

Great Lakes Council - Improvement Proposal



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: GREAT LAKES COUNCIL

Date of Council resolution endorsing this submission: 23 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.

Great Lakes Council will meet all of the Fit for the Future benchmarks within the required timeframe. An Improvement Proposal that is based on a modest rate increase (a cumulative total of 8% over the rate peg over 4 years) will strengthen the current position that sees it currently meeting the majority of the benchmarks. A summary table of these benchmarks is shown below:

Measure <i>Assessment Criteria</i>	2013/2014 (Actual)	2016/2017 (Projected Current)	2019/2020 (Projected Improvement)
Operating Performance <i>Must meet within 5 years</i>	✗	✗	✓
Own Source Revenue <i>Meet or improve within 5 years</i>	✓	✓	✓
Building & Infrastructure Asset Renewal <i>Meet or improve within 5 years</i>	✓	✓	✓
Infrastructure Backlog <i>Meet or improve / inform within 5 years</i>	✗	✗	✓
Asset Maintenance <i>Meet or improve / inform within 5 years</i>	✗	✓	✓
Debt Service <i>Meet within 5 years</i>	✓	✓	✓
Real Operating Expenditure per Capita <i>Must demonstrate operational savings (net of IPR supported service improvements) over 5 years</i>	✓	✓	✓

Great Lakes Council, as suggested by the Independent Local Government Review Panel, investigated a merger opportunity with Gloucester Shire Council. The results of that investigation (conducted by independent firm Morrison Low) concluded that there would be significant disadvantages to both communities. As such both councils have resolved not to proceed with a merger proposal.

Great Lakes Council's future and current financial position has been achieved through a strategic approach taken by Council commencing with a review of its ongoing financial sustainability in 2008 by Professor Percy Allan. Council's approach involved extensive management research utilising external expertise where required to guide Council's decision making combined with strong and decisive political leadership to implement actions required to achieve a sustainable outcome.

Council's asset maintenance had been managed well in the past however due to increasing financial pressures to provide a range of services there had been a deterioration in asset-related funding from the late 1990's. Following the Professor Allan Report Council adopted a strategy to redress this position and evidence of the success of this strategy is now being seen.

External asset management expertise was sought resulting in improved asset management information and planning. Council's long term financial planning capability was enhanced initially through external support which included knowledge transfer to Council's financial team. The long term financial plan has been used as a vital management and decision making tool since and has ensured Council's financial decisions have remained strategically focussed.

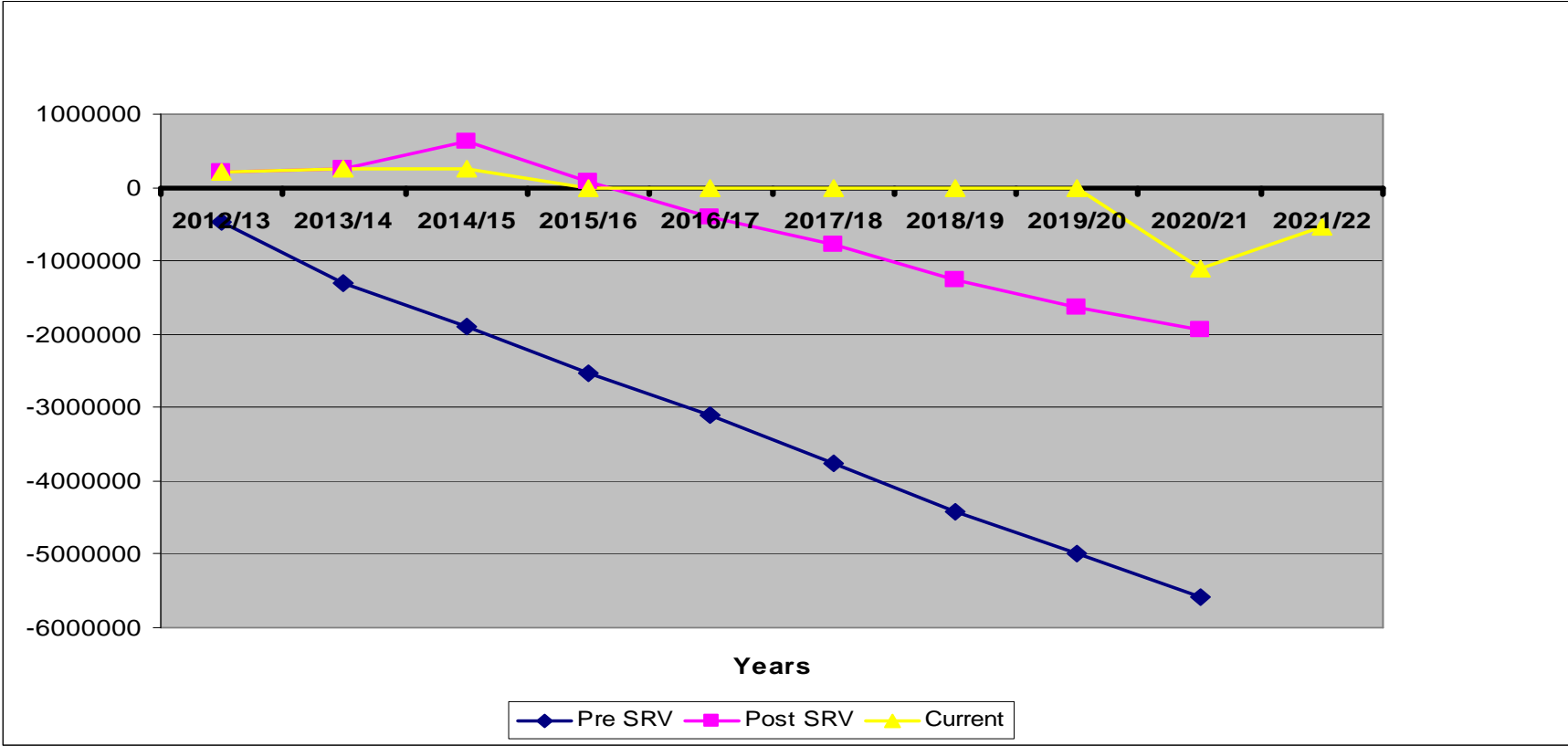
Being well connected within our region we are aware that very few regional councils would be in a position to meet the Fit for the Future benchmarks at this stage. The T-Corp Financial Sustainability Review in 2013 identified that Great Lakes Council was tracking well in terms of its present and future outlook when compared to like councils.

Council has achieved this by working closely with its community on the infrastructure and financial challenges

and there is a strong awareness in the community that Council has placed an emphasis on budget repair and the direction of funding into infrastructure maintenance and renewals. A combination of increasing revenue through a special rate variation in 2011/12 and a rigorous service level review and cost containment program has assisted in achieving this outcome.

Council's Improvement Proposal involves a modest special rate variation to provide additional funding to address backlogs in several asset classes and ongoing improvement in Council's service delivery through our Business Improvement Program together with investment in information technology (guided by Council's ICT Strategy) aimed at improving organisational efficiency.

Council's journey to sustainability can best be illustrated by the following graph which plots Council's projected financial position prior to the 2011/12 special rate variation, the position after the special rate variation and the current position incorporating Council's budget repair and service level review program.



Independent Local Government Review Panel's Recommendations

The Independent Local Government Review Panel (ILGRP) identified Great Lakes Council as a Group G Council being sustainable in its current form for several decades to come and as such having Scale and Strategic Capacity.

The Panel also identified Gloucester Shire Council as being able to stand-alone in the short term but needing to explore merger options with adjoining councils for its long term sustainability.

Merger Investigations

A merger business case was explored and we actively participated in this process. Following discussions with the Office of Local Government, both councils engaged Morrison Low through the Fit for the Future Merger Business Case Panel to undertake the merger business case analysis.

The Morrison Low Report identifies significant dis-benefits to the Great Lakes and Gloucester communities if a merger proceeded. Key Fit for the Future Benchmarks would deteriorate under a merged entity and ongoing sustainability issues would arise.

Morrison Low commented that:

"While the merged council has a number efficiencies modelled in over the short, medium and longer term the short term costs arising from the merger and the redundancy costs that arise in the medium term are not overcome by benefits in the medium and longer term and as a result the financial performance remains poor throughout the period being modelled. The merged council does not produce a positive operating result (excluding grants and contributions for capital purposes) over the entire period being modelled."

Significant factors which impact on the merger and viability of a merged entity are:

1. Infrastructure maintenance and backlog issues at Gloucester.
2. The ongoing employment protection provisions which would apply to many small population areas across the merged entity and would severely impact on any productivity and efficiency measures for the new Council.

A copy of the Morrison Low report is attached (Annexure 1).

In conclusion, Great Lakes Council's Fit for the Future proposal is to remain as a stand-alone Council in line with the recommendations of the ILGRP. As supporting documents we have attached some features of Great Lakes Council's operating environment which demonstrate our capability from a scale and strategic capacity perspective (Annexure 2).

Scale and Capacity

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

Yes

Great Lakes Council has scale and capacity to meet community needs, respond strategically to changing circumstances, and to engage and collaborate with both State and Federal Governments. We have attached supporting documentation (Annexure 2) which identifies some key program areas that demonstrate clearly the capability Council has to effectively deliver in major program areas. The attachment is not exhaustive but focusses on areas of complexity which are important to the Great Lakes community and also key efficiency initiatives including Council's membership of Hunter Councils.

Council is a long standing member of Hunter Councils and Strategic Services Australia. Hunter Councils and Strategic Services Australia are corporate entities owned by the eleven councils (including Great Lakes Council) of the Hunter Region and representing a community of more than 600,000 people. In 2015 the story of regional partnerships in the Hunter Region entered a new era with the selection of the Hunter Region as a trial area for a new form of State and Local Government cooperation: the Joint Organisation of Councils. Developed out of the Hunter Councils model, the Joint Organisation is an exciting initiative that will lead to enhanced coordination, sharing of resources between levels of government and united approaches to strategic opportunities. Council's membership of Hunter Councils provides added strategic capacity and supports Great Lakes Council in being Fit for the Future.

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).

The Great Lakes region, covering an area of 3,373 square kilometres and housing a population of approximately 34,430 (Census 2011) is located about a three hour drive north of Sydney on the Mid-North Coast between Port Stephens in the south, Taree in the north and west to the slopes of the Great Dividing Range. It has a total coastline of 145 kilometres which represents close to one-third of the total open coastline of the Hunter, Central and Lower North Coast Region.

A spectacular environment characterised by unspoilt lakes, rivers, beaches, national parks, mountain ranges, hinterland, flora and fauna provide for a lifestyle that many residents and tourists have come to enjoy. Our natural environment is our greatest asset and requires ongoing protection and management to ensure its preservation for the present and future generations.

The Great Lakes is comprised of two main population centres - Forster/Tuncurry in the north and Tea Gardens/Hawks Nest to the south. In addition there are a number of towns and villages within the region, each with their own unique character, including Stroud, Bulahdelah, Coolongolook, Nabiac and Pacific Palms.

The Great Lakes Community Strategic Plan “Great Lakes 2030 sets out the following vision:

A unique and sustainably managed environment balanced with quality lifestyle opportunities created through appropriate development, infrastructure and services.

The Vision is supported by the following Key Directions which Council continues to work towards in its Delivery Program and Operational Plan.

Key Direction 1 - Our environment

Key Direction 2 - Strong local economies

Key Direction 3 - Vibrant & connected communities

Key Direction 4 - Local leadership

Our People

The Great Lakes region has experienced significant population growth over the last 10 years. Retirees and ‘sea’ and ‘tree’ changers and their families have been strongly represented in this growth.

Our Demographics

The population characteristics of the Great Lakes are similar to many regional east coast NSW councils, with a significantly higher proportion of retirement aged people, and a lower proportion of young people. However in comparison to regional NSW the Great Lakes has a significantly higher proportion of people in the older age groups (60+ years). The regional percentage is 24.5% aged 60 and over, with the Great Lakes figure representing more than one-third of the population at 39.5% making it one of the oldest communities in NSW, double the state average and well above the regional average. This figure is predicted to increase and Council is actively planning to cater for the needs of this demographic.

Economy

Although agriculture remains an important contributor to local economic activity, the Great Lakes can no longer be considered a 'rural-based' region. A combination of retirees and people seeking a 'sea' or 'tree' change has seen a transformation into a 'lifestyle region'.

The majority of the recent growth in jobs has been in the population-driven services of health care and social assistance; with mining, retail and education and training also seeing increases.

The Great Lakes SEIFA index is 932 reflecting the high level of retirees in the area.

Infrastructure

Great Lakes Council has a significant portfolio of community infrastructure and assets contributing to a diverse range of community services. The total value of these assets is in excess of \$465 million and includes 648km of sealed roads, 634km of unsealed roads, 177 bridges, 21 sporting complexes, 5 freshwater swimming pools, 5 libraries, 115 community buildings and 1010 hectares of reserves.

2.2 Key challenges and opportunities

Strengths	Weaknesses
<p><u>Asset Management</u></p> <ul style="list-style-type: none"> • Asset Management Strategy & Asset Management Plans developed with external expertise (Morrison Low) • Asset Management Improvement Plan developed and positive progress being made in implementation • AMP for key building assets together with funding strategy. eg. Great Lakes Aquatic Centre • Manageable infrastructure backlog • Utilised LIRS innovatively to reduce backlog. <p><u>Service Delivery</u></p> <ul style="list-style-type: none"> • Highly skilled workforce with demonstrated scale and capacity to deliver services. • Services managed and maintained across a large and geographically dispersed community with positive levels of community satisfaction (Community Survey results) • Service level review undertaken across all operational areas resulting in fit for purpose service delivery - some services discontinued or business model changed. 	<p><u>Assets</u></p> <ul style="list-style-type: none"> • Asset Improvement Plan <ul style="list-style-type: none"> ○ System ○ Incomplete Parks Asset Data <p><u>Sustainability</u></p> <ul style="list-style-type: none"> • Limited options for expansion of own source revenue (beyond property portfolio) eg. Parking revenue <p><u>Efficiency</u></p> <ul style="list-style-type: none"> • Early stages of maturity of Business Improvement Model - first year of a program which takes 1-2 years to build the platform.

Sustainability

- High level of own source revenue.
- Land Development and Property Portfolio provides commercial return on investment which increases Council own source revenue. Strategic property acquisitions provide potential for this to be enhanced in the next 5-10 years
- Budget repair effected and funding channelled into infrastructure (refer LTFP historical view)

Efficiency

- Business Improvement Program to improve organisational performance and productivity. Utilising Australian Business Excellence Framework to guide organisational improvement.

Opportunities	Threats
<p><u>Assets</u></p> <ul style="list-style-type: none"> • Implement Asset Improvement Plan • Modest Special Rate Variation as included in 2013/17 Delivery Program and 2015/16 Operational Plan to address infrastructure maintenance (4 to 5% required to address backlog) <p><u>Efficiency</u></p> <ul style="list-style-type: none"> • Drive Business Improvement Program to increase value to customers and deliver sustainable business results <p><u>Sustainability</u></p> <ul style="list-style-type: none"> • Grow commercial returns on property portfolio to increase ongoing own source revenue. • Major tourism destination in close proximity to Sydney and Newcastle presents challenges and opportunities. 	<p><u>Assets</u></p> <ul style="list-style-type: none"> • Asset Accounting Standards • SRV not approved to address infrastructure backlog <p><u>Sustainability</u></p> <ul style="list-style-type: none"> • External Forces - e.g. Federal Government decision to freeze indexation of the Financial Assistance Grant • Cost shifting from other levels of government • Slowing growth rate in regional areas • Demand for commercial/residential development

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)	-0.33%	No	-5.31%	No
Own Source Revenue Ratio Ratio (Greater than 60% average over 3 years)	70.03%	Yes	76.46%	Yes
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	118.53%	Yes	110.37%	Yes

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

Operating Performance Ratio

Great Lakes Council does not meet the required benchmark (greater than or equal to break-even average over 3 years) in relation to the Operating Performance Ratio. IPART's approach to assessing this ratio is that a regional

council, like Great Lakes, must meet the benchmark within 5 years (by 2019/2020).

Based on information and projections contained within the latest Long Term Financial Plan (LTFP) Council will record a positive result ratio in 2021/2022. It will record a positive 3 year average result in 2022/2023. However it does record positive Operating Results from 2019/2020 and positive Operating Results excluding Capital Grants and Contributions from 2021/2022.

The table below outlines the Council's Operating Performance Ratio, 3 year rolling average result, Operating Result from Continuing Operations and the Operating Result excluding Capital Grants & Contributions. The figures for 2010/2011 to 2013/2014 are based on actual results while figures from 2014/2015 are based on estimates contained within Council's adopted 2014/2015 budget and current version of the LTFP:

Year	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Operating Perf. Ratio	-4.80%	2.98%	0.36%	-3.52%	-5.69%	-5.19%	-5.04%
O.P. Ratio - 3 yr ave.	-1.67%	-0.90%	-0.49%	-0.06%	-2.95%	-4.80%	-5.31%
Op. Result	-7,201	5,201	7,414	3,757	-2,373	-1,156	-2,141
Op. Result excl. Cap.	-12,671	1,894	1,791	-2,213	-3,603	-3,341	-3,311

Year	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Operating Perf. Ratio	-3.82%	-2.31%	-1.04%	-0.52%	0.59%	1.16%	1.81%
O.P. Ratio - 3 yr ave.	-4.68%	-3.72%	-2.39%	-1.29%	-0.32%	0.41%	1.19%
Op. Result	-1,401	-426	426	786	1,618	2,063	2,608
Op. Result excl. Cap.	-2,571	-1,596	-744	-383	448	893	1,438

Points to note:

- 2013/2014 result impacted by the Federal Government decision not to pay extra instalments of the Financial Assistance Grant which had an impact of \$3,212,000 on the Operating Result for that year. This was a departure from the previous practice of the Federal Government and represents a one-off impact on that result. Council would have recorded a positive Operating Result and Operating Performance Ratio had this change not occurred.
- Council's 2014/2015 budgeted result will be impacted by the Federal Government's decision to pause the indexation of the Local Government Financial Assistance Grant Programme for 3 years commencing on 1 July 2014. This decision also impacts on the 2015/2016 and 2016/2017 results.
- Council's Long Term Financial Plan has been developed on the assumption that the Local Government Cost Index will be 3% per annum across the life of the Plan. This has been a consistent assumption across the various versions of Council's Long Term Financial Plan and reflects the previous advice of the IPART in relation to assumptions to be made in relation to Special Rate Variation proposals. Council has not separately modelled its position based on a 2.5% Cost Index given that it has developed a multi-year Special Rate Variation proposal from 2016/2017.
- Council's Long Term Financial Plan does not index depreciation across the life of the Plan. Considerable uncertainty exists in being able to make a reliable estimation in the growth or reduction in the annual

depreciation charge. Council's asset management staff advise that they are not expecting large movements in the depreciation expense in the future given the continuing development work that is being undertaken to better manage Council's asset position.

Own Source Revenue Ratio

Great Lakes Council comfortably meets the Own Source Revenue Ratio benchmark of >60% own source revenue over a rolling 3 year average.

The table below shows the actual and projected results for this ratio for a 7 year period.

Year	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
Ratio	70.03%	72.47%	74.60%	76.46%	76.93%	77.76%	78.13%

Building and Infrastructure Asset Renewal Ratio

Great Lakes Council presently meets the Building & Infrastructure Asset Renewal Ratio benchmark of >100% average over 3 years. However the ratio does decline below the benchmark in the mid-term before trending back towards the benchmark towards the end of the 5 year period. This movement can be seen in the table below.

Year	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Actual	127.17%	128.09%	127.99%	75.02%	75.36%	80.23%	83.40%
3 yr ave.	118.53%	127.26%	127.75%	110.37%	92.79%	76.87%	79.66%

The IPART's approach to assessing the criteria requires Great Lakes Council meet or improve its result within 5

years. As the table above indicates Council currently exceeds the benchmark and will continue to do so for the next few years.

There is a substantial drop in the actual ratio in 2016/2017. This coincides with the end of Council's LIRS Program whereby \$18 million of capital expenditure had been brought forward into the period from 2013/2013 to 2015/2016. Council has also provided an additional \$1 million for rural sealed road renewals in both 2014/2015 and 2015/2016. This additional funding was also sourced from loan borrowings to target this part of its road network, which has been identified through our asset management work as the area of greatest need. While the loan repayments are being met from the rental received from a commercial development this funding strategy is not sustainable in the long term and the continuation of this allocation is dependent upon a permanent funding source. Council's Improvement Program identifies the need for a small special rate variation from the IPART for 2016/2017 to make this additional allocation a permanent part of Council's rate base and to address other asset renewal requirements.

A proportion of the drop in the ratio is also due to the manner in which Grants and Contributions for Capital Purposes are treated within Council's Long Term Financial Plan. Capital Grants and Contributions are not included within the LTFP unless there is near certainty that they will be received. This has been Council's practice since developing its first Long Term Financial Plan in 2011/2012. As such the current financial projections only include an amount of \$1,170,000 per annum for this revenue item from 2016/2017 with a similar figure being projected across the balance of the Plan.

While Council has historically received between \$3 million and \$5 million each year in various capital grants and contributions, the source, purpose and duration of these funds varies. As such Council takes a conservative approach in estimating their continuation. Obviously if more revenue from these sources is received and the purpose of the revenue is for renewal works on Council's infrastructure rather than construction of new assets then the estimated renewal ratio will improve on that estimated above.

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%)	5.82%	No	2.40%	No
Asset Maintenance Ratio (Greater than 100% average over 3 years)	70.19%	No	100.0%	Yes
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	10.40%	Yes	13.62%	Yes

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

Infrastructure Backlog Ratio

Great Lakes Council is projected to meet the Infrastructure Backlog Ratio Benchmark of <2% within the 5 year period. Council's ratio for 2013/2014 was recorded at 5.82%. Over the period until 2019/2020 that result is

forecast to improve each year, eventually meeting the benchmark in 2018/2019. The improvement in the result can be seen in the table below.

Year	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Result	5.82%	2.85%	2.16%	2.40%	2.16%	1.88%	1.99%

The figure that drives the result for this ratio is the 'Estimated cost to bring assets to a satisfactory condition' which is taken from Special Schedule 7 of Council's Financial Statements. The Local Government Code of Accounting Practice and Financial Reporting provides guidance in relation to the definition of 'bring to standard' and the level of service that should be reported.

Council has undertaken considerable work in obtaining a better understanding of the condition of its asset base and of the financial resources required to meet the maintenance and renewal requirements. External reviews of Council's Asset Management practices by GHD and Morrison Low identified areas for improvement. Morrison Low were subsequently engaged by Council to facilitate an Asset Management Improvement Program which refined Council's Asset Management Plans and developed its Asset Management Strategy.

Great Lakes Council conducted community consultation during 2014 in respect of the level of service that is to be provided by Council assets. This has been considered by Council and levels of service have been adopted. These are included within Council's Asset Management Strategy and Asset Management Plans.

This decision has had an immediate impact on the amount required to be expended to bring assets to a satisfactory standard. This can be seen in the difference between the result for 2013/2014 and the anticipated result for 2014/2015.

The 2013/2014 figure was based on improved asset data but the estimated cost to bring to satisfactory was based on a condition rating of 'good' as required by the Code (as community consultation had not occurred). The community consultation resulted in lower service levels being acceptable to the community. The recalculation of individual asset class backlog figures following the determination of agreed service levels has resulted in a substantial drop in this ratio.

The reduction in the ratio above is also partly due to the additional renewal works being undertaken by Council as explained above. Council has been spending in excess of 100% of the amount required for the annual renewal of existing assets and has been specifically targeting assets that are in a condition that is below the adopted service level. As such a proportion of the renewal expenditure addresses the accumulated backlog. This has resulted in a decrease in the various asset class backlog figures.

Asset Maintenance Ratio

Great Lakes Council meets the Asset Maintenance Ratio of >100% average over 3 years for the entire 5 year period. The yearly results and 3 year rolling average are included in the table below.

Year	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Actual	99.86%	100%	100%	100%	100%	100%	100%
3 Yr Ave.	70.19%	83.14%	99.95%	100%	100%	100%	100%

Debt Service Ratio

Great Lakes Council meets the Debt Service Ratio of >0% and < or equal to 20% average over 3 years for the entire 5 year period. The yearly results and the 3 year rolling average are included in the table below.

Year	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Actual	13.11%	13.47%	13.26%	14.14%	13.65%	12.84%	12.15%
3 Yr. Ave.	10.40%	12.36%	13.28%	13.62%	13.68%	13.54%	12.88%

Contributing to the results are substantial borrowings related to Council's Waste Management function which has been undergoing an extensive capital works program including the construction of a Regional Waste Facility and a number of Waste Transfer Facilities to service local communities as part of a larger Regional Waste Strategy.

Repayment of these loans is sourced from Waste Management Charges that are levied on ratepayers for those purposes. There is no impact on Council's General Fund from the perspective of ordinary rates and charges being required to meet repayment commitments. However those borrowings do inflate Council's Debt Service Ratio.

For information, the current break-up of loans between Waste Management and General Fund is:

	30/06/2015	30/06/2016
General	32,807	35,234
Waste	14,501	18,884
Total	47,308	54,118

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>	1.55 Decreasing	Yes	1.48 Decreasing	Yes

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

Real Operating Expenditure per Capita

Great Lakes Council meets this benchmark across all periods. The results are set out in the table below and are based on the financial forecasts outlined in Council current Long Term Financial Plan.

Year	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Ratio	1.55	1.53	1.50	1.48	1.44	1.41	1.39

As outlined above Council has prepared its Long Term Financial Plan on the basis of a 3% rate peg. In determining the Real Operating Expenditure per capita trend reported above, the Operating Expenditure has been deflated in accordance with the guidance provided by the Office of Local Government i.e. 2.5%.

These figures have been re-worked to match the actual increase included within Council's Long Term Financial Plan and to determine whether the reported trend still occurs. The results, based on a deflation factor of 3%, are shown below and confirm that the Real Operating Expenditure per Capita ratio does decrease over time.

Year	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Ratio	1.55	1.53	1.50	1.47	1.44	1.41	1.39

2.4 Water utility performance

GREAT LAKES COUNCIL DOES NOT HAVE RESPONSIBILITY FOR WATER SUPPLY AND SEWERAGE MANAGEMENT. MIDCOAST WATER PROVIDES THESE SERVICES TO THE GREAT LAKES LOCAL GOVERNMENT AREA.

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.

Great Lakes Council has been working diligently with its community to ensure its long term financial sustainability.

For a number of years Council had been aware that it faced a looming infrastructure maintenance issue. The effects of over 30 years of rate pegging, the loss of its water and sewerage functions following the creation of MidCoast Water in 1997 and an expanded range of services and responsibilities resulting from community demand and cost-shifting from higher levels of government, had led to a situation where maintenance on and renewal of infrastructure assets had progressively decreased. Available funds had been stretched to provide for the continuation of other services.

To quantify the size of the problem and investigate options to address the matter, Council engaged Professor Percy Allen of Review Today Pty Ltd in 2008 to:

- assess the state of existing Council infrastructure;
- estimate the cost of fixing existing infrastructure and renewing it in the future;
- compare the cost of infrastructure and services under existing Council policy with that of alternative scenarios that fully rehabilitate, renew and maintain infrastructure;
- explore whether current revenue policy or more ambitious options would be able to fund these alternative spending scenarios within responsible financial limits; and
- suggest possible other measures (e.g. productivity improvements) that might assist in this task.

Professor Allen prepared a detailed report on the position of Council's financial sustainability and provided three scenarios to address these issues. Professor Allen stated *"that GLC faces huge blowouts in its operating deficit and debt ratios if it attempts to overcome its infrastructure problems without boosting its revenue and / or cutting its costs and services."*

Council followed up on the Review Today study by engaging Morrison Low in 2009 to assist in the development of a Long Term Financial Strategy. They concluded that:

"In our view, Great Lakes Council is not currently financially sustainable as every year it consumes more cash than it receives. That is cash used to balance the difference between the operating and capital costs against the revenue. In addition we believe the level of annual infrastructure renewal expenditure currently planned by Council is significantly lower than the forecasted renewal expenditure requirement. Over the long term the infrastructure asset base is eroding."

In order to increase its asset management capability Council embraced the NAMS.Plus program and provided training for key asset management staff. This resulted in a clearer picture of the true state of Council's infrastructure issues.

Council subsequently lodged a special rate variation application with the IPART for a permanent multi -year approval to address a number of financial issues. The SRV package sought in part to:

- provide ongoing funding to maintain current service levels
- increase funding for infrastructure maintenance
- increase funding for infrastructure asset renewal
- improve financial sustainability by replacing loan funded renewal programs with revenue over a 10 year period.

Council received an approval to increase its general income by 8% for 3 years which commenced in 2011/2012.

During 2011/2012 the State Government introduced its Local Infrastructure Renewal Scheme (LIRS) and Council resolved to lodge an application for funding seeing an opportunity to fast-track asset renewal programs. It sought to borrow \$18 million to fund the replacement of 12 timber bridges at a cost of \$5 million and to

undertake the rehabilitation of urban and rural sealed road pavements to a value of \$13 million.

The structure of the application saw Council replace the existing revenue funded budgets with loan funds with the revenue being transferred to an internal restriction to progressively fund the loan repayments in later years. The benefits of the program were that Council's bridge backlog would be addressed in 3 years, additional road renewal works would be completed and the replacement of loans with revenue for renewal works would occur within 7 years.

The process required that TCorp provide an independent assessment of Council's financial capacity and ability to undertake the additional borrowings. They concluded, having reviewed Council's historical financial information and 10 year forecast within the Long Term Financial Plan that Council was in a satisfactory financial position. This was subsequently reconfirmed in TCorp's report on the 'Financial Sustainability of the New South Wales Local Government Sector' where they assessed Council as having a 'Moderate' Financial Sustainability Rating with a 'Neutral' Outlook.

Council's ongoing strategy to continually improve sustainability is to deliver operational efficiencies through its business improvement program with a focus on improving how the business systems within Council operate. Council will also investigate options to obtain the best return on Council's property investments.

Council currently maintains a tight control on expenditure through its Quarterly Budget Review Reporting process. This focus on cost containment together with improved procurement practices will also assist in improving its financial sustainability.

In order to address the remaining infrastructure back log issue in rural sealed roads Council's strategy includes applying for a modest special rate variation in 2016/17. This has been included in Council's 2015/16 Delivery Program.

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.

Council's Long Term Financial Plan outlines the key assumptions that have been used in calculating the benchmarks in section 2 and the expected benchmarks in the performance improvement plan. A copy is attached (Annexure 3).

Financially, the Performance Improvement Plan relies on Council being successful in obtaining IPART's approval to increase its general income above the 'rate peg'. Council has indicated through its 2015/2016 Operational Plan that it intends lodging a special rate variation application with the IPART for the 2106/2017 financial period. That application will be a multi-year application (section 508A application) seeking to permanently increase rates over 4 years as follows:

- 2016/2017 - 6.50% (including rate peg of 3%)
- 2017/2018 - 4.25% (including rate peg of 3%)
- 2018/2019 - 4.25% (including rate peg of 3%)
- 2019/2020 - 4.25% (including rate peg of 3%)

Annexure 8 is a copy of the proposal as included in the 2015/2016 Statement of Revenue Policy which was placed on public exhibition as part of Council's Delivery Program / Operational Plan and subsequently adopted by Council at its Ordinary Meeting of 23 June 2015.

3.1 Sustainability

Outline your strategies and outcomes in the table below.

3.1 Sustainability

Objective	Strategies	Key milestones	Outcome	Impact on other measures
Increase Operating Revenue	Lodge section 508A Special Rate Variation application to take effect from 1 July 2016. (Annexure 8)	Complete community consultation by mid December 2015 Application submitted to IPART in accordance with guidelines by February 2016	Increased revenue to fund remaining infrastructure backlog in rural sealed roads and playground equipment identified in AMP.	Infrastructure backlog and asset maintenance ratios
	Review current pricing policy to ensure services are recovering costs where applicable and that fee levels are	Review completed by 30 June 2016.	Ensure appropriate level of fees and charges	Potential increase in revenue

	appropriate.			
Identify and investigate opportunities to broaden Council's revenue base through the investment of Council funds in appropriate business and/or property ventures. (DP/OP 14.1.2)	<p>a) Adopt a strategy outlining the parameters that a business and/or property venture will need to meet for further consideration by Council.</p> <p>b) Engage appropriate professional assistance to identify and investigate commercial and/or property opportunities that appear to meet Council's adopted parameters.</p>	<p>Strategy adopted by 30 June 2016</p> <p>Subject to investment priorities and market readiness investment/development undertaken in accordance with strategy.</p>	Additional discretionary revenue to apply to community priorities and minimise pressure on other sources of revenue such as rates.	

	<p>c) Consider the investment of Council funds in business and/or property opportunities after the completion of investigations, due diligence and professional advice.</p>			
	<p>Continue review of Council's strategic property holdings to achieve positive outcomes in line with market demands</p>		<p>Additional discretionary revenue to apply to community priorities and minimise pressure on other sources of revenue such as rates.</p>	
	<p>Coordinate the leasing/licencing of Council owned facilities for</p>		<p>Additional discretionary revenue to apply to community</p>	

	commercial use where those facilities are not required for other Council purposes. (DP/OP 6.1.2)		priorities and minimise pressure on other sources of revenue such as rates.	
Decrease Operating Expenditure	Implement the recommendations of the Public Halls Service Level Review in order to reduce the future cost of public buildings managed by Council.	Implement in accordance with strategy adopted by Council including rationalisation of Halls managed by Council.	Estimated saving of \$ 300,000 p.a once fully implemented with funds saved directed into maintenance of remaining halls in accordance with AMP	Reduces need to fund Hall AMP from other revenue sources.
Implement Procurement Improvement Program to ensure efficient and transparent processes, achieve financial savings and comply with	a) Continued implementation of the Procurement Improvement Action Plan. (Annexure 4)		Estimated savings/efficiencies of 1% to 1.5% of annual procurement spend.	Positive contribution to Real Operating Expenditure per Capita ratio through efficiency of process.

legislative requirements. (DP/OP 14.2.4)

b) Implement computer system modules to improve internal controls and achieve efficiencies in procurement processes.

Positive impact on asset related ratios as financial savings through procurement activities translate into lower unit costs for works and/or additional works for the same budget allocation.

Guide sustainability policy and practices across Council (DP/OP 14.4.2)

a) Facilitate the adoption of energy efficiency targets for GLC and key assets.

b) Monitor GHG emissions, energy and water consumption at

Further upgrade of building assets on a priority basis to achieve reduction in energy consumption.

Reduction in energy use as monitored through Planet Footprint.

Positive contribution to Real Operating Expenditure per Capita ratio through efficiency of process and achievement of \$ savings.

	<p>Council facilities and develop priority actions to meet reduction targets.</p> <p>c) Incorporate priority actions to reduce GHG emissions, energy and water consumption for Council facilities into asset management work programs.</p>			
<p>Manage increase in liabilities.</p>	<p>Implement Leave Management Strategy</p>	<p>Annual Leave balances remain at current levels or below. Long Service Leave balances managed downwards in line with adopted strategy.</p>	<p>Improved health and wellbeing of employees and reduced financial liability.</p>	<p>**</p>

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.

As discussed above Council has been committed to ensuring its financial sustainability for a number of years. However this has been coupled with a focus on ensuring that it is addressing its responsibilities under section 8 of the Local Government Act 1993 in relation to asset management which are *"to bear in mind that it is the custodian and trustee of public assets and to effectively plan for, account for and manage the assets for which it is responsible"*.

In 2008 as part of Professor Allen's Review Today project, consulting firm GHD undertook a review of Council's Asset portfolio to attempt to quantify the level of under-investment in infrastructure network and a review of Council's asset management capability focussing on systems and processes. Recommendations from these reviews led to Council adopting the NAMS.Plus methodology and making a significant improvement in the quantity and quality of data that it had on its infrastructure assets.

In 2011 the NSW State Government announced an infrastructure backlog audit of NSW local government. Great Lakes Council was subsequently selected as one of the 35 councils to participate in an on-site audit of asset management practices as part of the broader Local Government Infrastructure Audit program. This review, undertaken by Morrison Low, concluded that Council was at a 'Basic' level of competence in asset management. Council subsequently recorded a 'Moderate' rating for the Infrastructure Management Assessment category reported in the Division of Local Government's Local Government Infrastructure Audit report of June 2013.

Following these reports Council approached Morrison Low to facilitate an Asset Management Improvement

Program with Council staff to address the issues raised in their report. This engagement has resulted in Council adopting service levels for its assets following a consultation process with the community on standards and funding. These service levels have been reflected in new Asset Management Plans and an Asset Management Strategy incorporating an Asset Management Improvement Plan. This has also led to a revision of Council's reported backlog based on the new agreed service levels and has identified areas of need for additional funding and areas where adequate funding exists.

It is this work that informs Council's proposal to lodge a special rate variation application with the IPART seeking additional funds to be applied to areas of need within Council's infrastructure network.

The key aspects of Council's plan to improve its performance against the Infrastructure and Service Management Benchmarks are:

1. Additional funding sourced through a permanent increase in rates revenue to be applied to renewal works.
2. Continue to seek grant funding through State and Federal Governments where appropriate to renew or enhance Council's infrastructure network.
3. Continued improvement in Council's asset management data, systems, processes and decision-making in accordance with adopted Asset Management Improvement Plans and Council's Delivery Program.

Relevant excerpts from Council's Asset Management Strategy are included as Annexure 5 to this submission.

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

Council's Long Term Financial Plan outlines the key assumptions that have been used in calculating the benchmarks in section 2 and the expected benchmarks in the performance improvement plan. A copy is attached (Annexure 3).

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
To reduce asset infrastructure backlog	a) Allocation of additional funds from 2016/17 SRV to rural sealed road, playground and building renewal programs.	Approval of SRV	Addresses gap in service levels agreed with community and ensures asset renewal, infrastructure backlog and maintenance ratios are sustainable.	Infrastructure backlog and asset maintenance ratios
	b) Implementation of Asset Management Improvement Plan.	As contained in Asset Management Improvement Plan	Improved management of Council's assets as a whole and improved level of	

			community satisfaction with service standards.	
	c) Apply for grant funding from Federal & State Governments to address renewal and enhancements to existing infrastructure assets.	Success of grant applications submitted	Reduction in reliance on Council funding to maintain and improve infrastructure	
	Ensure information contained within Special Schedule 7 of Financial Reports meets new audit requirements	Unqualified Financial audit report received	Reliable and consistent information on which to make asset related decisions	Infrastructure backlog and asset maintenance ratios
	Implement annual actions contained within Council's Delivery Program / Operational Plan as they relate to	Maintenance & renewals works programs delivered	Assets maintained and renewed in accordance with optimum asset management practices.	Infrastructure backlog and asset maintenance ratios

Council's Asset
Management
responsibilities

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.

Council has addressed its efficiency through a strategic approach following a review of Council's ongoing financial sustainability. Council's approach involved extensive management research utilising external expertise where required to guide Council's decision making and then strong and decisive political leadership to implement actions required to achieve a sustainable outcome. This has resulted in a significant improvement in Council's financial position since 2011 as shown in the chart previously referenced in this submission.

In summary Council undertook a comprehensive service level review following research with other councils and the ACELG, critically reviewed all budget expenditure, restructured the organisation to align resources with needs (particularly asset management and efficiency), and now has a strategy to embed further improvement through its Business Improvement Program (based on the Australian Business Excellence Framework), and Information Communication and Technology Strategy. Council is also a participant in the Local Government Professionals Australia NSW / PWC Operational & Management Effectiveness Survey which provides benchmarking data with other councils and assists in identifying further improvement opportunities.

Council is in the process of developing a Strategy Map to link performance measurement through all levels of the organisation as a component of the Business Improvement Program. This will provide an important improvement to ensure strategy is linked through to measures which track achievement of outcomes and provide trend data for decision making.

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

Council's Long Term Financial Plan outlines the key assumptions that have been used in calculating the benchmarks in section 2 and the expected benchmarks in the performance improvement plan. A copy is attached (Annexure 3).

3.3 Efficiency

Outline your strategies and outcomes in the table below.

3.3 Efficiency

Objective	Strategies	Key milestones	Outcome	Impact on other measures
Regularly review Council's levels of service and business processes. (DP/OP 14.4.1)	<p>a) Continue process reviews through the mapping of current processes and identification and implementation of improvement opportunities.</p> <p>b) Implement action plans based on outcomes of organisational culture survey and self-assessment</p>	<p>Program rollout according to project plan.</p> <p>Business improvement through focus on process mapping, improvement</p>	<p>Development of GLC culture as a platform for business improvement. Positive and enabling culture = improved productivity.</p>	<p>Positive impact on Operating Performance ratio where efficiencies translate into actual \$ savings.</p>

	against the Australian Business Excellence Framework.	projects arising from ABEF Guided self-assessment and Leadership Development.		
Provide ICT systems which are current, secure, stable and support Council business operations. (DP/OP 14.2.1)	ICT Strategy 2013-2018 (Annexures 6 & 7)	Implement in accordance with strategy project plan	ICT systems which support efficient business processes across councils operations.	
Implement an integrated performance measurement framework across the organisation. (DP/OP 14.5.4)	a) Develop a performance reporting framework using the 'Results and Sustainable Performance' category of the Australian Business Excellence Framework as a guide.	Development of Strategy map and performance measures	A systematic approach to monitoring and measurement of performance to ensure alignment with Council Strategies and to identify opportunities for improvement.	

b) Implement a Corporate Performance Planning & Reporting software system.

- Software system selected.
- System scoping and implementation completed.
- Staff trained and actively using system.

c) Continue participation in the PWC / Local Government Professionals, Australia NSW "NSW local government operational and management effectiveness" benchmarking survey.

- Data collation, submission and verification processes completed.
- Final Report released.
- Report analysed and opportunities for improvement identified.

Benchmarking data to enable comparison / review against other councils and focus improvement initiatives.

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. Special rate variation application in line with Council’s 2015/16 Delivery program (Annexure 8)	Further consultation with community in October/November 2015 and application submitted to IPART in February 2016
2. Asset Improvement Plan implemented (Annexure 5)	Targets achieved as per improvement plan
3. Business Improvement Program	Continued rollout of service reviews and process reviews using Promapp as a process review tool.

	<p>ABEF Team guided self-assessment and action planning.</p> <p>Strategy Map and performance measurement framework developed.</p> <p>Knowledge transfer to Business Improvement Team to enable continuation of program development and support in house from late 2016.</p>
4. ICT Strategy (Annexure 6 & 7)	Implementation as per strategy.
5. Procurement Improvement Plan (Annexure 4)	Implementation as per Plan
6. Benchmarking - Continued participation in PWC / Local Government Professionals Survey	Benchmarking report received and considered.

7. Hunter Councils - Continued participation in Regional Joint Organisation and support of initiatives

Completion and review of Pilot in conjunction with OLG

*** Please attach detailed action plan and supporting financial modelling**

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

Council's action planning to be a Fit for the Future council has been a long term process which has involved a committed internal effort by Councillors and Council staff together with external assistance.

Professor Percy Allan undertook a sustainability review in 2008. Council staff researched other councils and participated in the ACELG/UTS Service Level Review training to inform Council's service level review process. Morrison Low assisted Council in undertaking an initial long term financial plan review and developed a corporate overhead cost recovery methodology for major external funded programs.

Following the Local Government Infrastructure Audit Council engaged Morrison Low to complete our asset management review and develop an asset management improvement plan.

Council worked with PMMS consulting group in the development of a procurement road map under the NSW-LG procurement road map program.

Council has partnered with Matrix Leadership Networks P/L in the development and implementation of the Business Improvement Program which utilises the Australian Business Excellence Framework as its basis and uses other tools such as Human Synergistics culture and leadership impact surveys.

Council effectively uses external expertise as required and ensures knowledge transfer to council's skilled staff across the organisation.

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.

As indicated previously in this submission Council entered into a cooperative arrangement with Gloucester Shire Council to investigate a merger option. Through the Office of Local Government Morrison Low was engaged to undertake the merger analysis in accordance with the specification prepared by the Office of Local Government. The Report prepared by Morrison Low is attached (Annexure 1).

In terms of the financial costs and saving Morrison Low made the following comment:

"While the merged council has a number efficiencies modelled in over the short, medium and longer term the short term costs arising from the merger and the redundancy costs that arise in the medium term are not overcome by benefits in the medium and longer term and as a result the financial performance remains poor throughout the period being modelled. The merged council does not produce a positive operating result (excluding grants and contributions for capital purposes) over the entire period being modelled."

As indicated in the Executive Summary, both Councils reviewed the report from Morrison Low and separately concluded that a merger of the 2 councils was not in the best interests of either community as the merged organisation would not be financially viable particularly given the impact of the legislative protections for staff and communities contained within the Local Government Act.

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)	-2.88%	-4.80%	-4.75%	-3.36%	-1.50%	0.41%	Yes
Own Source Revenue Ratio (Greater than 60% average over 3 years)	72.47%	74.60%	76.59%	77.23%	78.26%	78.76%	Yes
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	127.26%	127.75%	113.43%	104.47%	91.61%	94.47%	Yes
Infrastructure Backlog Ratio (Greater than 2%)	2.85%	2.16%	2.40%	2.16%	1.88%	1.99%	Yes
Asset Maintenance Ratio (Greater than 100% average over 3 years)	100%	100%	100%	100%	100%	100%	Yes
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	12.36%	13.28%	13.54%	13.50%	13.31%	12.67%	Yes
Real Operating Expenditure per capita A decrease in Real Operating Expenditure per capita over time	1.52	1.50	1.48	1.46	1.44	1.42	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.

Council will meet all FFTF benchmarks in the timeframe identified for regional councils.

5. Putting your plan into action

How will your council implement your Improvement Action Plan?

Council's improvement action plans are embedded in Council's core strategy documents including the Delivery Program / Operational Plan. Other strategies linked to this have appropriate actions assigned to the relevant leadership level within Council's organisation. Councillors as the elected body have the strategic oversight to ensure the adopted strategies are effective and are being effectively implemented.

Annexure

1. Gloucester Shire & Great Lakes Councils - Fit for the Future - Shared Modelling Report prepared by Morrison Low, March 2015.
2. Great Lakes Council Scale & Strategic Capacity Supporting Documentation
3. Great Lakes Council Long Term Financial Plan 2015 - 2025, Version 4 - April 2015.
4. Great Lakes Procurement Improvement Plan
5. Great Lakes Council Asset Management Improvement Plan, Version 1 - April 2015.
6. Great Lakes Council ICT Strategic Plan 2013 - 2018 - Executive Summary
7. Great Lakes Council ICT Strategy Plan 2013 - 2018
8. Great Lakes Council - Delivery Program / Operational Plan Extract - Special Rate Variation Proposal for 2016/2017.