Resourcing Strategy 2017-21

DELIVERY PROGRAM 2017-21 PART 2



ACKNOWLEDGEMENT OF COUNTRY

Cessnock City Council acknowledges that within its local government area boundaries are the Traditional Lands of the Wonnarua people, the Awabakal people and the Darkinjung people. We acknowledge these Aboriginal peoples as the traditional custodians of the land on which our offices and operations are located, and pay our respects to Elders past and present. We also acknowledge all other Aboriginal and Torres Strait Islander people who now live within the Cessnock Local Government Area.

Cover photo by N Spears

Resourcing Strategy

Asset Management Strategy - page 4

The asset management strategy identifies assets that are critical to the council's operations and outlines risk management strategies for these assets. The Strategy also includes specific actions required to improve the council's asset management capability and projected resource requirements and timeframes.

Long-Term Financial Plan - page 28

The Long-Term Financial Plan projects financial forecasts for the council for at least ten years, and is updated annually as part of the development of the Operational Plan. The Long-Term Financial Plan is used by the council to inform its decision-making during the finalisation of the Community Strategic Plan and the development of the Delivery Program.

Workforce Plan - page 50

A council's workforce planning considers what people, with what skills, experience and expertise are required to implement the Delivery Program. It provides an opportunity every four years to plan adjustments to the workforce to meet changing priorities and take into account new technologies.

Section 4

Asset Management Strategy

The asset management strategy identifies assets that are critical to the council's operations and outlines risk management strategies for these assets.

"

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Asset Management Strategy

1. EXECUTIVE SUMMARY

Cessnock City Council is located in the Hunter Valley, NSW, about 150 km north of Sydney and 40 km west of Newcastle.

To enable its community to access and enjoy all the services and facilities that Cessnock has to offer, Council owns and maintains a large portfolio of infrastructure assets, with a current replacement cost of over \$900 million. The efficient management of these assets is vital to maintain safe, reliable and efficient services that help achieve the strategic priorities and goals of Council. Failure to plan for the replacement / renewal of assets will result in the needs of the community not being met, both now and into the future.

The need for this Strategy was identified from the development of Council's Asset Management Policy and as part of Council's goal to adopt contemporary best practice Asset Management.

This Strategy gives a clear course of action for managing Asset Management and it supports Cessnock City Council's Community Strategic Plan and the Asset Management Policy. This Strategy is also the basis for outlining and monitoring Key Performance Indicators (KPI's) with respect to Asset Management. The KPI's in this strategy are intended to provide Council with the ability to monitor, measure and report on asset management maturity, as well as to act as a tool to implement action plans to improve maturity.

This Strategy outlines the following:

- Council's current position with Asset Management practices.
- Council's future Asset Management needs.
- Council's current asset management maturity level.
- An Action Plan on how Council will achieve future needs.
- A Performance Monitoring Process.

2. INTRODUCTION

2.1 Purpose of the Strategy

The objective of this Strategy is to develop actions aimed at enabling Council to improve its asset management capability and practices to support Council's Asset Management Policy and guide further development of Councils Adopted Asset Management Plans. This Strategy and the Asset Management Plans also provide Council with detailed information to assist with its service delivery planning, and optimised informed decision making.

2.2 Key Benefits of the Strategy Implementation

Cessnock City Council is committed to asset management. The Community Strategic Plan sets the course for Council's delivery of services and projects.

The objectives of the Community Strategic Plan align with Council's vision "Thriving, Attractive and Welcoming". "Cessnock will be a cohesive and welcoming community living in an attractive and sustainable rural environment with a diversity of business and employment

opportunities supported by accessible infrastructure and services which effectively meet community needs."

The following vision for asset management is included in the Asset Management Policy and has been derived from the above vision and complements its intent.

"That within its resource constraints, Cessnock City Council will responsibly plan, provide, maintain and manage its publicly owned infrastructure, facilities and services efficiently and effectively on a whole of life basis, with due regard given to the sustainability of its practices, the consequences of its decisions, management of risk and the current and future needs of its community."

It is important that our infrastructure is provided and maintained at a reasonable level1, commensurate with resident expectations and affordability to support Council's vision.

As infrastructure is subject to deterioration, it's necessary that we have a long term strategy in place to enable determination of options for planning, acquiring, refurbishing, upgrading maintaining, operating and disposing of assets¹.

By implementing this Asset Management Strategy, we are aiming to improve Council's asset management practices to provide a more sustainable service delivery.

The key benefits are:

- Ability to provide better outputs with fewer resources by aligning resources and needs.
- Ability to understand what condition our assets are in and to monitor the effect actions are having on them.
- Having actions that allow management of assets into the future at lowest life - cycle cost.
- Being able to assign levels of funding in line with the respective service level targets.
- Being able to clearly define what service levels we can deliver within the available funding.

¹ Desired levels of service as documented in the Asset Management Plans.

3. BACKGROUND

3.1 Community Profile

Within the Cessnock I GA the 2011 Census recorded a population of 50,840 people. The most recent population data and the estimated resident population has been recorded as 55,862 people as at 30 lune 2015.



Diagram 1 - Cessnock Local Government Area - Location Map & Boundaries.

BRANXTON EAST BRANXTON

NORTH ROTHBURY GRETA

Table 1 - Estimated Resident Population - Cessnock LGA

	Planning Area Definition as at 2011 Population	Census 2011 Population	Projected 2031 Population ² Minimum Growth	Projected 2031 Population ² Maximum Growth
Cessnock and Surrounds Planning Area	Regional Hub Multiple neighbourhoods located within an area that is identified as the major centre for residents within the Local Government Area. The population indicator would be 20,000 or more people.	22,505	28,720	40,263
Kurri Kurri and Surrounds Planning Area	<i>Sub Regional Township</i> Townships located near to each other with a total combined population between 10,000 and 20,000 people.	17,954	20,877	26,305
Branxton, East Branxton, Greta Planning Area	<i>Mid-Sized Township</i> Neighbourhoods located near to each other comprising a total combined population of 5,000 people to 10,000 people.	5,937	14,017	29,000
Millfield, Paxton, Wollombi,Small Rural VillageLaguna and Rural WestSmall rural villages comprising a population		3,851	4,750	6,419
	TOTAL	50,247	68,364 ²	101,987 ²

² Source: Cessnock City Council, Community Planning Unit (current as at August 2015).

The Cessnock LGA over recent years has experienced considerable population growth per annum. The table indicates the projected population change between Census 2011 and 2031 for four precinct planning areas within the local government area.

Whilst mining was the principal industrial base and source of employment in the Cessnock area for the first half of last century, changes to the industry led to the closure of many mines in the area.

The decline of mining has been paralleled by growth in the wine industry. The Hunter Valley wine – growing area in Cessnock LGA is Australia's oldest wine region and one of the most famous, with about 4,500 acres under vine. This industry is also the focus of a thriving tourism industry. Other primary industries in Cessnock City include beef and poultry.

Cessnock's economic base is rapidly diversifying with a shift in reliance on traditional primary and secondary industries to a wide range of service industries mainly in the tourism sector.

As well as vineyards and wineries there are fine restaurants, motels, cabins, guest houses and galleries. Wine – related tourism has also created opportunities for other attractions, such as the historic Marthaville Arts and Crafts Centre, Wollombi Village, the Richmond Main Mining Museum and the Richmond Vale Railway.

3.2 What is Asset Management?

In general; asset management is about the way in which Council looks after its assets, both on a daily basis and in the medium to long term. Its objective is to meet the defined levels of service in the most cost effective manner while managing risk for present and future consumers over the life of an asset. Diagram 2 shows the typical lifecycle of an asset and associated asset management functions; from planning for the need to create an asset, through to its disposal, including audit and performance reviews.

Infrastructure assets consume resources to acquire or create them and to keep them in operational condition over their whole of life. Because of the potential significant ramifications, all assets must be assessed and reported in terms of their lifecycle.

The general phases that an asset passes through during its life are as follows:

- The needs assessment phase, where the need for a new asset is planned, options assessed and lifecycle costs considered
- The "new" / creation phase where an asset is donated, constructed, or purchased
- The operation / service delivery phase where the asset is used for its intended purpose
- The maintenance phase including any repair and risk management
- The valuation stage including performance, condition, usage and financial reporting
- The review of the achievement of outcomes phase including audits and identified improvement
- The disposal / renewal phase, when the life of the asset/asset component has expired, or when there is no longer a need for the service provided by the asset.
- The "upgrade" stage, where an asset has been identified through the valuation stage as no longer meeting functionality or capacity requirements.



Diagram 2 - Asset Life-cycle Diagram

Decisions taken about an asset in one phase can affect its performance in others. For example, poor maintenance can accelerate the need for repairs or shorten the life of the asset and increase Council's exposure to risk or litigation. Conversely, good management of assets over their whole of life enables them to reach their useful life and prolongs the need for full renewal or replacement.

Lifecycle costing assists staff and Councillors to reach decisions about assets in a context that presents all costs related to the asset and associated service delivery. This enables the effects of a decision on future generations to be taken into account. Limiting the information to anything less than all the phases in an asset's lifecycle will not lead to sound long term decisions.

In general, the traditional approach to asset management has been "last year's budget plus CPI" meaning asset management decisions are budget driven. This is illustrated by Diagram 3 which shows that the resultant service level delivered by the asset is an outcome of the budget allocation. Cessnock City Council has recognised that too often this approach leads to a lack of coordination between desired service delivery and financial planning. Cessnock City Council, in adopting this strategy has a clear focus on Strategic Asset Management ensuring that the assets are capable of providing services, of an agreed quality, in a sustainable manner, for present and future generations.



Diagram 3 - Budget Driven Framework.

This is not merely a matter of spending more money but instead spending money wisely in a targeted mariner.

The decision to adopt a Strategic Asset Management System which can deliver long term prediction of service levels is fundamentally a step in the right direction for the Council and this Strategy encapsulates the results of this service-centric analysis.

Diagram 4 shows the framework for Strategic Asset Management and Council's corporate Strategic Asset Management systems. The three noteworthy differences are:

The key benefits are:

- 1. Budget and Service Level form a cyclic loop as each depends on the other.
- 2. Strategic Asset Management allows the optimal Service Level to be adopted for the available Budget with an understanding of the predicted outcomes and associated risks.
- 3. In future the adopted Service Level should drive the required Funding Programs and therefore will remain connected to the Budget.



Diagram 4 - Service Driven Framework.

In line with the recent Local Government National Asset Management Framework and State-wide Guidelines, the Council is committed to the seven key elements:

- 1. Development of an Asset Management Policy
- 2. Strategy and Planning
- 3. Governance and Management Arrangements
- 4. Defining Levels of Service
- 5. Data and Systems
- 6. Skills and Processes
- 7. Evaluation

The Strategic Actions outlined in this document demonstrate Council's direction in achieving the above outcomes. The KPI's described in Section 8 demonstrate how Cessnock intends to measure the success of these actions.

In line with the National Framework, this Strategy is a commitment to adopting a service centric approach based on Strategic Asset Management. The key to Strategic Asset Management is layers of knowledge and decisions making. This is illustrated by the Strategic Asset Management Pyramid shown in Diagram 5 below. The Strategic Asset Management Pyramid shows the ideal asset management planning mechanism. Council will endeavour to achieve this model in future:



Diagram 5 - Strategic Asset Management Pyramid.

Layer 1

Asset Provision: Asset Management is about understanding the asset portfolio's physical attributes, condition, capacity and functionality. Council's corporate Asset Management System holds this data and information.

Layer 2

Service Responsiveness: Council's decision matrix is the determinant of the responsiveness layer. This is a corporate decision matrix, and consists of planned actions to retain the assets at the desired level of usability over their useful life. The key focus is on the type of intervention (minor repair, renewal etc.) and the trigger for action (condition, functionality, etc.). This information is available within the Corporate Asset Management System and/or the Adopted Asset Management Plans.

Layer 3

Service Reliability: The Decision matrix in the responsiveness layer will determine asset performance outcomes which are characterised by the reliability layer. This is the asset performance as seen and experienced by those using the assets. Reliability will be measured in terms of performance standards (safety, condition, functionality etc.). A number of the performance standards for each asset class can be found in the Corporate Asset Management System, and is also included as part of the improvement plan for the upkeep of the system.

Layer 4

Cost of Delivery: The top of the pyramid is Cost and this is determined by decisions in the layers below. Application of the service driven framework results in an active pyramid where the provision, responsiveness and reliability are tuned to give optimal outcomes for an affordable cost, which drives financial plans.

3.3 Legislative Control of Asset Management

In addition to using asset management as a tool to manage the community's assets and provide services to the community, there are also legislative requirements that Council must comply with in relation to the management of its assets and these are as follows:

3.3.1 NSW Division of Local Government Integrated Planning Framework

On the 4 August 2006, the Local Government and Planning Ministers' Council (LGPMC) agreed to a nationally consistent approach to asset planning and management, financial planning, and reporting and assessing financial sustainability. On the 20 October 2006 the (LGPMC) endorsed the draft National Framework for Financial Sustainability as a basis for consultation. Then on the 21 March 2007 the (LGPMC) endorsed the Frameworks for implementation.

The National Frameworks consist of three (3) main frameworks:

- Framework 1 Criteria For Assessing Financial Sustainability
- Framework 2 Asset Planning and Management
- Framework 3 Financial Planning and Reporting

These reforms replace the Management Plan and Social Plan with an integrated framework. The components of the framework and how they fit together are shown in Diagram 6 below.

The Local Government Regulations require a statement containing a detailed estimate of the council's income and expenditure to be included in the Operational Plan.



Diagram 6 - Integrated Planning Framework.

3.3.2 Australian Accounting Standards

The following Australian Accounting Standards apply to Local Government assets:

- AASB 116 Property, Plant & Equipment
- AASB 136 Impairment of Assets
- AASB 138 Intangible Assets
- AASB 1051 Land Under Roads
- AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors
- Local Government Code of Accounting Practice and Financial Reporting (Guidelines)
- Integrated Planning and Reporting Guidelines

There are many other legislative requirements, which are considered in each specific Asset Management Plan.

3.4 Community Expectations

In 2016, Council undertook community research to examine community attitudes and perceptions regarding quality of life in the Cessnock LGA and satisfaction with the services and facilities provided by Council.

To facilitate this, a consultant was engaged to develop a methodology that enabled Council to analyse community attitudes and trends. A sample of 403 residents was selected through a computer based random selection process. The sample size had a sampling error of plus or minus 4.9% at 95% confidence. The sample was also weighted by age to reflect the 2011 ABS Census data. Interviewing was conducted in accordance with the AMSRS (Australian Market and Social Research Society) Code of Professional Behaviour.

The unipolar scale of 1 to 5, where 1 was the lowest importance or satisfaction and 5 the highest importance or satisfaction, was used in the importance/ satisfaction rating questions. This research assists Council in understanding the expectations of residents, evaluating the effectiveness of services and programs, and allocating resources across Council services and programs.

The Satisfaction with Council's overall performance, showed 85% or respondents were satisfied to some degree with Council's performance overall and 15% were dissatisfied. This is significantly different from the 2012 survey where the results received indicated (48% of respondents were satisfied, 52% were dissatisfied).

The following diagram illustrates the Satisfaction with Council's overall performance from the 2012, 2014 and 2016 surveys.



Diagram 7 - Council Overall Performance in LGA Survey.

Research identified a significant increase in resident satisfaction with the performance of Council 85% of residents were at least 'somewhat satisfied' with Council's overall performance. This is slightly higher than the results from the NSW Regional Benchmark, and similar to the All of NSW Benchmark. More importantly, this represents a significant increase from the 2012 Cessnock result of 2.43. The trend of overall satisfaction from the past four surveys as shown below.

	2009	2012	2014	2016
Satisfaction mean ratings	3.2	2.4	3.2	3.27

Diagram 8 - Overall Satisfaction

It is important to remember that only respondents who rated services/facilities a 4 or 5 in importance were asked to rate their satisfaction with that service/facility.

A Performance Gap Analysis establishes the gap between importance and satisfaction. This is calculated by subtracting the mean satisfaction score from the mean importance score. In order to measure performance gaps, respondents are asked to rate the importance of, and their satisfaction with a range of different services or facilities on a scale of 1 to 5, where 1 = low importance or satisfaction and 5 = high importance or satisfaction.

The higher the difference between importance and satisfaction, the higher the difference between the provision of the service and community expectation. In the table below, we can see the 34 services and facilities that residents rated by importance and then by satisfaction.



When analysing gaps, a gap of <1.0 is acceptable when the importance rating is 4.0+, as it shows residents consider it to be 'high' importance and satisfaction on that same measure, is 'moderate.'

For example, 'waste collection and disposal' was given an importance score of 4.61, which indicates that it is considered 'extremely high' importance. At the same time it was given a satisfaction score of 3.80, which shows that residents are 'moderately' satisfied' with Council's performance and focus on that measure.

When the 7 largest performance gaps are examined, it is identified that all the services or facilities have been rated as 'high' to 'extremely high' in importance. Resident satisfaction for all of these areas is between 2.11 and 2.87, which indicates that resident satisfaction for these measures is 'moderately low' to 'moderate'.



Table 2 - Performance Gap Ranking

Ranking 2014	Ranking 2016	Service/ Facility	Importance Mean	Satisfaction Mean	Performance Gap
1	1	Developing and maintaining the road network	4.77	2.11	2.66
15	2	Flood prevention	4.54	2.63	1.91
12	3	Stormwater drainage	4.52	2.63	1.89
2	4	Kerb and guttering	4.10	2.25	1.85
8	5	Public toilets	4.41	2.69	1.72
3	6	Footpaths	4.14	2.46	1.68
6	7	Regulating traffic flow	4.50	2.87	1.63
4	8	Council's response to community needs	4.46	2.90	1.56
7	9	Long term planning and vision	4.50	2.99	1.51
8	10	Community involvement in Council decision making	4.50	3.01	1.49
11	11	Information supplied to residents about Council activities	4.42	2.96	1.46
10	12	Encouraging business and industry	4.59	3.16	1.43
5	13	Parks and recreation areas	4.54	3.22	1.32
15	14	Environmental protection	4.45	3.18	1.27
14	15	The way Council employees deal with the public	4.50	3.30	1.20
13	CI	Managing residential development	4.35	3.15	1.20
20	17	Maintaining open space and bushland	4.50	3.32	1.18
17	18	Cycleways	3.77	2.66	1.11
19	19	Facilities and services for youth	4.00	3.00	1.00
18	20	Noxious weed control	4.22	3.23	0.99
25	21	Swimming pools	4.24	3.26	0.98
21	22	Waste collection and disposal	4.69	3.81	0.88
24	23	Inspection of the health and hygiene of local restaurants and takeaway shops	4.56	3.71	0.85
23	24	Presentation of the CBD main streets	4.27	3.43	0.84
21	25	Recycling and waste reduction	4.61	3.80	0.81
26	26	Heritage conservation	4.18	3.49	0.69
27	27	Sporting fields and buildings	4.33	3.67	0.66
27	28	Community services and facilities planning	3.85	3.27	0.58
29	29	Cemetery management	4.13	3.66	0.47
30	30	Buildings for community activities and meetings	3.52	3.28	0.24
31	31	Library services	3.99	4.18	-0.19
32	32	Performing Arts Centre	3.82	4.27	-0.45

Scale: 1 = not at all important/not at all satisfied, 5 = very important/very satisfied

Table 3 - CCC Greatest Performance Gaps

Ranking	Service/ Facility	Importance Mean	Satisfaction Mean	Performance Gap
1	Developing and maintaining the road network	4.77	2.11	2.66
2	Flood prevention	4.54	2.63	1.91
3	Stormwater drainage	4.52	2.63	1.89
4	Kerb and guttering	4.10	2.25	1.85
5	Public toilets	4.41	2.69	1.72
6	Footpaths	4.14	2.46	1.68
7	Regulating traffic flow	4.50	2.87	1.63

The key outcomes of this analysis would suggest that, while there are opportunities to improve satisfaction across a range of services/facilities, 'developing and maintaining the road network' continues to be the area of least relative satisfaction, followed by 'Flood Prevention' and 'Stormwater Drainage'.

These findings do not indicate that Council's service levels have dropped. The results are considered to be an indication of increasing resident needs, i.e. changes in expectation by the residents or as a result of natural disaster events, isolated failures due to increased traffic volumes on ageing road infrastructure.

On another note, it should be highlighted that when respondents were asked what they believed were the highest priority issues with the Cessnock City Council area, the predominant responses were Local road network Improve/upgrade/maintain, expanding employment opportunities, Public safety and crime reduction, Access to and quality of health services, Encouraging growth in the local economy, and Effectively planning and managing development.

It is also important to note that Council intends to undertake further community consultation in the near future and develop a program for ongoing consultation with its community.

4. STRATEGIC ASSET MANAGEMENT SYSTEM

In 2010 Cessnock City Council implemented Asset Management Systems. The objectives of the systems are to:

- Provide accurate inventory and condition information.
- Facilitate efficient day-to-day management.
- Enable long-term asset planning based on a sound knowledge of the current state of the asset.
- Allow the adoption of Consumption Based Depreciation.

The Asset Management systems have been developed to specifically meet the needs of Council for the following classes:

- Bridges and Major Culverts
- Buildings
- Parks, Cemeteries and Playgrounds
- Recreation Facilities (sportsgrounds, swimming pools, etc)
- Creeks (Creeks ownership data)
- Local and Regional Roads
- Airport Pavements
- Carparks
- Bus Shelters
- Footpaths
- Kerb & Gutter
- Signs
- Safety Barriers
- Traffic Calming Devices.

All other non-infrastructure assets i.e. IT Equipment, Office Furniture, Plant & Fleet, and Land are recorded and reported in Council's Corporate Financial Management System 'Authority'.

Commencing in 2009, inventory and condition assessment data was collected. The data collection task is ongoing, data is collected in line with the revaluation of each asset category, currently there is little further data capture required to be collected across all asset categories.

Condition assessment of Council's infrastructure assets is an ongoing process and as new data becomes available, it will be quality-checked and imported into the asset management system.



5. CURRENT POSITION AND STATUS OF OUR ASSET PLANNING

5.1 Council's Asset Stock

Cessnock City Council manages the community's assets in line with its Vision "Thriving, Attractive and Welcoming".

This strategy takes into account all of Council infrastructure assets. Assets are described as the physical objects owned, controlled or maintained by Council to support the community's social and economic activities. Assets provide the basis on which the community carries out its everyday activities and contribute to our quality of life.

Cessnock City Council manages a broad range of assets that have been grouped into nine key asset categories as set out in the following table. The challenge for asset management is to understand the manner in which the Council's assets perform over time, and whether they can be maintained in a "fit for purpose" condition. Understanding whether an asset is still fit for purpose can sometimes prove difficult, particularly if the asset cannot be seen (i.e. stormwater pipes) and/or it was built many years ago.

ASSET CATEGORY	INCLUDES ASSETS SUCH AS
Road Network	Sealed Roads, Unsealed Roads, Kerb & Gutter, Carparks, Traffic Management Devices and Roadside Furniture
Pathways	Footpaths and Cycleways in roadways and open spaces such as parks and reserves
Bridges	Vehicular Bridges, Major Culverts, and Footbridges
Open Space & Other Structures	Parks, Playgrounds, Cemeteries, Irrigation,- Pool Structures Park Furniture, Shelters, BBQ's, Fencing assets, Airport pavement
Buildings	Community, Cultural, Recreational, and Administrative Buildings
Stormwater Drainage	Pits, Pipes, Headwalls and Minor Culverts

Table 3 - Asset Categories

5.2 Asset Replacement Costs

The value, condition and expenditure on assets are reported each year in Council's Annual Report. The values and in-year addition expenditure are documented in Note 9 of the Financial Statements, and the condition and maintenance expenditure are documented in Special Schedule 7¹.

Note 9a. Infrastructure, property, plant and equipment

	as at 30/6/2015					Asset movements during the reporting period					as at 30/6/2016							
				nulated				,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,			8 perioe	·	Revaluation					
\$'000	At cost	At fair			Carrying	Additions	Additions	Carrying value of	Depreciation	Impairment loss	WIP		increments	At cost	At fair			Carrying
		value	Deprecition	Impairment	value	renewals	new assets	disposals	expense	(recognised in P/L)	transfers	transfers	to equity (ARR)		value	Depreciation	Impairment	value
Capital work in progress	8,922	-	-	-	8,922	4,666	53	-	-	-	(7,436)	-	-	6,205	-	-	-	6,205
Plant and equipment	-	19,809	13,913	-	5,896	3,005	171	(788)	(1,471)	-	84	-	-	-	19,862	12,965	-	6,897
Office equipment	-	3,334	2,447	-	887	-	74	-	(315)	-	-	-	-	-	3,408	2,762	-	646
Furniture and fittings		1,323	1,232	-	91	-	70	-	(24)	-	-	-	-	-	1,393	1,256	-	137
Plant & equipment (under finance lease)		281	281	-	-	-	-	-	-	-	-	-	-	-	281	281	-	-
Land:																		
Operational land	-	41,098	-	-	41,098	-	-	(6)	-	-	-	-	-	-	41,092	-	-	41,092
Community land		29,876	-	-	29,876	-	-	(3)	-	-	-	-	(5,578)	-	24,295	-	-	24,295
Land under roads (post 30/6/08)		1,386	-	-	1,386	-	482	-	-	-	-	-	-	-	1,868	-	-	1,868
Infrastructure:																		
Buildings - non-specialised		14,950	1,542	-	13,408	-	-	-	(153)	-	-	35	-	-	14,998	1,708	-	13,290
Buildings - specialised		67,395	14,752	-	52,643	69	2,095	(198)	(1,323)	-	2	-	-	-	69,876	16,588	-	53,288
Other structures		3,449	948	-	2,501	-	-	-	(52)	-	-	(787)	3,207	-	5,571	702	-	4,869
Roads		497,817	79,963	-	417,854	2,640	5,458	(1,851)	(4,290)	-	7,079	35,983	1,455	-	563,684	99,356	-	464,328
Bridges		37,969	11,836	251	25,882	975	-	(357)	(354)	(357)	271	-	-	-	38,300	12,240	-	26,060
Footpaths		12,286	3,052	-	9,234	1,204	-	(24)	(177)	-	-	361	152	-	14,224	3,474	-	10,750
Stormwater drainage		121,662	31,353	-	90,309	63	3,412	(18)	(588)	-	-	(35,760)	39	-	73,827	16,370	-	57,457
Swimming pools		551	194	-	357	-	-	(385)	(2)	-	-	85	2,755	-	4,561	1,394	357	2,810
Other open space/recreational assets	-	13,474	5,321	-	8,153	140	122	(1,165)	(637)	(4)	-	83	3,897	-	17,278	6,689	-	10,589
Other assets:																		
Library books		5,164	4,007	-	1,157	-	246	-	(222)	-	-	-	-	-	5,410	4,229	-	1,181
Other	-	3	-	-	3	-	-	-	-	-	-	-	_	-	3	-	-	3
Reinstatement, rehabilitation and re	storation	assets (refe	r note 26):															
Tip assets	-	8,400	8,400	-	-	-	-	-	-	-	-	-	-	-	8,400	8,400	-	-
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	8,922	880,227	179,241	251	709,657	12,762	12,183	(4,795)	(9,608)	(361)	-	-	5,927	6,205	908,331	188,414	357	725,765

Diagram 9 - Cessnock City Council Annual Report for Year Ending 30 June 2016

Note 9 in Council's Financial Statements sets out the current values and categories of infrastructure assets that the Council is responsible for. The following diagram shows the break-down of Council's \$908 million assets in replacement cost terms.



Diagram 10 - Distribution of Asset Replacement Values based Asset Categories

5.3 Levels of Service

Council has two terms for service levels, Community levels of service and Technical level of service these guide the management of its assets. For each asset category, the Community and Technical Levels of Service define; a number of service level performance objectives and measures, and the current performance and desired performance. Council's Current Levels of Service are detailed in the respective Asset Management Plans. Future revisions of these plans will include and account for Council's desirable levels of service based on future community consultation and further maturity of asset management.

5.4 Asset Condition

By knowing the condition of assets and the distresses that affect them, Council can maintain the level of service the community desires (within the constraints in the Resource Strategy), provide intergenerational benefits, and minimise risk of asset failure. The consequences of asset failures will result in loss of service delivery and possibly legal liability. Table 4 below provides a general description of the condition ratings, and asset characteristics across the range of Council assets. These condition indexes will be more specific for each asset class in the Asset Management Plans.

Council's confidence in the accuracy and completeness of asset condition data at a component level varies between each asset category. The level of confidence is detailed in each Asset Management Plan, with the overall confidence in each Asset Management Plan considered to be medium.

The following charts present a summary of the condition of assets in each asset category at a network level. The confidence of the 'general condition information' at this level of detail is considered sufficient for the purposes of developing an Asset Management Strategy. The charts are presented in more specific asset related detail within each Asset Management Plan.



Kurri Kurri Aquatic Centre

Table 4 - General Asset Condition Rating Matrix for all Assets

Condition Index	Age or visual condition	Condition description
1	New	Has no visible signs of deterioration or an asset that has been recently rehabilitated back to an "as new" condition.
2	Good	Assets in very good condition with some early stages of deterioration evident. Functionality, performance and serviceability are minimally impaired, if at all.
3	Fair	An asset with obvious condition deterioration. Functionality, performance, and serviceability would be affected and maintenance costs rising.
4	Poor	Severe deterioration that would limit serviceability. Maintenance costs and risk associated with deterioration would be increasing significantly.
5	Very Poor	Asset condition with severe serviceability problems and requiring rehabilitation immediately, or no longer serviceable and provides extreme risk.
6	EOL	End of Life/Out of Service

2015 Snapshot of Open Space & Other Structures



2015 Snapshot of Stormwater Network





2015 Snapshot of Bridges and Major Culverts







There are many reasons why Council assets fail or deteriorate and do not meet performance standards, such as:

- · Inadequate maintenance funding and practices.
- Undertaking maintenance reactively, instead of proactively. Proactive maintenance often results in defects being repaired before they can impact on other assets. For example, crack-sealing a road before the surface deteriorates to the point where it allows water into the pavement, mitigates the need for early intervention through more costly renewal or rehabilitation work (approximately 20 times the cost of the original cracksealing).

Delaying mitigation actions such as crack-sealing, would also increase reactive maintenance costs due to the accelerated deterioration of the road surface and pavement resulting in defects such as potholes.

- Increases in the legal mass load limit on roads, bridges, etc. This is particularly evident on timber bridges and results in accelerated deterioration and increased the risk of collapse.
- Suitability of the asset to meet changing demographics. For example, upgrading a building that was once used as a senior citizen's centre to a childcare centre to meet the demands for the increase in a younger population.

The table shows when each of Council's asset classes will be revalued and when new condition assessments will be carried out on them.



Table 5 - Asset Condition and Revaluation Year

				CONDI	TION 8		UATION	I YEAR		
ASSET CLASS	ASSET CATEGORY	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25
Transportation	Roads				Х					Х
	Paths				Х					Х
	Kerbs				Х					Х
	Street Furniture				Х					Х
	Street Lighting				Х					Х
	Bridges & Culverts				Х					Х
Buildings	All Buildings		Х					Х		
Open Space	Playing Surfaces					Х				
	Park Furniture					Х				
	Playgrounds					Х				
	Other Structures					Х				
	Pool					Х				
	P&E		Х			Х		Х		
Stormwater	Pipes				Х					Х
	Pits				Х					Х
	P&E				Х					Х
	Retention Basin				Х					Х

5.5 Asset Management Maturity

Asset Management Maturity refers to the level of capability of Council to manage its assets. Asset Management Maturity is generally defined by; "Core", "Intermediate" or "Advanced" maturity. An assessment of Council's asset management maturity was completed in 2015 and showed that Council was not at core maturity however was well placed to complete the qualifications to core maturity by implementing some recommendations within the assessment. Since the outcome of the audit Council has made, and continues to make, good progress in its asset management capabilities and is now considered to have reached "Core" maturity.

Core maturity enables basic technical outputs such as current levels of service, forward programs and cash flow projections and may include:

- · Identification of assets critical to risk management.
- Asset registers with a low level of component breakdown.
- Good asset condition and performance data for critical assets, but for non – critical assets a desk top assessment by staff with a good knowledge of the assets.

- Simple cost/benefit analysis for capital decisions.
- Levels of service based on historical performance.
 "Advanced" maturity displays the following features:
- Asset Management Policy, Strategy and Plans derived from the Community Strategic Plan.
- Optimisation of whole of life costs, risk and performance.
- Objectives and performance measures are aligned.
- · IT systems are integrated, used and understood.
- Competencies / training aligned with roles, responsibilities and collaborative requirements.
- Strategies are risk based, using predictive methods and include continuous improvement.

Achieving "Advanced" maturity in regards to Council's asset management will mean the following:

- We know what we have care and control of and liability for.
- We have recorded assets in a register to an identifiable level and valuations are reported at component level.

- We monitor condition, functionality, performance, use and costs and use this data to give cost and performance outputs.
- We understand and have recorded current levels of service in terms of reliability, repeatability and quality of service as well as responsiveness to asset failures.
- We realise future likely levels of service based on population growth, demographic changes and community expectations.
- We understand the life cycle funding needs to meet customer expectations for capital and maintenance expense.
- We monitor and report on the condition, performance and functionality of assets against service levels and regulations.
- We have uniform organisational processes for the analysis of capital works, maintenance and operations investments.
- We develop needs based budgets using a consistent method.

- We regularly report and compare actual performance against planned – costs, responsiveness and service levels.
- Our budgeting process can move from historically based levels, to predictive analysis based budgeting.

5.6 Asset Management Issues Facing Cessnock City Council

The Federal Government is driving asset management with State Governments showing compliance through legislation (IP&R, Fair Value etc). Accordingly, soon Councils will have to show Asset Management performance to receive grant funding. This is reflected in the Prime Minister's address to the "Australian Centre of Excellence for Local Government (ACELG)."

• "Councils that plan and manage their assets effectively are councils that can deliver value for money to communities".

- "We need to know what we've got, what condition it is in, whether it needs to be repaired and how much it costs to maintain. This is the most basic level of information".
- "The Commonwealth will also consider making its future infrastructure investments linked to the implementation of nationally consistent asset management systems".

Many of Council's assets were built when the original suburbs were built and are now nearing the end of their useful life and their condition will deteriorate notably in the near future. Additionally, Council has also received an increasing amount of assets from developments.

Population growth and economic activity are also challenging the capacity of existing assets to meet these demands. Changing community expectations also affect the ability of assets to meet the community's needs.

The following is an assessment of the issues Council will need to address:

- Adopt sustainable asset practices so that future generations don't pay for services used by the current generation
- Ensure funds are available to meet changing community expectations



- Moving to consumption based predictive funding and optimised budgeting methods
- Being able to predict asset condition in 10 years time at the current rate of expenditure
- Ensuring sound risk management and mitigation associated with Council's assets
- Community education/involvement and understanding of levels of service and the relationship between funding and service delivery
- Life cycle costing to justify new assets; and
- Future maintenance needs for new infrastructure and managing sustainability.

6. LONG-TERM FINANCIAL PROJECTIONS

Council uses assets to provide services to the community. However, assets may not reach their useful life due to unforeseen factors such as changing demographics. Council is committed to responsible financial management, in a changing environment.

To enable Council to make sound financial decisions it's vital to understand and plan for the future so that there is funding available to properly manage assets in accordance with Council's Strategies.

Council uses modern asset modelling and prediction tools. Cessnock has applied asset performance and life – cycle models, which simulate the behaviour of the asset in real life. The life – cycle models are capable of infrastructure modelling to take account of:

- Different service level objectives for the assets
- Different asset management practices; and
- Different financial strategies for funding maintenance, renewal and upgrade.

By adjusting expenditure, together with actions identified in this Strategy, such as levels of service that will be provided to the community, Council will be in a better position to maximise the use of its assets and allow Council to better manage its assets and meet its goals for the community.

Council also currently has a backlog of assets that require renewal and/or rehabilitation that needs to be addressed.



Cessnock Performing Arts Centre

7. ACTION PLAN

Cessnock City Council has improved its asset management capabilities over the past few years and must now keep pushing the path of continuous improvement. In line with this Council is committed to implementing and advancing sustainable asset management to the overall advantage of the organisation, the community and other relevant stakeholders, and will undertake the action plan outlined in this document, including:

- Annual Asset Management Maturity Audits
- Reviewing Council's Adopted Asset Management Plans to ensure they:
 - Address the action plan in this strategy
 - Cover at least 10 years
 - Are linked to The Asset Management Policy and Strategy, Community Strategic Plan, Long Term Financial Plan, Resourcing Strategy, Operational Plan, Delivery Plan and any other relevant Council Policy objectives
 - Include asset inventory data in the asset register
 - Document the asset hierarchy within each asset class

- Document the current condition, useful lives and intervention levels of assets and the methodology
- Include risk assessments of critical assets and services
- Include costs to provide a defined level of service
- Include a demand forecast
- Address life cycle costs
- Include cash flow forecasts for renewals, new assets, upgrades, maintenance and operational expenditure
- Address asset performance and utilisation measures and associated targets as linked to levels of service
- Include an asset rationalisation / disposal program
- Include an asset management improvement
 plan
- Consider non asset service delivery solutions
- Consider effects of climate change on useful lives and maintenance costs
- Are informed by community consultation and local government financial reporting frameworks

- Recognise changes in service potential of assets through projections of asset replacement costs, depreciated replacement cost and depreciation expense,
- Optimise resource utilisation and maximise service delivery to ensure that Council's assets are responsibly managed in a financially sound manner, to enable provision of appropriate levels of service delivery to the community, within the constraints of available resources,
- Include a process to continually monitor, audit and review the asset portfolio to ensure its responsive to service delivery needs and meets the goals/targets set by Council,
- Minimise Council's exposure to risk due to asset failures by implementing a risk management process that identifies, manages, and controls risk, and
- Ensure future full life cycle costs will be reported and considered in all decisions relating to new services and assets and upgrading of existing services and assets.

The action plan outlined in table 6 will ensure Council is in-line with the Local Government Asset Management Framework.

Table 6: Action Plan 2017 to 2019

Step	Key Milestone	Resources	Target Date
1	Re-establish Asset Management Steering Group (AMSG)	Strategic Asset Planning	2018
2	Identify community, operational and financial KPI's for inclusion in Asset Management Plans	Strategic Asset Planning / Financial Services	2018
3	Undertake 10-Year Financial Modelling for each asset class to identify impact of current renewal spend on network condition and determine renewal budget required to maintain current network condition	Strategic Asset Planning	April 2017, then ongoing
4	Model and Analyse Service Level Options	Strategic Asset Planning	June 2017
5	Community Workshop / Feedback on Service Level Options	Strategic Asset Planning	June 2017
6	Review Service Level Targets for all assets in each Asset Management Plan, in line with community consultation results	Strategic Asset Planning	April 2018
7	Asset Management Maturity Audit	Strategic Asset Planning	June 2017

8. KEY PERFORMANCE INDICATORS

In simple terms, Council's Asset Management Strategy outlines how Council will manage its asset management functions and responsibilities. The measure of this is Council's Asset Management Maturity.

KPI	Measurement Method	Current Maturity	Target
Asset Management Maturity	National Assessment Framework Maturity Assessment (IPWEA)	80%	90% (Core)

Table 7 - Key Performance Indicator of AssetManagement Practice

KPI's for specific assets, in terms of community expectations, operational service levels and financial indices will be detailed within each Asset Management Plan.

9. STRATEGY REVIEW

Any Strategy must be a dynamic document, reflecting and responding to changes over time. This Asset Strategy will be reviewed every 4 years and will be amended to recognise any changes to Council's Community Strategic Plan (*Cessnock 2027*), Council's progress and set out proposals for the next four years.



Veterans Memorial Park, Aberdare

10. REFERENCES

- Cessnock City Council Financial Statements 2015-16
- Cessnock City Council Asset Management Policy
- Cessnock City Council Annual Report 2015-16
- Cessnock City Council Community Strategic Plan (*Cessnock 2027*)
- Cessnock City Council Satisfaction Survey 2016
- Cessnock City Council Long-Term Financial Plan







Section 5 Long-Term Financial Plan

The Long-Term Financial Plan must be used by the council to inform its decision-making during the finalisation of the Community Strategic Plan and the development of the Delivery Program.

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Long-Term Financial Plan

FOREWARD

We are pleased to present the Cessnock City Council Long Term Financial Plan 2015 - 2026 that has been prepared in accordance with the State Government's integrated planning and reporting framework requirements.

Council's Long-Term Financial Plan 2015 – 2026 is part of our Resourcing Strategy, helping to ensure that the community's long term goals and objectives, as expressed in the Cessnock 2027 Community Strategic Plan are met. Our Long-Term Financial Plan links directly with our Cessnock City Council Delivery Program.

The Long-Term Financial Plan is a financial projection that quantifies the cost of Council's services for the next ten years. It is more comprehensive than a budget and includes, in addition to financial statements, a written commentary, sensitivity analysis and scenario options. It examines the impact of Council's revenue, operational and capital expenditure forecasts, taking into account assumptions for economic factors and changes to service delivery levels.

Long term financial planning provides the following benefits for Council:

 establishes greater transparency and accountability of Council to the community;

- provides an opportunity for early identification of financial issues and any likely impacts in the longer term;
- provides a mechanism to solve financial problems as a whole, see how various plans fit together and understand the impact of some decisions on other plans or strategies;
- provides a means of measuring Council's success in implementing strategies; and
- confirms that Council can remain financially sustainable in the longer term.

Our Long Term Financial Plan does not provide any specific recommendations on what or how Council should provide its services and works, this is addressed by the Delivery Program. Instead, the Plan helps identify the potential impact of the operational and capital decisions that Council may make as part of the budget process.

This document will help guide the activities and decision making of the organisation into the future. The initiatives will be reviewed annually to ensure applicability in the changing environment and to also incorporate community feedback.

1. EXECUTIVE SUMMARY

The Long-Term Financial Plan provides an indication of Cessnock City Council's future financial position from 2015-16 to 2025-26 if it follows the path outlined in its Community Strategic Plan. The Long-Term Financial Plan presents two scenarios:

A summary of the scenarios follows:

Scenario o

Base Case – based upon the 2017-18 adopted budget with continuation of 'business as usual'.

This is the financial forecast based on the 2017-18 adopted budget, indexed for forecast movements in the major areas of cost impacts for every year out to 2026.

This scenario does not include the proposed impacts from Council's Fit for the Future Improvement Proposal.

Scenario 1

Preferred Case – based upon the 2017-18 adopted budget.

This is the financial forecast based on the 2017-18 adopted budget, indexed for forecast movements in the major areas of cost impacts for every year out to 2026.

This scenario includes the optimum expenditures on Council's infrastructure assets, consistent with the projections in Council's Asset Management Plans.

2. COUNCIL'S FINANCIAL POLICIES

In developing the Cessnock City Council "Long Term Financial Plan 2015-2026" the following significant financial policies of the Council have been taken into account. The policies may be viewed at Council's website www.cessnock.nsw.gov.au.

Loan Borrowings

This policy is to establish guidelines for loan borrowings. Council uses loan funds when Council considers that it is in the best interests of the community to carry out capital works or purchase assets and the funding of these purchases is not able to be sourced from existing budgets.

Investment Policy

Council must comply with the Ministerial Investment Order (revised on a periodic basis) which notifies forms of investment for the purposes of section 625 (2) of the Local Government Act 1993.

Council has an investment policy which meets the requirements of the Order and the Act.

Financing Internal Restricted Assets Policy

Council has internally (discretionary) restricted reserves and externally (non- discretionary) restricted reserves. All reserves have a purpose, which has been resolved by Council. Reserves exist for Employees Leave Entitlements; Waste Depot and Rehabilitation; Plant and Vehicles; Lawn Cemetery and Columbariums; Bridge Replacement and Property Investment Fund.

Voted Funds

The objective of this policy is to ensure that all funds voted at budget time are effectively and efficiently spent during the ensuing year with only exceptional circumstances necessitating a carry over of funds to the following year.

Revenue (user charges)

Council has a broad Fees & Charges Policy, which is adopted through the annual operational plan process. Council's fees and charges range from regulatory prescribed fees, minimum contribution to full cost and overhead recovery.

3. CURRENT FINANCIAL POSITION OF COUNCIL

Council must remain vigilant to meet all of the Fit for the Future benchmarks and secure its long-term financial position. While Council has traditionally embraced a balanced cash budget strategy, current operations continue to exert considerable pressure on Council's capacity to manage its financial position and, at times, internal borrowings may be necessary to "smooth" annual results.

In April 2013, Council received the results from the NSW Treasury Corporation (TCorp) assessment of the financial capacity and sustainability of all 152 councils in NSW. TCorp has prepared a Financial Sustainability Rating (FSR) and Outlook for each council, in order to provide an overall position of the sustainability of councils when compared with other councils within NSW.

Cessnock City Council has been assessed as:

Financial Sustainability Rating (FSR) - Moderate

Outlook - Negative

The report states, a council with a FSR of Moderate and an Outlook of Negative, is assessed as being in a deteriorating position or at risk of being down graded from Moderate to Weak. As TCorp considers an FSR of lower then Moderate to be at much greater risk of being unsustainable, councils in this position need to be considering options for addressing the areas of poor performance that are contributing to council's assessed FSR and Outlook.

TCorp has issued definitions for the above ratings, as follows:-

1. Financial Sustainability Rating (FSR) - Moderate

- A local government with an adequate capacity to meet its financial commitments in the short to medium term and an acceptable capacity in the long term.
- While it has some record of reporting minor to moderate operating deficits the local government may also have recently reported a significant operating deficit.

- It is likely able to address its operating deficits, manage unforeseen financial shocks and any adverse changes in its business, with moderate revenue and/or expense adjustments. The expense adjustments are likely to result in a number of changes to the range of and/or quality of services offered.
- Its capacity to manage core business risks is moderate.



Veterans Memorial Park

2. Outlook - Negative

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

The TCorp assessment confirms Council's long-term financial forecasting; that the continuation of Council's current spending and income patterns is not sustainable.

A key part of Council's response to this assessment has been the adoption of a Financial Sustainability Initiative.

The Financial Sustainability Initiative, is an umbrella for a number of projects that aim to ensure that, over the long-term, council generates sufficient funds to provide the levels of service and infrastructure agreed with our community.

One of the Financial Sustainability Initiative's projects is a special rate variation strategy that will be re-visited in the medium term.

4. LONG-TERM FINANCIAL PLAN OBJECTIVES

The Long-Term Financial Plan intends to achieve the following objectives over the ten year time frame:

- provide services to the community;
- maintain adequate funding to support Council's asset management plans;
- maintain a strong cash position;
- maintain sufficient Employee Leave Entitlements cash reserve based on the age and entitlements of all staff in accordance with the Council's Workforce Strategy; and
- ensure that all adopted plans or strategies have a ten-year financial forecasts for incorporation into the Long-Term Financial Plan.

Council has a commitment to the community for the delivery of strategies outlined in the Cessnock 2027 Community Strategic Plan. The development of the Long-Term Financial Plan alongside the strategic plan will assist Council to assess the financial impact of the future strategic directions. The Long-Term Financial Plan is only a starting point and many of the strategic options will require further investigation before the next iteration of the Long-Term Financial Plan is prepared. Council has traditionally aimed to operate with a balanced cash budget and is embracing, through the Financial Sustainability Initiative, a number of projects to reduce costs, increase revenues and improve value-for-money.



5. PERFORMANCE MONITORING & REVIEW

Performance reporting will be in accordance with the Fit for the Future measures included in Note 13 – Statement of Performance Measurement as defined by the current Local Government Code of Accounting Practice.

Council will review the Long Term Financial Plan each year as part of the development of the annual Operational Plan. The review will include an assessment of the previous year's performance in terms of the accuracy of the projections made in the Long Term Financial Plan compared to the actual results. Evaluation will include reviewing and amending estimates and scenarios, where long term goals are not being achieved or where changes have affected set goals and strategies. Assumptions will be adjusted to improve the accuracy of the Long Term Financial Plan over the longer term.

Council will not only monitor its performance against the Long-Term Financial Plan and the annual budget, but will also assess its long-term financial sustainability against the following indicators including:

- Operating performance ratio
- Own source revenue ratio
- Building and infrastructure asset renewal ratio
- Debt service ratio

Council will thoroughly evaluate the Long-Term Financial Plan every four years, in line with the review of the Community Strategic Plan. This will occur after each local government election.

These key indicators are included in the financial projections for each scenario.

6. PLANNING ASSUMPTIONS

The 2017-18 budget is the base year for the Long-Term Financial Plan 2015-2026. The following assumptions have been used to forecast growth in both income and expenditure over the next ten years. The assumptions have been prepared in accordance with the Council's legislative requirements and in reference to the Cessnock 2027 Community Strategic Plan.

The longer the time frame the greater the uncertainty so forecasts and financial projections may vary in the future particularly in the closing years of this period.

Service Levels

The following general assumptions in relation to service levels have underpinned the development of the Long-Term Financial Plan 2015-2026:

- the Council will continue to be responsible for providing services to the community however the range and levels of service may not remain the same depending on the outcomes of the Service Review;
- the quantity and location of assets may not remain the same as Council's asset management practices mature; and
- the current philosophy and practices of condition based maintenance will continue.



Workforce

The composition of the workforce will be reviewed as the Financial Sustainability Initiative projects progress to ensure that the Fit for the Future benchmarks are met.

Population Growth

At 30 June 2015, it was estimated that Cessnock City had a population of 55,862 (Australian Bureau of Statistics Estimate of Resident Population). The NSW Department of Planning forecasts a population of 66,400 by 2031 (an increase of 24% from the 2011 census). This growth will predominantly be accommodated through the development of "Huntlee" near Branxton and from developments in Bellbird North and Cliftleigh. Infrastructure in the new townships will be provided by developers. The Long-Term Financial Plan assumes an increase in income generated from development of 0.3%. This increase in income will be utilised in the maintenance and servicing of these new areas.

Economic Growth

The Long-Term Financial Plan assumes a continuation of steady economic activity in the Cessnock City Local Government Area over 2016-2026. The Council is actively working to facilitate increased economic growth through its Economic Development Strategy.

Inflation Forecasts

In recent years the Local Government Cost Index (LGCI) has been used to forecast expenditure growth. While this index is similar to the general Consumer Price Index (CPI), due to the nature of the cost indices included it has tended to be lower than the CPI in recent times.

As a forecast of the LGCI is not available, forecasts of the CPI have been utilised instead. Those forecasts show an increase in CPI rising from the current level of 1.50% to around 2.50% by December 2019.

Depreciation

Depreciation is based on the 2016-17 actuals plus growth in line with new/additional assets.

Interest Rates

Interest rates are anticipated to remain steady at 5% for new loans and 2.5% for interest on investments.

Employee Costs

Employee costs made up 41% of Council's 2016-17 operating expenditure. This reflects the servicebased nature of a significant proportion of Council activities as well as the construction and maintenance of the considerable infrastructure owned by Council. Movements in rates of pay are determined through industry-wide Award negotiations. The base case of the Long-Term Financial Plan assumes annual Award increases of 2.0% from 2017-18.

Materials and Contracts

Materials and contracts made up 22% of 2016-17 operating expenditure. The base case of the Long-Term Financial Plan assumes annual increases of 1.0% below CPI, reaching 1.1% by 2019-20.



Investment Policy

Council has an adopted Investment Policy with the following objectives:-

- To undertake authorised investment of surplus funds not required to meet commitments after consideration of credit risk and diversification limits as set out in the policy.
- To maximise earnings from authorised investments and ensure the security of Council funds.
- To ensure the availability of sufficient funds to meet Council's ongoing commitments for salary, wages, loan repayments, contract payments and general payments and limit usage of the overdraft facility.
- To meet obligations under Council's Charter as the custodian and trustee of public assets and to effectively account for and manage those assets for which it is responsible.

The Investment Policy is designed to minimise potential risks that may affect the valuation of its investment portfolio during the period of this Long-Term Financial Plan.

Capital Works Program

Capital expenditure is based on Council's asset management plans with an emphasis on the renewal of infrastructure assets.

7. AVAILABLE FINANCIAL STRATEGIES

7.1 Rates and Levies

Rates and Annual Charges

Rates and Annual Charges made up 59% of the 2016-17 operating revenue. The Council cannot apply a rate increase greater than the annual rate pegging limit without a special rate variation.

In the Long-Term Financial Plan, the base scenario does not include any proposed special rate variation.

The Long-Term Financial Plan assumes an annual rate peg of 0.4% less than the previous year's CPI plus 0.3% growth in assessments.

Stormwater Management Service Charge

This charge was introduced in the 2007-08 financial year to establish a sustainable funding source for providing improved stormwater management. It is assumed the charge will remain in place for each year of the Long-Term Financial Plan. The amount chargeable has been prescribed under the Local Government Act with no scope for adjustments in line with inflation or any other costs.

Domestic Waste Management Service Charge

All ratepayers who have access to domestic waste collection services incur a domestic waste management charge. This charge includes waste and recycling collections, educational programs, illegal dumping management, cleanup collections, waste collection facilities operations and remediation of landfill sites.

The Domestic Waste Management Strategy is supported by a ten year financial strategy which determines the annual charge. The estimated increase in the charge has been set in accordance with the Strategy.

In addition, the Waste Levy has been assumed from 2017-18, to increase in line with the CPI.



Pokolbin Park
7.2 Fees and Charges

User Fees and Charges

For statutory fees and charges the amount is fixed by regulation or by another authority. Examples of statutory fees include development assessment fees and planning certificates. The revenue from Statutory Fees & Charges has been assumed to increase by CPI.

Commercial Activities

Fees for the Performing Arts Centre, airport and swimming pools are expected to increase by CPI.

Section 94 Contributions

Section 94 contributions provide the facilities required for the increased population resulting from new developments. The Section 94 Plans adopted by Council determine contribution rates and works programs.

Review

A comprehensive review of Council's fees and charges has been identified as a project in Council's Financial Sustainability Initiative to develop a consistent, robust and equitable pricing methodology that generates revenue to supplement the traditional rate base.

7.3 Interest on Investments

Investments will be made in accordance with the Minister's Investment Order and the Council's Investment Policy. Expected investment returns have been based on a 2.5% rate of return.

7.4 Grants and Subsidies

In the base case of the Long-Term Financial Plan it is assumed indexing of the Financial Assistance Grant will be reinstated from the 2018-19 year with a 1% p.a. growth forecast.

7.5 Borrowings

Council has traditionally taken out loan borrowings each year to supplement the drainage construction program. A continuation of the drainage loan borrowings of \$500,000 per year has been included in the Long-Term Financial Plan.

In 2017-18 Council proposes to borrow \$636,100 to fund drainage and \$1.217m to fund bridge renewals.

7.6 Cash Reserves

Transfers to and from reserves have been made in accordance with the Reserves Strategy and the financial plans supporting the various reserves. A detailed list of Council's cash reserves is included at Attachment C, and reserve movements and balances are reported with the quarterly budget review statements and in Council's annual financial reports.

Transfers to the Employee Leave Entitlements reserve have been made based on the strategy of an annual budget allocation in the Operational Plan. The Council has made estimates regarding leave payments required in the future and determined a target reserve balance based on the age profilte of employees.

8. SENSITIVITY ANALYSIS

The Long-Term Financial Plan contains a number of assumptions and any variations in these assumptions during the life of the plan may have a significant impact on the Council's future financial position. The Long-Term Financial Plan will be reviewed annually to ensure the assumptions continually reflect the latest information available.

Interest on Investments:

The Council has a modest investment portfolio that is subject to movements in interest rates. Investments are placed and managed in accordance with the Council's adopted Investment Policy. As a custodian of the community's funds, the Council ensures funds are invested with the same care, diligence and skill that a prudent person would exercise.

Rate Pegging and Special Rates Variations:

Changes in rates revenue from the assumed levels will impact the Plan's forecasts. Any future special rate variations will also impact revenues.

Inflation:

Changes in inflation will impact both revenue and expenditure.

Employee Costs:

Changes in employee costs will impact Council's expenditure. Staff turnover patterns will impact recruitment and training costs.

Population Growth:

Variations in the population growth forecasts will impact rating revenues.

Grants:

The Long Term Financial Plan scenarios only include recurring grants and capital grants that have already been awarded. The Council has a high proportion of own-source revenue and does not have a strong reliance on grants. A number of the grants that are received fund specific programs that may not be offered by the Council if the grants were eliminated. The general purpose component of the Council's Financial Assistance Grant exceeds \$5 million. If this grant was eliminated the Council would need to reduce service levels and/or asset management expenditure.

9. SCENARIO DEVELOPMENT

Financial modelling has been used to create two scenarios. Each Scenario presents a different financial result depending on the underlying assumptions. The scenarios were developed by varying budgeted revenues and expenditures.

10. SCENARIO 0: BASE CASE

Attachment A shows the financial statements for Scenario 0. Assumptions (for years 3 to 10).

Operating Revenue

- General Rates have been increased by 0.4% less than prior year CPI plus rate base growth of 0.3%.
- Statutory Fees and Charges have been increased by CPI.
- Commercial Activity Revenue has been increased by CPI.
- General Purpose Grants (including the Financial Assistance Grant) have been increased by 1% p.a.
- Specific Purpose Grants have not been increased.

Operating Expenses

- Salaries have been increased by 2.0% from year 3 in line with anticipated Award increases.
- Electricity, insurance and other expenses have been increased by CPI.
- Materials and contracts have been increased by 1.0% less than CPI.

Capital Expenditure

 Major planned expenditures are from Council's Delivery Program, asset management plans and development contribution plans.

Commentary on Trends

The Income Statement shows gradually reducing deficits (excluding capital revenue).

Summary

In this scenario, revenue is not sufficient to meet the budgeted total operating and capital expenditure until the 2022-23 year.

This scenario meets the Fit for the Future benchmark for the Operating Performance Ratio in all forecast years.

This scenario does not provide sufficient funds for the asset expenditure requirements identified in Council's adopted Asset Management Plans.

11. SCENARIO 1: PREFERRED CASE

Attachment B shows the financial statements for Scenario 1. Assumptions (for years 3 to 10).

Operating Revenue

• General Rates have been increased by 0.4% less than prior year CPI plus rate base growth of 0.3%.

- Statutory Fees and Charges have been increased by CPI.
- Commercial Activity Revenue has been increased by CPI.
- General Purpose Grants (including the Financial Assistance Grant) have been increased by 1% p.a.
- Specific Purpose Grants have not been increased.

Operating Expenses

- Salaries have been increased by 2.0% from year 3 in line with anticipated Award increases.
- Electricity, insurance and other expenses have been increased by CPI.
- Materials and contracts have been increased by 1.0% less than CPI.

Capital Expenditure

• Major planned expenditures are from Council's Delivery Program, asset management plans and development contributions plans.

Summary

In this scenario, revenue is not sufficient to meet the total operating and capital expenditure throughout the forecast period.

This scenario does not meet the Fit for the Future benchmark for the Operating Performance Ratio.

This scenario does not provide sufficient funds for the asset expenditure requirements identified in Council's adopted Asset Management Plans. As highlighted by the gradually increasing deficit position, council is unable to fully fund its asset requirements without significant additional revenue being received.

In order to fully fund assets a Special Rate Variation (SRV) will be required. Further analysis and consultation is to be undertaken to quantify the level and timeframes of any SRV so as that council is able to fully fund its asset base. For the purpose of this Long-Term Financial Plan, a SRV equal to the identified asset funding shortfall has been included.

12. CONCLUSIONS

Scenario 0 is a continuation of the status quo and financially sustainable, however with a gradual deterioration of Council's asset conditions.

Scenario 1 incorporates asset funding requirements from Council's adopted AMPs but highlights a critical funding shortfall. Funding for this scenario is dependent on a special rate variation exceeding 17%.

ATTACHMENT A: FINANCIAL STATEMENTS - SCENARIO 0

Scenario 0 - Base Case

PROJECTED INCOME STATEMENT FOR 10 YEAR PERIOD 2015/16 - 2025/26 LTFP 10 YEAR MODEL - SCENARIO 0 (BASE CASE) - INCOME STATEMENT

YEAR END	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
INCOME											
Rates & Annual Charges	(44,020,234)	(46,062,362)	(47,113,950)	(48,001,100)	(49,047,700)	(50,214,000)	(51,408,400)	(52,631,800)	(53,884,700)	(55,167,200)	(56,480,400)
User Charges & Fees	(8,058,494)	(7,410,509)	(7,186,788)	(7,608,200)	(7,742,600)	(7,880,200)	(8,021,300)	(8,166,200)	(8,315,100)	(8,467,000)	(8,622,900)
Interest & Investment Revenue	(1,514,309)	(886,540)	(849,500)	(698,500)	(685,500)	(714,500)	(737,500)	(768,500)	(819,500)	(884,500)	(955,500)
Other Revenues	(1,829,888)	(1,205,586)	(1,206,304)	(1,212,700)	(1,219,900)	(1,227,300)	(1,234,900)	(1,242,700)	(1,250,600)	(1,258,600)	(1,266,900)
Grants & Contributions for Operating Purposes	(14,001,629)	(13,811,234)	(11,028,896)	(10,682,900)	(10,716,600)	(10,802,700)	(10,890,000)	(10,978,300)	(11,067,700)	(11,158,400)	(11,250,100)
Grants & Contributions for Capital Purposes	(16,894,895)	(8,195,244)	(3,028,626)	(1,193,700)	(201,200)	(201,200)	(201,200)	(201,200)	(201,200)	(201,200)	(201,200)
TOTAL INCOME	(86,319,448)	(77,571,475)	(70,414,064)	(69,397,100)	(69,613,500)	(71,039,900)	(72,493,300)	(73,988,700)	(75,538,800)	(77,136,900)	(78,777,000)
EXPENDITURE											
Employee Benefits & On Costs	29,184,573	29,674,863	30,467,225	31,066,610	31,675,310	32,295,810	33,480,710	33,562,210	34,219,810	34,890,810	35,575,310
Borrowing Costs	552,391	541,825	485,347	396,146	356,348	275,869	220,816	172,942	154,765	148,180	145,110
Materials & Contracts	19,842,092	15,628,603	13,388,743	13,316,104	13,762,704	13,844,404	13,833,504	14,056,604	14,176,604	14,281,804	14,396,904
Depreciation & Amortisation	9,968,961	9,985,000	9,985,000	10,013,300	10,021,900	10,030,600	10,039,500	10,048,500	10,057,700	10,067,100	10,076,700
Other Expenses	11,604,567	12,291,237	11,590,750	11,853,200	12,142,400	12,781,500	12,954,200	13,275,100	13,607,600	14,290,300	14,301,600
Loss on Sale of Assets	3,535,399	3,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
TOTAL EXPENDITURE	74,687,982	71,621,528	68,417,065	69,145,360	70,458,662	71,728,183	73,028,730	73,615,356	74,707,479	76,178,194	76,995,624
Operating Result (Profit)/Loss	(11,631,466)	(5,949,947)	(1,996,999)	(251,740)	845,162	688,283	535,430	(373,344)	(831,321)	(958,706)	(1,781,376)
Operating Result (Profit)/Loss excluding Grants & Contributions for Capital	5,263,428	2,245,297	1,031,627	941,960	1,046,362	889,483	736,630	(172,144)	(630,121)	(757,506)	(1,580,176)

PROJECTED BALANCE SHEET FOR 10 YEAR PERIOD 2015/16 - 2025/26 LTFP 10 YEAR MODEL - SCENARIO 0 (BASE CASE) - BALANCE SHEET

YEAR END	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
CURRENT ASSETS											
Cash & Cash Equivalents & Investments	38,010,156	27,357,832	26,949,670	26,454,653	27,609,237	28,520,082	29,757,703	31,791,666	34,413,216	37,233,173	40,431,850
Receivables	3,113,145	4,272,855	4,311,370	4,344,000	4,382,515	4,425,440	4,469,395	4,514,425	4,560,545	4,607,750	4,656,090
Inventories	322,930	322,930	322,930	322,930	322,930	322,930	322,930	322,930	322,930	322,930	322,930
Other	206,123	206,123	206,123	206,123	206,123	206,123	206,123	206,123	206,123	206,123	206,123
TOTAL CURRENT ASSETS	41,652,354	32,159,740	31,790,093	31,327,706	32,520,805	33,474,575	34,756,151	36,835,144	39,502,814	42,369,976	45,616,993
NON-CURRENT ASSETS											
Receivables	-	-	-	-	-	-	-	-	-	-	-
Inventories	1,270,164	1,270,164	1,270,164	1,270,164	1,270,164	1,270,164	1,270,164	1,270,164	1,270,164	1,270,164	1,270,164
Infrastructure, Property, Plant & Equipment	725,765,801	744,863,645	747,785,264	747,785,718	745,253,964	742,986,932	740,751,540	738,710,898	736,903,066	735,235,674	733,925,938
TOTAL NON-CURRENT ASSETS	727,035,965	746,133,809	749,055,428	749,055,882	746,524,128	744,257,096	742,021,704	739,981,062	738,173,230	736,505,838	735,196,102
CURRENT LIABILITIES											
Payables	(6,948,917)	(10,940,022)	(10,804,799)	(10,753,951)	(11,066,571)	(11,123,761)	(11,116,131)	(11,272,301)	(11,350,001)	(11,429,941)	(11,510,511)
Borrowings	(1,152,285)	(1,326,050)	(1,326,130)	(1,486,251)	(1,488,345)	(1,341,923)	(1,021,424)	(716,272)	(531,980)	(598,700)	(604,220)
Provisions	(8,660,940)	(8,004,223)	(8,164,307)	(8,164,307)	(8,327,593)	(8,494,145)	(8,816,923)	(8,834,557)	(9,011,248)	(9,191,473)	(9,375,302)
TOTAL CURRENT LIABILITIES	(16,762,143)	(20,270,295)	(20,295,236)	(20,404,509)	(20,882,510)	(20,959,829)	(20,954,478)	(20,823,130)	(20,893,229)	(21,220,114)	(21,490,033)
NON-CURRENT LIABILITIES											
Payables	(2,250,226)	(2,103,002)	(2,103,002)	(2,103,002)	(2,103,002)	(2,103,002)	(2,103,002)	(2,103,002)	(2,103,002)	(2,103,002)	(2,103,002)
Borrowings	(6,597,786)	(6,909,283)	(7,436,515)	(6,596,082)	(5,639,219)	(4,919,084)	(4,518,350)	(4,302,078)	(4,270,098)	(4,171,398)	(4,067,178)
Provisions	(11,398,256)	(11,381,113)	(11,383,913)	(11,401,399)	(11,386,770)	(11,404,605)	(11,392,305)	(11,404,932)	(11,395,330)	(11,408,209)	(11,398,414)
TOTAL NON- CURRENT LIABILITIES	(20,246,267)	(20,393,398)	(20,923,431)	(20,100,483)	(19,128,991)	(18,426,692)	(18,013,658)	(17,810,013)	(17,768,430)	(17,682,609)	(17,568,595)
EQUITY	(731,679,909)	(737,629,856)	(739,626,855)	(739,878,595)	(739,033,433)	(738,345,150)	(737,809,720)	(738,183,064)	(739,014,385)	(739,973,091)	(741,754,467)
BALANCE/NET MOVEMENT	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)

PROJECTED STATEMENT OF CASH FLOWS FOR 10 YEAR PERIOD 2015/16 - 2025/26 LTFP 10 YEAR MODEL - SCENARIO 0 (BASE CASE) - STATEMENT OF CASH FLOWS

YEAR END	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
CASH FLOWS FROM OPERATING ACTIVITIES											
RECEIPTS											
Rates & Annual Charges	44,020,234	44,898,163	47,075,435	47,968,470	49,009,185	50,171,075	51,364,445	52,586,770	53,838,580	55,119,995	56,432,060
User Charges & Fees	8,058,494	7,414,998	7,186,788	7,608,200	7,742,600	7,880,200	8,021,300	8,166,200	8,315,100	8,467,000	8,622,900
Interest & Investment Revenue	1,514,309	886,540	849,500	698,500	685,500	714,500	737,500	768,500	819,500	884,500	955,500
Other Revenues	1,829,888	1,205,586	1,206,304	1,212,700	1,219,900	1,227,300	1,234,900	1,242,700	1,250,600	1,258,600	1,266,900
Grants & Contributions for Operating Purposes	14,001,629	22,006,478	14,057,522	11,876,600	10,917,800	11,003,900	11,091,200	11,179,500	11,268,900	11,359,600	11,451,300
PAYMENTS											
Employee Benefits & On-Costs	(29,184,573)	(30,348,723)	(30,304,340)	(31,049,124)	(31,526,653)	(32,111,423)	(33,170,232)	(33,531,949)	(34,052,722)	(34,697,706)	(35,401,275)
Borrowing Costs	(552,391)	(541,825)	(485,347)	(396,146)	(356,348)	(275,869)	(220,816)	(172,942)	(154,765)	(148,180)	(145,110)
Materials & Contracts	(19,842,092)	(11,784,722)	(13,523,967)	(13,366,951)	(13,450,084)	(13,787,214)	(13,841,134)	(13,900,434)	(14,089,904)	(14,201,864)	(14,316,334)
Other Expenses	(11,604,567)	(12,291,237)	(11,590,750)	(11,853,200)	(12,142,400)	(12,781,500)	(12,954,200)	(13,275,100)	(13,607,600)	(14,290,300)	(14,301,600)
NET CASH PROVIDED (OR USED IN) OPERATING ACTIVITIES	8,240,931	21,445,258	14,471,145	12,699,049	12,099,500	12,040,969	12,262,963	13,063,245	13,587,689	13,751,645	14,564,341
CASH FLOWS FROM INVESTING ACTIVITIES											
RECEIPTS											
PAYMENTS											
Purchase of IPP&E	(24,945,858)	(32,582,844)	(15,406,619)	(12,513,754)	(9,990,146)	(10,263,568)	(10,304,108)	(10,507,858)	(10,749,868)	(10,899,708)	(11,266,964)
NET CASH PROVIDED (OR USED IN) INVESTING	(24,945,858)	(32,582,844)	(15,406,619)	(12,513,754)	(9,990,146)	(10,263,568)	(10,304,108)	(10,507,858)	(10,749,868)	(10,899,708)	(11,266,964)
CASH FLOWS FROM FINANCING ACTIVITIES											
RECEIPTS											
Proceeds from Borrowings	-	1,718,944	1,853,362	659,600	541,100	514,600	500,000	500,000	500,000	500,000	500,000
PAYMENTS											
Repayment of Borrowings	-	(1,233,682)	(1,326,050)	(1,339,912)	(1,495,869)	(1,381,157)	(1,221,233)	(1,021,424)	(716,272)	(531,980)	(598,700)
NET CASH PROVIDED (OR USED IN) FINANCING	-	485,262	527,312	(680,312)	(954,769)	(866,557)	(721,233)	(521,424)	(216,272)	(31,980)	(98,700)
Net Increase/(Decrease) in Cash	-	(10,652,324)	(408,162)	(495,017)	1,154,585	910,844	1,237,622	2,033,963	2,621,549	2,819,957	3,198,677
Cash & Investments Opening Balance	-	38,010,156	27,357,832	26,949,670	26,454,653	27,609,237	28,520,082	29,757,703	31,791,666	34,413,216	37,233,173
Cash & Investments Closing Balance	-	27,357,832	26,949,670	26,454,653	27,609,237	28,520,082	29,757,703	31,791,666	34,413,216	37,233,173	40,431,850

INDICATOR	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Operating Performance Ratio	(0.014)	(0.002)	0.004	0.021	0.022	0.022	0.023	0.028	0.034	0.040	0.045
Own Source Revenue Ratio (%)	67.4%	67.2%	71.9%	78.2%	82.4%	83.9%	84.5%	84.7%	84.9%	85.1%	85.3%
Building & Infrastructure Renewal Ratio (%)	141.2%	188.2%	191.0%	174.7%	117.4%	96.8%	89.4%	90.8%	92.4%	94.2%	96.1%
Debt Service Ratio (%)	2.50%	2.53%	2.57%	2.60%	2.63%	2.52%	2.33%	1.98%	1.59%	1.22%	1.00%

KEY FINANCIAL PERFORMANCE INDICATORS

ATTACHMENT B: FINANCIAL STATEMENTS - SCENARIO 1

Scenario 1 - Preferred Case

PROJECTED INCOME STATEMENT FOR 10 YEAR PERIOD 2015/16 - 2025/26 LTFP 10 YEAR MODEL - SCENARIO 1 (PREFERRED CASE) - INCOME STATEMENT

YEAR END	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
INCOME											
Rates & Annual Charges	(44,020,234)	(46,062,362)	(47,113,950)	(53,805,100)	(54,851,700)	(56,018,000)	(57,212,400)	(58,435,800)	(59,688,700)	(60,971,200)	(62,284,400)
User Charges & Fees	(8,058,494)	(7,410,509)	(7,186,788)	(7,608,200)	(7,742,600)	(7,880,200)	(8,021,300)	(8,166,200)	(8,315,100)	(8,467,000)	(8,622,900)
Interest & Investment Revenue	(1,514,309)	(886,540)	(849,500)	(698,500)	(678,500)	(707,500)	(729,500)	(760,500)	(811,500)	(876,500)	(946,500)
Other Revenues	(1,829,888)	(1,205,586)	(1,206,304)	(1,212,700)	(1,219,900)	(1,227,300)	(1,234,900)	(1,242,700)	(1,250,600)	(1,258,600)	(1,266,900)
Grants & Contributions for Operating Purposes	(14,001,629)	(13,811,234)	(11,028,896)	(10,682,900)	(10,716,600)	(10,802,700)	(10,890,000)	(10,978,300)	(11,067,700)	(11,158,400)	(11,250,100)
Grants & Contributions for Capital Purposes	(16,894,895)	(8,195,244)	(3,028,626)	(1,193,700)	(201,200)	(201,200)	(201,200)	(201,200)	(201,200)	(201,200)	(201,200)
TOTAL INCOME	(86,319,448)	(77,571,475)	(70,414,064)	(75,201,100)	(75,410,500)	(76,836,900)	(78,289,300)	(79,784,700)	(81,334,800)	(82,932,900)	(84,572,000)
EXPENDITURE											
Employee Benefits & On Costs	29,184,573	29,674,863	30,467,225	31,066,610	31,675,310	32,295,810	33,480,710	33,562,210	34,219,810	34,890,810	35,575,310
Borrowing Costs	552,391	541,825	485,347	396,146	356,348	275,869	220,816	172,942	154,765	148,180	145,110
Materials & Contracts	19,842,092	15,628,603	13,388,743	13,316,104	13,762,704	13,844,404	13,833,504	14,056,604	14,167,604	14,281,804	14,396,904
Depreciation & Amortisation	9,968,961	9,985,000	9,985,000	10,013,300	10,021,900	10,030,600	10,039,500	10,048,500	10,057,700	10,067,100	10,076,700
Other Expenses	11,604,567	12,291,237	11,590,750	11,853,200	12,142,400	12,781,500	12,954,200	13,275,100	13,607,600	14,290,300	14,301,600
Loss on Sale of Assets	3,535,399	3,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
TOTAL EXPENDITURE	74,687,982	71,621,528	68,417,065	69,145,360	70,458,662	71,728,183	73,028,730	73,615,356	74,707,479	76,178,194	76,995,624
Operating Result (Profit)/Loss	(11,631,466)	(5,949,947)	(1,996,999)	(6,055,740)	(4,951,838)	(5,108,717)	(5,260,570)	(6,169,344)	(6,627,321)	(6,754,706)	(7,576,376)
Operating Result (Profit)/Loss excluding Grants & Contributions for Capital	5,263,428	2,245,297	1,031,627	(4,862,040)	(4,750,638)	(4,907,517)	(5,059,370)	(5,968,144)	(6,426,121)	(6,553,506)	(7,375,176)

PROJECTED BALANCE SHEET FOR 10 YEAR PERIOD 2015/16 - 2025/26 LTFP 10 YEAR MODEL - SCENARIO 1 (PREFERRED CASE) - BALANCE SHEET

YEAR END	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
CURRENT ASSETS											
Cash & Cash Equivalents & Investments	38,010,156	27,357,832	26,949,670	26,164,453	27,312,037	28,215,882	29,445,503	31,471,466	34,085,016	36,896,973	40,086,650
Receivables	3,113,145	4,272,855	4,311,370	4,634,200	4,672,715	4,715,640	4,759,595	4,804,625	4,850,745	4,897,950	4,946,290
Inventories	322,930	322,930	322,930	322,930	322,930	322,930	322,930	322,930	322,930	322,930	322,930
Other	206,123	206,123	206,123	206,123	206,123	206,123	206,123	206,123	206,123	206,123	206,123
TOTAL CURRENT ASSETS	41,652,354	32,159,740	31,790,093	31,327,706	32,513,805	33,460,575	34,734,151	36,805,144	39,464,814	42,323,976	45,561,993
NON-CURRENT ASSETS											
Receivables	-	-	-	-	-	-	-	-	-	-	-
Inventories	1,270,164	1,270,164	1,270,164	1,270,164	1,270,164	1,270,164	1,270,164	1,270,164	1,270,164	1,270,164	1,270,164
Infrastructure, Property, Plant & Equipment	725,765,801	744,863,645	747,785,264	753,589,718	756,861,964	760,398,932	763,967,540	767,730,898	771,727,066	775,863,674	780,357,938
TOTAL NON-CURRENT ASSETS	727,035,965	746,133,809	749,055,428	754,859,882	758,132,128	761,669,096	765,237,704	769,001,062	772,997,230	777,133,838	781,628,102
CURRENT LIABILITIES											
Payables	(6,948,917)	(10,940,022)	(10,804,799)	(10,753,951)	(11,066,571)	(11,123,761)	(11,116,131)	(11,272,301)	(11,350,001)	(11,429,941)	(11,510,511)
Borrowings	(1,152,285)	(1,326,050)	(1,326,130)	(1,486,251)	(1,488,345)	(1,341,923)	(1,021,424)	(716,272)	(531,980)	(598,700)	(604,220)
Provisions	(8,660,940)	(8,004,223)	(8,164,307)	(8,164,307)	(8,327,593)	(8,494,145)	(8,816,923)	(8,834,557)	(9,011,248)	(9,191,473)	(9,375,302)
TOTAL CURRENT LIABILITIES	(16,762,143)	(20,270,295)	(20,295,236)	(20,404,509)	(20,882,510)	(20,959,829)	(20,954,478)	(20,823,130)	(20,893,229)	(21,220,114)	(21,490,033)
NON-CURRENT LIABILITIES											
Payables	(2,250,226)	(2,103,002)	(2,103,002)	(2,103,002)	(2,103,002)	(2,103,002)	(2,103,002)	(2,103,002)	(2,103,002)	(2,103,002)	(2,103,002)
Borrowings	(6,597,786)	(6,909,283)	(7,436,515)	(6,596,082)	(5,639,219)	(4,919,084)	(4,518,350)	(4,302,078)	(4,270,098)	(4,171,398)	(4,067,178)
Provisions	(11,398,256)	(11,381,113)	(11,383,913)	(11,401,399)	(11,386,770)	(11,404,605)	(11,392,305)	(11,404,932)	(11,395,330)	(11,408,209)	(11,398,414)
TOTAL NON- CURRENT LIABILITIES	(20,246,267)	(20,393,398)	(20,923,431)	(20,100,483)	(19,128,991)	(18,426,692)	(18,013,658)	(17,810,013)	(17,768,430)	(17,682,609)	(17,568,595)
EQUITY	(731,679,909)	(737,629,856)	(739,626,855)	(745,682,595)	(750,634,433)	(755,743,150)	(761,003,720)	(767,173,064)	(773,800,385)	(780,555,091)	(788,131,467)
BALANCE/NET MOVEMENT	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)

PROJECTED STATEMENT OF CASH FLOWS FOR 10 YEAR PERIOD 2015/16 - 2025/26 LTFP 10 YEAR MODEL - SCENARIO 1 (PREFERRED CASE) - STATEMENT OF CASH FLOWS

YEAR END	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
CASH FLOWS FROM OPERATING ACTIVITIES											
RECEIPTS											
Rates & Annual Charges	44,020,234	44,898,163	47,075,435	53,482,270	54,813,185	55,975,075	57,168,445	58,390,770	59,642,580	60,923,995	62,236,060
User Charges & Fees	8,058,494	7,414,998	7,186,788	7,608,200	7,742,600	7,880,200	8,021,300	8,166,200	8,315,100	8,467,000	8,622,900
Interest & Investment Revenue	1,514,309	886,540	849,500	698,500	678,500	707,500	729,500	760,500	811,500	876,500	946,500
Other Revenues	1,829,888	1,205,586	1,206,304	1,212,700	1,219,900	1,227,300	1,234,900	1,242,700	1,250,600	1,258,600	1,266,900
Grants & Contributions for Operating Purposes	14,001,629	22,006,478	14,057,522	11,876,600	10,917,800	11,003,900	11,091,200	11,179,500	11,268,900	11,359,600	11,451,300
PAYMENTS											
Employee Benefits & On-Costs	(29,184,573)	(30,348,723)	(30,304,340)	(31,049,124)	(31,526,653)	(32,111,423)	(33,170,232)	(33,531,949)	(34,052,722)	(34,697,706)	(35,401,275)
Borrowing Costs	(552,391)	(541,825)	(485,347)	(396,146)	(356,348)	(275,869)	(220,816)	(172,942)	(154,765)	(148,180)	(145,110)
Materials & Contracts	(19,842,092)	(11,784,722)	(13,523,967)	(13,366,951)	(13,450,084)	(13,787,214)	(13,841,134)	(13,900,434)	(14,089,904)	(14,201,864)	(14,316,334)
Other Expenses	(11,604,567)	(12,291,237)	(11,590,750)	(11,853,200)	(12,142,400)	(12,781,500)	(12,954,200)	(13,275,100)	(13,607,600)	(14,290,300)	(14,301,600)
NET CASH PROVIDED (OR USED IN) OPERATING ACTIVITIES	8,240,931	21,445,258	14,471,145	18,212,849	17,896,500	17,837,969	18,058,963	18,859,245	19,383,689	19,547,645	20,359,341
CASH FLOWS FROM INVESTING ACTIVITIES											
RECEIPTS											
PAYMENTS											
Purchase of IPP&E	(24,945,858)	(32,582,844)	(15,406,619)	(18,317,754)	(15,794,146)	(16,067,568)	(16,108,108)	(16,311,858)	(16,553,868)	(16,703,708)	(17,070,964)
NET CASH PROVIDED (OR USED IN) INVESTING	(24,945,858)	(32,582,844)	(15,406,619)	(18,317,754)	(15,794,146)	(16,067,568)	(16,108,108)	(16,311,858)	(16,553,868)	(16,703,708)	(17,070,964)
CASH FLOWS FROM FINANCING ACTIVITIES											
RECEIPTS											
Proceeds from Borrowings	-	1,718,944	1,853,362	659,600	541,100	514,600	500,000	500,000	500,000	500,000	500,000
PAYMENTS											
Repayment of Borrowings	-	(1,233,682)	(1,326,050)	(1,339,912)	(1,495,869)	(1,381,157)	(1,221,233)	(1,021,424)	(716,272)	(531,980)	(598,700)
NET CASH PROVIDED (OR USED IN) FINANCING	-	485,262	527,312	(680,312)	(954,769)	(866,557)	(721,233)	(521,424)	(216,272)	(31,980)	(98,700)
Net Increase/(Decrease) in Cash		(10,652,324)	(408,162)	(785,217)	1,147,585	903,844	1,229,622	2,025,963	2,613,549	2,811,957	3,189,677
	-					,					
Cash & Investments Opening Balance	-	38,010,156	27,357,832	26,949,670	26,164,453	27,312,037	28,215,882	29,445,503	31,471,466	34,085,016	36,896,973
Cash & Investments Closing Balance	-	27,357,832	26,949,670	26,164,453	27,312,037	28,215,882	29,445,503	31,471,466	34,085,016	36,896,973	40,086,650

INDICATOR	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Operating Performance Ratio	(0.014)	(0.002)	0.004	0.046	0.072	0.097	0.097	0.100	0.104	0.108	0.112
Own Source Revenue Ratio (%)	67.4%	67.2%	71.9%	78.6%	83.3%	85.1%	85.7%	85.8%	86.0%	86.1%	86.3%
Building & Infrastructure Renewal Ratio (%)	141.2%	188.2%	191.0%	199.2%	166.4%	170.3%	162.8%	164.1%	165.6%	167.3%	169.1%
Debt Service Ratio (%)	2.50%	2.53%	2.57%	2.53%	2.50%	2.32%	2.16%	1.84%	1.47%	1.13%	0.93%

ATTACHMENT C: COUNCIL RESERVES

Reserve	Purpose
Externally Restricted As:	sets
Domestic Waste Management	Funds received from the Domestic Waste Management Charge but not expended in the current financial year must be transferred to the Reserve to be expended in future years for this purpose. It also acts as a buffer to allow for any domestic waste management income fluctuations, rounding errors, changes in statutory charges etc after budgets are completed (e.g. Increases in Section 88 levies or tip fees) and/or bad debt provisions. It also provides a mechanism to accumulate funding for special projects (including tender renewals) and to be able to spread the associated costs over a number of years.
Environmental Stormwater Management	Funds received but not expended on stormwater management in the current financial year must be transferred to the Reserve to be expended in future years for this purpose.
Developer Contributions	The Section 94 Plans adopted by Council levy contributions for the various projects within various Section 94 Plans. Funds received but not yet expended must be placed in this Reserve to be expended in future years.
Specific Purpose Unexpended Grants	Grant funds from State and Federal Governments and other bodies received for specific purposes but not expended in the current financial year must be carried forward to the next period.

Reserve	Purpose
Externally Restricted As:	sets
Employee Leave Entitlements	To meet Council's liabilities in respect of future employee leave entitlements for staff. Funds not expended in the current financial year, must be carried forward to the next period.
Unexpended Loan Funds	Funds borrowed but not expended in the current financial year. Unexpended loan funds must be carried forward to the next financial year and be recorded separately as unexpended loan funds.
Insurance Reserve	To fund any unexpected increases in insurance costs. Also any insurance savings are transferred to this Reserve.
Information Technology Reserve	Funds allocated for the purchase of information technology hardware and software, but not completed within the current financial year and carried forward to the next period. Also includes additional transfers to this Reserve for future IT requirements.
Plant and Equipment	To fund the replacement of Council's heavy plant, equipment and vehicles.
Waste Disposal Plant, Depot and Rehabilitation	To fund the replacement of Council's waste management plant, future depot works and future rehabilitation of landfill sites.
Lawn Cemetery and Columbariums	Any surpluses from the Lawn Cemeteries operations are transferred to this Reserve for the purpose of future developments.
Bridge Replacement	Unspent funds from the Financial Assistance Grant (Bridge component) are transferred to this Reserve to supplement future bridge capital works.
Property Investment Fund	In line with Council's resolution of 17 September 2014 80% of the return on investment generated from the Property Investment Fund will be re-invested while the balance of the proceeds will be used to fund infrastructure, services and facilities in line with Council's adopted Delivery Program.
Single Invitation Contracts	Any surpluses or profits made on RMS Work Orders are transferred to this Reserve to supplement future expenditure on road infrastructure and provide funding for future warranty works should they arise.
Special Projects	Any unspent funds for minor and major projects are transferred to this Reserve to fund future expenditure on projects.
Rezoning Fees	Unspent funds received for rezoning applications are transferred to this Reserve to fund future rezoning expenses.

Section 6 Workforce Plan



this plan aims to ensure that Council employs people with the best capabilities to inform and achieve its strategic direction, develop new and innovative approaches to Council issues within the workplace and deliver Council services effectively and efficently.

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Introduction

Council's Workforce Planning is a continual process designed to ensure that the community's strategic goals, as set out in the Community Strategic Plan, are able to be met now and in the future. This plan aims to ensure that Council employs people with the best capabilities to inform and achieve its strategic direction, develop new and innovative approaches to Council issues within the workplace and deliver Council services effectively and efficiently.

The 2017-2021 Workforce Plan aims to build on the previous Workforce Plans for Cessnock City Council. A number of the strategies contained within the previous workforce plans have been implemented and can be further developed and expanded upon in this Plan. It also aims to integrate with and complement the overall Resourcing Strategy that supports the Delivery and Operational plans. A crucial element of the Workforce Plan is the evaluation of Workforce Planning from an operational through to a strategic level by informing the employee costs contained with the Long Term Financial Plan and our Asset Management Strategy with respect to the skills of employees required to ensure the sustainable renewal of Council assets. Further it aims to support an engaged, professional and committed workforce reflective of the Cessnock Community providing services to the community.



Council staff - keeping our parks clean and tidy

About the Workforce Plan

The Workforce Plan has been designed to meet the Integrated Planning and Reporting (IPR) requirements where assets, finances and the workforce are planned in an integrated manner.

An effective Workforce Plan enables Council to predict and plan its future workforce needs and identifies high level themes and provides a strategic direction and framework to guide and inform people management strategies over the next four years. It requires an understanding of the make-up and status of the current workforce, an investigation into future needs and analysis of the type and size of workforce to meet them. Consideration also must be given to industry related matters, labour market supply and demand issues, skill shortages, ageing workforce, Council demographics, attracting and retaining a diverse workforce, improving productivity and creating a contemporary workplace. The Workforce Plan has been developed to include appropriate strategies and actions taking into consideration the matters raised above.

One of the most significant challenges is for Council to minimise its employment costs whilst still ensuring it has the appropriate current and future resources to meet the community's desired needs and operational objectives.



Council's Values and Organisational Improvement Initiatives

During 2015 Council undertook the process of engaging with staff to develop organisational values and behaviours. The process involved two all staff workshops where staff were provided the opportunity to contribute their thoughts and ideas on the organisational values, with the final five values and subsequent behaviours being announced in November 2015. The values have been incorporated into Council's branding, recruitment and selection process and have been embraced throughout the Council.

Integrity

- We are open, honest and transparent
- We build trust

Respect

- We treat people fairly and consistently
- We respect others' views, ideas and opinions

Teamwork

- We work as one to get the job done
- We work together with our community

Accountability

- We are committed to safety in all we do
- We take ownership of our decisions and actions
- We are accountable to our community

Excellence

- We strive to do it once and do it right
- We take pride in our work
- We strive for efficiency and innovation

OI Cessnock

In 2015 a group of volunteer members of staff were formed from across the organisation to analyse and action issues identified in the most recent staff survey results. The group named themselves Organisational Improvement Cessnock, that is, Oi Cessnock.

The group undertook further analysis of the five key themes identified as most important from staff and those which required improvement across the organisation:

- communication
- consultation
- managing workplace stress
- keeping skilled employees, and
- trust

Over 22 sessions were held with staff across the organisation where there was an opportunity to discuss the themes in more detail as well as hear staff's opinions on strategies and actions to improve Council's workplace. An action plan has been developed with a number of the improvement initiatives in development or underway.



Directorate Functions

General Manager	Works and Infrastructure	Planning and Environment	Corporate and Community Services
Mayor and Councillors	Roads	Development Assessment	Governance
General Manager	Bridges	Development Engineering	Information Technology
Executive Support - General Manager and Mayor	Drainage Design	Building Assessment and Certification Services	Plant and Fleet Purchasing
Economic Development	Footpaths	Business Support	Records
Visitor Information Centre	Asset Maintenance	Environmental Health	Depot Services
Human Resources	Strategic Asset Management	Rangers	Finance
Media and Communication	Parks and Open Space	Strategic Landuse Planning	GIS
Internal Audit	Sport and Recreation	Section 94	Building Maintenance
	Recreation Planning	Planning Proposals	Corporate Administration
	Swimming Pools	Natural Resources	Property (Leases and Licensing)
	Cycleways	Land Development (Council Land)	Libraries
	Waste and Environmental Management	Environmental Planning	Cessnock Performing Arts Centre
	Cemeteries	Integrated Planning	Youth Services (CYCOS)
	Noxious Weeds	Strategic Planning	Seniors Services
	Emergency Management	Cessnock Aerodrome	Early Childhood
			Community Services
			Arts and Culture
			Social Planning
			Customer Services

Workforce Profile

Geographically, Cessnock City Council is situated within 30 – 60 kms travelling distance from six neighbouring councils including: Lake Macquarie City Council and Newcastle City Council which are two of the largest local government employers in NSW.

Council employees work across a number of locations within the Cessnock Local Government area (LGA) and as at December 2016 approximately 63% of council's workforce live in the LGA. Those that live outside the LGA are predominately travelling from the Newcastle, Lake Macquarie and Maitland LGA's.

Employment Profile (including FTE)



Full Time Equivalent (FTE)



Council's workforce consists of permanent, temporary and casual staff and this combination allows the flexibility required to respond to the needs of our community. Casual staff at Council are usually engaged on an 'as needs' basis, in areas such as administration and cleaning.



% of Workforce 46.56% 53.44% Female Male

Age Profile



Length of Service



% of Workforce

- 1.32% Aboriginal or Torres Strait Islander
- ^{1.32%} Minority Group
- 2.12% Non English Speaking Background

EEO Statistics

Council has been capturing EEO data from its employees since 2014. Over time Council will be able to analyse trends relating to the EEO data. Aboriginal and Torres Strait Islanders people made up 4.8% of the total population, whereas Council data indicates only 5 employees (or 1.32% of the total workforce) identify as Aboriginal and Torres Strait Islander. Initiatives and strategies such as those identified in this plan and contained within Council's RAP will hopefully have a positive impact on the number of employees recruited at Council that identify as Aboriginal or Torres Strait Islander to better reflect our community.

Just over 15% of Council's employees have over 20 years of service. This figure has reduced by approximately 6% since the previous workforce plan. When combined with the Council's age demographic where over 54% are aged 45 and over, this indicates that a number of employees will be considering retirement in the next 5 to 10 years. Council must focus on its succession planning particularly in critical and hard to fill positions and supporting its staff into retirement without impacting on Council's operations.

Staff Turnover

Council's current level of staff turnover is 8%. Although this has increased in recent years, it is still slightly lower than local government benchmarks of Median 9.38% from 2016 NSW Local Government HR Metrics Benchmarking . Low turnover is not necessarily a concern for Council as a low turnover does allow Council to maintain consistency in the workforce and develop more skilled employees. However, low turnover has the potential to lead to a lack of innovation and continuous improvement. Council will continue to monitor turnover as part of the HR Metrics Reporting.

Staff Turnover - % of Workforce



Location of Staff 2%_0%_1% 3% Central Coast Cessnock 11% Dungog Lake Macquarie Maitland **Newcastie** 11% Port Stephens Singleton 63% 1% Other

Workforce Strengths

Workforce Flexibility

Council is committed to and understands the importance of assisting all of its employees to achieve a work life balance. Council is committed to introducing policies and initiatives that create a work/ life balance for our employees whilst still meeting the operational requirements of the Council and ensuring community expectations are met. Initiatives such as career breaks, phased retirement, a range of flexible working hours arrangements, and purchased annual leave provide our employees with a supportive environment to enable them to manage the demands of their work and personal life and balance their effectiveness at work.

Learning & Development Opportunities

Council is strongly committed to providing ongoing opportunities for learning and development for our employees. This commitment has been enhanced in recent years with a range of professional and personal development opportunities being offered to staff of all levels including the piloting of a leadership program in Council's Works and Infrastructure Directorate. These programs compliment Council's existing compliance training, professional development and study assistance programs offered.

Council has been dedicating time and resources to address one of the strategies from the previous workforce plan being to attract younger job candidates and focus on employing apprentices and trainees. This has resulted in Council hosting and employing apprentices in our outdoor workforce in trades such as horticulture, bridge carpentry, mechanical and painting. Further Council has recently commenced a program of employing school based trainees including a position funded through the Elsa Dixon Aboriginal Employment Program.

¹ LGNSW HR Metrics Bencharking Survey - 2015-16

Wellbeing@Work

Wellbeing@Work is a Council initiative bringing together a range of wellbeing initiatives and programs offered at Council. It includes the following:

- Healthy at work Including Councils Health and Wellbeing Policy, Corporate Fitness Program (Fitness Passport), Smoke Free Workplace support, Flu Vaccination scheme, and a range of links to resources relating to health and wellbeing.
- 2. Workplace Contact People Council's workplace Contact People are Council employees who volunteered and are trained to be there for other Council staff as a first point of call if staff are faced with a harassment or bullying issue. The Workplace Contact Persons' role is to provide information on the options that can be taken when working through an issue.
- 3. Employee Assistance Program (EAP) The EAP is a free, confidential, completely independent counselling service provided to employees and their families who may be experiencing personal difficulties.
- Work Health and Safety Council has an established Work Health and Safety Management System (WHSMS) and in recent years has dedicated significant time and resources to safety across the organisation. Council has recognised Work and Health and Safety as one of its high level

corporate risks and in 2016 introduced a Strategic WHS Committee with members from of the Executive Team, WHS Committee Chair and WHS Council officers.

This improved focus has lead to an improved safety culture and in 2016 Council participated in its first National Safe Work Month. National Safe Work Month at Council included a range of activities such as health checks, skin checks, mental health initiatives and a guest presentation from Darren Flanagan, an explosives expert who played a critical role in the rescue of two miners from the Beaconsfield mine disaster.

5. Employee Giving – Council offers a range of initiatives to allow staff to contribute to charities via donations both through payroll deduction and monthly out of uniform days.

EEO and Workplace Diversity

Council is committed to providing a safe and productive work environment that is free from harassment and bullying and promotes the principles of managing diversity. Any form of harassment and bullying is unacceptable and isn't tolerated under any circumstances. Council supports human rights in the wider community and will not tolerate discriminating or harassing behaviour. Council expects all workers to behave in a professional manner, and to treat each other with dignity and respect. It is the responsibility of all workers to take all possible care to ensure a working environment that is free from discrimination and harassment and that at no time is Council's stance on discrimination and harassment compromised.

Council keeps abreast of legislative and industry changes in the area of EEO and Diversity and undertakes regular reviews of Human Resource policies, practices and processes to ensure that EEO principles are applied accordingly and that our policies are relevant and legislatively compliant.

Workforce Metrics

Council's ability to understand and analyse our workforce has been significantly improved since the previous workforce plan, with the development of quarterly HR metric reporting. This has greatly assisted the leadership team to understand the workforce issues and manage staff matters.

Hunter Expressway

The completion of the Hunter Expressway in 2014 has improved the connectivity of Cessnock not only as a region for the Council but as a place of employment.

Workforce Issues Identified

Succession Planning & Aging Workforce

As demonstrated in the workforce statistics shown earlier in this report, Council has an ageing workforce and will need to manage this issue strategically into the future. Further, the ageing workforce has been identified by Council's executive team as one of its high level corporate risks. Whilst having an older workforce can actually have a significant number of benefits such as lower turnover rates, recruitment costs, training and induction expenses, higher corporate knowledge and skills, in the longer term it creates challenges for Council particularly in physically demanding positions and in loss of knowledge and skills. In order to better manage this issue a significant succession planning project needs to take place across the organisation. This project will need to consider targeted retention strategies in particular work function areas and positions, a knowledge management process, management of ageing related health issues and succession planning processes.



Customer Service staff

Attracting & Retaining Young People

Whilst Council has made significant improvements in the number of young people it employs with an increase from approximately 4% of the workforce in 2013 to now over 6%, there are still further improvements to be made.

Council's new electronic recruitment system has made applying for Council positions more easily accessible to young job candidates. In addition Council now ensures all externally advertised positions are also advertised on social media platforms including Linkedin, Facebook and twitter.

Internal Skills Gaps

As discussed above, as many of Council's workforce will soon be approaching retirement age, Council may face challenges in knowledge and skill transfer and filling these skill and employment gaps as our older staff leave the workforce. Council's younger staff are less likely to have the acquired skills and experience necessary for promotion into more senior positions and/or managerial roles, which further highlights the need for ongoing succession planning.

Such internal skills gaps may be able to be filled internally, in some cases by the acquisition of relevant tertiary qualifications and on-the-job training, mentoring and experience.

Critical Position Shortages

Council has a number of positions that are considered critical either due to the role being difficult to fill or due to the position being critical to the ongoing function of Council's operations. The succession planning project will need to record and review these people and positions in consultation with managers and the executive. Positions considered critical to the organisation are at all levels of the organisation and may include both outdoor and indoor positions, not just at management and senior level. They may be considered



critical for various reasons, for example, community/ customer demand, the specialist nature of a position, and the particular skills and knowledge requirements of the position incumbent.

Some of the positions Council has had difficulty in attracting and retaining high quality candidates in recent years include:

- Building Surveyors
- Design Engineer
- Asset Engineer
- Traffic Engineering Officer
- Senior Planning Assessment Officer
- Revenue Officer (Debt Management)
- Senior Revenue Officer

Council is not unique in having difficulty in attracting and retaining Building Surveyors and Engineers with this being recognised as a national and local government industry issue.

Workforce Opportunities

Mobile Technology Improvements to Increase Productivity

Council has an opportunity to significantly improve the efficiency and productivity of its workforce by further developing its utilisation of mobile technology in a range of areas at Council. Council has already taken steps to improve the use of mobile device technology in the works and infrastructure team which has allowed employees to better communicate with each other, be more productive, not be tied to a single location and make better use of company resources. Council is also working on various system improvements which will enable use of Council systems on mobile devices such as a new WHS online tool.

Implementation of a Performance Management module as a component of a Corporate/ Integrated Planning System

Council's performance reporting and performance management could be greatly improved and enhanced by the use of a corporate or integrated planning system for Council that contains a performance management component that allows actions, responsibilities, performance, and reward and recognition to be linked to responsibilities contained within Council's Community Strategic Plan, the Delivery Program, and Operational Plans.

Service Improvement Projects

Council is in the process of undertaking a number of service improvement projects. These projects offer the opportunity for Council to improve a range of areas for example processes, systems, work methods and financial improvements. The recommended actions that arise as a result of the project may have an impact on Council's workforce needs.

Organisational Restructure

Council is currently undertaking a review into its organisational structure as required by the Local Government Act. This review will provide an opportunity to improve the structure to provide better services to our community, and ensure our structure satisfies the outcomes of the Community Strategic Plan and a structure that increases Council's financial stability.

Action Plan

Workforce Planning Strategies

In order to address the challenges and opportunities faced by Council in resourcing the Community Strategic Plan, this workforce plan identifies four key objectives and a number of associated strategies and actions that will be implemented to ensure Council is resourced appropriately and in a sustainable manner.

Objective 1: Attracting and retaining highly skilled and qualified staff

This will support the Delivery Program objective:

• Making Council more responsive to the community.

	Strategy	Action
1.1	Attract and retain young workers	 a. Continue to explore opportunities to employ and engage young people in entry level training programs such as apprenticeships and traineeships. b. Develop a Graduate and Trainee program at Council with particular focus in areas of skills shortages (such as engineering) and future skills requirements (such as finance). c. Explore the availability of funding opportunities for scholarships and to support workforce skills development for young people. d. Continue with work experience placements which promote the career opportunities and pathways available at Council. e. Continue to develop relationships and links with local high schools, universities and technical colleges to promote school based traineeships and the career opportunities and pathways available at Council. f. Survey employees under 34 years for information on what is important to them in their employment at Council. This information can be used to develop strategies to assist in retaining these younger employees.
1.2	Retention of mature aged workers	 a. Further develop Council's options relating to phased retirement including offering a range of flexible work options to staff approaching retirement and establish a structured process for individual phased retirement plans. b. Develop strategies to manage employee fitness for work and proactively address issues associated with an aging workforce. c. Survey employees 45 years and older for information on what is important to them in their employment at Council. This information can be used to develop strategies to assist in supporting and managing Councils older employees.
1.3	Succession Planning	 a. Research and develop a succession management framework which ensures succession plans are developed for all senior and critical positions. b. Undertake a workforce review to identify at risk areas and positions in relation to succession planning and skill and knowledge loss at all levels of the organisation. c. Analyse positions across the organisation held by key employees and analyse age profiles to identify possible key employees retiring in the next 5 years. d. Create a pool of experienced people who have retired but are willing to work during peak periods or on specific projects or for leave coverage. e. Consider the health related issues of an ageing workforce and include strategies in Council's Wellbeing @Work program to address these issues.

Objective 2: Creating a culture of learning and continuous improvement

This will support the Delivery Program objectives:

- Fostering and supporting community leadership.
- Making Council more responsive to the community.

	Strategy		Action
2.1	Undertake a skills audit and gap analysis	a.	Implement training strategies to identify and address current and anticipated skill gaps within Council's workforce.
2.2	Provide internal development opportunities	a. b.	Encourage and provide opportunities for staff to act at higher levels by regularly advertising internal promotional opportunities and other short term vacancies. Support career development opportunities within Council and facilitate secondments between Councils.
2.3	HR Metrics Reporting	a.	Continue to capture and analsyse data and reporting protocols to ensure appropriate and timely staffing information is available to managers and supervisors.
2.4	Leadership Development and Professional Capability	a. b. c. d. e.	Promote participation in the performance review process, which involves a structured approach to individual development and training plans. Increase the utilisation of study assistances in non-traditional roles at Council. Increase staff access to leadership and management training by continuing to develop the leadership program that is being piloted at Council. Continue to build the capacity and the skills of our existing management and senior Staff. Develop and implement a coaching and mentoring program across the organisation.
2.5	Service Improvement Projects	a.	Respond to service improvement projects as required and implement agreed actions resulting from the projects.
2.6	Organisation Restructure	a.	Implement any changes to the organisational structure as adopted by the Council or the Executive in accordance with the Local Government Act and Local Governement (State) Award and any relevant legislation or organisational policy.

Objective 3: Creating a Diverse Workforce

This will support the Delivery Program objectives:

- Promoting social connections.
- Making Council more responsive to the community.

	Strategy		Action
3.1	Workforce Diversity Strategy	a.	Develop a workforce diversity strategy to strengthen the representation, at all levels of the organisation of identifiable groups within the community including those with a disability, youth, women, Aboriginal and Torres Strait Islander and people from non-english speaking background. In developing the strategy consider the statistics of the organisation currently as compared to the demographics of the Cessnock Local Government area more broadly and consider trying to better reflect our community.
		b.	Include within the plan strategies that provide for consideration to be given of whether positions, as they become vacant are suitable for redesign for part time or job share employment or other flexible work arrangements – to suit women, mature workforce, Aboriginal and Torres Strait Islander positions or people with a disability.
		C.	Ensure existing policies and strategies to address discrimination, harassment and bullying in the workplace are effective and reinforce a culture of acceptance and tolerance for all staff.
3.2	Disability Inclusion Action Plan	a.	Ensure the strategies and actions contained within the Disability Inclusion Action Plan are delivered.
3.3	Reconciliation Action Plan	a.	Ensure the strategies and actions contained within the Reconciliation Action Plan are delivered.
3.4	EEO Management Plan	a.	Review and update Council's EEO Management Plan.

Objective 4: Creating a Contemporary Workforce that is an Employer of Choice

This will support the Delivery Program objective:

• Making Council more responsive to the community.

	Strategy		Action
4.1 Work Practices a. Continue to offer best practice flexible work and leave arrangements.			Continue to offer best practice flexible work and leave arrangements.
		b.	Regularly monitor and review the appropriateness of existing policies.
		C.	Continue with the implementation of the remuneration, job evaluations and performance management systems ensuring best practices.
		d.	Continue to benchmark Council salaries against the market to ensure market competitiveness.
		e.	Regularly conduct research of 'best practice' in a range of employment areas such as career diversity, professional and personal development, work life balance, reward and recognition, flexible work arrangements and practices etc.
4.2	Mental Health Initiative	a.	Continue with the development and implementation of the Mental Health Initiative across Council and the associated actions as developed by the staff led Mental Health Work Group.
4.3	Promotion of Council as an	a.	Develop an attraction and retention strategy that includes marketing the benefits of working for Council by development of promotional material to hand out to job candidates, school advisors, tertiary institutions etc.
	Employer of Choice	b.	Continue to market the benefits of working for Council via the website and job advertisements.
		C.	Participate in interivews, presentations, careers days and attend various forums to promote Council.

REVIEW

The workforce plan will be reviewed and where necessary updated and adjusted to align the existing workforce with changing internal and external influences.

