Fit for the Future

Council Improvement Proposal

(Existing structure)

NSW GOVERNMENT | 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 <u>not</u> 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: Sutherland Shire Council

Date of Council resolution endorsing this submission: 22 June 2015 (BDS156-15)

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.

Sutherland Shire Council administers, in terms of population, the second largest local government area in New South Wales.

The Independent Local Government Review Panel proposed "no change" for Sutherland Shire. We welcome this position but are not concerned about change and welcome any initiatives that improve local government. Council however is well aware of its obligations to our community to ensure that it is financially sustainable, delivers value and can manage its infrastructure into the future.

The bottom line to achieving all benchmarks is to be financially sustainable and to have a strong and robust revenue platform. This is based on:

- a sound revenue base (90% own source revenue)
- a $60M commercial property portfolio which injects almost $6M into General Revenue each year
- probable $100M monetary contribution from SITA for capital projects and renewals from 2016 to 2031
- ongoing operational improvements and savings
- potential to fund community projects and increased car parking through leverage of Council's car parks

Through reforms, discretionary funds available to Council have increased as detailed in the table below:

2011/12	2012/13	2013/14	2014/15	2015/16
$9.465m	$12.872m	$14.638m	$17.4m	$17.1m

Financially the Council does face a number of challenges which will require offset savings and efficiencies to meet the Fit for the Future benchmarks into the future. Challenges include:

- A move by governments to redistribute grants to benefit rural and regional councils which will reduce Council's Financial Assistance Grants and potentially other grants
- Reduced Section 94 funding due to changes in allowable contributions
- The State Government seeking a 50% contribution from Council towards the cost of dredging navigation channels in Port Hacking
- Council has many significant other projects that need to be delivered
- Organisation improvements have facilitated the funding of new and improved services and facilities, however as time goes by those gains are diminishing
- Potential major infrastructure upgrades

The community 2015/16 Budget, with overwhelming and unprecedented community endorsement, is based around the following core principles:
- a balanced budget
- the special rate levy (4%) introduced by the previous Council will not return
- maintenance of our budget within rate pegging
- that the average residential rate increase does not exceed the consumer price index
- that Council's debt reduction targets be retained
- that the Budget place greater emphasis on asset renewals - $23.225m in 2014/15 and $25.664m in 2015/16
- ongoing reform savings ($1m target for 2015/16)

These disciplines will underpin future budgets and enable Council to meet or continue to meet Fit for the Future ratios.

Under rate pegging Council has only sought rate rises in 1996/97 and 2010/11 and in fact abolished an approved increase of 4% rise in 2012/13. Council has also reduced its debt, and in parallel its borrowings, does not charge for car parking and does not charge sporting groups for the use of playing fields. Financial strategies combined with prudent financial management and moves towards improving productivity and efficiency have placed the Council in a strong financial position.

Council's performance against the Fit for the Future ratios forecasts that it will operate at a sustainable level in the future.

In addition to the ratios, Council has a strong and cohesive community supported by natural boundaries, and has the strategic elements of scale and capacity to overcome current and future challenges. Council's Improvement Plan aims to build on these strengths to ensure we remain sustainable in all areas.

Over the past two years there have been significant changes adopted across Council that have resulted in savings and improvements in performance. Incremental change was accelerated in 2013 with the adoption of the Strategic Review. This plan builds on the platform of reform already established in a strong partnership between the community, Councillors, the General Manager and the Executive over many years and

the implementation of considered change and continuous improvement.

The three objectives outlined in this action plan: Policy and Strategy, Service Management and Asset Management; have been designed to deliver integrated whole–of-council results that positively impact on organisational sustainability to deliver a balanced result.

The manner in which Council approaches this challenge has a significant bearing on Council's long term sustainability. Sutherland Shire Council is committed to providing high quality services for the Shire community and this Improvement Action Plan will deliver on that commitment into the future.

1

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 <u>did not</u> recommend your council needed to merge or become a Rural Council).

Yes

If No, please indicate why you are <u>not</u> 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).

More robust revenue base and increased discretionary spending

Council's robust revenue base:

- 90% own source revenue
- a $60M commercial property portfolio which injects more than $6.1M into General Revenue each year (details in Attachment 11)
- probable $100M monetary contribution from SITA from 2016 to 2031 (details in Attachment 14)

Scope to undertake new functions and major projects

Projects include:

- Cronulla Central Library and Community Facilities (2010: $18.9M)
- Shopping Centres upgrades program (2015: $27.6M)
- Sutherland Leisure Centre Upgrade (2015:$5.4M)
- The Ridge Sporting Complex (2014:$42M)
- Engadine Leisure Centre (2008: $4.2M)
- Engadine Community Centre (2010:$42M)

Ability to employ a wider range of skilled staff

Council has a wealth of staff with a variety of specialist and technical skills that has enabled the provision of in-house services

Knowledge, creativity and innovation

There are many examples of this including:

- development of the first Local Government "Report it App"
- first council to develop online registration for companion animals
- the first local government council to be recognised with an award in the Australasian Reporting Awards
- winner of multiple awards including the A.R.Bluett, Environmental, crime prevention, regulatory and other awards

Advanced skills in strategic planning and policy development

Council has a dedicated Strategic Planning Team and has invested in contemporary technology to assist engagement.

Effective regional collaboration

Some recent examples of effective collaboration:

- SSROC Procurement agreements
- Joint animal shelter with Sydney City
- Currently investigating shared services with neighbouring councils
- Active partner in delivery the outcomes of the sub-regional plan

Credibility for more effective advocacy and Capable partner for State and Federal agencies

- Council is an active partner with Planning & Environment NSW in preparing the direction of the Subregional Plan for Southern Sydney and in the repeal of State Environmental Planning Policy (Kurnell Peninsula) 1989. As a result of Council's expertise in Eplanning, it also provided a trail test environment ahead of the P&E roll out of Interactive Building Tool for Exempt Development.
- Regional Waste Recovery Facility – opposed an illegal expansion and successfully negotiated with the Government an appropriate expansion of the facility
- Proposed Holsworthy Airport – worked with the community to successfully oppose an airport at Holsworthy
- Partnerships with Planning NSW , Transport NSW, NSW Police, DISPLAN committee, Family's NSW, NSW Health, NSW Environment & Heritage.
- Community Strategic Plan has identified linkages to the State Plan creating efficiencies and opportunities for grant funding.
- Sutherland /Cronulla Active Transport Link
- Swimming Pools Regulation via support on the Swimming Pool Advisory Committee

Resources to cope with complex and unexpected change

Council as part of its financial strategy keeps aside $1M of uncommitted working funds to cope with any change which may impact on its budget along with the assistance of a large volunteer base

High quality political and managerial leadership

A strong partnership exists between the Community, Councillors, the General Manager and the Executive over many years which is evident with the implementation of considered change and continuous improvement.

More detail on the strategic aspects of scale and capacity is available in the attached Improvement Action Plan

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.

Please refer to Social and Community Context in the Improvement Action Plan

Key Characteristics
- Sutherland Shire covers 370km², about half the area is taken up by national parks and bushland while the urban area equates to 180km².
- Sutherland Shire is an outer ring local government area, situated South of Sydney CBD.
- Population of 225,070, which makes Sutherland Shire the second largest local government area in terms of population in NSW.
- Geographical features include; bays, rivers, beaches, national parks, wetlands and Hawkesbury sandstone tablelands dissected by deep river valleys and gorges covered in vegetation.
- 1,740 Indigenous population
- 17.3% born overseas
- Population density 6.1 persons/hectare
- 3.6% Unemployment 2011
- Tourism - 1.1M visitors annually
- The Shire's population is declining between the ages of 10 and 49 years; however each age group over 50 years is experiencing population increases.

Future Challenges:
Looking ahead, the major challenges faced by Sutherland Shire Council over the next years are:

- meeting the needs of an ageing population

- addressing ageing infrastructure
- reducing the impact of increasing urban density
- cost shifting by successive state governments (for example: navigation channel dredging in Port Hacking)
- demands to increase levels of service without compensating revenue being available
- competition for skilled employees
- providing active open space for increasing sport participation and subsequent facility and maintenance requirements
- keeping pace with technology changes
- increasing investment and employment in Sutherland Shire
- finding ways to engage with the community on their terms, and via methods that will provide meaningful input that informs the business of Council
- impact of climate change and predicted rising sea levels

Financial Challenges:
There are challenges Council will have to overcome if it is to maintain its service levels, address infrastructure backlog and bring forward projects which will improve lifestyle of our residents:

- the State Government seeking a 50% contribution from Council towards the cost of dredging navigation channels in Port Hacking
- a move by governments to redistribute grants to benefit rural and regional councils which will reduce Council's Financial Assistance Grants and potentially other grants
- organisation improvements have facilitated the funding of new and improved services and facilities, however as time goes by gains are diminishing
- reduced Section 94 funding due to changes to allowable contributions
- Council has many significant and other projects that need to be delivered
- traditional revenue sources such as rates not keeping pace with the costs of service provision

2.2 Key challenges and opportunities

Strengths	Weaknesses
• Size – providing economies of scale • Financial capacity and flexibility • Capacity to undertake additional projects • Untapped borrowing capacity • Sound financial management and reporting • 70% of workforce live in the Shire • Skilled, experienced and customer focussed workforce • Provides a broad range of services • Location – Linked to metro and regional • Commercial Property Portfolio valued at $60M • Community Asset Portfolio • Community Pride – Strong and cohesive identity • Years of ongoing/incremental reform • Measurable performance objectives to 2031 • SITA - $100M Monetary contribution – 2016 to 2031 • Joint procurement advantages • Natural Boundaries – provide links to community eg. Sporting Associations • Ability to financially support/expand service portfolio • High number of volunteers - Self made community	• Rising workforce costs – Annual >2.5% increase and award restrictions • Government Red Tape – Constraint on efficiencies • Workforce composition - ageing • Turnover rates and rookie ratio rates • Infrastructure Backlog • Active open space availability reaching capacity • Inability to address/ reduce services with low levels of community support • Lack of meaningful performance benchmarks across the LG industry • Project Management and Delivery • Inability through state legislation to recover regulatory costs (e.g. pool safety) • Organisation Structure • Suffer from lack of depth (Management skills/not supervisor)

Opportunities	Threats
• Shared Services opportunities – Regional and Metropolitan • Engage with community to contribute to service delivery • Tourism sector • Bring forward projects, address infrastructure backlog through borrowing • Develop car parks to improve community services and viability of centres • Partner with sporting groups introduce synthetic fields	• Aging population • Population Growth (Service Strain and Infrastructure) • Reduction of Financial Assistance Grants • Increasing service delivery pressures and demands of the Community • Climate Change – sea revel rise, storm events and natural disasters • Environmental protection and management • Development and population density impact • Community Safety • Affordable Housing • Increasing costs of utilities • Cost shifting by other levels of Government • Costs outside the control of the Council eg. emergency services • Street lighting – quality, service and cost under "leased" arrangement • Reduced Section 94 funding

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)	-2.36%	No	0.17%	Yes
Own Source Revenue Ratio (Greater than 60% average over 3 years)	77.14%	Yes	89.04%	Yes
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	133.54%	Yes	138.82%	Yes

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

The biggest single impact on this ratio, aside from service provision allocations is the level of depreciation. Currently, the depreciation charge is calculated on a straight line basis across a class of assets on the latest revaluation amount or fair value. As sophistication of the asset management systems increases, it is expected that the depreciation charge will be calculated as the average annual asset consumption, based on the asset componentry. That is, each component of the asset will be individually assessed for useful life rather than the whole of the asset being treated the same. An example would be a building where, currently, the whole of the asset is depreciated over 75 years but when individual components are analysed, the concrete slab may be 200 years, the brickwork 100 years and the air conditioning 10 years. It is expected that such analysis will reduce the level of depreciation as currently reflected. A further reduction in depreciation may be forthcoming if the skeletal structure of a building or the sub base of a road is not deemed to be consumed over the life of the asset as a whole and therefore these values become residual values which do not form part of the depreciable value.

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%)	3.76%	No	2.30%	No
Asset Maintenance Ratio (Greater than 100% average over 3 years)	100.44%	Yes	100.00%	Yes
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	5.80%	Yes	1.82%	Yes

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

This ratio is heavily influenced by the reliability of infrastructure data and the interpretation of satisfaction levels. Presently there are no prescriptive guidelines for the assessment of the backlog and the categorisation of assets into different satisfaction levels which can create differences across councils. The introduction of community engagement will greatly improve this inconsistency. This ratio requires specific guide notes on definition of "satisfactory" to apply to the various asset classes to be able to be an industry wide index.

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 A decrease in Real Operating Expenditure per capita over time	$772.61	No	$756.94	Yes

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

The measurement does not take into account any increase in service level and assumes expenditure increase incurred by Council is in line with the cost indices. The aggregated increase of the indices over the period is 16.3% however some of the cost increase experienced by Sutherland Council over the same period are:
- Tipping Fees (5.1% of Council's base year operating expenditure) 63.4% increase
- Superannuation (3.9% of Council's base year operating expenditure) 32.0% increase
- Street Lighting Charges (1.6% of Council's base year operating expenditure) 60.0% increase
- Electricity Charges (0.7% of Council's base year operating expenditure) 200.2% increase

Sutherland Sire Council has either introduced initiatives or been required to increase allocations in a number of areas over the period which have increased operating expenses such as:
- Tree related expenditure – increased by $1.45M (90.5%) from 2009/10 to 2011/12 (peak year) then decreased slightly in 2013/14
- Public Place Presentation program of $1.5M introduced in 2013/14 as primarily a Shire beautification program of an operating expense nature.

A number of services that are either fully or substantially funded through grants or user charges have also expanded, however the funding sources are not recognised in the efficiency measure, including:
- Expansion of the Ridge Sporting Complex (including the golf course and driving range), increasing expenditure from $421,000 in 2009/10 to $1.19M (183.8%) in 2011/12 (peak year) to $1.832 million (334.8%) in 2013/14
- Children Services activities increasing from $10.116M in 2009/10 to $11.438M (13.1%) in 2011/12 to $13.129M (29.8%) in 2013/14,
- Domestic Waste Service (other than tipping fees), increasing from $11.768M in 2009/10 to $13.547 M (16.0%) in 2011/12 to $15.878M (36.0%) in 2013/14.

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 / No

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?

N/A

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
N/A	N/A	N/A	N/A

2.4 Water utility performance

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

Yes / No

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
1. N/A	N/A	N/A

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.

Through community engagement, Council will determine community priorities and satisfaction levels which will allow it to identify the optimal point for reinvestment in assets and formulate a hierarchical approach to determination and prioritisation of service management to all assets. This will drive maintenance expenditure and determine appropriate depreciation calculations (Operating Performance Ratio, Asset Renewal Ratio, Asset Maintenance Ratio and Real Operating Expenditure Ratio) and assist in allocating capital expenditure to the required renewal areas (Infrastructure Backlog Ratio).

Financial management strategies, such as identification of redundant assets, development of a divestment strategy, identification of $1 million of budgetary improvements, lifecycle costing and service portfolio and delivery reviews are designed to create efficiencies within the organisation and reduce expenditure (Operating Performance Ratio, Asset Maintenance Ratio and Real Operating Expenditure Ratio), whilst identification of new or alternative revenue and funding sources will increase Council's revenue base, as will increasing existing fees or introducing user pays models for assets (Own Source Revenue Ratio and Operating Performance Ratio).

Council's first objective – Policy and Strategy, will have a direct impact on each of the three ratios within the sustainability measure. By creating closer links between community engagement and delivery program outcomes (strategy 1), council will be able to focus on services on that are required by the community and ensure that performance is managed to these standards (strategy 2). Rigorous financial management (strategy 3) will support decision making on assets and services, and identify operational efficiencies and potential new revenue sources.

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 Engagement Policy will be implemented and supported.
- Our current suite of high-level strategy documents complement the Community Strategic Plan.
- Key stakeholders will be effectively engaged.
- Council recognises that engagement will not always bring agreement, nor is it a substitute for decision making.
- Stakeholders will always be informed of non negotiable mandates / issues.
- Council will provide feedback on the outcomes engagement processes clearly demonstrating that views have been heard.
- New General Manager supports strategy.
- Staff Training budget allocation continues and may be reviewed.
- All staff supported by senior management to improve skill set and culture.
- The current focus on debt reduction will continue.
- Internal funding from Council's Property Fund continues to present a relevant and lower cost funding source.
- Council continues its policy to maintain rates within the rate peg limit as set annually by IPART.
- Significant income sources, such as the Financial Assistance Grants, are available into the future.
- Negotiations with SITA continue and the funds available as are expected and defined in attachment 14.

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. **Policy and Strategy -** Improve community engagement to ensure alignment between corporate policy and strategy and to deliver improved human and financial management using customer focussed KPIs to support people and culture.	a) Community Engagement	• Cohesive point of contact for all engagement processes established 2015 • Build electronic database of Join The Conversation registrations – 1000 by 2016, increasing by 500 per year to a minimum of 3000 by 2020 • Community Strategic Plan and Delivery Program reviewed and presented to new Council in 2017 review for 2021 commenced. • Compliance with IP&R legislative framework at 6 month, 12 month and end of term.	• An educated and engaged community is able to make informed decisions • A greater understanding of community priorities and satisfaction levels • Stakeholders involved in finding solutions to complex issues • Enhanced capacity to use more sophisticated and intensive question types • Intensive focus group programs used to validate or otherwise compliment engagement outcomes, building confidence in the online environment in the longer term.	• Infrastructure Backlog Ratio • Asset Maintenance Ratio
	b) People and Culture	• Identify and plan cultural change activities – complete by November 2015 • Complete Learning and Development Framework review	• KPIs cascaded to all staff that clearly align with corporate and community goals • Defined Learning and Development pathways support a	• Real Operating Expenditure

		and implement recommended changes – by 2017 • Roll out cultural and L&D Programs to existing staff – 2017 • Implement IM&T Strategy as per timeline. • Establishment of community satisfaction surveys across service delivery points commencing 2015 and expanded to cover all service delivery points by 2017.	culture of improvement • Cultural programs improve risk management and support innovation and change • Organisation –wide IM&T development focuses on customer service improvements • HR Policy and procedures provide guidance to staff and managers to support the new culture over the long term	
	c) Financial Sustainability	• Costing of revised service models and asset requirements undertaken • Alternative revenue sources identified and introduced into Council's Annual Budget • Funding strategies implemented where applicable • Policies reviewed and system enhancements implemented	• Reduced and equitable distribution of operating expenditure • Increased revenue streams • Enhancement of intergenerational equality • Improved asset condition and satisfaction levels • Opportunity to bring forward provision of new assets	• Infrastructure Backlog Ratio • Asset Maintenance Ratio • Debt Service Ratio • Real Operating Expenditure

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.

> This strategy focuses on asset maintenance and renewal and is designed to improve efficiency in the management of infrastructure assets. This will occur through dialogue with the community that explores the services they require, the condition they expect assets to be maintained to and their willingness to pay through existing (rates) or new charges (Operating Performance Ratio, Asset Maintenance Ratio, Infrastructure Backlog Ratio and Real Operating Expenditure Ratio). A service portfolio and delivery review will include consideration of both operational performance and resource requirements (staff and assets) resulting in more clearly defined outcomes from services.
>
> Through this strategy, maintenance resources will be appropriately allocated to meet community requirements and reactive maintenance expenditure reduced, along with the identification of required renewals on a timely basis directed toward community expectation and consultation (Asset Renewal Ratio and Infrastructure Backlog Ratio). The financial management aspect of Objective 1 (discussed in the sustainability section at 3.1) will provide an ongoing assessment of council and the community's willingness to use debt to fund major infrastructure projects and support intergenerational equity.

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

> - Council recognises the importance of asset maintenance and renewal as critical to support the sustainable delivery of services.
> - Community engagement will underpin all service level settings and strategy development
> - That the improvements to asset management will be mirrored by similar improvement plans for service management (inclusive of community engagement) as well as financial management
> - Future organisational structure will continue to support asset management as a core service provision, and resource accordingly.
> - The LTFP will resource necessary renewals in future years
> - Executive leadership of asset management will continue

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
2. **Asset Management** - Continue the development and application of sound asset management strategy, structure, framework and processes across the organisation	a) Asset Management Improvements	• Asset Management Roadmap adopted mid 2015/16 • Revised asset management policy adopted early 2015/16 • Condition level of assets is considered in asset-based service delivery reviews and supported by community engagement • Strategic Asset Management Plan (SAMP) adopted March 2016 • Asset Custodian (Roles and Responsibilities) Policy adopted November 2015 • Asset management system is aligned to ISO55000 by October 2017 • Backlog calculation reaches benchmark by 1 January 2020 • Future renewal estimates are included in the long term financial plan progressively.	• Greater efficiency in the management of infrastructure assets • Alignment between asset service level condition and community expectation • Less reactive capital works • That Asset Management is integrated with Service Management and Financial Management. • The Asset Management System and Finance Fixed Asset Register are harmonised. • That subject to accounting code changes, depreciation reflects actual asset consumption. • That Council is able to identify in all asset classes the optimal point for reinvestment in assets based upon service levels agreed with the community. • That the community is an active participant on a regular and continuous basis in the setting and reviewing of service levels. • That the Infrastructure Backlog	• Operating Performance Ratio • Asset Renewal Ratio • Real Operating Expenditure

("renewal gap") will be managed to sustainable levels based on community engagement and a review of available revenue sources.

- That Asset Management and Service Management is underpinned by clear corporate strategies for service delivery.
- The Long Term Financial Plan is integrated with annual reviews of Asset Management plans.
- Clearer framework, with knowledge, responsibility and processes consolidated into one functional area.
- Roles and responsibilities associated with Asset Management are clarified.

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.

Service management strategies will provide a review of Council's operations and business processes resulting in cost efficiencies (Operating Performance Ratio and Real Operating Expenditure Ratio). The service delivery reviews will allow for consistent and equitable distribution of resources based on community importance, determining maintenance and satisfaction levels for the allocation of capital expenditure (Asset Renewal Ratio, Asset Maintenance Ratio and Infrastructure Backlog Ratio).

Real operating expenditure will decrease on a per capita basis through the determination of service levels and the creation of efficient and customer focussed business process improvements

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

- All services can be fairly captured
- Reliable data is available
- Ongoing Senior Management and political support for a fair and thorough service reviews is forthcoming
- Community engagement is effective
- No additional services are added to the portfolio without integration into the system
- Community and political support is available for investigating more efficient service delivery options and the potential for exiting services
- New GM supports strategy
- Staff Training budget allocation continues and may be reviewed
- All staff supported by senior management to improve skill set and culture

3.3 Efficiency

Outline your strategies and outcomes in the table below.

3.3 Efficiency

Objective	Strategies	Key milestones	Outcome	Impact on other measures
Service Management - Critically evaluate service portfolio and improve business processes to enhance customer service and achieve efficiencies.	a) Service Delivery Review	• Creation of a comprehensive list of services provided by Council – July 2015 – September 2015 • Setting the Priority List of Services to be reviewed – October 2015 • Development of Service Delivery Statements – October 2015 – October 2016 • Development of Service Delivery Evaluation Community Engagement Strategy – December 2015 – October 2016 • Conduct Service Delivery Evaluation Community Engagement Program – October 2016 – March 2017 • Based on results, adjust Service levels, Resources and Service Delivery Statements – April 2017 – Ongoing • Incorporates results into the Resourcing Strategy and associated Integrated Planning & Reporting Documents – April	• Consistent and equitable distribution of resources based on community importance • Better understanding of value for money in the provision of services • Community understanding of the link between service levels and costs • Exiting underutilised/redundant services • Increased resourcing for priority services	• Operating Performance Ratio • Asset Renewal Ratio • Infrastructure Backlog Ratio

		2017 – Ongoing • Where applicable build consistent service management plans based on the revised operating position – April 2017 – Ongoing • Repeat process for annual priority projects		

	b) Business Process Improvement	• An annual program is developed by December 2015 which includes
		  o Determination and approval of priority processes
		  o Management skilling in BPM
		  o Mapping completed and improvement plans developed
		  o Improvement plans implemented and reviewed
		• Implementation of annual program by June each year
			• Clearly defined and standardised processes
			• Unit Managers up-skilled to continue review process beyond priority processes
			• Process efficiencies result in cost and time savings
			• Customer service improvements
			• Training costs are reduced as processes are simpler
				• Operating Performance Ratio

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
Annual revision of Asset Management Plans as part of operational plan preparation	Jul-15
Develop an Asset Management Roadmap to be adopted by Council	Jul-15
Asset Management Policy Review	Jul-15
Creation of comprehensive list of all services and development of criteria to determine priority	Sep-15
Determine priority business processes for review	Sep-15
Asset Custodian Policy (Roles & Responsibilities)	Nov-15
Develop Asset Capitalisation Accounting Policy	Dec-15
Support Business Unit Managers in skill development related to BPM	Feb-16
Conduct organisation – wide census of processes	Feb-16
Data collection for Service statements and engagement strategy for priority services for review	Mar-16
Capital Project Prioritisation Policy	Mar-16
Strategic Asset Management Plan (SAMP) incorporating CX Framework	Mar-16
Integrated Transport Strategy	Mar-16
Verification of Stormwater Asset Data	Mar-16
Develop Delivery Program 2013/14 - 2016/17 incorporating Operational Plan 2016/17	May-16

Identify new or alternative revenue sources	Jun-16
Identify $1M in savings and productivity improvements for 2015/16	Jun-16
Process Improvement Priority Projects	Jun-16
Building & Facilities Strategy	Sep-16
Audit special schedule 7 (External Audit)	Oct-16

* Please attach detailed action plan and supporting financial modelling

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

Each year Council has always strived for improvement and has made incremental changes to operations. In June 2013 this change was accelerated with the appointment of an external Strategic Review. The aim of the Strategic Review *'was to ensure that SSC operations were efficient, resources were allocated effectively, and that SSC could meet the challenges of the future whilst maintaining financial sustainability and customer centricity.'* For the past two years a number of initiatives from the Strategic Review have been implemented.

On 2 December 2014, the organisations reform program became the foundation on which the Fit for the Future planning took place with the establishment of a Working Group as a result of Council Resolution BDS066-15 which stated:

1*. That a Fit for the Future working group be established comprising the Mayor, members of the Restructure and Regeneration Committee, interested councillors and staff nominated by the General Manager.*

2*. That councillors interested in participating in the working group notify the General Manager by Monday 15 December, 2014.*

3*. That the charter of the working group be as follows:*

> · *Review and prioritise the Improvement Plan areas for investigation.*
> · *Review and endorse for council review the draft Self-Assessment Tool for submission to Office of Local Government.*
> · *Govern and guide the asset based services community engagement process, including:*
> > o *Review and approve the scenario cost modelling for asset based services.*
> > o *Review and approve the communication strategy to be used.*
> > o *Review and approve the engagement strategy including tools, forums and methods of statistical analysis to be used.*
> · *Review and endorse for Council adoption the draft revised service levels for the purpose of SS7 reporting.*
> · *Review and endorse for council review the draft Improvement Plan.*
> · *Govern Council's implementation of Sutherland Shire Council's Improvement Plan from 2016-2020.*

The Working Group comprised of representatives from:
- Asset Management Group
- Community & Strategy
- Finance
- General Manager
- Office of the Deputy General Manager
- Organisation Development

The Working Group undertook a detailed process through which corporate data was extended and scrutinised, reporting procedures improved, and research and consultation data analysed. Much work had already commenced with the creation of an Asset Management Group and Project Delivery Group within council and the implementation of Strategic Review recommendations. The Strategic Review process included the investigation into service delivery options for a number of key services (detailed in attachment 13) which has resulted in both operational savings and increased revenue. A number of internal services have also been critically reviewed including administration, while reviews into marketing and WHS are nearing completion.

Recent community engagement on the 2015/16 draft budget endorsed Council's position in regard to:
- a) a balanced budget
- a) the special rate levy introduced by the previous Council will not return
- b) maintenance of our budget within rate pegging
- c) that the average residential rate increase does not exceed the consumer price index
- d) that Council's debt reduction targets be retained
- e) that the Budget place greater emphasis on asset renewals - $23.225 million in 2014/15 and $25.664 million in 2015/16
- f) ongoing reform savings

These principles and objectives set the framework for the Improvement Action Plan and the working group developed strategies and actions in line with the Council and the community's objectives.

The Fit for Future submission was reviewed, input received and approved by the following:
- Draft Submission and Action Plan to Directors for Comment - **Meeting 19th May 2015**
- Special Directors to review updated documents- **Meeting 4th June 2015**
- Councillor Workshop - **9th June 2015** (attachment 10)

Amendments and additions to plan, suggested at the above review periods, were tabled at a Budget and Strategy Issues Committee (BDS156-15) on **22nd June 2015** (full report in attachment 10) which resolved:
That in accordance with the delegation granted by the Council to this Committee it is resolved that delegation be given to the Mayor and General Manager to finalise the submission of the draft Improvement Action Plan to IPART as part of the State Government's Fit for the Future requirements, in consultation with all councillors.

Subsequently, the Mayor, in conjunction with all councillors, reviewed the final draft of the submission and approved it for release.

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.

Use of debt

"TCorp highlighted that debt is underutilised in Local Government and there are opportunities for it to be structured in a more cost effective manner. TCorp also emphasised that liquidity levels are in some cases overly conservative and that treasury management policies need to be reviewed to improve council management of liquidity"

The 2015/16 Budget has been based the following core principles as adopted by Council:
- g) a balanced budget
- h) the special rate levy introduced by the previous Council will not return
- i) maintenance of our budget within rate pegging
- j) that the average residential rate does not exceed the consumer price index
- k) that Council's debt reduction targets be retained
- l) that the Budget place greater emphasis on asset renewals - $23.225 million in 2014/15 and $25.664 million in 2015/16
- m) ongoing reform savings

A recent community survey endorsed Council's desire to become debt free. So whilst Council does have some capacity, the community endorsed position is not to take up that opportunity at this time.

Strategic Review 2013
The Strategic Review (Attachment 1 to Improvement Action Plan) set out 4 scenarios for reform. Scenario 3 (with amendments) including Scenarios 1 and 2, was adopted by Council and work is substantially complete on implementing recommendations. Scenario 4 set out an extensive selection of services from which to exit including child care services, athletics, youth and safety. Although this model was not preferred by council the improvement plan attached sets out a strategy to critically evaluate the service portfolio with a view to increasing efficiency and improving customer service.

The Strategic Review also recommended a altered organisational structure which was implemented in June 2013. This resulted in the creation of two new groups which will have substantial impact on the long term sustainability of council:
1. Asset Management Group (within Shire Infrastructure Division). This group was formed from the previous Property Division and Infrastructure Planning Unit, and brings together those responsible for management and maintenance of council assets. As the policies and processes of this group mature, an improvement to lifecycle planning, customer service specifications and sustainable maintenance and renewal will result. A detailed path towards this is provided in the Improvement Action Plan.

2. Commercial Operations Division. This division was created by merging units that both operated in a competitive environment and have a customer facing focus. Lead by the Deputy General Manager, a key goal is the market testing of units across council to ensure value for money in meeting community needs. Since forming, the Unit has made multiple changes within Council (some examples in attachment 13) that have resulted in operational efficiencies, generation of alternate revenue sources and changes to service delivery. With a KPI of two completed reviews per year in addition to the whole of council service delivery review detailed in the action plan, it can be expected that further changes to operating results will be achieved.

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)	-2.34%	-1.18%	0.17%	0.64%	0.43%	0.34%	Yes
Own Source Revenue Ratio (Greater than 60% average over 3 years)	83.50%	83.60%	89.04%	89.13%	90.53%	90.65%	Yes
Building and Infrastructure Asset Renewal Ratio (Greater than100% average over 3 years)	151.38%	147.63%	138.82%	117.91%	102.36%	91.70%	Yes (see notes)
Infrastructure Backlog Ratio (Greater than 2%)	2.70%	2.50%	2.30%	2.10%	2.10%	2.00%	No
Asset Maintenance Ratio (Greater than 100% average over 3 years)	99.79%	101.16%	100.00%	100.00%	100.00%	100.00%	Yes
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	2.15%	2.03%	1.82%	1.50%	1.21%	1.15%	Yes
Real Operating Expenditure per capita A decrease in Real Operating Expenditure per capita over time	$764.08	$763.84	$756.94	$749.72	$743.20	$734.10	Yes

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.

Infrastructure Backlog Ratio
- this ratio reaches 2% in FY20 which is on target however the benchmark specifically states "less than". It is expected that as strategies in this plan are implemented and longer term financial forecasts become more concrete that this ratio will meet the stated benchmark. The ratio is the product of the difference between the agreed service level and the organisations financial capacity to support the renewal of assets. Community engagement is the key to reconciling any difference.

Building and Infrastructure Asset Renewal Ratio
- This ratio meets benchmarks for recent and future years until FY20. Of the income from the $100 million in contributions from SITA over the next 15 years, $27.6 million will be received within the period ending 2019/20 whilst only $16.3 million has been allocated to infrastructure works in the same period. Further funds are expected to be allocated to renewal works once a program has been finalised.

Financial forecasts are based on assumptions and there will likely be minor fluctuation in the figures projected. Likely reasons are detailed below:
- Political influences are difficult to manage and political priorities can change overtime, which can have a significant impact on the organisation having the resources and support to implement the Fit for the Future Improvement Plan.
- Changes in the executive level of council will occur in the first quarter of FY16. The Improvement Plan has been structured with this in mind and has made the strategies and corresponding action items flexible for organisation change.
- Unexpected community feedback, in relation to services and asset condition, is also a possibility and could impact on the financial forecast.

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.

Strategies and corresponding action items are listed in the Improvement Action Plan with responsible Manager:
- Engagement Plan – Manager Communities and Strategy
- People & Culture – Acting Manager Organisation Development
- Financial Sustainability – Manager Finance
- Service Delivery Review – Acting Manager Organisation Development
- Business Process Improvement - Acting Manager Organisation Development
- Asset Management Improvement – Group Manager Asset Management

The attached Improvement Action Plan details clear responsibility for actions and key milestones at a detailed level. The Organisation Development Unit, in conjunction with the Strategic Planning Team will coordinate implementation and reporting of each Objective.

The action items developed have been included in Council's adopted IP&R Delivery Program. The outcomes and performance for the strategies and actions will be included in Council's Annual Report each year.