

Template 2

Fit for the Future

Council Improvement Proposal

(Existing structure)



Office of
Local Government



Getting started . . .

Before you commence this template, please check the following:

- You have chosen the correct template – only councils that have sufficient scale and capacity and who do not intend to merge or become a Rural Council should complete this template (Template 2)
- You have obtained a copy of the guidance material for Template 2 and instructions for completing each question
- You have completed the self-assessment of your current performance, using the tool provided
- You have completed any supporting material and prepared attachments for your Proposal as PDF documents. Please limit the number of attachments and ensure they are directly relevant to your proposal. Specific references to the relevant page and/or paragraph in the attachments should also be included.
- Your Proposal has been endorsed by a resolution of your Council.

Council name: AlburyCity

Date of Council resolution endorsing this submission: 9 June 2015

1.1 Executive Summary

Provide a summary (up to 500 words) of the key points of your Proposal including current performance, the issues facing your council and your planned improvement strategies and outcomes.

AlburyCity is Fit for the Future and has the scale and strategic capacity to be fit for the future as a stand-alone Council. AlburyCity has addressed the NSW Independent Local Government Review Panel's 'key elements of strategic capacity' and this is further supported by a credible improvement action plan addressing the financial benchmarks set by the panel.

AlburyCity has a commitment to, and ongoing focus on service delivery review and efficiency, asset renewal and maintaining appropriate levels of debt. With a robust revenue base and a consistently high percentage of own source revenue, our Council has a lesser reliance on grants and other contributions for source funding. Albury is a major regional centre with a large catchment, and AlburyCity's diverse operations are further sustained from its commercial businesses and regional facilities including the Albury Airport, Waste Management Centre, Glenmorus Gardens (cemetery/crematorium), Water and Sewer services, Waterview Laboratory and other facilities including sports stadiums and sporting fields.

Undertaking the Fit for the Future process is consistent with the culture of AlburyCity as a continuous improvement organisation. The improvement action plan provided within this proposal has allowed Council to succinctly outline a strategically planned improvement process consistent with the way we do business. The implementation of the improvement action plan will connect

AlburyCity's financial, asset and infrastructure planning, while considering the community priorities of our Community Strategic Plan - *Albury 2030*. The completion of the forty-two Service and Efficiency reviews which commenced prior to the Fit for the Future announcement will serve as the main driver to provide AlburyCity with a sustainable pathway for the future. Importantly, our long term investment and commitment to asset management ensures we are spending the right money at the right time based critically on the condition of our assets. The success of this condition based approach is highlighted by independent road assessments (Moloney 2010 and 2013) which compliment AlburyCity on its management of road infrastructure.

We acknowledge the threats to our organisation, including cross-border anomalies legislation, competition from our Victorian neighbour in Wodonga, declining Financial Assistance Grants (declining support from other levels of government), capped rates, cost shifting, increasing unemployment and a potential merger with the resulting inability to maintain level of service or funding for infrastructure. However, consider the opportunities provided by our location on the main transport corridor between Sydney and Melbourne, our partnership with Wodonga to be the 20th largest City in Australia, ongoing growth potential, affordability, tourism and lifestyle, and the greater opportunity for regional service delivery through the proposed Joint Organisations – as just a few of the many reasons AlburyCity can look toward a positive and sustainable future.

1.2 Scale and Capacity

Does your council have the scale and capacity broadly consistent with the recommendations of the Independent Local Government Review Panel?

(ie, the Panel did not recommend your council needed to merge or become a Rural Council).

Yes

If No, please indicate why you are not proceeding with a voluntary merger or creation of a Rural Council as recommended by the Independent Panel and demonstrate how your council has scale and capacity (up to 500 words).

The Local Government Review Panel listed Albury under **Group E: Other potential mergers to consolidate major regional centres**. Specifically the options for Albury stated 'Council in Upper Murray JO or merge with Greater Hume (part or all). This was not a 'preferred option' (in bold text) provided by the Panel. AlburyCity considers it has the scale and strategic capacity to be fit for the future as a stand-alone Council and has addressed the NSW Independent Local Government Review Panel's 'key elements of strategic capacity'. This is further supported by the achievement of the majority of the financial benchmarks set by the panel.

In 2013 TCorp assessed AlburyCity's financial sustainability rating as moderate, with a neutral outlook. **AlburyCity has a robust revenue base with a consistently high percentage of own source revenue - demonstrating a lesser reliance on grants and other contributions for source funding**. In total, AlburyCity meets six of the seven benchmarks set for the Fit for the Future process, and is presenting a credible improvement proposal. As a major regional centre with a large catchment, AlburyCity's

diverse operations are further sustained from its commercial businesses and regional facilities including the Albury Airport, Waste Management Centre, Glenmorus Gardens (cemetery/crematorium), Water and Sewer services, Waterview Laboratory and other facilities including sports stadiums and sporting fields.

Due to a positive operating budget, AlburyCity has discretionary spending capacity. **Council's scale and diverse functions demonstrate AlburyCity has the skilled staff, knowledge, and expertise to implement major projects, and has the ability to work alone or as a joint venture.** Other major projects include the Albury Airport redevelopment, Library Museum, Nexus Precinct Infrastructure Project, Murray River Experience, Volt Lane development, Albury Art Museum, Central Business District upgrades, Cultural Precinct enhancement, Lavington Sports Ground, Waste Management Centre and the associated Methane Gas project, and major upgrades of Water and Sewer infrastructure to service a growing regional capital city.

As a large and diverse entity, AlburyCity has a developed a workforce that is highly skilled, fully engaged, adaptable and includes a variety of specialised functions and roles. The extensive diversity of function of AlburyCity coupled with the multiskilling of our internal workforce provides flexibility and responsiveness as well as efficient service delivery. For example, our scale and capacity allows effective strategic planning in infrastructure development where water and wastewater projects can be aligned with transportation projects to minimise disruptions, costs and resource allocation.

The organisation has a strong commitment to ensuring a sustainable workforce, demonstrated by our trainee program which sees around 10% of employees engaged in trainee/apprentice positions. This program allows these individuals to readily transition into permanent roles within AlburyCity or elsewhere in the local government sector.

Recently, AlburyCity has taken on some new organisational functions, including Tourism and Sustainability & Environment. The success with which this occurred is further indication of our capacity to maintain a professional and diverse workforce that is capable of the growth and flexibility needed to deliver on the community's aspirations within our Community Strategic Plan.

AlburyCity is a continuous improvement organisation and this is underpinned by the values and guiding principles of the organisation. 'Courage and passion', 'innovation' and 'working together' plus the overarching guiding principle of 'Red Carpet, Not Red Tape' ensures the organisation remains true to the achievement of community aspirations in a culture of innovation and creativity. Award and citations include the 2011 Communications Award for the Red Tape Campaign, the NSW Aboriginal Local Government of the Year, the 2011 Write Around the Murray Festival, the 10-year Urban and Public Art Strategy and the multi award winning community wood fired oven. As a visionary organisation, AlburyCity looks to the future in its design of community infrastructure. Examples include the award winning LibraryMuseum, the Yindyamarra Sculpture Walk and more

recently the new Murray Art Museum Albury.

Underpinning AlburyCity's values is the commitment to realising the community's aspirations through *Albury 2030*, and the integration of strategies through the Integrated Planning and Reporting framework. This is demonstrated through the annual Operational Plan and Four-year Delivery Program, to the long term strategies such as the Thurgoona Wirlinga Structure Plan. Every strategic action identified in the Community Strategic Plan has a direct link to projects in the Four-year Delivery program and Operational Plan. Through this, the Albury community can see how Council is working towards achieving community goals, now and well into the future. The resourcing strategy shows that Council has the resources to provide services, infrastructure and growth for future sustainability.

As the largest city in the region, AlburyCity is considered a key regional stakeholder and is represented on many regional forums including Riverina and Murray Regional Organisation of Councils (RAMROC), Alliance of the Councils and Shires of Upper Murray (ACSUM), Murray Regional Waste Management Group, Riverina Regional Cities Group, Murray Region Tourism, Murray Catchment Management Authority and Local Emergency Management Committees. **Regional collaboration has seen significant achievements** including waste contracts between NSW and Victorian councils running for 20 years, the RAMROC Regional Waste Plan, the Evocities collaboration with six other councils, the development of the Local Emergency Management Centre and the launch of a new destination brand for Albury/Wodonga. Operating as the regional centre also requires AlburyCity to undertake a diversity of functions and therefore affords Council broader exposure to a range of government departments. **Council is actively sought out to partner both Federal and State Governments because it has the skills and capacity to deliver a range of services.** Agencies include Roads and Maritime Services, Destination NSW, the Environmental Protection Authority, the Department of Planning, the Office of Environment and Heritage and Crown Lands. Further to this, links to the state plan are identified in *Albury 2030* and achievements of *Albury 2030* outcomes will in turn help achieve the goals of NSW 2021.

AlburyCity is well resourced to cope with complex and unexpected change as evidenced in response to previous boundary changes in 2004. The council has strong business continuity and disaster recovery plans, and a flexible, skilled and adaptable workforce. There is currently a Service and Efficiency Review program (internally resourced) underway which is not only achieving operating and budget efficiencies, but also developing skills to prepare staff for future change. **Political and managerial leadership is high with both councillors and management staff representing AlburyCity on a number of local government boards and varied regional forums.** Council's Mayor is Deputy Chair of RAMROC, AlburyCity's General Manager is a Museum and Galleries NSW Board member; Directors represent AlburyCity on the Local Emergency Management Committee,

Murray Region Tourism, RAMROC Engineers Group; senior staff and councillors on the Australian Airport Association and Joint Regional Planning Panel; and the General Manager and Mayor representing AlburyCity at the Country Mayors Association and the NSW Inland Forum.

AlburyCity has the scale and strategic capacity to stand-alone, and is well placed to take a lead role within a structured Joint Organisation (JO). This capacity extends beyond the strategic planning, inter-governmental collaboration and regional leadership, advocacy areas, which are the primary focus of JO's, to building the strategic capacity of its members and exploring and implementing service delivery options. A wide range of services could be delivered through collaborative arrangements across a Joint Organisation including but not limited to information technology, procurement, economic development, libraries, land-use planning and risk management. Through economies of scale in the delivery of some services, community needs and aspirations can be achieved in the most cost efficient manner.

2. Your council's current position

2.1 About your local government area

Explain the key characteristics of your local government area, your community's goals and priorities and the challenges you face in the future (up to 500 words).

You should reference your Community Strategic Plan and any relevant demographic data for this section.

Albury is a modern, vibrant city on the northern banks of the Murray River in the Riverina region of south-eastern New South Wales. Located 300 kilometres north-east of Melbourne and 570 kilometres south-west of Sydney, the city covers 306 square kilometres and has a population of 49,655 (*ABS Estimated Resident Population, June 2012*). When combined with the population of Wodonga, Albury's Victorian neighbour, the twin cities are home to around 90,000 people and service a broader regional population on 170,000.

Albury's economy is diverse and resilient. It is the major manufacturing, retail, commercial, health, education and cultural centre for the region. Most recent figures show Albury's Gross Regional Product (GRP) is valued at \$2.9 billion and Output (Gross Revenue) is \$6.02 billion. Albury's major industry sectors are the Manufacturing, (\$1.586 billion) Construction, (\$610 million), Real Estate (\$551 million) and Public Administration and Safety sectors (\$401 million). There is a high level of business confidence in Albury with around 7,000 local businesses of all sizes contributing to Albury Wodonga's combined Gross Regional Product of approximately \$5 billion.

Public and private sector investment in the city is strong, with new development in Albury exceeding \$134 million per annum. AlburyCity is investing \$10.5million in a new Art Museum that will house the largest public exhibition space in NSW outside Sydney and reposition Albury as a major cultural destination. It is anticipated that the development will deliver \$27.6 million in local economic benefits, and an additional \$9.66 million boost to the visitor economy after the first year of operation. The \$65million Albury Regional Cancer Centre project commenced in 2013 and will provide services for the wider regional population.

Confidence in Albury as a significant regional hub is evidenced by the number of national and international businesses that have based their headquarters here, including Malibu Boats, Telstra Countrywide, Norske Skog Paper Mill, Mountain H2O, Overall Forge and the Australian Taxation Office.

Albury has a strong education sector, attracting students both nationally and internationally. Charles Sturt University in Albury provides 3,500 students with a range of business, information technology, environmental, educational and allied health courses, Latrobe University has a campus in Wodonga, the Riverina Institute of TAFE's Albury campus continues to grow its reputation as a high quality education provider, while Wodonga TAFE is recognised as an industry leader offering a vast range of technical training.

In 2012, Albury reviewed its Community Strategic Plan – *Albury 2030*. The review included extensive community and stakeholder consultation to determine aspirations for the future, and ways to help achieve these aspirations. AlburyCity's four year Delivery Program and Resourcing Strategy seek to demonstrate to the community how council will work towards the achievement of the community goals. *Albury 2030* is based on four themes addressing the quadruple bottom line of social, environmental, economic and civic leadership issues. There are aspirational outcomes to be achieved throughout each theme and strategic actions integrating with outcomes from more than one theme.

The five top outcomes (in order) that received community feedback during the review were:

1. Improve visitor and residents' experiences
2. Albury offers a diverse range of facilities and activities for all ages
3. Increase tourism to Albury and the surrounding region
4. Reduce Albury's ecological footprint and
5. An integrated transport network for Albury

AlburyCity uses the community's priorities as a basis for future projects and decisions, and this is evidenced through direct links from the four-year Delivery Program to *Albury 2030*.

2.2 Key challenges and opportunities

Strengths	Weaknesses
<ul style="list-style-type: none"> • Positive organisation culture with a 'can-do' attitude, outcome focused • Red carpet not red tape philosophy • Recognised as an employer of choice – flexible work arrangements, work-life balance, investment in professional development • Grow our own traineeship program • Highly skilled workforce, specialist professionals • High level of ongoing staff engagement • Community strategic plan with robust community engagement • High level of own source funding with a broad income base • Own water supply and sewerage services • Low average water bill and waste management charge • Broad asset base and income generating businesses • Relatively low infrastructure backlog • Ongoing productivity improvements through the Service and Efficiency Review program 	<ul style="list-style-type: none"> • Lack of recognition at state level for funding. • Relatively high average ordinary rate assessment • Large catchment utilises city services, but don't contribute financially • Funding future expansion, meeting population growth demands, while at the same time maintaining existing infrastructure • Cross border issues and anomalies as a result of sitting on the Border or NSW and Vic

Opportunities	Threats
<ul style="list-style-type: none"> • Regional leader 20th largest regional city in Australia (in partnership with Wodonga). • Strategic location - situated centrally within the Sydney–Melbourne–Adelaide triangle, home to 75% of Australia's population. • A transport and logistics hub with direct rail, road and air access to national ports. • Room to grow - future urban expansion will be to the east and north of the existing residential areas. Growth of light industry will centre on the industrial areas surrounding the airport, while large and heavy industrial growth will be in the Nexus Precinct Infrastructure Project precinct. • Exceptional health and education providers • Own and operate a regional airport • Strong regional leadership role • Greater opportunity for regional service delivery through Joint organisation • Exception lifestyle and tourism offer • Murray River and Lake Hume • Strong investor confidence in the city • New Art Museum will become major destination and significantly boost cultural tourism offer. 	<ul style="list-style-type: none"> • Cross border anomalies legislation. • Development issues – Wodonga. • Reform process – not based around community needs or business case. • Climate change – impact on people and assets. • Declining Financial Assistance Grants (declining support from other levels of government). • Capped rates • Cost shifting. • Decreasing income streams. • Shifting population. • Increasing unemployment • Planning and transport coordination around boundaries could be an issue. • Potential merger and inability to maintain level of service or funding for infrastructure.

2.3 Performance against the Fit for the Future benchmarks

Sustainability

Measure/ benchmark	2013 / 2014 performance	Achieves FFTF benchmark?	Forecast 2016 / 2017 performance	Achieves FFTF benchmark?
Operating Performance Ratio (Greater than or equal to break-even average over 3 years)	-3.1%	No	-0.4%	No
Own Source Revenue Ratio (Greater than 60% average over 3 years)	79%	Yes	81%	Yes
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	104%	Yes	72%	No

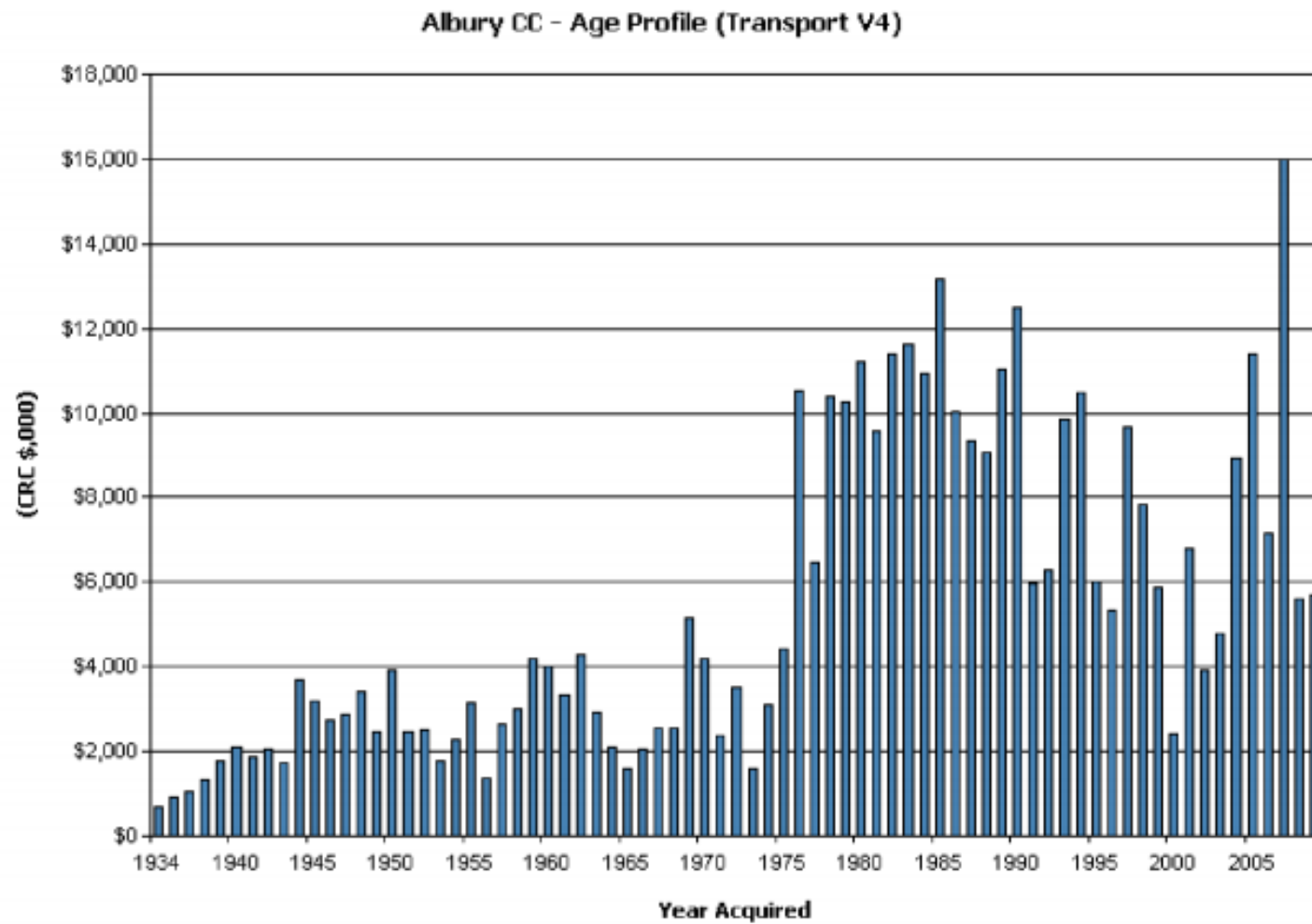
If the Fit for the Future benchmarks are not being achieved, please indicate why.

For example, historical constraints/context, one-off adjustments/factors, council policies and trade-offs between criteria.

The Operating Performance Ratio is forecast to improve due to improvement actions such as projected Service and Efficiency Review Savings and the ongoing productivity improvement program.

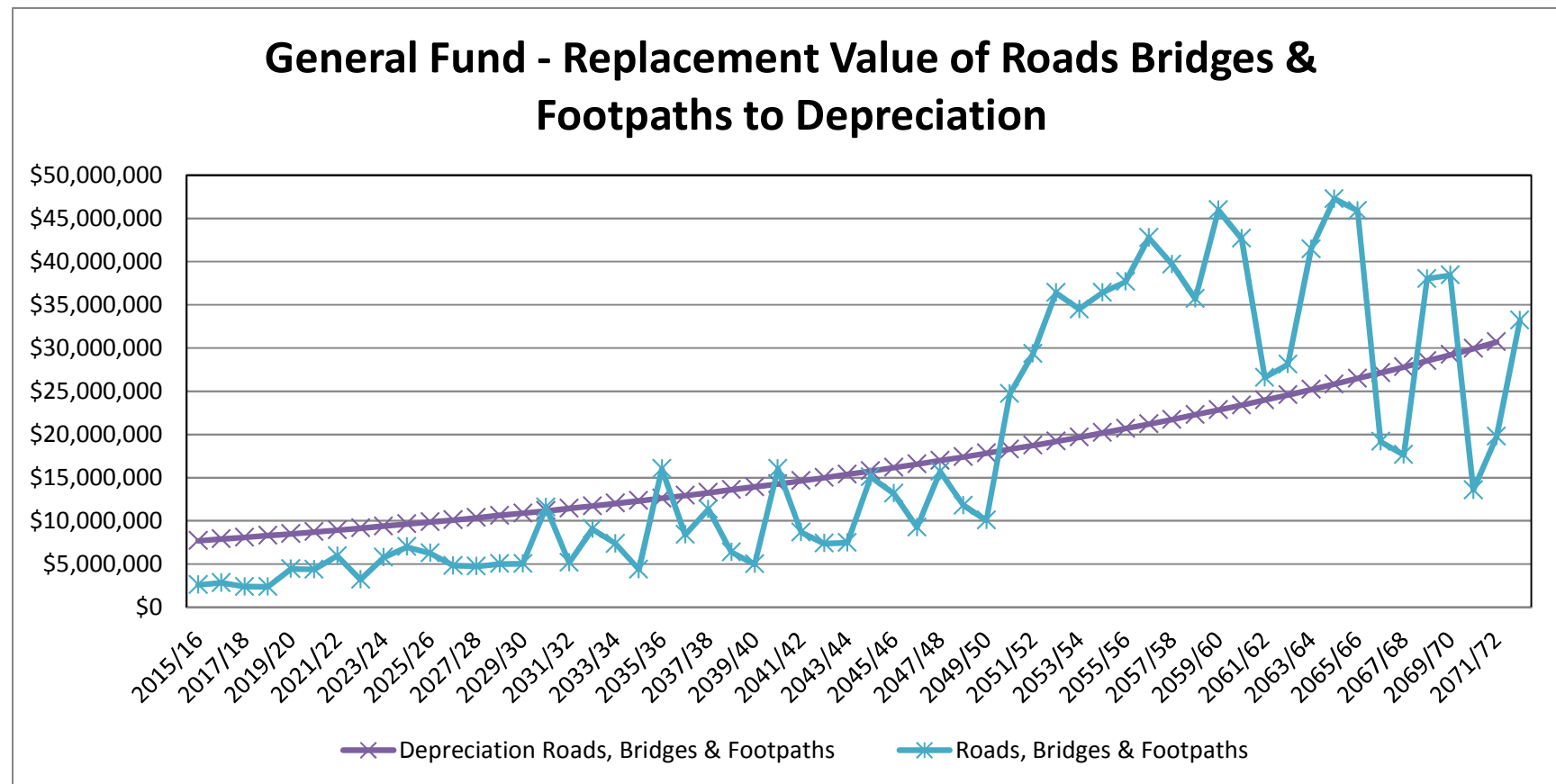
When comparing budgeted renewal works against the depreciation expense, the Building and Infrastructure Asset Renewal Ratio is forecast to be less than the Fit for the Future benchmark of 100%. Road infrastructure renewal is close to the required level, however, renewal spend on buildings and stormwater assets is significantly less than that required by the benchmark. The demand for renewal of assets is lower than the depreciation expense due to the relatively young age of these assets. Stormwater infrastructure, which has a long asset life of up to 120 years, was not routinely constructed in Albury until the establishment of the Albury Wodonga Development Corporation in 1972. AlburyCity will continue to develop renewal programs based on the asset condition and the whole of life costs of the asset. This ensures appropriate funding is allocated at the right time in the asset lifecycle.

The graph below depicts the Current Replacement Cost (CRC) of AlburyCity's roads by construction date and the resulting increased investment in infrastructure.



From 2016-2020 however, depreciation expense is significantly higher than the demand to renew assets. Graph 2 below indicates that required renewal based on useful life provides a better indication of the required renewal than depreciation expense. Council will continue to monitor condition and whole of life costs to ensure assets are renewed at the right time.

Graph 2 shows over a longer time frame the required renewal of roads infrastructure based on useful life compared to depreciation expense.



2.3 Performance against the Fit for the Future benchmarks

Infrastructure and service management

Measure/ benchmark	2013 /2014 performance	Achieves FFTF benchmark?	Forecast 2016 / 2017 performance	Achieves FFTF benchmark?
Infrastructure Backlog Ratio (Less than 2%)	3.0%	No	1.1%	Yes
Asset Maintenance Ratio (Greater than 100% average over 3 years)	116%	Yes	100%	Yes
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	6%	Yes	6%	Yes

If the Fit for the Future benchmarks are not being achieved, please indicate why.

N/A

2.3 Performance against the Fit for the Future benchmarks

Efficiency

Measure/ benchmark	2013 /2014 performance	Achieves FFTF benchmark?	Forecast 2016 / 2017 performance	Achieves FFTF benchmark?
Real Operating Expenditure per capita <small>A decrease in Real Operating Expenditure per capita over time</small>	Decreasing	Yes	Increasing	No

If the Fit for the Future benchmarks are not being achieved, please indicate why.

AlburyCity does not meet the 2016/2017 efficiency benchmark due to the budgeted grant funded expenditure associated with the Davey Road Southern Interchange Ramps project. The project involves the construction of two south facing ramps and two roundabouts at the intersection of Davey Road and the Hume Freeway. During the 2016-20 Fit for the Future period, Council will meet the efficiency benchmark with the exception of the 2016/2017 financial year.

2.4 Water utility performance

NB: This section should only be completed by councils who have direct responsibility for water supply and sewerage management

Does your council currently achieve the requirements of the NSW Government Best Practice Management of Water Supply and Sewerage Framework?

Yes

If NO, please explain the factors that influence your performance against the Framework.

N/A

How much is your council's current (2013/14) water and sewerage infrastructure backlog?

The water and sewerage infrastructure backlog was equal to \$24 million as at 30 June 2014.

2.4 Water utility performance

Identify any significant capital works (>\$1m) proposed for your council's water and sewer operations during the 2016-17 to 2019-20 period and any known grants or external funding to support these works.

Capital works

Proposed works	Timeframe	Cost	Grants or external funding
Sewer Main Rehabilitation	2016-2020	\$2.5 million	Nil
Wodonga Place Sewer Pump Station	2016-2018	\$5.6 million	Nil
Waterview Wastewater Treatment Plant - Stage 2 augmentation	2016-2019	\$16.1 million	Nil
Water supply projects – upgrade and/or equipment replacement	2016-2020	\$1.8 million	Nil
Thurgoona/Wirlinga Precinct - major water infrastructure	2016-2019	\$1.11 million	Nil
Nexus Precinct Infrastructure Project Water Works	2016-2020	\$2.33 million	Nil

Water Filtration Plant B Augmentation to Dissolved Air Floatation and Filtration (DAFF) operation	2016/17	\$1.25 million	Nil
Sewerage projects - upgrades and/or equipment replacement	2016-2020	\$1.3 million	Nil
Nexus Precinct Infrastructure Project Sewer Works	2016-2020	\$2.2 million	Nil
Waterview Waste Water Treatment Plant Stage 1 - refurbishment	2019/20	\$2.0 million	Nil

2.4 Water utility performance

Does your council currently manage its water and sewerage operations on at least a break-even basis?

Yes

If No, please explain the factors that influence your performance.

N/A

2.4 Water utility performance

Identify some of your council's strategies to improve the performance of its water and sewer operations in the 2016-17 to 2019-20 period.

Improvement strategies

Strategy	Timeframe	Anticipated outcome
<p>1. Review of Best Practice Water & Sewer Strategic Business and Financial Plan and Review of Council's Integrated Water Cycle Management Strategy (IWCM) (in accordance with NSW Office of Water requirements).</p> <p><i>OUTPUTS from Reviews:</i> Operational Expenditure strategy Capital Expenditure strategy Standard levels of service Customer servicing plans Pricing Asset Management Plans Operational Plans Maintenance Plans Workforce Plan Drinking Water Quality Plan Environmental Management Plan Demand Management Plan Drought Management Plan</p>	<p>To be reviewed on a five yearly basis, and ongoing implementation of associated plans up to and beyond 2019/20</p>	<p>Through the identification and prioritisation of water management issues, the IWCM strategy will determine the appropriate management responses, and assist in the development of additional strategies and plans. This will ensure that the impacts of any issues are met in the achievement of sustainable water cycle services.</p>

Drinking Water Quality Management Plan

2015 – 2017

Improvement Plan - to identify, eliminate and / or minimise risks

Hazard analysis and critical control points (HAACCP) determined
- risks & controls established

3. How will your council become/remain Fit for the Future?

3.1 Sustainability

Summarise your council's key strategies to improve performance against the Sustainability benchmarks in the 2016-20 period, including the outcomes you expect to achieve.

Based on the 2016/2017 forecast performance of the sustainability benchmarks of Operating Performance Ratio, Own Source Revenue and Building and Infrastructure Renewal Ratio, Council will implement strategies and/or processes to improve performance for all financial sustainability indicators up to and beyond the 2016-2020 period.

- In relation to Council's Operating Performance Ratio (below Fit for the Future benchmark), the current Service and Efficiency Review program remains the major driver towards improvement. With 42 of councils services under review the projected operating savings will significantly improve this ratio. There is an anticipated \$3M savings to be generated from this program including \$300, 000 in 2016/2017.
- In considering Council's Own Source Revenue, projected decreases in General Purpose Financial Assistance Grant funding of 3% per year from 2014/15 to 2016/17 are expected to further increase AlburyCity's high own source revenue ratio from 79% to 87% by 2020. AlburyCity will continue to apply for grants that align with the community aspirations within *Albury 2030*.
- Council's projected renewal of buildings and infrastructure is forecast to be 72% of depreciation expense for the three year average ending in 2016/17. This ratio is almost achieved in relation to road infrastructure renewal, however, the renewal spend on buildings and stormwater assets is significantly less than the required benchmark. Based on the useful life of assets however, Council's forecast renewal spend for buildings and infrastructure is greater than the required renewal spend. It is Council's goal to manage infrastructure assets to meet the required level of service in the most cost effective manner for present and future generations, based critically on the condition of our assets. The further development of AlburyCity's asset management plans, processes and systems will assist Council in meeting its goal. Rather than depreciation expense, Council considers that required renewal based on useful life provides a better indication of the required renewal and from 2016-2020 depreciation expense is significantly higher than the works required to renew assets.

Explain the key assumptions that underpin your strategies and expected outcomes.

For example the key assumptions that drive financial performance including the use of SRVs, growth in rates, wage increases, Financial Assistance or other operating grants, depreciation, and other essential or major expense or revenue items.

The Rate Peg is forecast to be 2.4% for 2016/17 then 2.8% ongoing.

Revenue growth from supplementary valuations is forecast to be 1% per year.

Fees and charges are projected to increase by 5% per year until 2017/18, then 3% from 2018/19.

General Purpose Financial Assistance Grants of \$5 million are projected to decrease by 3% each year until 2016/17 due the Federal Government freezing indexation for inflation and population growth. Local Roads Financial Assistance Grants of \$1.3 million are also projected not to increase until after 2016/17. Financial assistance grants are then forecast to increase by 2.5% each year.

Other operating grants are projected to increase by 2.5% each year.

Employee costs are forecast to increase by 3.3% in 2016/17, then 3.8% from 2017/18.

Materials and contracts are forecast to increase by 3%.

Depreciation expense is forecast to increase by 3%.

Council's Service and Efficiency Review Program has been in operation since 2011/12 and is projected to achieve operating savings of \$3 million by 2016/17, including savings of \$300,000 during the 2016/17 financial year.

3.1 Sustainability

Outline your strategies and outcomes in the table below.

3.1 Sustainability

Objective	Strategies	Key milestones	Outcome	Impact on other measures
1. Future-proof the organisation while delivering on <i>Albury 2030</i> outcomes.	a) Implement the Council's Service and Efficiency Review Program – 42 services under review b) Embed the Service and Efficiency Review recommendations for improvement into Council's ongoing Productivity Improvement Program	a) Service and Efficiency Review Program completed by 2016/17. b) Service and Efficiency Review principles and recommendations embedded into Council's ongoing Productivity Improvement Program	Annual operating savings of \$3M achieved by 2016/17 resulting in a 3.7% improvement to Council's operating performance ratio.	Increased funding from operations available to support the achievement of <i>Albury 2030</i> .
2. Source external funding to support the achievement of <i>Albury 2030</i> community outcomes.	a) Well planned, targeted and high quality grant applications submitted to government and private sector.	Successful applications submitted The number of grant applications is listed	Reduced level of own source revenue required to achieve the objectives of <i>Albury 2030</i> .	Improved operating performance ratio and potentially reduced infrastructure backlog and

		on grants register – updated monthly regarding outcome of applications.		reduced debt service ratio.
3. Manage assets to meet the required level of service for present and future generations.	<p>1.) Further development of Council's asset management plans, processes and systems.</p> <p>2.) Linking asset management strategy to long term financial plan and <i>Albury 2030</i> outcomes.</p>	<p>a) Building valuations completed 2014/15</p> <p>b) Sewer Pump Station review 2015/16</p> <p>c) Road Condition Survey 2015/16</p> <p>d) Sewerage Asset Management Plan 2016/17</p> <p>e) Water Asset management Plan 2016/17</p> <p>f) Building Asset management Plan 2015/16</p> <p>g) Road Asset management Plan 2015/16</p> <p>Cross reference of resourcing strategy documents with required renewal and allocated</p>	<p>Budgeted renewal of assets equal to or greater than required renewal to maintain agreed level of service.</p> <p>Community aspirations considered and achieved</p>	Infrastructure backlog maintained at an acceptable level.

3) Further assess
levels of service as
part of asset
management planning
process

funding for renewal
documents –
2016/17

Assessments
completed 2016/17

3.2 Infrastructure and Service Management

Summarise your council's key strategies to improve performance against the Infrastructure and service management benchmarks in the 2016-20 period, including the outcomes you expect to achieve.

Based on the 2016/2017 forecast performance of the infrastructure and service management benchmarks of Infrastructure Backlog Ratio, Asset Maintenance Ratio and Debt Service Ratio, Council will meet the requirements for two of the three benchmarks. Council will however, endeavour to implement strategies and/or processes to improve performance in infrastructure and service management up to and beyond the 2016-2020 period.

The forecast maintenance of assets is projected to be equal to the required expenditure to maintain assets. Although already meeting the required benchmark, Council will continue to improve in this area through further development of Council's asset management plans, processes and systems.

In considering the Debt Service Ratio, Council utilises loan funding to part fund its capital new initiatives program. Previously approved Special Variation to Rates (SVR) projects will be funded by the loans projected to be during the period 2016-2020. Loan funding carries part of the cost of the infrastructure to the future users of the asset. Council's debt service ratio is projected to increase from 6% to 8% by 2020.

Explain the key assumptions that underpin your strategies and expected outcomes.

- Council's projected infrastructure backlog has been estimated by comparing Council's projected infrastructure renewal program to the useful lives of assets.
- The required maintenance of assets is equal to the budgeted maintenance of assets.
- New loans of \$20.5 million are projected to be drawn down during the four year period 2016-2020.
- The ten year loan fixed interest rate is projected to be 6%.

3.2 Infrastructure and Service Management

Outline your strategies and outcomes in the table below.

3.2 Infrastructure and service management

Objective	Strategies	Key milestones	Outcome	Impact on other measures
1. Council's Infrastructure backlog maintained at an acceptable level	a) Asset Management Strategy b) Asset Renewal programs	Asset management processes enhanced over period 2016/17	Asset backlogs are maintained at sustainable levels.	Required renewal would increase if backlog levels are not maintained at an appropriate level
2. Manage assets to meet the required level of service for present and future generations	Monitor Asset Condition to ensure assets are meeting expected lives	Asset inspection programs – roads (2015/16), footpath (2016/17), stormwater (annual program), sewer (annual program), and water (annual process)	Infrastructure assets are reaching expected asset lives and providing appropriate service levels. High community satisfaction with service standards of Councils assets	Effective asset maintenance can extend the service life of assets

3. Utilise loan funding to support the achievement of *Albury 2030*.

Annually reassess the required level of loan funding to support Council's Delivery Program.

New loans drawn down each financial year as approved within the annual budget.

SVR projects of \$20.5 million delivered during the period 2016-2020.

a) Reduced operating performance ratio when the interest expense is not funded by increased operating revenue or expenditure.
b) Decreased infrastructure backlog when loan funding used for renewal projects.

3.3 Efficiency

Summarise your council's key strategies to improve performance against the Efficiency measures in the 2016-20 period, including the outcomes you expect to achieve.

Based on the performance of the efficiency benchmark of Real Operating Expenditure per Capita, Council will meet the Fit for the Future benchmark, with the exception of the 2015/2016 and 2016/2017 financial years.

AlburyCity does not meet the 2015/2016 and 2016/2017 efficiency benchmark due to the budgeted grant funded expenditure associated with the Davey Road Southern Interchange Ramps project. The project involves the construction of two south facing ramps and two roundabouts at the intersection of Davey Road and the Hume Freeway. Council is seeking the remaining 50% of the project funding through a number of other grant programs in support of Council's investment in the NEXUS precinct.

Council acknowledges however that as this is a per capita assessment, there will be an increased demand for services from our projected population growth. Strategies to address this include maintaining increases in operating expenditure at the same level of inflation and the continuation of AlburyCity's culture of innovation, continuous improvement and the ongoing productivity improvement program. Through Council's Service and Efficiency Review Program (in operation since 2011/2012) there are projected operating savings of \$3 million by 2016/17, including savings of \$300,000 during the 2016/17 financial year.

'A Growing Economy' is the first of the four themes identified as important by the community (within Albury 2030). As such AlburyCity continues to encourage and plan for population growth to diversify the Albury economy. Ongoing consultation with both Councillors and the community continues to see population and business growth as a priority.

Explain the key assumptions that underpin your strategies and expected outcomes.

- It is expected that AlburyCity's real operating expenses will increase by less than the combined impact of inflation and population growth.
- Service and Efficiency Review Program savings of \$3 million by 2016/17 have been built into the Long Term Financial Plan projections.
- AlburyCity's population is forecast to grow by 30% to 66,838 by 2036 from 51,319 in 2015. This represents average annual growth of 1.4% over the next 21 years. Population growth has not been factored into the uplift factor for Council's operating expenditure
- It is assumed that the Local Government Cost Index calculated by IPART will be 2.4% for the 2016/17 financial year then 2.8% during 2017-2020
- Revenue growth from supplementary valuations is forecast to be 1% per year.
- Employee costs are forecast to increase by 3.3% in 2016/17, then 3.8% from 2017/18.
- Council's material and contract expenditure and also depreciation expense are projected to increase by 3% per year.

3.3 Efficiency

Outline your strategies and outcomes in the table below.

3.3 Efficiency

Objective	Strategies	Key milestones	Outcome	Impact on other measures
1. Achieve decrease in real operating costs per capita overtime	a) Regularly achieve savings through Council's ongoing productivity improvement program	Service and Efficiency Review Program principles embedded into Council's productivity improvement program	Decrease in real operating expenditure per capital	Improved operation performance ratio and potentially decreased infrastructure backlog

3.4 Improvement Action Plan

Summarise the key improvement actions that will be achieved in the first year of your plan.

Action plan

Actions	Milestones
1. Continue the implementation of Council's Service and Efficiency Review Program	Monthly reports on progress. 42 services to be reviewed by end 2016/2017
2. Embed the Service and Efficiency Review recommendations for improvement into Council's ongoing Productivity Improvement Program	Productivity improvement program updated and Review recommendations included in ongoing Action Plan commencing 2016/2017. Progress monitored monthly through reports to Performance Planning.
3. Continue to present well planned, targeted and high quality grant applications to government and private sector.	Number of grant applications listed on grants register – updated monthly regarding outcome of applications.
4. Continued development of Council's asset management plans, processes and systems.	Completed in 2016/2017
5. Linking asset management strategy to long term financial plan and <i>Albury 2030</i> outcomes.	Completed in 2016/2017

6. Further assess levels of service as part of asset management planning process	Completed in 2016/2017
7. Asset Management Strategy and Asset Renewal programs	Completed in 2016/2017 and required works reported in rolling four-year Delivery Program
8. Monitor Asset Condition to ensure assets are meeting expected lives	Asset inspection programs completed for roads, footpath, stormwater, sewer, and water (15/16, 16/17 and annual ongoing programs respectively)
9. Annually reassess the required level of loan funding to support Council's Delivery Program	New loans drawn down each financial year as approved within the annual budget.
10. Review of Best Practice Water & Sewer Strategic Business and Financial Plan and Review of Council's Integrated Water Cycle Management Strategy (IWCM)	To be reviewed on a five yearly basis, and ongoing implementation of associated plans up to and beyond 2019/2020

Outline the process that underpinned the development of your Action Plan.

For example, who was involved, any external assistance, consultation or collaboration, and how the council has reviewed and approved the plan.

The process to develop the AlburyCity Improvement Action Plan was consultative and collaborative. The Fit for the Future submission process was co-ordinated and completed internally, with no assistance from external Consultants. An AlburyCity Working Party was established including a cross-organisational representation of Executive staff and the General Manager. The Working Party regularly consulted and workshopped issues with the AlburyCity Management Executive (Manex), comprising Directors and the General Manager.

AlburyCity Councillors were involved from the outset of the Fit for the Future process, commencing with a Council meeting in March 2014 for endorsement of Council's submission on Revitalising Local Government. This was followed up with Councillor workshops and strategic discussions regarding Fit for the Future in September 2014, December 2014 and February 2015. Additional Committee meetings were held to review progress of the Fit for the Future submission and discussions endorsed at the Council meetings. The community were informed about the Fit for the Future process and of Council's decision to complete a 'Council Improvement Proposal' template (rather than a 'Council Merger Proposal' template) through media releases issued after relevant Council meetings, radio and television interviews, the fortnightly electronic newsletter from AlburyCity and the Fit for the Future webpage on the AlburyCity website.

Timing for the Fit for the Future proposal was aligned with the preparation of budget papers for consideration by Council and the community. The Draft Fit for the Future submission was presented to full Council on 27 April 2015 and placed on Public Exhibition until 29 May 2015. During Public Exhibition the community and council staff continued to be engaged about Fit for the Future through presentations from the General Manager. This involved community consultation sessions held at Council's Administration Building, Mirambeena and Thurgoona Community Centre as well as to the Thurgoona Progress Association and Rotary Club of Albury. Additional consultation occurred through 'Have a Say' (Council's community feedback webpage), a media release and media conference with considerable media coverage, a paid half-page advertisement in a Saturday edition of the local newspaper and information was included in the news from AlburyCity fortnightly e-newsletter. The formal Public Exhibition notice for both the budget and Fit for the Future was printed in the newspaper. The Draft proposal was available for viewing at the libraries and Customer Service Centre and on the AlburyCity website. The Community Engagement Group (consisting of 500 community members opting to receive AlburyCity consultations) was notified of the items on Public Exhibition and invited to consider the proposal.

No submissions were received in relation to AlburyCity's Draft Fit for the Future proposal.

3.5 Other actions considered

In preparing your Improvement Action Plan, you may have considered other strategies/actions but decided not to adopt them. Please identify what these strategies/actions were and explain why you chose not to pursue them.

For example, neighbouring council did not want to pursue a merger, unable to increase rates or increase borrowing, changes in policy or service standards.

Merger Option

AlburyCity strongly objects to further amalgamations involving the Albury Local Government Area based on the experience of the last two boundary adjustments, the cost to Albury ratepayers and that it is unlikely that boundary changes would improve the sustainability of AlburyCity. However AlburyCity is actively working with Riverina and Murray Regional Organisation of Councils (RAMROC) councils regarding opportunities for a possible Upper Murray Joint Organisation and resource sharing to improve its scale and capacity. AlburyCity is well placed to take a lead role within a structured Joint Organisation (JO). This capacity extends beyond the strategic planning, inter-governmental collaboration and regional leadership, advocacy areas, which are the primary focus of JO's, to building the strategic capacity of its members and exploring and implementing service delivery options.

Other Council Positions

The neighbouring councils of Greater Hume and Corowa have proposed a 'stand-alone' stance in their draft Fit for the Future proposals.

Greater Hume Shire states as its preferred option: "Clearly the best outcome for Greater Hume Shire Council is for the status quo to remain with the review period to be extended to 2020 as was first proposed. For Council to achieve the status quo it would appear the Joint Organisation philosophy will need to be embraced both at councillor and managerial level preferably with the Riverina Joint Organisation, but possibly in a Joint Organisation with Albury, Corowa and Urana".

Corowa Shire Council was recommended to join the Upper Murray Joint Organisation (JO) or to merge with Urana Shire Council. In the Corowa Shire draft Fit for the Future proposal it states: "Council has been open to exploring all possible options for an

amalgamation or establishment of a Joint Organisation. Council believes that the formation of a Joint Organisation should occur only when amalgamation decisions have been made. Corowa Shire Council has held discussions with surrounding Councils, but was not able to secure a partner to an amalgamation. The only alternative this left Council with was to complete an improvement proposal to stand alone”.

Cost to Merge

The Parliamentary Budget Office has estimated that the cost of a voluntary merger between Albury and Greater Hume will be \$7.4M which is in excess of the \$5M funding support for Councils offered in the Fit for the Future package. (*source: NSW Parliamentary Budget Office – costing of Council mergers*)

Another Special Variation to Rates Option

In 2011 the Independent Pricing and Regulatory Tribunal (IPART) determined that AlburyCity could increase its general income for the period 2011/12 to 2013/14 by 16.98% through a Special Variation to Rates (SVR). This SVR was necessary to ensure that AlburyCity is able to plan for Albury's long-term social, economic and environmental wellbeing and deliver on a range of priorities identified by the community. Another SVR is not considered necessary in the period 2016-2020.

20% Debt Service Ratio Option

Council's strategy is to part fund its capital works program with loan funding. Borrowings carry the cost of infrastructure to the future beneficiaries of the asset's use. The Fit for the Future Debt Service Ratio Benchmark is up to 20%. If by June 2020 AlburyCity's General Fund loan repayments increased from the projected 9% of operating revenue to 20%, Council could borrow an additional \$65 million which is more than enough to fund AlburyCity's infrastructure backlog, however additional operating surpluses of \$9 million per year would be required to fund the associated loan repayments.

Changes in Policy or Service Standards

Council's Service and Efficiency Review program includes reviews of policies and service standards across 42 service areas on AlburyCity.

4. How will your plan improve performance?

4.1 Expected improvement in performance

Measure/ benchmark	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	Achieves FFTF benchmark?
Operating Performance Ratio (Greater than or equal to break-even average over 3 years)	-2.5%	-1.3%	-0.4%	0.0%	0.0%	0.0%	Yes
Own Source Revenue Ratio (Greater than 60% average over 3 years)	80%	81%	81%	82%	84%	87%	Yes
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	107%	95%	72%	70%	71%	71%	No
Infrastructure Backlog Ratio (Greater than 2%)	1.3%	1.2%	1.1%	0.9%	0.8%	0.6%	Yes
Asset Maintenance Ratio (Greater than 100% average over 3 years)	115%	113%	100%	100%	100%	100%	Yes
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	6%	6%	6%	7%	8%	8%	Yes
Real Operating Expenditure per capita A decrease in Real Operating Expenditure per capita over time	Decreasing	Increasing	Increasing	Decreasing	Decreasing	Decreasing	Yes

AlburyCity Fit For the Future Projections – Calculations

[illegible]

[illegible]

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
GENERAL FUND - DEBT SERVICE RESULT									
<i>Benchmark - Greater than 0 and less than or equal to 20% average over 3 years average over 3 years</i>									
Formula									
<u>Cost of debt service (interest expense & principal repayments)</u>	4,153	4,372	3,997	4,807	5,259	5,957	6,578	7,569	7,943
Total continuing operating revenue (exc. capital grants & contributions)	70,346	70,868	72,169	76,897	82,147	87,971	84,818	86,594	89,249
	5.9%	6.2%	5.5%	6.3%	6.4%	6.8%	7.8%	8.7%	8.9%
<i>Three Year Average</i>			5.9%	6.0%	6.1%	6.5%	7.0%	7.8%	8.5%
GENERAL FUND - REAL OPERATING EXPENDITURE PER CAPITA RESULT									
<i>Benchmark - A decrease in Real Operating Expenditure per capita over time</i>									
Formula									
<u>Real operating expenditure</u>	66,397	65,354	63,517	64,762	67,099	70,104	65,408	65,178	65,344
Population	49,580	49,976	50,243	51,319	52,037	52,766	53,505	54,254	55,014
	1.34	1.31	1.26	1.26	1.29	1.33	1.22	1.20	1.19

4.1 Expected improvement in performance

If, after implementing your plan, your council may still not achieve all of the Fit for the Future benchmarks, please explain the likely reasons why.

For example, historical constraints, trade-offs between criteria, longer time required.

Building and Infrastructure Asset Renewal Ratio

When comparing budgeted renewal works against the depreciation expense, the Building and Infrastructure Asset Renewal Ratio is forecast to be less than the Fit For the Future benchmark of 100%. The required renewal of assets is lower than the depreciation expense due to the increased rate of infrastructure development in the 1970s, resulting from the establishment of the Albury Wodonga Development Corporation in 1972. That is, these assets will require renewal in the longer term (not during period 2016-2020).

AlburyCity has measures in place to manage asset renewal including renewal being based on defined service levels and asset condition and the ongoing implementation of the Asset Management Strategy and plans.

5. Putting your plan into action

How will your council implement your Improvement Action Plan?

For example, who is responsible, how the council will monitor and report progress against achieving the key strategies listed under Section 3.

The Improvement Action Plan will be implemented through the adoption of the four year Delivery Program, Resourcing Strategy and Long Term Financial Plan. The Integrated Planning and Reporting framework will ensure alignment between improvement strategies and the community strategic plan. Monthly progress reporting is undertaken through Performance Planning, and the Annual Report provides an annual assessment of achievement of financial and service commitments. The establishment of milestones for the key improvement initiatives will help with regular monitoring of actions within the Improvement Action Plan.

Specifically, the Sustainability initiatives will be implemented and monitored against the approved Service and Efficiency Review program schedule and through six monthly progress reports to Council regarding the achievements of the program. The ongoing improvement in acquisition of external grant funding, the completion of the road condition surveys and the development and implementation of applicable asset management plans will also assist with the implementation of sustainability initiatives. The Infrastructure and Service Management initiatives will be implemented and monitored through the ongoing implementation of the Asset Management Strategy, the Asset Renewal program and monitoring of asset condition. The Efficiency initiatives will be implemented and monitored through the regular achievement of savings through Council's ongoing productivity improvement program. These are reported on a monthly basis through the implementation of actions resulting from the Service and Efficiency Review Program.

The results of the End of Term Report and four yearly reviews of *Albury 2030* will guide Council's decision-making to ensure actions continue to achieve community aspirations into the future.