

Kogarah City Council

Council Improvement Proposal

(Existing structure)



Office of
Local Government



Getting started . . .

Before you commence this template, please check the following:

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

Council name: Kogarah City Council

Date of Council resolution endorsing this submission: 29 June 2015
(See Annexure 1)

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.

In response to the direction of the Minister for Local Government and in view of the content of the final report of the Independent Local Government Review Panel (ILGRP), Kogarah City Council commenced dialogue in November 2014, with Hurstville, Rockdale, and Canterbury Councils to explore the Panel's proposed merger option. Subsequent to this initial meeting, Kogarah City Council advised that it had engaged consultants to gather data to inform discussions and confirmed its willingness to pursue investigation of the Panel's option with those councils following receipt of that data, with this willingness being regularly reaffirmed. However, at no stage did all four councils concurrently agree to progress these investigations. Therefore, notwithstanding Council's best endeavours, this option was not able to be explored in the absence of the commitment of each of those councils.

Kogarah City Council compiled a range of comparative data (See annexure 2) to inform any dialogue with the nominated councils and to provide the basis of its response to the Fit for the Future program. This modelling assessed how Kogarah City Council performs against the ILGRPs proposal, two other merger options involving neighbouring councils and also the option for Kogarah City Council to stand alone.

Assessment of the data concluded that Kogarah City Council has the proven capacity to stand alone. The independent modelling demonstrated that, based on criteria relating to sustainability, infrastructure and service management, and efficiency, each of the amalgamation options would have a negative impact on residents, rate payers and the community of Kogarah. This, combined with the inability to progress meaningful investigations of the merger option with Hurstville, Rockdale and Canterbury Councils dictated that Council complete and submit Template 2, Council Improvement Proposal (Existing structure).

Kogarah City Council has, over the long term, consistently demonstrated its ability to deliver excellence in asset and financial management and sustainability. This approach to Council's key functions has been entrenched throughout the organisation and is not merely a reaction to the current reform processes.

Council currently meets five (5) of the seven (7) benchmarks set by the NSW Government and will meet all seven (7) benchmarks from 2017/18. This final benchmark will be achieved by pursuing specific improvement strategies that will result in satisfaction of the Operating Performance Ratio and Building and Asset Renewal Ratio. In particular, this will be achieved by focusing on operating cost control and efficiencies, and leveraging off Council's asset management knowledge and practices to provide greater accuracy for annual depreciation charges on Council's main infrastructure. These actions will deliver improved operating performance and the required building and infrastructure performance ratio.

Furthermore, Council currently demonstrates scale and capacity on any reasonable qualitative assessment (see annexure 3), including our track record of innovation, best practice and financial management, with significant achievements across the spectrum of our services, many of which have been recognised at a local, national and international level.

The Fit for the Future Program has provided Council with the opportunity to extensively engage with the community to ensure that they had an opportunity to provide feedback on the future of the City of Kogarah (See annexure 4). The consultation process included:

- Background information provided in the March 2015 edition of Council's resident newsletter *Kogarahlife*
- A 12 page information brochure titled 'The Future of the City of Kogarah' distributed to all households in the Kogarah LGA. This information outlined a range of options for the community to consider and ways in which they could provide feedback to Council.
- A telephone survey of 600 residents randomly selected and conducted by an independent consultant.
- An online survey available on Council's website with a hard copy of this survey distributed to all households in the information brochure 'The Future of the City of Kogarah'.
- The establishment of a dedicated email address to receive responses.

- Detailed information placed on Council's website.
- Consultation sessions conducted with Council's Community Reference Group.

Overwhelmingly the community stated that the option presented for Kogarah to stand alone was the preferred option. 85% of those surveyed through Council's telephone survey and 91% of those who responded to the survey online or through the information brochure responded in that manner.

1.2 Scale and Capacity

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

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

Yes / **No**

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

In its final report, the ILGRP recommended an amalgamation of Kogarah, Hurstville, Rockdale and Canterbury councils.

The ILGRP Panel did not provide any empirical evidence to support the merger proposal nor was there detailed demonstration of any anticipated benefits and disadvantages. In order to gain this understanding, and to proactively comply with the Minister for Local Government's directive, Council engaged Local Government and financial services specialist consultants, Morrison Low, to undertake merger business case modelling (See annexure 2). This modelling assessed how Kogarah City Council, standing alone, performs against the criteria. It also assessed the criteria against the ILGRPs proposal and two other merger options involving neighbouring councils. The scenarios modelled and assessed are as follows:

- Kogarah City Council remaining independent (stand-alone / existing structure)
- Kogarah and Hurstville councils amalgamation
- Kogarah, Hurstville and Rockdale councils amalgamation
- Kogarah, Hurstville, Rockdale and Canterbury councils amalgamation (ILGRP's proposal).

The modelling clearly demonstrates that, based on the criteria relating to sustainability, infrastructure and service management, and efficiency, each of the amalgamation options would impact negatively on the residents, ratepayers and the community of the City of Kogarah.

Kogarah City Council currently meets five (5) of the seven (7) benchmarks and Kogarah City Council's Delivery Program 2013-2017, incorporating the 2015/16 Operational Plan (Year 3) and budget, demonstrates how Council's revised forecasts will enable it to achieve all seven (7) benchmarks from 2017/18. It is important to note that Council met five (5) of the seven (7) benchmarks prior to them being established through the Fit for the Future Program and has continuously satisfied those criteria for many years prior.

The ILGRP report states that Scale and Capacity criteria are based on the key elements of strategic capacity which have been incorporated into IPART's 'Methodology for Assessment of Council Fit for the Future Proposals' (Box 3.1, p21).

Council has undertaken an extensive qualitative review of the key elements of strategic capacity (see annexure 3). It is apparent from this analysis that Kogarah City Council would satisfy any reasonable assessment against the Scale and Capacity criteria based on a substantial collection of demonstrable evidence including:

- Council's proven record of sound financial and asset management along with positive future projections. This approach to Council's key functions has been entrenched throughout the organisation and is not merely a reaction to the current reform processes;
- Extent of industry recognition in relation to best practice. This was recently acknowledged by the Office of Local Government (OLG) through its Promoting Better Practice Review undertaken in 2014 with six Council initiatives being highlighted as industry best practice (see annexure 10);
- Local, national and international awards granted in recognition of innovative projects;
- Proven record of collaboration with State and Federal Government agencies including the securing of major grant funding; and
- Regional collaboration with Hurstville, Rockdale and other SSROC councils. For example, savings of over \$46 million derived through a regional waste collection contract with Hurstville and Rockdale Councils.

Kogarah City Council's asset management processes and the condition of its infrastructure have been independently assessed as being at the highest level (see annexure 5). Council is also in the enviable position of having extremely low levels of external debt, providing the capacity to fund any future infrastructure costs should funding not be available from other sources. Further, Council has a proven record of innovation, with significant achievements across the spectrum of our services, many of which have been recognised at a local, national and international level.

The data collated by Council's independent consultant clearly demonstrates that Kogarah City Council has a proven capacity to stand alone and that any amalgamation would have a detrimental impact on our community. This sentiment was strongly reflected by our community throughout the consultation process with over 85% of respondents not wanting any form of amalgamation that includes Kogarah City Council (see annexure 4 for a full summary of the community consultation and results).

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.

The Kogarah Local Government Area (LGA) is located 14 km south of the Sydney CBD and covers approximately 20 square kilometres. With the presence of major businesses, including St George Bank Headquarters and four public and private hospitals, the LGA has significant competitive strength in both the financial and health sectors. Aside from being the financial and medical hub of the Southern Sydney region, the LGA is further known for its sporting history, scenic parks and foreshore, and family-oriented lifestyle.

Kogarah's population at the 2011 Census was 55,805, a 6.2% increase from the 2006 Census. By 2031, Kogarah's population is projected to increase to 76,350.

The 2011 Census reveals that Kogarah has a slightly lower proportion of young age groups (0-17 years) and a higher proportion of people in the older age groups (60+ years) than the Greater Sydney average. Overall, 21.3% of the population was aged between 0 to 17 and 19.3% were aged 60 years and over, compared with 22.9% and 18.0% respectively for Greater Sydney.

Kogarah has a high proportion of people born overseas (41.2%) with 36.8% being from a non-English speaking background. The largest non-English speaking country of birth was China, where 13% of the population were born. The next most common countries of birth were Greece (2.2%), Hong Kong (2.2%) and the United Kingdom (2.0%).

The majority of Kogarah residents speak English well or very well (87%). 49.8% of the population speak a language other than English. The most common languages spoken at home, other than English, were Chinese (Cantonese and Mandarin) (19.2%), Greek (8.1%) and Arabic (3.6%).

The Kogarah Town Centre is the financial, educational and medical hub and a major employment generator for the St George and Southern Sydney Region. The Metropolitan Strategy identifies Kogarah as a strategic centre and over the next 25 years the Kogarah Town Centre is expected to provide an additional 4,500 jobs.

Kogarah City Council has a significant portfolio of infrastructure and assets. The total value of these assets is in excess of \$560 million and includes 169km of sealed roads, 219km of footpaths, 56 children's playgrounds and 189 hectares of open space.

Kogarah City Council's Community Strategic Plan highlights the community's goals and priorities and the challenges Council could face in the future (See Annexure 6). In particular, housing affordability was identified as a key issue for our community. It is becoming increasingly difficult to purchase a house or unit to stay in the area close to other family members. Having a large medical and educational precinct within the City of Kogarah means that key community service workers such as teachers, nurses, police and other emergency services workers are also likely to want to live as close to work as possible.

Kogarah's natural environment is highly valued by its community, with river and foreshore areas, as well as parks and reserves, featuring prominently in the Community Strategic Plan.

2.2 Key challenges and opportunities

Strengths	Weaknesses
<p>Employee attributes and skills</p> <ul style="list-style-type: none"> • Industry leadership – ability to develop industry leaders • Council's reputation means that we have an advantage in being able to attract high calibre staff • Existing staff and expertise – passion for the industry • Australian Government 50:50 Gender Equity Program Silver Accreditation • “<i>Kan do Kogarah</i>” attitude, morale, vibe, culture. • Training – Staff have opportunity to pursue professional development – in house in partnership with TAFE, traineeships, professional conferences and sponsored study schemes, as well as formal and informal mentoring. • Innovative solutions to complex problems <p>Effective decision making capability</p> <ul style="list-style-type: none"> • Comprehensive documented strategic framework (CSP) – vision, values, goals and strategies that are embedded into operational processes and monitored on a regular basis by management and Council. • Needs identification is linked to decisions. • Sound budgeting linked to CSP and service levels. • The ratio between management and staff allows effective / efficient management of issues/ resources / Council. This is reflected in optimum staff ratios. • Current size allows agility and adaptable approaches to effectively solving issues. 	<ul style="list-style-type: none"> • There is no consistency of industry methodology for asset depreciation • KPI's as part of IP& R process need further development and refinement • Refinement of knowledge around service levels is required • Council is highly regarded for its environmental initiatives but develops high expectations that need to be met with associated costs • Reliance on State and Federal legislation to determine revenue sources • Local Government's inability to prevent cost shifting from State and Federal Governments. • Intensification of housing density leading to increase in ratio of minimum rated properties resulting in distortion within the rating structure.

<p>Community Engagement</p> <ul style="list-style-type: none"> • Community endorsement of Council – strong level of community engagement and participation from community in decision making. <p>Reputation</p> <ul style="list-style-type: none"> • Environmental Awards – local, national and international recognition • Exceed benchmarks in many areas (Childcare National Quality Framework Standards, environment) • Culture of continual improvement. • Long term history of effective political and managerial leadership. • Long term history of achieving Council and community goals <p>Assets Management</p> <ul style="list-style-type: none"> • Mature asset management system • Current data collection allows good decision making • GIS management systems provide reliable data and information that assists Council in determining priorities • Improved data provides efficiency gains • Current sound financial system – forecast to remain financially sustainable and in a good position to maintain assets • Infrastructure backlog effectively zero. • Positive relationship between executive, Council and staff • Interdepartmental cooperation and communication, encourages innovation, skill development and prompt decision making. 	
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<p>Partnerships and collaboration</p> <ul style="list-style-type: none"> • Ability to collaborate with other tiers of government to ensure correlation with their plans • Partnerships with NGO's – provision of accommodation for NGO's – play groups, respite services, day care and community care providers. • Strong capacity to work regionally with Councils - SSROC, procurement • Smart buyer of services • Leadership ability to control strategy 	
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Opportunities	Threats
<ul style="list-style-type: none"> • Enhancement of income opportunities – foreshadowed legislation changes to allow increased income streams. • Further partnerships • Geographically central and highly skilled local population – easier to attract skilled workforce • Consistent benchmarks to evaluate against Local Government sector across all functional areas • Reporting consistency across local government • Positive and productive relationship with community which will enable Council to build on – greater community engagement in decision making • Further development of robust revenue streams 	<ul style="list-style-type: none"> • Amalgamation – <ul style="list-style-type: none"> ○ High transition costs ○ Will negatively impact on all financial benchmarks ○ Impact on open communication, community engagement and relationships ○ Reduce local representation ○ Impact on communities of interest • Climate change <ul style="list-style-type: none"> ○ Assets – ability to renew and maintain ○ Cost of risk management • Cost shifting <ul style="list-style-type: none"> ○ More legislative responsibility without corresponding additional resourcing ○ Vertical fiscal imbalance • Demographic change – impact of service level requirements – childcare, aged care, libraries, open space, community engagement / harmony programs, waste management, traffic management. • Local Government Award NSW <ul style="list-style-type: none"> ○ Increased salary cost ○ Inflexibility of the award, particularly functions and professions that compete with private enterprise • Expectations of community for increased service levels and facilities at a time of fiscal restraint

2.3 Performance against the Fit for the Future benchmarks

Sustainability				
Measure/ benchmark	2013 / 2014 performance	Achieves FFTF benchmark?	Forecast 2016 / 2017 performance	Achieves FFTF benchmark?
Operating Performance Ratio (Greater than or equal to break-even average over 3 years)	-3.3%	No	-0.2%	No
Own Source Revenue Ratio (Greater than 60% average over 3 years)	85.6%	Yes	90.1%	Yes
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	74.5%	No	97.9%	No

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

The figures above highlight the improved Council performance from the 2013/14 year to 2016/17. By 2016/17 Council is only marginally behind benchmark as it is averaged over three years. Council exceeds all benchmarks when looking at each financial year individually from the 2015/16 financial year. All benchmarks met when averaged over three financial years from 2017/18 (see performance improvement shown in table 4.1).

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%)	0.65%	Yes	0.64%	Yes
Asset Maintenance Ratio (Greater than 100% average over 3 years)	103.1%	Yes	104%	Yes
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	0.01%	Yes	0.01%	Yes

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

N/A

2.3 Performance against the Fit for the Future benchmarks

Efficiency

Measure/ benchmark	2013 / 2014 performance	Achieves FFTF benchmark?	Forecast 2016 / 2017 performance	Achieves FFTF benchmark?
Real Operating Expenditure per capita A decrease in Real Operating Expenditure per capita over time	\$670	Yes	\$630	Yes

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

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.

Kogarah City Council is forecast to meet all three of the sustainability benchmarks from 2017/18. Council is currently in year 2 of a 4 year special rate variation that will continue to improve all three sustainability benchmarks. With a focus on operating cost control, additional funds will be used for asset renewals. Council has demonstrated efficiency and productivity by delivering operational savings over the last decade. Since 2009/10 Council has included an efficiency dividend within its budget. This will again enhance Council's operating performance over the forward estimates. Council is also leveraging off its asset management knowledge and practices to provide greater accuracy for annual depreciation charges on its main infrastructure. This will provide an improved operating performance and the required building and infrastructure asset renewal ratio.

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.

All key assumptions for Council's forecasts are contained within Council's Long Term Financial Plan (LTFP) (see annexure 7). Council is currently in year 2 of a 4 year special rate variation. Rates income will increase by 4.8% for 2015/16 and 2016/17. Rates increases from 2017/18 onwards do not incorporate any special rate variations and are at estimated at 2.5%p.a. Growth in rates income is estimated from planning development targets multiplied by the minimum rates (annualised). Wages are estimated to grow at 3.2% p.a. The majority of other expenses are to be maintained between 2% and 2.5% increases p.a. Council has identified that depreciation charges do not correctly reflect the actual consumption of Council's infrastructure assets. Past asset revaluations and the write back of depreciation has highlighted the disparity between current depreciation charges and actual asset consumption. Council's forecasts have been amended to show a more realistic depreciation charge for its main infrastructure asset categories.

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 Rating Revenue	Existing SRV in place	Current SRV applied in 2015/16 and 2016/17 financial years	Increase in rates income greater than rate-pegging (4.8%)	Improves all sustainability benchmarks
Expenditure Control	Efficiency / Productivity dividend included in budget	Annual budgeted efficiency target met	Improved operating performance. Additional funds available for renewals	Improves efficiency measures and infrastructure management
	Monthly Budget reviews	Budget forecasts met/exceeded	Forecasts achieved Additional funds available for renewals	
Depreciation Review	Review asset depreciation charge for major infrastructure	New calculation signed off by Council auditor	Depreciation charge that more closely aligns to actual asset consumption	Improvement to infrastructure benchmarks

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.

Kogarah City Council currently meets all three infrastructure and service management benchmarks. Council's forward estimates indicate that Council will continue to meet all three benchmarks. Council's very strong asset management practices will ensure that all three benchmarks will be maintained. Kogarah City Council has a very low level of infrastructure backlog and is spending sufficiently to maintain and renew its infrastructure. Council's budgets maintain the required level of funding throughout the forward estimates. Council's low level of debt provides the capacity to borrow for infrastructure needs that may arise in the future however no additional borrowings have been forecast at this stage. Council has maintained sufficient reserves to maintain infrastructure at the high service levels expected by our community.

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

The key assumptions that underpin these benchmarks are the service levels agreed with the community. Kogarah City Council's current SRV was structured around a Delivery and Operational Plan developed in conjunction with our community (See annexure 8). Assuming the agreed service levels are maintained over the forward estimates Council will continue to meet all three benchmarks. Council's low debt levels allow scope for Council to borrow additional funds if required whilst still allowing the debt service ratio to remain within acceptable limits. Forward estimates for depreciation charges have been lowered to provide a more accurate reflection of asset consumption. Changes to depreciation charges on Council's main infrastructure asset categories of roads, kerbs, footpath and stormwater will reduce depreciation by \$1.8m from the 2015/16 financial year. This figure is supported by previous revisions to depreciation from the revaluation process.

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
Maintenance Expenditure Levels Maintained	Forecast maintenance for infrastructure has been maintained in accordance with agreed service levels and asset management requirements	Monthly review of expenditure and maintenance work carried out	Maintenance expenditure as budgeted Scheduled maintenance finalised as programmed	Operating performance ratio maintained as forecast Building and Infrastructure Renewals ratio maintained as forecast

3.2 Infrastructure and service management

Objective	Strategies	Key milestones	Outcome	Impact on other measures
Asset Renewals Completed as Planned	Asset renewals are carried out at required intervention point to maintain service levels and forecast renewal costs	Renewal of assets carried out in accordance with annual renewal program and budget	Current backlog can be reduced over time	Operating performance ratio maintained as forecast Building and Infrastructure Renewals ratio maintained as forecast
Depreciation Review	Review asset depreciation charge for major infrastructure	New calculation signed off by Council auditor	Depreciation charge that more closely aligns to actual asset consumption	Operating performance ratio maintained as forecast Building and Infrastructure Renewals ratio maintained as forecast

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.

Kogarah City Council currently meets the efficiency measures and is forecast to meet those measures over the forward estimates. Council currently budgets for an annual efficiency/productivity dividend, and has done so since 2009/10. Council's forward estimates maintain the financial discipline achieved to date. Council has a thorough monthly budget review process which is reported to Council. Innovation is encouraged in the organisation to drive productivity improvements providing greater efficiencies for the community over time. Council is a keen participant in regional procurement programs to ensure the most efficient use of scarce resources.

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

Key assumptions for expenditure have been detailed in Council's Long Term Financial Plan (LFTP) (see annexure 7). There are no material changes to Council's workforce numbers over the forward estimates. The growth in expenditure costs has been budgeted at 3.2% to reflect expected award wage increases plus the required skills and performance changes. Forecast growth in other expenditure items have generally been limited to between 2% and 2.5%. Costs expected to increase faster than inflation have been budgeted above the Reserve Bank target range for CPI of between 2% and 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
Maintain improvement in efficiency ratio	Budget for efficiency dividend Encourage innovation	Budgeted efficiency dividend delivered	Actual efficiency returns greater than or equal to budget	Improved operating performance ratio Provide additional resources for asset renewals and maintenance
Maintain Budgetary Control	Monthly budget reviews performed and reported to Council	Expenditure maintained as forecast	All expenditure forecasts met	Improved operating performance ratio Provide additional resources for asset renewals and maintenance
Regional Collaboration	Collaborate regionally to drive innovation and deliver procurement savings	Participation in joint procurement and shared services where appropriate	Cost savings delivered and ability to compare best practice outcomes	Improved operating performance ratio Provide additional resources for asset renewals

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. Continuation of current SRV	Allowable rate increases applied
2. Maintain expenditure control	Monthly budget and rolling service reviews completed and reported to Council Annual efficiency dividend delivered
3. Depreciation review	Sign off from Auditors of depreciation expense changes

Action plan

Actions

4. Continue regional collaboration and procurement where advantageous for Council

Milestones

Demonstrated support by Council of regional collaboration and procurement

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

The detailed action plan and supporting financial modelling can be found in the following annexures:

- Annexure 7 – Resourcing Strategy (specifically the Long Term Financial Plan)
- Annexure 8 – The Delivery Program incorporating the 15/16 Operational Plan
- Annexure 9 – Kogarah City Council's Fit for the Future Self-Assessment

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

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

Kogarah City Council has, over the long term, consistently demonstrated the ability to deliver excellence in asset and financial management and sustainability. This approach to Council's key functions has been entrenched throughout the organisation and is not merely a reaction to current reform processes.

In a culture of evaluation and continual improvement, Council regularly reviews its strategic planning documents. Kogarah City Council's Action Plan has been embedded in both the Long Term Financial Plan (LTFP) and Delivery Program (see annexure 7 and 8). These documents were recently reviewed in consultation with Council's Senior Executive Team and Councillors and were adopted by Council at its meeting on 22 June 2015.

In addition, in relation to action three, the depreciation review, Council staff will continue to work with Council's independent auditor to undertake the review and implement the findings.

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.

In response to the direction of the Minister for Local Government and in view of the content of the final report of the Independent Local Government Review Panel (ILGRP), Kogarah City Council commenced dialogue in November 2014, with Hurstville, Rockdale, and Canterbury Councils to explore the Panel's proposed merger option. Subsequent to this initial meeting, Kogarah City Council advised that it had engaged consultants to gather data to inform discussions and confirmed its willingness to pursue investigation of the Panel's option with those councils following receipt of that data, with this willingness being regularly reaffirmed. However, at no stage did all four councils concurrently agree to progress these investigations. Therefore, notwithstanding Council's best endeavours, this option was not able to be explored in the absence of the commitment of each of those councils. For a full history of this dialogue see confidential annexure 1.

Kogarah City Council compiled a range of comparative data (See annexure 2) to inform any dialogue with the nominated councils and to provide the basis of its response to the Fit for the Future program. This modelling assessed how Kogarah City Council performs against the ILGRPs proposal, two other merger options involving neighbouring councils and also the option for Kogarah City Council to stand alone.

Assessment of the data concluded that Kogarah City Council has the proven capacity to stand alone. The independent modelling demonstrated that, based on criteria relating to sustainability, infrastructure and service management, and efficiency, each of the amalgamation options would have a negative impact on residents, rate payers and the community of Kogarah.

Council currently meets five (5) out of the seven (7) benchmarks set by the NSW Government and will meet all seven (7) benchmarks from 2017/18.

By way of contrast, neither the ILGRP's proposed merger option nor any other merger options analysed satisfied all seven (7) of the criteria from 2017/18. In fact, projections of those options out to 2022/23 concluded that each of those options were unable to satisfy all of the criteria at any point.

To inform and engage the community regarding the Fit for the Future program, Council prepared a comprehensive consultation strategy and undertook a statistically valid telephone survey and an online community survey to gather feedback and gauge community sentiment regarding the various options. This consultation returned overwhelming support for the option for Kogarah City Council to continue to stand alone. For a full summary of Council's community consultation and results see annexure 4.

Based on the results of the modelling, outcomes of the community consultation process and the inability to progress meaningful investigation of the ILGRP's proposed merger option with Hurstville, Rockdale and Canterbury Councils, Council resolved, at its meeting of 25 May 2015 (see annexure 1), not to pursue any merger option and instead complete and submit Template 2, Council Improvement Proposal (Existing structure). The template was prepared and subsequently submitted to the Extraordinary Council Meeting of 29 June 2015 where it was resolved that the Template be endorsed for submission to IPART. At this meeting Council also resolved *"That in the event that the State Government mandates amalgamations, based on consideration of community of interest factors and demonstrated capacity for regional collaboration, an amalgamation comprising of Kogarah, Hurstville and Rockdale Councils would be preferable to the amalgamation proposed by the ILGRP which also incorporates Canterbury Council."*

Based on the recent assessment of Council undertaken by the Office of Local Government through its Promoting Better Practice Program (see annexure 10), it has been acknowledged that Kogarah City Council is a high performing organisation with a range of initiatives highlighted as industry best practice. Considering this recent review and comment, at the Extraordinary Council Meeting of 29 June 2015 Council further resolved *"That the Minister for Local Government, the Hon. Paul Toole, MP, be advised that Kogarah City Council is well positioned and equipped to actively facilitate and contribute to any industry reform processes in the future, including any mandated amalgamations"*.



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)	-0.022	-0.015	-0.002	0.016	0.019	0.018	Yes
Own Source Revenue Ratio (Greater than 60% average over 3 years)	88.3%	89.2%	90.1%	89.5%	89.7%	90.0%	Yes
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	77.1%	86.4%	97.9%	107.5%	109.8%	110.3%	Yes
Infrastructure Backlog Ratio (Less than 2%)	0.77%	0.72%	0.64%	0.56%	0.49%	0.43%	Yes
Asset Maintenance Ratio (Greater than 100% average over 3 years)	104.7%	103.9%	104.0%	104.0%	104.1%	104.2%	Yes
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	0.01%	0.005%	0.01%	0.01%	0.01%	0.01%	Yes
Real Operating Expenditure per capita A decrease in Real Operating Expenditure per capita over time	0.68	0.64	0.63	0.62	0.61	0.61	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.

N/A

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. Kogarah City Council has embraced the Integrated Planning and Reporting Framework (IP&R) and has incorporated it into all areas of Council's operations, a best practice initiative highlighted the Office of Local Government in its 2014 Promoting Better Practice Review. This Framework provides Council with the legislative mechanisms to clearly and effectively demonstrate the outcomes of projects and activities, how they are being funded and their cost. The Improvement Action Plan has been designed to align with the next cycle of IP&R Documents.

Council, at its meeting of 22 June 2015, adopted the Resourcing Strategy along with the 2015/16 Operational Plan (see annexure 7 and 8). Embedded within the LTFP are Council's forward projections used to determine Council's position against the Fit for the Future Benchmarks.

The Improvement Action Plan will continue to be incorporated into the Delivery Program 2016 – 2020. In addition, all of these actions will be listed in the Operational Plan with performance measures linked to each action. Each action is directly linked to a Manager and associated Director who is responsible for its implementation and reporting.

Council currently reports on the progress of the Operational Plan on a six (6) monthly basis and reports against its budget progress monthly. Integrating the Improvement Action Plan into the IP&R documents ensures that Council's progress is routinely reported to the community.

Council's Annual Report is a key accountability mechanism, providing the opportunity to report back to the community on the key achievements of the Operational Plan projects and activities and how Council is performing in relation to the Delivery Program.

The introduction of the IP&R Framework provided Council the opportunity to redesign its Annual Report in 2010/11 to include a chapter highlighting the activities undertaken to achieve the actions contained within the Delivery Program. This chapter is focused on reporting to the community rather than compliance with statutory requirements. As the Fit for the Future Improvement Action Plan is embedded in Councils IP&R documentation, Council's Annual Report will highlight its progress on this plan.

Annexures

1. Council reports and resolutions
2. Morrison and Low report
3. Key elements of strategic capacity
4. Community consultation summary and results
5. Asset Management Audit 2013
6. Community Strategic Plan
7. Resourcing Strategy
8. Delivery and Operational Plan
9. Council's Fit for the Future Self-Assessment
10. OLG Promoting Better Practice Review

Confidential Annexures

1. Dialogue with neighbouring councils