. Of these 86% are male, while indoor staff are mainly female (67%).

Permanent Workforce Patterns

Of Council's temporary employees 45% are females. Of the casual staff 52% are female.

Similarly the majority of Council's casual employees are employed outdoors (80%) of these 59% are male. Of the casuals employed indoor 97% are female.

Gender and Management

Of Council's permanent and temporary employees 25% are employed in management or supervisory roles (**Figure 1**).

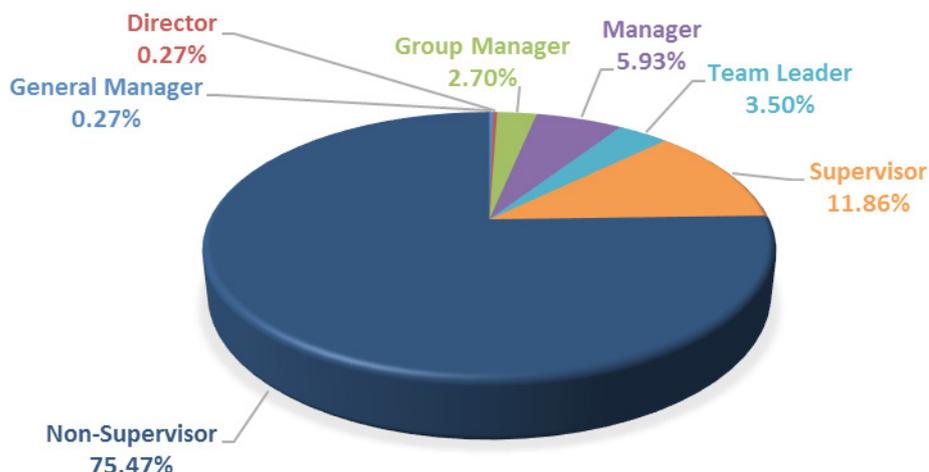


Figure 1 - Percentage of Employees in Management Roles - Total

Of Council's senior managers 42% are female (**Figure 2**). However 84% of female staff are in non-supervisory positions compared to 68% of male staff.

DISTRIBUTION BY PROFESSION AND GENDER

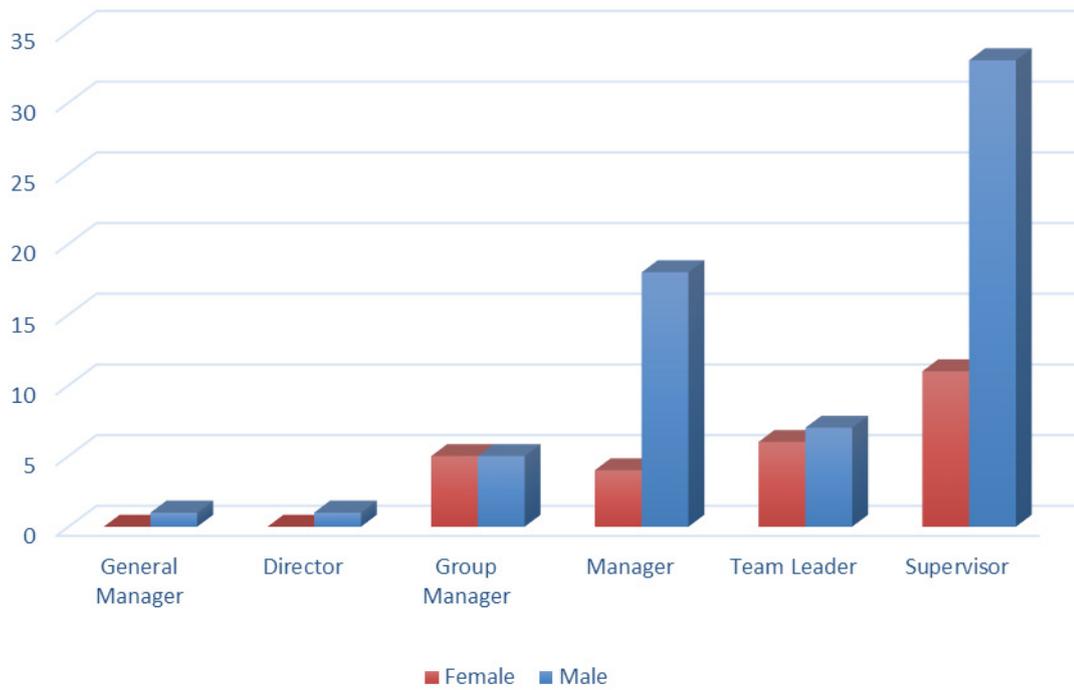


Figure 2 - Number of Female Employees in Management Roles

Age Profile

The average age of staff members as at 31 December 2016 was 44.42 years the (median age was 46 years). The average age for males was 45.25 years and for females 43.38 years. Of Council staff 9.70% are over 60 yrs of age. On average 11 % of staff are over 60 yrs of age in NSW Councils (**Figure 3**).

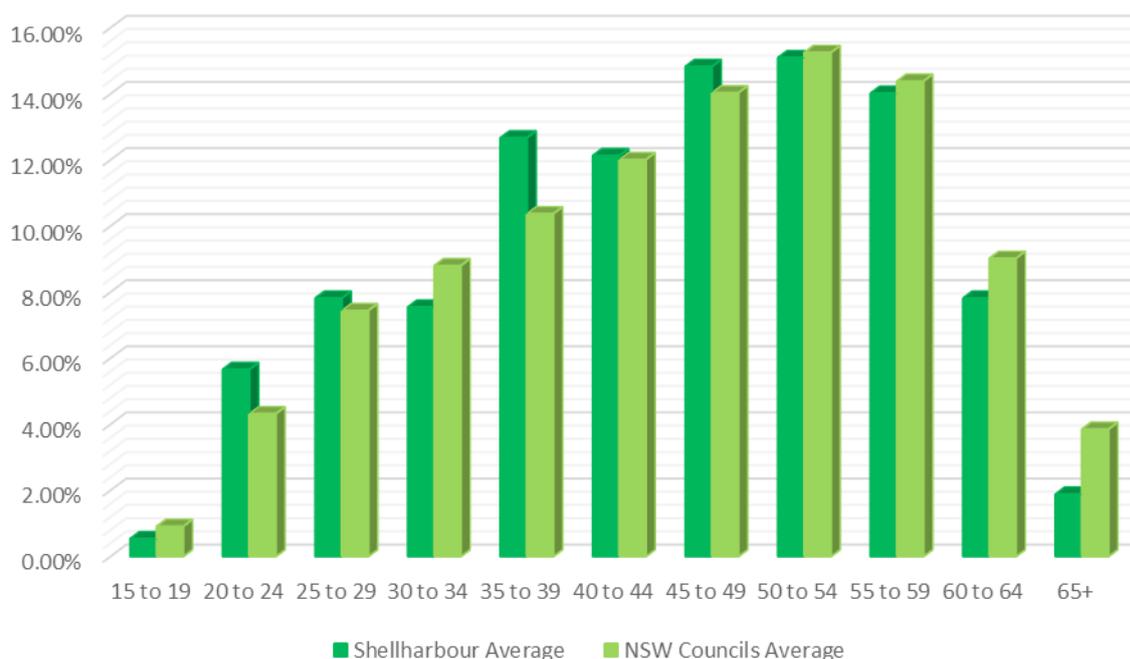


Figure 3 - Workforce Comparison Shellharbour City Council v NSW Council's

Ageing workforce projections indicate that 23.72% of staff will reach 60+ within the next five years, 38.81% within 10 years and 53.64% within 15 years. Council's turnover rate for 2016 was 9.31% of which 0.29% were identified as retiring. The ageing workforce will have a significant impact on turnover rates.

An analysis of the age profile of Council shows that apart from Executive Services there is no significant difference across the Directorates or between the indoor and outdoor workforces as shown in **Table 1** below.

Table 1 - Council's Ageing Workforce by Directorate

	60+ as at 01/01/2017	within 5+ years	within 10+ years	within 15+ years
Council	9.70%	23.72%	38.81%	53.64%
City Outcomes	9.30%	24.42%	43.02%	52.33%
Corporate Policy	11.65%	28.16%	37.86%	54.37%
Executive Services	6.25%	18.75%	25.00%	62.50%
Shellharbour Enterprises	9.04%	21.08%	38.55%	53.01%

Age and Key Areas

Of Council's 13 senior managers five will be over 60 years of age within five years. This should not present Council with any significant problems. Similarly 8 out of 20 managers will be over 60 years of age within 5 years. Of Council's 50 team leaders/supervisors 14 will be 60 years or older within five years. Of these, eight are in City Services and PALS and Council has identified key trades such as mechanics as an area where succession planning is required.

In Infrastructure Services there are a number of technical positions where employees are already over 60 years of age or will be within five years. Council will need to plan on how these positions will be filled. The majority of staff in environment and planning are under 50 years of age.

Generation breakdown

Council's workforce is changing from a majority of baby boomers to a majority of Generation X (**Figure 4**). This will impact turnover rates as the patterns of the younger generations are leaning more towards a variety of employers rather than a job for life. Council will need policies and practices that support generations X, Y and Z.

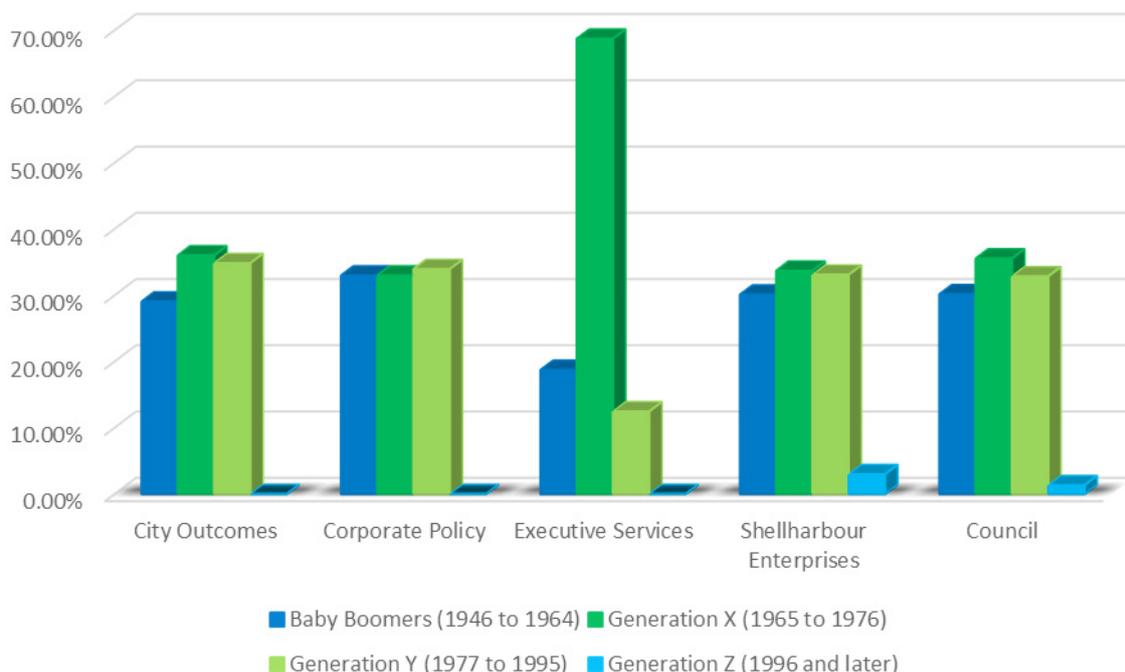


Figure 4 - Generation Distribution by Directorate - Permanent/Temporary Staff

Staff Turnover

Total staff turnover during 2016 was 9.31%. This figure has slightly increased which may be the result of the proposed merger process Council was facing, however it is below the local government benchmark of 12.57% (*2016 NSW Local Government HR Metrics Benchmarking report*). Voluntary turnover was 8.50% compared to the local government benchmark of 9.86%. The retirement rate was 0.29% which is lower than the local government benchmark of 1.21%. As mentioned earlier the ageing staff population will increase retirement rates and this will impact Council's turnover in the next 5 to 10 years.

There is a female turnover rate of 61% compared to the male turnover rate of 39%. The majority of females who left the organisation were from administration type roles.

Employees between the ages of 25 and 34 are the largest group of employees who resign. This is consistent with the difference between generations and also with careers where during this age range people often take a step up in their career which may involve a move to another employer.

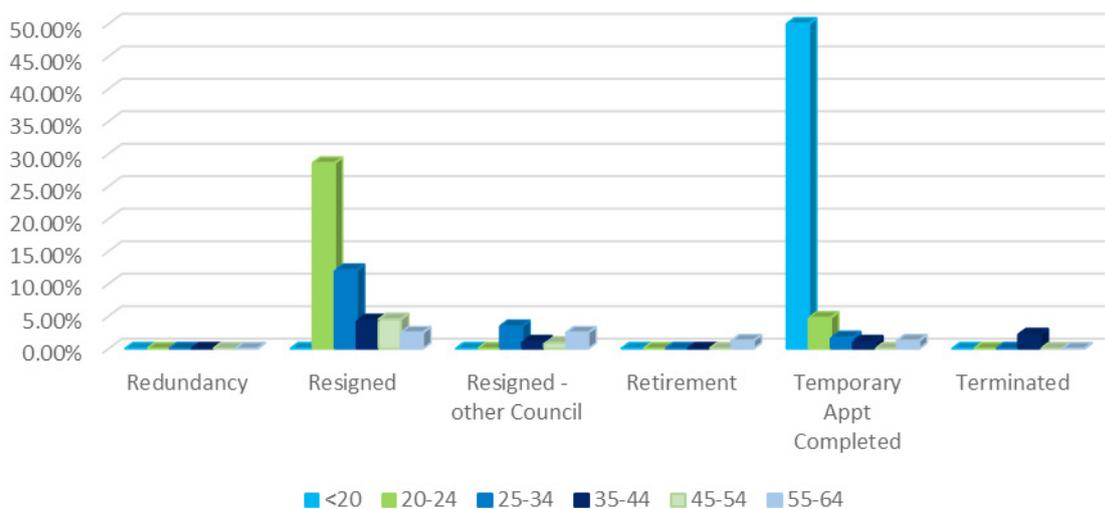


Figure 5 - Turnover, by Age (Period: 1 January 2016 to 31 December 2016)

Similarly the main length of service where people resign is between 5 and 9 years which corresponds to age and career move as shown in **Figure 5**.

Exit interviews indicate that the level of remuneration and career opportunities are the main reasons for people resigning from Council. Council has implemented a Market Rate Allowance in order to recruit staff in areas where current remuneration levels were not market competitive.

Internal Complaints and Grievances

The volume of internal complaints and grievances remains low within Council with the majority of complaint and grievances being received from our outdoor workforce.

Organisational Performance

The expectations of the Community are outlined in the Community Strategic Plan (CSP) and flow through to departmental business plans and individual performance agreements and work plans. This is referred to as “line of sight”, it is the direct link between council’s goals and the work we do.

Managing performance continues to be a high priority at council, and clear performance targets are set each year for the Senior Management Team. The program utilises a number of sources to measure both interpersonal skills and business performance including biannual performance discussions, 360 degree feedback surveys, and an annual employee survey. The program is designed to capture a holistic perspective of the individual’s abilities both as a leader and manager.

This was undertaken in concert with establishing performance standards for senior management.

In this way we establish what senior management need to do (the CSP), how well they do it (performance standards) and what their colleagues believe is the level of their performance (360 degree survey).

Council recognises the need to remain current and informed in order to meet the challenges set for us by the Community. Our Senior Management Team (SMT) meet regularly to discuss topical issues and participate in executive development exercises. These events encourage collaboration, learning and a sense of common purpose.

Over 2016 Council was affected by the proposed merger. During this time there was a focus on business as usual and Council continued to provide excellent service to the community. There was a slight increase in staff turnover as some employees left for more secure work and there was a slight decrease in morale shown by a small increase in grievances lodged. To lessen the effects of the proposed merger Council introduced a number of processes to ensure there was clear communication to all staff. This included regular Fact Sheets; updates in the General Manager’s Blog; and a Don’t Guess Ask campaign.

Staff Survey

Council undertakes yearly staff surveys to measure employee engagement. The survey measures fourteen key areas of engagement:

- Culture and values
- Common purpose
- Leadership
- Communication and Cooperation
- The person I report to
- My team
- My job
- Learning and development
- Performance and feedback
- Reward and recognition
- Safety
- Working here
- Community strategic plan
- Engagement

What are we doing well?

- People are happy within their team and confident in the abilities of co workers
- People are confident in our managers
- Intend to stay at Council
- Safety

Areas that require improvement:

- Reward and Recognition
- Learning and Development
- Leadership

Continuous improvement requires that we measure key functions to support development or change. The annual employee engagement survey is an important tool in organisational development. The survey responses help to identify areas for improvement and focus groups are used to clarify issues. Finally the process culminates in local level Action Plans tailored to the specific group or team. The Action Plans are monitored and progress is reported to the Management Executive quarterly.

At the Corporate level we focus on three key areas for improvement which are identified through their low satisfaction ratings. Over 2017 and 2018 Council will be focusing on Conflict Resolution and training for supervisors in managing staff.

Performance Management

Financial Sustainability

Council's objective remains to carry out our Community Strategic Plan, Delivery Program and Operational Plan actions. Council needs to meet these objectives in line with the overall principles of Fit for the Future.

In response to the trend towards reduced surpluses and the return of deficits in annual financial reporting, Council has developed its Sustainable Financial Strategy based on the three tiered philosophy which will rule Council activity in the foreseeable future. Council activity will from this time be defined as follows:

Outcome driven → **Policy led** → **Services: businesslike**

Workforce Capacity and Capability in light of our financial situation

Capacity

Council faces a number of challenges during the course of this planning period including:

1. Civic Centre

The Civic Centre is one of the most significant projects to be developed in the Shellharbour local government area and will provide a number of new civic, community and administrative facilities, including a City Library which incorporates the City Museum, a civic auditorium, new Council Chambers, community meeting rooms, facilities for sessional services and new administration offices.

The new facility will introduce significant change to the way we work together with open plan office spaces replacing the current structured office fit out. Change management activities will include the establishment of change champions to further work on establishing a common understanding of workplace etiquette in the open plan environment.

Summary of activities to be undertaken:

- Develop a change management and communication strategy for the project

2. Focus on Asset Renewal

Asset renewal is a critical focus for Shellharbour Council and will continue to be so in the coming years. The Special Rates Variation (SRV) has seen our asset renewal/capital works budget quadruple. This has raised Council's asset renewal ratio to approximately 80% representing a significant increase in works. The impact on of the SRV will be seen on staffing in the asset management and technology areas.

Activities associated with this program will include:

- Monitor recruitment trends in these fields to ensure recruitment is appropriately targeted

3. An aging workforce

Australia's workforce is aging, this is a national issue and one which presents a challenge for all employers. This is reflected on Council's staffing demographics with the average age of staff being 44 years. Our turnover data indicates that employees 25-35 are the most likely to leave the organisation. Strategies to address this includes:

- Market Councils Phased Retirement program
- Monitor flexible work practices

4. National skills shortages

Councils face strong competition for skills (planning, engineering, technology) in the market place and it is often difficult to compete on benefits and remuneration with the private sector. Shellharbour Council also faces competition from larger Councils within the region who are themselves competing with the Sydney market, strategies include:

- Improve attraction and retention of career starters
- Review cadet program and expand upon the existing rotation program
- Develop training programs in conjunction with Universities which provide training opportunities for undergraduate and postgraduate students
- Develop a plan to reduce the level of turnover of staff who have been employed between one and four years
- Review and improve exit interview process
- Capitalise on Shellharbour as a desirable location for lifestyle
- Market the benefits of working for local government

Added to this situation is the fact that some universities are no longer offering courses in areas such as planning, environment and health due to low numbers. This will create flow on effects in the industry in the years to come.

5. Generational differences

Generational attitudes also play a large role in shaping the workplace profile. It is recognised that Generation Y are not driven by long-term careers, corporate loyalty or job status and whilst they may be easy to recruit, they are hard to retain. Generation Y will have up to five careers and more than 20 employers during their working lives. Salary is not of central concern to Gen Y. Gen Y do want opportunities for learning, advancement and work flexibility. They also have a greater need for recognition and feedback than Gen X or the Baby Boomers.

Managing up to four generations in the workforce at one time can present challenges in the workplace. Strategies to address this include:

- Ensure that change programs are relevant to all age groups
- Policy development must consider generational differences and needs
- Develop recruitment and retention strategies that appeal to the needs and aspirations of different groups
- Monitor staff responses to flexible work policies and practices in the annual staff survey

6. Technology

Advances in technology will provide Council with opportunities to improve processes and efficiency. The development of the new Civic Centre will allow us to implement technology to not only improve the way we do things (processes) but also the way we work in general (social media, text messaging information, office based work).

By taking advantage of technology we can create greater flexibility in the way we interact with each other and even work from other locations. In 2016 Council implemented electronic timesheets for the majority of employees. This has reduced the amount of data entry in payroll and allowed them more time to improve processes, manage leave liability, and improve the quality of the data entered into the system.

The change from data entry to adding valuable data will improve the quality of the information we are able to get out of the system. Improving the quality of the data entered into the system will help HR to add value to organisation decision making and target interventions more effectively.

The first phase of this project was moving staff to electronic timesheets. The change management and support post implementation was critical to the success of this project. Payroll staff also play an important role in supporting staff through the transition and providing coaching and assistance post implementation.

The second phase of the Mobile rollout provides the change to electronic payslip. At present most indoor staff receive their pay advice via email but the majority of staff located at the Depots still receive hard copy documents. In 2017 we plan to roll out a change program to move all staff to electronic pay advices.

The third phase of the project will be providing outdoor staff with access to CiAnywhere, which allows staff to apply for leave and access personal information using electronic self-service.

The reason for the graduated roll out of mobile services is to limit the impact on front line staff who are not necessarily used to using technology on a regular basis.

In addition to mobile timesheets we also hope to have the performance management (work planning) system available on mobile devices in the future.

Our Culture

Reward and Recognition

Council's Reward and Recognition program aims to promote a culture of working together to improve upon the services we provide to Council and the community. The program encourages innovation and outstanding achievements which reflect Council's values and commitment to the community. Quarterly awards are given at the departmental level throughout the year culminating in an annual Council-wide awards function to celebrate special achievement across six categories.

Community and Staff Engagement

Our Community

Council's Communication Strategy aims to provide the community with the information required to access Council's programs, processes and decisions. Part of the strategy is to conduct the Shellharbour Council Community Survey. The 2016 results show that the community view Council's staff in high regard with a 67.2% satisfaction rating. 74.8% provided a high response to the statement 'They were courteous and helpful'.

This data indicates that most residents continue to be satisfied with the level of customer service received from Council staff with all service attributes achieving a high scores.

Our Staff

Shellharbour Council is dedicated to building a workforce where staff feel valued and involved and ultimately wish to remain with Council to develop a career. Our goal is to increase alignment between values and workplace behaviours by strengthening relationships between management and staff, supporting greater collaboration across the organisation, ensuring transparency, creating a culture of two way communication and increasing individual accountability and responsibility.

The General Manager publishes a weekly blog on Council's intranet site. The blog covers topical issues for Council, its staff and the Community as well as giving employees some insight into the General Managers thinking and personality. Staff are able to provide feedback directly to the General Manager or use an electronic staff forum to do so anonymously.

The staff forum has proven to be a useful tool for staff wanting to provide comment on how the organisation is being managed (good and bad). Answers to questions are also posted on the forum to further encourage openness and transparency. This has proven an effective way for staff to give and receive feedback on issues of interest or concern.

The General Manager does a road show to all offsite locations at least once a year or more during times of change such as the proposed merger. This gives staff an opportunity to meet the General Manager and ask any questions that they may have.

Below are a summary of activities which Council will undertake to support this program:

- Annual staff survey
- Incorporate tailored communication strategies into all change programs
- Monitor changes in technology to identify opportunities for improving communication with employees.

Recruitment and Retention

Council has undertaken a review of its staffing needs over the next 12 months (**Table 2**), taking into consideration the new Civic Centre, changes in community expectations and asset renewal.

Further analysis will be undertaken in the next 6 to 12 months including a risk assessment and identification of critical roles. This information will be important when we do the next view of the Community Strategic Plan to identify the skills and resources required to achieve the outcomes in the Delivery Program.

Table 2 -Summary of projected staffing needs for 2017/2018

PROJECTED STAFF	2017	2018
Corporate Policy Directorate		
Corporate Outcomes Directorate		
Library Officers	↑↑↑↑	
Asst Museum Curator	↑	
Shellharbour Enterprises Directorate		
Cleaner	→	
Commercial Manager Shell Cove		
PALS	↑↑↑↑	
Waste	↑↑	
Asset Officer	→	
General Managers Office		

↑ Increase → Replace (Retirement)

- Positions identified in green are associated with the development of the new Civic Centre and library services.
- Positions identified in orange are a result of an increase in open spaces and wetlands to be maintained by Shellharbour Enterprises.
- Positions identified in blue represent additional positions needed for asset renewal.

Policies and Programs

Council needs to keep up to date with trends in recruitment such as social media and other forms of online recruitment as we strive to remain competitive in today's job market. Although Council is constrained by a structured salary system Shellharbour Council has implemented a suite of excellent working conditions and family friendly policies that benefit all staff. These policies, programs and procedures will need to be monitored and maintained during the current Workforce Planning period.

The job vacancy page is one of the most commonly accessed pages on Council's website with 4,200 hits per month or 50,916 page views per annum. This provides Council with an opportunity to inform and impress potential job applicants and others about our organisation, culture and community. Applying for a position with Council may be the only contact an individual ever has with Shellharbour City Council and the only opportunity we have to leave the right impression.

Developing an employer brand plays a critical role in both attracting and retaining talent as it will clearly communicate Council's culture and values, giving people a compelling reason to want to work for and stay with Council.

An employer brand has many benefits such as:

- Recruiting, retaining and developing the right people with the right skills
- Increasing employee engagement and diversity
- Creating one culture across Council
- Strengthening the customer-focused culture
- Integrating learning and development strategies across Council
- Defining and promoting the Council's values and expectations of managers, supervisors and employees

The best opportunity we have to do this is by having quality information presented in a contemporary way, with an efficient and responsive recruitment process which leaves a professional impression.

In 2016 we reviewed and updated the council job site with the following criteria:

- Is the information easy to find?
- Is it easy to understand?
- What does it tell you about the organisation and its culture?

Council's phased retirement program provides employees nearing retirement with a range of options for transitioning from full-time work to retirement. This allows Council to retain the skills and knowledge of our mature age employees for longer. This procedure also supports knowledge and skill retention through succession planning, mentoring and contributing to greater flexibility to encourage the retention of mature aged employees.

Purchased Leave is growing in popularity as employees recognise the flexibility it allows when juggling work and family commitments, study or seeking a more satisfactory life balance. The policy gives staff the opportunity to purchase up to four weeks additional leave each year.

Council's flexible work practices provide employees with the flexibility to manage working arrangements with family, social and leisure time. This ensures maximum productivity whilst addressing family and social impacts on employees.

Council recently introduced a Young Engineers program. The program focuses on the rotation of cadet engineers across Council to increase knowledge in all areas within Council so that they have a broad understanding of engineering principles.

Equity and Diversity in the workplace

Council recognises the strength that diversity brings to Council and the Community. As staff, managers and elected representatives of Shellharbour City Council work together to promote gender equity and diversity at all levels within our organisation.

Challenging ourselves and others to seek innovative solutions to overcoming inequity, breaking down barriers and creating a better, fairer and more equitable future is something that Council strives towards for current and future members of our organisation.

Since 2011 we have increased the number of women in senior management roles. We continue to monitor our policies and programs to remove any hidden barriers to employment for women and/or disadvantaged groups more generally. Most recently we reviewed our recruitment and selection procedures, rethinking how we write, present and place job advertisements in the media and analysing recruitment outcomes for specific positions.

Training and Development

Council recognises that training and development is extremely important in today's business environment. Not only is it a means of ensuring staff are able to safely and efficiently perform their jobs, it is also a crucial factor for attracting and retaining employees. Training and development was identified in Council's 2012 employee survey as an area of low satisfaction.

In response Organisational Development undertook an organisational wide training needs analysis, reviewed the allocation of training funds and developed a training program to meet the statutory, governance, safety and development needs of employees. In addition Council aims to increase the level of funding (currently 1.75%) for training and development to 2% of payroll over the next four years.

Leadership Development Program

In the 2012 staff survey Leadership was identified as a significant issue being one of the lowest scoring items in terms of staff satisfaction. The issue was further explored in focus groups which teased out the underlying concerns.

Traditionally Council's leadership development has focused on the identification of specific skill gaps and the development of courses aimed at the specific area of knowledge/skill. While this approach has some usefulness it does not necessarily translate to long term behavioural change or skill development.

The "Leader Skills Program" focuses on three levels of development; front line (entry level supervisors and managers), future leaders (young professionals) and Leaders and Influencers (senior managers).

The Program

There are three levels of training provided throughout the organisation.

The first tier of training will focus on developing leadership and management skills for outdoor staff. At this level the training will emphasise competency in leadership and supervision and the ability to plan and manage works and projects in a business environment.

The second tier of training will be for future leaders and will be an internally run program which provides young professionals with the skills necessary to be a good leader and manager. The program will also give the participants access to a variety of mentors and leadership styles within Council.

The third tier of training is targeted at senior managers. The program will give them an opportunity to gain practical leadership experience working on team-based community projects. It will also provide staff with an opportunity to network with organisations within the region.

Activities which support this program include:

- Develop framework for Leader Skills program
- Implement Leader Skills Program
- Review ongoing involvement in Leadership Illawarra Program
- Monitor and report on Leadership Program
- Annual staff survey

Recommendations:

To achieve the priorities of the Workforce Management Plan the following Actions from the Operational Plan 2017-2018 will be undertaken:

- Liaise with learning institutions, the community and other agencies to provide work experience for students and disadvantaged groups. (3.2.4.01)
- Implement Council's Aboriginal Employment Strategy to increase employment opportunities for the Aboriginal community (3.2.4.03)
- Monitor trends in recruitment and retention to ensure that Council remains competitive in the market place and able to deliver planned outcomes for the community (4.2.1.04)
- Provide training and professional development for staff through the annual training needs analysis (4.2.2.08)
- Develop and implement programs that reinforce councils values and contribute towards a motivated, harmonious and engaged workforce to make Shellharbour City Council an employer of choice (4.2.2.09)



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