Building and Infrastructure Renewal Ratio

What are we monitoring?

The ratio is an indicator of the Council's ability to fund the renewal of built infrastructure including road, drainage and building assets, relative to the amount of funding projected to be required from depreciation expenditure requirements.

The calculation of the Building and Infrastructure Ratio is annual built assets renewal expenditure divided by annual depreciation expenditure and it is measured as a percentage.

To meet the NSW Office of Local Government's benchmark the Council must ensure it achieves a greater than 100% Building and Infrastructure Ratio.

The Council has set Building and Infrastructure Ratio targets through its Long Term Financial Plan (LTFP) so that by 2019–2020 the Council maintains the greater than 100% benchmark level. The graph and table below show the Council's progress through the actual results compared to the predicted results set in the Council's LTFP and Delivery Program. The prediction for 2012–2013 came from the 2010–2013 Delivery Program and the predicted results thereafter were informed by the LTFP 2013–2023.

What is the trend?

The trend for the Building and Infrastructure Ratio has been well below the benchmark of 100%, however, the Council's asset and financial strategies within its Resourcing Strategy and the Council's commitment to increasing funding of asset renewal to meet the NSW Government's Fit for the Future benchmark of 100% within 10 years, should see this ratio improve over the next 10 years.

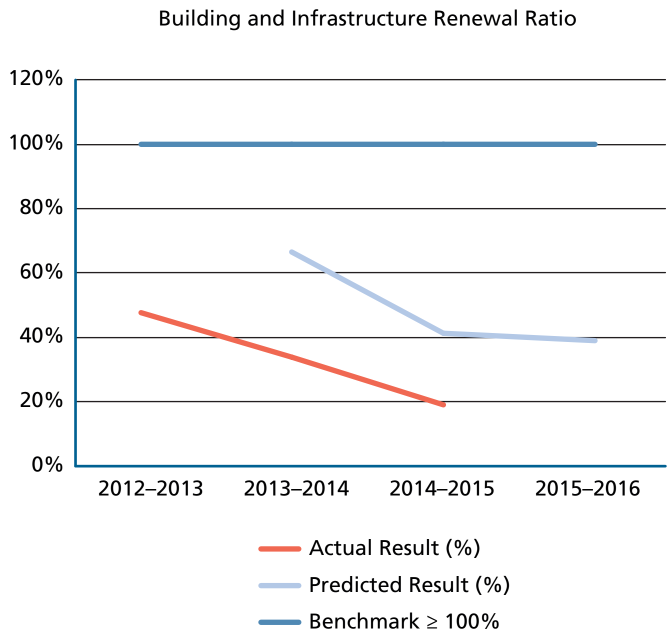
The deterioration in the ratio reflects the underfunding of required asset renewal of the Council's $1 Billion worth of assets for many years due to financial challenges such as costs rising faster than revenue, constraints on revenue generation, costs shifting from other levels of government and other factors unique to the city such as duplicated services, the size of the Council's asset portfolio, the Council's stewardship role in managing impacts on World Heritage environment, management of emergencies and bushfires, demands for increasing service levels and limited opportunity for increases in rateable properties.

Key strategies to improve the ratio include:

- Implementing the Council's Asset Management Improvement Plan (AMIP) with particular focus on targeting funding to addressing high risk asset renewal and improving asset information / data informing strategic and operational asset management; and
- Continued maturity of the Council's Financial Asset Register so that it guides better decisions on asset renewal expenditure.

Why is monitoring this trend important?

The ratio is a key indicator of the Council's financial sustainability and assesses whether the Council is renewing its assets in a timely manner. It is also a key Fit for the Future local government measure.



Blue Mountains City Council Building and Infrastructure Renewal Ratio

Year	2012–2013	2013–2014	2014–2015	2015–2016
Actual Result	47.67%	33.98%	19.06%	N/A
Calculated by: Asset Renewals (building and infrastructure) ($'000) divided by:	4,424	3,672	2,269	N/A
Total value of Depreciation (building and infrastructure) ($'000)	9,280	10,806	11,906	N/A
Predicted Result	N/A	66.47%	41.30%	39.00%
Calculated by: Asset Renewals (building and infrastructure) ($'000) divided by:	N/A	14,534	8,409	7,593
Total value of Depreciation (building and infrastructure) ($'000)	N/A	21,866	20,360	19,471
Benchmark ≥ 100%	100%	100%	100%	100%

Source: BMCC Resourcing Strategy 2013–2023 for 2013–2014, 2014–2015 and 2015–2016 Predicted Results, noting that 2012–2013 Predicted Results are not available, BMCC Annual Reports 2012–2013, 2013–2014 and 2014–2015 for Actual Results, noting that the 2015–2016 Actual Results will be available in November 2016 after they are audited and adopted by the Council